

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 7, 2024

**NEW ISSUE
BANK QUALIFIED
BOOK ENTRY ONLY**

S&P RATING: A+

In the opinion of Taft Stettinius & Hollister LLP, as Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX MATTERS" herein.

**CITY OF BLUE EARTH, MINNESOTA
\$5,080,000* General Obligation Bonds, Series 2024A
(the "Bonds")**

Dated Date	Date of Delivery (anticipated to be July 18, 2024)
Sale Date	Monday, June 17, 2024 until 10:00 A.M., Central Time
Consideration of Award	City Council meeting commencing at 5:00 P.M., Central Time on Monday, June 17, 2024.
Security	The Bonds will be general obligations of the City of Blue Earth, Minnesota (the "City") for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge (i) special assessments against benefited properties for repayment for a portion of the Bonds, and (ii) net revenues from the City's Water, Sewer, and Storm utilities for repayment of a portion of the Bonds.
Authorization	The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475, Sections 475.521 and 412.301. See "Authority and Security" herein.
Purpose	The proceeds of the Bonds will be used to finance (i) projects related to the 2024 Street & Utility Replacement Project (ii) Capital Improvements related to City Hall, (iii) acquisition of equipment, and (iv) pay costs of issuance on the 2024A Bonds. See "Authority and Security" herein.
Principal and Interest Payments	Principal will be paid annually on February 1, beginning February 1, 2026. Interest will be payable semiannually on February 1 and August 1, beginning February 1, 2025.
Redemption Provisions	The City may elect on February 1, 2033, and on any day thereafter, to redeem Bonds due on or after February 1, 2034 at a price of par plus accrued interest. The Bonds may be issued as term bonds at the discretion of the Underwriter (as hereinafter defined) and, in such case, will be subject to mandatory sinking fund redemption.
Book Entry	The Bonds will be issued only as fully registered obligations, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See Appendix B for "Book Entry".
Denominations	The Bonds are being issued in the denomination of \$5,000 or integral multiple thereof.
Registrar and Paying Agent	U.S. Bank Trust Company, National Association, located in Saint Paul, Minnesota ("Registrar" and "Paying Agent").
Bidding Information	Interested bidders should review the Terms of Proposal for additional instructions. See Appendix G herein.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Further information may be obtained from Baker Tilly Municipal Advisors, LLC 30 East Seventh Street, Suite 3025, Saint Paul, MN 55101 (651) 223-3000 or bids@bakertilly.com.

*Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP(1) _____)

<u>Maturity</u> <u>(February 1)</u>	<u>Principal(2)</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP(1)</u>
2026	\$255,000				
2027	\$265,000				
2028	\$275,000				
2029	\$285,000				
2030	\$295,000				
2031	\$305,000				
2032	\$320,000				
2033	\$325,000				
2034	\$335,000				
2035	\$345,000				
2036	\$320,000				
2037	\$335,000				
2038	\$350,000				
2039	\$365,000				
2040	\$380,000				
2041	\$ 60,000				
2042	\$ 60,000				
2043	\$ 65,000				
2044	\$ 70,000				
2045	\$ 70,000				

(1) CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data (including CUSIP identifiers and related descriptive data) contained herein is provided by CUSIP Global Services (“CGS”), which is operated on behalf of the ABA by FactSet Research Systems Inc. CUSIP data is the valuable intellectual property of the ABA and the inclusion of CUSIP data herein is not intended to create a database and does not serve in any way as a substitute for any CUSIP Service provided by CGS. CUSIP data herein is provided for convenience of reference only. Neither the City, the Municipal Advisor, the Underwriter nor their agents take any responsibility for the accuracy of such data now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(2) Preliminary subject to change. The City reserves the right to adjust individual maturity amounts to achieve its financial objectives.

The Bonds are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Taft Stettinius & Hollister, LLP, Minneapolis, Minnesota Bond Counsel. The Bonds are expected to be available for delivery to DTC, in New York, New York on or about July 18, 2024.

In connection with this offering the underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The information and expressions of opinion in the Preliminary Official Statement and the Final Official Statement are subject to change, and neither the delivery of the Preliminary Official Statement nor the Final Official Statement nor any sale made under either such document shall create any implication that there has been no change in the affairs of the City since the respective date thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the Final Official Statement since its delivery.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Bonds, the City and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The City does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

CITY CONTACT INFORMATION

Additional information regarding the City may be obtained by contacting Echo Roggenkamp, Deputy City Clerk, City of Blue Earth, 125 West 6th Street, Blue Earth, Minnesota, 56013, phone (612) 977-8122, email: eroggenkamp@becity.org

CITY OF BLUE EARTH, MINNESOTA

CITY COUNCIL

Richard Scholtes	Mayor
Michael McNerney	Councilmember
Jacque Drew	Councilmember
Dan Ristau	Councilmember
John Huisman	Councilmember
Stephanie Walter	Councilmember
Ann Hanna	Councilmember

CITY ADMINISTRATOR

Mary Kennedy

DEPUTY CITY CLERK

Echo Roggenkamp

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

REGISTRAR AND PAYING AGENT

U.S. Bank Trust Company, National Association
Saint Paul, Minnesota

UNDERWRITER

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OFFICIAL STATEMENT

**CITY OF BLUE EARTH, MINNESOTA
\$5,080,000* GENERAL OBLIGATION BONDS, SERIES 2024A**

PURPOSE OF THE CITY AND USE OF FUNDS

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to finance (i) projects related to the 2024 Street & Utility Replacement Project supported by special assessments (the "Improvement Portion"), (ii) projects related to the 2024 Street & Utility Replacement Project supported by water, sewer and storm water utility revenues (the "Utility Portion"), (iii) Capital Improvements related to City Hall (the "CIP Portion"), (iv) acquisition of equipment (the "the Equipment Portion") and (iv) pay costs of issuance on the 2024A Bonds.

SOURCES AND USES OF FUNDS

The composition of the Bonds is as follows:

	<u>Improvement Portion</u>	<u>Utility Portion</u>	<u>CIP Portion</u>	<u>Equipment Portion</u>	<u>Total</u>
Sources of Funds:					
Principal Amount	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
[Net] Reoffering Premium	_____	_____	_____	_____	_____
Total Sources of Funds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Uses of Funds:					
Deposit to Project Fund	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Costs of Issuance(1)	_____	_____	_____	_____	_____
Underwriter's Compensation	_____	_____	_____	_____	_____
Total Uses of Funds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

(1) Includes fees for bond counsel, municipal advisor, registrar, rating, and other miscellaneous expenses.

INVESTMENT OF FUNDS

The proceeds of this issue are to be invested in accordance with the laws of the State relating to the depositing, holding, securing, or investing of public funds. The City shall direct the investment of Bonds proceeds.

DESCRIPTION OF THE BONDS

INTEREST CALCULATION

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2025. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

REGISTRATION AND EXCHANGE FEATURES

Each registered Bonds shall be transferable or exchangeable only on such record at the designated corporate trust office of the "Registrar" and "Paying Agent," U.S. Bank Trust Company, National

*Preliminary; subject to change.

Association, Saint Paul, Minnesota, at the written request of the registered owner thereof or the owner's attorney duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

BOOK ENTRY

When issued, the Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book entry only form. See Appendix B: Book Entry.

PROVISIONS FOR PAYMENT

The principal on the Bonds shall be payable at the designated corporate trust office of the Registrar and Paying Agent, or by wire transfer to DTC or any successor depository. All payments of interest on the Bonds shall be paid to the registered owners as the names appear as of the Record Date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Registrar or by wire transfer to DTC or any successor depository. If payment of principal or interest is made to DTC or any successor depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). Payments on the Bonds shall be made in lawful money of the United States of America which, on the date of such payment, shall be legal tender.

So long as DTC or its nominee is the registered owner of the Bonds, principal and interest on the Bonds will be paid directly to DTC by the Paying Agent. (The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and Indirect Participants.

NOTICE OF REDEMPTION

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

OPTIONAL REDEMPTION

The City may elect on February 1, 2033, and on any day thereafter, to redeem Bonds due on or after February 1, 2034. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

[MANDATORY REDEMPTION

The Term Bonds maturing on _____ [and _____] (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

<u>Year</u>	<u>[] Term Bond</u> <u>Amount</u>
[first year]	\$ _____
[second/last year]*	\$ _____

<u>Year</u>	<u>[] Term Bond</u> <u>Amount</u>
[first year]	\$ _____
[second/last year]*	\$ _____

	[<u> </u>] Term Bond
<u>Year</u>	<u>Amount</u>
[first year]	\$ <u> </u>
[second/last year]*	\$ <u> </u>

* *Final Maturity.*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the City shall determine.]

AUTHORITY AND SECURITY

AUTHORITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475, Sections 475.521 and 412.301.

SECURITY AND SOURCES OF PAYMENT

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. Additional sources of security for the Bonds are described below.

Improvement Portion

The City pledges special assessments against benefited for repayment of a portion of the Bonds. Special assessments in the principal amount of approximately \$611,750 are expected to be filed in 2024 for first collection in 2025. Assessments will be filed over a term of 15 years with equal annual payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate estimated to be 5.958%.

The City will also levy taxes for repayment of a portion of the Improvement Portion of the Bonds, and will make its first levy in 2024 for collection in 2025. The City will make the February 1, 2025 interest payment with available City funds. Thereafter, each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

Utility Portion

Pursuant to Minnesota Statutes, Chapter 444, and the resolution awarding the sale of the Bonds, the City will covenant to impose and collect charges for the service, use, availability and connection to the water, sewer, and storm water utilities (together, the "Utilities") to produce net revenues in amounts sufficient to support the operation of the Utilities and to pay 105% of the debt service due on obligations to which it has pledged its Utility revenues, including the Bonds. The City is required to annually review the budget of the Utilities to determine whether current rates and charges are sufficient and to adjust such rates and charges as necessary.

Equipment Portion

Minnesota Statutes, Section 412.301, as amended, specifies that the City may issue certificates of indebtedness to purchase capital equipment without referendum and without being subject to a petition for a referendum if the total amount of the issue does not exceed ¼ of 1% of the estimated market value of the Issuer. Based on the City's 2023/24 estimated market value of \$225,891,400, this represents a maximum issue size of approximately \$564,954. The principal amount of the Equipment Portion of the Bonds in the amount of \$320,000 is within that limitation and is therefore not subject to petition.

The City will also levy taxes for repayment of a portion of the Improvement Portion of the Bonds, and will make its first levy in 2024 for collection in 2025. The City will make the February 1, 2025 interest payment with available City funds. Thereafter, each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

CIP Portion

Minnesota Statutes, Section 475.521, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's capital improvement plan bonds is \$361,426, based on the City's 2023/24 estimated market value of \$225,891,400. The maximum annual debt service for the City's outstanding capital improvement plan bond issues, including an estimate for the Bonds, is approximately \$230,672, which is within the statutory limit.

The City will also levy taxes for repayment of a portion of the Improvement Portion of the Bonds, and will make its first levy in 2024 for collection in 2025. The City will make the February 1, 2025 interest payment with available City funds. Thereafter, each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

RATING

S&P Global Ratings ("S&P"), 55 Water Street, New York, New York have assigned a rating of "A+" to the Bonds. Such rating reflects only the view of S&P and any explanation of the significance of such rating may only be obtained from S&P.

The rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by S&P. Any revision or withdrawal of the rating may have an adverse effect upon the market price of the Bonds.

The City has not applied to any other rating service for a rating on the Bonds.

RISK FACTORS AND INVESTOR CONSIDERATIONS

Prospective purchasers of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the City to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain investment considerations are set forth below.

MAINTENANCE OF RATINGS

The Bonds have been rated as to their creditworthiness by S&P. While the City does not anticipate any material changes in the future, no assurance can be given that the Bonds will maintain their original rating. If the rating on the Bonds decrease or is withdrawn, the Bonds may lack liquidity in the secondary market in comparison with other such municipal obligations. See "Rating" herein.

SECONDARY MARKET

While the purchaser of the Bonds may expect, insofar as possible, to maintain a secondary market in the Bonds, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the purchasers or others, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold their Bonds to maturity or prior redemption, if any.

FUTURE CHANGES IN LAW

Future legislative proposals, if enacted into law, clarification of the Code (defined herein) or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

Legislation affecting municipal bonds is considered from time to time by the United States Congress and the Executive Branch. Bond Counsel's opinion is based upon the law in existence on the date of issuance of the Bonds. It is possible that legislation enacted after the date of issuance of the Bonds or proposed for consideration will have an adverse effect on the excludability of all or a part of the interest on the Bonds from gross income, the manner in which such interest is subject to federal income taxation or the market price of the Bonds.

Legislation affecting municipal bonds is considered from time to time by the Minnesota legislature and Executive Branch. It is possible that legislation enacted after the date of the Bonds or proposed for consideration will have an adverse effect on payment or timing of payment or other matters impacting the Bonds.

The City cannot predict the outcome of any such federal or state proposals as to passage, ultimate content or impact if passed, or timing of consideration or passage. Purchasers of the Bonds should reach their own conclusions regarding the impact of any such federal or state proposals.

There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the City.

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF THE BONDS

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, the owners of the Bonds may have to enforce available remedies.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the Resolution on behalf of the owners of the Bonds, and therefore the owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

POTENTIAL IMPACTS RESULTING FROM EPIDEMICS OR PANDEMICS

The City's finances may be materially adversely affected by unforeseen impacts of future epidemics and pandemics. The City cannot predict future impacts of epidemics or pandemics, any similar outbreaks, or their impact on travel, on assemblies or gatherings, on the State, national or global economy, or on securities markets, or whether any such disruptions may have a material adverse impact on the financial condition or operations of the City, including but not limited to the payment of debt service on any of its outstanding debt obligations.

CYBERSECURITY

The City relies on computer networks, data storage, collection, and transmission to conduct the operations of the City and has implemented security measures to protect data and limit financial exposure, including securing cyber security insurance to assist with the reduction of potential risk of financial and operational damage resulting from network attacks. Even with these security measures, the City, its information technology, data stored by the City and its infrastructure may be vulnerable in the event of a deliberate system attack, including malware, ransomware, computer virus, employee error or general disruption. If

breached or compromised, the networks could be disrupted and information could be accessed, disclosed, lost, or stolen. The City acknowledges that its systems could be affected by a cybersecurity attack and that a loss, disruption, or unauthorized access to data held by the City could have a material impact on the City. Further, as cybersecurity threats evolve, the City will continue to evaluate and implement security measures and work to mitigate any vulnerabilities in its system.

PURCHASER/UNDERWRITING

The Bonds are being purchased by _____ (the “Underwriter”) [and its syndicate] at a purchase price of \$_____, which is the par amount of the Bonds of \$_____, less the Underwriter’s discount of \$_____, plus the [net] original issue premium/discount of \$_____, plus accrued interest \$_____.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Bonds into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Bonds.

CONTINUING DISCLOSURE

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

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

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

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING

As of the date of the Official Statement, the City does not currently anticipate issuing additional debt in the calendar year 2024.

The City periodically evaluates market conditions and outstanding financial obligations for refunding and refinancing opportunities and may issue refunding obligations if debt service savings can be achieved.

LITIGATION

To the knowledge of the officers for the City, there is no litigation pending, or threatened, against the City, which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to the issuance, sale, or delivery thereof.

The officers for the City will certify at the time of delivery of the Bonds that there is no litigation pending or in any way threatened questioning the validity of the Bonds, or any of the proceedings relating to the authorization, issuance and sale of the Bonds that would result in a material adverse impact on the financial condition of the City.

LEGAL MATTERS

The Bonds are subject to approval as to certain matters incident to the issuance of the Bonds and with regard to the tax status of the interest thereon by Taft Stettinius & Hollister LLP, of Minneapolis, Minnesota, as bond counsel ("Bond Counsel"). In its capacity as bond counsel, Bond Counsel has reviewed those portions of this Official Statement under the captions "DESCRIPTION OF THE BONDS" (except "Book Entry" therein), "AUTHORITY AND SECURITY," "LEGAL MATTERS," "TAX MATTERS," "APPENDIX C. Form of Bond Counsel Opinion," and "APPENDIX D. Form of Continuing Undertaking." Except as described in the previous sentence, Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency, including with respect to any risk factors or other investor considerations contained herein. Bond Counsel has not examined nor attempted to examine or verify, and will express no opinion regarding, any of the financial, operational or statistical statements or data contained in this Official Statement or any other offering or disclosure documents or other information that may be prepared or made available by the City, the Municipal Advisor, the prospective purchasers of the Bonds, or others. A legal opinion in substantially the form set out in Appendix C herein is expected to be delivered at closing.

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

TAX MATTERS

TAX EXEMPTION

At closing Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion that, at the time of their issuance and delivery to the original purchaser, under present federal and State of Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), the interest on each Bond is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross income and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and that interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. Preservation of the exclusion of interest on the Bonds from federal gross income and state gross and taxable net income, however, depends upon compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from federal gross income and state gross and taxable net income. The City will covenant to comply with requirements necessary under the

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

RELATED TAX CONSIDERATIONS

Property and Casualty Insurance Companies

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

Foreign Insurance Companies

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

Branch Profits Tax

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

Passive Investment Income of S Corporations

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

Financial Institutions

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

General

The preceding is not a comprehensive list of all federal tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Bonds (the "Municipal Advisor" or "BTMA"). BTMA is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP ("BTUS"), an accounting firm and has been retained by the City to provide certain financial advisory services including, among other things, preparation of the deemed "nearly final" Preliminary Official Statement and the Final Official Statement (the "Official Statements"). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not verified and will not independently verify the completeness and accuracy of the information contained in the Official Statements. The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility.

MUNICIPAL ADVISOR REGISTRATION

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Bonds.

The offer and sale of the Bonds shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City has agreed that BTMA does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms.

Baker Tilly Wealth Management, LLC ("BTWM"), a U.S. Securities and Exchange Commission ("SEC") registered investment adviser under the Federal Investment Advisers Act of 1940. Baker Tilly Capital, LLC ("BTC"), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"). Baker Tilly Financial, LLC ("BTF"), is a wholly owned subsidiary of BTUS, registered with the SEC as an investment advisor.

BTUS, BTWM and subsidiaries of BTUS may provide advisory services to the clients of BTMA. BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

MISCELLANEOUS

The information contained in this Official Statement has been compiled from the City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the owners thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

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GENERAL INFORMATION OF THE CITY

CITY PROPERTY VALUES

Trend of Values(1)

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio(2)	Economic Market Value(3)	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2023/24	\$225,891,400	N/A	N/A	\$22,809,800	\$201,074,600	\$2,358,563
2022/23	189,305,000	80.5%	\$235,228,804	23,402,700	164,440,500	1,988,302
2021/22	162,674,700	88.8	183,119,329	23,613,700	137,332,600	1,697,859
2020/21	162,326,300	91.9	177,906,465	23,831,800	136,990,000	1,690,484
2019/20	157,200,200	91.4	172,303,300	23,914,400	132,031,000	1,640,234

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

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

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

Source: Faribault County, Minnesota, April 2024, except as otherwise noted.

2023/24 Adjusted Taxable Net Tax Capacity: \$2,358,563

Real Estate:		
Residential Homestead	\$1,260,167	53.3%
Commercial/Industrial and Public Utility	713,171	30.1
Residential Non-Homestead	325,618	13.8
Agricultural	22,007	0.9
Personal Property	<u>45,288</u>	<u>1.9</u>
2023/24 Net Tax Capacity	\$2,366,251	100.0%
Less: Captured Tax Increment	<u>(7,688)</u>	
2023/24 Adjusted Taxable Net Tax Capacity	\$2,358,563	

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2023/24 Net Tax Capacity</u>
Seneca Foods Corporation	Industrial Land and Buildings	\$ 67,132
United Hospital District	Commercial	50,516
CenterPoint	Utility	45,464
Nuvex Ingredients Inc.	Industrial	44,663
Nextera Properties Inc.	Commercial	40,338
Blue Earth Economic Development Authority	Industrial	27,177
Next Generation Properties	Commercial	24,566
Juba Properties LLC	Commercial	23,745
Touchdown Investment Inc.	Commercial	23,576
Union Pacific Railroad Co.	Railroad	<u>23,191</u>
Total		\$370,368(1)

(1) Represents 15.7% of the City's 2023/24 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin(1)

Legal Debt Limit (3% of 2023/24 Estimated Market Value)	\$6,776,742
Less: Outstanding Debt Subject to Limit	<u>(3,127,519)</u>
 Legal Debt Margin as of July 18, 2024	 \$3,649,223

(1) The legal debt margin is referred to statutorily as the “Net Debt Limit” and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

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

General Obligation Debt Supported Solely by Taxes(1)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 7-15-24</u>
6-15-12	\$1,560,000	Swimming Pool Refunding	2-1-2027	\$ 410,000
3-27-13	990,000	Capital Improvements	2-1-2027	240,000
7-18-18	1,000,000	Capital Improvements	2-1-2039	805,000
12-29-21	52,916	Taxable Equipment Certificates	2-1-2039	47,519
7-6-23	325,000	Equipment Certificates	2-1-2029	305,000
7-15-24	1,000,000	Capital Improvements (the CIP Portion)	2-1-2045	1,000,000
7-15-24	320,000	Equipment Certificates (the Equipment Portion)	2-1-2035	<u>320,000</u>
 Total				 \$3,127,519

(1) These issues are subject to the legal debt limit.

General Obligation Special Assessment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 7-15-24</u>
6-15-12	\$2,395,000	Improvements	2-1-2028	\$ 725,000
9-11-13	1,565,000	Improvements	2-1-2029	605,000
7-1-14	3,765,000	Improvements	2-1-2030	1,690,000
9-17-15	1,905,000	Improvements	2-1-2031	1,005,000
11-3-16	2,310,000	Improvements	2-1-2032	1,310,000
7-18-18	3,095,000	Improvements	2-1-2034	2,205,000
12-4-19	1,990,000	Improvements	2-1-2035	1,550,000
9-3-20	3,645,000	Improvements and Refunding	2-1-2036	2,695,000
7-22-21	3,015,000	Improvements	2-1-2038	2,695,000
7-7-22	3,295,000	Improvements	2-1-2038	3,175,000
7-6-23	4,700,000	Improvements	2-1-2039	4,385,000
7-15-24	1,940,000	Improvements (the Improvement Portion)	2-1-2040	<u>1,940,000</u>
 Total				 \$23,980,000

General Obligation Tax Abatement Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 7-15-24</u>
7-1-14	\$ 450,000	Tax Abatements	2-1-2030	\$ 200,000
9-17-15	1,865,000	Tax Abatements	2-1-2031	<u>985,000</u>
Total				\$1,185,000

General Obligation Utility Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 7-15-24</u>
9-5-06	\$ 305,456	Drinking Water (PFA)	8-20-2026	\$ 56,000
3-19-07	1,174,600	Drinking Water (PFA)	8-20-2026	226,000
7-3-07	716,592	Clean Water (PFA)	8-20-2026	134,000
7-20-09	699,230	Clean Water (PFA)	8-20-2029	246,000
7-6-10	1,791,176	Clean Water (PFA)	8-20-2025	256,000
4-16-12	592,757	Clean Water (PFA)	8-20-2026	124,000
6-15-12	665,000	Sewer Revenue	2-1-2028	195,000
7-1-13	394,873	Clean Water (PFA)	8-20-2028	147,000
2-5-18	7,691,210	Taxable Sewer Revenue Note (PFA)	8-20-2037	5,712,000
7-22-21	3,375,000	Water, Sewer and Storm Water	2-1-2037	2,835,000
7-7-22	780,000	Sewer	2-1-2038	735,000
7-7-22	940,000	Water	2-1-2038	890,000
7-15-24	1,820,000	Water, Sewer and Storm Water (the Utility Portion)	2-1-2040	<u>1,820,000</u>
Total				\$13,376,000

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Estimated Calendar Year Debt Service Payments

Year	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
	Principal	Principal & Interest(1)	Principal (Paid)	Principal & Interest(2)
2024 (at 7-15)	\$ 5,512	\$ 35,145	(Paid)	\$ 323,856
2025	300,629	406,563	\$ 1,895,000	2,589,653
2026	395,749	489,378	2,160,000	2,790,584
2027	405,871	487,076	2,110,000	2,673,862
2028	180,996	252,414	2,195,000	2,692,756
2029	191,123	255,421	2,065,000	2,497,804
2030	126,253	184,909	1,980,000	2,353,055
2031	131,386	185,913	1,725,000	2,046,178
2032	135,000	185,091	1,625,000	1,899,653
2033	135,000	180,562	1,480,000	1,711,773
2034	135,000	175,955	1,520,000	1,710,411
2035	140,000	176,103	1,305,000	1,455,712
2036	110,000	141,568	1,185,000	1,299,696
2037	110,000	137,533	990,000	1,070,597
2038	120,000	143,263	1,025,000	1,071,603
2039	120,000	138,760	555,000	573,036
2040	60,000	75,250	165,000	168,432
2041	60,000	72,736		
2042	60,000	70,195		
2043	65,000	72,523		
2044	70,000	74,603		
2045	70,000	71,540		
Total	\$3,127,519(3)	\$4,012,501	\$23,980,000(4)	\$28,928,661

Year	G.O. Tax Abatement Debt		G.O. Utility Revenue Debt	
	Principal	Principal & Interest	Principal	Principal & Interest(5)
2024 (at 7-15)	(Paid)	\$ 17,775	\$ 746,000	\$ 853,245
2025	\$ 160,000	193,150	1,087,000	1,354,311
2026	160,000	188,350	1,072,000	1,311,920
2027	170,000	193,400	902,000	1,117,634
2028	175,000	193,225	923,000	1,118,485
2029	180,000	192,900	874,000	1,049,336
2030	185,000	192,425	840,000	996,750
2031	155,000	157,325	855,000	996,002
2032			875,000	1,000,607
2033			891,000	1,000,566
2034			906,000	998,869
2035			921,000	995,914
2036			937,000	992,763
2037			962,000	997,840
2038			280,000	297,700
2039			150,000	159,516
2040			155,000	158,224
Total	\$1,185,000	\$1,328,550	\$12,602,000(6)	\$15,399,682

(1) Includes estimated debt service on the Equipment Portion and the CIP Portion of the Bonds.

(2) Includes estimated debt service on the Improvement Portion of the Bonds.

(3) 64.2% of this debt will be retired within ten years.

(4) 78.2% of this debt will be retired within ten years.

(5) Includes estimated debt service on the Utility Portion of the Bonds.

(6) 67.7% of this debt will be retired within ten years.

Other Debt Obligations

Leases

The City has entered into various long-term obligations. A schedule by years of future minimum rental payments required under these leases is represented in the Annual Financial Statements. The City's Annual Financial Statements for fiscal year ended December 31, 2022, is included as Appendix F of this Official Statement. (The City's Annual Financial Statements for the fiscal year ended December 31, 2023 are not yet available.)

Overlapping Debt

Taxing Unit(1)	2023/24 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 7-18-24(2)	Debt Applicable to Tax Capacity in City	
			Percent	Amount
Faribault County	\$48,073,061	\$11,395,000	4.9%	\$558,355
I.S.D. No. 2860 (Blue Earth)	27,229,539	3,820,000	8.7	<u>332,340</u>
Total				\$890,695

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

(2) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

Debt Ratios(1)

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
2023/24 Estimated Market Value (\$225,891,400)	12.52%	12.92%
Per Capita (3,130 – 2022 MN State Demographer)	\$9,039	\$9,324

(1) Excludes general obligation utility revenue debt, revenue debt, and other debt obligations. Includes lease obligations.

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in City

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
Faribault County	36.693%	36.087%	36.290%	37.388%	34.725%	30.728%
City of Blue Earth	98.549	102.026	101.964	105.724	93.996	83.399
I.S.D. No. 2860 (Blue Earth)(1)	8.318	7.724	7.284	7.406	6.697	5.365
Region IX	<u>0.177</u>	<u>0.171</u>	<u>0.174</u>	<u>0.181</u>	<u>0.159</u>	<u>0.120</u>
Total	143.737%	145.985%	145.712%	150.699%	135.547%	119.612%

(1) In addition, Independent School District No. 2860 (Blue Earth) has a 2023/24 market value tax rate of 0.24068% spread across the market value of property in support of an excess operating levy.

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

Tax Levies and Collections

<u>Levy/Collect</u>	<u>Net Levy(1)</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12-31-23</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2023/24	\$1,966,498				
			(In Process of Collection)		
2022/23	1,868,251	\$1,848,109	98.9%	\$1,848,262	98.9%
2021/22	1,794,424	1,781,789	99.3	1,791,121	99.8
2020/21	1,723,015	1,708,118	99.1	1,721,690	99.9
2019/20	1,672,791	1,653,390	98.8	1,669,911	99.8

(1) The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix E.

**FUNDS ON HAND
As of March 31, 2024**

General Fund	\$ 3,394,183
Debt Service Funds	(53,173)
Enterprise Fund	794,935
Special Revenue Funds	(1,125,098)
Street Projects (Capital Outlay)	<u>1,610,653</u>
Total Cash and Investments	\$ 4,621,500

INVESTMENTS

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

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

10. Reverse repurchase agreements with primary dealers not to exceed ninety days with reinvestment of proceeds matched to the reverse's maturity. Reverse repurchase agreements will be under an executed Bond Market Master Repurchase Agreement assuring a 102% collateral margin and independent safekeeping.
11. Securities lending agreements with a primary dealer or bank in the State of Minnesota with collateral defined by State law.
12. Minnesota joint powers investment trusts as defined by Minnesota Statutes.
13. Interest bearing demand accounts in Minnesota banks.

As of March 31, 2024, the City had investments with a value of \$912,393, and \$3,709,108 in cash held in a general checking account. Funds are invested primarily in certificates of deposit, mortgage-backed U.S. government agency securities, or money market accounts. Effective yields range from 0.3% to 5.0%, maturing no later than March 30, 2026.

GENERAL INFORMATION CONCERNING THE CITY

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

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2022 MN State Demographer	3,130	1.0%
2020 U.S. Census	3,098	(7.6)
2010 U.S. Census	3,353	(7.4)
2000 U.S. Census	3,621	(3.3)
1990 U.S. Census	3,745	(9.4)
1980 U.S. Census	4,132	--

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

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

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2023/24	626	534	1,047	924
2022/23	678	552	1,080	858
2021/22	640	548	1,078	879
2020/21	643	550	1,064	861
2019/20	648	558	1,084	865

Source: Claritas, LLC.

Transportation

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

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Independent School District No. 2860 (Blue Earth)	Public education	240
Kerry Ingredients Incorporated	Cereal/breakfast foods	230
St. Luke's Lutheran Care Center	Skilled nursing care facilities	220
United Hospital District – Blue Earth	Medical/surgical hospital	177
Aerospace Systems, Inc.	Household audio and video equipment	163
City of Blue Earth	Municipal government and services	92(1)
EDI	Medical testing kits	85
Blue Earth Valley Communications	Telephone communications	82
Tafoo Equipment Company	Farm machinery and equipment	60
Darling International Inc.	Prepared feeds	50
Seneca Foods Corporation	Canned fruits and vegetables	45
Winnebago Manufacturing Company	Welding repair	30
Bomgaars	Retail	15

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

(2) Aerospace Systems, a division of Nortech Systems, Inc. and located in the City's West Industrial business park, announced in May 2024 that they will be closing the Blue Earth plant by the end of the year. The closure is expected to affect 74 jobs at the Blue Earth location. Only 12 employees of the 74 affected live within the City of Blue Earth. City officials report significant interest in the facility from other manufacturers and expect the space to be occupied soon.

Note: Previously reported information was obtained through a telephone survey of individual employers. Any differences may be attributable to the change in the source of this information, as provided below.

Source: Information obtained from D&B Hoovers, <https://app.dnbhoovers.com/>. This does not purport to be a comprehensive list.

Labor Force Data

	<u>Annual Average</u>				<u>March</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Labor Force:					
Faribault County	7,154	6,988	7,057	7,098	7,065
State of Minnesota	3,122,015	3,049,037	3,077,500	3,099,922	3,103,046
Unemployment Rate (%):					
Faribault County	6.2%	4.0%	3.0%	3.1%	3.7%
State of Minnesota	6.3	3.7	2.7	2.8	3.2

Source: Minnesota Department of Employment and Economic Development, <https://apps.deed.state.mn.us/lmi/laus>. 2024 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Blue Earth

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2023/24	\$55,823	\$101,770	\$56,434
2022/23	59,044	89,956	51,837
2021/22	46,271	79,314	47,244
2020/21	49,520	82,963	45,358
2019/20	66,902	83,000	43,089

Faribault County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2023/24	\$147,200	\$436,471	\$58,841
2022/23	157,028	397,936	54,150
2021/22	139,435	372,630	51,806
2020/21	120,521	351,744	48,594
2019/20	168,150	350,542	46,503

The 2023/24 Median Household EBI for the State of Minnesota was \$73,750. The 2022/23 Median Household EBI for the United States was \$64,600.

Source: Claritas, LLC.

Permits Issued by the City

	<u>New Single Family Residential</u>		<u>New Commercial/Industrial</u>		<u>Total Value(1) (All Permits)</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2024 (to 3-31)	0	\$ 0	0	\$ 0	\$ 431,438
2023	0	0	1	189,000	2,784,385
2022	3	575,000	0	0	6,134,230
2021	0	0	3	580,000	1,104,900
2020	6	2,445,793	1	600,000	6,302,364
2019	1	200,000	0	0	1,276,200
2018	0	0	2	1,807,750	3,770,950
2017	3	755,000	0	0	1,251,050
2016	1	100,000	0	0	1,262,100
2015	1	300,900	2	205,000	1,144,900

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

Source: City of Blue Earth.

Recent Development

Residential

There are approximately 1,464 single-family homes and 53 multifamily units located within the City.

Industrial Parks

The City has an 80-acre industrial park with eleven enterprises, the larger of which includes Kerry Ingredients Incorporated; Aerospace Systems, Inc.; Tafo Equipment Company; and Winnebago Manufacturing Company. This industrial park includes all utilities as well as railroad access. The City has a second 43.6-acre industrial park located at the intersection of Interstate 90 and State Highway 169, which houses Kibble Equipment; BENCO Electric Corporation; Ertman Trucking Repair; and HeavyLite Trailers.

Commercial/Industrial Development

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

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Giant Welcome Center	Tourism/Museum	Brick-Vinyl Siding
BENCO Electric Corporation	Rural Electric Coop	Concrete
Kerry Ingredients Incorporated Expansion	Cereal Production	Concrete
St. Luke's Lutheran Care Center Addition	Nursing Home	Wood-concrete
United Hospital District – Blue Earth	Medical/Surgical Hospital	Brick
Alltel Communications	Radio Tower and Building	Metal
Faribault County Fair Board	Community Service Facility	Metal
Cabin Coffee	Coffeehouse	Wood-Frame
Ertman Trucking Repair	Repair Shop	Metal
HeavyLite Trailers	Retail	Metal

Education

Public Education

The following district serve the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2023/24 Enrollment</u>
I.S.D. No. 2860 (Blue Earth)	City of Blue Earth	K-12	1,075

Source: Minnesota Department of Education, www.education.state.mn.us

Post-Secondary Education

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

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

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

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Richard Scholtes	Mayor	January 6, 2025
Michael McNerney	Councilmember	January 6, 2025
Jacque Drew	Councilmember	January 4, 2027
Dan Ristau	Councilmember	January 4, 2027
John Huisman	Councilmember	January 6, 2025
Stephanie Walter	Councilmember	January 6, 2025
Ann Hanna	Councilmember	January 4, 2027

The City Administrator is responsible for directing the administration of Council policy, maintaining the records and accounts of the City's operations and is responsible for all record keeping functions of the City. Ms. Mary Kennedy has served as the City Administrator since July 2020. Ms. Echo Roggenkamp serves as the Deputy City Clerk. The City has 26 full-time, 18 part-time, and 48 seasonal employees.

Municipal Services

Water Utility System. The Water Utility System has approximately 1,578 private and municipal connections served by a 400,000 gallon elevated water storage facility along with two storage tanks at a combined capacity of 1,200,000 gallons. The system has a pumping capacity of 3,750 gallons per minute or 5,400,000 gallons per day. Average demand is 400,000 gallons per day while peak demand reaches 750,000 gallons per day. Total tap water hardness is 48 parts per million. The 2023 unaudited operating revenues were \$1,523,754, with an average charge of \$857 per year for residential and commercial water customers.

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

The 2023 unaudited operating revenues were \$1,459,039. For residential, the sewage use base charge is \$29.45 per month and \$8.81 per thousand gallons thereafter. For commercial, the sewage use base charge is \$37.22 per month and \$10.87 per thousand gallons thereafter.

Electric Utility. The Electric Utility has approximately 2,124 connections. The Utility purchases 1,200 kWh base load from Wisconsin Public Power Inc. (the "WPPI"). The Utility also purchases economy energy thru the Mid-Continent Independent System Organization (MISO). The City owns and operates a transmission line into the control area of Xcel to receive power from WPPI and other suppliers. WPPI wheels the power to Xcel via a 161-kWh interconnect.

In September 2003, the Utility agreed to purchase an additional 2,500 kWh of capacity and energy from the Central Minnesota Municipal Power Agency ("CMMPA"), of which the Utility is a member. The agreement represents the Utility's share of a 40-year contract for the purchase of capacity and energy between CMMPA and the Omaha Public Power District ("OPPD") for the Nebraska City 2 generator (NC2) starting in May 2009.

The Utility also has multiple contracts to cover their Energy only needs. They have a Wind Shape contract purchased thru NextEra that expires December 31, 2035 for a maximum of 4.0 MW during the Summer and 1.9 MW Non-Summer. In addition, the Utility has a Shaped Product from Citigroup Energy thru December, 2033 for a maximum of 4.3 MW during the Summer months.

Blue Earth Light and Water also has an energy-only share of the Wolf Wind contract for 0.7 MW that ends in 2041.

The 2023 unaudited operating revenues were \$6,812,236 with the average charge per year per household connection at approximately \$1,067 and \$17,427 for commercial/industrial electric.

Liquor Store. The City operates one off-sale municipal liquor store, which had 2023 unaudited operating revenues of \$337,134.

Fire and Rescue/Emergency Department. The City currently operates a 28 -member volunteer fire and rescue department consisting of two pumpers, one tanker/pumper, two tankers, one telesquirt, two grass rigs, an emergency rescue/equipment vehicle, and other miscellaneous firefighting and rescue equipment.

Police Department. The City operates its own department with 6 full-time officers, including the Chief of Police, and 6 part-time officers. The department also has a part-time secretary, a part-time community service officer, owns three fully equipped vehicles and one partially equipped vehicle. The City provides

protection 24 hours per day, 365 days per year. All dispatching is routed through the Faribault County Sheriff's Department.

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

Labor Contracts

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

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
LELS	5	December 31, 2024
AFSCME	<u>10</u>	December 31, 2024
Subtotal	15	
Non-unionized employees	<u>11</u>	
Total employees	26	

Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF) and the Public Employees Correctional Fund (PECF), which are cost-sharing multiple-employer retirement plans. In addition, the City participates in the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA.

A detailed description of these plans, along with the City's required contributions to each plan, are represented in the City's Annual Financial Statements. The City's Annual Financial Statements for fiscal year ended December 31, 2022, is included as Appendix F of this Official Statement. (The City's Annual Financial Statements for the fiscal year ended December 31, 2023 are not yet available.)

Other Postemployment Benefits

The City has obligations to its employees for post-employment benefits other than pensions, accounted for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The City's OPEB liabilities and associated contributions are represented in the City's Annual Financial Statements. The City's Annual Financial Statements for fiscal year ended December 31, 2022, is included as Appendix F of this Official Statement. (The City's Annual Financial Statements for the fiscal year ended December 31, 2023 are not yet available.)

Sources: City's Annual Financial Statements.

Federal Financial Assistance

As of the date of this Official Statement, the City has received CARES Act funding from the State of Minnesota of \$241,390 which has been allocated as follows: \$175,158 for business grants; \$29,453 for public health and PPE; \$24,393 for telework capabilities; \$8,341 for budgeted personnel and services; and \$4,045 for other. The City received additional funds under the America Rescue Plan Act of 2021 (the "ARP"). The provisions of the ARP are broader than other prior federal COVID relief provisions, and the

City has determined to deploy the direct funds that they received under the ARP for tennis court reconstruction.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Intergovernmental	\$2,087,915	\$2,085,315	\$2,313,969	\$2,499,660	\$2,455,321
Proceeds from Bond Issuance	0	1,000,000	0	0	0
Property Taxes	596,331	483,590	540,164	579,419	679,937
Charges for Services	282,553	321,060	340,141	392,948	401,434
Franchise Taxes	242,337	268,022	280,406	273,566	262,149
Licenses and Permits	56,325	37,983	57,864	22,918	50,234
Transfers In	120,000	125,000	50,000	491,138	100,000
Miscellaneous	73,579	75,913	0	0	0

Sources: City's Annual Financial Statements.

General Fund Budget Summary

	<u>2023 Budget</u>	<u>2023 Actual(1)</u>	<u>2024 Budget</u>
Revenues:			
Taxes	\$ 791,885	\$ 819,025	\$ 778,000
Franchise Taxes	264,000	263,442	259,000
Special Assessments	2,550	3,600	3,600
Licenses and Permits	23,075	32,885	28,545
Intergovernmental	2,517,825	2,769,571	2,962,482
Charges for Services	226,415	276,700	246,900
Fines and Forfeits	9,200	13,872	9,750
Interest Earnings	15,000	128,432	50,000
Miscellaneous	<u>63,800</u>	<u>139,352</u>	<u>77,250</u>
Total Revenues	\$3,913,750	\$4,446,835	\$4,415,527
Expenditures:			
General Government	\$ 580,418	\$ 960,166	\$ 624,610
Public Safety	1,242,442	1,645,251	1,449,465
Public Works	1,664,476	1,617,476	1,342,743
Culture and Recreation	586,543	575,453	987,054
Storm Water	0	0	0
Miscellaneous	0	0	0
Debt Service	<u>14,000</u>	<u>13,524</u>	<u>15,000</u>
Total Expenditures	\$4,087,879	\$4,811,870	\$4,418,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (174,129)	\$ (365,035)	\$ (3,345)
Other Financing Sources (Uses):			
Sale of Assets	\$ 0	\$ 0	\$ 0
Proceeds from Bond Issuance	0	320,000	0
Transfers In	188,000	51,000	0
Transfers Out	<u>0</u>	<u>(612,830)</u>	<u>0</u>
Total Other Financing Sources (Uses)	\$ 188,000	\$ (241,830)	\$ 0
Net Change in Fund Balance	\$ 13,871	\$ (606,865)	\$ (3,345)
Beginning Fund Balance - January 1	\$4,379,459	\$4,393,330	\$3,786,465
Ending Fund Balance - December 31	\$4,393,330	\$3,786,465	\$3,782,120

Sources: City's Annual Financial Statements and 2024 Budget.

BOOK ENTRY

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

FORM OF BOND COUNSEL OPINION

\$5,080,000
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF BLUE EARTH
FARIBAULT COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Blue Earth, Faribault County, Minnesota (the "Issuer"), of its \$5,080,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of July 18, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the

Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

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

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

TAFT STETTINIUS & HOLLISTER LLP

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Blue Earth, Minnesota (the "Issuer"), in connection with the issuance of its \$5,080,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 17, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2024, prepared in connection with the Bonds.

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

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

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

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

Provision of Annual Reports.

Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

An update of the operating and financial data of the type of information contained in the Official Statement under the captions: City Property Values; City Indebtedness; and City Tax Rates, Levies and Collections.

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

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

Principal and interest payment delinquencies;

Non-payment related defaults, if material;
Unscheduled draws on debt service reserves reflecting financial difficulties;
Unscheduled draws on credit enhancements reflecting financial difficulties;
Substitution of credit or liquidity providers, or their failure to perform;
Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
Modifications to rights of security holders, if material;
Bond calls, if material, and tender offers;
Defeasances;
Release, substitution, or sale of property securing repayment of the Bonds, if material;
Rating changes;
Bankruptcy, insolvency, receivership or similar event of the Issuer;
The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
Appointment of a successor or additional trustee or the change of name of a trustee, if material;
Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business

or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

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

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

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

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

Dated: July 18, 2024.

CITY OF BLUE EARTH, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

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

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

PROPERTY VALUATIONS (CHAPTER 273, MINNESOTA STATUTES)

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

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

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

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

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

**PROPERTY TAX PAYMENTS AND DELINQUENCIES
(CHAPTERS 275, 276, 277, 279-282 AND 549, MINNESOTA STATUTES)**

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

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes

due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

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

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

PROPERTY TAX CREDITS (CHAPTER 273, MINNESOTA STATUTES)

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

DEBT LIMITATIONS

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

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**LEVIES FOR GENERAL OBLIGATION DEBT
(SECTIONS 475.61 AND 475.74, MINNESOTA STATUTES)**

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

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

<u>Property Type</u>	<u>Local Tax Payable 2020-2023</u>	<u>Local Tax Payable 2024</u>
Residential Homestead (1a)		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
Residential Non-homestead		
Single Unit (4bb)		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
2-3 unit and undeveloped land (4b1)	1.25%	1.25%
Market Rate Apartments		
Regular (4a)	1.25%	1.25%
Low-Income (4d)		
Up to \$100,000 ⁽³⁾	0.75%	0.75%
Over \$100,000 ⁽³⁾	0.25%	0.25%
Low-Income (4d1)		0.25%
Low-Income (4d2)		0.75%
Commercial/Industrial/Public Utility (3a)		
Up to \$150,000	1.50% ⁽¹⁾	1.50% ⁽¹⁾
Over \$150,000	2.00% ⁽¹⁾	2.00% ⁽¹⁾
Electric Generation Machinery	2.00%	2.00%
Commercial Seasonal Residential		
Homestead Resorts (1c)		
Up to \$600,000	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%
Over \$2,300,000	1.25% ⁽¹⁾	1.25% ⁽¹⁾
Seasonal Resorts (4c1)		
Up to \$500,000	1.00% ⁽¹⁾	1.00% ⁽¹⁾
Over \$500,000	1.25% ⁽¹⁾	1.25% ⁽¹⁾
Non-Commercial (4c12)		
Up to \$500,000	1.00% ⁽¹⁾⁽²⁾	1.00% ⁽¹⁾⁽²⁾
Over \$500,000	1.25% ⁽¹⁾⁽²⁾	1.25% ⁽¹⁾⁽²⁾
Disabled Homestead (1b)		
Up to \$50,000	0.45%	0.45%
\$50,000 - \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Land & Buildings		
Homestead (2a)		
Up to \$500,000	1.00%	1.00%
Over \$500,000	1.25%	1.25%
Remainder of Farm		
Up to \$3,500,000 ⁽⁴⁾	0.50% ⁽²⁾	0.50% ⁽²⁾
Over \$3,500,000 ⁽⁴⁾	1.00% ⁽²⁾	0.50% ⁽²⁾
Non-homestead (2b)	1.00% ⁽²⁾	1.00% ⁽²⁾

(1) State tax is applicable to these classifications.

(2) Exempt from referendum market value-based taxes.

(3) Historical valuations are: Payable 2023 - \$100,000; Payable 2022 - \$100,000; Payable 2021 - \$174,000; and Payable 2020 - \$150,000.

(4) Legislative increases, payable 2024. Historical valuations are: Payable 2023 - \$1,890,000; Payable 2022 - \$1,890,000; Payable 2021 - \$1,890,000; and Payable 2020 - \$1,880,000.

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

2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

The following pages include the City's Annual Financial Statements for fiscal year ended December 31, 2022. (The City's Annual Financial Statements for fiscal year ended December 31, 2023 are not yet available.)

CITY OF BLUE EARTH

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2022

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

ELECTED OFFICIALS

		Term Expires
Richard Scholtes	Mayor	2025
Wendy Cole	Council Member	2023
Marty Cassem	Council Member	2023
Russ Erichsrud	Council Member	2023
Ann Hanna	Council Member	2023
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 Audit of the Financial Statements

Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We did not audit the financial statements of Blue Earth Light & Water, which represent 100% of the assets, net position, and revenues of the discretely presented component units as of December 31, 2022, and respective changes in financial position, and where applicable, cash flows therefore for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Summary of 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

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the City of Blue Earth, Minnesota, as of December 31, 2022, and the 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 on Business-Type Activities, Aggregate Discretely Presented Component Units, Governmental Funds, Proprietary Funds, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blue Earth, Minnesota, as of December 31, 2022, 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.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to the Qualified Opinion on the 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 assets, deferred inflows of resources, net position, and expenses of the Governmental Activities has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Earth, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 18, 2023, on our consideration of the City of Blue Earth, Minnesota'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 of Blue Earth, Minnesota's internal control over financial reporting and compliance.

Carlson AV JLP

Fergus Falls, Minnesota
May 18, 2023

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF BLUE EARTH, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 8,783,247	\$ 1,200,784	\$ 9,984,031	\$ 5,624,736
Accounts receivable	104,073	111,078	215,151	1,282,275
Taxes receivable	18,371	-	18,371	-
Special assessments receivable	3,157,564	90,478	3,248,042	55,346
Due from other governmental units	24,400	-	24,400	-
Notes receivable	569,306	-	569,306	374,533
Leases receivable	433,801	-	433,801	-
Inventories	-	281,835	281,835	892,459
Prepaid expenses	32,244	10,679	42,923	39,135
Property held for resale	840,666	-	840,666	-
Total Current Assets	<u>13,963,672</u>	<u>1,694,854</u>	<u>15,658,526</u>	<u>8,268,484</u>
Noncurrent assets				
Restricted assets				
Cash and investments	-	-	-	1,990,894
Other assets	-	-	-	84,975
Capital assets not being depreciated	10,994,691	219,035	11,213,726	210,431
Capital assets net of accumulated depreciation	34,247,605	13,966,172	48,213,777	19,167,741
Total Noncurrent Assets	<u>45,242,296</u>	<u>14,185,207</u>	<u>59,427,503</u>	<u>21,454,041</u>
Total Assets	<u>59,205,968</u>	<u>15,880,061</u>	<u>75,086,029</u>	<u>29,722,525</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	954,919	98,108	1,053,027	742,161
Related to OPEB	-	-	-	32,919
Total Deferred Outflows of Resources	<u>954,919</u>	<u>98,108</u>	<u>1,053,027</u>	<u>775,080</u>
LIABILITIES				
Current Liabilities				
Accounts payable	52,820	15,129	67,949	501,510
Accrued expenses	-	17,768	17,768	21,372
Accrued payroll	24,570	7,609	32,179	12,145
Accrued interest payable	297,983	40,058	338,041	90,422
Compensated absences	-	-	-	184,491
Current portion of long-term debt	1,600,619	704,000	2,304,619	749,113
Current portion of lease liability	25,048	-	25,048	-
Total Current Liabilities	<u>2,001,040</u>	<u>784,564</u>	<u>2,785,604</u>	<u>1,559,053</u>
Long-Term Liabilities				
Compensated absences	72,795	31,564	104,359	-
Bonds and loans payable, net	24,951,737	6,856,059	31,807,796	10,241,789
Lease liability	42,030	-	42,030	-
Patron meter deposits	-	-	-	42,814
Unearned revenue	-	-	-	858,118
Net pension liability	2,122,872	444,244	2,567,116	1,085,045
Post employment benefit	-	-	-	129,117
Total Long-Term Liabilities	<u>27,189,434</u>	<u>7,331,867</u>	<u>34,521,301</u>	<u>12,156,883</u>
Total Liabilities	<u>29,190,474</u>	<u>8,116,431</u>	<u>37,306,905</u>	<u>13,715,936</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	29,991	11,239	41,230	433,531
Related to OPEB	-	-	-	34,838
Unearned revenue - leases receivable	433,801	-	433,801	-
Total Deferred Inflows of Resources	<u>463,792</u>	<u>11,239</u>	<u>475,031</u>	<u>468,369</u>
NET POSITION				
Net investment in capital assets	18,622,862	6,625,148	25,248,010	8,538,660
Restricted	4,314,396	-	4,314,396	42,815
Unrestricted	7,569,363	1,225,351	8,794,714	7,731,825
TOTAL NET POSITION	<u>\$ 30,506,621</u>	<u>\$ 7,850,499</u>	<u>\$ 38,357,120</u>	<u>\$ 16,313,300</u>

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

CITY OF BLUE EARTH, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Governmental Activities								
General government	\$ 920,272	\$ 95,059	\$ -	\$ -	\$ (825,213)	\$ -	\$ (825,213)	\$ -
Public safety	1,367,758	75,152	129,769	-	(1,662,835)	-	(1,662,835)	-
Streets and highways	2,188,569	491,749	-	14,500	(1,682,320)	-	(1,682,320)	-
Sanitation and health	147,205	108,158	16,662	-	(21,385)	-	(21,385)	-
Culture and recreation	808,009	104,439	74,099	-	(629,471)	-	(629,471)	-
Housing and economic development	833,630	303,480	81,174	-	(448,976)	-	(448,976)	-
Other	225,271	100,654	237,786	88,692	201,861	-	201,861	-
Interest and fiscal costs on long-term debt	580,360	1,431,104	-	-	850,744	-	850,744	-
Total Governmental Activities	<u>7,071,072</u>	<u>2,728,795</u>	<u>539,490</u>	<u>103,192</u>	<u>(3,717,595)</u>	<u>-</u>	<u>(3,717,595)</u>	<u>-</u>
Business-Type Activities								
Sewer	1,258,727	1,442,282	-	-	-	183,555	183,555	-
Liquor	1,787,337	1,634,369	-	-	-	47,032	47,032	-
Fitness center	163,576	158,083	-	-	-	(5,493)	(5,493)	-
Total Business-Type Activities	<u>3,209,640</u>	<u>3,434,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,094</u>	<u>225,094</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 10,280,712</u>	<u>\$ 6,145,529</u>	<u>\$ 539,490</u>	<u>\$ 103,192</u>	<u>(3,717,595)</u>	<u>225,094</u>	<u>(3,492,501)</u>	
Component Unit								
Electric utility	\$ 6,446,938	\$ 6,196,522	\$ -	\$ -				(250,416)
Water utility	1,065,484	1,400,946	148,230	-				483,692
TOTAL COMPONENT UNIT	<u>\$ 7,512,422</u>	<u>\$ 7,597,468</u>	<u>\$ 148,230</u>	<u>\$ -</u>				<u>233,276</u>
General revenues								
Property taxes					1,808,499	-	1,808,499	-
Franchise taxes					262,149	-	262,149	-
Tax increments					7,071	-	7,071	-
Aids and payments from the state					2,067,282	-	2,067,282	-
Gain (loss) on sale of equipment					76,641	-	76,641	-
Unrestricted net investment earnings					147,763	25,160	172,923	144,598
Miscellaneous								
Insurance Recovery					188,979	-	188,979	-
Other					64,231	1,130	65,361	96,928
Transfers					80,000	(80,000)	-	-
Total General Revenues and Transfers					<u>4,702,615</u>	<u>(53,710)</u>	<u>4,648,905</u>	<u>241,526</u>
CHANGE IN NET POSITION					985,020	171,384	1,156,404	474,802
NET POSITION - BEGINNING					29,521,601	7,679,115	37,200,716	15,838,498
NET POSITION - ENDING					<u>\$ 30,506,621</u>	<u>\$ 7,850,499</u>	<u>\$ 38,357,120</u>	<u>\$ 16,313,300</u>

(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, 2022

	General Fund	Economic Development Authority	General Obligation 2020A	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 4,600,827	\$ 258,108	\$ 147,365	\$ 1,637,817	\$ 2,265,940	\$ 8,910,057
Accounts receivable	81,527	21,760	-	-	786	104,073
Taxes receivable – delinquent	6,429	946	177	-	10,819	18,371
Special assessments receivable	198,806	-	916,848	-	2,041,910	3,157,564
Due from other governmental units	7,071	877	3,599	-	12,853	24,400
Loans receivable	-	479,343	-	-	89,963	569,306
Leases receivable	67,479	234,919	-	-	131,403	433,801
Land held for resale	-	129,783	-	-	710,883	840,666
Prepaid expenses	26,932	-	-	-	5,312	32,244
TOTAL ASSETS	\$ 4,989,071	\$ 1,125,736	\$ 1,067,989	\$ 1,637,817	\$ 5,269,869	\$ 14,090,482
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Overdrawn cash balance	\$ -	\$ -	\$ -	\$ -	\$ 145,761	\$ 145,761
Accounts payable	19,854	11,648	-	17,662	3,656	52,820
Accrued payroll	23,538	900	-	-	132	24,570
Total Liabilities	43,392	12,548	-	17,662	149,549	223,151
Deferred Inflows of Resources						
Unavailable revenue - taxes and special assessments	205,235	946	917,025	-	2,052,729	3,175,935
Unearned revenue - loans receivable	-	479,343	-	-	89,963	569,306
Unearned revenue - leases receivable	67,479	234,919	-	-	131,403	433,801
Total Deferred Inflows of Resources	272,714	715,208	917,025	-	2,274,095	4,179,042
Fund Balances						
Nonspendable						
Prepaid expenses	26,932	-	-	-	5,312	32,244
Land held for resale	-	129,783	-	-	710,883	840,666
Restricted						
Housing loan program expenditures	-	-	-	-	255,571	255,571
Debt service	-	268,197	150,964	-	2,019,509	2,438,670
Capital project expenditures	-	-	-	1,620,155	-	1,620,155
Unrestricted						
Assigned	2,189,972	-	-	-	-	2,189,972
Unassigned	2,456,061	-	-	-	(145,050)	2,311,011
Total Fund Balances	4,672,965	397,980	150,964	1,620,155	2,846,225	9,688,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,989,071	\$ 1,125,736	\$ 1,067,989	\$ 1,637,817	\$ 5,269,869	\$ 14,090,482

(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, 2022

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 9,688,289

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	\$ 58,841,669	
Construction in progress	10,269,971	
Intangible right-to-use leased asset	105,536	
Accumulated depreciation	<u>(23,974,880)</u>	45,242,296

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	3,175,935	
Unavailable revenue - notes receivable	<u>569,306</u>	3,745,241

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.

(72,795)

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:

(297,983)

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	(25,962,920)	
Lease liability	(67,078)	
Unamortized bond premium	<u>(589,436)</u>	(26,619,434)

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

(2,122,872)

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

Deferred outflows of resources related to pensions		954,919
Deferred inflows of resources related to pensions		<u>(29,991)</u>

TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES **\$ 30,487,670**

(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, 2022

	General Fund	Economic Development Authority	General Obligation 2020A	Capital Projects	Other Governmental Funds	Total
REVENUES						
Taxes						
Property taxes	\$ 679,937	\$ 90,524	\$ 64,729	\$ -	\$ 974,120	\$ 1,809,310
Franchise taxes	262,149	-	-	-	-	262,149
Local sales tax	394,874	-	-	-	-	394,874
Tax increments	-	-	-	-	7,071	7,071
Special assessments	2,874	-	134,256	-	536,576	673,706
Licenses and permits	50,236	-	-	-	-	50,236
Intergovernmental	2,455,321	-	-	-	195,016	2,650,337
Charges for services	401,434	284,702	-	-	122,179	808,315
Fines and forfeits	13,014	-	-	-	-	13,014
Loan repayments	-	50,426	-	-	17,541	67,967
Net investment earnings	67,342	11,693	757	40,017	27,964	147,763
Contributions and donations	16,816	42,811	-	-	-	59,627
Other	59,929	2,089	-	-	2,213	64,231
Total Revenues	4,403,926	482,245	199,742	40,017	1,882,670	7,008,600
EXPENDITURES						
Current						
General government	522,773	-	-	-	-	522,773
Public safety	1,009,648	-	-	-	-	1,009,648
Public works	1,165,397	-	-	-	-	1,165,397
Sanitation and health	147,205	-	-	-	-	147,205
Culture and recreation	564,267	-	-	-	-	564,267
Housing and economic development	57,519	588,058	-	-	163,252	808,829
Other	-	-	2,280	-	320,527	322,807
Debt service						
Principal	28,373	-	189,899	-	1,324,846	1,543,118
Interest	18,627	-	41,052	11,758	507,676	579,113
Capital outlay	303,633	-	-	4,464,858	74,016	4,842,507
Total Expenditures	3,817,442	588,058	233,231	4,476,616	2,390,317	11,505,664
REVENUES OVER (UNDER) EXPENDITURES	586,484	(105,813)	(33,489)	(4,436,599)	(507,647)	(4,497,064)
OTHER FINANCING SOURCES (USES)						
Bond issue proceeds	-	-	-	4,921,268	63,732	4,985,000
Sale of property	32,296	21,383	-	-	68,229	121,908
Insurance recovery	188,979	-	-	-	-	188,979
Transfers in	100,000	-	-	-	325,225	425,225
Transfers out	(345,225)	-	-	-	-	(345,225)
Net Other Financing Sources (Uses)	(23,950)	21,383	-	4,921,268	457,186	5,375,887
NET CHANGE IN FUND BALANCES	562,534	(84,430)	(33,489)	484,669	(50,461)	878,823
FUND BALANCES - BEGINNING, AS PREVIOUSLY STATED	4,129,382	482,410	184,453	1,135,486	1,908,779	7,840,510
PRIOR PERIOD ADJUSTMENT	-	-	-	-	987,907	987,907
FUND BALANCE - BEGINNING, AS RESTATED	4,129,382	482,410	184,453	1,135,486	2,896,686	8,828,417
FUND BALANCES - ENDING	\$ 4,691,916	\$ 397,980	\$ 150,964	\$ 1,620,155	\$ 2,846,225	\$ 9,707,240

(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, 2022

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS **\$ 850,872**

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	\$ 235,075	
Construction in progress additions	4,522,129	
Depreciation expense	<u>(1,584,514)</u>	3,152,690

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. (45,267)

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, 2022	(297,983)	
Accrued interest payable - December 31, 2021	<u>245,278</u>	(52,705)

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, 2022	569,306	
Loans receivable - December 31, 2021	<u>(586,535)</u>	(17,229)

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 - December 31, 2022	3,175,935	
Unavailable taxes - December 31, 2021	<u>(2,419,411)</u>	756,524

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	(4,985,000)	
Principal payments on long-term debt	1,543,118	
Amortization of bond premium	<u>51,459</u>	(3,390,423)

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, 2022	(2,122,872)	
Net pension liability - December 31, 2021	677,694	
Deferred outflows of resources - December 31, 2022	954,919	
Deferred outflows of resources - December 31, 2021	(614,080)	
Deferred inflows of resources - December 31, 2022	(29,991)	
Deferred inflows of resources - December 31, 2021	<u>836,937</u>	(297,393)

CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES **\$ 966,069**

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

CITY OF BLUE EARTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-Type Activities – Enterprise Funds			
	Sewer	Liquor	Fitness Center	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 447,858	\$ 367,350	\$ 404,527	\$ 1,219,735
Accounts receivable	110,435	643	-	111,078
Special assessments receivable	90,478	-	-	90,478
Inventories	-	281,835	-	281,835
Prepaid items	6,567	2,585	1,527	10,679
Total Current Assets	<u>655,338</u>	<u>652,413</u>	<u>406,054</u>	<u>1,713,805</u>
Noncurrent Assets				
Capital assets not being depreciated	119,035	100,000	-	219,035
Capital assets being depreciated, net	13,168,917	323,665	473,590	13,966,172
Total Noncurrent Assets	<u>13,287,952</u>	<u>423,665</u>	<u>473,590</u>	<u>14,185,207</u>
Total Assets	<u>13,943,290</u>	<u>1,076,078</u>	<u>879,644</u>	<u>15,899,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferments	51,746	36,859	9,503	98,108
LIABILITIES				
Current Liabilities				
Accounts payable	8,740	-	6,389	15,129
Accrued expenses	-	17,768	-	17,768
Accrued payroll	3,026	4,482	101	7,609
Accrued interest payable	36,836	-	3,222	40,058
Current portion of long-term debt	674,000	-	30,000	704,000
Total Current Liabilities	<u>722,602</u>	<u>22,250</u>	<u>39,712</u>	<u>784,564</u>
Noncurrent Liabilities				
Compensated absences	19,152	8,743	3,669	31,564
Bonds and loans payable, net	6,620,000	-	236,059	6,856,059
Net pension liability	245,304	167,622	31,318	444,244
Total Noncurrent Liabilities	<u>6,884,456</u>	<u>176,365</u>	<u>271,046</u>	<u>7,331,867</u>
Total Liabilities	<u>7,607,058</u>	<u>198,615</u>	<u>310,758</u>	<u>8,116,431</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferments	2,469	3,216	5,554	11,239
NET POSITION				
Net investment in capital assets	5,993,952	423,665	207,531	6,625,148
Unrestricted	<u>391,557</u>	<u>487,441</u>	<u>365,304</u>	<u>1,244,302</u>
TOTAL NET POSITION	<u>\$ 6,385,509</u>	<u>\$ 911,106</u>	<u>\$ 572,835</u>	<u>\$ 7,869,450</u>

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

CITY OF BLUE EARTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2022

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Sewer</u>	<u>Liquor</u>	<u>Fitness Center</u>	<u>Total</u>
SALES AND COST OF SALES				
Sales	\$ -	\$ 1,834,369	\$ -	\$ 1,834,369
Cost of sales	-	(1,373,524)	-	(1,373,524)
Gross profit	-	460,845	-	460,845
OPERATING REVENUES				
Charges for services	1,442,282	-	158,083	1,600,365
OPERATING EXPENSES				
Salaries and wages	227,935	176,879	31,890	436,704
Payroll taxes	17,642	13,160	2,577	33,379
Pension expense	50,941	32,035	(2,707)	80,269
Employee benefits	46,004	51,835	8,692	106,531
Repairs and maintenance	51,830	64,738	20,210	136,778
Insurance	20,280	5,834	4,114	30,228
Utilities	126,005	19,709	24,115	169,829
Supplies	57,441	4,296	4,528	66,265
Data processing	7,215	-	-	7,215
Professional fees	46,981	7,420	7,698	62,099
Depreciation	488,716	15,219	29,885	533,820
Miscellaneous	11,163	22,688	6,610	40,461
Total Operating Expenses	<u>1,152,153</u>	<u>413,813</u>	<u>137,612</u>	<u>1,703,578</u>
OPERATING INCOME	290,129	47,032	20,471	357,632
NONOPERATING REVENUES (EXPENSES)				
Net investment earnings	7,599	9,912	7,649	25,160
Other income	450	680	-	1,130
Interest expense	(106,574)	-	(7,013)	(113,587)
Net Nonoperating Revenues (Expenses)	<u>(98,525)</u>	<u>10,592</u>	<u>636</u>	<u>(87,297)</u>
NET INCOME BEFORE TRANSFERS	191,604	57,624	21,107	270,335
TRANSFERS				
Transfers in	50,000	-	-	50,000
Transfers out	(30,000)	(100,000)	-	(130,000)
Transfers, Net	<u>20,000</u>	<u>(100,000)</u>	<u>-</u>	<u>(80,000)</u>
CHANGE IN NET POSITION	211,604	(42,376)	21,107	190,335
TOTAL NET POSITION – BEGINNING	<u>6,173,905</u>	<u>953,482</u>	<u>551,728</u>	<u>7,679,115</u>
TOTAL NET POSITION – ENDING	<u>\$ 6,385,509</u>	<u>\$ 911,106</u>	<u>\$ 572,835</u>	<u>\$ 7,869,450</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, 2022

	Business-Type Activities – Enterprise Funds			Total
	Sewer	Liquor	Fitness Center	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,437,852	\$ 1,834,097	\$ 158,083	\$ 3,430,032
Payments for supplies and services	(357,200)	(1,557,576)	(65,610)	(1,980,386)
Payments to employees	(230,623)	(172,028)	(33,778)	(436,429)
Payments to other governmental units	(34,194)	(24,189)	(4,690)	(63,073)
Other receipts	450	680	-	1,130
Other payments	(11,163)	(22,688)	(6,610)	(40,461)
Net Cash Provided by Operating Activities	<u>805,122</u>	<u>58,296</u>	<u>47,395</u>	<u>910,813</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(30,000)	(100,000)	-	(130,000)
Transfers from other funds	50,000	-	-	50,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,000</u>	<u>(100,000)</u>	<u>-</u>	<u>(80,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(15,766)	-	(15,766)
Principal paid on capital debt	(665,000)	-	(30,000)	(695,000)
Interest paid on capital debt	(110,087)	-	(8,249)	(118,336)
Net Cash Used by Capital and Related Financing Activities	<u>(775,087)</u>	<u>(15,766)</u>	<u>(38,249)</u>	<u>(829,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	7,599	9,912	7,649	25,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>57,634</u>	<u>(47,558)</u>	<u>16,795</u>	<u>26,871</u>
CASH AND CASH EQUIVALENTS – BEGINNING	<u>390,224</u>	<u>414,908</u>	<u>387,732</u>	<u>1,192,864</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 447,858</u>	<u>\$ 367,350</u>	<u>\$ 404,527</u>	<u>\$ 1,219,735</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 290,129	\$ 47,032	\$ 20,471	\$ 357,632
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	488,716	15,219	29,885	533,820
Other income related to operations	450	680	-	1,130
Net operating changes in				
Accounts receivable	(4,430)	(272)	-	(4,702)
Inventory	-	6,271	-	6,271
Deferred outflows of resources	17,565	12,893	3,655	34,113
Accounts payable	(1,444)	(36,491)	3,747	(34,188)
Accrued expenses	-	282	-	282
Accrued payroll	(1,136)	1,369	(1,094)	(861)
Compensated absences	(1,552)	3,482	(794)	1,136
Net pension liability	114,029	75,484	5,596	195,109
Deferred inflows of resources	(97,205)	(67,653)	(14,071)	(178,929)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 805,122</u>	<u>\$ 58,296</u>	<u>\$ 47,395</u>	<u>\$ 910,813</u>

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

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 with 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 of the Special Revenue Fund – Housing Loan Fund.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 Light & Water

In conformity with generally accepted accounting principles, the financial statements also include the City's component unit, Blue Earth Light & Water which is also a calendar year-end. The Blue Earth Light & Water 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 Light & Water 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, 2022

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, 2022

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 fund and its purpose is as follows:

General Obligation 2020A – used to account for the debt repayment associated with the 2020A GO 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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.

Change in Accounting Principle

GASB Statement No. 87, *Leases*, was issued in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The City adopted this Statement effective January 1, 2022 and utilized all of the available practical expedients. Which among other things, allowed the City to carry forward historical lease classification. The adoption had a material impact on the City's statement of net position, but did not have a material impact on the statement of activities. The most significant impact was the recognition of an intangible right to use asset and lease liabilities for operating leases. The accounting for finance leases remained unchanged.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The Airport Fund had a deficit fund balance of \$139,738 at December 31, 2022. Deficit fund balances will be eliminated with future revenues or transfers from other funds.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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.

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	\$ 9,072,542
Certificates of deposit	909,964
Cash on hand	<u>1,525</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 9,984,031</u>

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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, 2022

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, 2022.

NOTE 4 – NOTES RECEIVABLE

The City's Housing Loan fund had notes receivable of \$89,963 at year-end. A balance of \$40,501 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 \$49,462 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 \$479,343 at year-end. Of this amount, \$364,375 represents loans due from businesses in monthly installments with rates of interest ranging from 1.5% to 5.5%. The remaining \$114,968 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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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.

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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – CAPITAL ASSETS

Activity in capital assets for the City was as follows:

	Balance 2021	Additions	Removals	Balance 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 724,720	\$ -	\$ -	\$ 724,720
Construction in progress	5,747,842	4,522,129	-	10,269,971
	<u>6,472,562</u>	<u>4,522,129</u>	<u>-</u>	<u>10,994,691</u>
Capital assets being depreciated				
Buildings	10,471,707	-	-	10,471,707
Road network	42,474,118	-	-	42,474,118
Equipment	2,788,231	215,075	216,896	2,786,410
Vehicles	2,384,714	-	-	2,384,714
Intangible right to use lease - vehicle	68,808	36,728	-	105,536
	<u>58,187,578</u>	<u>251,803</u>	<u>216,896</u>	<u>58,222,485</u>
Accumulated depreciation for				
Buildings	(3,889,500)	(267,072)	-	(4,156,572)
Road network	(15,891,099)	(1,088,723)	-	(16,979,822)
Equipment	(1,468,472)	(122,148)	(171,629)	(1,418,991)
Vehicles	(1,274,466)	(106,571)	-	(1,381,037)
Intangible right to use lease - vehicle	(19,084)	(19,374)	-	(38,458)
	<u>(22,542,621)</u>	<u>(1,603,888)</u>	<u>(171,629)</u>	<u>(23,974,880)</u>
Total capital assets being depreciated, net	<u>35,644,957</u>	<u>(1,352,085)</u>	<u>45,267</u>	<u>34,247,605</u>
TOTAL GOVERNMENTAL ACTIVITIES, NET	<u>\$42,117,519</u>	<u>\$3,170,044</u>	<u>\$ 45,267</u>	<u>\$ 45,242,296</u>

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

	<u>Balance 2021</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2022</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 219,035	\$ -	\$ -	\$ 219,035
Capital assets being depreciated				
Buildings and infrastructure	17,534,242	-	-	17,534,242
Equipment	5,833,424	15,766	2,988	5,846,202
	<u>23,367,666</u>	<u>15,766</u>	<u>2,988</u>	<u>23,380,444</u>
Accumulated depreciation for				
Buildings and infrastructure	(6,873,764)	(383,100)	-	(7,256,864)
Equipment	(2,009,676)	(150,720)	(2,988)	(2,157,408)
	<u>(8,883,440)</u>	<u>(533,820)</u>	<u>(2,988)</u>	<u>(9,414,272)</u>
Total capital assets being depreciated, net	<u>14,484,226</u>	<u>(518,054)</u>	<u>-</u>	<u>13,966,172</u>
TOTAL BUSINESS-TYPE ACTIVITIES, NET	<u>\$14,703,261</u>	<u>\$ (518,054)</u>	<u>\$ -</u>	<u>\$ 14,185,207</u>

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

Governmental Activities	
General government	\$ 1,632
Public safety	161,460
Streets and highways	972,194
Culture and recreation	150,429
Economic development	53,170
Airport	265,003
TOTAL	<u>\$ 1,603,888</u>
Business-Type Activities	
Sewer	\$ 488,716
Liquor	15,221
Fitness center	29,885
TOTAL	<u>\$ 533,822</u>

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2022 for the component unit was as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance 2022</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 210,431	\$ -	\$ -	\$ 210,431
Capital assets being depreciated				
Electric equipment and distribution	21,402,343	1,291,809	165,987	22,528,165
Water equipment and distribution	13,501,316	1,430,960	20,723	14,911,553
	<u>34,903,659</u>	<u>2,722,769</u>	<u>186,710</u>	<u>37,439,718</u>
Accumulated depreciation for				
Electric department	(12,867,995)	(651,963)	(165,987)	(13,353,971)
Water department	(4,622,351)	(316,378)	(20,723)	(4,918,006)
	<u>(17,490,346)</u>	<u>(968,341)</u>	<u>(186,710)</u>	<u>(18,271,977)</u>
Total capital assets being depreciated, net	<u>17,413,313</u>	<u>1,754,428</u>	<u>-</u>	<u>19,167,741</u>
TOTAL COMPONENT UNIT, NET	<u>\$17,623,744</u>	<u>\$1,754,428</u>	<u>\$ -</u>	<u>\$ 19,378,172</u>

The City's police fleet lease amortization is presented as a direct expense of the public safety department in the Statement of Activities related to the City's intangible assets of the police vehicles, which is included in the above table as Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS

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

	<u>Balance 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 2022</u>	<u>Due Within One Year</u>
Governmental Activities					
General obligation bonds	\$ 21,934,833	\$ 4,985,000	\$ 1,514,747	\$ 25,405,086	\$ 1,566,011
Unamortized premium	640,900	-	51,464	589,436	-
Net general obligation bonds	<u>22,575,733</u>	<u>4,985,000</u>	<u>1,566,211</u>	<u>25,994,522</u>	<u>1,566,011</u>
Direct Borrowings and Placements					
Notes payable	586,207	-	28,373	557,834	34,608
Other Liabilities					
Lease payable	49,724	36,728	19,374	67,078	25,048
Compensated absences	72,795	-	-	72,795	-
Net pension liability	677,694	1,445,178	-	2,122,872	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 23,962,153</u>	<u>\$ 6,466,906</u>	<u>\$ 1,613,958</u>	<u>\$ 28,815,101</u>	<u>\$ 1,625,667</u>
Business-Type Activities					
Bonds and Notes Payable					
General obligation revenue bonds	\$ 8,249,000	\$ -	\$ 695,000	\$ 7,554,000	\$ 704,000
Unamortized premium	6,924	-	865	6,059	-
Net G.O. revenue bonds	<u>8,255,924</u>	<u>-</u>	<u>695,865</u>	<u>7,560,059</u>	<u>704,000</u>
Other Liabilities					
Compensated Absences	30,428	1,136	-	31,564	-
Net pension liability	249,135	195,109	-	444,244	-
Total Other Liabilities	<u>279,563</u>	<u>196,245</u>	<u>-</u>	<u>475,808</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 8,535,487</u>	<u>\$ 196,245</u>	<u>\$ 695,865</u>	<u>\$ 8,035,867</u>	<u>\$ 704,000</u>

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

	Balance 2021	Increases	Decreases	Balance 2022	Due Within One Year
Discretely Presented					
Component Unit					
General obligation revenue bonds	\$ 702,000	\$ -	\$ 126,000	\$ 576,000	\$ 129,000
General obligation bonds	4,283,135	5,127,320	280,256	9,130,199	574,369
Total general obligations	4,985,135	5,127,320	406,256	9,706,199	703,369
Direct Borrowings and Placements					
Master tax exempt lease	480,635	755,000	102,323	1,133,312	45,744
Other Liabilities					
Compensated Absences	214,931	-	30,440	184,491	184,491
Net pension liability	580,782	504,263	-	1,085,045	-
Post employment benefit	202,573	-	73,456	129,117	-
Total Other Liabilities	998,286	504,263	103,896	1,398,653	184,491
TOTAL DISCRETELY PRESENTED COMPONENT UNIT ACTIVITIES	\$ 6,464,056	\$ 6,386,583	\$ 612,475	\$ 12,238,164	\$ 933,604

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:

	Outstanding Amount
General Obligations - Bond Issues and Notes with Purpose	
\$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.	\$ 1,465,475
\$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.	1,172,851
\$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%.	660,000
\$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%.	385,000
\$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%.	697,000

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

	Outstanding Amount
General Obligations (continued)	
\$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.	1,594,320
\$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.	2,111,992
\$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%.	260,000
Note Payable with the Minnesota Public Facilities Authority of \$760,000, due in annual installments of \$39,000 to \$45,000 through August 20, 2026, interest at 1.4%.	178,000
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%.	284,000
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%.	381,000
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%.	164,000
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%.	167,000
USDA Promissory Note of \$180,000, due in annual installments of \$2,544 to \$13,100 through February 26, 2029, interest at 4.375%.	73,211
\$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%.	2,854,633
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%.	5,835,000
\$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%.	1,456,611

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

	<u>Outstanding Amount</u>
General Obligations (continued)	
\$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%	2,506,197
\$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
\$6,030,000 G.O. bonds, series 2021A, due in annual installments of \$120,000 to \$385,000 through February 1, 2038, interest at 1.4% to 4%	5,075,000
USDA promissory note of \$450,000, due in annual installments of \$18,293 to \$27,240 through December 2041, interest at 2.125%	431,714
USDA promissory note of \$52,916, due in annual installments of \$5,397 to \$6,386 through December 2031, interest at 2.125%	52,916
\$4,985,000 G.O. bonds, series 2022B, due in annual installments of \$185,000 to \$415,000 through January 1, 2038, interest at 3% to 3.3%	<u>4,985,000</u>
TOTAL GENERAL OBLIGATION BONDS AND NOTES PAYABLE	<u>\$ 33,516,920</u>
Discretely Presented Component Unit	
	<u>Outstanding Amount</u>
General Obligation - Bond Issues and Notes with Purpose	
<u>Electric Fund</u>	
\$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.	\$ 378,311
\$940,000 Master Tax Exempt Lease of 2022, due in annual installments of \$93,376, interest at 4%. The purpose of this issue was to improve the Electric infrastructure.	755,000
\$4,250,000 Electric Revenue Bonds of 20022A, due in annual installments of \$140,000 to \$300,000 through June 1, 2042 plus interest at 3.0% to 4.0% due in semiannual installments.	<u>4,250,000</u>
Total Electric Fund	5,383,311

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

	Outstanding Amount
Discretely Presented Component Unit (Continued)	
General Obligations (Continued)	
<u>Water Fund</u>	
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.	141,370
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.	595,680
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.	74,000
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.	298,000
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.	162,148
G.O. Refinancing Bonds of 2013, Series B of \$1,565,000, due in annual installments of \$9,750 to \$19,500 through February 1, 2028, interest at 3% to 3.75%.	123,000
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.	372,273
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.	144,525
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.	605,368
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.	204,000

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

	Outstanding Amount
Discretely Presented Component Unit (Continued)	
General Obligations (Continued)	
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.	328,389
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.	575,127
G.O. Improvement Bonds of 2021, Series A of \$955,000, due in annual installments of \$50,000 to \$75,000 through February 1, 2037, interest at 1.2% to 4%. This is the component unit's share of the bonds with the City.	955,000
\$5,057,225 GO Bond of 2022A, due in annual installments of \$50,000 to \$75,000 through February 1, 2038 plus interest at 3% to 3.3% due in semi-annual installments. This is the component unit's share of the bonds with the City.	877,320
Total Water Fund	5,456,200
TOTAL GENERAL OBLIGATIONS - COMPONENT UNIT	\$ 10,839,511

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

Years Ending December 31	Governmental Activities		Business-Type Activities		Discretely Presented Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,600,619	\$ 674,509	\$ 704,000	\$ 107,819	\$ 718,435	\$ 339,180
2024	1,989,742	614,921	712,000	97,111	799,386	315,278
2025	2,132,942	556,760	727,000	86,183	819,742	291,652
2026	2,179,218	494,359	604,000	75,003	853,547	266,973
2027	2,207,611	440,865	524,000	65,539	734,338	242,289
2028 - 2032	8,964,166	1,372,794	2,213,000	215,990	3,259,033	888,126
2033 - 2037	5,799,904	492,534	2,070,000	79,814	2,200,027	461,228
2038 - 2042	1,088,718	36,055	-	-	1,455,003	144,255
TOTAL	\$ 25,962,920	\$ 4,682,797	\$ 7,554,000	\$ 727,459	\$ 10,839,511	\$ 2,948,981

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Lease Payable - \$67,078 has been recorded as intangible right to use lease in the Governmental Activities capital assets for the City's fleet of police vehicles. Due to the implementation of GASB Statement No. 87, these leases met the criteria of a lease, thus requiring them to be recorded by the City. The assets will be amortized over the lease term of four years since it is shorter than the useful lives and the City is not taking ownership of the vehicles. There are no residual value guarantees in the lease provisions. A summary of the principal and interest amounts remaining for the leases are as follows:

	Governmental Activities Payments
Years Ending December 31	
2023	\$ 26,384
2024	24,060
2025	13,363
2026	4,819
	68,626
Less: amount representing interest	(1,548)
TOTAL LEASE LIABILITY PAYMENTS	\$ 67,078

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City transferred cash between funds as follows:

Transferred From	Transferred To	Amount
General	General Obligation 2013B	\$ 30,000
General	General Obligation 2015A	40,225
General	General Obligation 2018A	50,000
General	General Obligation 2021A	50,000
General	General Obligation 2022B	125,000
General	Sewer	50,000
Sewer	General Obligation 2012A	30,000
Liquor	General	100,000

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

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 9 – NET POSITION

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	10,269,971
Other capital assets, net of accumulated depreciation	34,247,605
Long-term debt outstanding	<u>(26,619,434)</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 18,622,862</u>

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	13,966,172
Long-term debt outstanding	<u>(7,560,059)</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 6,625,148</u>

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 \$262,149 for 2022.

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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description (Continued)

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.

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. 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, 2022

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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2022 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, 2022, were \$88,298. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$69,084. 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, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,235,525 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 \$36,093.

The net pension liability was measured as of June 30, 2022 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0156% at the end of the measurement period and 0.0161% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,235,525
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>36,093</u>
TOTAL	<u>\$ 1,271,618</u>

For the year ended December 31, 2022, the City recognized pension expense of \$186,008 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$5,393 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, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,740	\$ 10,160
Changes in actuarial assumptions	216,217	3,643
Net collective difference between projected and actual investment earnings	4,133	-
Changes in proportion	-	14,085
Contributions paid to PERA subsequent to the measurement date	41,685	-
TOTAL	\$ 269,775	\$ 27,888

\$41,685 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended December 31:	
2023	\$ 72,732
2024	77,946
2025	(39,850)
2026	89,374
TOTAL	\$ 200,202

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,331,591 for its proportionate share of Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0306% at the end of the measurement period and 0.0310% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. 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 supplemental 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.

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 \$9 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 June 30, 2022, the City recognized pension expense of \$58,286 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$11,306 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$2,754 for the year ended December 31, 2022 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, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 70,197	\$ -
Changes in actuarial assumptions	656,230	7,196
Net collective difference between projected and actual investment earnings	9,794	-
Changes in proportion	10,750	6,146
Contributions paid to PERA subsequent to the measurement date	36,281	-
TOTAL	\$ 783,252	\$ 13,342

\$36,281 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, 2023. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended December 31:	
2023	\$ 144,026
2024	144,915
2025	126,248
2026	226,114
2027	92,326
TOTAL	\$ 733,629

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2022 was \$444,084.

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
TOTAL	100.00%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became 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 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50%. 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

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:

Sensitivity Analysis				
Net Pension Liability (Asset) at Different Discount Rates				
	General Employees Fund		Police and Fire Fund	
1% lower	5.50%	\$1,951,577	4.40%	\$2,015,192
Current discount rate	6.50%	1,235,525	5.40%	1,331,591
1% higher	7.50%	648,252	6.40%	778,940

Pension Plan Fiduciary Net Position

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

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
General Employees Fund					
December 31, 2022	\$ 88,298	\$ 88,298	\$ -	\$ 1,177,307	7.50%
December 31, 2021	85,925	85,925	-	1,145,667	7.50%
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%
Police and Fire Fund					
December 31, 2022	\$ 69,084	\$ 69,084	\$ -	\$ 390,305	17.70%
December 31, 2021	63,044	63,044	-	356,181	17.70%
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
General Employees Fund							
June 30, 2022	0.0156%	\$ 1,235,525	\$ 36,093	\$ 1,271,618	\$ 1,177,307	108.01%	76.67%
June 30, 2021	0.0163%	687,542	21,007	708,549	1,145,667	61.85%	87.00%
June 30, 2020	0.0153%	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%
Police and Fire Fund							
June 30, 2022	0.0306%	\$ 1,331,591	\$ 58,286	\$ 1,389,877	\$ 390,305	356.10%	70.53%
June 30, 2021	0.0310%	239,287	10,760	250,047	356,181	70.20%	93.66%
June 30, 2020	0.0297%	391,478	-	391,478	360,305	108.65%	87.19%
June 30, 2019	0.0300%	319,381	-	319,381	316,910	100.78%	89.26%
June 30, 2018	0.0281%	299,517	-	299,517	295,860	101.24%	88.84%
June 30, 2017	0.0290%	391,533	-	391,533	300,552	130.27%	85.43%
June 30, 2016	0.0290%	1,163,820	-	1,163,820	289,675	401.77%	63.88%
June 30, 2015	0.0280%	318,146	-	318,146	370,968	85.76%	86.61%
June 30, 2014	0.0290%	313,212	-	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, 2022

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 658,915	\$ 658,915	\$ 679,937	\$ 21,022
Franchise taxes	264,000	264,000	262,149	(1,851)
Local sales tax	203,000	203,000	394,874	191,874
Total Taxes	<u>1,125,915</u>	<u>1,125,915</u>	<u>1,336,960</u>	<u>211,045</u>
Special assessments	2,500	2,500	2,874	374
Licenses and permits	23,135	23,135	50,234	27,099
Intergovernmental				
Federal grants				
ARPA funding	-	-	184,325	184,325
State				
Local government aid	2,066,662	2,066,662	2,066,662	-
Market value credit	500	500	620	120
Fire relief aid	31,000	31,000	67,962	36,962
Police aid	45,000	45,000	50,082	5,082
Other	9,500	9,500	11,209	1,709
County				
Library aid	62,000	62,000	57,799	(4,201)
Recycling aid	15,578	15,578	16,662	1,084
Total Intergovernmental	<u>2,230,240</u>	<u>2,230,240</u>	<u>2,455,321</u>	<u>225,081</u>
Charges for Services				
General government fees	85,215	85,215	7,245	(77,970)
Fire services	50,200	50,200	62,138	11,938
Recycling services	68,000	68,000	71,992	3,992
Garbage dumpster fees	35,300	35,300	37,166	1,866
Storm sewer fees	-	-	93,726	93,726
Rental income	18,500	18,500	23,195	4,695
Highway and streets	5,000	5,000	4,925	(75)
Swimming pool (fees, lessons, concessions)	64,000	64,000	80,406	16,406
Camping fees	15,000	15,000	20,641	5,641
Total Charges for Services	<u>341,215</u>	<u>341,215</u>	<u>401,434</u>	<u>60,219</u>
Fines and Forfeitures	9,250	9,250	13,014	3,764
Investment Earnings	15,200	15,200	67,342	52,142
Contributions and Donations	5,000	5,000	16,816	11,816
Other	13,600	13,600	59,929	46,329
Total Revenues	<u>3,766,055</u>	<u>3,766,055</u>	<u>4,403,924</u>	<u>637,869</u>
EXPENDITURES				
Current				
General Government				
Mayor and council	30,550	30,550	32,559	2,009
Clerk/finance and administration	337,598	337,598	346,847	9,249
Elections	4,500	4,500	6,871	2,371
Professional fees (legal and engineering)	58,550	58,550	72,827	14,277
Government buildings	42,400	42,400	63,668	21,268
Total General Government	<u>473,598</u>	<u>473,598</u>	<u>522,772</u>	<u>49,174</u>

CITY OF BLUE EARTH, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
Public Safety				
Police	\$ 722,953	\$ 722,953	\$ 778,097	\$ 55,144
Fire	205,089	205,089	231,551	26,462
Total Public Safety	<u>928,041</u>	<u>928,041</u>	<u>1,009,648</u>	<u>81,607</u>
Public Works				
Street maintenance	1,010,875	1,010,875	1,149,457	138,582
Storm water	40,000	40,000	11,431	(28,569)
Street lighting	5,000	5,000	4,509	(491)
Total Public Works	<u>1,055,875</u>	<u>1,055,875</u>	<u>1,165,397</u>	<u>109,522</u>
Sanitation and health	148,742	148,742	147,205	(1,537)
Culture and Recreation				
Senior center	104,464	104,464	110,131	5,667
Library	226,425	226,425	205,240	(21,185)
Parks	76,000	76,000	52,165	(23,835)
Swimming pool	163,919	163,919	215,681	51,762
Total Culture and Recreation	<u>570,808</u>	<u>570,808</u>	<u>583,217</u>	<u>12,409</u>
Housing and Economic Development	49,780	49,780	57,519	7,739
Debt Service				
Principal	13,524	13,524	28,373	14,849
Interest	-	-	18,627	18,627
Total Debt Service	<u>13,524</u>	<u>13,524</u>	<u>47,000</u>	<u>33,476</u>
Capital Outlay				
General government	7,500	7,500	4,903	(2,597)
Public safety	84,000	84,000	209,216	125,216
Streets and highways	21,500	21,500	21,598	98
Culture and recreation	67,500	67,500	67,916	416
Total Capital Outlay	<u>180,500</u>	<u>180,500</u>	<u>303,633</u>	<u>123,133</u>
Total Expenditures	<u>3,420,868</u>	<u>3,420,868</u>	<u>3,836,391</u>	<u>415,523</u>
REVENUES OVER EXPENDITURES	345,187	345,187	567,533	222,346
OTHER FINANCING SOURCES (USES)				
Sale of property	500	500	32,296	31,796
Insurance recovery	-	-	188,979	188,979
Transfers in	50,000	50,000	100,000	50,000
Transfers out	(295,225)	(295,225)	(345,225)	(50,000)
Net Other Financing Sources (Uses)	<u>(244,725)</u>	<u>(244,725)</u>	<u>(23,950)</u>	<u>220,775</u>
NET CHANGE IN FUND BALANCES	100,462	100,462	543,583	443,121
FUND BALANCES – BEGINNING	4,129,382	4,129,382	4,129,382	-
FUND BALANCES – ENDING	<u>\$ 4,229,844</u>	<u>\$ 4,229,844</u>	<u>\$ 4,672,965</u>	<u>\$ 443,121</u>

CITY OF BLUE EARTH, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 80,000	\$ 80,000	\$ 90,524	\$ 10,524
Charges for Services				
Rental income	274,400	274,400	284,702	10,302
Loan Repayments	-		50,426	50,426
Investment Earnings	-	-	11,693	11,693
Contributions and Donations	-	-	42,811	42,811
Other	-	-	2,089	2,089
Total Revenues	<u>354,400</u>	<u>354,400</u>	<u>482,245</u>	<u>127,845</u>
EXPENDITURES				
Current				
Housing and economic development	<u>500,190</u>	<u>500,190</u>	<u>588,058</u>	<u>87,868</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(145,790)</u>	<u>(145,790)</u>	<u>(105,813)</u>	<u>39,977</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	21,383	21,383
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>21,383</u>	<u>21,383</u>
NET CHANGE IN FUND BALANCES	<u>(145,790)</u>	<u>(145,790)</u>	<u>(84,430)</u>	<u>61,360</u>
FUND BALANCES – BEGINNING	<u>482,410</u>	<u>482,410</u>	<u>482,410</u>	<u>-</u>
FUND BALANCES – ENDING	<u>\$ 336,620</u>	<u>\$ 336,620</u>	<u>\$ 397,980</u>	<u>\$ 61,360</u>

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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 \$415,523 for the year ended December 31, 2022. The Economic Development Authority Fund disbursements exceeded budgeted appropriations by \$87,868 for the year ended December 31, 2022.

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (Continued)

2021 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the previous valuation.

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.
- 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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (Continued)

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.

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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (Continued)

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.

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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

General Employees Fund (Continued)

2015 Changes (Continued)

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

2021 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Plan Provisions:

- There have been no changes since the previous valuation.

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.

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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

Police and Fire Fund (Continued)

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.
- 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.

CITY OF BLUE EARTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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

Police and Fire Fund (Continued)

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.

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, 2022

	Special Revenue Funds	Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	\$ 254,976	\$ 2,010,964	\$ 2,265,940
Accounts receivable	786	-	786
Taxes receivable – delinquent	750	10,069	10,819
Special assessments receivable	-	2,041,910	2,041,910
Due from other governmental units	773	12,080	12,853
Loans receivable	89,963	-	89,963
Leases receivable	131,403	-	131,403
Land held for resale	710,883	-	710,883
Prepaid items	5,312	-	5,312
TOTAL ASSETS	<u>\$ 1,194,846</u>	<u>\$ 4,075,023</u>	<u>\$ 5,269,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Overdrawn cash balance	\$ 145,761	\$ -	\$ 145,761
Accounts payable	121	3,535	3,656
Accrued payroll	132	-	132
Total Liabilities	<u>146,014</u>	<u>3,535</u>	<u>149,549</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes and special assessments	750	2,051,979	2,052,729
Unearned revenue - loans receivable	89,963	-	89,963
Unearned revenue - leases receivable	131,403	-	131,403
Total Deferred Inflows of Resources	<u>222,116</u>	<u>2,051,979</u>	<u>2,274,095</u>
Fund Balances			
Nonspendable			
Prepaid expenses	5,312	-	5,312
Land held for resale	710,883	-	710,883
Restricted			
Housing loan program expenditures	255,571	-	255,571
Debt service	-	2,019,509	2,019,509
Unrestricted			
Unassigned	(145,050)	-	(145,050)
Total Fund Balances	<u>826,716</u>	<u>2,019,509</u>	<u>2,846,225</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,194,846</u>	<u>\$ 4,075,023</u>	<u>\$ 5,269,869</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	Special Revenue Funds	Debt Service Funds	Total
REVENUES			
Taxes			
Property taxes	\$ 80,222	\$ 893,898	\$ 974,120
Tax increments	-	7,071	7,071
Special assessments	-	536,576	536,576
Intergovernmental	195,016	-	195,016
Charges for services	106,179	16,000	122,179
Loan repayments	17,541	-	17,541
Net investment earnings	10,154	17,800	27,954
Refunds	-	-	-
Other	1,938	275	2,213
Total Revenues	<u>411,050</u>	<u>1,471,620</u>	<u>1,882,670</u>
EXPENDITURES			
Current			
Housing and economic development	156,181	7,071	163,252
Other	97,536	222,991	320,527
Debt service			
Principal	-	1,324,846	1,324,846
Interest	-	507,676	507,676
Capital outlay	74,016	-	74,016
Total Expenditures	<u>327,733</u>	<u>2,062,584</u>	<u>2,390,317</u>
REVENUES OVER (UNDER) EXPENDITURES	83,317	(590,964)	(507,647)
OTHER FINANCING SOURCES (USES)			
Bond issue proceeds	-	63,732	63,732
Sale of property	(174,245)	242,474	68,229
Transfers in	-	325,225	325,225
Transfers out	-	-	-
Net Other Financing Sources (Uses)	<u>(174,245)</u>	<u>631,431</u>	<u>457,186</u>
NET CHANGE IN FUND BALANCES	(90,928)	40,467	(50,461)
FUND BALANCES - BEGINNING, AS PREVIOUSLY STATED	(70,263)	1,979,042	1,908,779
PRIOR PERIOD ADJUSTMENT	987,907	-	987,907
FUND BALANCE - BEGINNING, AS RESTATED	<u>917,644</u>	<u>1,979,042</u>	<u>2,896,686</u>
FUND BALANCES – ENDING	<u>\$ 826,716</u>	<u>\$ 2,019,509</u>	<u>\$ 2,846,225</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2022

	<u>Airport</u>	<u>Housing Loan</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 254,976	\$ 254,976
Accounts receivable	786	-	786
Taxes receivable – delinquent	8	742	750
Due from other governmental units	-	773	773
Loans receivable	-	89,963	89,963
Leases receivable	131,403	-	131,403
Due from other funds	-	-	-
Land held for resale	-	710,883	710,883
Prepaid items	5,312	-	5,312
TOTAL ASSETS	<u>\$ 137,509</u>	<u>\$ 1,057,337</u>	<u>\$ 1,194,846</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Overdrawn cash balance	\$ 145,761	\$ -	\$ 145,761
Accounts payable	75	46	121
Accrued payroll	-	132	132
Total Liabilities	<u>145,836</u>	<u>178</u>	<u>146,014</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	8	742	750
Unearned revenue - loans receivable	-	89,963	89,963
Unearned revenue - leases receivable	131,403	-	131,403
Total Deferred Inflows of Resources	<u>131,411</u>	<u>90,705</u>	<u>222,116</u>
Fund Balances			
Nonspendable			
Prepaid expenses	5,312	-	5,312
Land held for resale	-	710,883	710,883
Restricted			
Housing loan program expenditures	-	255,571	255,571
Unrestricted			
Unassigned	(145,050)	-	(145,050)
Total Fund Balances	<u>(139,738)</u>	<u>966,454</u>	<u>826,716</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 137,509</u>	<u>\$ 1,057,337</u>	<u>\$ 1,194,846</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2022

	<u>Airport</u>	<u>Housing Loan</u>	<u>Total</u>
REVENUES			
Taxes			
Property taxes	\$ 4	\$ 80,218	\$ 80,222
Intergovernmental	156,653	38,363	195,016
Charges for services	100,654	5,525	106,179
Loan repayments	-	17,541	17,541
Net investment earnings	-	10,154	10,154
Other	368	1,570	1,938
Total Revenues	<u>257,679</u>	<u>153,371</u>	<u>411,050</u>
EXPENDITURES			
Current			
Housing and economic development	-	156,181	156,181
Other	97,536	-	97,536
Capital outlay	27,056	46,960	74,016
Total Expenditures	<u>124,592</u>	<u>203,141</u>	<u>327,733</u>
REVENUES OVER (UNDER) EXPENDITURES	133,087	(49,770)	83,317
OTHER FINANCING SOURCES (USES)			
Sale of property	-	(174,245)	(174,245)
NET CHANGE IN FUND BALANCES	133,087	(224,015)	(90,928)
FUND BALANCES – BEGINNING, AS PREVIOUSLY STATED	(272,825)	202,562	(70,263)
PRIOR PERIOD ADJUSTMENT	-	987,907	987,907
FUND BALANCES – BEGINNING, AS RESTATED	<u>(272,825)</u>	<u>1,190,469</u>	<u>917,644</u>
FUND BALANCES – ENDING	<u>\$ (139,738)</u>	<u>\$ 966,454</u>	<u>\$ 826,716</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2022

	<u>General Obligation 2012A</u>	<u>General Obligation 2013A</u>	<u>General Obligation 2009</u>	<u>General Obligation 2013B</u>	<u>General Obligation 2014A</u>	<u>General Obligation 2015A</u>
ASSETS						
Cash and cash equivalents	\$ 458,924	\$ 102,902	\$ 90,016	\$ 177,781	\$ 161,478	\$ 163,963
Taxes receivable – delinquent	1,807	864	1,259	776	1,111	258
Special assessments receivable	127,043	-	6,554	202,586	600,851	167,311
Due from other governmental units	<u>2,265</u>	<u>779</u>	<u>1,107</u>	<u>1,230</u>	<u>1,312</u>	<u>2,113</u>
TOTAL ASSETS	<u>\$ 590,039</u>	<u>\$ 104,545</u>	<u>\$ 98,936</u>	<u>\$ 382,373</u>	<u>\$ 764,752</u>	<u>\$ 333,645</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources						
Unavailable revenue - taxes	128,850	864	7,813	203,362	601,962	167,569
Fund Balances						
Restricted						
Debt service	<u>461,189</u>	<u>103,681</u>	<u>91,123</u>	<u>179,011</u>	<u>162,790</u>	<u>166,076</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 590,039</u>	<u>\$ 104,545</u>	<u>\$ 98,936</u>	<u>\$ 382,373</u>	<u>\$ 764,752</u>	<u>\$ 333,645</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2022

<u>General Obligation 2016A</u>	<u>General Obligation 2018A</u>	<u>General Obligation 2019A</u>	<u>General Obligation 2020B</u>	<u>General Obligation 2021A</u>	<u>General Obligation 2022B</u>	<u>TIF 7-1</u>	<u>TIF 6-1</u>	<u>Total</u>
\$ 160,869	\$ 104,428	\$ 129,354	\$ 207,550	\$ 120,839	\$ 123,817	\$ 7,658	\$ 1,385	\$ 2,010,964
1,197	2,040	757	-	-	-	-	-	10,069
258,288	242,450	429,761	-	7,066	-	-	-	2,041,910
597	1,944	320	-	413	-	-	-	12,080
<u>\$ 420,951</u>	<u>\$ 350,862</u>	<u>\$ 560,192</u>	<u>\$ 207,550</u>	<u>\$ 128,318</u>	<u>\$ 123,817</u>	<u>\$ 7,658</u>	<u>\$ 1,385</u>	<u>\$ 4,075,023</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,535	\$ -	\$ 3,535
259,485	244,490	430,518	-	7,066	-	-	-	2,051,979
161,466	106,372	129,674	207,550	121,252	123,817	4,123	1,385	2,019,509
<u>\$ 420,951</u>	<u>\$ 350,862</u>	<u>\$ 560,192</u>	<u>\$ 207,550</u>	<u>\$ 128,318</u>	<u>\$ 123,817</u>	<u>\$ 7,658</u>	<u>\$ 1,385</u>	<u>\$ 4,075,023</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
Year Ended December 31, 2022

	General Obligation 2012A	General Obligation 2013A	General Obligation 2009	General Obligation 2013B	General Obligation 2014A	General Obligation 2015A
REVENUES						
Taxes						
Property taxes	\$ 157,636	\$ 80,271	\$ 114,905	\$ 46,476	\$ 29,835	\$ 166,592
Tax increments	-	-	-	-	-	-
Special assessments	25,651	-	1,606	32,810	88,648	30,537
Charges for services	-	-	-	-	-	-
Net investment earnings	6,354	1,104	193	1,899	1,795	250
Other	-	-	-	-	-	-
Total Revenues	<u>189,641</u>	<u>81,375</u>	<u>116,704</u>	<u>81,185</u>	<u>120,278</u>	<u>197,379</u>
EXPENDITURES						
Current						
Housing and economic development						
Other	3,100	-	-	-	-	-
Debt service						
Principal	256,064	70,000	135,000	89,250	174,720	199,796
Interest	39,955	10,111	2,531	24,420	51,000	66,929
Total Expenditures	<u>299,119</u>	<u>80,111</u>	<u>137,531</u>	<u>113,670</u>	<u>225,720</u>	<u>266,725</u>
REVENUES OVER (UNDER) EXPENDITURES	(109,478)	1,264	(20,827)	(32,485)	(105,442)	(69,346)
OTHER FINANCING SOURCES (USES)						
Bond issue proceeds	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-
Transfers in	30,000	-	-	30,000	-	40,225
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>40,225</u>
NET CHANGE IN FUND BALANCES	(79,478)	1,264	(20,827)	(2,485)	(105,442)	(29,121)
FUND BALANCES – BEGINNING	<u>540,667</u>	<u>102,417</u>	<u>111,950</u>	<u>181,496</u>	<u>268,232</u>	<u>195,197</u>
FUND BALANCES – ENDING	<u>\$ 461,189</u>	<u>\$ 103,681</u>	<u>\$ 91,123</u>	<u>\$ 179,011</u>	<u>\$ 162,790</u>	<u>\$ 166,076</u>

CITY OF BLUE EARTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
Year Ended December 31, 2022

General Obligation 2016A	General Obligation 2018A	General Obligation 2019A	General Obligation 2020B	General Obligation 2021A	General Obligation 2022B	TIF 7-1	TIF 6-1	Total Nonmajor Debt Service Funds
\$ 62,316	\$ 159,793	\$ 33,545	\$ -	\$ 42,529	\$ -	\$ -	\$ -	\$ 893,898
-	-	-	-	-	-	7,071	-	7,071
39,107	27,273	45,019	-	245,925	-	-	-	536,576
-	-	-	16,000	-	-	-	-	16,000
2,064	-	1,612	2,106	-	318	105	-	17,800
-	-	-	275	-	-	-	-	275
<u>103,487</u>	<u>187,066</u>	<u>80,176</u>	<u>18,381</u>	<u>288,454</u>	<u>318</u>	<u>7,176</u>	<u>-</u>	<u>1,471,620</u>
						7,071		7,071
6,310	468	-	-	148,730	64,383	-	-	222,991
136,605	173,648	89,763	-	-	-	-	-	1,324,846
31,649	92,140	41,928	21,416	124,747	850	-	-	507,676
<u>174,564</u>	<u>266,256</u>	<u>131,691</u>	<u>21,416</u>	<u>273,477</u>	<u>65,233</u>	<u>7,071</u>	<u>-</u>	<u>2,062,584</u>
(71,077)	(79,190)	(51,515)	(3,035)	14,977	(64,915)	105	-	(590,964)
-	-	-	-	-	63,732	-	-	63,732
-	-	-	242,474	-	-	-	-	242,474
-	50,000	-	-	50,000	125,000	-	-	325,225
<u>-</u>	<u>50,000</u>	<u>-</u>	<u>242,474</u>	<u>50,000</u>	<u>188,732</u>	<u>-</u>	<u>-</u>	<u>631,431</u>
(71,077)	(29,190)	(51,515)	239,439	64,977	123,817	105	-	40,467
232,543	135,562	181,189	(31,889)	56,275	-	4,018	1,385	1,979,042
<u>\$ 161,466</u>	<u>\$ 106,372</u>	<u>\$ 129,674</u>	<u>\$ 207,550</u>	<u>\$ 121,252</u>	<u>\$ 123,817</u>	<u>\$ 4,123</u>	<u>\$ 1,385</u>	<u>\$ 2,019,509</u>

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 Blue Earth, Minnesota as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 18, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Blue Earth, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Blue Earth, Minnesota'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. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Blue Earth's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Carlson AV ASP

Fergus Falls, Minnesota
May 18, 2023

CITY OF BLUE EARTH, MINNESOTA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
December 31, 2022

CURRENT YEAR FINDINGS

2022-001. 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.

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, 2022

2022-002. 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.

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.

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

TERMS OF PROPOSAL

\$5,080,000

CITY OF BLUE EARTH, MINNESOTA

GENERAL OBLIGATION BONDS, SERIES 2024A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the “Bonds”) will be received by the City of Blue Earth, Minnesota (the “City”) on Monday, June 17, 2024 (the “Sale Date”) until 10:00 A.M., Central Time (the “Sale Time”) at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 30 East 7th Street, Suite 3025, Saint Paul, MN 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 5:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Completed, signed proposals may be submitted to Baker Tilly MA by email to bids@bakertilly.com, and must be received prior to the Sale Time.

OR

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

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

PARITY[®], 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

*Preliminary; subject to change.

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP, an accounting firm. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2024 Baker Tilly Municipal Advisors, LLC.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2025. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

2026	\$255,000	2030	\$295,000	2034	\$335,000	2038	\$350,000	2042	\$60,000
2027	\$265,000	2031	\$305,000	2035	\$345,000	2039	\$365,000	2043	\$65,000
2028	\$275,000	2032	\$320,000	2036	\$320,000	2040	\$380,000	2044	\$70,000
2029	\$285,000	2033	\$325,000	2037	\$335,000	2041	\$ 60,000	2045	\$70,000

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

BOOK ENTRY SYSTEM

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

REGISTRAR/PAYING AGENT

U.S. Bank Trust Company, National Association, Saint Paul, Minnesota will serve as Registrar/Paying Agent (the "Registrar") for the Bonds, and shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the Registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2033, and on any day thereafter, to redeem Bonds due on or after February 1, 2034. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge (i) special assessments against benefited properties for repayment for a portion of the Bonds, and (ii) net revenues from the City's Water, Sewer, and Storm utilities for repayment of a portion of the Bonds. The proceeds of the Bonds will be used to finance (i) projects related to the 2024 Street & Utility Replacement Project (ii) Capital

Improvements related to City Hall, (iii) acquisition of equipment, and (iv) pay costs of issuance on the 2024A Bonds.

BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

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

BIDDING PARAMETERS

Proposals shall be for not less than \$5,019,040 plus accrued interest, if any, on the total principal amount of the Bonds. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater.

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

No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

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

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

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

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

If all of the requirements of a “competitive sale” are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of \$50,800 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

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

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

AWARD

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

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

BOND INSURANCE AT PURCHASER'S OPTION

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

CUSIP NUMBERS

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

SETTLEMENT

On or about July 18, 2024, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Taft Stettinius & Hollister, LLP, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

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

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bids@bakertilly.com.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated May 20, 2024

BY ORDER OF THE CITY COUNCIL

/s/ Mary Kennedy
City Administrator

CITY OF BLUE EARTH, MINNESOTA
\$5,080,000* General Obligation Bonds, Series 2024A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$5,019,040) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2026	_____%	_____%	_____%	2036	_____%	_____%	_____%
2027	_____%	_____%	_____%	2037	_____%	_____%	_____%
2028	_____%	_____%	_____%	2038	_____%	_____%	_____%
2029	_____%	_____%	_____%	2039	_____%	_____%	_____%
2030	_____%	_____%	_____%	2040	_____%	_____%	_____%
2031	_____%	_____%	_____%	2041	_____%	_____%	_____%
2032	_____%	_____%	_____%	2042	_____%	_____%	_____%
2033	_____%	_____%	_____%	2043	_____%	_____%	_____%
2034	_____%	_____%	_____%	2044	_____%	_____%	_____%
2035	_____%	_____%	_____%	2045	_____%	_____%	_____%

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of June 17, 2024 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated June 7, 2024 including the City’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

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

NET INTEREST COST: \$_____

TRUE INTEREST RATE: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager
By: _____
Phone: _____

.....
The foregoing proposal has been accepted by the City.

Attest: _____

Date: _____

Phone: 651-223-3000

Email: bids@bakertilly.com

* Preliminary; subject to change.