



City of  
**Blue Earth**

**CITY OF BLUE EARTH  
CITY COUNCIL WORKSESSION  
MONDAY, JUNE 7<sup>th</sup>, 2021, 4:30 P.M.  
AGENDA**

- 1. Call to order.**
- 2. Roll call.**
- 3. Old Business.**
- 4. New Business.**
  - a. 2020 Audit Presentation – Carlson SV
- 5. Adjourn.**

**By Order of the Blue Earth City Council**

**City Administrator Mary Kennedy**

Post @ City Hall-Friday, June 4<sup>th</sup>, 2021 through Monday, June 7<sup>th</sup>, 2021  
Distribute to Mayor & Council members-Media & file

**CITY OF BLUE EARTH**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2020**

**CITY OF BLUE EARTH, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS**

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**ELECTED OFFICIALS**

		Term Expires
Richard Scholtes	Mayor	2025
Wendy Cole	Council Member	2023
Marty Cassem	Council Member	2023
Russ Erichsrud	Council Member	2023
Dan Warner	Council Member	2025
Glenn Gaylord	Council Member	2025
John Huisman	Council Member	2025

**EX OFFICIO**

Mary Kennedy	City Administrator	Appointed
Echo Roggenkamp	Deputy City Clerk	Appointed

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Blue Earth, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Blue Earth, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

### **Basis for Qualified Opinion on Governmental Activities**

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

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on Governmental Activities* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities opinion unit, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information, and pension schedules as listed in the table of contents 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated XX XX, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carlson AV LLP

Fergus Falls, Minnesota  
June XX, 2021

## **BASIC FINANCIAL STATEMENTS**

*Government-Wide Financial Statements*

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Primary Government			Board of Public Works Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 6,552,843	\$ 986,021	\$ 7,538,864	\$ 1,819,455
Accounts receivable	110,113	211,755	321,868	915,543
Taxes receivable	30,819	-	30,819	-
Special assessments receivable	2,389,091	92,229	2,481,320	55,346
Due from other governmental units	9,630	-	9,630	-
Notes receivable	650,051	-	650,051	463,597
Inventories	-	286,851	286,851	610,443
Prepaid expenses	51,802	10,532	62,334	132,281
Property for resale	293,866	-	293,866	-
Total Current Assets	<u>10,088,215</u>	<u>1,587,388</u>	<u>11,675,603</u>	<u>3,996,665</u>
Noncurrent assets				
Restricted assets				
Cash and investments	-	-	-	904,104
Other assets	-	-	-	19,821
Capital assets not being depreciated	5,805,863	219,035	6,024,898	140,526
Capital assets net of accumulated depreciation	32,028,608	15,018,618	47,047,226	16,929,694
Total Noncurrent Assets	<u>37,834,471</u>	<u>15,237,653</u>	<u>53,072,124</u>	<u>17,994,145</u>
Total Assets	<u>47,922,686</u>	<u>16,825,041</u>	<u>64,747,727</u>	<u>21,990,810</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	242,576	20,846	263,422	161,127
Related to OPEB	-	-	-	105,063
Total Deferred Outflows of Resources	<u>242,576</u>	<u>20,846</u>	<u>263,422</u>	<u>266,190</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	214,416	52,225	266,641	252,807
Accrued expenses	1,146	19,946	21,092	14,621
Accrued payroll	10,473	6,497	16,970	-
Accrued interest payable	173,165	47,656	220,821	43,247
Compensated absences	-	-	-	111,291
Current portion of long-term debt	1,304,893	686,000	1,990,893	505,366
Total Current Liabilities	<u>1,704,093</u>	<u>812,324</u>	<u>2,516,417</u>	<u>927,332</u>
Long-Term Liabilities				
Compensated absences	69,183	25,176	94,359	-
Bonds and loans payable, net	17,606,202	8,256,790	25,862,992	4,516,421
Patron meter deposits	-	-	-	40,565
Due to City	-	-	-	122,044
Unearned revenue	-	-	-	514,418
Net pension liability	958,028	338,764	1,296,792	827,373
Post employment benefit	-	-	-	231,036
Total Long-Term Liabilities	<u>18,633,413</u>	<u>8,620,730</u>	<u>27,254,143</u>	<u>6,251,857</u>
Total Liabilities	<u>20,337,506</u>	<u>9,433,054</u>	<u>29,770,560</u>	<u>7,179,189</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	312,664	20,253	332,917	118,627
Related to OPEB	-	-	-	16,607
Total Deferred Inflows of Resources	<u>312,664</u>	<u>20,253</u>	<u>332,917</u>	<u>135,234</u>
<b>EXCESS OF TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES OVER TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
	<u>\$ 27,515,092</u>	<u>\$ 7,392,580</u>	<u>\$ 34,907,672</u>	<u>\$ 14,942,577</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 18,923,376	\$ 6,294,863	\$ 25,218,239	\$ 12,521,321
Restricted	3,913,975	-	3,913,975	40,565
Unrestricted	<u>4,677,741</u>	<u>1,097,717</u>	<u>5,775,458</u>	<u>2,380,691</u>
<b>TOTAL NET POSITION</b>	<u>\$ 27,515,092</u>	<u>\$ 7,392,580</u>	<u>\$ 34,907,672</u>	<u>\$ 14,942,577</u>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit Business-Type Activities
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 1,260,363	\$ 84,314	\$ -	\$ -	\$ (1,176,049)	\$ -	\$ (1,176,049)
Public safety	472,934	61,632	97,327	-	(313,975)	-	(313,975)
Streets and highways	2,576,978	359,200	10,200	-	(2,207,578)	-	(2,207,578)
Culture and recreation	720,047	71,622	196,529	-	(451,896)	-	(451,896)
Housing and economic development	633,968	291,093	100,000	-	(242,875)	-	(242,875)
Other	393,861	189,706	309,876	170,539	276,260	-	276,260
Interest and fiscal costs on long-term debt	562,178	-	179,125	-	(383,053)	-	(383,053)
Total Governmental Activities	6,620,329	1,057,567	893,057	170,539	(4,499,166)	-	(4,499,166)
Business-Type Activities							
Sewer	1,166,081	1,362,811	1,317	-	-	198,047	198,047
Liquor	1,871,858	2,006,057	2,122	-	-	136,321	136,321
Fitness center	123,985	104,066	616	-	-	(19,303)	(19,303)
Total Business-Type Activities	3,161,924	3,472,934	4,055	-	-	315,065	315,065
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,782,253</b>	<b>\$ 4,530,501</b>	<b>\$ 897,112</b>	<b>\$ 170,539</b>	<b>(4,499,166)</b>	<b>315,065</b>	<b>(4,184,101)</b>
Component Unit							
Electric	\$ 5,374,001	\$ 5,774,711	\$ -	\$ 1,743	-	-	402,453
Water	873,214	1,179,451	-	473	-	-	306,710
<b>TOTAL COMPONENT UNIT</b>	<b>\$ 6,247,215</b>	<b>\$ 6,954,162</b>	<b>\$ -</b>	<b>\$ 2,216</b>	<b>\$ -</b>	<b>\$ 5,881</b>	<b>709,163</b>
General revenues							
Property taxes					1,688,612	-	1,688,612
Franchise taxes					280,406	-	280,406
Tax increment					6,920	-	6,920
Aids and payments from the state					1,989,482	-	1,989,482
Gain (loss) on sale of equipment					6,147	-	6,147
Unrestricted net investment earnings					64,964	5,881	70,845
Miscellaneous					30,390	-	30,390
Refunds					-	-	-
Rent income					49,115	(1,987)	47,128
Other					4,116,036	3,894	4,119,930
Total General Revenues and Transfers					(383,130)	318,959	(64,171)
<b>CHANGE IN NET POSITION</b>					<b>27,681,877</b>	<b>7,073,621</b>	<b>34,755,498</b>
<b>NET POSITION - BEGINNING, AS PREVIOUSLY STATED</b>					<b>216,345</b>	<b>-</b>	<b>13,660,422</b>
<b>PRIOR PERIOD ADJUSTMENT</b>					<b>27,898,222</b>	<b>7,073,621</b>	<b>13,660,422</b>
<b>NET POSITION - BEGINNING, AS RESTATED</b>					<b>\$ 27,515,092</b>	<b>\$ 7,392,580</b>	<b>\$ 14,942,577</b>
<b>NET POSITION - ENDING</b>					<b>\$ 34,907,672</b>	<b>\$ 34,907,672</b>	<b>\$ 14,942,577</b>

(The accompanying notes are an integral part of these financial statements.)

*Fund Financial Statements*

**CITY OF BLUE EARTH, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2020**

	General Fund	Economic Development Authority	Capital Projects	2014A General Obligation Debt Service	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and investments	\$ 3,017,294	\$ 330,625	\$ 558,079	\$ 261,084	\$ 2,385,761	\$ 6,552,843
Accounts receivable	62,440	41,007	-	-	6,666	110,113
Taxes receivable – delinquent	10,939	1,414	-	1,273	17,193	30,819
Special assessments receivable	61,102	-	-	692,220	1,635,769	2,389,091
Due from other governmental units	2,741	403	-	238	6,248	9,630
Loans receivable	-	476,975	-	-	173,076	650,051
Land held for resale	-	144,620	-	-	149,246	293,866
Prepaid expenses	36,324	-	-	-	15,478	51,802
<b>TOTAL ASSETS</b>	<b>\$ 3,190,840</b>	<b>\$ 995,044</b>	<b>\$ 558,079</b>	<b>\$ 954,815</b>	<b>\$ 4,389,437</b>	<b>\$ 10,088,215</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 86,235	\$ 9,537	\$ 98,723	\$ -	\$ 19,921	\$ 214,416
Accrued expenses	1,146	-	-	-	-	1,146
Accrued payroll	9,571	786	-	-	116	10,473
Total Liabilities	96,952	10,323	98,723	-	20,037	226,035
Deferred Inflows of Resources						
Unavailable revenue - taxes and special assessments	72,041	1,414	-	693,493	1,652,962	2,419,910
Unearned revenue - loans receivable	-	476,975	-	-	173,076	650,051
Total Deferred Inflows of Resources	72,041	478,389	-	693,493	1,826,038	3,069,961
Fund Balances						
Nonspendable	36,324	144,620	-	-	164,724	345,668
Restricted	-	361,712	459,356	261,322	2,831,585	3,913,975
Unrestricted						
Assigned	922,849	-	-	-	-	922,849
Unassigned	2,062,674	-	-	-	(452,947)	1,609,727
Total Fund Balances	3,021,847	506,332	459,356	261,322	2,543,362	6,792,219
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,190,840</b>	<b>\$ 995,044</b>	<b>\$ 558,079</b>	<b>\$ 954,815</b>	<b>\$ 4,389,437</b>	<b>\$ 10,088,215</b>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF BLUE EARTH, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**December 31, 2020**

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**TOTAL FUND BALANCES – GOVERNMENTAL FUNDS** \$ 6,792,219

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

Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in the governmental funds:

General capital assets	\$ 53,845,383	
Construction in progress	5,081,143	
Accumulated depreciation	<u>(21,092,055)</u>	37,834,471

Delinquent and deferred property taxes and special assessments receivable and notes receivable are earned, but not available in the current period; therefore, they are recorded as deferred inflows of resources in the fund financial statements, but are a part of net position:

Unavailable revenue - taxes and special assessments	2,419,910	
Unavailable revenue - notes receivable	<u>650,051</u>	3,069,961

Accrued vacation pay is not due and payable in the current period; therefore, it is not reported as a liability in the funds. Accrued vacation pay is included in long-term liabilities in the statement of net position. (69,183)

Accrued interest on bonds is not recorded as a liability in the governmental funds; however, the statement of net position records this amount. Accrued interest at year-end is: (173,165)

Long-term debt payable is not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and notes	(18,596,639)	
Unamortized bond premium	<u>(314,456)</u>	(18,911,095)

Some liabilities, including net pension obligations, are not due and payable in the current period; therefore, they are not reported in the governmental funds. (958,028)

Deferred outflows and inflows of resources related to pension are applicable to future periods; therefore, they are not reported in the governmental funds.

Deferred outflow of resources related to pensions of \$242,576 = \$184,415 deferred outflows of resources pension expense + \$58,161 deferred outflows of 2020 employer contributions related to pensions.		242,576
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Deferred inflows of resources related to pensions		<u>(312,664)</u>
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**TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ 27,515,092**

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2020**

	General Fund	Economic Development Authority	Capital Projects	2014A General Obligation Debt Service	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes						
Property taxes	\$ 540,164	\$ 86,218	\$ -	\$ 51,907	\$ 1,013,392	\$ 1,691,681
Franchise taxes	280,406	-	-	-	-	280,406
Local sales tax	264,045	-	-	-	-	264,045
Tax increments	-	-	-	-	6,920	6,920
Special assessments	969	-	-	112,449	445,973	559,391
Licenses and permits	57,864	-	-	-	-	57,864
Intergovernmental	2,313,969	234,872	-	-	289,160	2,838,001
Charges for services	340,141	284,493	-	-	99,984	724,618
Fines and forfeits	11,040	-	-	-	-	11,040
Loan repayments	-	45,445	-	-	8,289	53,734
Net investment earnings	26,563	7,040	5,722	596	25,043	64,964
Contributions and donations	18,552	17,400	-	-	-	35,952
Refunds	30,390	-	-	-	-	30,390
Other	28,154	20,690	-	-	271	49,115
Total Revenues	<u>3,912,257</u>	<u>696,158</u>	<u>5,722</u>	<u>164,952</u>	<u>1,889,032</u>	<u>6,668,121</u>
<b>EXPENDITURES</b>						
Current						
General government	488,937	-	-	-	-	488,937
Public safety	862,002	-	-	-	-	862,002
Public works	1,087,936	-	-	-	-	1,087,936
Sanitation	31,964	-	-	-	-	31,964
Culture and recreation	432,091	-	-	-	-	432,091
Housing and economic development	37,105	547,335	-	-	52,873	637,313
Storm water	100,516	-	-	-	-	100,516
Other	247,205	121,471	-	200	353,793	722,669
Debt service						
Principal	9,237	-	-	167,440	1,726,731	1,903,408
Interest	4,287	-	-	58,665	525,408	588,360
Capital outlay	180,897	-	2,631,280	-	940,109	3,752,286
Total Expenditures	<u>3,482,177</u>	<u>668,806</u>	<u>2,631,280</u>	<u>226,305</u>	<u>3,598,914</u>	<u>10,607,482</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	430,080	27,352	(2,625,558)	(61,353)	(1,709,882)	(3,939,361)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond issue proceeds	-	-	2,407,641	-	1,014,455	3,422,096
Premium on bonds sold	-	-	31,343	-	61,188	92,531
Sale of property	1,947	28,810	-	-	-	30,757
Transfers in	50,000	-	-	50,000	200,000	300,000
Transfers out	(300,000)	-	-	-	-	(300,000)
Net Other Financing Sources (Uses)	<u>(248,053)</u>	<u>28,810</u>	<u>2,438,984</u>	<u>50,000</u>	<u>1,275,643</u>	<u>3,545,384</u>
<b>NET CHANGE IN FUND BALANCES</b>	182,027	56,162	(186,574)	(11,353)	(434,239)	(393,977)
<b>FUND BALANCES – BEGINNING</b>	<u>2,839,820</u>	<u>450,170</u>	<u>645,930</u>	<u>272,675</u>	<u>2,977,601</u>	<u>7,186,196</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 3,021,847</u>	<u>\$ 506,332</u>	<u>\$ 459,356</u>	<u>\$ 261,322</u>	<u>\$ 2,543,362</u>	<u>\$ 6,792,219</u>

(The accompanying notes are an integral part of these financial statements.)



**CITY OF BLUE EARTH, MINNESOTA**  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2020**

**NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** \$ (393,977)

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

Capital assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	\$ 308,473	
Construction in progress additions	3,204,861	
Depreciation expense	<u>(1,515,985)</u>	1,997,349

When capital assets are sold, the total amount of cash received is recorded as a gain on sale of capital assets in the governmental funds. However, in the statement of activities, the book value of the assets, net of accumulated depreciation, is deducted from the proceeds to determine a gain or loss on the sale. This amount is the net effect of the difference in the treatment of the sale of capital assets. (24,610)

Interest on long-term debt is not recognized until due in the governmental funds. In the statement of activities, interest is recognized as it accrues. This adjustment is the difference in accrued interest payable between the prior year and the current year.

Accrued interest payable - December 31, 2020	(173,165)	
Accrued interest payable - December 31, 2019	<u>179,246</u>	6,081

Loans receivable are recognized as revenue when collected in the governmental funds, but the revenue was already recognized when assessed in the statement of activities. This adjustment is the difference in loans receivable between the prior year and the current year.

Loans receivable - December 31, 2019	650,051	
Loans receivable - December 31, 2018	(666,392)	
Loan forgiveness	<u>(20,000)</u>	(36,341)

Delinquent and deferred property taxes and special assessments receivable will be collected, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources. This amount represents the change in deferred inflows of resources in the current period.

Unavailable taxes - 2020 and 2019	2,419,910	
Unavailable taxes - 2020 and 2019	<u>(2,803,245)</u>	(383,335)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond proceeds	(3,422,096)	
Principal payments on long-term debt	1,903,408	
Premium on new debt	(92,531)	
Amortization of bond premium	<u>20,101</u>	(1,591,118)

In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid during the year:

Compensated absences - December 31, 2020	(69,183)	
Compensated absences - December 31, 2019	<u>68,573</u>	(610)

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension liability - December 31, 2020	(958,028)	
Net pension liability - December 31, 2019	853,823	
Deferred outflows of resources - December 31, 2020	242,576	
Deferred outflows of resources - December 31, 2019	(367,995)	
Deferred inflows of resources - December 31, 2020	(312,664)	
Deferred inflows of resources - December 31, 2019	<u>585,719</u>	<u>43,431</u>

**CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES** **\$ (383,130)**

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2020**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Sewer</b>	<b>Liquor</b>	<b>Fitness Center</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 176,618	\$ 375,101	\$ 434,302	\$ 986,021
Accounts receivable	211,369	386	-	211,755
Special assessments receivable	92,229	-	-	92,229
Inventories	-	286,851	-	286,851
Prepaid items	6,580	2,519	1,433	10,532
Total Current Assets	<u>486,796</u>	<u>664,857</u>	<u>435,735</u>	<u>1,587,388</u>
Noncurrent Assets				
Capital assets not being depreciated	119,035	100,000	-	219,035
Capital assets being depreciated, net	14,146,966	337,812	533,840	15,018,618
Total Noncurrent Assets	<u>14,266,001</u>	<u>437,812</u>	<u>533,840</u>	<u>15,237,653</u>
Total Assets	<u>14,752,797</u>	<u>1,102,669</u>	<u>969,575</u>	<u>16,825,041</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	10,540	8,434	1,872	20,846
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	17,569	31,319	3,337	52,225
Accrued expenses	-	19,393	553	19,946
Accrued payroll	3,358	2,300	839	6,497
Accrued interest payable	43,815	-	3,841	47,656
Current portion of long-term debt	656,000	-	30,000	686,000
Total Current Liabilities	<u>720,742</u>	<u>53,012</u>	<u>38,570</u>	<u>812,324</u>
Noncurrent Liabilities				
Compensated absences	15,792	5,160	4,224	25,176
Bonds and loans payable, net	7,959,000	-	297,790	8,256,790
Net pension liability	174,786	138,173	25,805	338,764
Total Noncurrent Liabilities	<u>8,149,578</u>	<u>143,333</u>	<u>327,819</u>	<u>8,620,730</u>
Total Liabilities	<u>8,870,320</u>	<u>196,345</u>	<u>366,389</u>	<u>9,433,054</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	9,272	7,902	3,079	20,253
<b>EXCESS OF TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES OVER TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
	<u>\$ 5,883,745</u>	<u>\$ 906,856</u>	<u>\$ 601,979</u>	<u>\$ 7,392,580</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,651,001	\$ 437,812	\$ 206,050	\$ 6,294,863
Unrestricted	232,744	469,044	395,929	1,097,717
<b>TOTAL NET POSITION</b>	<u>\$ 5,883,745</u>	<u>\$ 906,856</u>	<u>\$ 601,979</u>	<u>\$ 7,392,580</u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2020**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Sewer</b>	<b>Liquor</b>	<b>Fitness Center</b>	<b>Total</b>
<b>SALES AND COST OF SALES</b>				
Sales	\$ -	\$ 2,006,057	\$ -	\$ 2,006,057
Cost of sales	-	(1,513,775)	-	(1,513,775)
Gross profit	-	492,282	-	492,282
<b>OPERATING REVENUES</b>				
Charges for services	1,362,811	-	104,066	1,466,877
<b>OPERATING EXPENSES</b>				
Salaries and wages	203,769	167,339	33,157	404,265
Payroll taxes	15,957	13,096	2,338	31,391
Pension expense	20,930	12,183	(10,066)	23,047
Employee benefits	44,079	38,506	10,711	93,296
Repairs and maintenance	56,533	48,134	10,634	115,301
Insurance	14,160	7,217	2,738	24,115
Utilities	99,868	19,715	17,240	136,823
Supplies	39,949	4,881	4,920	49,750
Data processing	4,651	-	-	4,651
Professional fees	46,057	10,282	5,530	61,869
Depreciation	488,352	17,498	33,996	539,846
Miscellaneous	5,000	19,232	4,301	28,533
Total Operating Expenses	<u>1,039,305</u>	<u>358,083</u>	<u>115,499</u>	<u>1,512,887</u>
<b>OPERATING INCOME (LOSS)</b>	323,506	134,199	(11,433)	446,272
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State grants	1,317	2,122	616	4,055
Net investment earnings	1,472	2,074	2,335	5,881
Other income	(2,027)	40	-	(1,987)
Interest expense	(126,776)	-	(8,486)	(135,262)
Net Nonoperating Revenues (Expenses)	<u>(126,014)</u>	<u>4,236</u>	<u>(5,535)</u>	<u>(127,313)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	197,492	138,435	(16,968)	318,959
<b>TRANSFERS</b>				
Transfers in	50,000	-	-	50,000
Transfers out	-	(50,000)	-	(50,000)
Transfers, Net	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	247,492	88,435	(16,968)	318,959
<b>TOTAL NET POSITION – BEGINNING</b>	<u>5,636,253</u>	<u>818,421</u>	<u>618,947</u>	<u>7,073,621</u>
<b>TOTAL NET POSITION – ENDING</b>	<u><b>\$ 5,883,745</b></u>	<u><b>\$ 906,856</b></u>	<u><b>\$ 601,979</b></u>	<u><b>\$ 7,392,580</b></u>

*(The accompanying notes are an integral part of these financial statements.)*

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2020**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Sewer</b>	<b>Liquor</b>	<b>Fitness Center</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,371,182	\$ 2,007,044	\$ 104,066	\$ 3,482,292
Payments for supplies and services	(305,601)	(1,710,403)	(53,082)	(2,069,086)
Payments to employees	(208,697)	(171,205)	(34,745)	(414,647)
Payments to other governmental units	(31,368)	(5,886)	(4,060)	(41,314)
Other receipts	(2,027)	40	-	(1,987)
Other payments	(5,000)	(19,232)	(4,301)	(28,533)
Net Cash Provided by Operating Activities	<u>818,489</u>	<u>100,358</u>	<u>7,878</u>	<u>926,725</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(50,000)	-	(50,000)
Transfers from other funds	50,000	-	-	50,000
Special assessments	2,492	-	-	2,492
Net Cash Provided (Used) by Noncapital Financing Activities	<u>52,492</u>	<u>(50,000)</u>	<u>-</u>	<u>2,492</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(9,807)	-	-	(9,807)
State grants	1,317	2,122	616	4,055
Principal paid on capital debt	(843,771)	-	(30,000)	(873,771)
Interest paid on capital debt	(130,309)	-	(9,600)	(139,909)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(982,570)</u>	<u>2,122</u>	<u>(38,984)</u>	<u>(1,019,432)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	1,472	2,074	2,335	5,881
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(110,117)</u>	<u>54,554</u>	<u>(28,771)</u>	<u>(84,334)</u>
<b>CASH AND CASH EQUIVALENTS – BEGINNING</b>	<u>286,735</u>	<u>320,547</u>	<u>463,073</u>	<u>1,070,355</u>
<b>CASH AND CASH EQUIVALENTS – ENDING</b>	<u><b>\$ 176,618</b></u>	<u><b>\$ 375,101</b></u>	<u><b>\$ 434,302</b></u>	<u><b>\$ 986,021</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 323,506	\$ 134,199	\$ (11,433)	\$ 446,272
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	488,352	17,498	33,996	539,846
Other income related to operations	(2,027)	40	-	(1,987)
Net operating changes in				
Accounts receivable	8,371	987	-	9,358
Inventory	-	4,408	-	4,408
Prepaid items	(618)	585	(128)	(161)
Deferred outflows of resources	1,186	1,173	875	3,234
Accounts payable	314	(72,886)	(1,181)	(73,753)
Accrued expenses	-	19,393	553	19,946
Accrued payroll	(5,638)	(4,304)	(2,213)	(12,155)
Compensated absences	710	438	625	1,773
Net pension liability	23,116	13,910	(9,723)	27,303
Deferred inflows of resources	(18,783)	(15,083)	(3,493)	(37,359)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 818,489</b></u>	<u><b>\$ 100,358</b></u>	<u><b>\$ 7,878</b></u>	<u><b>\$ 926,725</b></u>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Blue Earth, Minnesota was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and six council members are elected by the voters of the City.

The following represents the significant accounting policies used by the City:

**Reporting Entity**

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. The City reports the following blended component units:

*The Blue Earth Economic Development Authority (EDA)*

The EDA is an entity legally separate from the City. The EDA is governed by seven commissioners. At least two of the seven commissioners must be members of the City Council and will be appointed by the Mayor to serve as commissioners of the EDA. Although it is legally separate from the City, it is reported as a part of the City's operations as a major fund because the EDA provides services primarily to the City of Blue Earth and is acting to fulfill the City's comprehensive plan.

*The Housing and Redevelopment Authority of the City of Blue Earth, Minnesota (HRA)*

The HRA is an entity legally separate from the City. The HRA is governed by six commissioners who are appointed by the Mayor of the City of Blue Earth and confirmation by the City Council. Although it is legally separate from the City, it is reported as part of the City's operations because the HRA provides services primarily to the City of Blue Earth. The HRA is comprised the Special Revenue Fund – Housing Loan Fund.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City reports the following discretely presented component unit:

*Blue Earth Board of Public Works*

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. Separately issued financial statements are available for Blue Earth Board of Public Works and may be obtained by contacting the Board of Public Works.

**Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

The statement of net position and the statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges. The financial data of the City's component units is discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City. For the most part, the effect of interfund activity has been removed from these statements.

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Fund Financial Statements*

The financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities is controlled.

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

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following types of funds:

Governmental Funds

General Fund – used to account for the City’s primary operating activities. It is used to account for all financial resources and transactions, except those required to be accounted for in another fund. The general fund is a major fund.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Special Revenue Funds – used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specific purposes. The City’s major special revenue funds and their purposes are as follows:

Economic Development Authority (EDA) – used to account for the operations of the Blue Earth Economic Development Authority.

Debt Service Funds – used to account for the accumulation of, resources for, and the payment of, long-term debt principal, interest, and related costs. The City’s major debt service funds and their purposes are as follows:

2014A General Obligation – used to account for debt repayment associated with the 2014A general obligation improvement bonds.

Capital Project Funds – used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City’s major capital project fund and its purpose is as follows:

Capital Projects Fund – used to account for the resources used in the construction of street improvement projects.

Proprietary Funds

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. The City’s major enterprise funds and their purposes are as follows:

Sewer – accounts for the provision of sewer services to the City’s residents.

Liquor – accounts for the operation of the off-sale liquor store.

Fitness Center – accounts for the operation of the City’s fitness center facility.



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 recognized 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. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 for the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reports as other financing sources.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received.

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 Sewer, Liquor and Fitness Center Enterprise Funds are charges to customers for sales and services. 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.

**Use of Estimates**

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

**Cash and Investments (Including Cash Equivalents)**

Available cash balances from all funds are pooled and invested in accordance with *Minnesota Statutes*. Each fund's share of the pool is shown on the financial statements as "cash and investments." For reporting purposes, petty cash and change funds are also considered cash and cash equivalents. For the purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are valued at cost plus reinvested dividends, and other investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record all investments at fair value are recorded in the operating statement as increases or decreases in investment income.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Receivables**

In the government-wide financial statements, accounts receivable consist of all revenues earned at year-end and not yet received. These amounts include charges for services rendered or for goods and material provided by the City, including amounts for unbilled services. No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Receivables are also recognized for property taxes, assessments, accrued interest, and intergovernmental grants. In the governmental fund financial statements, receivables are recorded when they are both measurable and available.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years. In the governmental fund financial statements, these receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

**Due From Other Governments**

Due from other governments includes amounts due from grantors for grants related to specific financial assistance programs and amounts due from the County for December property tax settlements. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

**Inventories**

The inventory as of December 31 in the liquor store fund consists of retail items valued at average cost on a first-in, first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

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

**Land Held for Resale**

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

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets**

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

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:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide financial statements.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Compensated Absences**

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.

Accumulated unpaid vested sick leave is accrued when incurred in the business-type activities in the government-wide and fund financial statements. Such amounts, other than the current portion, are not accrued in the governmental funds' fund financial statements, but are recorded in the governmental activities in the government-wide financial statements.

**Long-Term Obligations**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt obligations is reported as other financing sources and payments of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting in proprietary funds is the same as it is in the government-wide financial statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources, property taxes and special assessments earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Deferred Outflows/Inflows of Resources** (Continued)

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Deferred outflows/inflows of resources are also recognized for certain differences between actual experience in pension demographic and economic factors compared to assumptions used in the actuarial analyses.

**Equity Classifications**

*Government-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
2. Restricted – consists of net position with constraints placed on their use by either external groups such as creditors, grantors or contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
3. Unrestricted – consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Equity Classifications** (Continued)

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balance as follows:

1. Nonspendable – amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements mandate funds be maintained intact.
2. Restricted – amounts with constraints placed on its use either by external groups such as creditors, grantors or contributors, or laws or regulations of other governments or imposed law through constitutional provisions or enabling legislation.
3. Unrestricted
  - a. Committed – amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City’s highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitments by resolution.
  - b. Assigned – amounts assessed for specific purposes that are internally imposed. In governmental funds other than the general fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by the City council itself or by an official to which the governing body delegates authority.
  - c. Unassigned – residual positive fund balance amounts within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide financial statements.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 1 – NATURE OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Interfund Transactions**

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. Loans are reported as receivables or payables as appropriate and are subject to elimination upon consolidation. The accompanying financial statements reflect all other such transactions as transfers.

**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.

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

**Deficit Fund Equity**

The following governmental funds had deficit fund balances at December 31, 2020.

Special Revenue Funds	
Airport Fund	\$ (395,681)
Debt Service Funds	
General Obligation 2020B	(25,512)
TIF 8-1	(6,588)
TIF 9-1	(9,688)
	(9,688)
<b>TOTAL</b>	<b><u><u>\$ (437,469)</u></u></b>

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

**Budgetary Information**

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all budgeted major special revenue funds. Budget vs. actual information and related notes can be found in the required supplementary information following this report.



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

*Minnesota Statutes* authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. Deposits in each local area bank are insured by the FDIC up to specified limits. All financial institutions acting as a depository for the City are required to pledge collateral to secure all City funds over and above amounts guaranteed by the FDIC. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposit policy for custodial credit risk follows *Minnesota Statutes* for deposits, and states the City will obtain collateral or bonds for all uninsured amounts. All of the bank balance was covered by federal depository insurance or by collateral held by the City’s agent in the City’s name; therefore, as of year-end, the City is not exposed to custodial credit risk.

The City’s deposits are presented in the financial statements as follows:

Cash in bank	\$ 6,427,375
Certificates of deposit	1,109,964
Cash on hand	<u>1,525</u>
<b>TOTAL CASH AND INVESTMENTS AND CASH EQUIVALENTS</b>	<b><u><u>\$ 7,538,864</u></u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments**

Investments of city funds is restricted by state statutes. Available investments are limited to:

- Governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress
- General obligations of any state or local government rated “A” or better by a national bond rating service
- Revenue obligations of any state or local government rated “AA” or better by a national bond rating service
- General obligations of the Minnesota Housing Finance Agency rated “A” or better by a national bond rating agency
- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less
- Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers’ acceptances of United States banks
- General obligation temporary bonds of the same governmental entity issued under Minnesota Statutes 429.091, subd. 7, 469.178, subd. 5 or 475.61, subd. 6
- Repurchase agreements consisting of collateral allowable in Minnesota Statutes 118A.04, and reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” of public funds of the government entity; with any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York or certain Minnesota securities broker-dealers; reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs
- Shares of investment companies registered under the Federal Investment Company Act of 1940 that either (1) holds itself out as a money market fund and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization or (2) whose shares are registered under the Federal Securities Act of 1933, receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization, and is invested in financial instruments with a final maturity no longer than 13 months

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

- Guaranteed investment contracts that are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing if similar debt obligations of the issuer are rated in one of the two highest categories by a nationally recognized rating agency

The City had no investments as of December 31, 2020.

**NOTE 4 – NOTES RECEIVABLE**

The City's Housing Loan fund had notes receivable of \$173,076 at year-end. A balance of \$72,852 represents Housing and Urban Development (HUD) loans due in monthly installments with a rate of interest at 3.25%. All loans are secured by City liens. The remaining balance of \$100,224 represents deferred HUD loans with no interest charged with payments due when the owner sells, transfers, or otherwise conveys the real estate. If the owner does not sell, transfer, or convey the property within 10 or 15 years depending upon the individual loan agreements the owner shall not have to repay any portion of the grant. Any potential repayment on the loans shall be made on a prorated basis. These loans are secured by liens on the property.

The City's EDA fund had notes receivable of \$476,975 at year-end. Of this amount, \$460,434 represents loans due from businesses in monthly installments with rates of interest ranging from 1.5% to 5.5%. The remaining \$16,541 is for forgivable deferred loans with no interest charged. If the properties are not sold or transferred within the time period of the agreement the balances will be forgiven. These loans are secured by property.

**NOTE 5 – PROPERTY TAXES AND SPECIAL ASSESSMENTS**

**Property Taxes**

Property tax levies are set by the council by September 30 of each year and are certified to the Faribault County for collection in the following year. In Minnesota, counties act as collection agencies for all property taxes. The county spreads all levies over assessable 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.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 – PROPERTY TAXES AND SPECIAL ASSESSMENTS (Continued)**

**Property Taxes (Continued)**

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 is required to distribute collections to the City three times each year, in January, June and November. Taxes which remain unpaid at year-end are delinquent and are fully offset by deferred inflows of resources because they are not available to finance current expenditures. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred.

**Special Assessments**

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with *Minnesota Statutes*. Assessments are collectible over a term of years at an interest rate established by the City Council.

**NOTE 6 – CAPITAL ASSETS**

Activity in capital assets for the City was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2020</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 724,720	\$ -	\$ -	\$ 724,720
Construction in progress	1,876,281	3,204,861	-	5,081,142
	<u>2,601,001</u>	<u>3,204,861</u>	<u>-</u>	<u>5,805,862</u>
Capital assets being depreciated				
Buildings	10,461,227	-	-	10,461,227
Road network	38,071,766	-	-	38,071,766
Equipment	2,480,610	308,473	103,018	2,686,065
Vehicles	1,901,605	-	-	1,901,605
	<u>52,915,208</u>	<u>308,473</u>	<u>103,018</u>	<u>53,120,663</u>
Accumulated depreciation for				
Buildings	(3,351,655)	(269,281)	-	(3,620,936)
Road network	(13,848,156)	(1,034,785)	-	(14,882,941)
Equipment	(1,330,860)	(101,644)	(78,408)	(1,354,096)
Vehicles	(1,123,806)	(110,275)	-	(1,234,081)
	<u>(19,654,477)</u>	<u>(1,515,985)</u>	<u>(78,408)</u>	<u>(21,092,054)</u>
Total capital assets being depreciated, net	<u>33,260,731</u>	<u>(1,207,512)</u>	<u>24,610</u>	<u>32,028,609</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES, NET</b>	<b><u>\$35,861,732</u></b>	<b><u>\$1,997,349</u></b>	<b><u>\$ 24,610</u></b>	<b><u>\$ 37,834,471</u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 6 – CAPITAL ASSETS** (Continued)

	<u>Balance 2019</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2020</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 219,035	\$ -	\$ -	\$ 219,035
Capital assets being depreciated				
Buildings and infrastructure	17,534,242	-	-	17,534,242
Equipment	5,823,616	9,808	-	5,833,424
	<u>23,357,858</u>	<u>9,808</u>	<u>-</u>	<u>23,367,666</u>
Accumulated depreciation for				
Buildings and infrastructure	(6,106,127)	(384,058)	-	(6,490,185)
Equipment	(1,703,075)	(155,788)	-	(1,858,863)
	<u>(7,809,202)</u>	<u>(539,846)</u>	<u>-</u>	<u>(8,349,048)</u>
Total capital assets being depreciated, net	<u>15,548,656</u>	<u>(530,038)</u>	<u>-</u>	<u>15,018,618</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES, NET</b>	<b><u>\$15,767,691</u></b>	<b><u>\$ (530,038)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,237,653</u></b>

Depreciation expense was charged to the following functions or programs as follows:

<b>Governmental Activities</b>	
General government	\$ 2,085
Public safety	130,638
Streets and highways	920,218
Culture and recreation	147,624
Economic development	53,170
Airport	<u>262,250</u>
<b>TOTAL</b>	<b><u>\$ 1,515,985</u></b>
<b>Business-Type Activities</b>	
Sewer	\$ 488,352
Liquor	17,498
Fitness center	<u>33,996</u>
<b>TOTAL</b>	<b><u>\$ 539,846</u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 6 – CAPITAL ASSETS** (Continued)

Capital asset activity for the year ended December 31, 2020 for the component unit was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2020</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 140,526	\$ -	\$ -	\$ 140,526
Capital assets being depreciated				
Electric equipment and distribution	20,508,150	816,328	152,573	21,171,905
Water equipment and distribution	11,448,170	1,067,860	26,651	12,489,379
	<u>31,956,320</u>	<u>1,884,188</u>	<u>179,224</u>	<u>33,661,284</u>
Accumulated depreciation for				
Electric department	(11,906,797)	(632,355)	(147,303)	(12,391,849)
Water department	(4,085,688)	(281,104)	(26,651)	(4,340,141)
	<u>(15,992,485)</u>	<u>(913,459)</u>	<u>(173,954)</u>	<u>(16,731,990)</u>
Total capital assets being depreciated, net	<u>15,963,835</u>	<u>970,729</u>	<u>5,270</u>	<u>16,929,294</u>
<b>TOTAL COMPONENT UNIT, NET</b>	<b><u>\$16,104,361</u></b>	<b><u>\$ 970,729</u></b>	<b><u>\$ 5,270</u></b>	<b><u>\$ 17,069,820</u></b>

**NOTE 7 – LONG-TERM OBLIGATIONS**

The City's long-term obligations activity was as follows:

	<u>Balance 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 16,975,773	\$ 3,422,096	\$ 1,894,171	\$ 18,503,698	\$ 1,295,243
Unamortized premium	242,026	92,531	20,101	314,456	-
Net general obligation bonds	<u>17,217,799</u>	<u>3,514,627</u>	<u>1,914,272</u>	<u>18,818,154</u>	<u>1,295,243</u>
Direct Borrowings and Placements					
Notes payable	102,178	-	9,237	92,941	9,650
Other Liabilities					
Compensated absences	68,573	610	-	69,183	-
Net pension liability	853,823	104,205	-	958,028	-
Total Other Liabilities	<u>1,024,574</u>	<u>104,815</u>	<u>9,237</u>	<u>1,120,152</u>	<u>9,650</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 18,242,373</u></b>	<b><u>\$ 3,619,442</u></b>	<b><u>\$ 1,923,509</u></b>	<b><u>\$ 19,938,306</u></b>	<b><u>\$ 1,304,893</u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

	<u>Balance 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Bonds and Notes Payable					
General obligation revenue bonds	\$ 9,808,771	\$ -	\$ 873,771	\$ 8,935,000	\$ 686,000
Unamortized premium	8,656	-	866	7,790	-
Net G.O. revenue bonds	9,817,427	-	874,637	8,942,790	686,000
Other Liabilities					
Compensated Absences	23,403	1,773	-	25,176	-
Net pension liability	311,461	27,303	-	338,764	-
Total Other Liabilities	334,864	29,076	-	363,940	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 10,152,291</u></b>	<b><u>\$ 29,076</u></b>	<b><u>\$ 874,637</u></b>	<b><u>\$ 9,306,730</u></b>	<b><u>\$ 686,000</u></b>
	<u>Balance 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2020</u>	<u>Due Within One Year</u>
<b>Discretely Presented</b>					
<b>Component Unit</b>					
General obligation revenue bonds	\$ 3,813,500	\$ 973,461	\$ 394,284	\$ 4,392,677	\$ 362,542
Direct Borrowings and Placements					
Master tax exempt lease	357,293	478,115	211,951	623,457	142,824
Other Liabilities					
Compensated Absences	99,872	11,419	-	111,291	11,291
Net pension liability	729,798	97,575	-	827,373	-
Post employment benefit	250,293	-	19,257	231,036	-
Total Other Liabilities	1,079,963	108,994	19,257	1,169,700	11,291
<b>TOTAL DISCRETELY PRESENTED COMPONENT UNIT ACTIVITIES</b>	<b><u>\$ 4,893,463</u></b>	<b><u>\$ 1,082,455</u></b>	<b><u>\$ 413,541</u></b>	<b><u>\$ 5,562,377</u></b>	<b><u>\$ 373,833</u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

General obligations: the City issued general obligation bonds and notes 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. Details of general obligation debt are as follows:

	<b>Outstanding Amount</b>
<b>General Obligations - Bond Issues and Notes with Purpose</b>	
\$2,102,025 G.O. improvement bonds, series 2016A, due in annual installments of \$118,015 to \$159,490 through February 1, 2032, interest at 2% to 2.2%. This is the City's share of the bonds with the component unit.	\$ 1,729,390
\$1,630,000 G.O. improvement bonds, series 2009A, due in annual installments of \$115,000 to \$155,000 through February 1, 2022, interest at 1.3% to 3.8%.	265,000
\$2,395,000 G.O. improvement bonds, series 2012A, due in annual installments of \$118,380 to \$160,659 through February 1, 2028, interest at 2% to 2.7%. This is the City's share of the bonds with the component unit.	1,524,979
\$1,560,000 G.O. refunding bonds, series 2012A, due in annual installments of \$50,000 to \$190,000 through February 1, 2028, interest at 2% to 2.7%.	900,000
\$990,000 G.O. refunding bonds, series 2013A, due in annual installments of \$65,000 to \$85,000 through February 1, 2027, interest at 0.6% to 2.5%.	530,000
\$1,800,000 G.O. improvement bonds, series 2013B, due in annual installments of \$55,250 to \$110,500 through February 1, 2029, interest at 2.3% to 3.8%.	871,250
\$3,765,000 G.O. improvement bonds, series 2014, due in annual installments of \$152,880 to \$222,040 through February 1, 2030, interest at 2% to 3%. This is the City's share of the bonds with the component unit.	1,940,120
\$3,204,500 G.O. improvement bonds, series 2015A, due in annual installments of \$140,250 to \$263,000 through February 1, 2031, interest at 3%. This is the City's share of the bonds with the component unit.	2,507,339
\$450,000 G.O. tax abatement bonds, series 2014A, due in annual installments of \$25,000 to \$35,000 through February 1, 2030, interest at 2% to 3%.	320,000



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

	<b>Outstanding Amount</b>
<b>General Obligations (continued)</b>	
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, interest at 1.4%.	263,000
Note Payable with the Minnesota Public Facilities Authority of \$741,656, due in annual installments of \$31,000 to \$44,000 through August 20, 2029, interest at 2.6%.	357,000
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, interest at 1.5%.	625,000
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, interest at 2.6%.	242,000
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, interest at 1.2%.	220,000
USDA Promissory Note of \$180,000, due in annual installments of \$2,544 to \$13,100 through February 26, 2029, interest at 4.375%.	92,941
\$4,085,000 G.O. improvement bonds, series 2018A, due in annual installments of \$60,000 to \$305,000 through February 1, 2039, interest at 3% to 3.5%.	3,198,524
Note Payable with the Minnesota Public Facilities Authority of \$6,561,738, due in annual installments of \$352,000 to \$442,000 through August 20, 2037, interest at 1.2% to 2.6%.	6,533,000
\$1,990,000 G.O. improvement bonds, series 2019A, due in annual installments of \$95,000 to \$160,000 through February 1, 2035, interest at 2% to 4%.	1,990,000
\$3,510,000 G.O. improvement and refunding bonds, series 2020A, due in annual installments of \$225,000 to \$295,000 through February 1, 2036, interest at 1.375% to 2%	2,696,096
\$726,000 G.O. tax abatement bonds, series 2020B, due in annual installments of \$27,000 to \$47,000 through February 1, 2042, interest at 2.95%	726,000
<b>TOTAL GENERAL OBLIGATION BONDS AND NOTES PAYABLE</b>	<b>\$ 27,531,639</b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

**Discretely Presented Component Unit**

	<b>Outstanding Amount</b>
<b>General Obligation - Bond Issues and Notes with Purpose</b>	
<b><u>Electric Fund</u></b>	
\$478,115 Master Tax Exempt Lease of 2020, due in monthly installments of \$4,378, interest at 1.92%. The purpose of this issue was for street light improvements.	\$ 467,235
\$280,363 Master Tax Exempt Lease of 2016, due in monthly installments of \$4,931, interest at 2.12%. The purpose of this issue was to improve the Electric infrastructure.	21,121
\$316,096 Master Tax Exempt Lease of 2017, due in monthly installments of \$5,574, interest at 2.24%. The purpose of this issue was to improve the Electric infrastructure.	114,952
Total Electric Fund	603,308
<b><u>Water Fund</u></b>	
\$47,233 Master Tax Exempt Lease of 2017, due in monthly installments of \$833, interest at 2.24%. The purpose of this issue was to improve the Water infrastructure.	17,177
\$170,394 Master Tax Exempt Lease of 2015, due in monthly installments of \$2,990, interest at 2.04%. The purpose of this issue was to improve the Water infrastructure.	
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, interest at 0.5% to 3.375%. This is the component unit's share of the bonds with the City.	206,545
G.O. Improvement Bonds of 2014, Series A of \$3,765,000, due in annual installments of \$57,120 to \$82,960 through February 1, 2030, interest at 2% to 3%. This is the component unit's share of the bonds with the City.	724,880
G.O. Revenue Note of 2007, Series A of \$324,500 due in annual instalments of \$6,500 to \$21,000 through August 20, 2026, interest at 2.57%. The purpose of this issue was for the south watermain improvement project.	109,000
G.O. Revenue Note of 2007, \$1,174,600 due in annual installments of \$29,600 to \$77,000 through August 20, 2026, interest at 2.4%. The purpose of this issue was to construct a new water tower.	437,000

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

	<b>Outstanding Amount</b>
<b>Discretely Presented Component Unit (Continued)</b>	
<b>General Obligations (Continued)</b>	
G.O. Revenue Note of 2012, Series A of \$2,395,000 due in annual instalments of \$21,620 to \$29,340 through February 1, 2028, interest at 2% to 2.65%. The purpose of this issue was to fund 10th Street and Galbraith Street improvements.	210,020
G.O. Refinancing Bonds of 2012, Series A of \$1,560,000, due in annual installments of \$9,750 to \$19,500 through February 1, 2028, interest at 3% to 3.75%.	153,750
G.O. Improvement Bonds of 2015, Series A of \$3,770,000, due in annual installments of \$24,718 to \$46,441 through February 1, 2031, interest at 3%. This is the component unit's share of the bonds with the City.	441,934
\$63,783 Master Tax Exempt Lease of 2016, due in monthly installments of \$1,119, interest at 2.12%. The purpose of this issue was to improve the water infrastructure.	2,973
G.O. Improvement Bonds of 2016, Series A of \$1,475,000, due in annual installments of \$11,985 to \$15,510 through February 1, 2032, interest at 2% to 2.2%. This is the component unit's share of the bonds with the City.	170,610
G.O. Improvement Bonds of 2018, Series A of \$3,085,000, due in annual installments of \$39,196 to \$59,074 through February 1, 2034, interest at 3% to 3.25%. This is the component unit's share of the bonds with the City.	686,476
G.O. Revenue Note of 2016, of \$404,000, due in annual installments of \$20,000 to \$43,000 through February 1, 2027, interest at 2.5%. The purpose of this issue was to improve the Water infrastructure.	279,000
G.O. Improvement Bonds of 2019, Series A of \$1,990,000, due in annual installments of \$17,477 to \$29,435 through February 1, 2035, interest at 0.5% to 3.375%. This is the component unit's share of the bonds with the City.	366,103
G.O. Improvement Bonds of 2020, Series A of \$3,015,000, due in annual installments of \$32,231 to \$45,325 through February 1, 2036, interest at 1% to 2%. This is the component unit's share of the bonds with the City.	607,358
Total Water Fund	4,412,826
<b>TOTAL GENERAL OBLIGATIONS - COMPONENT UNIT</b>	<b>\$ 5,016,134</b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

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

Years Ending December 31	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Discretely Presented Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,304,893	\$ 454,978	\$ 686,000	\$ 128,548	\$ 505,364	\$ 121,165
2022	1,512,759	430,026	695,000	118,338	508,578	109,422
2023	1,477,698	390,070	704,000	107,819	465,733	97,203
2024	1,527,229	351,110	712,000	97,111	477,472	84,868
2025	1,559,909	311,084	727,000	86,183	490,179	72,218
2026 - 2030	7,094,856	938,503	2,550,000	288,586	1,864,042	187,228
2031 - 2035	3,385,620	268,117	2,018,000	131,606	659,441	34,187
2036 - 2040	640,675	48,720	843,000	16,154	45,325	311
2041 - 2042	93,000	2,758	-	-	-	-
<b>TOTAL</b>	<b>\$ 18,596,639</b>	<b>\$ 3,195,366</b>	<b>\$ 8,935,000</b>	<b>\$ 974,345</b>	<b>\$ 5,016,134</b>	<b>\$ 706,602</b>

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The City transferred cash between funds as follows:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>
General	General Obligation 2013B	\$ 50,000
General	2014A General Obligation	50,000
General	General Obligation 2015A	50,000
General	General Obligation 2016A	50,000
General	General Obligation 2018A	50,000
General	Sewer	50,000
Liquor	General	50,000

Above transfers were made to aid in repayment of bonds and notes.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 9 – NET POSITION/FUND BALANCES**

**Governmental Activities Net Position**

Governmental activities net position reported as net investment in capital assets on the government-wide statement of net position is comprised of the following:

Land	\$ 724,720
Construction in progress	5,081,142
Other capital assets, net of accumulated depreciation	32,028,609
Long-term debt outstanding	<u>(18,911,095)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b><u><u>\$ 18,923,376</u></u></b>

Restricted net position amounts are restricted for the following purposes:

Debt repayment	\$ 2,620,360
Economic development authority operations	361,712
Housing loans	472,547
Capital projects	<u>459,356</u>
<b>TOTAL RESTRICTED</b>	<b><u><u>\$ 3,913,975</u></u></b>

**Business-Type Activities Net Position**

Business-type activities net position reported as net investment in capital assets includes the following:

Land	\$ 219,035
Other capital assets, net of accumulated depreciation	15,018,618
Long-term debt outstanding	<u>(8,942,790)</u>
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b><u><u>\$ 6,294,863</u></u></b>

**Governmental Fund Balances**

Governmental fund balances reported as nonspendable on the fund financials are nonspendable for the following purpose:

Prepaid items	\$ 51,802
Land held for resale	<u>293,866</u>
<b>TOTAL NONSPENDABLE</b>	<b><u><u>\$ 345,668</u></u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 9 – NET POSITION/FUND BALANCES** (Continued)

**Governmental Fund Balances** (Continued)

Governmental fund balances reported as restricted on the fund financial statements are restricted for the same purposes as listed above for the statement of net position.

Governmental fund balances reported as assigned in the fund financial statements are assigned for the following purposes:

Special purpose	\$ 439,386
Public safety	13,801
Street infrastructure	451,907
Senior donation	<u>17,755</u>
<b>TOTAL ASSIGNED</b>	<b><u>\$ 922,849</u></b>

**NOTE 10 – 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 was \$188,897 for 2020.

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**Plan Description**

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

**1. General Employees Retirement Plan**

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description** (Continued)

2. Public Employees Police and Fire Plan

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

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Benefits Provided** (Continued)

2. Police and Fire Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**Contributions**

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

1. General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in calendar year 2020 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$81,953. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$63,774. The City's contributions were equal to the required contributions as set by state statute.



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs**

1. General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$905,314 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$27,978. The net pension liability was measured as of June 30, 2020 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.00151% at the end of the measurement period and 0.00153% for the beginning of the period.

City’s proportionate share of the net pension liability	\$ 905,314
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>27,978</u>
<b>TOTAL</b>	<b><u>\$ 933,292</u></b>

For the year ended December 31, 2020, the City recognized pension expense of \$77,630 for its proportionate share of General Employees Plan’s pension expense. In addition, the City recognized an additional \$2,435 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

At December 31, 2020, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 8,365	\$ 2,568
Changes in actuarial assumptions	-	40,196
Net collective difference between projected and actual investment earnings	-	2,812
Changes in proportion	7,755	10,317
Contributions paid to PERA subsequent to the measurement date	39,912	-
<b>TOTAL</b>	<b>\$ 56,032</b>	<b>\$ 55,893</b>

\$39,912 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year Ended December 31:	
2021	\$ (56,625)
2022	(12,932)
2023	12,284
2024	17,500
<b>TOTAL</b>	<b>\$ (39,773)</b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$391,478 for its proportionate share of Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0297% at the end of the measurement period and 0.0300% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$67,146 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$2,837 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$2,673 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Pension Costs** (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 18,013	\$ 18,779
Changes in actuarial assumptions	132,518	245,530
Net collective difference between projected and actual investment earnings	-	2,233
Changes in proportion	23,675	10,482
Contributions paid to PERA subsequent to the measurement date	33,184	-
<b>TOTAL</b>	<b>\$ 207,390</b>	<b>\$ 277,024</b>

\$33,184 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, 2021. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year Ended December 31:	
2021	\$ (27,419)
2022	(111,202)
2023	17,564
2024	18,453
2025	(214)
<b>TOTAL</b>	<b>\$ (102,818)</b>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following assumptions:

Inflation	2.5% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.5%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions (Continued)**

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions** (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	35.50%	5.10%
International stocks	17.50%	5.30%
Bonds (fixed income)	20.00%	0.75%
Alternative assets (private markets)	25.00%	5.90%
Cash	2.00%	0.00%
<b>TOTAL</b>	<b>100.00%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

**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:

<b>Sensitivity Analysis</b>				
<b>Net Pension Liability (Asset) at Different Discount Rates</b>				
	<b>General Employees Fund</b>		<b>Police and Fire Fund</b>	
1% lower	6.50%	\$ 1,450,904	6.50%	\$ 780,272
Current discount rate	7.50%	905,314	7.50%	391,478
1% higher	8.50%	455,246	8.50%	69,819

**Pension Plan Fiduciary Net Position**

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

**NOTE 12 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of LMCIT provides that the pool be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. LMCIT can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

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



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

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**NOTE 13 – 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 will be immaterial.

**NOTE 14 – COVID-19**

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BLUE EARTH, MINNESOTA  
SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND  
(Last Ten Years\*)**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution (a)</b>	<b>Contributions in Relation to the Statutorily Required Contribution (b)</b>	<b>Contribution Deficiency (Excess) (a-b)</b>	<b>Covered- Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered- Employee Payroll (b/d)</b>
December 31, 2020	\$ 81,953	\$ 81,953	\$ -	\$ 1,092,707	7.50%
December 31, 2019	81,272	81,272	-	1,081,741	7.51%
December 31, 2018	76,300	76,300	-	1,017,585	7.50%
December 31, 2017	72,688	72,688	-	969,595	7.50%
December 31, 2016	59,920	59,920	-	921,842	6.50%
December 31, 2015	66,985	66,985	-	994,471	6.74%
December 31, 2014	64,454	64,454	-	935,709	6.89%

**CITY OF BLUE EARTH, MINNESOTA  
SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES POLICE AND FIRE FUND  
(Last Ten Years\*)**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution (a)</b>	<b>Contributions in Relation to the Statutorily Required Contribution (b)</b>	<b>Contribution Deficiency (Excess) (a-b)</b>	<b>Covered- Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered- Employee Payroll (b/d)</b>
December 31, 2020	\$ 63,774	\$ 63,774	\$ -	\$ 360,305	17.70%
December 31, 2019	52,375	52,375	-	316,910	16.53%
December 31, 2018	47,929	47,929	-	295,860	16.20%
December 31, 2017	48,689	48,689	-	300,552	16.20%
December 31, 2016	31,285	31,285	-	289,675	10.80%
December 31, 2015	43,982	43,982	-	370,968	11.86%
December 31, 2014	37,809	37,809	-	336,580	11.23%

\* Schedule is provided prospectively until ten years of data is available.

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND**  
**(Last Ten Years\*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0151%	\$ 905,314	\$ 27,978	\$ 933,292	\$ 1,092,707	85.41%	79.06%
June 30, 2019	0.0153%	845,903	26,332	872,235	1,081,741	80.63%	80.23%
June 30, 2018	0.0151%	837,686	27,486	865,172	1,017,585	85.02%	79.53%
June 30, 2017	0.0150%	957,590	12,076	969,666	969,595	100.01%	75.90%
June 30, 2016	0.0153%	1,242,284	16,225	1,258,509	921,842	136.52%	68.91%
June 30, 2015	0.0146%	756,648	-	756,648	994,471	76.09%	78.19%
June 30, 2014	0.0173%	812,667	-	812,667	935,709	86.85%	78.90%

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES POLICE AND FIRE FUND**  
**(Last Ten Years\*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0297%	\$ 391,478	\$ 360,305	108.65%	87.19%
June 30, 2019	0.0300%	319,381	316,910	100.78%	89.26%
June 30, 2018	0.0281%	299,517	295,860	101.24%	88.84%
June 30, 2017	0.0290%	391,533	300,552	130.27%	85.43%
June 30, 2016	0.0290%	1,163,820	289,675	401.77%	63.88%
June 30, 2015	0.0280%	318,146	370,968	85.76%	86.61%
June 30, 2014	0.0290%	313,212	336,580	93.06%	87.10%

\* Schedule is provided prospectively until ten years of data is available.

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 510,240	\$ 510,240	\$ 540,164	\$ 29,924
Franchise taxes	255,653	255,653	280,406	24,753
Local sales tax	-	-	264,045	264,045
Total Taxes	765,893	765,893	1,084,615	318,722
Special assessments	1,500	1,500	969	(531)
Licenses and permits	25,378	25,378	57,864	32,486
Intergovernmental				
Federal grants				
Coronavirus relief aid	-	-	154,206	154,206
State				
Local government aid	1,985,665	1,985,665	1,988,807	3,142
Market value credit	500	500	675	175
Fire relief aid	31,000	31,000	32,909	1,909
Police aid	45,000	45,000	45,680	680
Other	18,500	18,500	12,406	(6,094)
County				
Library aid	62,000	62,000	58,508	(3,492)
Recycling	15,000	15,000	15,578	578
Local				
Grants	5,200	5,200	5,200	-
Total Intergovernmental	2,162,865	2,162,865	2,313,969	151,104
Charges for Services				
General government fees	3,680	3,680	3,224	(456)
Fire services	45,000	45,000	50,593	5,593
Recycling services	68,400	68,400	59,269	(9,131)
Garbage dumpster fees	35,300	35,300	37,053	1,753
Rental income	20,048	20,048	108,159	88,111
Highway and streets	2,500	2,500	10,734	8,234
Swimming pool (fees, lessons, concessions)	63,500	63,500	56,525	(6,975)
Camping fees	11,000	11,000	14,584	3,584
Total Charges for Services	249,428	249,428	340,141	90,713
Fines and Forfeitures	9,250	9,250	11,040	1,790
Investment Earnings	40,000	40,000	26,563	(13,437)
Contributions and Donations	5,000	5,000	18,552	13,552
Refunds and Reimbursements	9,000	9,000	30,390	21,390
Other	15,175	15,175	28,154	12,979
Total Revenues	3,283,489	3,283,489	3,912,257	628,768
<b>EXPENDITURES</b>				
Current				
General Government				
Mayor and council	29,900	29,900	28,511	(1,389)
Clerk/finance and administration	327,427	327,427	343,868	16,441
Elections	8,500	8,500	# 7,089	(1,411)
Other - unclassified	88,150	88,150	# 109,469	-
Total General Government	453,977	453,977	488,937	13,641
Public Safety				
Police	641,156	641,156	649,938	8,782
Fire	193,665	193,665	212,064	18,399
Total Public Safety	834,821	834,821	862,002	27,181

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
Public Works				
Street maintenance	927,798	927,798	1,083,217	155,419
Street lighting	18,000	18,000	4,719	(13,281)
Total Public Works	945,798	945,798	1,087,936	142,138
Sanitation and health	31,850	31,850	31,964	114
Culture and Recreation				
Senior center	90,637 #	90,637 #	98,863	8,226
Library	201,641 #	201,641 #	162,130	(39,511)
Swimming pool	138,876	138,876	171,098	32,222
Total Culture and Recreation	431,154	431,154	432,091	937
Housing and Economic Development	37,313	37,313	37,105	(208)
Storm water	-	-	100,516	100,516
Miscellaneous				
Recycling services	76,000	76,000	76,990	990
Garbage services	29,000	29,000	20,543	(8,457)
Other	-	-	149,672	149,672
Total Miscellaneous	105,000	105,000	247,205	142,205
Debt Service				
Principal	13,524	13,524	9,237	(4,287)
Interest	-	-	4,287	4,287
Total Debt Service	13,524	13,524	13,524	-
Capital Outlay				
General government	3,000	3,000	6,094	3,094
Public safety	84,000	84,000	40,032	(43,968)
Streets and highways	29,000	29,000	129,147	100,147
Culture and recreation	24,500	24,500	5,624	(18,876)
Total Capital Outlay	140,500	140,500	180,897	40,397
Total Expenditures	2,993,938	2,993,938	3,482,177	466,920
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	289,551	289,551	430,080	140,529
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	500	500	1,947	1,447
Transfers in	50,000	50,000	50,000	-
Transfers out	(200,000)	(200,000)	(300,000)	(100,000)
Net Other Financing Sources (Uses)	(149,500)	(149,500)	(248,053)	(98,553)
<b>NET CHANGE IN FUND BALANCES</b>	140,051	140,051	182,027	41,976
<b>FUND BALANCES – BEGINNING</b>	2,839,820	2,839,820	2,839,820	-
<b>FUND BALANCES – ENDING</b>	\$ 2,979,871	\$ 2,979,871	\$ 3,021,847	\$ 41,976

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 85,550	\$ 85,550	\$ 86,218	\$ 668
Intergovernmental				
Federal grants				
CARES funding	-	-	121,471	121,471
State				
Other	-	-	113,401	113,401
Total Intergovernmental	-	-	234,872	234,872
Charges for Services				
Rental income	269,480	269,480	284,493	15,013
Loan Repayments	-	-	45,445	45,445
Investment Earnings	-	-	7,040	7,040
Contributions and Donations	-	-	17,400	17,400
Other	20,000	20,000	20,690	690
Total Revenues	<u>375,030</u>	<u>375,030</u>	<u>696,158</u>	<u>275,683</u>
<b>EXPENDITURES</b>				
Current				
Housing and economic development	364,346	364,346	547,335	182,989
Other				
Coronavirus relief business grants	-	-	121,471	121,471
Total Expenditures	<u>364,346</u>	<u>364,346</u>	<u>668,806</u>	<u>304,460</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	10,684	10,684	27,352	16,668
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	-	-	28,810	28,810
<b>NET CHANGE IN FUND BALANCES</b>	10,684	10,684	56,162	45,478
<b>FUND BALANCES – BEGINNING</b>	<u>450,170</u>	<u>450,170</u>	<u>450,170</u>	<u>-</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ 460,854</u></u>	<u><u>\$ 460,854</u></u>	<u><u>\$ 506,332</u></u>	<u><u>\$ 45,478</u></u>

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 1 – BUDGETARY INFORMATION**

**Budgetary Data**

Operating budgets are adopted each year for all governmental funds and are prepared on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Budgeted amounts are as originally adopted or as amended by the council.

Budgetary control is maintained at the object of expenditure category within each activity and is 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 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.

**Compliance**

The general fund disbursements exceeded budgeted appropriations by \$466,920 for the year ended December 31, 2020. The economic development authority fund disbursements exceeded budgeted appropriations by \$304,460 for the year ended December 31, 2020.

The above overage, considered by City management to be a result of necessary disbursements critical to operation, was approved by the City Council.

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Fund**

*2020 Changes*

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.



**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2020 Changes* (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

*2019 Changes*

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90.00 percent funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS** (Continued)

**General Employees Fund** (Continued)

*2016 Changes*

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

*2015 Changes*

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**Police and Fire Fund**

*2020 Changes*

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**Police and Fire Fund (Continued)**

*2019 Changes*

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

*2018 Changes*

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

*2017 Changes*

Changes in Actuarial Assumptions:

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

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**Police and Fire Fund (Continued)**

*2017 Changes (Continued)*

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

*2016 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF BLUE EARTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (Continued)**

**Police and Fire Fund (Continued)**

*2015 Changes*

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

## **SUPPLEMENTARY INFORMATION**

**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2020**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 62,803	\$ 2,322,958	\$ 2,385,761
Accounts receivable	6,666	-	6,666
Taxes receivable – delinquent	536	16,657	17,193
Special assessments receivable	-	1,635,769	1,635,769
Due from other governmental units	156	6,092	6,248
Loans receivable	173,076	-	173,076
Land held for resale	149,246	-	149,246
Prepaid items	15,478	-	15,478
<b>TOTAL ASSETS</b>	<b><u>\$ 407,961</u></b>	<b><u>\$ 3,981,476</u></b>	<b><u>\$ 4,389,437</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 8,121	\$ 11,800	\$ 19,921
Accrued payroll	116	-	116
Total Liabilities	<u>8,237</u>	<u>11,800</u>	<u>20,037</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes and special assessments	536	1,652,426	1,652,962
Unearned revenue - loans receivable	173,076	-	173,076
Total Deferred Inflows of Resources	<u>173,612</u>	<u>1,652,426</u>	<u>1,826,038</u>
Fund Balances			
Nonspendable	164,724	-	164,724
Restricted	472,547	2,359,038	2,831,585
Unrestricted			
Unassigned	<u>(411,159)</u>	<u>(41,788)</u>	<u>(452,947)</u>
Total Fund Balances	<u>226,112</u>	<u>2,317,250</u>	<u>2,543,362</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 407,961</u></b>	<b><u>\$ 3,981,476</u></b>	<b><u>\$ 4,389,437</u></b>



**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2020**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 33,289	\$ 980,103	\$ 1,013,392
Tax increments	-	6,920	6,920
Special assessments	-	445,973	445,973
Intergovernmental	289,160	-	289,160
Charges for services	99,984	-	99,984
Loan repayments	8,289	-	8,289
Net investment earnings	9,288	15,755	25,043
Other	271	-	271
Total Revenues	<u>440,281</u>	<u>1,448,751</u>	<u>1,889,032</u>
<b>EXPENDITURES</b>			
Current			
Housing and economic development	52,873	-	52,873
Other	328,809	24,984	353,793
Debt service			
Principal	-	1,726,731	1,726,731
Interest	-	525,408	525,408
Capital outlay	940,109	-	940,109
Total Expenditures	<u>1,321,791</u>	<u>2,277,123</u>	<u>3,598,914</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(881,510)	(828,372)	(1,709,882)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issue proceeds	726,000	288,455	1,014,455
Premium on bonds sold	-	61,188	61,188
Transfers in	-	200,000	200,000
Net Other Financing Sources (Uses)	<u>726,000</u>	<u>549,643</u>	<u>1,275,643</u>
<b>NET CHANGE IN FUND BALANCES</b>	(155,510)	(278,729)	(434,239)
<b>FUND BALANCES – BEGINNING</b>	<u>381,622</u>	<u>2,595,979</u>	<u>2,977,601</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ 226,112</u></u>	<u><u>\$ 2,317,250</u></u>	<u><u>\$ 2,543,362</u></u>

**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**December 31, 2020**

	<u>Airport</u>	<u>Housing Loan</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ (410,127)	\$ 472,930	\$ 62,803
Accounts receivable	6,666	-	6,666
Taxes receivable – delinquent	8	528	536
Due from other governmental units	-	156	156
Loans receivable	-	173,076	173,076
Land held for resale	-	149,246	149,246
Prepaid items	15,478	-	15,478
<b>TOTAL ASSETS</b>	<b><u>\$ (387,975)</u></b>	<b><u>\$ 795,936</u></b>	<b><u>\$ 407,961</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	7,698	423	\$ 8,121
Accrued payroll	-	116	116
Total Liabilities	<u>7,698</u>	<u>539</u>	<u>8,237</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	8	528	536
Unearned revenue - loans receivable	-	173,076	173,076
Total Deferred Inflows of Resources	<u>8</u>	<u>173,604</u>	<u>173,612</u>
Fund Balances			
Nonspendable	15,478	149,246	164,724
Restricted	-	472,547	472,547
Unrestricted			
Unassigned	<u>(411,159)</u>	<u>-</u>	<u>(411,159)</u>
Total Fund Balances	<u>(395,681)</u>	<u>621,793</u>	<u>226,112</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ (387,975)</u></b>	<b><u>\$ 795,936</u></b>	<b><u>\$ 407,961</u></b>

**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Year Ended December 31, 2020**

	<u>Airport</u>	<u>Housing Loan</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes			
Property taxes	\$ -	\$ 33,289	\$ 33,289
Intergovernmental	189,160	100,000	289,160
Charges for services	93,384	6,600	99,984
Loan repayments	-	8,289	8,289
Net investment earnings	(1,315)	10,603	9,288
Other	271	-	271
Total Revenues	<u>281,500</u>	<u>158,781</u>	<u>440,281</u>
<b>EXPENDITURES</b>			
Current			
Housing and economic development	-	52,873	52,873
Other	328,809	-	328,809
Capital outlay	158,900	781,209	940,109
Total Expenditures	<u>487,709</u>	<u>834,082</u>	<u>1,321,791</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(206,209)	(675,301)	(881,510)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issue proceeds	-	726,000	726,000
<b>NET CHANGE IN FUND BALANCES</b>	(206,209)	50,699	(155,510)
<b>FUND BALANCES – BEGINNING</b>	<u>(189,472)</u>	<u>571,094</u>	<u>381,622</u>
<b>FUND BALANCES – ENDING</b>	<u><u>\$ (395,681)</u></u>	<u><u>\$ 621,793</u></u>	<u><u>\$ 226,112</u></u>

**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**December 31, 2020**

	General Obligation 2012A	General Obligation 2013A	General Obligation 2009	General Obligation 2010A	General Obligation 2011A	General Obligation 2013B	General Obligation 2015A	General Obligation 2016A	General Obligation 2018A	General Obligation 2019A	General Obligation 2020A	General Obligation 2020B	TIF 7-1	TIF 6-1	TIF 8-1	TIF 9-1	Total
<b>ASSETS</b>																	
Cash and investments	\$ 548,676	\$ 102,408	\$ 50,535	\$ 215,209	\$ 390,962	\$ 127,611	\$ 397,036	\$ 221,608	\$ 176,437	\$ 112,387	\$ 16,479	\$ (25,512)	\$ 4,014	\$ 1,384	\$ (6,588)	\$ (9,688)	\$ 2,322,958
Taxes receivable -- delinquent	3,279	1,561	1,934	558	467	1,550	3,089	1,407	2,055	757	-	-	-	-	-	-	16,657
Special assessments receivable	156,689	-	22,222	177,934	142,533	226,480	209,875	307,462	280,673	111,901	-	-	-	-	-	-	1,635,769
Due from other governmental units	1,046	379	451	329	176	1,117	942	488	787	377	-	-	-	-	-	-	6,092
<b>TOTAL ASSETS</b>	<b>\$ 709,690</b>	<b>\$ 104,348</b>	<b>\$ 75,142</b>	<b>\$ 394,030</b>	<b>\$ 534,138</b>	<b>\$ 356,758</b>	<b>\$ 610,942</b>	<b>\$ 530,965</b>	<b>\$ 459,952</b>	<b>\$ 225,422</b>	<b>\$ 16,479</b>	<b>\$ (25,512)</b>	<b>\$ 4,014</b>	<b>\$ 1,384</b>	<b>\$ (6,588)</b>	<b>\$ (9,688)</b>	<b>\$ 3,981,476</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>																	
Liabilities																	
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (200)	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,800
Deferred inflows of Resources	159,968	1,561	24,156	178,492	143,000	228,030	212,964	308,869	282,728	112,658	-	-	-	-	-	-	1,652,426
Unavailable revenue - taxes																	
Fund Balances																	
Restricted	549,722	102,787	50,986	215,538	391,138	128,728	397,978	222,296	177,224	112,764	4,479	-	4,014	1,384	-	-	2,359,038
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	(25,512)	-	-	(6,588)	(9,688)	(41,788)
Unassigned	-	-	-	-	-	-	-	222,296	177,224	112,764	4,479	(25,512)	-	-	(6,588)	(9,688)	2,317,250
Total Fund Balances	549,722	102,787	50,986	215,538	391,138	128,728	397,978	222,296	177,224	112,764	4,479	(25,512)	4,014	1,384	(6,588)	(9,688)	2,317,250
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 709,690</b>	<b>\$ 104,348</b>	<b>\$ 75,142</b>	<b>\$ 394,030</b>	<b>\$ 534,138</b>	<b>\$ 356,758</b>	<b>\$ 610,942</b>	<b>\$ 530,965</b>	<b>\$ 459,952</b>	<b>\$ 225,422</b>	<b>\$ 16,479</b>	<b>\$ (25,512)</b>	<b>\$ 4,014</b>	<b>\$ 1,384</b>	<b>\$ (6,588)</b>	<b>\$ (9,688)</b>	<b>\$ 3,981,476</b>

**CITY OF BLUE EARTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
 Year Ended December 31, 2020

	General Obligation 2012A	General Obligation 2013A	General Obligation 2009	General Obligation 2010A	General Obligation 2011A	General Obligation 2013B	General Obligation 2015A	General Obligation 2016a	General Obligation 2018A	General Obligation 2019A	General Obligation 2020A	General Obligation 2020B	TIF 7-1	TIF 6-1	TIF 8-1	TIF 9-1	Total Nonmajor Debt Service Funds
<b>REVENUES</b>																	
Taxes																	
Property taxes	\$ 142,830	\$ 78,751	\$ 90,214	\$ 20,661	\$ 314	\$ 100,031	\$ 200,544	\$ 100,261	\$ 167,427	\$ 79,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,103
Tax increments	-	-	-	-	-	-	-	-	-	-	-	-	6,920	-	-	-	6,920
Special assessments	35,341	-	4,494	48,932	7,678	43,441	59,711	53,294	61,220	131,862	-	-	-	-	-	-	445,973
Net investment earnings	2,397	304	(33)	2,389	2,055	(15)	1,237	438	(7)	6,960	81	(12)	25	8	(35)	(37)	15,755
Total Revenues	180,568	79,055	94,675	71,982	10,047	143,457	261,492	153,993	228,640	217,892	81	(12)	6,945	8	(35)	(37)	1,448,751
<b>EXPENDITURES</b>																	
Current																	
Other	200	200	200	200	200	200	3,300	3,269	760	-	-	-	6,920	-	-	9,535	24,984
Debt service																	
Principal	246,836	65,000	120,000	692,090	38,397	85,000	191,294	127,310	160,804	-	-	-	-	-	-	-	1,726,731
Interest	49,855	12,532	11,688	20,980	490	28,411	78,612	36,335	102,215	107,000	51,790	25,500	-	-	-	-	525,408
Total Expenditures	296,891	77,732	131,888	713,270	39,087	113,611	273,206	166,914	263,779	107,000	51,790	25,500	6,920	-	-	9,535	2,277,123
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(116,323)	1,323	(37,213)	(641,288)	(29,040)	29,846	(11,714)	(12,921)	(5,139)	110,892	(51,709)	(25,512)	25	8	(35)	(9,572)	(828,372)
<b>OTHER FINANCING SOURCES (USES)</b>																	
Bond issue proceeds	-	-	-	288,455	-	-	-	-	-	-	-	-	-	-	-	-	288,455
Premium on bonds sold	-	-	-	5,000	-	-	-	-	-	-	56,188	-	-	-	-	-	61,188
Transfers in	-	-	-	-	-	50,000	50,000	50,000	50,000	-	-	-	-	-	-	-	200,000
Total Other Financing Sources (Uses)	-	-	-	293,455	-	50,000	50,000	50,000	50,000	-	56,188	-	-	-	-	-	549,643
<b>NET CHANGE IN FUND BALANCES</b>	(116,323)	1,323	(37,213)	(347,833)	(29,040)	79,846	38,286	37,079	14,861	110,892	4,479	(25,512)	25	8	(35)	(9,572)	(278,729)
<b>FUND BALANCES – BEGINNING</b>	666,045	101,464	88,199	563,371	420,178	48,882	359,692	185,217	162,363	1,872	-	-	3,989	1,376	(6,553)	(116)	2,595,979
<b>FUND BALANCES – ENDING</b>	\$ 549,722	\$ 102,787	\$ 50,986	\$ 215,538	\$ 391,138	\$ 128,728	\$ 397,978	\$ 222,296	\$ 177,224	\$ 112,764	\$ 4,479	\$ (25,512)	\$ 4,014	\$ 1,384	\$ (6,588)	\$ (9,688)	\$ 2,317,250

## **OTHER REPORTS**

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

To the Honorable Mayor and Members of the City Council  
City of Blue Earth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pelican Rapids, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated XXXX, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, described in the accompanying schedule of current year findings and responses as items 2020-001 and 2020-002.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

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

### **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and responses. The City's responses were not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



Fergus Falls, Minnesota  
XXXX, 2021



**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
**December 31, 2020**

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**CURRENT YEAR FINDINGS**

**2020-001. Preparation of Financial Statements and Related Footnotes**

*Criteria:* Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with the regulatory basis of accounting, the preparer must have the necessary expertise.

*Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. City personnel do prepare periodic financial statements and other financial information for internal use that meet the needs of management and council. However, the City does not have the internal resources to prepare full-disclosure financial statements required by the regulatory basis of accounting for external reporting. As auditors, we were requested to draft the financial statements and accompanying footnotes.

*Cause:* The City does not have the resources to compile its own financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This control deficiency is not unusual in a small city. However, it is the responsibility of management and the Council to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

*Management's Response and Actions Planned:* The City's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to the users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

**CITY OF BLUE EARTH, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
**December 31, 2020**

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**2020-002. Audit Adjustments**

*Condition:* The audit firm proposed and the City posted to its general ledger journal entries to correct certain year-end account balances related to pension activity, capital assets, land held for resale, notes receivable, accounts payable, property taxes, and special assessments.

*Criteria:* The City should be able to prevent or detect and correct a material misstatement in the annual financial statements including footnote disclosures in a timely manner.

*Cause:* The City engages the audit firm to propose such adjustments as are necessary to adjust accounts in accordance with accounting principles generally accepted in the United States of America. However, the entries are reviewed and approved prior to recording them.

*Effect:* The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the City's internal controls.

*Recommendation:* The City should continue to evaluate their internal processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America.

*Management's Response and Actions Planned:* There is no disagreement with the finding. The City will evaluate whether additional internal control policies should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America.

**CITY OF BLUE EARTH, MINNESOTA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**December 31, 2020**

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**STATUS OF PRIOR AUDIT FINDINGS**

**2019-001. Preparation of Financial Statements and Related Footnotes**

*Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Current status:* This condition is noted during the current-year audit of the financial statements.

**2019-002. Audit Adjustments**

*Condition:* The audit firm proposed and the City posted to its general ledger journal entries to correct certain year-end account balances related to pension activity, capital assets, land held for resale, notes receivable, accounts payable, property taxes, and special assessments.

*Current status:* This condition is noted during the current-year audit of the financial statements.