

# **ANNUAL FINANCIAL REPORT**

CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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INTRODUCTORY SECTION  
CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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City of Blooming Prairie, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2025

**Elected**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Ressler	Mayor	12/31/26
Bradley Clark	Council	12/31/26
Greg Johnson	Council	12/31/28
Bill Newman	Council	12/31/26
Marcy Sundine	Council	12/31/28

**Appointed**

Anthony Martens	City Administrator
Terri Zwiener	Deputy City Clerk
Laura Larson	Administrative Assistant

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FINANCIAL SECTION  
CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

**INDEPENDENT AUDITOR’S REPORT**

Honorable Mayor and City Council  
 City of Blooming Prairie, Minnesota

**Report on the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Blooming Prairie, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

**Basis for 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 Blooming Prairie 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.

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Capital Reserve	Unmodified
Debt Service Funds	Unmodified
Sewer Utility Fund	Unmodified
Storm Sewer Fund	Unmodified
Ambulance Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Basis for Qualified Opinion**

The City has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Volunteer Fire Department Relief Association, in the governmental activities, and, accordingly, has not shown activity related to this standard. Accounting principles generally accepted in the United States of America require that pension balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements.

## Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion”, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City as of December 31, 2025, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

## Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Responsibilities of Management for the Financial Statements

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

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

## Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with 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’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’s ability to continue as a going concern for a reasonable period of time.



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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's, the related Share of the Net Pension Liability, the Schedule of Employer's Contributions, the respective budgetary comparison schedule and related note disclosures, starting on page 88 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining, individual fund financial statements and schedules 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining, individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Mankato, Minnesota  
May 4, 2026



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## Management's Discussion and Analysis

As management of the City of Blooming Prairie, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

### Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental and proprietary funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

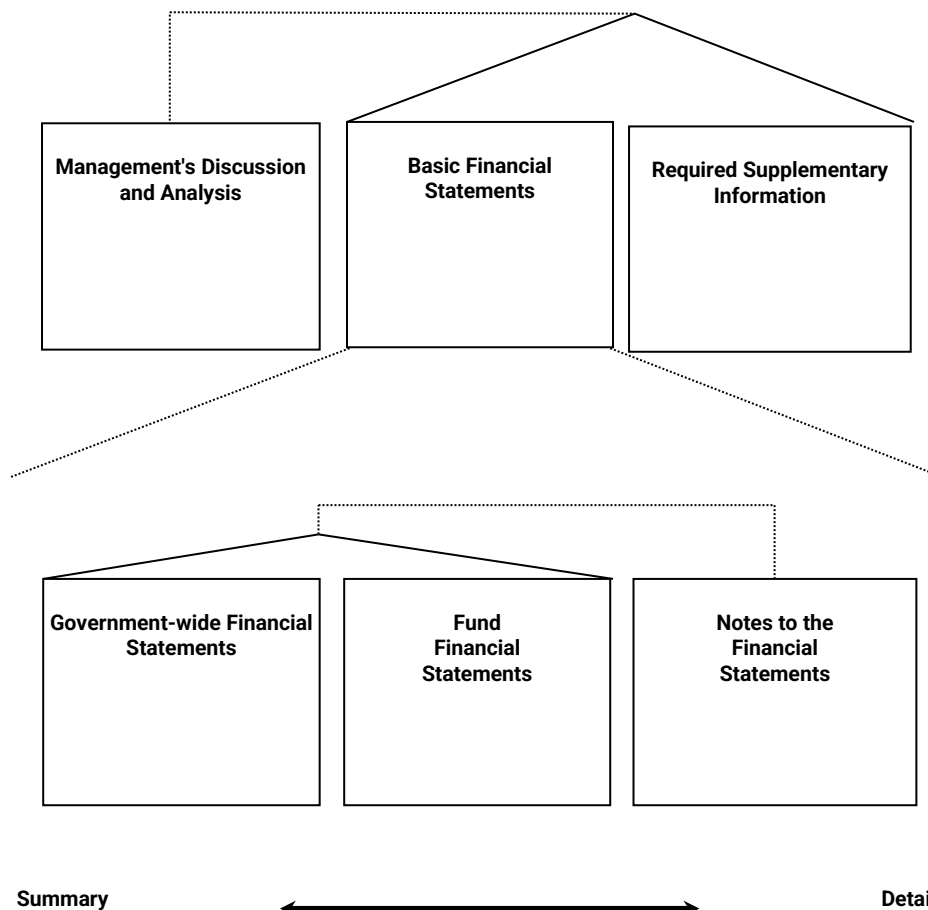


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found starting on page 31 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 11 individual governmental funds, five of which are Debt Service funds, which are reported as one fund for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Capital Reserve, all of which are considered to be major funds.

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

The basic governmental fund financial statements can be found starting on page 36 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for Ambulance, Sewer, Cemetery and Storm Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which the Sewer, Storm Sewer, Ambulance are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 40 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Blooming Prairie's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension. Required supplementary information can be found starting on page 88 of this report.

**Supplementary Information.** The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental and proprietary funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 98 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Blooming Prairie's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Current and Other Assets	\$ 7,036,257	\$ 6,793,895	\$ 242,362	\$ 1,435,252	\$ 1,236,863	\$ 198,389
Capital Assets	5,440,380	5,663,636	(223,256)	4,359,455	4,559,870	(200,415)
Total Assets	<u>12,476,637</u>	<u>12,457,531</u>	<u>19,106</u>	<u>5,794,707</u>	<u>5,796,733</u>	<u>(2,026)</u>
Deferred Outflows of Resources	<u>420,589</u>	<u>557,384</u>	<u>(136,795)</u>	<u>17,872</u>	<u>15,213</u>	<u>2,659</u>
Long-term Liabilities						
Outstanding	5,916,144	6,257,245	(341,101)	947,031	1,078,457	(131,426)
Other Liabilities	192,764	54,037	138,727	197,430	236,412	(38,982)
Total Liabilities	<u>6,108,908</u>	<u>6,311,282</u>	<u>(202,374)</u>	<u>1,144,461</u>	<u>1,314,869</u>	<u>(170,408)</u>
Deferred Inflows of Resources	<u>575,208</u>	<u>689,388</u>	<u>(114,180)</u>	<u>42,409</u>	<u>41,510</u>	<u>899</u>
Net Investment in Capital Assets	2,683,891	2,723,208	(39,317)	3,060,517	3,063,283	(2,766)
Restricted	2,718,632	2,755,894	(37,262)	-	21,721	(21,721)
Unrestricted	<u>810,587</u>	<u>535,143</u>	<u>275,444</u>	<u>1,565,192</u>	<u>1,370,563</u>	<u>194,629</u>
Total Net Position	<u>\$ 6,213,110</u>	<u>\$ 6,014,245</u>	<u>\$ 198,865</u>	<u>\$ 4,625,709</u>	<u>\$ 4,455,567</u>	<u>\$ 170,142</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental Activities.** Governmental activities increased the City's net position. Key elements of this increase are as follows:

### City of Blooming Prairie's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 248,117	\$ 304,612	\$ (56,495)	\$ 955,295	\$ 953,831	\$ 1,464
Operating grants and contributions	261,600	230,305	31,295	5,000	79,270	(74,270)
Capital grants and contributions	202,053	168,826	33,227	5,506	2,678	2,828
General Revenues						
Property taxes/tax increments	1,130,561	1,022,959	107,602	-	29,446	(29,446)
Other taxes	3,677	12,422	(8,745)	-	-	-
Grants and contributions not restricted to specific programs	814,897	827,568	(12,671)	-	-	-
Investment earnings	76,025	75,009	1,016	28,851	25,851	3,000
Other	-	155,081	(155,081)	-	-	-
Gain on sale of capital assets	33,186	17,326	15,860	-	9,086	(9,086)
Total Revenues	<u>2,770,116</u>	<u>2,814,108</u>	<u>(43,992)</u>	<u>994,652</u>	<u>1,100,162</u>	<u>(105,510)</u>
Expenses						
General government	388,323	438,704	(50,381)	-	-	-
Public safety	814,612	813,160	1,452	-	-	-
Streets and highways	674,818	697,613	(22,795)	-	-	-
Culture and recreation	225,604	255,258	(29,654)	-	-	-
Economic development	76,138	19,405	56,733	-	-	-
Miscellaneous	21,591	54,327	(32,736)	-	-	-
Interest and other costs	219,849	269,057	(49,208)	-	-	-
Ambulance	-	-	-	143,607	146,486	(2,879)
Cemetery	-	-	-	1,332	891	441
Sewer	-	-	-	657,099	684,357	(27,258)
Storm sewer	-	-	-	105,864	110,408	(4,544)
Total Expenses	<u>2,420,935</u>	<u>2,547,524</u>	<u>(126,589)</u>	<u>907,902</u>	<u>942,142</u>	<u>(34,240)</u>
Increase (Decrease) in Net Position Before Transfers and Capital Contributions	349,181	266,584	82,597	86,750	158,020	(71,270)
Transfers	-	(5,780)	5,780	-	5,780	(5,780)
Capital contributions	(3,000)	-	(3,000)	3,000	-	3,000
Change in Net Position	<u>346,181</u>	<u>260,804</u>	<u>85,377</u>	<u>89,750</u>	<u>163,800</u>	<u>(74,050)</u>
Net Position, January 1 as Previously Reported	6,014,245	5,649,005	365,240	4,455,567	4,531,767	(76,200)
Change within Financial Reporting Entity (Note 8)						
Change from blended to discrete component unit	-	(775,287)	775,287	-	-	-
Error Corrections (Note 8)	(147,316)	879,723	(1,027,039)	80,392	(240,000)	320,392
Net Position, January 1 as Restated	<u>5,866,929</u>	<u>5,753,441</u>	<u>113,488</u>	<u>4,535,959</u>	<u>4,291,767</u>	<u>244,192</u>
Net Position, December 31	<u>\$ 6,213,110</u>	<u>\$ 6,014,245</u>	<u>\$ 198,865</u>	<u>\$ 4,625,709</u>	<u>\$ 4,455,567</u>	<u>\$ 170,142</u>

Key elements of this increase are as follows

- Increases property tax revenues.
- Decreases in expenses related to general government.
- Decreases in expenses related to interest costs.

**Increases in property grant revenues**

Property taxes increased due to council approving a 7% increase to the levy for fiscal year 2025. Mostly related to general increases in cost of goods and services.

**Decrease in general government expenses**

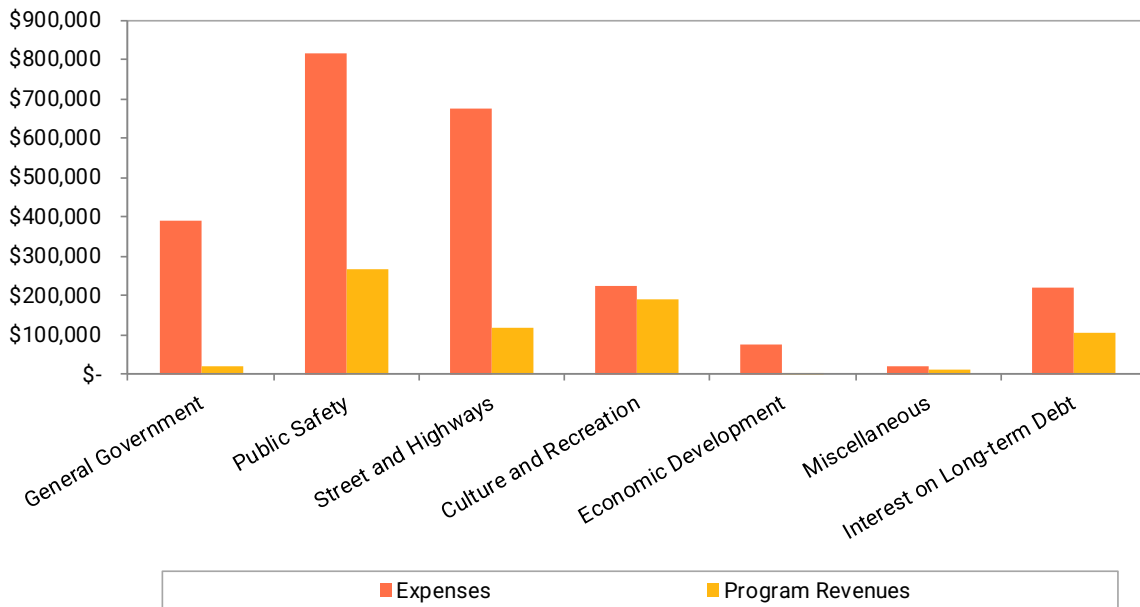
General government expenses decreased due to building repairs completing in 2024 and legal litigation winding down.

**Decreases in interest and other costs**

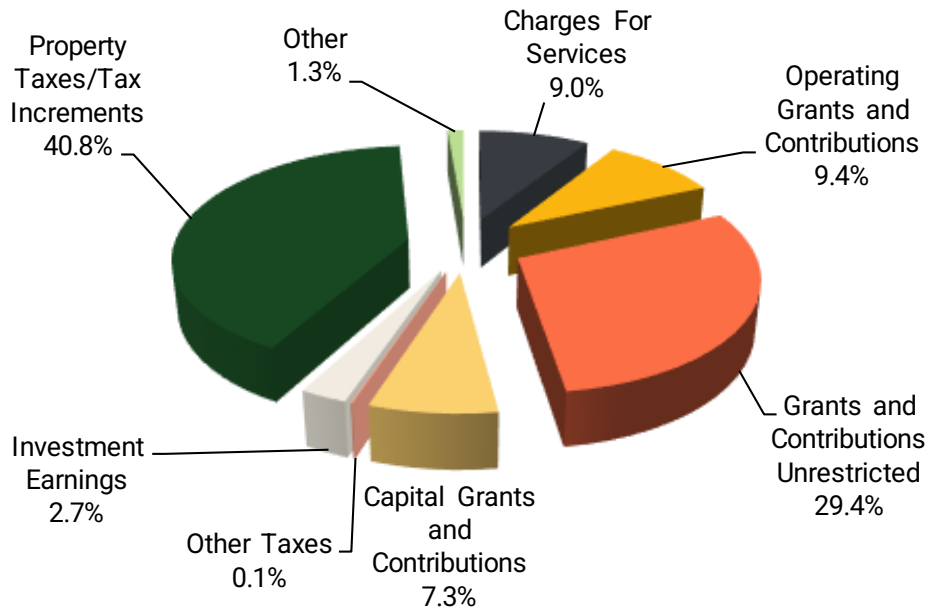
Interest and other costs decreased due to continued decrease in principle amount outstanding.

The following graphs depict various governmental activities and show the revenues and expenses directly related to those activities.

**Expenses and Program Revenues - Governmental Activities**



### Revenues by Source - Governmental Activities

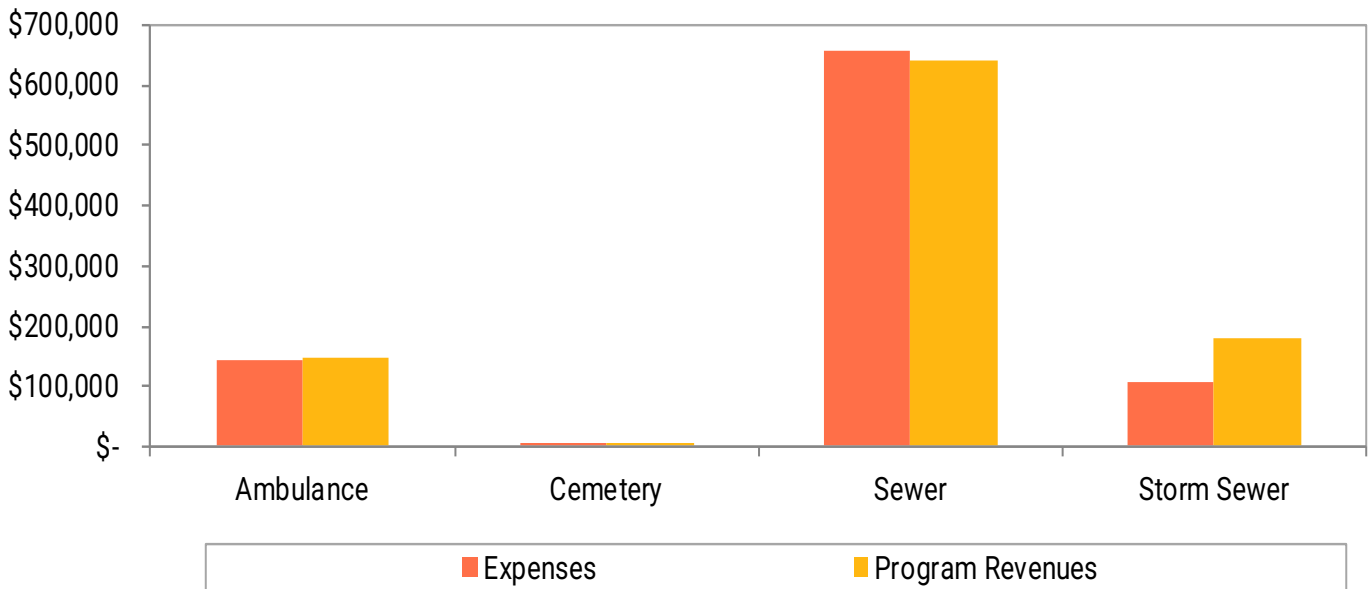


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

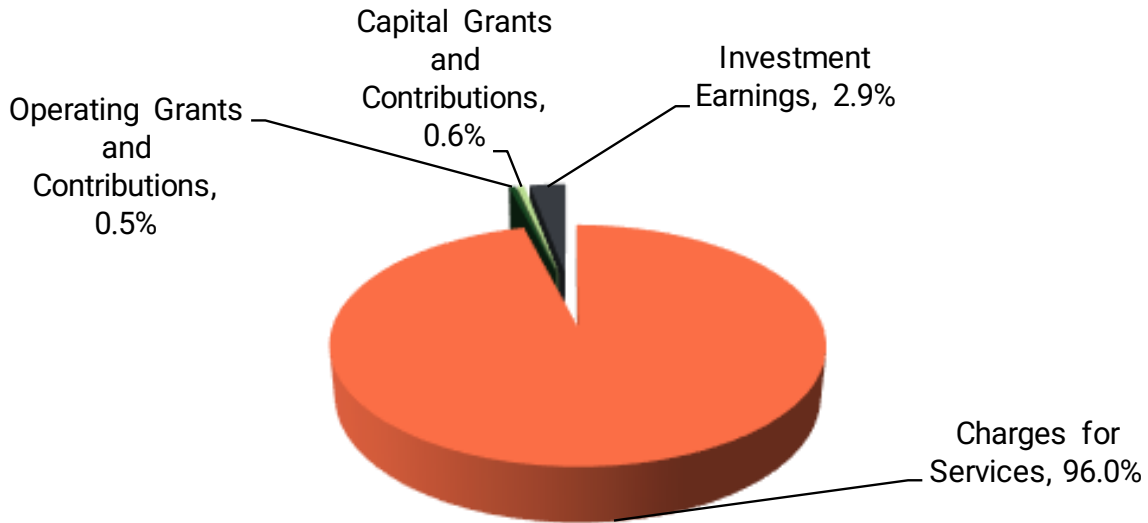
**Business-type Activities.** Business-type activities increased the City’s net position. Key elements of this increase are as follows:

- Other services and charges decreased due to various building repairs being completed in 2024.
- Interest and other costs decreased due to amortization schedules on debt payments including more principal.

### Expenses and Program Revenues - Business - type Activities



## Revenues by Source - Business - type Activities



### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2025

	General Fund	Debt Service Fund	Capital Reserve Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 31,934	\$ -	\$ -	\$ -	\$ 31,934	\$ 24,812	\$ 7,122
Restricted	-	3,532,558	1,272,616	-	4,805,174	4,768,424	36,750
Assigned	18,477	-	-	-	18,477	18,477	-
Unassigned	1,451,872	-	-	(20,327)	1,431,545	1,189,324	242,221
<b>Total</b>	<b>\$ 1,502,283</b>	<b>\$ 3,532,558</b>	<b>\$ 1,272,616</b>	<b>\$ (20,327)</b>	<b>\$ 6,287,130</b>	<b>\$ 6,001,037</b>	<b>\$ 286,093</b>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 49 of this report.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 31,934	\$ 24,812	\$ 7,122
Assigned	18,477	18,477	-
Unassigned	1,451,872	1,203,757	248,115
Total	<u>\$ 1,502,283</u>	<u>\$ 1,247,046</u>	<u>\$ 255,237</u>
General Fund Expenditures	\$ 1,628,739	\$ 1,708,761	
Unassigned as a Percent of Expenditures	89.1%	70.4%	
Total Fund Balance as a Percent of Expenditures	92.2%	73.0%	

The fund balance of the City's General fund increased by \$255,237 during the current fiscal year. The key factor in this increase was due to increase in tax revenue and decrease in repair expenses due to major repairs completed in 2024.

	December 31, 2025	December 31, 2024	Increase (Decrease)
Debt Service fund	\$ 3,532,558	\$ 3,482,217	\$ 50,341
<i>The Debt Service fund increase in fund balance during the year was due to closing of respective capital project fund to debt service</i>			
Capital Reserve fund	\$ 1,272,616	\$ 835,234	\$ 437,382
<i>The Capital Reserve fund increased in fund balance during the year due to transfers in and large donations for park renovations</i>			

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

	Ending Net Position 2025	Ending Net Position 2024	Increase (Decrease)
Sewer Utility	\$ 2,843,349	\$ 2,844,166	\$ (817)
<i>The decrease primarily is attributed to a decrease in nonoperating revenues relating to subsidies from property taxes.</i>			
Storm Sewer Utility	\$ 1,227,400	\$ 1,145,188	\$ 82,212
<i>The increase primarily is attributed to an increase in charges for services in the year.</i>			
Ambulance	\$ 477,686	\$ 472,812	\$ 4,874
<i>The increase primarily is due to a slight decrease in personal services.</i>			

## General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 1,771,400	\$ 1,832,760	\$ 61,360
Expenditures	<u>1,758,536</u>	<u>1,628,739</u>	<u>(129,797)</u>
Excess of Revenues Over Expenditures	<u>12,864</u>	<u>204,021</u>	<u>191,157</u>
Other Financing Sources (Uses)			
Sale of capital assets	<u>8,000</u>	<u>51,216</u>	<u>43,216</u>
Net Change in Fund Balances	20,864	255,237	234,373
Fund Balances, January 1	<u>1,247,046</u>	<u>1,247,046</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,247,046</u>	<u>\$ 1,247,046</u>	<u>\$ -</u>

As shown above, actual revenues were over the budget largely due to receiving more state aid than was anticipated and expenditures were over the budgeted amounts largely due to Community Beautification and property cleanup in excess of the budget. The City's General fund budget was not amended during the year.

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The capitalization threshold was increased to \$10,000 in the current year.

Significant asset additions that occurred during the year are as follows:

- Purchase of a 2015 Plow Truck
- Completion of Central Park bathrooms and Pickle ball courts
- Installation of Influent Pumps for Sewer department

Significant asset disposals that occurred during the year are as follows:

- Sale of Senior Center
- Trade-in of Sterling plow

Additional information on the City's capital assets can be found in Note 3C starting on page 61 of this report.

**City of Blooming Prairie's Capital Assets**  
(Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		Increase (Decrease)
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	
Land and Land Improvements	\$ 559,602	\$ 559,602	\$ -	\$ 160,371	\$ 160,371	\$ -	\$ 719,973	\$ 719,973	\$ -
Construction in Progress	50,854	50,854	-	-	-	-	50,854	50,854	-
Buildings and Structures	482,019	463,208	18,811	824,958	952,722	(127,764)	1,306,977	1,415,930	(108,953)
Infrastructure and Other Improvements	3,265,625	3,514,451	(248,826)	2,723,014	2,836,567	(113,553)	5,988,639	6,351,018	(362,379)
Machinery and Equipment	487,674	497,647	(9,973)	536,667	502,098	34,569	1,024,341	999,745	24,596
Motor Vehicles	594,606	577,874	16,732	114,445	108,112	6,333	709,051	685,986	23,065
<b>Total</b>	<b>\$ 5,440,380</b>	<b>\$ 5,663,636</b>	<b>\$ (223,256)</b>	<b>\$ 4,359,455</b>	<b>\$ 4,559,870</b>	<b>\$ (200,415)</b>	<b>\$ 9,799,835</b>	<b>\$ 10,223,506</b>	<b>\$ (423,671)</b>
			-3.9%			-4.4%			-4.1%

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,143,000. Of this amount, \$180,000 is special assessment debt, \$5,095,000 is G.O. Bonds and \$868,000 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

**City of Blooming Prairie's Outstanding Debt**

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
G.O. Bonds	\$ 5,095,000	\$ 5,355,000	\$ (260,000)	\$ -	\$ -	\$ -	5,095,000	5,355,000
G.O. Improvement Bonds	180,000	215,000	(35,000)	-	-	-	180,000	215,000
G.O. Revenue Bonds	-	-	-	868,000	996,000	(128,000)	868,000	996,000
<b>Total</b>	<b>\$ 5,275,000</b>	<b>\$ 5,570,000</b>	<b>\$ (295,000)</b>	<b>\$ 868,000</b>	<b>\$ 996,000</b>	<b>\$ (128,000)</b>	<b>\$ 6,143,000</b>	<b>\$ 6,566,000</b>

The City's total debt decreased by \$327,000 (4.7 percent) during the current fiscal year. The decrease is related to regularly scheduled principal and interest payments.

Additional information on the City's long-term debt can be found in Note 3E starting on page 66 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Steele County is currently 5.3 percent, which is up from a rate of 2.9 percent a year ago. This compares to the State's average unemployment rate of 4.3 percent and the national average rate of 4.1 percent.
- Public Safety employee unions' new contract
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2025 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Blooming Prairie, 138 Highway Ave. S., PO Box 68, Blooming Prairie, Minnesota 55917.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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City of Blooming Prairie, Minnesota  
Statement of Net Position  
December 31, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Public Utilities Commission	Economic Development Authority
<b>Assets</b>					
Cash and temporary investments	\$ 3,020,147	\$ 1,426,046	\$ 4,446,193	\$ 1,295,855	\$ 193,973
Restricted cash and investments	275,382	-	275,382	90,680	-
Receivables					
Delinquent taxes	26,238	-	26,238	-	-
Accounts, net of allowance for doubtful accounts	3,183	77,716	80,899	542,685	-
Accrued interest	627	443	1,070	6,425	-
Notes	55,872	-	55,872	-	-
Notes from component unit	2,717,467	59,583	2,777,050	-	-
Special assessments	538,810	52,965	591,775	-	-
Due from other governments	6,902	-	6,902	-	-
Due from primary government	-	-	-	136,015	163,960
Due from component unit	116,413	79,430	195,843	-	23,760
Internal balances	263,609	(263,609)	-	-	-
Inventories	-	-	-	154,437	-
Prepaid items	11,607	2,678	14,285	21,078	26
Capital assets					
Nondepreciable	610,456	160,371	770,827	259,450	100,798
Depreciable, net of accumulated depreciation	4,829,924	4,199,084	9,029,008	9,980,985	768,913
Total Assets	<u>12,476,637</u>	<u>5,794,707</u>	<u>18,271,344</u>	<u>12,487,610</u>	<u>1,251,430</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	<u>420,589</u>	<u>17,872</u>	<u>438,461</u>	<u>57,887</u>	<u>-</u>
<b>Liabilities</b>					
Accounts payable	15,294	13,431	28,725	195,492	-
Due to other governments	-	9,008	9,008	14,150	-
Accrued interest payable	8,685	3,051	11,736	25,740	967
Accrued salaries payable	32,770	7,980	40,750	17,671	-
Due to component unit	136,015	163,960	299,975	23,760	-
Notes to primary government	-	-	-	2,777,050	-
Due to primary government	-	-	-	195,843	-
Customer deposits	-	-	-	86,265	-
Noncurrent liabilities					
Due within one year					
Long-term liabilities	373,132	137,541	510,673	206,725	80,000
Due in more than one year					
Long-term liabilities	5,135,105	751,761	5,886,866	4,034,703	250,000
Net pension liability	407,907	57,729	465,636	200,196	-
Total Liabilities	<u>6,108,908</u>	<u>1,144,461</u>	<u>7,253,369</u>	<u>7,777,595</u>	<u>330,967</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	<u>575,208</u>	<u>42,409</u>	<u>617,617</u>	<u>137,131</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	2,683,891	3,060,517	5,744,408	3,367,733	539,711
Restricted					
Debt service	1,446,016	-	1,446,016	90,680	-
Parks	150,658	-	150,658	-	-
Fire truck	848,715	-	848,715	-	-
Fire equipment	69	-	69	-	-
Capital outlay	273,174	-	273,174	-	-
Unrestricted	<u>810,587</u>	<u>1,565,192</u>	<u>2,375,779</u>	<u>1,172,358</u>	<u>380,752</u>
Total Net Position	<u>\$ 6,213,110</u>	<u>\$ 4,625,709</u>	<u>\$ 10,838,819</u>	<u>\$ 4,630,771</u>	<u>\$ 920,463</u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2025

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental Activities				
General government	\$ 388,323	\$ 20,026	\$ -	\$ -
Public safety	814,612	117,686	136,896	14,185
Streets and highways	674,818	60,988	20,847	37,210
Culture and recreation	225,604	39,401	269	150,658
Economic development	76,138	56	-	-
Miscellaneous	21,591	9,960	200	-
Interest on long-term debt	219,849	-	103,388	-
Total Governmental Activities	2,420,935	248,117	261,600	202,053
Business-type Activities				
Ambulance	143,607	140,234	5,000	497
Cemetery	1,332	1,420	-	-
Sewer	657,099	635,801	-	4,225
Storm sewer	105,864	177,840	-	784
Total Business-type Activities	907,902	955,295	5,000	5,506
Total Primary Government	\$ 3,328,837	\$ 1,203,412	\$ 266,600	\$ 207,559
Component Units				
Water	\$ 565,271	\$ 509,987	\$ -	\$ 11,573
Light and power	3,570,497	3,743,792	-	-
Economic development authority	49,714	-	5,000	-
Total Component Units	\$ 4,185,482	\$ 4,253,779	\$ 5,000	\$ 11,573
General Revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Payment in lieu of taxes				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Investment earnings				
Gain on sale of capital assets				
Capital contributions				
Total General Revenues and Capital Contributions				
Change in Net Position				
Net Position, January 1 as Previously Reported				
Error Corrections (Note 8)				
Net Position, January 1 as Restated				
Net Position, December 31				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Public Utilities Commission	Economic Development Authority
\$ (368,297)	\$ -	\$ (368,297)	\$ -	\$ -
(545,845)	-	(545,845)	-	-
(555,773)	-	(555,773)	-	-
(35,276)	-	(35,276)	-	-
(76,082)	-	(76,082)	-	-
(11,431)	-	(11,431)	-	-
(116,461)	-	(116,461)	-	-
(1,709,165)	-	(1,709,165)	-	-
-	2,124	2,124	-	-
-	88	88	-	-
-	(17,073)	(17,073)	-	-
-	72,760	72,760	-	-
-	57,899	57,899	-	-
(1,709,165)	57,899	(1,651,266)	-	-
-	-	-	(43,711)	-
-	-	-	173,295	-
-	-	-	-	(44,714)
-	-	-	129,584	(44,714)
849,148	-	849,148	-	43,000
165,000	-	165,000	-	-
116,413	-	116,413	-	-
3,677	-	3,677	-	-
814,897	-	814,897	-	-
76,025	28,851	104,876	29,739	7,841
33,186	-	33,186	-	-
(3,000)	3,000	-	-	-
2,055,346	31,851	2,087,197	29,739	50,841
346,181	89,750	435,931	159,323	6,127
6,014,245	4,455,567	10,469,812	4,471,448	914,336
(147,316)	80,392	(66,924)	-	-
5,866,929	4,535,959	10,402,888	4,471,448	914,336
\$ 6,213,110	\$ 4,625,709	\$ 10,838,819	\$ 4,630,771	\$ 920,463

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Blooming Prairie, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2025

	101	300's	402	Nonmajor Governmental Funds	Total
	General	Debt Service	Capital Reserve		
<b>Assets</b>					
Cash and temporary investments	\$ 1,391,288	\$ 687,497	\$ 941,362	\$ -	\$ 3,020,147
Restricted cash and investments	-	-	275,382	-	275,382
Receivables					
Delinquent taxes	26,238	-	-	-	26,238
Accounts	3,183	-	-	-	3,183
Accrued interest	627	-	-	-	627
Notes	-	-	55,872	-	55,872
Notes from component unit	-	2,717,467	-	-	2,717,467
Special assessments	35,215	503,595	-	-	538,810
Due from other governments	6,902	-	-	-	6,902
Due from component unit	116,413	-	-	-	116,413
Advances to other funds	20,327	263,609	-	-	283,936
Prepaid items	11,607	-	-	-	11,607
<b>Total Assets</b>	<b>\$ 1,611,800</b>	<b>\$ 4,172,168</b>	<b>\$ 1,272,616</b>	<b>\$ -</b>	<b>\$ 7,056,584</b>
<b>Liabilities</b>					
Accounts payable	\$ 15,294	\$ -	\$ -	\$ -	\$ 15,294
Accrued salaries payable	32,770	-	-	-	32,770
Advances from other funds	-	-	-	20,327	20,327
Due to component unit	-	136,015	-	-	136,015
<b>Total Liabilities</b>	<b>48,064</b>	<b>136,015</b>	<b>-</b>	<b>20,327</b>	<b>204,406</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Property taxes	26,238	-	-	-	26,238
Special assessments	35,215	503,595	-	-	538,810
<b>Total Deferred Inflows of Resources</b>	<b>61,453</b>	<b>503,595</b>	<b>-</b>	<b>-</b>	<b>565,048</b>
<b>Fund Balances</b>					
Nonspendable					
Advances to other funds	20,327	-	-	-	20,327
Prepaid items	11,607	-	-	-	11,607
Restricted					
Debt service	-	3,532,558	-	-	3,532,558
Parks	-	-	150,658	-	150,658
Fire truck	-	-	848,715	-	848,715
Fire equipment	-	-	69	-	69
Capital outlay	-	-	273,174	-	273,174
Assigned					
Beautification	18,477	-	-	-	18,477
Unassigned	1,451,872	-	-	(20,327)	1,431,545
<b>Total Fund Balances</b>	<b>1,502,283</b>	<b>3,532,558</b>	<b>1,272,616</b>	<b>(20,327)</b>	<b>6,287,130</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,611,800</b>	<b>\$ 4,172,168</b>	<b>\$ 1,272,616</b>	<b>\$ -</b>	<b>\$ 7,056,584</b>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2025

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 6,287,130
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	5,440,380
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(170,296)
Net pension liability	(407,907)
Bonds payable	(5,275,000)
Bond premiums, net of accumulated amortization	(62,941)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	26,238
Special assessments receivable	538,810
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	420,589
Deferred inflows of pension resources	(575,208)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(8,685)</u>
Total Net Position - Governmental Activities	<u><u>\$ 6,213,110</u></u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2025

	101	300's	402	Formerly Major Fund 431	Nonmajor Governmental Funds	Total
	General	Debt Service	Capital Reserve	2023 Street Project		
<b>Revenues</b>						
Taxes	\$ 760,471	\$ 165,000	\$ 200,000		\$ -	\$ 1,125,471
Special assessments	3,244	77,927	-		-	81,171
Licenses and permits	13,791	-	-		-	13,791
Intergovernmental						
Federal	1,323	-	-		-	1,323
State	948,491	-	19,324		-	967,815
Charges for services	47,450	-	155,783		-	203,233
Fines and forfeits	20,000	-	-		-	20,000
Investment earnings	20,540	23,670	28,426		3,389	76,025
Miscellaneous	17,450	103,388	174,291		56	295,185
<b>Total Revenues</b>	<u>1,832,760</u>	<u>369,985</u>	<u>577,824</u>		<u>3,445</u>	<u>2,784,014</u>
<b>Expenditures</b>						
Current						
General government	368,669	-	-		-	368,669
Public safety	707,128	-	-		-	707,128
Streets and highways	307,703	-	-		-	307,703
Economic development	1,405	-	74,733		-	76,138
Culture and recreation	222,243	-	-		-	222,243
Miscellaneous	20,072	-	-		-	20,072
Capital outlay						
General government	-	-	5,177		-	5,177
Public safety	-	-	52,665		-	52,665
Streets and highways	-	-	144,641		21,539	166,180
Culture and recreation	-	-	105,525		-	105,525
Miscellaneous	1,519	-	-		-	1,519
Debt service						
Principal	-	295,000	-		-	295,000
Interest and other	-	225,817	-		-	225,817
<b>Total Expenditures</b>	<u>1,628,739</u>	<u>520,817</u>	<u>382,741</u>		<u>21,539</u>	<u>2,553,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>204,021</u>	<u>(150,832)</u>	<u>195,083</u>		<u>(18,094)</u>	<u>230,178</u>
Other Financing Sources (Uses)						
Transfers in	-	201,173	237,600		-	438,773
Transfers out	-	-	-		(438,773)	(438,773)
Sale of capital assets	51,216	-	4,699		-	55,915
<b>Total Other Financing Sources (Uses)</b>	<u>51,216</u>	<u>201,173</u>	<u>242,299</u>		<u>(438,773)</u>	<u>55,915</u>
Net Change in Fund Balances	<u>255,237</u>	<u>50,341</u>	<u>437,382</u>		<u>(456,867)</u>	<u>286,093</u>
Fund Balances, January 1 as Previously Reported	1,247,046	3,629,533	835,234	213,429	223,111	6,148,353
Change within financial reporting entity (Note 8)						
Change from major to nonmajor fund	-	-	-	(213,429)	213,429	-
Error Corrections (Note 8)	-	(147,316)	-		-	(147,316)
Fund Balances, January 1 as Restated	<u>1,247,046</u>	<u>3,482,217</u>	<u>835,234</u>		<u>436,540</u>	<u>6,001,037</u>
Fund Balances, December 31	<u>\$ 1,502,283</u>	<u>\$ 3,532,558</u>	<u>\$ 1,272,616</u>		<u>\$ (20,327)</u>	<u>\$ 6,287,130</u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Reconciliation of the Statement of  
Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2025

	Primary Government
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 286,093
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	244,349
Capital contributions	(3,000)
Depreciation expense	(441,876)
The net effect of various miscellaneous transactions involving capital assets	
Book value of sale of capital assets	(22,729)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Premium on bonds issued	5,916
Principal repayments	295,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	52
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(43,961)
Property taxes	8,767
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(39,499)
Long-term pension activity is not reported in governmental funds.	
Pension expense	53,578
Direct aid contributions	3,491
	\$ 346,181
Change in Net Position - Governmental Activities	

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Net Position (Continued on the Following Page)  
Proprietary Funds  
December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	602 Sewer Utility	605 Storm Sewer	651 Ambulance	Nonmajor 655 Cemetery	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 723,097	\$ 388,293	\$ 300,858	\$ 13,798	\$ 1,426,046
Receivables					
Accounts, net of allowance for doubtful accounts	11,010	-	66,706	-	77,716
Accrued interest	-	-	443	-	443
Notes from component unit - current portion	-	11,651	-	-	11,651
Special assessments - current portion	2,408	2,704	-	-	5,112
Due from component unit	64,003	15,427	-	-	79,430
Advances to other funds - current portion	-	30,871	-	-	30,871
Prepaid items	2,277	100	301	-	2,678
<b>Total Current Assets</b>	<u>802,795</u>	<u>449,046</u>	<u>368,308</u>	<u>13,798</u>	<u>1,633,947</u>
Notes from component unit	-	47,932	-	-	47,932
Special assessments	34,059	13,794	-	-	47,853
Advances to other funds	-	127,077	-	-	127,077
<b>Capital assets</b>					
Land	108,531	-	-	51,840	160,371
Buildings and structures	5,052,897	-	-	5,000	5,057,897
Infrastructure and improvements	2,186,963	2,251,321	-	-	4,438,284
Machinery and equipment	509,707	-	498,662	12,580	1,020,949
Motor vehicles	129,447	107,093	162,466	-	399,006
Less accumulated depreciation	(5,591,401)	(742,135)	(377,572)	(5,944)	(6,717,052)
<b>Total Capital Assets</b>	<u>2,396,144</u>	<u>1,616,279</u>	<u>283,556</u>	<u>63,476</u>	<u>4,359,455</u>
<b>Total Noncurrent Assets</b>	<u>2,430,203</u>	<u>1,805,082</u>	<u>283,556</u>	<u>63,476</u>	<u>4,582,317</u>
<b>Total Assets</b>	<u>3,232,998</u>	<u>2,254,128</u>	<u>651,864</u>	<u>77,274</u>	<u>6,216,264</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	17,872	-	-	-	17,872

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Net Position (Continued)  
Proprietary Funds  
December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	602 Sewer Utility	605 Storm Sewer	651 Ambulance	Nonmajor 655 Cemetery	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 11,144	\$ -	\$ 2,287	\$ -	\$ 13,431
Advances to component unit	-	960	40,000	-	40,960
Due to other governments	-	-	9,008	-	9,008
Accrued salaries payable	5,097	-	2,883	-	7,980
Advances from other funds	43,389	26,221	-	-	69,610
Accrued interest payable	506	2,545	-	-	3,051
Compensated absences - current portion	8,541	-	-	-	8,541
Bonds payable - current portion	5,000	124,000	-	-	129,000
<b>Total Current Liabilities</b>	<u>73,677</u>	<u>153,726</u>	<u>54,178</u>	<u>-</u>	<u>281,581</u>
<b>Noncurrent Liabilities</b>					
Advances from other funds, net of current portion	198,478	153,469	-	-	351,947
Advances to component unit, net of current portion	-	3,000	120,000	-	123,000
Net pension liability	57,729	-	-	-	57,729
Compensated absences, net of current portion	3,380	-	-	-	3,380
Bonds payable, net of current portion	31,848	716,533	-	-	748,381
<b>Total Noncurrent Liabilities</b>	<u>291,435</u>	<u>873,002</u>	<u>120,000</u>	<u>-</u>	<u>1,284,437</u>
<b>Total Liabilities</b>	<u>365,112</u>	<u>1,026,728</u>	<u>174,178</u>	<u>-</u>	<u>1,566,018</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	42,409	-	-	-	42,409
<b>Net Position</b>					
Net investment in capital assets	2,117,429	596,056	283,556	63,476	3,060,517
Unassigned	725,920	631,344	194,130	13,798	1,565,192
<b>Total Net Position</b>	<u>\$ 2,843,349</u>	<u>\$ 1,227,400</u>	<u>\$ 477,686</u>	<u>\$ 77,274</u>	<u>\$ 4,625,709</u>

The notes to the financial statements are an integral part of this statement.

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City of Blooming Prairie, Minnesota  
Statement of Revenues, Expenses and  
Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2025

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds				Total
	602 Sewer Utility	605 Storm Sewer	651 Ambulance	Nonmajor 655 Cemetery	
Operating Revenues					
Charges for services	\$ 621,491	\$ 177,840	\$ 132,562	\$ -	\$ 931,893
Other operating revenues	-	-	5,000	1,420	6,420
Total Operating Revenues	<u>621,491</u>	<u>177,840</u>	<u>137,562</u>	<u>1,420</u>	<u>938,313</u>
Operating Expenses					
Personal services	185,674	-	7,926	-	193,600
Repairs and supplies	11,648	-	17,030	59	28,737
Other services and charges	127,817	13,254	63,446	329	204,846
Insurance	18,998	-	-	-	18,998
Utilities	84,791	-	5,162	-	89,953
Depreciation	232,830	75,774	50,043	944	359,591
Total Operating Expenses	<u>661,758</u>	<u>89,028</u>	<u>143,607</u>	<u>1,332</u>	<u>895,725</u>
Operating Income (Loss)	<u>(40,267)</u>	<u>88,812</u>	<u>(6,045)</u>	<u>88</u>	<u>42,588</u>
Nonoperating Revenues (Expenses)					
Investment income	16,256	9,452	2,750	393	28,851
Rents	14,310	-	-	-	14,310
Refunds and reimbursements	-	-	357	-	357
Donations	-	-	7,315	-	7,315
Gain on sale of capital assets	5,900	-	-	-	5,900
Amortization of bond premium	649	806	-	-	1,455
Interest and other costs	(1,890)	(17,642)	-	-	(19,532)
Total Nonoperating Revenues (Expenses)	<u>35,225</u>	<u>(7,384)</u>	<u>10,422</u>	<u>393</u>	<u>38,656</u>
Income (Loss) before Capital Contributions	(5,042)	81,428	4,377	481	81,244
Connections fees	2,600	-	-	-	2,600
Special Assessments	1,625	784	497	-	2,906
Capital Contributions from Governmental Funds	-	-	-	3,000	3,000
Change in Net Position	<u>(817)</u>	<u>82,212</u>	<u>4,874</u>	<u>3,481</u>	<u>89,750</u>
Net Position, January 1 as previously reported	2,779,201	1,129,761	472,812	73,793	4,455,567
Error Correction (Note 8)	<u>64,965</u>	<u>15,427</u>	<u>-</u>	<u>-</u>	<u>80,392</u>
Fund Balances, January 1 as Restated	<u>2,844,166</u>	<u>1,145,188</u>	<u>472,812</u>	<u>73,793</u>	<u>4,535,959</u>
Net Position, December 31	<u>\$ 2,843,349</u>	<u>\$ 1,227,400</u>	<u>\$ 477,686</u>	<u>\$ 77,274</u>	<u>\$ 4,625,709</u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Cash Flows (Continued on the Following Page)  
Proprietary Funds  
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	602	605	651	Nonmajor 655	
	Sewer Utility	Storm Sewer	Ambulance	Cemetery	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 622,453	\$ 185,124	\$ 140,698	\$ 1,420	\$ 949,695
Payments to suppliers and vendors	(234,880)	(13,254)	(88,929)	(388)	(337,451)
Payments to and on behalf of employees	(189,203)	-	(10,497)	-	(199,700)
Other receipts	-	-	7,672	-	7,672
Net Cash Provided (Used) by Operating Activities	<u>198,370</u>	<u>171,870</u>	<u>48,944</u>	<u>1,032</u>	<u>420,216</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Lease receipts	14,310	-	-	-	14,310
Payment to component unit	-	(3,900)	(40,000)	-	(43,900)
Decrease in due from other funds	-	42,148	-	-	42,148
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,310</u>	<u>38,248</u>	<u>(40,000)</u>	<u>-</u>	<u>12,558</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Increase (decrease) in advance from other funds	(42,986)	(22,208)	-	-	(65,194)
Special assessments received	4,234	3,487	497	-	8,218
Principal paid on long-term debt	(5,000)	(123,000)	-	-	(128,000)
Interest paid on long-term debt	(1,900)	(18,071)	-	-	(19,971)
Connection fees	2,600	-	-	-	2,600
Proceeds from sale of capital assets	5,900	-	-	-	5,900
Acquisition of capital assets	(146,596)	-	-	(9,580)	(156,176)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(183,748)</u>	<u>(159,792)</u>	<u>497</u>	<u>(9,580)</u>	<u>(352,623)</u>
<b>Cash Flows from Investing Activities</b>					
Interest received on cash and temporary investments	16,256	9,452	2,750	393	28,851
<b>Net Increase (Decrease) in Cash and Temporary Investments</b>	45,188	59,778	12,191	(8,155)	109,002
Cash and Cash Equivalents, January 1	<u>677,909</u>	<u>328,515</u>	<u>288,667</u>	<u>21,953</u>	<u>1,317,044</u>
Cash and Cash Equivalents, December 31	<u>\$ 723,097</u>	<u>\$ 388,293</u>	<u>\$ 300,858</u>	<u>\$ 13,798</u>	<u>\$ 1,426,046</u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	602 Sewer Utility	605 Storm Sewer	651 Ambulance	Nonmajor 655 Cemetery	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (40,267)	\$ 88,812	\$ (6,045)	\$ 88	\$ 42,588
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	7,672	-	7,672
Depreciation	232,830	75,774	50,043	944	359,591
(Increase) decrease in assets					
Accounts receivable	-	7,284	3,136	-	10,420
Due from component unit	962	-	-	-	962
Prepaid items	244	-	113	-	357
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(2,659)	-	-	-	(2,659)
Increase (decrease) in liabilities					
Accounts payable	8,130	-	557	-	8,687
Due to other governments	-	-	(3,961)	-	(3,961)
Net pension liability	(5,114)	-	-	-	(5,114)
Compensated absences payable	3,143	-	-	-	3,143
Accrued wages payable	202	-	(2,571)	-	(2,369)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	899	-	-	-	899
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 198,370</u></b>	<b><u>\$ 171,870</u></b>	<b><u>\$ 48,944</u></b>	<b><u>\$ 1,032</u></b>	<b><u>\$ 420,216</u></b>
Schedule of Noncash Investing Capital and Financing Activities					
Capital assets contributed by (to) other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Amortization of bond (premium) discount	<u>\$ (649)</u>	<u>\$ (806)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,455)</u>

The notes to the financial statements are an integral part of this statement.

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City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Blooming Prairie, (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it's financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

**Discretely Presented Component Units.** The Blooming Prairie Public Utilities Commission (PUC) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The PUC board of directors consist of three Council approved members. This board has operated autonomously since its creation in 1938. The PUC meets the criteria to be included as a discrete presentation and, accordingly, has been included as a component unit in the financial statements. The PUC has a separate certified audit, and audited financial statements for the PUC may be obtained from: Blooming Prairie Public Utilities Commission, 333 2<sup>nd</sup> Avenue NE, Blooming Prairie, Minnesota 55917.

The Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The five member board consists of two Council members and three other Council approved members. It is this criterion that results in the EDA being reported as a discretely presented component unit. The EDA does not prepare separate financial statements.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 a 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.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Capital Reserve* fund accounts for expenditures related to various capital purchases.

The City reports the following major proprietary funds:

The *Sewer Utility fund* is used to account for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Storm Sewer fund* is used to account for the costs associated with the City's storm sewer and to ensure that user charges are sufficient to pay for those costs.

The *Ambulance fund* is used to account for the costs associated with the City's ambulance service and to ensure that user charges are sufficient to pay for those costs.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Investments are reported at fair value. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a *final maturity of thirteen months or less*.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$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.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

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

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

- Negotiable certificates of deposit of \$449,640 are valued using a matrix pricing model (Level 2 inputs)

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Investment Policy***

All City investments and deposits shall be those allowable by Minnesota statutes, chapter 118A and amendments thereto. In accordance with Minnesota statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposit in excess of federal deposit insurance. The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Generally, investments shall have “laddered” maturities so that money becomes available on a regular schedule. The City policy restricts investments to savings, CDs, MM accounts, and state and federal investments, and does not allow commercial paper.

***Property Taxes***

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts for at December 31, 2025 for the City and PUC are shown in the tables below.

***Primary Government***

	Ambulance
Allowance for uncollectible accounts	\$ 7,412

***Discretely Presented Component Units***

	Light and Power Utility	Water Utility	Total
Allowance for uncollectible accounts	\$ 2,000	\$ 500	\$ 2,500

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

***Inventories and Prepaid Items***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

***Restricted Assets***

Assets restricted include cash and cash equivalents, economic development notes receivable, and bad debt. The City also received dollars from gambling funds and various townships that are restricted for fire equipment and vehicles.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at acquisition value at the date of donation. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and Land Improvements	\$	10,000
Buildings and Structures		10,000
Infrastructure and Improvements		50,000
Machinery and Equipment		10,000
Motor Vehicles		10,000

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Assets	Years
Land Improvements	15 - 40
Buildings and Structures	15 - 40
Infrastructure and Improvements	20 - 40
Machinery and Equipment	5 - 10
Motor Vehicles	5 - 10

***Deferred Outflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***Compensated Absences***

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The government does not have a policy to pay any amounts when employees separate from service with the government. However, a liability is recognized for that portion of accumulating sick leave benefits that are estimated to be used. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Sick time is not paid out at termination unless the employee 1) retires from the City, 2) has been with the City for 5 or more years, 3) 50 years old (Police) or 62 years old (all other employees). If the employee meets these requirements, they will be paid out 50% of their sick time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued as of December 31, 2025 are shown in the table below.

	Primary Government	Discretely Presented Component Units	Total
Compensated Absences	\$ 182,217	\$ 74,304	\$ 256,521

***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

***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. The General fund is typically used to liquidate the governmental net pension liability.

The total City pension expense for the GERP, PEPFP and DCP is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Total
	GERP	PEPFP	PEDCP	
<b>Primary Government</b>				
Pension Expense	\$ (15,521)	\$ 57,143	\$ 503	\$ 42,125
<b>Discretely Presented Component Units</b>				
Pension Expense - PUC	\$ 41,367	\$ -	\$ -	\$ 41,367

***Deferred Inflows of Resources***

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has one additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained 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 Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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 Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Clerk-Treasurer/Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Clerk-Treasurer/Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the Council. No budget amendments were made during the year.

**C. Deficit Fund Equity**

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

Fund	Amount
Capital Projects	
Second Street Project	\$ 13,817
Highway 218 Project	6,510

The deficits will be eliminated through future transfers from other funds, grants and/or bond proceeds.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City’s deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage, and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u><u>\$ 4,721,575</u></u>
Bank balance	\$ 4,726,188
Covered by FDIC	<u>(599,538)</u>
Collateralized with securities pledged in City's name	<u><u>\$ 4,126,650</u></u>

At year end, the PUC's carrying amount of deposits, bank balance, FDIC coverage, and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u><u>\$ 844,845</u></u>
Bank balance	\$ 846,406
Covered by FDIC	<u>(750,000)</u>
Collateralized with Securities Pledged in Commission's Name	<u><u>\$ 96,406</u></u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the EDA's carrying amount of deposits, bank balance, FDIC coverage, and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 98,409
Bank balance	\$ 98,409
Covered by FDIC	(98,409)
Collateralized with securities pledged in EDA's name	\$ -

**Investments**

At year end, the PUC's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 2
Pooled investments at amortized costs				
Broker money market funds		less than 6 months	\$ 1,020	\$ -
U.S. Bank escrow account		less than 6 months	90,680	-
Non-pooled investments at fair value				
Negotiable certificates of deposit	N/A	6 months to a year	148,908	148,908
Negotiable certificates of deposit	N/A	1 to 5 years	300,732	300,732
Total investments			\$ 541,340	\$ 449,640

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
- (2) Interest rate risk is disclosed using the segmented time distribution method.  
N/A indicates not applicable or available.
- (3) There are no level 1 or level 3 type investments.

At year end, the EDA's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled investments at amortized costs			
U.S. Bank escrow account	N/A	less than 6 months	\$ 95,564

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.  
N/A indicates not applicable or available.
- (2) Interest rate risk is disclosed using the segmented time distribution method.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

**Cash on Hand**

Cash in the possession of the PUC, consisting of petty cash and change funds, totals \$350.

**Cash and Investments Summary**

A reconciliation of cash and investments as shown on the Statement of Net Position for the City:

	Primary Government	Component Unit - PUC	Component Unit - EDA	Total Reporting Entity
Carrying Amount of Deposits	\$ 4,721,575	\$ 844,845	\$ 98,409	\$ 5,664,829
Carrying Amount of Investments	-	541,340	95,564	636,904
Cash on Hand	-	350	-	350
<b>Total</b>	<b>\$ 4,721,575</b>	<b>\$ 1,386,535</b>	<b>\$ 193,973</b>	<b>\$ 6,302,083</b>
<b>Cash and Temporary Investments</b>				
Unassigned	\$ 4,446,193	\$ 1,295,855	\$ 193,973	\$ 5,936,021
Restricted	275,382	90,680	-	366,062
<b>Total</b>	<b>\$ 4,721,575</b>	<b>\$ 1,386,535</b>	<b>\$ 193,973</b>	<b>\$ 6,302,083</b>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Restricted assets at December 31, 2025 consist of the following:

**Primary Government**

Governmental  
General fund

Investments - township fire equipment \$ 275,382

The PUC has restricted assets of \$90,680 which is restricted for future debt service requirements.

**B. Receivables**

**Notes Receivable**

**Small Cities Development Grant**

In 1989, the City received a Community Development Block Grant from the Department of Housing and Urban Development to assist in the rehabilitation of residential, commercial, and rental property in the City. This activity is accounted for in the Revolving Loan special revenue fund. These funds are loaned to eligible residents of the City. Except for commercial property, if the resident occupies the property for 10 years, the loan will not have to be repaid. For commercial property, one-half of the funds have to be repaid over 10 years and the other half will be forgiven if the property has been occupied for 10 years. Annual interest rates on the commercial loans vary from 5 to 7 percent. These loans are shown as notes and mortgages receivable in the financial statements. The receivables are offset by unearned revenue. As the loans are repaid, the funds will be available to make other loans.

**FMHA**

The EDA issued a note receivable dated May 15, 2017 in the amount of \$29,768 to Bunkies. The interest rate on the note is 4.75 percent with monthly principal and interest payments of \$129. The note is secured by a mortgage agreement. The note is considered a restricted asset as the repayments on the note receivable are to be used to repay the original note payable from the FmHA. The note may be prepaid in whole or in part in accordance with the loan agreement.

The following is a summary of activity of the notes receivable for the year ended December 31, 2025:

	Beginning Balance	Additions	Payments	Forgiven	Ending Balance
Commercial	\$ 48,886	\$ -	\$ (8,633)	\$ -	\$ 40,253
Forgivable	88,428	-	-	(72,809)	15,619
<b>Total</b>	<u>\$ 137,314</u>	<u>\$ -</u>	<u>\$ (8,633)</u>	<u>\$ (72,809)</u>	<u>\$ 55,872</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

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

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 559,602	\$ -	\$ -	\$ 559,602
Construction in progress	50,854	-	-	50,854
Total Capital Assets Not Being Depreciated	<u>610,456</u>	<u>-</u>	<u>-</u>	<u>610,456</u>
Capital Assets being Depreciated				
Buildings and structures	2,322,801	78,550	(22,507)	2,378,844
Infrastructure and improvements	6,959,122	7,499	(46,584)	6,920,037
Machinery and equipment	1,136,413	68,548	(6,250)	1,198,711
Motor vehicles	1,650,584	89,752	(27,550)	1,712,786
Total Capital Assets Being Depreciated	<u>12,068,920</u>	<u>244,349</u>	<u>(102,891)</u>	<u>12,210,378</u>
Less Accumulated Depreciation for				
Buildings and structures	(1,859,593)	(57,688)	20,456	(1,896,825)
Infrastructure and improvements	(3,444,671)	(247,008)	37,267	(3,654,412)
Machinery and equipment	(638,766)	(73,573)	1,302	(711,037)
Motor vehicles	(1,072,710)	(63,607)	18,137	(1,118,180)
Total Accumulated Depreciation	<u>(7,015,740)</u>	<u>(441,876)</u>	<u>77,162</u>	<u>(7,380,454)</u>
Total Capital Assets Being Depreciated, Net	<u>5,053,180</u>	<u>(197,527)</u>	<u>(25,729)</u>	<u>4,829,924</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,663,636</u>	<u>\$ (197,527)</u>	<u>\$ (25,729)</u>	<u>\$ 5,440,380</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets Not being Depreciated				
Land	\$ 160,371	\$ -	\$ -	\$ 160,371
Capital Assets being Depreciated				
Buildings and structures	5,057,897	-	-	5,057,897
Infrastructure and improvements	4,430,785	7,499	-	4,438,284
Machinery and equipment	914,322	106,627	-	1,020,949
Motor vehicles	353,956	45,050	-	399,006
Total Capital Assets Being Depreciated	<u>10,756,960</u>	<u>159,176</u>	<u>-</u>	<u>10,916,136</u>
Less Accumulated Depreciation for				
Buildings and structures	(4,105,175)	(127,764)	-	(4,232,939)
Infrastructure and improvements	(1,594,218)	(121,052)	-	(1,715,270)
Machinery and equipment	(412,224)	(72,058)	-	(484,282)
Motor vehicles	(245,844)	(38,717)	-	(284,561)
Total Accumulated Depreciation	<u>(6,357,461)</u>	<u>(359,591)</u>	<u>-</u>	<u>(6,717,052)</u>
Total Capital Assets Being Depreciated, Net	<u>4,399,499</u>	<u>(200,415)</u>	<u>-</u>	<u>4,199,084</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,559,870</u>	<u>\$ (200,415)</u>	<u>\$ -</u>	<u>\$ 4,359,455</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>		
General government		\$ 47,326
Public safety		98,700
Streets and highways		277,668
Culture and recreation		18,182
Total Depreciation Expense - Governmental Activities		<u>\$ 441,876</u>
<b>Business-type Activities</b>		
Sewer		\$ 232,830
Storm sewer		75,774
Ambulance		50,043
Total Depreciation Expense - Business-type Activities		<u>\$ 359,591</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

**Discretely Presented Component Units**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 200,063	\$ -	\$ -	\$ 200,063
Construction in progress	59,387	-	-	59,387
Total Capital Assets Not Being Depreciated	<u>259,450</u>	<u>-</u>	<u>-</u>	<u>259,450</u>
Capital Assets Being Depreciated				
Land improvements	10,521	-	-	10,521
Buildings	1,213,232	16,100	-	1,229,332
System and improvements	15,380,529	100,811	-	15,481,340
Machinery and equipment	190,835	-	-	190,835
Vehicles	657,341	-	-	657,341
Total Capital Assets Being Depreciated	<u>17,452,458</u>	<u>116,911</u>	<u>-</u>	<u>17,569,369</u>
Less Accumulated Depreciation For				
Land improvements	(10,521)	-	-	(10,521)
Buildings	(1,012,347)	(16,987)	-	(1,029,334)
System and improvements	(5,552,632)	(380,227)	-	(5,932,859)
Machinery and equipment	(180,609)	(2,739)	-	(183,348)
Vehicles	(390,220)	(42,102)	-	(432,322)
Total Accumulated Depreciation	<u>(7,146,329)</u>	<u>(442,055)</u>	<u>-</u>	<u>(7,588,384)</u>
Total Capital Assets Being Depreciated, Net	<u>10,306,129</u>	<u>(325,144)</u>	<u>-</u>	<u>9,980,985</u>
PUC Discretely Presented Component Unit				
Capital Assets, Net	<u>\$ 10,565,579</u>	<u>\$ (325,144)</u>	<u>\$ -</u>	<u>\$ 10,240,435</u>

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

**Business-type Activities**

Light and power	\$ 255,498
Water utility	<u>186,557</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 442,055</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 100,798	\$ -	\$ -	\$ 100,798
Capital Assets Being Depreciated				
Buildings and structures	1,072,625	-	-	1,072,625
Less Accumulated Depreciation For Buildings and structures	(276,896)	(26,816)	-	(303,712)
Total Capital Assets Being Depreciated, Net	795,729	(26,816)	-	768,913
EDA Discretely Presented Component Unit Capital Assets, Net	<u>\$ 896,527</u>	<u>\$ (26,816)</u>	<u>\$ -</u>	<u>\$ 869,711</u>

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

**Government-type Activities**

Economic Development	<u>\$ 26,816</u>
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**D. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at December 31, 2025 is as follows:

**Advances to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 20,327
Debt Service	Sewer Utility	83,919
	Storm Sewer	179,690
Storm Sewer	Sewer Utility	<u>157,948</u>
Total		<u>\$ 441,884</u>

The above outstanding balance reflects payments owed by the Second Street Project to the General fund, related to covering construction costs. The Sewer, Storm Sewer and Second Street Project funds have outstanding balances for their portion of project costs and debt service.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

***Due to/from Primary Government and Component Units***

Receivable Entity	Payable Entity	Amount
General fund	Public Utilities Commission	\$ 116,413
Economic Development Authority	Ambulance	160,000
	Storm Water	3,960
	Public Utilities Commission	23,760
Sewer	Public Utilities Commission	64,003
Storm Sewer	Public Utilities Commission	15,427
Public Utilities Commission	Debt Service	<u>136,015</u>
Totals		<u>\$ 519,578</u>

The amount payable from the Public Utilities Commission to the General fund is for the payment in lieu of taxes due for the period ending December 31, 2025 which totaled \$116,413.

The amount payable from the Ambulance fund to the Economic Development Authority is for the lease of space due for the period ending December 31, 2025 which totaled \$160,000.

The amount payable from the Storm Water fund to the Economic Development Authority relates to the Storm Sewers portion of the 2014A Revenue bond due for the period ending December 31, 2025 which totaled \$3,960.

The amount payable from the Public Utilities Commission to the Economic Development Authority relates to the PUC's portion of the 2014A Revenue bond due for the period ending December 31, 2025 which totaled \$23,760.

The amount payable from the Public Utilities Commission to the Sewer fund relates to the Utility revenues that the PUC collects on the Sewer funds behalf and then remits for the period ending December 31, 2025 which totaled \$64,003.

The amount payable from the Public Utilities Commission to the Storm Sewer fund relates to the Utility revenues that the PUC collects on the Sewer funds behalf and then remits for the period ending December 31, 2025 which totaled \$15,427.

The amount payable from the Debt Service fund to the Public Utilities Commission relates to the PUC's portion of the 2023 Assessment for the period ending December 31, 2025 which totaled \$136,015.

***Notes Receivable from Component Unit***

The amount receivable from the Light and Power fund and the Water Utility fund to the Debt Service fund relates to the PUC's portion of the Main Street reconstruction that will be paid for in the 2016 bond issuance. The capital project funds will use bond proceeds to pay for the improvement so the related Debt Service fund will be collecting from the PUC for their portion of the project costs. The remaining balance is \$260,543.

The amount receivable from the Water Utility fund to the Debt Service fund relates to the PUC's portion of the 6<sup>th</sup> Street NW Project fund that was paid for in the G.O. Improvement 2015A project fund. The capital project funds used bond proceeds to pay for the improvement so the related Debt Service fund will be collecting from the PUC for their portion of the project costs. The remaining balance is \$9,504.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The amount receivable from the Water Utility fund to the 2019 Street Reconstruction Bonds fund for the PUC's portion of infrastructure costs. The remaining balance is \$7,420.

The amount receivable from the Water Utility fund to the Storm Sewer and Debt Service fund relates to the PUC's portion of infrastructure that was paid for in the Industrial Park Improvement project fund, the 2007A Improvements project fund, and the 2010 Improvement Project fund. The capital project funds used bond proceeds to pay for the improvement so the related Debt Service fund will be collecting from the PUC for their portion of the project costs. The remaining balance is \$59,583.

In 2023, the Debt Service fund borrowed the Water Utility fund \$2,485,000 for the water main and services improvement projects. The Water fund will pay the Debt Service fund back over term of the bond. The remaining balance is \$2,440,000.

**Interfund Transfers**

The composition of interfund transfers for the year ended December 31, 2025 is as follows:

	Transfers In		
	Debt Service Fund	Capital Reserve	Total
Transfers Out			
Nonmajor governmental Funds	\$ 201,173	\$ 237,600	\$ 438,773

During the year, transfers are used to 1) close the 2023 Street Project to the corresponding debt service project. 2) Close revolving loan fund to capital reserve fund

**E. Long-term Debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

The following bonds are direct obligations and pledge the full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Reconstruction Bonds of 2016A	\$ 1,180,000	1.10 - 3.00 %	01/06/16	12/15/31	\$ 520,000
G.O. Street Reconstruction Bonds of 2017A	595,000	1.75 - 3.00	10/03/17	12/15/32	305,000
G.O. Street Reconstruction Bonds of 2019A	750,000	2.00 - 3.00	05/21/19	12/15/34	485,000
G.O. Street Improvement Bonds of 2023A	3,245,000	4.00 - 5.00	06/15/23	12/15/52	3,785,000
Total					\$ 5,095,000

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

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

<u>Year Ending December 31</u>	<b>G.O. Bonds</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 270,000	\$ 196,738	\$ 466,738
2027	280,000	186,938	466,938
2028	285,000	176,438	461,438
2029	295,000	165,688	460,688
2030	310,000	154,538	464,538
2031 - 2035	1,110,000	622,738	1,732,738
2036 - 2040	840,000	448,588	1,288,588
2041 - 2045	800,000	271,188	1,071,188
2046 - 2050	620,000	137,125	757,125
2051 - 2052	285,000	17,734	302,734
<b>Total</b>	<b><u>\$ 5,095,000</u></b>	<b><u>\$ 2,377,713</u></b>	<b><u>\$ 7,472,713</u></b>

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Improvement Bonds of 2015A	\$ 470,000	2.00 - 3.25 %	08/04/15	12/01/30	<u>\$ 180,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

<u>Year Ending December 31</u>	<b>G.O. Special Assessment Bonds</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 35,000	\$ 5,850	\$ 40,850
2027	35,000	4,713	39,713
2028	35,000	3,575	38,575
2029	35,000	2,437	37,437
2030	40,000	1,300	41,300
<b>Total</b>	<b><u>\$ 180,000</u></b>	<b><u>\$ 17,875</u></b>	<b><u>\$ 197,875</u></b>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Revenue Notes of 2010 (PFA)	\$ 2,173,590	1.00 %	10/12/10	08/20/30	\$ 583,000
G.O. Sanitary Sewer Bonds of 2023A	45,000	4.00 - 5.00	06/15/23	12/15/32	35,000
G.O. Storm Sewer Bonds of 2023A	265,000	4.00 - 5.00	06/15/23	12/15/43	<u>250,000</u>
Total					<u>\$ 868,000</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2026	\$ 129,000	\$ 17,980	\$ 146,980
2027	130,000	16,090	146,090
2028	132,000	14,190	146,190
2029	133,000	12,270	145,270
2030	134,000	10,340	144,340
2031 - 2035	75,000	36,000	111,000
2036 - 2040	75,000	21,000	96,000
2041 - 2043	60,000	4,800	64,800
Total	<u>\$ 868,000</u>	<u>\$ 132,670</u>	<u>\$ 1,000,670</u>

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows:

	<u>Sewer Utility</u>	<u>Storm Sewer</u>
Revenues	\$ 621,491	\$ 177,840
Principal and Interest	6,900	141,071
Percentage of Revenues	1.1%	79.3%

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

During the year ended December 31, 2025, the following changes occurred in non-current liabilities reported on the government-wide statements.

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 5,355,000	\$ -	\$ (260,000)	\$ 5,095,000	\$ 270,000
General obligation special assessment bonds	215,000	-	(35,000)	180,000	35,000
Total Bonds Payable	<u>5,570,000</u>	<u>-</u>	<u>(295,000)</u>	<u>5,275,000</u>	<u>305,000</u>
Bond Premiums	68,857	-	(5,916)	62,941	-
Compensated Absences Payable*	<u>130,797</u>	<u>39,499</u>	<u>-</u>	<u>170,296</u>	<u>68,132</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,769,654</u>	<u>\$ 39,499</u>	<u>\$ (300,916)</u>	<u>\$ 5,508,237</u>	<u>\$ 373,132</u>
<b>Business-type Activities</b>					
Bonds Payable					
General obligation revenue bonds	\$ 996,000	\$ -	\$ (128,000)	\$ 868,000	\$ 129,000
Bond Premiums	10,836	-	(1,455)	9,381	-
Compensated Absences Payable*	<u>8,778</u>	<u>3,143</u>	<u>-</u>	<u>11,921</u>	<u>8,541</u>
Business-type Activity Long-term Liabilities	<u>\$ 1,015,614</u>	<u>\$ 3,143</u>	<u>\$ (129,455)</u>	<u>\$ 889,302</u>	<u>\$ 137,541</u>

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

**Component Unit Debt**

Revenue Bonds

The PUC issued revenue bonds where it pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are shown below:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds	\$ 2,295,000	2.60 - 4.30 %	06/30/22	12/01/47	<u>\$ 2,145,000</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31</u>	<b>Revenue Bonds</b>		
	<u>PUC Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 65,000	\$ 85,710	\$ 150,710
2027	65,000	83,695	148,695
2028	70,000	81,680	151,680
2029	70,000	79,510	149,510
2030	75,000	77,340	152,340
2031 - 2035	410,000	340,300	750,300
2036 - 2040	500,000	251,700	751,700
2041 - 2045	605,000	141,570	746,570
2046 - 2047	285,000	18,490	303,490
<b>Total</b>	<b><u>\$ 2,145,000</u></b>	<b><u>\$ 1,159,995</u></b>	<b><u>\$ 3,304,995</u></b>

G.O. Revenue Bonds

The PUC issued general obligation revenue bonds where it pledges both income derived from the acquired or constructed assets and taxes to pay debt service. G.O. revenue bonds outstanding at year end are shown below:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Utility Revenue Bonds of 2016B	\$ 540,000	1.40 - 3.00 %	07/05/16	02/01/37	\$ 340,000
G.O. Water Revenue Bonds of 2021A	1,760,000	0.65 - 2.125	07/14/21	12/15/50	<u>1,575,000</u>
<b>Total G.O. Revenue Bonds</b>					<b><u>\$ 1,915,000</u></b>

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City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The annual debt service requirements to maturity for general obligation revenue bonds are as follows

<u>Year Ending December 31</u>	<b>G.O. Revenue Bonds</b>		
	<u>PUC Component Unit Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 75,000	\$ 39,019	\$ 114,019
2027	75,000	38,069	113,069
2028	75,000	36,944	111,944
2029	80,000	35,819	115,819
2030	80,000	34,644	114,644
2031 - 2035	430,000	143,906	573,906
2036 - 2040	375,000	95,831	470,831
2041 - 2045	340,000	61,606	401,606
2046 - 2050	385,000	24,862	409,862
<b>Total</b>	<b><u>\$ 1,915,000</u></b>	<b><u>\$ 510,700</u></b>	<b><u>\$ 2,425,700</u></b>

Notes Payable - Primary Government

The PUC has various notes payable City for its portion of infrastructure paid for by the City.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
City of Blooming Prairie	\$ 226,382	1.00 %	08/01/06	08/20/30	\$ 59,583
City of Blooming Prairie - EDA Ambulance Site	78,120	2.50	12/01/14	12/01/29	23,760
City of Blooming Prairie 6th Street Note	24,816	2.00 - 3.25	08/04/15	12/01/30	9,504
City of Blooming Prairie Main Street Note	591,227	2.25 - 3.00	12/31/15	12/15/31	260,543
City of Blooming Prairie 2019 Street Improvements Note	11,475	2.35 - 3.65	05/21/19	12/15/34	7,420
City of Blooming Prairie 2023 Street Improvements Note	2,485,000	4.00 - 5.00	06/15/23	12/15/52	<u>2,440,000</u>
<b>Total</b>					<b><u>\$ 2,800,810</u></b>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending December 31</u>	<b>Notes Payable</b> PUC Component Unit Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 110,108	\$ 111,015	\$ 221,123
2027	112,715	107,005	219,720
2028	118,279	102,912	221,191
2029	118,382	98,568	216,950
2030	120,209	93,741	213,950
2031 - 2035	396,117	413,284	809,401
2036 - 2040	415,000	337,388	752,388
2041 - 2045	505,000	247,388	752,388
2046 - 2050	620,000	137,125	757,125
2051 - 2052	285,000	17,737	302,737
<b>Total</b>	<b><u>\$ 2,800,810</u></b>	<b><u>\$ 1,666,163</u></b>	<b><u>\$ 4,466,973</u></b>

Notes Payable

On May 6, 2024, the PUC entered into a note payable with Manufacturers Bank and Trust U.S. Bank for the period of May 6, 2024 to May 6, 2029.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Bucket Truck	\$ 130,000	5.95 %	05/06/24	05/06/29	<u>\$ 107,124</u>

The annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending December 31</u>	<b>Note Payable - Bucket Truck</b> PUC Component Unit Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 26,000	\$ 4,891	\$ 30,891
2027	26,000	4,891	30,891
2028	26,000	4,891	30,891
2029	29,124	4,891	34,015
<b>Total</b>	<b><u>\$ 107,124</u></b>	<b><u>\$ 19,564</u></b>	<b><u>\$ 126,688</u></b>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows:

	Component Unit Public Utilities Commission - Electric
Revenues	\$ 483,192
Principal and Interest	324,043
Percentage of Revenues	67.1%

	Component Unit Public Utilities Commission - Water
Revenues	\$ 3,695,188
Principal and Interest	197,746
Percentage of Revenues	5.4%

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Component Unit Activities</b>					
Bonds Payable					
Revenue bonds	\$ 2,210,000	\$ -	\$ (65,000)	\$ 2,145,000	\$ 65,000
G.O. revenue bonds	1,990,000	-	(75,000)	1,915,000	75,000
Notes Payable - City of Blooming Prairie	2,905,379	-	(104,569)	2,800,810	110,108
Notes Payable - Bucket Truck	130,000	-	(22,876)	107,124	26,000
Compensated Absences Payable*	71,581	2,723	-	74,304	40,725
Component Unit Long-term Liabilities	\$ 7,306,960	\$ 2,723	\$ (267,445)	\$ 7,042,238	\$ 316,833

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

Lease Revenue Bonds

The following bonds were issued to finance the construction of the new ambulance building in the EDA discrete component unit and will be retired from net lease revenues of the EDA building.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Project Lease Revenue Bonds of 2014A	\$ 1,085,000	1.00 - 3.60 %	07/01/14	12/01/29	\$ 330,000

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 3: Detailed Notes on All Funds (Continued)**

The annual debt service requirements to maturity for lease revenue bonds are as follows:

<u>Year Ending December 31</u>	<b>Revenue Bonds</b>		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 80,000	\$ 11,600	\$ 91,600
2027	80,000	9,000	89,000
2028	85,000	6,120	91,120
2029	85,000	3,060	88,060
<b>Total</b>	<b><u>\$ 330,000</u></b>	<b><u>\$ 29,780</u></b>	<b><u>\$ 359,780</u></b>

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

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Component Unit Activities</b>					
Bonds Payable					
Revenue bonds	<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 330,000</u>	<u>\$ 80,000</u>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

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

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

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

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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

**C. Contributions**

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$86,395. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$57,258. The City's contributions were equal to the required contributions as set by state statute.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$421,495 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 \$10,167.

City's proportionate share of the net pension liability	\$	421,495
State of Minnesota's proportionate share of the net pension liability associated with the City		10,167
<b>Total</b>	<b>\$</b>	<b><u>431,662</u></b>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0127% at the end of the measurement period and 0.013% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$21,403 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$1,560 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City reported 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	\$ 40,159	\$ -
Changes in actuarial assumptions	10,156	96,984
Net difference between projected and actual investment earnings	-	167,717
Changes in proportion	32,097	35,155
Employer contributions subsequent to the measurement date	44,131	-
<b>Total</b>	<b>\$ 126,543</b>	<b>\$ 299,856</b>

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$44,131 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026		\$	(45,521)
2027			(79,899)
2028			(62,063)
2029			(29,961)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$244,337 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0209% at the end of the measurement period and 0.0217% 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, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,470.

City's proportionate share of the net pension liability	\$	244,337
State of Minnesota's proportionate share of the net pension liability associated with the City		8,470
<b>Total</b>	<b>\$</b>	<b>252,807</b>

For the year ended December 31, 2025, the City recognized pension expense of \$53,045 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$4,098 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$1,877 for the year ended December 31, 2025 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 Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2025, the City reported 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	\$ 112,891	\$ -
Changes in actuarial assumptions	185,285	306,144
Net difference between projected and actual earnings on investments	-	109,051
Changes in proportion	42,734	39,697
Employer contributions subsequent to the measurement date	28,895	-
Total	\$ 369,805	\$ 454,892

The \$28,895 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$	55,080
2027		(56,687)
2028		(108,471)
2029		(7,762)
2030		3,858

**E. Long-term Expected Return on Investment**

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**F. Actuarial Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 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 & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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 and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**H. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 1,023,743	\$ 421,495	\$ (67,066)
Police and Fire Fund	640,214	244,337	(80,741)

**I. Pension Plan Fiduciary Net Position**

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

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)**

Elected officials of the City are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 503	\$ 503	5.00%	5.00%	5.00%

The City's contributions to the DCP for the years ended December 31, 2025, 2024 and 2023 were \$503, \$420 and \$593 respectively.

**Note 6: Defined Benefit Pension Plan - Fire Relief Association**

**A. Plan Description**

All members of the Blooming Prairie Fire Department (the Department) are covered by a defined benefit plan administered by the Blooming Prairie Fire Department Relief Association (the Association). The Association was established in 1941. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69. It is governed by a Board of Trustees made up of six members elected by the members of the Association for three year terms, and the Mayor, Clerk/Treasurer/Administrator and Fire Chief, who serve as ex-officio nonvoting members of the Board of Trustees.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Minnesota statute, chapter 509, of 1980). Funds are also derived from investment income.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 6: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**B. Funding Policy**

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual Pension Cost	\$	64,618
Contribution Made		
State aid		64,618
Actuarial Valuation Date		12/31/25
Actuarial Cost Method		Entry age normal
Amortization Method		Level dollar closed
Remaining Amortization Period		
Normal cost		20 years
Prior service cost		10 years
Asset Valuation Method		Market
Actuarial Assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/25	\$ 64,618	100.0 %	\$ -
12/31/24	56,279	100.0	-
12/31/23	47,341	100.0	-

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year Service
12/31/25	\$ 1,351,550	\$ 896,112	\$ 455,438	150.8 %	\$ 2,300
12/31/24	1,136,655	737,214	399,441	154.2	2,000
12/31/23	1,008,112	700,772	307,340	143.9	1,900
12/31/22	907,088	676,139	230,949	134.2	1,800
12/31/21	838,935	549,506	289,429	152.7	1,625
12/31/20	689,480	494,116	195,364	139.5	1,575
12/31/19	658,958	507,986	150,972	129.7	1,525
12/31/18	591,749	437,676	154,073	135.2	1,425

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 7: Other Information**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

The City currently has a pending litigation and a notice of claim that are potential liabilities of the City. These claims have been turned over to the League of Minnesota Cities Insurance Trust to handle the litigation. At this point any claims are undeterminable and any future claims will be handled by the Insurance Trust.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**C. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2025, the City is under the legal debt margin.

**D. Commitments**

The PUC entered into a fifty-year Power Sales Contract with Southern Minnesota Municipal Power Agency (SMMPA) on April 1, 1981. Under this contract, the PUC has agreed to purchase and receive from SMMPA all electric power and energy needed to operate the light and power utility. The contract was extended in 2009 and will remain in effect until April 2050 and thereafter until terminated by either party upon one year's prior written notice to the other party.

**E. Tax Increment Districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**F. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2025 was \$811,255 for LGA which accounted for 44.3 percent of General fund revenues.

City of Blooming Prairie, Minnesota  
Notes to the Financial Statements  
December 31, 2025

**Note 8: Adjustments to and Restatements of Beginning Balances**

During 2025, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Governmental Funds			Government-Wide	
	Debt Service	Sewer	Storm Sewer	Activities Activities	Business-Type Activities
January 1 as Previously Reported	\$ 3,629,533	\$ 2,779,201	\$ 1,129,761	\$ 6,014,245	\$ 4,455,567
Error Correction	(147,316)	-	-	(147,316)	-
Error Correction	-	64,965	15,427	-	80,392
January 1 as Restated	<u>\$ 3,482,217</u>	<u>\$ 2,844,166</u>	<u>\$ 1,145,188</u>	<u>\$ 5,866,929</u>	<u>\$ 4,535,959</u>

Correction of an Error in Previously Issued Financial Statements

During 2025, the City determined an incorrect categorization and the understatement of payables to the Public Utilities Commission for special assessments related to the 2023 street and utility project. As a result, special assessment payable due to the component unit were understated by \$147,316.

Additionally, updated information was received from the PUC related to utility receivables, which includes unbilled revenue, the Public Utility Commission collected on the City behalf in the amounts of \$64,965 and \$15,427 for the Sewer fund and Storm Sewer fund, respectively.

Change within Major and Nonmajor Fund Reporting

During fiscal year 2025, the 2023 Street Project fund was determined to be nonmajor. The effects of the changes within the financial reporting entity are shown in the financial statements above.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Blooming Prairie, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2025

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund - City and Component Unit**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0127 %	\$ 421,495	\$ 10,167	\$ 431,662	\$ 1,142,657	36.9 %	90.8 %
6/30/2024	0.0130	481,074	12,440	493,514	1,101,340	43.7	89.1
6/30/2023	0.0128	715,762	19,652	735,414	1,015,763	70.5	83.1
6/30/2022	0.0127	1,005,844	29,100	1,034,944	945,026	106.4	76.7
6/30/2021	0.0127	542,346	16,451	558,797	913,810	59.3	87.0
6/30/2020	0.0126	755,428	23,316	778,744	915,802	82.5	79.1
6/30/2019	0.0125	691,097	21,499	712,596	870,238	79.4	80.2
6/30/2018	0.0126	698,996	22,905	721,901	845,967	82.6	79.5
6/30/2017	0.0131	836,295	10,514	846,809	843,737	99.1	75.9
6/30/2016	0.0124	1,006,818	-	1,006,818	769,482	130.8	68.9

\* Includes PUC activity

**Schedule of Employer's PERA Contributions - General Employees Fund - City and Component Unit**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 86,395	\$ 86,395	\$ -	\$ 1,151,930	7.50 %
12/31/2024	84,746	84,746	-	1,129,946	7.50
12/31/2023	81,258	81,258	-	1,083,434	7.50
12/31/2022	71,599	71,599	-	954,663	7.50
12/31/2021	67,216	67,216	-	896,207	7.50
12/31/2020	69,572	69,572	-	927,627	7.50
12/31/2019	68,318	68,318	-	910,908	7.50
12/31/2018	63,949	63,949	-	852,661	7.50
12/31/2017	64,396	64,396	-	858,616	7.50
12/31/2016	61,646	61,646	-	821,948	7.50

\* Includes PUC activity

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)**

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - 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 - 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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - 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 - There were no changes in plan provisions since the previous valuation.

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0209 %	\$ 244,337	\$ 8,470	\$ 252,807	\$ 316,493	77.2 %	91.8 %
6/30/2024	0.0217	285,988	10,902	296,890	301,016	95.0	90.2
6/30/2023	0.0212	366,096	14,777	380,873	278,839	131.3	86.5
6/30/2022	0.0163	709,312	30,965	740,277	198,337	357.6	70.5
6/30/2021	0.0222	171,360	7,705	179,065	261,893	65.4	93.7
6/30/2020	0.0221	291,302	6,856	298,158	259,919	112.1	87.2
6/30/2019	0.0239	254,440	-	254,440	241,640	105.3	89.3
6/30/2018	0.0226	240,893	-	240,893	238,249	101.1	88.8
6/30/2017	0.0200	270,024	-	270,024	206,152	131.0	85.4
6/30/2016	0.0190	762,503	-	762,503	180,550	422.3	63.9

**Schedule of Employer's PERA Contributions - Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 57,258	\$ 57,258	\$ -	\$ 323,491	17.70 %
12/31/2024	54,715	54,715	-	309,123	17.70
12/31/2023	53,386	53,386	-	301,618	17.70
12/31/2022	40,353	40,353	-	227,983	17.70
12/31/2021	39,356	39,356	-	222,349	17.70
12/31/2020	45,695	45,695	-	258,166	17.70
12/31/2019	42,145	42,145	-	248,642	16.95
12/31/2018	41,932	41,932	-	258,841	16.20
12/31/2017	35,017	35,017	-	216,151	16.20
12/31/2016	29,710	29,710	-	183,394	16.20

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - Police and Fire Fund**

Changes in Actuarial Assumptions

2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience. Percent married assumption for female retirees lowered from 70% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 percent. 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 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 percent 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 percent to 60 percent. 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 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2025

**Notes to the Required Supplementary Information - Police and Fire Fund (Continued)**

Changes in Plan Provisions

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%. The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent 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 percent 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 65.0 percent to 60.0 percent. 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 postretirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

City of Blooming Prairie, Minnesota  
 General Fund  
 Budgetary Comparison Schedule  
 Budget and Actual  
 For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	\$ 759,976	\$ 760,471	\$ 495
Special assessments	250	3,244	2,994
Licenses and permits	12,850	13,791	941
Intergovernmental	897,905	949,814	51,909
Charges for services	53,219	47,450	(5,769)
Fines and forfeits	20,000	20,000	-
Investment earnings	10,000	20,540	10,540
Miscellaneous	17,200	17,450	250
Total Revenues	<u>1,771,400</u>	<u>1,832,760</u>	<u>61,360</u>
Expenditures			
Current			
General government	398,374	368,669	29,705
Public safety	715,588	707,128	8,460
Streets and highways	374,459	307,703	66,756
Economic development	2,910	1,405	1,505
Culture and recreation	261,105	222,243	38,862
Miscellaneous	3,600	20,072	(16,472)
Capital outlay			
Miscellaneous	2,500	1,519	981
Total Expenditures	<u>1,758,536</u>	<u>1,628,739</u>	<u>129,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,864	204,021	191,157
Other Financing Sources (Uses)			
Sale of capital assets	<u>8,000</u>	<u>51,216</u>	<u>43,216</u>
Net Change in Fund Balances	20,864	255,237	234,373
Fund Balances, January 1	<u>1,247,046</u>	<u>1,247,046</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,267,910</u>	<u>\$ 1,502,283</u>	<u>\$ 234,373</u>

The notes to the financial statements are an integral part of this statement.

City of Blooming Prairie, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2025

**Notes to the Required Supplemental Information**

**Budgetary Reporting**

**A. Budgetary Comparison Schedule**

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General Fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

**B. Summary of Significant Budget Variances**

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Intergovernmental revenue exceeded final budgeted amounts due to conservative approach used for budgeting police and fire state aid.

Expenditures

- General government expenditures were under final budgeted amounts due to less personal services costs for administration.
- Street and highways expenditures were under final budgeted amounts due to less repair costs than anticipated.
- Culture and recreation expenditures were under final budgeted amounts due to less personal services costs needed.

**D. Budgetary Compliance**

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

City of Blooming Prairie, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2025

	<u>Special Revenue</u>	<u>Capital Project</u>			<u>Total</u>
	<u>801</u>	<u>424</u>	<u>431</u>	<u>432</u>	
	Revolving Loan	Second Street Project	2023 Street Project	Highway 218 Project	
Liabilities					
Advances from other funds	\$ -	\$ 13,817	\$ -	\$ 6,510	\$ 20,327
Fund Balances					
Unassigned	-	(13,817)	-	(6,510)	(20,327)
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Blooming Prairie, Minnesota  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2025

	Special Revenue	Capital Project			Total
	<b>801</b>	<b>424</b>	<b>431</b>	<b>432</b>	
	Revolving Loan	Second Street Project	2023 Street Project	Highway 218 Project	
Revenues					
Investment earnings	\$ -	\$ -	\$ 3,389	\$ -	\$ 3,389
Miscellaneous					
Loan interest	56	-	-	-	56
Total Revenues	<u>56</u>	<u>-</u>	<u>3,389</u>	<u>-</u>	<u>3,445</u>
Expenditures					
Streets and highways	-	-	15,645	5,894	21,539
Excess (Deficiency) of Revenues Over (Under) Expenditures	56	-	(12,256)	(5,894)	(18,094)
Other Financing Sources (Uses)					
Transfers out	(237,600)	-	(201,173)	-	(438,773)
Net Change in Fund Balances	<u>(237,544)</u>	<u>-</u>	<u>(213,429)</u>	<u>(5,894)</u>	<u>(456,867)</u>
Fund Balances, January 1 as Previously Reported	237,544	(13,817)	-	(616)	223,111
Change to Financial Reporting Entity (Note 8)					
Change from major to nonmajor fund	-	-	213,429	-	213,429
Fund Balances, January 1 as Restated	<u>237,544</u>	<u>(13,817)</u>	<u>213,429</u>	<u>(616)</u>	<u>436,540</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (13,817)</u>	<u>\$ -</u>	<u>\$ (6,510)</u>	<u>\$ (20,327)</u>

City of Blooming Prairie, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ 658,378	\$ 640,381	\$ (17,997)
Payment from component unit			
Payment in lieu of taxes	98,298	116,413	18,115
Cable TV franchise fees	3,300	3,677	377
Total taxes	<u>759,976</u>	<u>760,471</u>	<u>495</u>
Special assessments	<u>250</u>	<u>3,244</u>	<u>2,994</u>
Licenses and permits	<u>12,850</u>	<u>13,791</u>	<u>941</u>
Intergovernmental			
Federal			
FEMA	-	1,323	1,323
State			
Local government aid	811,255	811,255	-
Property tax credits	-	151	151
Fire aid	36,000	64,618	28,618
Police aid	31,000	54,715	23,715
Other state aid	8,400	17,752	9,352
County			
Street maintenance aid	<u>11,250</u>	<u>-</u>	<u>(11,250)</u>
Total intergovernmental	<u>897,905</u>	<u>949,814</u>	<u>51,909</u>
Charges for services			
General government	600	595	(5)
Public safety	14,500	10,465	(4,035)
Culture and recreation			
Libraries	30,119	29,541	(578)
Parks and recreation	<u>8,000</u>	<u>6,849</u>	<u>(1,151)</u>
Total charges for services	<u>53,219</u>	<u>47,450</u>	<u>(5,769)</u>
Fines and forfeits	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Investment earnings	<u>10,000</u>	<u>20,540</u>	<u>10,540</u>
Miscellaneous			
Other	4,000	8,990	4,990
Refunds and reimbursements	12,900	7,821	(5,079)
Contributions and donations	300	639	339
Total miscellaneous	<u>17,200</u>	<u>17,450</u>	<u>250</u>
Total Revenues	<u>1,771,400</u>	<u>1,832,760</u>	<u>61,360</u>

City of Blooming Prairie, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
General government			
Mayor and Council			
Personal services	\$ 14,830	\$ 14,843	\$ (13)
Repairs and supplies	1,200	1,094	106
Other services and charges	1,630	651	979
Total mayor and council	<u>17,660</u>	<u>16,588</u>	<u>1,072</u>
Administration			
Personal services	288,649	271,804	16,845
Repairs and supplies	6,025	4,079	1,946
Other services and charges	27,790	16,443	11,347
Total administration	<u>322,464</u>	<u>292,326</u>	<u>30,138</u>
Election			
Repairs and supplies	700	-	700
Other services and charges	-	727	(727)
Total elections	<u>700</u>	<u>727</u>	<u>(27)</u>
Audit			
Other services and charges	<u>16,750</u>	<u>22,778</u>	<u>(6,028)</u>
Legal			
Other services and charges	<u>9,000</u>	<u>7,460</u>	<u>1,540</u>
Planning and zoning			
Personal services	2,325	1,453	872
Other services and charges	2,100	1,938	162
Total planning and zoning	<u>4,425</u>	<u>3,391</u>	<u>1,034</u>
General government building			
Other services and charges	<u>27,375</u>	<u>25,399</u>	<u>1,976</u>
Total general government	<u>398,374</u>	<u>368,669</u>	<u>29,705</u>
Public safety			
Police protection			
Personal services	482,687	461,850	20,837
Repairs and supplies	25,100	22,755	2,345
Other services and charges	83,631	66,554	17,077
Total police protection	<u>591,418</u>	<u>551,159</u>	<u>40,259</u>

City of Blooming Prairie, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (continued)			
Public safety (continued)			
Fire protection			
Personal services	\$ 70,850	\$ 98,151	\$ (27,301)
Repairs and supplies	23,000	23,154	(154)
Other services and charges	27,955	33,356	(5,401)
Total fire protection	<u>121,805</u>	<u>154,661</u>	<u>(32,856)</u>
Ambulance			
Personal services	2,325	1,308	1,017
Other services and charges	40	-	40
Total ambulance	<u>2,365</u>	<u>1,308</u>	<u>1,057</u>
Total public safety	<u>715,588</u>	<u>707,128</u>	<u>8,460</u>
Streets and highways			
Personal services	226,659	218,066	8,593
Repairs and supplies	96,000	37,153	58,847
Other services and charges	51,800	52,484	(684)
Total streets and highways	<u>374,459</u>	<u>307,703</u>	<u>66,756</u>
Culture and recreation			
Recreation			
Personal services	26,250	18,455	7,795
Repairs and supplies	12,200	5,490	6,710
Other services and charges	11,200	15,978	(4,778)
Total recreation	<u>49,650</u>	<u>39,923</u>	<u>9,727</u>
Parks			
Personal services	12,750	9,226	3,524
Repairs and supplies	9,800	4,742	5,058
Other services and charges	21,100	19,772	1,328
Total parks	<u>43,650</u>	<u>33,740</u>	<u>9,910</u>

City of Blooming Prairie, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (continued)			
Culture and recreation (continued)			
Libraries			
Personal services	\$ 125,612	\$ 114,646	\$ 10,966
Repairs and supplies	10,650	4,466	6,184
Other services and charges	31,543	29,468	2,075
Total libraries	<u>167,805</u>	<u>148,580</u>	<u>19,225</u>
Total culture and recreation	<u>261,105</u>	<u>222,243</u>	<u>38,862</u>
Economic development			
Personal services	<u>2,910</u>	<u>1,405</u>	<u>1,505</u>
Miscellaneous			
Beautification			
Repairs and supplies	<u>-</u>	<u>14,772</u>	<u>(14,772)</u>
Unallocated			
Personal services	-	67	(67)
Repairs and supplies	-	315	(315)
Other services and charges	3,600	4,918	(1,318)
Total unallocated	<u>3,600</u>	<u>5,300</u>	<u>(1,700)</u>
Total miscellaneous	<u>3,600</u>	<u>20,072</u>	<u>(16,472)</u>
Total current	<u>1,756,036</u>	<u>1,627,220</u>	<u>128,816</u>
Capital outlay			
Miscellaneous	<u>2,500</u>	<u>1,519</u>	<u>981</u>
Total Expenditures	<u>1,758,536</u>	<u>1,628,739</u>	<u>129,797</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	12,864	204,021	191,157
Other Financing Sources (Uses)			
Sale of capital assets	<u>8,000</u>	<u>51,216</u>	<u>43,216</u>
Net Change in Fund Balances	20,864	255,237	234,373
Fund Balances, January 1	<u>1,247,046</u>	<u>1,247,046</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,267,910</u>	<u>\$ 1,502,283</u>	<u>\$ 234,373</u>

City of Blooming Prairie, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2025

	<b>326</b> G.O. Street Reconstruction 2016A	<b>327</b> G.O. Improvement 2015A	<b>328</b> G.O. Improvement 2017A	<b>330</b> G.O. Improvement 2019A	<b>331</b> G.O. Improvement 2023A	Total
<b>Assets</b>						
Cash and temporary investments	\$ 75,423	\$ 151,755	\$ 83,782	\$ 31,588	\$ 344,949	\$ 687,497
Notes from component unit	260,543	9,504	-	7,420	2,440,000	2,717,467
Special assessments	33,881	-	-	-	469,714	503,595
Advances to other funds	64,899	46,026	41,716	110,968	-	263,609
<b>Total Assets</b>	<b><u>\$ 434,746</u></b>	<b><u>\$ 207,285</u></b>	<b><u>\$ 125,498</u></b>	<b><u>\$ 149,976</u></b>	<b><u>\$ 3,254,663</u></b>	<b><u>\$ 4,172,168</u></b>
<b>Liabilities</b>						
Due to component unit	\$ -	\$ -	\$ -	\$ -	\$ 136,015	\$ 136,015
<b>Deferred Inflows of Resources</b>						
Unavailable revenue						
Special assessments	33,881	-	-	-	469,714	503,595
<b>Fund Balances</b>						
Restricted						
Debt service	400,865	207,285	125,498	149,976	2,648,934	3,532,558
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 434,746</u></b>	<b><u>\$ 207,285</u></b>	<b><u>\$ 125,498</u></b>	<b><u>\$ 149,976</u></b>	<b><u>\$ 3,254,663</u></b>	<b><u>\$ 4,172,168</u></b>

City of Blooming Prairie, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2025

	<b>326</b> G.O. Street Reconstruction 2016A	<b>327</b> G.O. Improvement 2015A	<b>328</b> G.O. Improvement 2017A	<b>330</b> G.O. Improvement 2019A	<b>331</b> G.O. Improvement 2023A	Total
<b>Revenues</b>						
Taxes						
Property taxes	\$ 15,000	\$ -	\$ 35,000	\$ 45,000	\$ 70,000	\$ 165,000
Special assessments	7,238	9,725	-	-	60,964	77,927
Investment earnings	10,999	4,480	3,244	113	4,834	23,670
Miscellaneous						
Refunds and reimbursements	-	-	-	-	103,388	103,388
Total Revenues	<u>33,237</u>	<u>14,205</u>	<u>38,244</u>	<u>45,113</u>	<u>239,186</u>	<u>369,985</u>
<b>Expenditures</b>						
Debt service						
Principal	80,000	35,000	40,000	45,000	95,000	295,000
Interest and other	18,095	7,308	10,525	15,330	174,559	225,817
Total Expenditures	<u>98,095</u>	<u>42,308</u>	<u>50,525</u>	<u>60,330</u>	<u>269,559</u>	<u>520,817</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,858)	(28,103)	(12,281)	(15,217)	(30,373)	(150,832)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	201,173	201,173
Net Change in Fund Balances	<u>(64,858)</u>	<u>(28,103)</u>	<u>(12,281)</u>	<u>(15,217)</u>	<u>170,800</u>	<u>50,341</u>
Fund Balances, January 1 as Previously Reported	465,723	235,388	137,779	165,193	2,625,450	3,629,533
Error Correction (Note 8)	-	-	-	-	(147,316)	(147,316)
Fund Balances, January 1 as Restated	<u>465,723</u>	<u>235,388</u>	<u>137,779</u>	<u>165,193</u>	<u>2,478,134</u>	<u>3,482,217</u>
Fund Balances, December 31	<u>\$ 400,865</u>	<u>\$ 207,285</u>	<u>\$ 125,498</u>	<u>\$ 149,976</u>	<u>\$ 2,648,934</u>	<u>\$ 3,532,558</u>

City of Blooming Prairie, Minnesota  
Discretely Presented Component Unit  
Economic Development Authority  
Balance Sheet/Statement of Net Position  
December 31, 2025

Assets	
Cash and temporary investments	\$ 193,973
Receivables	
Due from primary government	163,960
Due from component unit	23,760
Prepaid items	<u>26</u>
Total Assets	<u><u>\$ 381,719</u></u>
Fund Balances	
Nonspendable	\$ 26
Unassigned	<u>381,693</u>
Total Fund Balances	<u><u>\$ 381,719</u></u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Economic Development Authority	\$ 381,719
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	869,711
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(330,000)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(967)</u>
Total Net Position - Economic Development Authority	<u><u>\$ 920,463</u></u>

City of Blooming Prairie, Minnesota  
Discretely Presented Component Unit  
Economic Development Authority  
Statement of Revenues, Expenditures and Changes in Fund Balances/Net Position  
For the Year Ended December 31, 2025

Revenues	
Taxes	\$ 43,000
Intergovernmental	5,000
Investment earnings	7,841
Total Revenues	<u>55,841</u>
Expenditures	
Current	
Economic development	
Other services and charges	4,304
Debt service	
Principal	75,000
Interest and other	19,188
Total Expenditures	<u>98,492</u>
Net Change in Fund Balances	(42,651)
Fund Balances, January 1	<u>424,370</u>
Fund Balances, December 31	<u>\$ 381,719</u>
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances to the Statement of Activities	
Amounts reported for governmental activities in the statement of activities are different because	
Net Change in Fund Balances - Economic Development Authority	\$ (42,651)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Depreciation expense	(26,816)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	75,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	<u>594</u>
Change in Net Position - Governmental Activities	<u>\$ 6,127</u>

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OTHER REQUIRED REPORTS  
CITY OF BLOOMING PRAIRIE  
BLOOMING PRAIRIE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2025

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**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council  
City of Blooming Prairie, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Blooming Prairie, Minnesota, (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Blooming Prairie failed to comply with the provisions of the material accounting and audit adjustments, 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.*

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



**Abdo**  
Mankato, Minnesota  
May 4, 2026

## **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**

Honorable Mayor and City Council  
City of Blooming Prairie, Minnesota

We have audited, in accordance with the 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 Blooming Prairie, Minnesota (the City), as of and for the year ended December 31, 2025, 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 4, 2026.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2025-003 to be a material weakness.

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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Responses to Findings

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

## Purpose of this Report

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



**Abdo**  
Mankato, Minnesota  
May 4, 2026



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City of Blooming Prairie, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-001</b>	<b>Segregation of Duties</b>
<i>Condition:</i>	During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in several of these areas as noted below.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.

**Internal Control Over Payroll**

<i>Cause:</i>	The Secretary has access to the check stock, sets up and maintains payroll and employment records, runs payroll and reconciles bank accounts. The Deputy Clerk has access to check stock, maintains and posts payroll to the general ledger and prepares the checks.
<i>Recommendation:</i>	We recommend the City Council review amounts earned and accrued for compensated absences on an annual basis. It is important that the Council is aware of this condition and monitor all financial information.

*Management Response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons. All Payroll time cards are reviewed by and signed by the City Administrator. City Administrator also signs all vacation, sick leave request and checks against check stub. Duties of preparing payroll is separated between Deputy Clerk & Secretary.

*Updated Progress from Prior Year:*

No progress has been made in addressing this finding in the current year.

City of Blooming Prairie, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-001</b>	<b>Segregation of Duties (Continued)</b>

**Internal Control Over Disbursements**

*Cause:* The Secretary has access to the check stock, matches invoices to purchase orders and receiving reports, mails checks to the vendors and reconciles bank accounts.

*Recommendation:* It is important that the Council is aware of this condition and monitor all financial information.

*Management Response:*

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements, regular review of bank reconciliations and budget comparisons. All mail is opened by City Administrator initialed for payment and questionable coding of billing is highlighted by City Administrator. Deputy Clerk reviews and approves bank reconciliation prepared by Secretary. Bank Reconciliations reviewed by City Administrator quarterly. All vouchers are reviewed and initialed by City Administrator and some are approved by Department Heads.

*Updated Progress from Prior Year:*

No progress has been made in addressing this finding in the current year.

**Internal Control Over Cash Receipts**

*Cause:* The Deputy Clerk sets up and maintains customers, generates billing statements, opens mails, maintains and posts to the general ledger, and maintains the accounts receivable records at year-end. The Secretary opens mail, enters receipts into the receipt book, receives and endorses checks and currency, prepares and takes the deposit to the bank and reconciles the bank accounts.

*Recommendation:* It is important that the Council is aware of this condition and monitor all financial information.

*Management Response:*

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes review of deposits, regular review of financial statements, regular review of bank reconciliations and budget comparisons. All mail opened by City Administrator (except when on vacation or at training).

*Updated Progress from Prior Year:*

No progress has been made in addressing this finding in the current year.

City of Blooming Prairie, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-001	<b>Segregation of Duties (Continued)</b>

**Internal Control Over Investment Transactions**

*Cause:* As a result of the small staff, the Deputy Clerk receives investment statements in the mail, initiates investment transactions in conjunction with the City Administrator, maintains investment subledger and spreadsheet, maintains and posts activity to the general ledger and reconciles investment accounts.

*Recommendation:* It is important that the Council is aware of this condition and monitor all financial information.

*Management Response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons. All investment transactions are dealt with by the City Administrator. All Certificate of Deposits are held in the City Safe Deposit box.

*Updated Progress from Prior Year:*

No progress has been made in addressing this finding in the current year.

**Internal Control Over Journal Entries**

*Cause:* As a result of the small staff, the Deputy Clerk prepares and posts all journal entries to the accounting system.

*Recommendation:* It is important that the Council is aware of this condition and monitor all financial information.

*Management Response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited.

City of Blooming Prairie, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-002</b>	<b>Financial Report Preparation</b>
<i>Condition:</i>	As in prior years, we were requested to assist in drafting the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your Banyon receipt and disbursement information to the amount reported in the financial statements plus or minus any applicable accruals.
<i>Management Response:</i>	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress from Prior Year:</i>	No progress has been made in addressing this finding in the current year.

City of Blooming Prairie, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
<b>2025-003</b>	<b>Material Audit Adjustments</b>
<i>Condition:</i>	During our audit, material audit adjustments were needed to adjust notes receivables amounts for Small Cities Commercial loans. Furthermore, an error correction was needed to properly reflect a receivable/payable between the City and PUC.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.
<i>Cause:</i>	Updated information was received from outside parties resulting in the necessary adjustments.
<i>Effect:</i>	This indicates that a misstatement has occurred and was not detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review the final audit work paper and related journal entries, obtain an understanding of why the entries were necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
	There is no disagreement with this finding. The City will review all adjusting journal entries and work on making necessary adjustments in the future to prevent material misstatements from occurring.
<i>Updated Progress from Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.