

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

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CITY OF LITCHFIELD, MINNESOTA

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CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2019

| <u>Elected Officials</u> | <u>Position</u> | <u>Term Expires</u> |
|--------------------------|------------------------------|---------------------|
| Keith Johnson | Mayor | January 1, 2023 |
| Ron Dingmann | Council Member-At-Large | January 1, 2021 |
| Eric Mathwig | Council Member - Ward 1 | January 1, 2023 |
| Darlene Kotelnicki | Council Member - Ward 2 | January 1, 2021 |
| Betty Allen | Council Member - Ward 3 | January 1, 2023 |
| Vernon Loch | Council Member - Ward 4 | January 1, 2021 |
| Sara Miller | Council Member - Ward 5 | January 1, 2023 |
| <u>Administration</u> | | |
| Dave Cziok | City Administrator | Appointed |
| Joyce Spreiter | Assistant City Administrator | Appointed |

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Litchfield
Litchfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of December 31, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the City's 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 20, 2019. Refer to Note 17 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of Changes in the City's Total OPEB Liability, and related notes as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements listed in the table of contents as supplementary information and the Elected and Appointed Officials section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Elected and Appointed Officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

April 20, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

This section of the basic financial statements of the City of Litchfield, Minnesota (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$79 million. Of this amount, \$29 million may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$6,566,489, comprising of an increase in governmental activities net position of \$4,842,333 and an increase in business-type activities of \$1,724,156.
- The City's governmental funds reported combined ending fund balances of \$12.3 million. Of this total amount, approximately 11.57% is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.5 million, or 28.71% of total General Fund expenditures of \$5.2 million.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of organizations outside the government. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This annual report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Position and Statement of Activities

Our analysis of the City begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. With the exception of Fiduciary Funds, which have been excluded because they do not represent the City's financial resources, the Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. In the Statement of Activities, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's changes in net position. You can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the City's financial health.

Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Litchfield.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including public safety, public works, airport, culture and recreation, economic development and general government. Property taxes, and state and federal grants finance most of these activities.

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Liquor, Sewer, Electric, and Water funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary Funds - When the City of Litchfield charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 19-23 of this report.

Fiduciary Funds - The City is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board. The City is also the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Anderson Gardens and Lake Ripley Cemetery. The resources held in a fiduciary capacity are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on page 24 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 on pages 25-65 of this report.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Supplementary Information

The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplementary information to the financial statements. Combining statements and individual fund information can be found on pages 77-120 of this report.

Statement of Net Position

The City's net position was \$78,992,441 on December 31, 2019 (see details in Table 1). This was an increase of \$6,566,489 or 9.07% from \$72,425,952 at December 31, 2018.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Current and Other Assets | \$ 14,189,277 | \$ 11,802,993 | \$ 17,469,870 | \$ 15,679,243 |
| Noncurrent Assets | 30,243,844 | 26,500,186 | 66,342,593 | 67,313,111 |
| Total Assets | <u>44,433,121</u> | <u>38,303,179</u> | <u>83,812,463</u> | <u>82,992,354</u> |
| Deferred Outflows of Resources | <u>1,010,014</u> | <u>1,220,107</u> | <u>431,607</u> | <u>566,248</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 45,443,135</u> | <u>\$ 39,523,286</u> | <u>\$ 84,244,070</u> | <u>\$ 83,558,602</u> |
| Current and Other Liabilities | \$ 388,851 | \$ 519,344 | \$ 4,406,891 | \$ 3,689,394 |
| Long-Term Liabilities | 12,141,101 | 10,726,465 | 31,869,206 | 33,740,232 |
| Total Liabilities | <u>12,529,952</u> | <u>11,245,809</u> | <u>36,276,097</u> | <u>37,429,626</u> |
| Deferred Inflows of Resources | 1,504,709 | 1,711,336 | 384,006 | 269,165 |
| Net Position | | | | |
| Net Investment in Capital Assets | 19,690,970 | 17,486,312 | 25,889,348 | 26,737,933 |
| Restricted | 4,391,107 | 2,275,256 | | |
| Unrestricted | <u>7,326,397</u> | <u>6,804,573</u> | <u>21,694,619</u> | <u>19,121,878</u> |
| Total Net Position | <u>31,408,474</u> | <u>26,566,141</u> | <u>47,583,967</u> | <u>45,859,811</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 45,443,135</u> | <u>\$ 39,523,286</u> | <u>\$ 84,244,070</u> | <u>\$ 83,558,602</u> |

Governmental Activities

Net position of the City's governmental activities increased by \$4,842,333, or 18.23%. This is a larger increase when compared to the prior year due to an increase in capital grants and contributions for Highway 12 project related costs.

Business-Type Activities

Net position of the City's business-type activities increased by \$1,724,156, or 3.76%. The increase was due to the following funds change in net position: Liquor Fund (\$41,305), Sewer Fund \$88,764, Electric Fund \$1,623,443, and Water Fund \$53,254.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Statement of Activities

The following table indicates the changes in net position for the City's governmental and business-type activities:

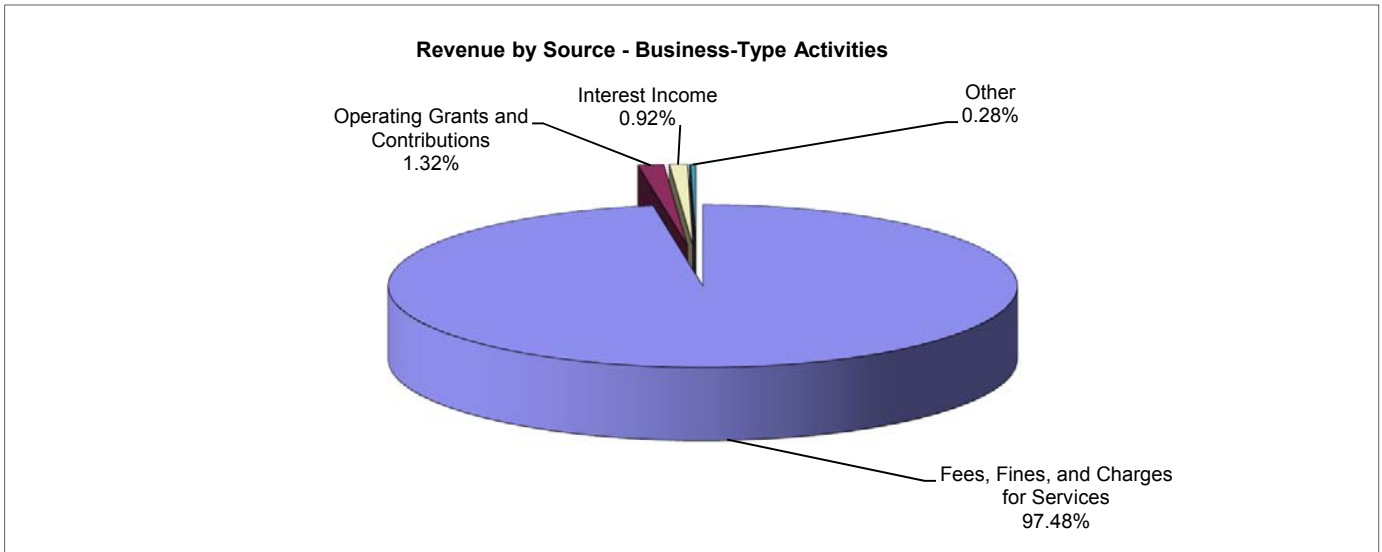
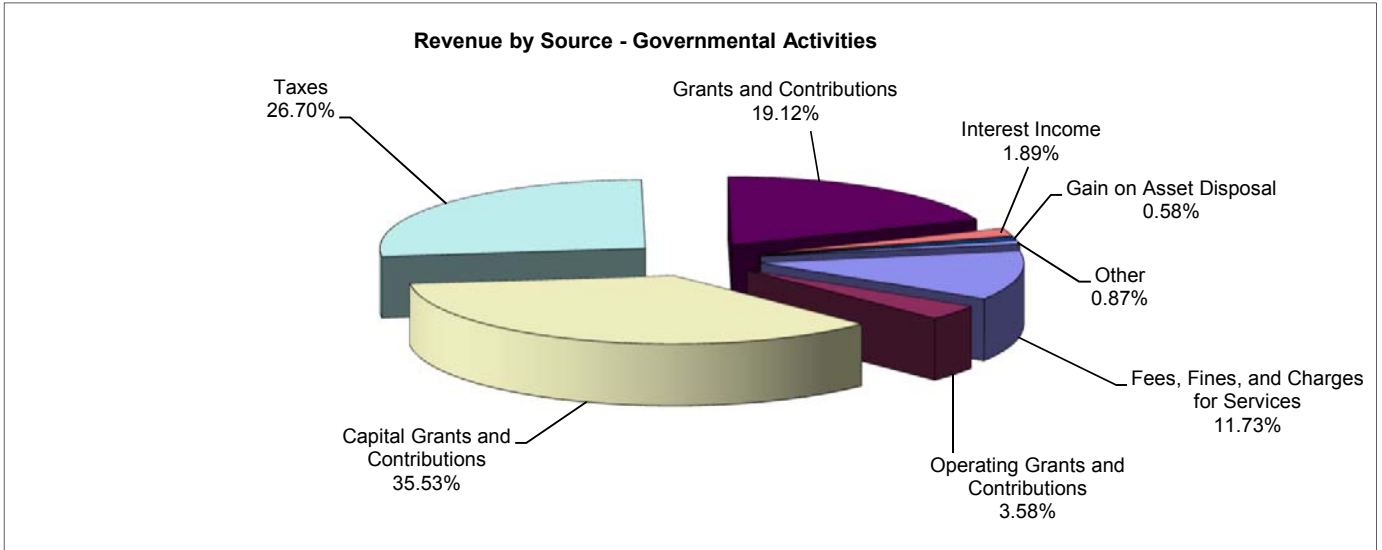
| Table 2 Comparative Condensed Statement of Activities | | | | |
|--|-------------------------|----------------------|--------------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | |
| | 2019 | 2018 | 2019 | 2018 |
| REVENUES | | | | |
| Program Revenues | | | | |
| Fees, Fines, and Charges for Services | \$ 1,194,409 | \$ 1,046,987 | \$ 18,434,006 | \$ 17,973,518 |
| Operating Grants and Contributions | 364,317 | 558,830 | 250,000 | |
| Capital Grants and Contributions | 3,618,993 | | | |
| General Revenues | | | | |
| Taxes | 2,719,561 | 2,504,823 | | |
| Grants and Contributions | 1,947,627 | 1,944,635 | | |
| Interest Income | 192,788 | 179,977 | 174,644 | 93,201 |
| Other | 89,156 | 66,935 | 52,095 | 98,935 |
| Gain on Asset Disposal | 58,864 | 11,563 | | |
| Total Revenues | <u>10,185,715</u> | <u>6,313,750</u> | <u>18,910,745</u> | <u>18,165,654</u> |
| EXPENSES | | | | |
| General Government | 1,215,009 | 1,187,437 | | |
| Public Safety | 2,160,867 | 1,831,740 | | |
| Public Works | 2,024,218 | 2,137,185 | | |
| Airport | 268,839 | 277,490 | | |
| Culture and Recreation | 1,238,335 | 1,172,179 | | |
| Economic Development | 23,628 | 27,559 | | |
| Interest on Long-Term Debt | 338,745 | 287,413 | | |
| Liquor Store | | | 2,444,375 | 2,356,011 |
| Sewer Utility | | | 3,343,757 | 3,259,395 |
| Electric Utility | | | 8,763,419 | 8,556,838 |
| Water Utility | | | 708,779 | 697,900 |
| Total Expenses | <u>7,269,641</u> | <u>6,921,003</u> | <u>15,260,330</u> | <u>14,870,144</u> |
| Change in Net Position before Transfers | 2,916,074 | (607,253) | 3,650,415 | 3,295,510 |
| TRANSFERS | | | | |
| Change in Net Position | <u>1,926,259</u> | <u>1,559,010</u> | <u>(1,926,259)</u> | <u>(1,559,010)</u> |
| Change in Net Position | 4,842,333 | 951,757 | 1,724,156 | 1,736,500 |
| NET POSITION, BEGINNING OF YEAR | <u>26,566,141</u> | <u>25,614,384</u> | <u>45,859,811</u> | <u>44,123,311</u> |
| NET POSITION, END OF YEAR | <u>\$ 31,408,474</u> | <u>\$ 26,566,141</u> | <u>\$ 47,583,967</u> | <u>\$ 45,859,811</u> |

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Governmental Activities

Revenues - The following chart visually illustrates the City's revenue by source for its governmental activities and business-type activities:



CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,344,801, an increase of \$2,618,291 from prior year fund balance of \$9,726,510. Approximately 11.57% of this total constitutes unassigned fund balance of \$1,428,621. The remainder of the fund balance, \$10,916,180 is not available for new spending because it is either 1) nonspendable - \$132,745, 2) restricted - \$4,387,964, or 3) assigned - \$6,395,471.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,501,640, an increase of \$38,185 from the 2018 unassigned fund balance of \$1,463,455. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28.71% of the total General Fund expenditures.

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

Unrestricted net position in the respective proprietary funds are Liquor - \$276,134, Sewer - \$11,131,217, Electric - \$8,509,587, and Water - \$1,777,681. All proprietary funds, except the Liquor Fund, had an increase in total net position for the year with the largest increases in net position occurring in the Sewer Fund - \$88,764 and the Electric Fund - \$1,623,443. The Sewer Fund experienced an increase in charges for services over the prior year, though had less operating income than budgeted due to unbudgeted depreciation expense. The Electric Fund also experienced an increase in charges for services, and had more operating income than budgeted due to receipt of contingency funds from SMMPA.

General Fund Budgetary Highlights

Over the course of the year, the City of Litchfield City Council did not revise the budget. The General Fund budget did not include sufficient revenues to cover expenditures resulting in an anticipated decrease in fund balance. However, expenses for general government department were lower than budgeted and licenses and permits revenues were higher than budgeted, due to two large projects in 2019 resulting in an increase in fund balance for the year.

Capital Assets

At the end of 2019, the City of Litchfield had \$145.9 million invested in a broad range of capital assets. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Long-Term Liabilities

At year-end, the City of Litchfield had \$45 million in bonds and notes outstanding. Refer to Note 9 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

The City of Litchfield was assigned an "A+" general obligation bond rating from Standard & Poor's.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2020 budget, rates, and fees that will be charged by the funds of the City. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2019 final budget.

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City of Litchfield's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Litchfield, 126 Marshall Avenue North, Litchfield, Minnesota 55355, (320) 693-7201, or cityhall@ci.litchfield.mn.us.

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BASIC FINANCIAL STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | Governmental Activities | Business-Type Activities | Totals | |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| | | | 2019 | 2018 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 12,384,845 | \$ 15,022,499 | \$ 27,407,344 | \$ 22,671,558 |
| Cash Held with Fiscal Agent | 531,311 | | 531,311 | 532,256 |
| Restricted Cash | | 2,034,500 | 2,034,500 | 999,500 |
| Receivables (Net) | 1,040,380 | 6,346,993 | 7,387,373 | 8,104,735 |
| Due from Other Governmental Units | 59,716 | | 59,716 | 164,412 |
| Inventories | 40,280 | 626,275 | 666,555 | 666,540 |
| Prepaid Items | 132,745 | 48,280 | 181,025 | 167,901 |
| Capital Assets | | | | |
| Assets Not Being Depreciated | 8,678,443 | 1,576,684 | 10,255,127 | 7,145,939 |
| Other Capital Assets, Net of Depreciation | 21,530,059 | 58,157,232 | 79,687,291 | 80,741,564 |
| Net Pension Asset | 35,342 | | 35,342 | 101,128 |
| Total Assets | 44,433,121 | 83,812,463 | 128,245,584 | 121,295,533 |
| Deferred Outflows of Resources | 1,010,014 | 431,607 | 1,441,621 | 1,786,355 |
| Total Assets and Deferred Outflows of Resources | \$ 45,443,135 | \$ 84,244,070 | \$ 129,687,205 | \$ 123,081,888 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 58,440 | \$ 499,600 | \$ 558,040 | \$ 634,018 |
| Contracts Payable | 95,785 | | 95,785 | 192,423 |
| Accrued Salaries | 75,842 | 37,219 | 113,061 | 93,660 |
| Accrued Interest Payable | 117,014 | 317,709 | 434,723 | 426,656 |
| Deposits Payable | | 53,850 | 53,850 | 56,150 |
| Unearned Revenue | | 3,267 | 3,267 | 3,267 |
| Due to Other Governmental Units | 41,770 | 46,246 | 88,016 | 178,564 |
| Long-Term Liabilities | | | | |
| Net Pension Liability | 1,439,097 | 936,459 | 2,375,556 | 2,383,638 |
| Total OPEB Liability | 116,192 | 136,400 | 252,592 | 418,349 |
| Due Within One Year | 2,899,259 | 3,449,000 | 6,348,259 | 3,342,246 |
| Due in More than One Year | 7,686,553 | 30,796,347 | 38,482,900 | 40,946,464 |
| Total Liabilities | 12,529,952 | 36,276,097 | 48,806,049 | 48,675,435 |
| Deferred Inflows of Resources | 1,504,709 | 384,006 | 1,888,715 | 1,980,501 |
| Net Position | | | | |
| Net Investment in Capital Assets | 19,690,970 | 25,889,348 | 45,580,318 | 44,224,245 |
| Restricted for Tax Increment | 18,356 | | 18,356 | 20,070 |
| Restricted for Debt Service | 4,372,751 | | 4,372,751 | 2,255,186 |
| Unrestricted | 7,326,397 | 21,694,619 | 29,021,016 | 25,926,451 |
| Total Net Position | 31,408,474 | 47,583,967 | 78,992,441 | 72,425,952 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 45,443,135 | \$ 84,244,070 | \$ 129,687,205 | \$ 123,081,888 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|---------------|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Totals | |
| | | | | | | | 2019 | 2018 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | |
| General Government | \$ 1,215,009 | \$ 383,340 | \$ 241 | \$ | \$ (831,428) | \$ | \$ (831,428) | \$ (895,566) |
| Public Safety | 2,160,867 | 170,631 | 208,253 | | (1,781,983) | | (1,781,983) | (1,506,356) |
| Public Works | 2,024,218 | 3,360 | 103,197 | 3,618,993 | 1,701,332 | | 1,701,332 | (2,029,706) |
| Airport | 268,839 | 58,009 | 28,658 | | (182,172) | | (182,172) | (178,574) |
| Culture and Recreation | 1,238,335 | 579,069 | 23,968 | | (635,298) | | (635,298) | (390,012) |
| Economic Development | 23,628 | | | | (23,628) | | (23,628) | (27,559) |
| Interest on Long-Term Debt | 338,745 | | | | (338,745) | | (338,745) | (287,413) |
| Total Governmental Activities | 7,269,641 | 1,194,409 | 364,317 | 3,618,993 | (2,091,922) | 0 | (2,091,922) | (5,315,186) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | |
| Liquor | 2,444,375 | 2,646,060 | | | | 201,685 | 201,685 | 207,147 |
| Sewer | 3,343,757 | 4,273,702 | | | | 929,945 | 929,945 | 865,257 |
| Electric | 8,763,419 | 10,622,571 | 250,000 | | | 2,109,152 | 2,109,152 | 1,817,530 |
| Water | 708,779 | 891,673 | | | | 182,894 | 182,894 | 213,440 |
| Total Business-Type Activities | 15,260,330 | 18,434,006 | 250,000 | 0 | 0 | 3,423,676 | 3,423,676 | 3,103,374 |
| Total | \$ 22,529,971 | \$ 19,628,415 | \$ 614,317 | \$ 3,618,993 | (2,091,922) | 3,423,676 | 1,331,754 | (2,211,812) |
| GENERAL REVENUES | | | | | | | | |
| Taxes | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 2,131,161 | | 2,131,161 | 1,952,070 |
| Property Taxes, Levied for Debt Service | | | | | 547,007 | | 547,007 | 550,047 |
| Lodging Tax | | | | | 41,393 | | 41,393 | 2,706 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 1,947,627 | | 1,947,627 | 1,944,635 |
| Interest Income | | | | | 192,788 | 174,644 | 367,432 | 273,178 |
| Other | | | | | 89,156 | 52,095 | 141,251 | 165,870 |
| Gain on Asset Disposal | | | | | 58,864 | | 58,864 | 11,563 |
| TRANSFERS | | | | | | | | |
| Total General Revenues and Transfers | | | | | 6,934,255 | (1,926,259) | 5,234,735 | 4,900,069 |
| Change in Net Position | | | | | 4,842,333 | 1,724,156 | 6,566,489 | 2,688,257 |
| NET POSITION, BEGINNING OF YEAR | | | | | 26,566,141 | 45,859,811 | 72,425,952 | 69,737,695 |
| NET POSITION, END OF YEAR | | | | | \$ 31,408,474 | \$ 47,583,967 | \$ 78,992,441 | \$ 72,425,952 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | General | Nonmajor Governmental Funds | Total Governmental Funds | |
|--|---------------------|-----------------------------------|--------------------------|----------------------|
| | | | 2019 | 2018 |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 3,617,283 | \$ 7,351,427 | \$ 10,968,710 | \$ 8,180,743 |
| Cash with Fiscal Agent | | 531,311 | 531,311 | 532,256 |
| Receivables | | | | |
| Accounts | 51,818 | 19,316 | 71,134 | 82,207 |
| Contracts | | 12,000 | 12,000 | 16,000 |
| Interest | 127,431 | | 127,431 | 108,530 |
| Delinquent Property Taxes | 35,260 | 8,583 | 43,843 | 52,903 |
| Special Assessments | | 111,574 | 111,574 | 126,901 |
| Capital Lease | | 673,334 | 673,334 | 939,166 |
| Due from Other Governmental Units | 41,572 | 18,121 | 59,693 | 163,846 |
| Inventories | | 40,280 | 40,280 | 24,940 |
| Prepaid Items | 65,450 | 67,295 | 132,745 | 117,578 |
| | <u>\$ 3,938,814</u> | <u>\$ 8,833,241</u> | <u>\$ 12,772,055</u> | <u>\$ 10,345,070</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 51,096 | \$ 7,344 | \$ 58,440 | \$ 56,050 |
| Contracts Payable | | 95,785 | 95,785 | 192,423 |
| Accrued Salaries | 73,124 | 2,718 | 75,842 | 59,815 |
| Due to Other Governmental Units | 41,313 | 457 | 41,770 | 130,468 |
| Total Liabilities | <u>165,533</u> | <u>106,304</u> | <u>271,837</u> | <u>438,756</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue | | | | |
| Delinquent Property Taxes | 35,260 | 8,583 | 43,843 | 52,903 |
| Special Assessments | | 111,574 | 111,574 | 126,901 |
| Total Deferred Inflows of Resources | <u>35,260</u> | <u>120,157</u> | <u>155,417</u> | <u>179,804</u> |
| Fund Balance | | | | |
| Nonspendable | 65,450 | 67,295 | 132,745 | 117,578 |
| Restricted | | 4,387,964 | 4,387,964 | 2,219,475 |
| Assigned | 2,170,931 | 4,224,540 | 6,395,471 | 5,997,555 |
| Unassigned | 1,501,640 | (73,019) | 1,428,621 | 1,391,902 |
| Total Fund Balance | <u>3,738,021</u> | <u>8,606,780</u> | <u>12,344,801</u> | <u>9,726,510</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 3,938,814</u> | <u>\$ 8,833,241</u> | <u>\$ 12,772,055</u> | <u>\$ 10,345,070</u> |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2019
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Total Fund Balances - Governmental Funds | \$ 12,344,801 | \$ 9,726,510 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Certain assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. | | |
| Governmental Capital Assets | 42,474,071 | 37,696,446 |
| Less: Accumulated Depreciation | (14,526,702) | (13,653,875) |
| Net Pension Asset | 35,342 | 101,128 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Delinquent Property Taxes | 43,843 | 52,903 |
| Special Assessments | 111,574 | 126,901 |
| Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | | |
| | 3,678,355 | 3,739,410 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not recorded in the funds. | | |
| Deferred Outflows of Resources Related to Pensions | 995,792 | 1,194,056 |
| Deferred Inflows of Resources Related to Pensions | (1,339,683) | (1,710,133) |
| Deferred Outflows of Resources Related to OPEB | 14,222 | 26,051 |
| Deferred Inflows of Resources Related to OPEB | (71,384) | (1,203) |
| Deferred Inflows of Resources Related to Refunding of Debt | (93,642) | |
| 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. | | |
| Total OPEB Liability | (116,192) | (200,639) |
| Bonds and Notes Payable | (10,285,000) | (8,695,000) |
| Bond Premium | (138,890) | (142,746) |
| Termination Benefits | (4,259) | (17,505) |
| Compensated Absences | (157,663) | (132,879) |
| Net Pension Liability | (1,439,097) | (1,462,696) |
| Accrued Interest Payable | (117,014) | (80,588) |
| | <u>\$ 31,408,474</u> | <u>\$ 26,566,141</u> |
| Total Net Position - Governmental Activities | | |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | General | TH 12 Improvements | Nonmajor Governmental Funds | Total Governmental Funds | |
|--|--------------|-----------------------|-----------------------------------|--------------------------|--------------|
| | | | | 2019 | 2018 |
| REVENUES | | | | | |
| Property Taxes | \$ 2,138,462 | \$ | \$ 548,766 | \$ 2,687,228 | \$ 2,464,585 |
| Lodging Tax | 41,393 | | | 41,393 | 2,706 |
| Special Assessments | | | 25,938 | 25,938 | 34,002 |
| Licenses and Permits | 258,752 | | | 258,752 | 174,679 |
| Intergovernmental | 2,119,099 | 3,618,993 | 190,490 | 5,928,582 | 2,332,993 |
| Charges for Services | 284,889 | | 610,555 | 895,444 | 840,035 |
| Fines and Forfeits | 41,087 | | | 41,087 | 32,899 |
| Interest Income | 58,477 | | 114,895 | 173,372 | 168,387 |
| Miscellaneous | 38,923 | | 41,822 | 80,745 | 232,043 |
| Total Revenues | 4,981,082 | 3,618,993 | 1,532,466 | 10,132,541 | 6,282,329 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 1,109,928 | | 52,942 | 1,162,870 | 1,034,617 |
| Public Safety | 2,143,620 | | | 2,143,620 | 1,999,555 |
| Public Works | 1,326,323 | 197,312 | 5,202 | 1,528,837 | 1,243,721 |
| Airport | | | 92,777 | 92,777 | 100,218 |
| Culture and Recreation | 636,669 | | 598,974 | 1,235,643 | 1,212,100 |
| Economic Development | | | 23,628 | 23,628 | 27,559 |
| Capital Outlay | | | | | |
| General Government | 2,756 | | 55,140 | 57,896 | 685,769 |
| Public Works | 1,300 | 4,467,866 | 41,481 | 4,510,647 | 238,061 |
| Airport | | | | | 295 |
| Culture and Recreation | 9,771 | | 11,500 | 21,271 | 1,781,683 |
| Economic Development | | | 9,805 | 9,805 | 337,719 |
| Debt Service | | | | | |
| Principal | | | 630,000 | 630,000 | 870,000 |
| Interest and Other Charges | | | 304,675 | 304,675 | 296,277 |
| Total Expenditures | 5,230,367 | 4,665,178 | 1,826,124 | 11,721,669 | 9,827,574 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (249,285) | (1,046,185) | (293,658) | (1,589,128) | (3,545,245) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from the Sale of an Asset | 26,518 | | | 26,518 | 11,563 |
| Bonds Issued | | | | | 3,410,000 |
| Refunding Bonds Issued | | | 2,220,000 | 2,220,000 | |
| Bond Premium | | | 93,642 | 93,642 | 125,669 |
| Transfers In | 649,750 | 783,531 | 1,026,542 | 2,459,823 | 2,257,077 |
| Transfers Out | (266,113) | | (326,451) | (592,564) | (773,528) |
| Total Other Financing Sources (Uses) | 410,155 | 783,531 | 3,013,733 | 4,207,419 | 5,030,781 |
| Net Change in Fund Balances | 160,870 | (262,654) | 2,720,075 | 2,618,291 | 1,485,536 |
| FUND BALANCE, BEGINNING OF YEAR | 3,577,151 | 262,654 | 5,886,705 | 9,726,510 | 8,240,974 |
| FUND BALANCE, END OF YEAR | \$ 3,738,021 | \$ 0 | \$ 8,606,780 | \$ 12,344,801 | \$ 9,726,510 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|-------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 2,618,291 | \$ 1,485,536 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. | | |
| Capital Outlay | 4,777,625 | 3,077,180 |
| Depreciation Expense | (872,827) | (889,031) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent Property Taxes | (9,060) | (3,307) |
| Special Assessments | (15,327) | (27,953) |
| 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. | | |
| OPEB Items | 2,437 | (36,227) |
| Termination Benefits | 13,246 | 57,546 |
| Compensated Absences | (24,784) | 14,315 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Proceeds from the Issuance of Bonds | (2,220,000) | (3,410,000) |
| Premium from the Issuance of Bonds | (93,642) | (125,669) |
| Principal Retirement of Long-Term Debt | 630,000 | 870,000 |
| Amortization of Bond Premium | 3,856 | 2,813 |
| Change in Accrued Interest Payable | (36,426) | 11,362 |
| Internal service funds are used by management to charge the costs of equipment to the individual funds. The net revenue (expenditure) of the internal service fund is reported with governmental activities. | | |
| | (61,055) | 134,168 |
| In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). | | |
| | <u>129,999</u> | <u>(208,976)</u> |
| Change in Net Position - Governmental Activities | <u>\$ 4,842,333</u> | <u>\$ 951,757</u> |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | | Over (Under) Final Budget | 2018 |
|--|--------------------|--------------------|---------------------|------------------------------------|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Taxes | \$ 2,127,055 | \$ 2,127,055 | \$ 2,138,462 | \$ 11,407 | \$ 1,954,421 |
| Lodging Tax | 39,885 | 39,885 | 41,393 | 1,508 | 2,706 |
| Licenses and Permits | 124,900 | 124,900 | 258,752 | 133,852 | 174,679 |
| Intergovernmental | 2,081,127 | 2,081,127 | 2,119,099 | 37,972 | 2,105,689 |
| Charges for Services | 249,833 | 249,833 | 284,889 | 35,056 | 234,528 |
| Fines and Forfeits | 21,000 | 21,000 | 41,087 | 20,087 | 32,899 |
| Interest Income | 40,000 | 40,000 | 58,477 | 18,477 | 66,987 |
| Miscellaneous | 31,500 | 31,500 | 38,923 | 7,423 | 30,648 |
| Total Revenues | <u>4,715,300</u> | <u>4,715,300</u> | <u>4,981,082</u> | <u>265,782</u> | <u>4,602,557</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 1,222,021 | 1,222,021 | 1,109,928 | (112,093) | 971,403 |
| Public Safety | 2,147,769 | 2,147,769 | 2,143,620 | (4,149) | 1,999,555 |
| Public Works | 1,326,477 | 1,326,477 | 1,326,323 | (154) | 1,231,461 |
| Culture and Recreation | 667,477 | 667,477 | 636,669 | (30,808) | 569,724 |
| Economic Development | 200 | 200 | | (200) | |
| Capital Outlay | | | | | |
| General Government | 2,856 | 2,856 | 2,756 | (100) | 2,756 |
| Public Works | | | 1,300 | 1,300 | |
| Culture and Recreation | 10,750 | 10,750 | 9,771 | (979) | 19,542 |
| Total Expenditures | <u>5,377,550</u> | <u>5,377,550</u> | <u>5,230,367</u> | <u>(147,183)</u> | <u>4,794,441</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (662,250) | (662,250) | (249,285) | 412,965 | (191,884) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from the Sale of an Asset | 2,000 | 2,000 | 26,518 | 24,518 | 11,563 |
| Transfers In | 649,750 | 649,750 | 649,750 | | 672,398 |
| Transfers Out | (10,000) | (10,000) | (266,113) | (256,113) | (322,492) |
| Total Other Financing Sources (Uses) | <u>641,750</u> | <u>641,750</u> | <u>410,155</u> | <u>(231,595)</u> | <u>361,469</u> |
| Net Change in Fund Balances | <u>\$ (20,500)</u> | <u>\$ (20,500)</u> | 160,870 | <u>\$ 181,370</u> | 169,585 |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>3,577,151</u> | | <u>3,407,566</u> |
| FUND BALANCE, END OF YEAR | | | <u>\$ 3,738,021</u> | | <u>\$ 3,577,151</u> |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Fund | |
|---|---|----------------------|----------------------|---------------------|----------------------|----------------------|--|---------------------|
| | Liquor | Sewer | Electric | Water | Totals | | 2019 | 2018 |
| | | | | | 2019 | 2018 | | |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | |
| Assets | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and Cash Equivalents | \$ 245,464 | \$ 5,303,246 | \$ 7,620,070 | \$ 1,853,719 | \$ 15,022,499 | \$ 13,124,318 | \$ 1,416,135 | \$ 1,366,497 |
| Receivables | | | | | | | | |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 523 | 475,523 | 957,936 | 87,845 | 1,521,827 | 1,620,384 | | 88,829 |
| Delinquent Taxes Receivable | | | | | | | 1,064 | 2,031 |
| Current Portion of Special Assessments Receivable | | 250,989 | | | 250,989 | 242,618 | | |
| Due from Other Governmental Units | | | | | | | 23 | 566 |
| Inventories | 286,424 | | 339,851 | | 626,275 | 641,600 | | |
| Prepaid Items | 5,909 | 16,766 | 21,590 | 4,015 | 48,280 | 50,323 | | |
| Total Current Assets | 538,320 | 6,046,524 | 8,939,447 | 1,945,579 | 17,469,870 | 15,679,243 | 1,417,222 | 1,457,923 |
| Noncurrent Assets | | | | | | | | |
| Restricted Cash | | 1,035,000 | 999,500 | | 2,034,500 | 999,500 | | |
| Special Assessments Receivable, Net of Current Portion | | | | | | | | |
| Capital Assets | | 4,574,177 | | | 4,574,177 | 4,825,166 | | |
| Assets Not Being Depreciated | 112,600 | 21,373 | 1,199,218 | 243,493 | 1,576,684 | 1,173,870 | | |
| Other Capital Assets, Net of Depreciation | 1,151,898 | 36,387,296 | 16,676,400 | 3,941,638 | 58,157,232 | 60,314,575 | 2,261,133 | 2,356,487 |
| Total Noncurrent Assets | 1,264,498 | 42,017,846 | 18,875,118 | 4,185,131 | 66,342,593 | 67,313,111 | 2,261,133 | 2,356,487 |
| Total Assets | 1,802,818 | 48,064,370 | 27,814,565 | 6,130,710 | 83,812,463 | 82,992,354 | 3,678,355 | 3,814,410 |
| Deferred Outflows of Resources | 14,521 | 21,738 | 388,881 | 6,467 | 431,607 | 566,248 | | |
| Total Assets and Deferred Outflows of Resources | \$ 1,817,339 | \$ 48,086,108 | \$ 28,203,446 | \$ 6,137,177 | \$ 84,244,070 | \$ 83,558,602 | \$ 3,678,355 | \$ 3,814,410 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Fund | |
|---|---|---------------|---------------|--------------|---------------|---------------|--|--------------|
| | Liquor | Sewer | Electric | Water | Totals | | 2019 | 2018 |
| | | | | | 2019 | 2018 | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | | | | |
| Liabilities | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts Payable | \$ 33,470 | \$ 32,532 | \$ 426,988 | \$ 6,610 | \$ 499,600 | \$ 577,968 | \$ | \$ |
| Accrued Salaries | 5,245 | 7,886 | 21,904 | 2,184 | 37,219 | 33,845 | | |
| Accrued Interest Payable | | 186,067 | 123,353 | 8,289 | 317,709 | 346,068 | | |
| Deposits Payable | | | | 53,850 | 53,850 | 56,150 | | |
| Unearned Revenue | 3,267 | | | | 3,267 | 3,267 | | |
| Due to Other Governmental Units | 23,806 | | 21,709 | 731 | 46,246 | 48,096 | | |
| Current Portion of Other Long-Term Liabilities | | 2,572,000 | 847,000 | 30,000 | 3,449,000 | 2,624,000 | | 75,000 |
| Total Current Liabilities | 65,788 | 2,798,485 | 1,440,954 | 101,664 | 4,406,891 | 3,689,394 | 0 | 75,000 |
| Long-Term Liabilities | | | | | | | | |
| Net Pension Liability | 128,408 | 197,210 | 550,250 | 60,591 | 936,459 | 920,942 | | |
| Total OPEB Liability | 22,733 | 30,311 | 75,778 | 7,578 | 136,400 | 217,710 | | |
| Other Long-Term Liabilities, Net of Current Portion | 10,601 | 20,702,240 | 9,450,244 | 633,262 | 30,796,347 | 32,601,580 | | |
| Total Long-Term Liabilities | 161,742 | 20,929,761 | 10,076,272 | 701,431 | 31,869,206 | 33,740,232 | 0 | 0 |
| Total Liabilities | 227,530 | 23,728,246 | 11,517,226 | 803,095 | 36,276,097 | 37,429,626 | 0 | 75,000 |
| Deferred Inflows of Resources | 49,177 | 116,118 | 197,441 | 21,270 | 384,006 | 269,165 | | |
| Net Position | | | | | | | | |
| Net Investment in Capital Assets | 1,264,498 | 13,110,527 | 7,979,192 | 3,535,131 | 25,889,348 | 26,737,933 | 2,261,133 | 2,281,487 |
| Unrestricted | 276,134 | 11,131,217 | 8,509,587 | 1,777,681 | 21,694,619 | 19,121,878 | 1,417,222 | 1,457,923 |
| Total Net Position | 1,540,632 | 24,241,744 | 16,488,779 | 5,312,812 | 47,583,967 | 45,859,811 | 3,678,355 | 3,739,410 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 1,817,339 | \$ 48,086,108 | \$ 28,203,446 | \$ 6,137,177 | \$ 84,244,070 | \$ 83,558,602 | \$ 3,678,355 | \$ 3,814,410 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-Type Activities - Enterprise Funds | | | | Totals | | Governmental Activities - Internal Service Fund | |
|---|---|---------------|---------------|--------------|---------------|---------------|---|--------------|
| | Liquor | Sewer | Electric | Water | 2019 | 2018 | 2019 | 2018 |
| | | | | | | | | |
| OPERATING REVENUES | | | | | | | | |
| Sales | \$ 2,646,060 | \$ | \$ | \$ | \$ 2,646,060 | \$ 2,563,158 | \$ | \$ |
| Cost of Goods Sold | (2,017,146) | | | | (2,017,146) | (1,928,208) | | |
| Gross Profit on Sales | 628,914 | 0 | 0 | 0 | 628,914 | 634,950 | 0 | 0 |
| Charges for Services | | 4,098,863 | 10,583,366 | 891,673 | 15,573,902 | 15,187,852 | 595,497 | 505,700 |
| Other | | | 39,205 | | 39,205 | 39,578 | | |
| Total Operating Revenues | 628,914 | 4,098,863 | 10,622,571 | 891,673 | 16,242,021 | 15,862,380 | 595,497 | 505,700 |
| OPERATING EXPENSES | | | | | | | | |
| Salaries and Benefits | 267,730 | 392,944 | 1,108,700 | 127,601 | 1,896,975 | 1,589,390 | | |
| Supplies | 10,709 | 365,288 | | | 375,997 | 401,648 | | |
| Other Services and Charges | 121,671 | 899,084 | | 5,129 | 1,025,884 | 984,737 | 214,646 | 70,221 |
| Purchased Power | | | 6,102,577 | 74,718 | 6,177,295 | 6,191,579 | | |
| Production | | | 153,505 | 43,516 | 197,021 | 194,879 | | |
| Distribution | | | 251,703 | 86,248 | 337,951 | 277,005 | | |
| Administrative and General | | | 167,724 | 32,368 | 200,092 | 199,162 | | |
| Depreciation | 27,119 | 1,158,902 | 685,078 | 310,828 | 2,181,927 | 2,189,291 | 571,168 | 483,608 |
| Total Operating Expenses | 427,229 | 2,816,218 | 8,469,287 | 680,408 | 12,393,142 | 12,027,691 | 785,814 | 553,829 |
| Operating Income (Loss) | 201,685 | 1,282,645 | 2,153,284 | 211,265 | 3,848,879 | 3,834,689 | (190,317) | (48,129) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| Taxes | | | | | | | | 40,557 |
| Special Assessments | | 174,839 | | | 174,839 | 182,930 | | |
| Intergovernmental | | | 250,000 | | 250,000 | | 20,000 | 60,000 |
| Interest Income | 2,578 | 61,979 | 86,404 | 23,683 | 174,644 | 93,201 | 19,416 | 11,590 |
| Miscellaneous Revenue | 1,067 | 9,964 | 36,137 | 4,927 | 52,095 | 98,935 | | |
| Gain (Loss) on Disposal of an Asset | | | | | | (19,565) | 32,346 | |
| Interest Expense and Fiscal Agent Charges | | (527,539) | (294,132) | (28,371) | (850,042) | (894,680) | (1,500) | (4,861) |
| Miscellaneous Expense | | | | | | | | (450) |
| Total Nonoperating Revenues (Expenses) | 3,645 | (280,757) | 78,409 | 239 | (198,464) | (539,179) | 70,262 | 106,836 |
| Income (Loss) Before Transfers | 205,330 | 1,001,888 | 2,231,693 | 211,504 | 3,650,415 | 3,295,510 | (120,055) | 58,707 |
| TRANSFERS | | | | | | | | |
| Transfers In | | 12,000 | | | 12,000 | | 59,000 | 75,461 |
| Transfers Out | (246,635) | (925,124) | (608,250) | (158,250) | (1,938,259) | (1,559,010) | | |
| Total Transfers | (246,635) | (913,124) | (608,250) | (158,250) | (1,926,259) | (1,559,010) | 59,000 | 75,461 |
| Change in Net Position | (41,305) | 88,764 | 1,623,443 | 53,254 | 1,724,156 | 1,736,500 | (61,055) | 134,168 |
| NET POSITION, BEGINNING OF YEAR | 1,581,937 | 24,152,980 | 14,865,336 | 5,259,558 | 45,859,811 | 44,123,311 | 3,739,410 | 3,605,242 |
| NET POSITION, END OF YEAR | \$ 1,540,632 | \$ 24,241,744 | \$ 16,488,779 | \$ 5,312,812 | \$ 47,583,967 | \$ 45,859,811 | \$ 3,678,355 | \$ 3,739,410 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-Type Activities - Enterprise Funds | | | | Totals | | Governmental Activities - Internal Service Fund | |
|---|---|--------------|---------------|--------------|---------------|---------------|--|--------------|
| | Liquor | Sewer | Electric | Water | 2019 | 2018 | 2019 | 2018 |
| | | | | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts from Customers | \$ 2,645,908 | \$ 4,064,510 | \$ 10,750,998 | \$ 894,008 | \$ 18,355,424 | \$ 17,561,520 | \$ 684,326 | \$ 463,669 |
| Payments to Suppliers | (2,133,668) | (1,235,416) | (6,790,406) | (234,746) | (10,394,236) | (10,125,208) | (214,646) | (70,221) |
| Payments to Employees | (267,045) | (373,430) | (1,027,289) | (116,437) | (1,784,201) | (1,835,533) | | |
| Net Cash Provided (Used) by Operating Activities | 245,195 | 2,455,664 | 2,933,303 | 542,825 | 6,176,987 | 5,600,779 | 469,680 | 393,448 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Taxes | | | | | | | 967 | 40,929 |
| Intergovernmental | | | 250,000 | | 250,000 | | 20,543 | 59,892 |
| Other Receipts | 3,645 | 71,943 | 122,541 | 28,610 | 226,739 | 172,571 | 19,416 | 11,590 |
| Special Assessments | | 417,457 | | | 417,457 | 417,457 | | |
| Transfers In from Other Funds | | 12,000 | | | 12,000 | | 59,000 | 75,461 |
| Transfers Out to Other Funds | (246,635) | (925,124) | (608,250) | (158,250) | (1,938,259) | (1,559,010) | | |
| Net Cash Provided (Used) by Noncapital Financing Activities | (242,990) | (423,724) | (235,709) | (129,640) | (1,032,063) | (968,982) | 99,926 | 187,872 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Acquisition and Construction of Capital Assets | | | (427,398) | | (427,398) | (109,158) | (475,814) | (522,562) |
| Proceeds from Sale of Assets | | | | | | | 32,346 | |
| Proceeds on Issuance of Long-Term Debt | | 1,655,000 | | | 1,655,000 | | | |
| Gain on Debt Refunding | | 43,418 | | | 43,418 | | | |
| Principal Reduction on Long-Term Debt | | (1,484,000) | (822,000) | (318,000) | (2,624,000) | (1,783,000) | (75,000) | (95,000) |
| Interest and Fiscal Agent Fees Paid on Bonds and Notes | | (517,866) | (308,878) | (32,019) | (858,763) | (962,422) | (1,500) | (5,311) |
| Net Cash Provided (Used) for Capital and Related Financing Activities | 0 | (303,448) | (1,558,276) | (350,019) | (2,211,743) | (2,854,580) | (519,968) | (622,873) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,205 | 1,728,492 | 1,139,318 | 63,166 | 2,933,181 | 1,777,217 | 49,638 | (41,553) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 243,259 | 4,609,754 | 7,480,252 | 1,790,553 | 14,123,818 | 12,346,601 | 1,366,497 | 1,408,050 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 245,464 | \$ 6,338,246 | \$ 8,619,570 | \$ 1,853,719 | \$ 17,056,999 | \$ 14,123,818 | \$ 1,416,135 | \$ 1,366,497 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | | | | | | |
| Cash and Investments | \$ 245,464 | \$ 5,303,246 | \$ 7,620,070 | \$ 1,853,719 | \$ 15,022,499 | \$ 13,124,318 | \$ 1,416,135 | \$ 1,366,497 |
| Restricted Cash | | 1,035,000 | 999,500 | | 2,034,500 | 999,500 | | |
| Total Cash and Cash Equivalents | \$ 245,464 | \$ 6,338,246 | \$ 8,619,570 | \$ 1,853,719 | \$ 17,056,999 | \$ 14,123,818 | \$ 1,416,135 | \$ 1,366,497 |

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Fund | |
|--|---|---------------------|---------------------|-------------------|---------------------|---------------------|--|-------------------|
| | Liquor | Sewer | Electric | Water | Totals | | 2019 | 2018 |
| | | | | | 2019 | 2018 | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Operating Income (Loss) | \$ 201,685 | \$ 1,282,645 | \$ 2,153,284 | \$ 211,265 | \$ 3,848,879 | \$ 3,834,689 | \$ (190,317) | \$ (48,129) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | | | | | |
| Depreciation | 27,119 | 1,158,902 | 685,078 | 310,828 | 2,181,927 | 2,189,291 | 571,168 | 483,608 |
| Pension Related Adjustments | (4,755) | 14,322 | 74,288 | 7,410 | 91,265 | (208,888) | | |
| OPEB Related Adjustments | 4,520 | 4,133 | 4,854 | (755) | 12,752 | (40,672) | | |
| (Increase) Decrease in Assets | | | | | | | | |
| Accounts Receivable (Net) | (152) | (34,353) | 128,427 | 4,635 | 98,557 | (227,468) | 88,829 | (42,031) |
| Inventories | 7,027 | | 8,298 | | 15,325 | (20,305) | | |
| Prepaid Items | 174 | 1,328 | (46) | 587 | 2,043 | (3,086) | | |
| Increase (Decrease) in Liabilities | | | | | | | | |
| Accounts Payable | 9,242 | 27,628 | (121,848) | 6,610 | (78,368) | 76,493 | | |
| Accrued Salaries | 732 | 1,456 | 942 | 244 | 3,374 | 3,228 | | |
| Deposits Payable | | | | (2,300) | (2,300) | (1,600) | | |
| Due to Other Governmental Units | (585) | | (1,301) | 36 | (1,850) | (1,092) | | |
| Compensated Absences | 188 | (397) | 1,327 | 4,265 | 5,383 | 189 | | |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 245,195</u> | <u>\$ 2,455,664</u> | <u>\$ 2,933,303</u> | <u>\$ 542,825</u> | <u>\$ 6,176,987</u> | <u>\$ 5,600,779</u> | <u>\$ 469,680</u> | <u>\$ 393,448</u> |

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

| | Private Purpose Trust Funds |
|----------------------------------|--------------------------------|
| ASSETS | |
| Current Assets | |
| Cash | \$ 234,356 |
| Accounts Receivable | 126 |
| | 234,482 |
| Total Assets | \$ 234,482 |
| NET POSITION | |
| Held in Trust for Other Purposes | \$ 234,482 |

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019

| | Private Purpose Trust Funds |
|---------------------------------|--------------------------------|
| ADDITIONS | |
| Donations | \$ 10,630 |
| Interest Income | 3,004 |
| Total Additions | 13,634 |
| DEDUCTIONS | |
| Professional Services | 7,761 |
| Change in Net Position | 5,873 |
| NET POSITION, BEGINNING OF YEAR | 228,609 |
| NET POSITION, END OF YEAR | \$ 234,482 |

See Accompanying Notes to the Financial Statements

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CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Litchfield, Minnesota, is a statutory city governed by an elected mayor and six council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, one organization has been defined and is presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

From the category above, the specific entity is identified as follows.

Blended Component Unit

The Litchfield Economic Development Authority (EDA) is a legal separate entity from the City. Although legally separate, the Litchfield EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Litchfield EDA.

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 City. 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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program 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. Fiduciary funds are only reported at the fund financial statement level.

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 and fiduciary 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 after 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, special assessments, intergovernmental revenue, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The TH 12 Improvements Capital Project Fund is used to account for the costs incurred related to the TH 12 improvement project.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Cont'd)

The City reports the following major enterprise funds:

The Liquor Fund accounts for the operations of the City owned municipal liquor store.

The Sewer Fund accounts for the operations of the City's sewer utility.

The Electric Fund accounts for the operations of the City's electric utility.

The Water Fund accounts for the operations of the City's water utility.

Additionally, the City reports the following proprietary fund:

Internal Service Fund - Internal service funds are used to account for goods and services provided by one department to other departments of the City on a cost reimbursement basis.

Additionally, the City reports the following fiduciary funds:

Private Purpose Trust Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent. The City is the trustee, or fiduciary, for the following three funds:

Library Trust Fund - The City is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board.

Lake Ripley Cemetery - The City is the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Lake Ripley Cemetery.

Anderson Gardens Trust Fund - The City is the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Anderson Gardens.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The City may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposits, non-negotiable certificates of deposits, and cash with escrow agent.

The City has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy states the collateralization shall have a market value to cover 110 percent of the investment.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse purchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. *Minnesota Statutes* require that securities pledged as collateral be held in safekeeping by the City treasurer or in a financial institution other than that furnishing the collateral.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage their interest rates based on safety, liquidity and the overall return on the investment.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to certificates of deposits with a maturity greater than 45 days, U.S. Treasury Bills, and repurchase agreements.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy does not address concentration of credit risk.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk for investments.

E. 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 noncurrent 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."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Meeker County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. PREPAID ITEMS

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

G. INVENTORIES

Inventories are valued at cost, using the first in, first out method of accounting.

H. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment, infrastructure assets (e.g., roads, sidewalks, and similar items) and easements, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market acquisition value at the date of donation.

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Tangible and intangible assets are capitalized when acquired, and depreciation is provided using the straight-line method applied over their estimated useful lives of the assets. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

I. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The City items that qualify for reporting in this category on the government-wide and proprietary fund Statement of Net Position which are related to pensions, OPEB, and refunding of debt.

J. UNEARNED REVENUE

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, compensatory time and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary fund Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation, compensatory time and certain sick leave balances.

The City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. City employees are also allowed to earn compensatory time in lieu of overtime pay. Unused compensatory time is paid to employees upon separation from the City. Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are compensated for unused sick leave based on policies adopted by the City. The City has an Option One sick leave policy in which one employee would receive all unused sick leave hours upon termination.

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay premiums based on amounts negotiated in union contracts. Since the insurance rates are not aged based, the City has an implicit rate subsidy factor in postemployment health care expenses. Additionally, *Minnesota Statutes* require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy and union contracts do not provide for any contributions upon employee retirement.

M. TERMINATION BENEFITS

During 2009 and 2013, the City offered certain employees an early retirement incentive which qualifies as a termination benefit under the Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. The employees receiving benefits from the 2013 option elected to continue participation on the City's group insurance plan. When calculating the liability, the City used the current cost of annual health insurance premiums and increased that cost by 10% for each subsequent year. As of December 31, 2019, the City's termination benefit liability was \$4,259.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the City of Litchfield's Fire Relief Association and additions to/deductions from PERA's and the City of Litchfield Fire Relief Association's fiduciary net position have been determined on the same basis as they are reported by PERA and the City of Litchfield's Fire Relief Association. 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 City participates in various pension plans; total pension expense for the year ended December 31, 2019, was \$349,847. The components of pension expense are noted in the plan summaries.

O. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types recognize 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.

P. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The City has items that qualify for reporting in this category on both the government-wide and proprietary fund Statement of Net Position and the governmental fund financial statements related to property taxes, special assessments, pensions, OPEB and refunding of debt.

Q. FUND BALANCE

In the governmental 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 governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as prepaid items and inventories that be considered unassigned.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. FUND BALANCE (Cont'd)

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the City Council is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The City requires 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.

R. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

S. USE OF ESTIMATES

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

T. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the partial information was derived.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Council submits a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General, Special Revenue Funds and Proprietary Funds.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council. Appropriations for annually budgeted funds lapse at year-end.

B. DEFICIT FUND BALANCES

The following funds had deficit fund balances:

| | <u>Fund Balance</u> |
|--------------------------------|---------------------|
| Nonmajor Capital Project Funds | |
| 2018 Improvement Project | \$ (31,239) |
| Civic Arena Improvements | (41,780) |

These deficits will be financed through future revenues of the funds and transfers from other funds.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

| | <u>Expenditures</u> | <u>Appropriations</u> |
|---------------------------------|---------------------|-----------------------|
| Nonmajor Special Revenue Funds | | |
| Golf Course | \$ 424,574 | \$ 384,946 |
| Downtown/Heritage Preservation | 21,914 | |
| TIF District No. 4-12 Towmaster | 1,714 | |
| Infrastructure Street | 5,202 | |
| Community Reinvestment | 3,325 | |
| Lake Ripley Improvement | 2,806 | |

NOTE 3. CASH AND CASH EQUIVALENTS

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk - Deposits: The City's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

| | |
|--|-----------------------------|
| Cash in Bank Accounts | \$ 10,633,480 |
| Non-Negotiable Certificates of Deposit | 17,000,000 |
| ATM | 7,590 |
| Petty Cash | 630 |
| Cash with Fiscal Agent | 531,311 |
| Restricted Cash | <u>2,034,500</u> |
| Total Deposits | <u><u>\$ 30,207,511</u></u> |

Deposits are presented in the basic financial statements as follows:

| | |
|-------------------------------------|-----------------------------|
| Statement of Net Position | |
| Cash and Cash Equivalents | \$ 27,407,344 |
| Cash Held with Fiscal Agent | 531,311 |
| Restricted Cash | 2,034,500 |
| Statement of Fiduciary Net Position | |
| Cash | <u>234,356</u> |
| Total Cash and Cash Equivalents | <u><u>\$ 30,207,511</u></u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

A. RECEIVABLES

Receivables are as follows:

| | Total Receivables | Amounts not Scheduled for Collection During the Subsequent Year |
|---------------------------------|----------------------|--|
| <u>Governmental Activities</u> | | |
| Accounts | \$ 71,134 | \$ |
| Contracts | 12,000 | 8,000 |
| Interest | 127,431 | |
| Delinquent Property Taxes | 44,907 | |
| Special Assessments | 111,574 | 92,703 |
| Capital Lease | 673,334 | 345,417 |
| | <u>\$ 1,040,380</u> | <u>\$ 446,120</u> |
| <u>Business-Type Activities</u> | | |
| Accounts | \$ 1,521,827 | \$ |
| Special Assessments | 4,825,166 | 4,574,177 |
| | <u>\$ 6,346,993</u> | <u>\$ 4,574,177</u> |

B. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for Doubtful Accounts are as follows:

| | | |
|---------------------------------|--|------------------|
| <u>Business-Type Activities</u> | | |
| Water | | \$ 1,980 |
| Electric | | 20,923 |
| Sewer | | 8,910 |
| | | <u>\$ 31,813</u> |

CITY OF LITCHFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 5. INVENTORIES

Inventories are as follows:

Governmental Activities

| | |
|-------------------------------|-----------|
| Golf Course | \$ 14,573 |
| Pro Shop | |
| Airport | |
| Fuel Inventory | 25,707 |
| Total Governmental Activities | \$ 40,280 |

Business-Type Activities

| | |
|--------------------------------|------------|
| Electric | |
| Transformers | \$ 267,249 |
| Line Inventory | 50,578 |
| Pole/Conduit | 22,024 |
| Liquor | 286,424 |
| Total Business-Type Activities | \$ 626,275 |

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following:

Governmental Activities

| | |
|-------------------------------|-----------|
| Meeker County | \$ 51,062 |
| State of Minnesota | 8,654 |
| Total Governmental Activities | \$ 59,716 |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. CAPITAL ASSETS

Capital asset activity was as follows:

| Governmental Activities | Beginning Balance | Increase | Decrease | Ending Balance |
|---|----------------------|--------------|----------------|-------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 1,824,293 | \$ | \$ | \$ 1,824,293 |
| Easements | 10,428 | | | 10,428 |
| Construction in Progress | 4,137,348 | 4,673,353 | (1,966,979) | 6,843,722 |
| Total Capital Assets, Not Being Depreciated | 5,972,069 | 4,673,353 | (1,966,979) | 8,678,443 |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 9,777,288 | | | 9,777,288 |
| Improvements Other than Buildings | 21,348,321 | 2,084,884 | (48,290) | 23,384,915 |
| Machinery and Equipment | 9,725,298 | 480,822 | (227,421) | 9,978,699 |
| Total Capital Assets, Being Depreciated | 40,850,907 | 2,565,706 | (275,711) | 43,140,902 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 4,077,044 | 212,168 | | 4,289,212 |
| Improvements Other than Buildings | 9,016,554 | 664,383 | (48,290) | 9,632,647 |
| Machinery and Equipment | 7,330,320 | 586,085 | (227,421) | 7,688,984 |
| Total Accumulated Depreciation | 20,423,918 | 1,462,636 | (275,711) | 21,610,843 |
| Total Capital Assets, Being Depreciated, Net | 20,426,989 | 1,103,070 | 0 | 21,530,059 |
| Governmental Activities Net Capital Assets | \$ 26,399,058 | \$ 5,776,423 | \$ (1,966,979) | \$ 30,208,502 |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset activity was as follows:

| Business-Type Activities | Beginning Balance | Increase | Decrease | Ending Balance |
|---|----------------------|-----------------------|-------------|----------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 735,155 | \$ | \$ | \$ 735,155 |
| Construction in Progress | 438,715 | 402,814 | | 841,529 |
| Total Capital Assets, Not Being Depreciated | 1,173,870 | 402,814 | 0 | 1,576,684 |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 46,290,201 | | | 46,290,201 |
| Improvements Other than Buildings | 36,329,599 | 24,584 | | 36,354,183 |
| Machinery and Equipment | 9,885,384 | | | 9,885,384 |
| Total Capital Assets, Being Depreciated | 92,505,184 | 24,584 | 0 | 92,529,768 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 11,380,648 | 1,033,123 | | 12,413,771 |
| Improvements Other than Buildings | 13,822,445 | 892,267 | | 14,714,712 |
| Machinery and Equipment | 6,987,516 | 256,537 | | 7,244,053 |
| Total Accumulated Depreciation | 32,190,609 | 2,181,927 | 0 | 34,372,536 |
| Total Capital Assets, Being Depreciated, Net | 60,314,575 | (2,157,343) | 0 | 58,157,232 |
| Business-Type Activities Net Capital Assets | <u>\$ 61,488,445</u> | <u>\$ (1,754,529)</u> | <u>\$ 0</u> | <u>\$ 59,733,916</u> |

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

| | |
|--|---------------------|
| General Government | \$ 105,112 |
| Public Safety | 228,645 |
| Public Works | 771,337 |
| Airport | 176,062 |
| Culture and Recreation | 181,480 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,462,636</u> |

Business-Type Activities

| | |
|---|---------------------|
| Liquor | \$ 27,119 |
| Sewer | 1,158,902 |
| Electric | 685,078 |
| Water | 310,828 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 2,181,927</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

| | Transfer In | | |
|-----------------------------------|-------------------|-----------------------|------------------|
| | General | TH 12 Improvements | Sewer |
| Transfer Out | | | |
| General | \$ | \$ | \$ 12,000 |
| Liquor | | | |
| Sewer | 183,250 | 641,874 | |
| Electric | 408,250 | | |
| Water | 58,250 | | |
| Nonmajor Governmental Funds | | 141,657 | |
| Total | <u>\$ 649,750</u> | <u>\$ 783,531</u> | <u>\$ 12,000</u> |

| | Transfer In | | |
|-----------------------------------|---------------------|-----------------------------------|---------------------|
| | Internal Service | Nonmajor Governmental Funds | Total |
| Transfer Out | | | |
| General | \$ 59,000 | \$ 195,113 | \$ 266,113 |
| Liquor | | 246,635 | 246,635 |
| Sewer | | 100,000 | 925,124 |
| Electric | | 200,000 | 608,250 |
| Water | | 100,000 | 158,250 |
| Nonmajor Governmental Funds | | 184,794 | 326,451 |
| Total | <u>\$ 59,000</u> | <u>\$ 1,026,542</u> | <u>\$ 2,530,823</u> |

The purpose of the above transfers was to provide funding for capital improvement projects, capital outlay, operating purposes and to close funds.

NOTE 9. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

A. GENERAL OBLIGATION BONDS (Cont'd)

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year Serial Bonds with equal debt service payments each year.

B. COMPONENTS OF LONG-TERM LIABILITIES

| | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Balance Outstanding</u> |
|---|---------------------------|---------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | |
| G.O. Bonds | | | |
| G.O. CIP Bonds, Series 2011B | 2.00-4.125% | 02/01/2032 | \$ 2,395,000 |
| G.O. CIP Bonds Refunding, Series 2019A | 2.00-3.00% | 02/01/2029 | 2,220,000 |
| G.O. CIP Bonds, Series 2015A | 2.00-2.25% | 02/01/2025 | 620,000 |
| G.O. Bonds, Series 2018A | 3.45-4.00% | 02/01/2038 | 3,410,000 |
| G.O. Special Assessment Bonds | | | |
| G.O. Improvement and Refunding Bonds, Series 2011C | 1.00-3.70% | 02/01/2027 | 395,000 |
| G.O. Revenue Bonds | | | |
| Public Project Lease Revenue Bonds, Series 2007B | 4.50-5.10% | 02/01/2028 | 330,000 |
| G.O. Housing Development Bonds, Series 2011A | 2.00-3.40% | 02/01/2022 | 915,000 |
| Bond Premium | | | 138,890 |
| Termination Benefits | | | 4,259 |
| Compensated Absences | | | <u>157,663</u> |
| Total Governmental Activities | | | <u><u>\$ 10,585,812</u></u> |
| <u>Business-Type Activities</u> | | | |
| G.O. Bonds | | | |
| G.O. Sewer System Bonds, Series 2011D | 1.00-4.10% | 02/01/2032 | \$ 1,125,000 |
| G.O. Sewer System Bonds Refunding, Series 2019A | 2.00-3.00% | 02/01/2029 | 1,035,000 |
| G.O. Revenue Bonds | | | |
| G.O. Utility Revenue Bonds, Series 2014A | 2.00-3.75% | 02/01/2035 | 1,665,000 |
| G.O. Sewer Revenue Bond, Series 2019A | 2.00-3.00% | 02/01/2029 | 620,000 |
| G.O. Special Assessment Bonds | | | |
| G.O. Improvement Bonds, Series 2013A | 3.00-4.00% | 02/01/2035 | 7,460,000 |
| G.O. Revenue Notes | | | |
| 2001 Wastewater Treatment Loan | 2.680% | 08/20/2022 | 2,073,000 |
| 2009 Clean Water Revolving Fund Loan | 2.652% | 08/20/2029 | 4,415,048 |
| 2009 Wastewater Infrastructure Fund Loan | 0.000% | 08/20/2042 | 6,000,000 |
| Revenue Bonds | | | |
| Electric Utility Revenue Refunding Bonds, Series 2017A | 3.00% | 02/01/2029 | 9,205,000 |
| Bond Premium | | | 532,406 |
| Compensated Absences | | | <u>114,893</u> |
| Total Business-Type Activities | | | <u><u>\$ 34,245,347</u></u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

B. COMPONENTS OF LONG-TERM LIABILITIES (Cont'd)

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. Internal service funds are used to liquidate the governmental activities capital equipment notes. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences.

Refunding Transaction - 2011A

In April 2011, the City issued \$3,000,000 of General Obligation Housing Development Bonds, Series 2011A. The bonds were issued in part to refund the Housing Development Bonds, Series 1996A. The total cash savings to the City is \$377,162 with a net present value benefit of \$245,112.

Refunding Transaction - 2011C

In June 2011, the City issued \$925,000 of General Obligation Improvement and Refunding Bonds, Series 2011C. The bonds were issued in part to refund the General Obligation Improvements Bonds, Series 2004A. The total cash savings to the City is \$38,140 with a net present value benefit of \$27,812.

Wastewater Treatment Loan - 2001

The City of Litchfield applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Wastewater Treatment Facility system, totaled \$10,963,561, financed under the Capitalization Grants for State Revolving Fund. Loan interest payments, at 2.68% per annum, are due in February and August, with principal payment amounts due in August.

Wastewater Treatment Loan - 2009

The City of Litchfield applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Wastewater Treatment Facility system, totaled \$13,086,048, financed under the Clean Water Revolving Fund and the Wastewater Infrastructure Funding. Loan interest payments for the Clean Water Revolving fund, at 2.652% per annum, are due in February and August, with principal payment amounts due in August. Loan payments for the Wastewater Infrastructure Funding will be due in February and August after the Clean Water Revolving Fund is paid in full.

Refunding Transaction - 2015A

In April 2015, the City issued \$995,000 in General Obligation Capital Improvement Plan Bonds with interest rates which vary from 2.00% to 2.25% to advance refund \$1,055,000 of outstanding 2005A Series bonds with interests which vary from 4.00% to 4.70%. The net proceeds of \$1,015,164 plus an additional \$126,221 of 2005A Series monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust account with an escrow agent to provide for all future debt service payments on the 2005A Series bonds. As a result, the 2005A Series bonds are considered defeased and the liability for those bonds has been removed from the general long-term debt account group.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

B. COMPONENTS OF LONG-TERM LIABILITIES (Cont'd)

Refunding Transaction - 2015A (Cont'd)

The City advance refunded the 2005A Series bonds to reduce its total debt service payments over the next 10 years by \$262,133 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$233,446.

Refunding Transaction - 2017A

In June 2017, the City issued \$9,995,000 of Electric Utility Revenue Refunding Bonds, Series 2017A. The bonds were issued to refund the Electric Revenue Bonds, Series 2008A and Electric Revenue Bonds, Series 2009C. The total cash savings to the City is \$1,372,459 with a net present value benefit of \$1,172,098.

General Obligation Bonds - 2018A

The City of Litchfield issued General Obligation Bonds on December 26, 2018 in the amount of \$3,410,000 with final maturity on February 1, 2038. \$1,050,000 of the principal is to be allocated to the Capital Notes portion to finance the Civic Arena Refrigeration System Project. \$2,360,000 of the principal is to be allocated to the Tax Abatement portion to finance the 2017 and 2018 Street Improvement Projects, the Downtown Lot Improvements, and the 2017 Bike Trail Project. Interest rates range from 3.45% to 4.00%. Principal and interest payments are scheduled for February 1 of each year with the first principal payment on February 1, 2021. Interest payments are scheduled for August 1 of each year with the first interest payment on August 1, 2019.

General Obligation Sewer Revenue and Refunding Bonds - 2019A

In December 2019, the City issued \$3,875,000 of General Obligation Sewer Revenue and Refunding Bonds, Series 2019A with final maturity of February 2, 2032. \$2,220,000 of the principal is to be used to refund the Capital Improvement Plan Bonds, Series 2011B. \$1,035,000 of the principal is to be used to refund Sewer System Bonds, Series 2011D. \$620,000 is to be allocated to finance the 2020 Sewer Projects. Interest Rates range from 2.10% to 3.00%. Principal and interest payments are scheduled for February 1 of each year with the first principal payment on February 1, 2021. Interest payments are scheduled for August 1 of each year with the first interest payment on August 1, 2020.

If an event of default occurs on Public Facilities Authority outstanding debt items including direct borrowings of the City, the City may be subject to financial consequences. The finance-related consequences could include the following: (1) an additional interest penalty by the Authority of the related debt, (2) withhold approval of any disbursement request, (3) reject any pending application for financial assistance, (4) demand immediate payment of the loan or bond, or (5) any other remedy available to the Authority by law.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

C. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt and notes outstanding are as follows:

| Year Ending December 31 | Governmental Activities | | | |
|----------------------------|-------------------------|---------------------|----------------------------------|------------------|
| | G.O. Bonds | | G.O. Special Assessment Bonds | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 2,495,000 | \$ 213,427 | \$ 80,000 | \$ 12,070 |
| 2021 | 405,000 | 182,785 | 40,000 | 10,390 |
| 2022 | 430,000 | 169,610 | 40,000 | 9,110 |
| 2023 | 445,000 | 155,785 | 45,000 | 7,750 |
| 2024 | 455,000 | 141,429 | 45,000 | 6,198 |
| 2025-2029 | 2,080,000 | 493,150 | 145,000 | 8,232 |
| 2030-2034 | 1,850,000 | 197,953 | | |
| 2035-2038 | 485,000 | 23,454 | | |
| | <u>\$ 8,645,000</u> | <u>\$ 1,577,593</u> | <u>\$ 395,000</u> | <u>\$ 53,750</u> |

| Year Ending December 31 | Governmental Activities G.O. Revenue Bonds | | Business-Type Activities Revenue Bonds | |
|----------------------------|---|-------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| | 2020 | \$ 320,000 | \$ 40,861 | \$ 815,000 |
| 2021 | 335,000 | 30,161 | 835,000 | 239,175 |
| 2022 | 355,000 | 18,230 | 860,000 | 213,750 |
| 2023 | 35,000 | 11,040 | 890,000 | 187,500 |
| 2024 | 35,000 | 9,291 | 910,000 | 160,500 |
| 2025-2029 | 165,000 | 17,209 | 4,895,000 | 370,725 |
| | <u>\$ 1,245,000</u> | <u>\$ 126,792</u> | <u>\$ 9,205,000</u> | <u>\$ 1,435,575</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

C. MINIMUM DEBT PAYMENTS (Cont'd)

| Year Ending December 31 | Business-Type Activities | | | |
|----------------------------|--------------------------|-------------------|---------------------|-------------------|
| | G.O. Bonds | | G. O. Revenue Bonds | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 1,125,000 | \$ 37,020 | \$ 80,000 | \$ 61,124 |
| 2021 | 65,000 | 26,230 | 140,000 | 64,933 |
| 2022 | 75,000 | 24,130 | 145,000 | 61,558 |
| 2023 | 75,000 | 21,880 | 150,000 | 57,808 |
| 2024 | 80,000 | 19,555 | 150,000 | 53,758 |
| 2025-2029 | 440,000 | 60,300 | 815,000 | 200,938 |
| 2030-2034 | 300,000 | 9,463 | 665,000 | 84,101 |
| 2035 | | | 140,000 | 2,625 |
| | <u>\$ 2,160,000</u> | <u>\$ 198,578</u> | <u>\$ 2,285,000</u> | <u>\$ 586,845</u> |

| Year Ending December 31 | Business-Type Activities | | | |
|----------------------------|-------------------------------|---------------------|----------------------|-------------------|
| | G.O. Special Assessment Bonds | | G.O. Revenue Notes | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 365,000 | \$ 252,350 | \$ 1,064,000 | \$ 172,644 |
| 2021 | 375,000 | 241,250 | 1,093,000 | 144,238 |
| 2022 | 385,000 | 229,850 | 1,121,000 | 115,058 |
| 2023 | 395,000 | 218,150 | 423,000 | 85,131 |
| 2024 | 410,000 | 206,075 | 435,000 | 73,913 |
| 2025-2029 | 2,235,000 | 833,575 | 2,352,048 | 190,392 |
| 2030-2034 | 2,690,000 | 397,363 | 2,350,000 | |
| 2035-2039 | 605,000 | 12,100 | 2,350,000 | |
| 2040-2042 | | | 1,300,000 | |
| | <u>\$ 7,460,000</u> | <u>\$ 2,390,713</u> | <u>\$ 12,488,048</u> | <u>\$ 781,376</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| G.O. Bonds | \$ 6,655,000 | \$ 2,220,000 | \$ (230,000) | \$ 8,645,000 | \$ 2,495,000 |
| G.O. Special | | | | | |
| Assessment Bonds | 475,000 | | (80,000) | 395,000 | 80,000 |
| G.O. Revenue Bonds | 1,565,000 | | (320,000) | 1,245,000 | 320,000 |
| Capital Equipment | | | | | |
| Notes | 75,000 | | (75,000) | | |
| Bond Premium | 142,746 | (3,856) | | 138,890 | |
| Termination Benefits | 17,505 | | (13,246) | 4,259 | |
| Compensated | | | | | |
| Absences | 132,879 | 175,409 | (150,625) | 157,663 | 4,259 |
| Total Governmental Activities | <u>\$ 9,063,130</u> | <u>\$ 2,391,553</u> | <u>\$ (868,871)</u> | <u>\$ 10,585,812</u> | <u>\$ 2,899,259</u> |
| <u>Business-Type Activities</u> | | | | | |
| G.O. Bonds | \$ 1,195,000 | \$ 1,035,000 | \$ (70,000) | \$ 2,160,000 | \$ 1,125,000 |
| G.O. Revenue Bonds | 1,745,000 | 620,000 | (80,000) | 2,285,000 | 80,000 |
| G.O. Special | | | | | |
| Assessment Bonds | 7,820,000 | | (360,000) | 7,460,000 | 365,000 |
| G.O. Revenue Notes | 13,812,048 | | (1,324,000) | 12,488,048 | 1,064,000 |
| Revenue Bonds | 9,995,000 | | (790,000) | 9,205,000 | 815,000 |
| Bond Premium | 549,022 | 32,734 | (49,350) | 532,406 | |
| Compensated | | | | | |
| Absences | 109,510 | 104,324 | (98,941) | 114,893 | |
| Total Business-Type Activities | <u>\$ 35,225,580</u> | <u>\$ 1,792,058</u> | <u>\$ (2,772,291)</u> | <u>\$ 34,245,347</u> | <u>\$ 3,449,000</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

E. CONDUIT DEBT OBLIGATIONS

In 2011, the City issued conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective entities to which the proceeds were remitted. As of December 31, 2019, the aggregate balance outstanding was \$1,302,183.

F. PLEDGED REVENUES

| <u>Bond Issue/ Use of Proceeds/ Type</u> | <u>Percent of Total Debt Service</u> | <u>Term of Pledge</u> | <u>Remaining Principal and Interest</u> | <u>Principal and Interest Paid</u> | <u>Pledged Revenue Received</u> |
|--|--|---------------------------|---|--|---|
| <u>Business-Type Activities</u> | | | | | |
| Electric Utility | | | | | |
| Revenue Refunding | | | | | |
| Bonds, | | | | | |
| Series 2017A | | | | | |
| Improvements | | | | | |
| Utility Charges | 100% | 2017-2029 | \$ 10,640,575 | \$ 1,078,000 | |
| Revenue Bonds, | | | | | |
| Series 2014A | | | | | |
| Improvements | | | | | |
| Utility Charges | 100% | 2014-2035 | 841,656 | 52,218 | |
| Total Electric Utility | | | <u>\$ 11,482,231</u> | <u>\$ 1,130,218</u> | \$ 10,583,366 |
| Water Utility | | | | | |
| Revenue Bonds, | | | | | |
| Series 2014A | | | | | |
| Improvements | | | | | |
| Utility Charges | 100% | 2014-2035 | \$ 840,464 | \$ 50,193 | \$ 891,673 |
| Sewer Utility | | | | | |
| Revenue Bonds, | | | | | |
| Series 2014A | | | | | |
| Improvements | | | | | |
| Utility Charges | 100% | 2014-2035 | \$ 473,432 | \$ 29,372 | \$ 4,098,863 |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for the year is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there are no other claims liabilities reported in the financial statements based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11. CITY OF LITCHFIELD'S FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN

A. PLAN DESCRIPTION

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to *Minnesota Statutes* Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2018, the plan covered 27 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred.

B. BENEFITS PROVIDED

Twenty-Year Service Pension - Each member who is at least fifty years of age, has retired from the Fire Department of the City of Litchfield, has served at least ten years of active service with such department before retirement, and has been a member of the Association in good standing at least ten years prior to such retirement shall be entitled to a lump-sum service pension in the amount of \$2,200 for each year of service (including each year over twenty) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Disability - If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum of \$2,200 for each year the member was an active member of the Litchfield Fire Department and Relief Association. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension.

According to the bylaws of the Association and pursuant to Minnesota Statute 424A.22, members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced pension for the completed years of service times the applicable non-forfeitable percentage of pension as follows:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. CITY OF LITCHFIELD'S FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

| <u>Completed Years of Service</u> | <u>Non-foreitable Percentage of Pension Amount</u> |
|-----------------------------------|--|
| 10 | 60 |
| 11 | 64 |
| 12 | 68 |
| 13 | 72 |
| 14 | 76 |
| 15 | 80 |
| 16 | 84 |
| 17 | 88 |
| 18 | 92 |
| 19 | 96 |
| 20 and Thereafter | 100 |

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

During the time a member is on early vested pension, they will not be eligible for disability benefits.

These benefit provisions may be amended by a favorable vote of 2/3 of members present and voting, provided a quorum exists at any regular or special meeting. This benefit amendment must also be ratified by the City Council.

C. CONTRIBUTIONS

The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City contributions. As of December 31, 2018, the State of Minnesota contributed \$64,236 in fire state aid to the plan on behalf of the Fire Department.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. CITY OF LITCHFIELD'S FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

D. PENSION COSTS

The City reported a net pension liability (asset) of \$(35,342). The City's net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|--|--------------------------------------|--|--|
| | <u> </u> | <u> </u> | <u> </u> |
| Balance at December 31, 2018 | \$ 647,241 | \$ 748,369 | \$ (101,128) |
| Changes for the Year: | | | |
| Service Cost | 35,159 | | 35,159 |
| Interest | 32,247 | | 32,247 |
| Differences Between Expected and Actual Experience | (14,234) | | (14,234) |
| Changes in Assumptions | (703) | | (703) |
| Contributions - Member | | 27 | (27) |
| Contributions - State | | 64,236 | (64,236) |
| Net Investment Income | | (70,574) | 70,574 |
| Benefit Payments | (74,920) | (74,920) | |
| Administrative Expense | | (7,006) | 7,006 |
| Net Changes | <u>(22,451)</u> | <u>(88,237)</u> | <u>65,786</u> |
| Balance at December 31, 2019 | <u>\$ 624,790</u> | <u>\$ 660,132</u> | <u>\$ (35,342)</u> |

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2019, the City recognized pension expense of \$4,550.

At December 31, 2019, 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 |
|--|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences Between Expected and Actual Economic Experience | \$ 31,191 | \$ 12,577 |
| Changes in Actuarial Assumptions | | 7,057 |
| Net Differences Between Projected and Actual Investment Earnings | 72,762 | |
| Contributions Paid to Plan Subsequent to Measurement Date | 64,955 | |
| State Aid Received for the Plan Subsequent to Measurement Date | | 64,955 |
| Totals | <u>\$ 168,908</u> | <u>\$ 84,589</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. CITY OF LITCHFIELD'S FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

D. PENSION COSTS (Cont'd)

\$64,955 reported as deferred outflows of resources related to pensions resulting from City contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31,</u> | <u>Pension Expense Amount</u> |
|--------------------------------|-------------------------------|
| 2020 | \$ 25,900 |
| 2021 | 17,119 |
| 2022 | 15,574 |
| 2023 | 23,537 |
| 2024 | 2,528 |
| Thereafter | (339) |

E. ACTUARIAL ASSUMPTIONS

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------|---|
| Actuarial Cost Method: | Entry Age Normal level of percent of pay cost |
| Amortization Method: | Straight-line - closed |
| Remaining Amortization Method: | 5 Years |
| Asset Valuation Method: | Market Value as of the measurement date |
| Inflation: | 2.50% |
| Investment Rate of Return: | 5.25% |

Mortality rates were based on the rates used in the July 1, 2018 Minnesota PERA Public Employees Police and Fire Protection Plan.

The actuarial assumptions used for retirement is 50% of active members will retire when reaching retirement eligibility (later of age 50 and 20 years of service); then 50% retire each subsequent year until 100% retirement at the earlier of age 65 or 30 years of service.

The actuarial assumptions used in the November 18, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. CITY OF LITCHFIELD'S FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

G. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the City's net pension liability (asset) for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease in Discount Rate (4.25%) | Discount Rate (5.25%) | 1% Increase in Discount Rate (6.25%) |
|--------------------------------------|---|-----------------------------|---|
| City's Net Pension Liability (Asset) | \$ (19,139) | \$ (35,342) | \$ (51,267) |

H. INVESTMENT POLICY:

The City of Litchfield's Fireman Relief Association does not have a formal investment policy.

I. ASSET ALLOCATION

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|----------------------|---|
| Domestic Equity | 26.81% | 4.76% |
| International Equity | 38.55% | 5.41% |
| Fixed Income | 19.90% | 2.01% |
| Real Estate and Alternatives | 0.05% | 4.53% |
| Cash | 14.69% | 0.74% |
| | <u>100.00%</u> | |

There were no significant changes to their plan investments during the year.

J. PENSION PLAN FIDUCIARY NET POSITION:

Detailed information about the pension plan's fiduciary net position is available in a separately-issued financial report.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - 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). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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

Public Employees Police and Fire Plan (PEPFP; Police and Fire Plan; accounted for in the Police and Fire Fund):

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

B. BENEFITS PROVIDED

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

GERP Benefits:

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

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

PEPFP Benefits:

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

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

C. CONTRIBUTIONS

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$162,292. The City's contributions were equal to the required contributions as set by state statute.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

PEPFP Contributions:

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$128,261. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2019, the City reported a liability of \$1,642,046 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$50,998. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion share was 0.0297% which was an decrease of 0.0022% from its proportion measured as of June 30, 2018.

The following changes in plan provisions occurred during 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.

For the year ended December 31, 2019, the City recognized pension expense of \$145,056 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$3,819 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, 2019, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 47,918 | \$ |
| Changes in Actuarial Assumptions | | 138,990 |
| Differences Between Projected and Actual Investment Earnings | | 184,636 |
| Changes in Proportion | 16,239 | 126,647 |
| Contributions Paid to GERP Subsequent to Measurement Date | 85,949 | |
| | <u>85,949</u> | |
| Totals | <u>\$ 150,106</u> | <u>\$ 450,273</u> |

The \$85,949 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31,</u> | <u>Pension Expense Amount</u> |
|--------------------------------|-------------------------------|
| 2020 | \$ (129,703) |
| 2021 | (193,127) |
| 2022 | (65,932) |
| 2023 | 2,646 |

PEPFP Pension Costs:

At December 31, 2019, the City reported a liability of \$733,510 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0689% which was an increase of 0.0113% from its proportion measured as of June 30, 2018. The City also recognized \$9,301 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019, in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

There have been no changes in plan provisions during 2019.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

PEPFP Pension Costs: (Cont'd)

For the year ended December 31, 2019, the City recognized pension expense of \$122,282 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 27,848 | \$ 104,814 |
| Changes in Actuarial Assumptions | 565,408 | 717,922 |
| Differences Between Projected and Actual Investment Earnings | | 123,847 |
| Changes in Proportion | 100,372 | 115,028 |
| Contributions Paid to PEPFP Subsequent to Measurement Date | 68,755 | |
| Totals | <u>\$ 762,383</u> | <u>\$ 1,061,611</u> |

The \$68,755 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Pension Expense Amount |
|-------------------------|------------------------|
| 2020 | \$ (44,567) |
| 2021 | (92,309) |
| 2022 | (265,009) |
| 2023 | 14,449 |
| 2024 | 19,453 |

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| Actuarial Assumptions | GERP | PEPFP |
|---------------------------|---------------------------------|---------------------------------|
| Inflation | 2.50% per year | 2.50% per year |
| Salary Growth | 3.25% after 26 years of service | 3.25% after 25 years of service |
| Investment Rate of Return | 7.50% | 7.50% |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

GERP:

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

PEFPF:

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 35.50% | 5.10% |
| Private Markets | 25.00% | 5.90% |
| Fixed Income | 20.00% | 0.75% |
| International Equity | 17.50% | 5.90% |
| Cash Equivalents | 2.00% | 0.00% |
| | <u>100.00%</u> | |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

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

| | <u>GERP</u> | | <u>PEFPF</u> | |
|-----------------------|-------------|--------------|--------------|--------------|
| 1% Lower | 6.50% | \$ 2,699,436 | 6.50% | \$ 1,603,317 |
| Current Discount Rate | 7.50% | 1,642,046 | 7.50% | 733,510 |
| 1% Higher | 8.50% | 768,961 | 8.50% | 14 |

H. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 13. DEFINED CONTRIBUTION PLAN

4 council members and 29 ambulance service personnel of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13. DEFINED CONTRIBUTION PLAN (Cont'd)

Total contributions made by the City of Litchfield during the year were:

| | Contribution Amount | | Percentage of Covered Payroll | | Required Rates |
|-----------------------------|---------------------|----------|-------------------------------|----------|----------------|
| | Employee | Employer | Employee | Employer | |
| Elected Officials | \$ 840 | \$ 840 | 5.00% | 5.00% | 5.00% |
| Ambulance Service Personnel | 14,849 | 32,952 | 45.06% | 100.00% | N/A |

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 40 active participants and 5 retired participants. Benefit and eligibility provisions are established through negotiations between the City and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The City's total OPEB liability of \$252,592 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to December 31, 2019.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

| | Total OPEB Liability |
|--|----------------------|
| Balance at December 31, 2018 | \$ 418,349 |
| Changes for the year: | |
| Service Cost | 28,719 |
| Interest | 14,250 |
| Differences Between Expected and Actual Experience | (173,635) |
| Changes in Assumptions or Other Inputs | (1,960) |
| Benefit Payments | (33,131) |
| Net Changes | (165,757) |
| Balance at December 31, 2019 | \$ 252,592 |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% in 2018 to 3.71% in 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

| | 1.0% Decrease in Discount Rate (2.71%) | Discount Rate (3.71%) | 1.0% Increase in Discount Rate (4.71%) |
|----------------------|--|--------------------------|--|
| Total OPEB Liability | \$ 266,659 | \$ 252,592 | \$ 238,853 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.40% decreasing to 3.00%) or 1-percentage-point higher (7.40% decreasing to 5.00%) than the current healthcare cost trend rates:

| | 1.0% Decrease (5.40% decreasing to 3.00%) | Healthcare Cost Trend Rates (6.40% decreasing to 4.00%) | 1.0% Increase (7.40% decreasing to 5.00%) |
|----------------------|--|---|--|
| Total OPEB Liability | \$ 230,803 | \$ 252,592 | \$ 277,557 |

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2019, the City recognized OPEB expense of \$10,315. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ | \$ 151,600 |
| Changes in Actuarial Assumptions or Other Inputs | 6,498 | 3,582 |
| Contributions Paid Subsequent to Measurement Date | 24,422 | |
| Totals | <u>\$ 30,920</u> | <u>\$ 155,182</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Cont'd)

\$24,422 reported as deferred outflows of resources related to OPEB resulting from City contributions to subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

| <u>Year ended December 31,</u> | <u>Pension Expense Amount</u> |
|--------------------------------|-------------------------------|
| 2020 | \$ (21,269) |
| 2021 | (21,269) |
| 2022 | (21,226) |
| 2023 | (20,745) |
| 2024 | (22,284) |
| Thereafter | (41,891) |

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | 2.50% |
| Salary Increases | Based on the most recent disclosed assumptions for the pension plan, which the employee participates. |
| Healthcare Cost Trend Rates | 6.40% for 2019, decreasing on average 0.04% per year to an ultimate rate of 4.0% for 2075 and later years. |
| Retiree's Share of Benefit-Related Costs | Assumed to increase with healthcare trend rates. |

A discount rate of 3.71% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were from the July 1, 2018 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15. FUND BALANCE

The following is a summary of fund balance components:

| | General | Nonmajor Governmental Funds | Total |
|---------------------------------|---------------------|-----------------------------------|----------------------|
| Nonspendable | | | |
| Prepaid Items | \$ 65,450 | \$ 67,295 | \$ 132,745 |
| Restricted for | | | |
| Tax Increment | | 18,356 | 18,356 |
| Debt Service | | 4,369,608 | 4,369,608 |
| Total Restricted | 0 | 4,387,964 | 4,387,964 |
| Assigned | | | |
| Hazardous Building Improvements | 169,055 | | 169,055 |
| Dial-A-Ride | 128,137 | | 128,137 |
| GAR Hall Improvements | 48,303 | | 48,303 |
| Public Access | 82,676 | | 82,676 |
| Tree Management | 188,142 | | 188,142 |
| Cafeteria | 7,366 | | 7,366 |
| Capital Outlay | 1,547,252 | 2,687,531 | 4,234,783 |
| Fund Operations | | 1,537,009 | 1,537,009 |
| Total Assigned | 2,170,931 | 4,224,540 | 6,395,471 |
| Unassigned | 1,501,640 | (73,019) | 1,428,621 |
| | <u>\$ 3,738,021</u> | <u>\$ 8,606,780</u> | <u>\$ 12,344,801</u> |

NOTE 16. COMMITMENTS

A. PURCHASED POWER AGREEMENT

Litchfield Public Utilities is committed to purchase all power from two agencies, Southern Minnesota Municipal Power Agency (SMMPA) of which Litchfield Public Utilities is a member and Western Area Power Administration (WAPA). Each member of SMMPA is obligated to purchase all of its power from the Agency, with the exception that the Litchfield Public Utilities may continue its purchase of hydro-power from WAPA, which amounts to approximately 24.65% of the Utilities' requirements. The remaining percentage of power usage must be purchased from SMMPA per contract requirements.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 16. COMMITMENTS (Cont'd)

B. CONSTRUCTION PROJECTS

The City has the following projects in progress:

| Project | Contract Amount | Remaining Commitment |
|--|--------------------|-------------------------|
| 2015 Sealcoat Improvement Project | \$ 328,790 | \$ 14,154 |
| 2017 Civic Arena Improvement Project | 835,594 | 41,780 |
| 2018 Frontage Road Improvement Project | 975,011 | 31,239 |
| 2018 Splash Pad | 177,233 | 13,612 |

NOTE 17. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total net position or fund balance.

NOTE 18. TAX ABATEMENTS

The City is authorized by Minnesota Statute §469.1813 to enter into property tax abatement agreements for the purpose of attracting or retaining businesses. Tax abatements, which cannot exceed 100 percent of the entity's property tax bill in any year, may be granted to any business located within or promising to relocate to the City for construction of new facilities or the creation of new full time equivalent positions. The City recaptures a prorated amount of abated taxes if these conditions are not met. The City determines the percentage amount and duration of the tax abatement, which is not to exceed twenty years. The amount of the abatement is automatically deducted from the property owner's tax bill.

For the year ended December 31, 2019, the City abated property taxes totaling \$11,188 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

| Business | Purpose | Percent Abated | Amount Abated |
|----------------------------|----------------------|-------------------|------------------|
| First District Association | Economic Development | 45.43% | \$ <u>11,188</u> |

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------|---|--|
| <u>Governmental Activities</u> | | |
| Related to Pensions | \$ 995,792 | \$ 1,339,683 |
| Related to OPEB | 14,222 | 71,384 |
| Related to Refunding of Debt | | 93,642 |
| | <u> </u> | <u> </u> |
| Total Governmental Activities | <u>\$ 1,010,014</u> | <u>\$ 1,504,709</u> |
| <u>Business-Type Activities</u> | | |
| Related to Pensions | \$ 85,605 | \$ 256,790 |
| Related to OPEB | 16,698 | 83,798 |
| Related to Refunding of Debt | 329,304 | 43,418 |
| | <u> </u> | <u> </u> |
| Total Business-Type Activities | <u>\$ 431,607</u> | <u>\$ 384,006</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2019

| Fiscal Year Ending | Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Employer (b) | Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a+b) | Employer's Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|--|--|--|---|---|--|---|
| <u>Pensions</u> | | | | | | | |
| <u>GERP</u> | | | | | | | |
| June 30, 2019 | 0.0297% | \$ 1,642,046 | \$ 50,998 | \$ 1,693,044 | \$ 2,082,257 | 81.31% | 80.23% |
| June 30, 2018 | 0.0319% | 1,769,681 | 57,967 | 1,827,648 | 2,083,744 | 87.71% | 79.53% |
| June 30, 2017 | 0.0330% | 2,106,698 | 26,470 | 2,133,168 | 2,123,338 | 100.46% | 75.90% |
| June 30, 2016 | 0.0322% | 2,614,480 | 34,125 | 2,648,605 | 1,993,255 | 132.88% | 68.91% |
| June 30, 2015 | 0.0338% | 1,751,691 | | 1,751,691 | 1,976,514 | 88.63% | 78.19% |
| <u>PEFPF</u> | | | | | | | |
| June 30, 2019 | 0.0689% | 733,510 | | 733,510 | 727,220 | 100.86% | 89.26% |
| June 30, 2018 | 0.0576% | 613,957 | | 613,957 | 607,539 | 101.06% | 88.84% |
| June 30, 2017 | 0.0600% | 810,071 | | 810,071 | 620,734 | 130.50% | 85.43% |
| June 30, 2016 | 0.0640% | 2,568,431 | | 2,568,431 | 619,455 | 414.63% | 63.88% |
| June 30, 2015 | 0.0670% | 761,277 | | 761,277 | 618,406 | 123.10% | 86.61% |

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2019

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|-----------------------|--|---|---|---------------------------|--|
| <u>Pensions</u> | | | | | |
| <u>GERP</u> | | | | | |
| 12/31/2019 | \$ 162,292 | \$ 162,292 | \$ | \$ 2,163,877 | 7.50% |
| 12/31/2018 | 158,245 | 158,245 | | 2,109,907 | 7.50% |
| 12/31/2017 | 156,706 | 156,706 | | 2,089,401 | 7.50% |
| 12/31/2016 | 157,377 | 157,377 | | 2,098,356 | 7.50% |
| 12/31/2015 | 147,087 | 147,087 | | 1,960,930 | 7.50% |
| <u>PEPFP</u> | | | | | |
| 12/31/2019 | 128,261 | 128,261 | | 756,702 | 16.95% |
| 12/31/2018 | 108,538 | 108,538 | | 669,989 | 16.20% |
| 12/31/2017 | 94,146 | 94,146 | | 581,151 | 16.20% |
| 12/31/2016 | 102,648 | 102,648 | | 633,632 | 16.20% |
| 12/31/2015 | 101,629 | 101,629 | | 627,342 | 16.20% |

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019

| | Measurement Date | | | | |
|---|------------------|--------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Service Cost | \$ 35,159 | \$ 34,218 | \$ 34,110 | \$ 33,462 | \$ 32,566 |
| Interest | 32,247 | 31,932 | 26,501 | 22,611 | 21,289 |
| Differences Between Expected and Actual Experience | (14,234) | | 47,187 | | |
| Change in Assumptions | (703) | | (3,823) | (7,185) | |
| Benefit Payments | (74,920) | (46,680) | | (47,305) | |
| Net Change in Total Pension Liability | (22,451) | 19,470 | 103,975 | 1,583 | 53,855 |
| Total Pension Liability - Beginning of Year | 647,241 | 627,771 | 523,796 | 522,213 | 468,358 |
| Total Pension Liability - End of Year | \$ 624,790 | \$ 647,241 | \$ 627,771 | \$ 523,796 | \$ 522,213 |
| Contributions - Employer | \$ | \$ | \$ | \$ 12,823 | \$ 5,020 |
| Contributions - Member | 27 | 29 | 29 | 27 | 28 |
| Contributions - State of Minnesota | 64,236 | 63,207 | 63,210 | 64,241 | 60,640 |
| Net Investment Income | (70,574) | 71,510 | 20,579 | (19,870) | 693 |
| Benefit Payments | (74,920) | (46,680) | | (47,305) | |
| Administrative Expense | (7,006) | (11,354) | (3,900) | (8,916) | (6,499) |
| Other | | | 1,000 | | |
| Net Change in Plan Fiduciary Net Position | (88,237) | 76,712 | 80,918 | 1,000 | 59,882 |
| Total Plan Fiduciary Beginning of Year | 748,369 | 671,657 | 590,739 | 589,739 | 529,857 |
| Total Plan Fiduciary Net Position End of Year | \$ 660,132 | \$ 748,369 | \$ 671,657 | \$ 590,739 | \$ 589,739 |
| City's Net Pension Liability - End of Year | \$ (35,342) | \$ (101,128) | \$ (43,886) | \$ (66,943) | \$ (67,526) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 105.66% | 115.62% | 106.99% | 112.78% | 112.93% |

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
DECEMBER 31, 2019

| | Measurement Date | | |
|---|------------------|--------------|--------------|
| | December 31, | | |
| | 2018 | 2017 | 2016 |
| Service Cost | \$ 28,719 | \$ 24,914 | \$ 24,137 |
| Interest | 14,250 | 15,796 | 15,121 |
| Differences Between Expected and Actual Experience | (173,635) | | |
| Changes in Assumptions | (1,960) | 9,804 | (3,785) |
| Benefit Payments | (33,131) | (43,680) | (58,804) |
| Net Change in Total OPEB Liability | (165,757) | 6,834 | (23,331) |
| Total OPEB Liability - Beginning of Year | 418,349 | 411,515 | 434,846 |
| Total OPEB Liability - End of Year | \$ 252,592 | \$ 418,349 | \$ 411,515 |
| Covered Employee Payroll | \$ 2,660,925 | \$ 3,103,947 | \$ 3,103,947 |
| Total OPEB Liability as a % of Covered Employee Payroll | 9.49% | 13.48% | 13.26% |

The City implemented GASB Statement No. 75 for the year ended December 31, 2017. Information for prior years is not available.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2019 Changes:

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

2018 Changes:

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 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 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 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 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 Changes:

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

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

2016 Changes:

There have been no changes since the prior valuation.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2015 Changes:

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

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.

An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.

New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.

Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 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 Changes:

There have been no changes since the prior valuation.

2016 Changes:

There have been no changes since the prior valuation.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP) (Cont'd)

2015 Changes:

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

C. CITY OF LITCHFIELD'S FIREMAN'S RELIEF ASSOCIATION

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

There have been no changes since the prior valuation.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

There have been no changes since the prior valuation.

D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST

2019 Changes:

Retiree premiums were updated to current levels.

Direct subsidy values were updated to current levels.

2018 Changes:

No changes.

2017 Changes:

No changes.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2019 Changes:

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

2018 Changes:

The mortality projection 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 Changes:

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 for 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes:

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 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.

2015 Changes:

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

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2019 Changes:

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP) (Cont'd)

2018 Changes:

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

2017 Changes:

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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent 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 changed from 7.90 percent to 5.60 percent.

The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP) (Cont'd)

2015 Changes:

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

C. CITY OF LITCHFIELD'S FIREMAN'S RELIEF ASSOCIATION

2019 Changes:

The expected investment return and discount rate increased from 5.00% to 5.25% to reflect updated capital market assumptions.

The mortality and withdrawal assumptions were updated to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption decreased from 2.75% to 2.50%.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

The expected investment return and discount rate increased from 4.75% to 5.00% to reflect changes in the investment weightings.

2016 Changes:

The discount rate increased from 4.25% to 4.75%.

2015 Changes:

There have been no changes since the prior valuation.

D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST

2019 Changes:

The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.31% to 3.71%.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST (Cont'd)

2019 Changes: (Cont'd)

Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.

Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police and Fire Plan to the rates used in the 7/1/2018 valuation.

The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 50% to 30% to reflect recent plan experience.

The percent of retirees electing spouse coverage changed from 0% to 25% to reflect recent plan experience.

2018 Changes:

The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.81% to 3.31%.

2017 Changes:

The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.52% to 3.81%.

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SUPPLEMENTARY INFORMATION

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COMBINING STATEMENTS OF NONMAJOR FUNDS

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CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | Special Revenue | Debt Service | Capital Projects | Totals |
|--|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,509,541 | \$ 3,154,355 | \$ 2,687,531 | \$ 7,351,427 |
| Cash with Fiscal Agent | | 531,311 | | 531,311 |
| Receivables | | | | |
| Accounts | 19,316 | | | 19,316 |
| Contracts | 12,000 | | | 12,000 |
| Delinquent Property Taxes | | 8,583 | | 8,583 |
| Special Assessments | | 111,574 | | 111,574 |
| Capital Lease | | 673,334 | | 673,334 |
| Due from Other Governmental Units | 7,513 | 10,608 | | 18,121 |
| Inventories | 40,280 | | | 40,280 |
| Prepaid Items | 67,295 | | | 67,295 |
| | <u>1,655,945</u> | <u>4,489,765</u> | <u>2,687,531</u> | <u>8,833,241</u> |
| Total Assets | <u>\$ 1,655,945</u> | <u>\$ 4,489,765</u> | <u>\$ 2,687,531</u> | <u>\$ 8,833,241</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 7,344 | \$ | \$ | \$ 7,344 |
| Contracts Payable | 22,766 | | 73,019 | 95,785 |
| Accrued Salaries | 2,718 | | | 2,718 |
| Due to Other Governmental Units | 457 | | | 457 |
| Total Liabilities | <u>33,285</u> | <u>0</u> | <u>73,019</u> | <u>106,304</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue | | | | |
| Delinquent Property Taxes | | 8,583 | | 8,583 |
| Special Assessments | | 111,574 | | 111,574 |
| Total Deferred Inflows of Resources | <u>0</u> | <u>120,157</u> | <u>0</u> | <u>120,157</u> |
| Fund Balance | | | | |
| Nonspendable | 67,295 | | | 67,295 |
| Restricted | 18,356 | 4,369,608 | | 4,387,964 |
| Assigned | 1,537,009 | | 2,687,531 | 4,224,540 |
| Unassigned | | | (73,019) | (73,019) |
| Total Fund Balance | <u>1,622,660</u> | <u>4,369,608</u> | <u>2,614,512</u> | <u>8,606,780</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 1,655,945</u> | <u>\$ 4,489,765</u> | <u>\$ 2,687,531</u> | <u>\$ 8,833,241</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

| | Special Revenue | Debt Service | Capital Projects | Totals |
|--|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | |
| Property Taxes | \$ | \$ 548,766 | \$ | \$ 548,766 |
| Special Assessments | | 25,938 | | 25,938 |
| Intergovernmental | 140,490 | 50,000 | | 190,490 |
| Charges for Services | 610,555 | | | 610,555 |
| Interest Income | 18,731 | 66,532 | 29,632 | 114,895 |
| Miscellaneous | 41,822 | | | 41,822 |
| Total Revenues | <u>811,598</u> | <u>691,236</u> | <u>29,632</u> | <u>1,532,466</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 52,942 | | | 52,942 |
| Public Works | 5,202 | | | 5,202 |
| Airport | 92,777 | | | 92,777 |
| Culture and Recreation | 598,974 | | | 598,974 |
| Economic Development | 23,628 | | | 23,628 |
| Capital Outlay | | | | |
| General Government | | | 55,140 | 55,140 |
| Public Works | | | 41,481 | 41,481 |
| Culture and Recreation | 3,325 | | 8,175 | 11,500 |
| Economic Development | | | 9,805 | 9,805 |
| Debt Service | | | | |
| Principal | | 630,000 | | 630,000 |
| Interest and Other Charges | | 304,675 | | 304,675 |
| Total Expenditures | <u>776,848</u> | <u>934,675</u> | <u>114,601</u> | <u>1,826,124</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 34,750 | (243,439) | (84,969) | (293,658) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding Bonds Issued | | 2,220,000 | | 2,220,000 |
| Bond Premium | | 93,642 | | 93,642 |
| Transfers In | 313,290 | 100,000 | 613,252 | 1,026,542 |
| Transfers Out | (182,873) | | (143,578) | (326,451) |
| Total Other Financing Sources (Uses) | <u>130,417</u> | <u>2,413,642</u> | <u>469,674</u> | <u>3,013,733</u> |
| Net Change in Fund Balances | 165,167 | 2,170,203 | 384,705 | 2,720,075 |
| FUND BALANCE, BEGINNING OF YEAR | <u>1,457,493</u> | <u>2,199,405</u> | <u>2,229,807</u> | <u>5,886,705</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 1,622,660</u> | <u>\$ 4,369,608</u> | <u>\$ 2,614,512</u> | <u>\$ 8,606,780</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2019

| | Trail Project | Golf Course | Downtown/ Heritage Preservation | Airport | Civic Arena | TIF District No. 4-12 Towmaster |
|---|------------------|-------------------|---------------------------------------|-------------------|-------------------|---------------------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$ 1,294 | \$ 193,330 | \$ 94,259 | \$ 193,454 | \$ 199,444 | \$ 18,356 |
| Receivables | | | | | | |
| Accounts | | 299 | | | 18,350 | |
| Contracts | | | | | | |
| Due from Other Governmental Units | | | | 7,332 | | |
| Inventories | | 14,573 | | 25,707 | | |
| Prepaid Items | | 55,920 | | 7,670 | 2,287 | |
| | <u>1,294</u> | <u>264,122</u> | <u>94,259</u> | <u>234,163</u> | <u>220,081</u> | <u>18,356</u> |
| Total Assets | \$ 1,294 | \$ 264,122 | \$ 94,259 | \$ 234,163 | \$ 220,081 | \$ 18,356 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ | \$ 420 | \$ | \$ 912 | \$ 5,982 | \$ |
| Contracts Payable | | | | | | |
| Accrued Salaries Payable | | | | | 2,718 | |
| Due to Other Governmental Units | | 21 | | | 436 | |
| Total Liabilities | <u>0</u> | <u>441</u> | <u>0</u> | <u>912</u> | <u>9,136</u> | <u>0</u> |
| Fund Balance | | | | | | |
| Nonspendable | | 55,920 | | 7,670 | 2,287 | |
| Restricted | | | | | | 18,356 |
| Assigned | 1,294 | 207,761 | 94,259 | 225,581 | 208,658 | |
| Total Fund Balance | <u>1,294</u> | <u>263,681</u> | <u>94,259</u> | <u>233,251</u> | <u>210,945</u> | <u>18,356</u> |
| Total Liabilities and Fund Balance | \$ 1,294 | \$ 264,122 | \$ 94,259 | \$ 234,163 | \$ 220,081 | \$ 18,356 |

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2019

| | Infrastructure Street | Cemetery | Permanent Improvement Revolving | Community Reinvestment | Highway 12 Beautification | Lake Ripley Improvement | Totals |
|---|--------------------------|------------------|---------------------------------------|---------------------------|------------------------------|----------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 463,314 | \$ 81,492 | \$ 12,886 | \$ 237,923 | \$ 857 | \$ 12,932 | \$ 1,509,541 |
| Receivables | | | | | | | |
| Accounts | | | | 667 | | | 19,316 |
| Contracts | | | | 12,000 | | | 12,000 |
| Due from Other Governmental Units | | | 181 | | | | 7,513 |
| Inventories | | | | | | | 40,280 |
| Prepaid Items | | 1,418 | | | | | 67,295 |
| Total Assets | \$ 463,314 | \$ 82,910 | \$ 13,067 | \$ 250,590 | \$ 857 | \$ 12,932 | \$ 1,655,945 |
| LIABILITIES AND FUND BALANCE | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | \$ | \$ 30 | \$ | \$ | \$ | \$ | \$ 7,344 |
| Contracts Payable | 14,154 | | | 8,612 | | | 22,766 |
| Accrued Salaries Payable | | | | | | | 2,718 |
| Due to Other Governmental Units | | | | | | | 457 |
| Total Liabilities | 14,154 | 30 | 0 | 8,612 | 0 | 0 | 33,285 |
| Fund Balance | | | | | | | |
| Nonspendable | | 1,418 | | | | | 67,295 |
| Restricted | | | | | | | 18,356 |
| Assigned | 449,160 | 81,462 | 13,067 | 241,978 | 857 | 12,932 | 1,537,009 |
| Total Fund Balance | 449,160 | 82,880 | 13,067 | 241,978 | 857 | 12,932 | 1,622,660 |
| Total Liabilities and Fund Balance | \$ 463,314 | \$ 82,910 | \$ 13,067 | \$ 250,590 | \$ 857 | \$ 12,932 | \$ 1,655,945 |

CITY OF LITCHFIELD, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2019

| | 2007B Public Project Lease | 2011A G.O. Improvement | 2011B G.O. CIP Bonds |
|---|----------------------------------|------------------------------|----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 61,913 | \$ | \$ 2,486,667 |
| Cash with Fiscal Agent | | 531,311 | |
| Receivables | | | |
| Delinquent Property Taxes | 788 | | 1,417 |
| Special Assessments | | | |
| Capital Lease | | 673,334 | |
| Due from Other Governmental Units | 853 | | 1,606 |
| Total Assets | \$ 63,554 | \$ 1,204,645 | \$ 2,489,690 |
| DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue | | | |
| Delinquent Property Taxes | \$ 788 | \$ | \$ 1,417 |
| Special Assessments | | | |
| Total Deferred Inflows of Resources | 788 | 0 | 1,417 |
| Fund Balance | | | |
| Restricted | 62,766 | 1,204,645 | 2,488,273 |
| Total Deferred Inflows of Resources and Fund Balance | \$ 63,554 | \$ 1,204,645 | \$ 2,489,690 |

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2019

| | 2011C G.O. Improvement | 2015A G.O. Improvement | 2018A G.O. Bonds | Totals |
|---|------------------------------|------------------------------|------------------------|---------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 401,238 | \$ 125,657 | \$ 78,880 | \$ 3,154,355 |
| Cash with Fiscal Agent | | | | 531,311 |
| Receivables | | | | |
| Delinquent Property Taxes | 5,034 | 1,190 | 154 | 8,583 |
| Special Assessments | 111,574 | | | 111,574 |
| Capital Lease | | | | 673,334 |
| Due from Other Governmental Units | 5,770 | 2,031 | 348 | 10,608 |
| Total Assets | \$ 523,616 | \$ 128,878 | \$ 79,382 | \$ 4,489,765 |
| DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue | | | | |
| Delinquent Property Taxes | \$ 5,034 | \$ 1,190 | \$ 154 | \$ 8,583 |
| Special Assessments | 111,574 | | | 111,574 |
| Total Deferred Inflows of Resources | 116,608 | 1,190 | 154 | 120,157 |
| Fund Balance | | | | |
| Restricted | 407,008 | 127,688 | 79,228 | 4,369,608 |
| Total Deferred Inflows of Resources and Fund Balance | \$ 523,616 | \$ 128,878 | \$ 79,382 | \$ 4,489,765 |

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2019

| | <u>Eastern Development</u> | <u>2018 Improvement Project</u> | <u>Civic Arena Improvements</u> |
|------------------------------------|--------------------------------|---|-------------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | <u>\$ 162,788</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Contracts Payable | \$ | \$ 31,239 | \$ 41,780 |
| Fund Balance | | | |
| Assigned | 162,788 | | |
| Unassigned | | (31,239) | (41,780) |
| Total Fund Balance | <u>162,788</u> | <u>(31,239)</u> | <u>(41,780)</u> |
| Total Liabilities and Fund Balance | <u>\$ 162,788</u> | <u>\$ 0</u> | <u>\$ 0</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2019

| | Airport Improvements | Infrastructure Public Works Facility | Infrastructure Revolving | Totals |
|------------------------------------|-------------------------|--|-----------------------------|---------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 80,445 | \$ 1,679,374 | \$ 764,924 | \$ 2,687,531 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities | | | | |
| Contracts Payable | \$ | \$ | \$ | \$ 73,019 |
| Fund Balance | | | | |
| Assigned | 80,445 | 1,679,374 | 764,924 | 2,687,531 |
| Unassigned | | | | (73,019) |
| Total Fund Balance | <u>80,445</u> | <u>1,679,374</u> | <u>764,924</u> | <u>2,614,512</u> |
| Total Liabilities and Fund Balance | <u>\$ 80,445</u> | <u>\$ 1,679,374</u> | <u>\$ 764,924</u> | <u>\$ 2,687,531</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2019

| | Trail Project | Golf Course | Downtown/ Heritage Preservation | Airport | Civic Arena | TIF District No. 4-12 Towmaster |
|--|------------------|-------------------|---------------------------------------|-------------------|-------------------|---------------------------------------|
| REVENUES | | | | | | |
| Intergovernmental | \$ | \$ | \$ 8,300 | \$ 28,658 | \$ | \$ |
| Charges for Services | | 301,374 | | 58,009 | 206,062 | |
| Interest Income | | 1,479 | 1,293 | 2,465 | 4,193 | |
| Miscellaneous | | 6,772 | | 16,824 | 11,581 | |
| Total Revenues | <u>0</u> | <u>309,625</u> | <u>9,593</u> | <u>105,956</u> | <u>221,836</u> | <u>0</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General Government | | | | | | |
| Public Works | | | | | | |
| Airport | | | | | | |
| Culture and Recreation | | | | | | |
| Economic Development | | | | | | |
| Capital Outlay | | | | | | |
| Culture and Recreation | | | | | | |
| Total Expenditures | <u>0</u> | <u>424,574</u> | <u>21,914</u> | <u>92,777</u> | <u>171,594</u> | <u>1,714</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 0 | (114,949) | (12,321) | 13,179 | 50,242 | (1,714) |
| TRANSFERS | | | | | | |
| Transfers In | | | | | | |
| Transfers Out | | | | | | |
| Total Transfers | <u>0</u> | <u>187,635</u> | <u>0</u> | <u>(9,098)</u> | <u>(163,893)</u> | <u>0</u> |
| Net Change in Fund Balances | 0 | 72,686 | (12,321) | 4,081 | (54,651) | (1,714) |
| FUND BALANCE, BEGINNING OF YEAR | <u>1,294</u> | <u>190,995</u> | <u>106,580</u> | <u>229,170</u> | <u>265,596</u> | <u>20,070</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 1,294</u> | <u>\$ 263,681</u> | <u>\$ 94,259</u> | <u>\$ 233,251</u> | <u>\$ 210,945</u> | <u>\$ 18,356</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2019

| | Infrastructure Street | Cemetery | Permanent Improvement Revolving | Community Reinvestment | Highway 12 Beautification | Lake Ripley Improvement | Totals |
|--|--------------------------|------------------|---------------------------------------|---------------------------|------------------------------|----------------------------|---------------------|
| REVENUES | | | | | | | |
| Intergovernmental | \$ 103,197 | \$ | \$ | \$ | \$ | \$ 335 | \$ 140,490 |
| Charges for Services | | 45,110 | | | | | 610,555 |
| Interest Income | 5,540 | 1,140 | 140 | 2,318 | | 163 | 18,731 |
| Miscellaneous | | 397 | 4,823 | | | 1,425 | 41,822 |
| Total Revenues | <u>108,737</u> | <u>46,647</u> | <u>4,963</u> | <u>2,318</u> | <u>0</u> | <u>1,923</u> | <u>811,598</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General Government | | 52,942 | | | | | 52,942 |
| Public Works | 5,202 | | | | | | 5,202 |
| Airport | | | | | | | 92,777 |
| Culture and Recreation | | | | | | 2,806 | 598,974 |
| Economic Development | | | | | | | 23,628 |
| Capital Outlay | | | | | | | |
| Culture and Recreation | | | | 3,325 | | | 3,325 |
| Total Expenditures | <u>5,202</u> | <u>52,942</u> | <u>0</u> | <u>3,325</u> | <u>0</u> | <u>2,806</u> | <u>776,848</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 103,535 | (6,295) | 4,963 | (1,007) | 0 | (883) | 34,750 |
| TRANSFERS | | | | | | | |
| Transfers In | | 10,000 | | 56,655 | | | 313,290 |
| Transfers Out | | (9,882) | | | | | (182,873) |
| Total Transfers | <u>0</u> | <u>118</u> | <u>0</u> | <u>56,655</u> | <u>0</u> | <u>0</u> | <u>130,417</u> |
| Net Change in Fund Balances | <u>103,535</u> | <u>(6,177)</u> | <u>4,963</u> | <u>55,648</u> | <u>0</u> | <u>(883)</u> | <u>165,167</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>345,625</u> | <u>89,057</u> | <u>8,104</u> | <u>186,330</u> | <u>857</u> | <u>13,815</u> | <u>1,457,493</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 449,160</u> | <u>\$ 82,880</u> | <u>\$ 13,067</u> | <u>\$ 241,978</u> | <u>\$ 857</u> | <u>\$ 12,932</u> | <u>\$ 1,622,660</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2019

| | 2007B Public Project Lease | 2011A G.O. Improvement | 2011B G.O. CIP Bonds |
|--|----------------------------------|------------------------------|----------------------------|
| REVENUES | | | |
| Property Taxes | \$ 45,368 | \$ | \$ 85,571 |
| Special Assessments | | | |
| Intergovernmental | | | 50,000 |
| Interest Income | 498 | 57,025 | 4,129 |
| Total Revenues | <u>45,866</u> | <u>57,025</u> | <u>139,700</u> |
| EXPENDITURES | | | |
| Debt Service | | | |
| Principal | 30,000 | 290,000 | 135,000 |
| Interest and Other Charges | 17,915 | 33,802 | 150,230 |
| Total Expenditures | <u>47,915</u> | <u>323,802</u> | <u>285,230</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,049) | (266,777) | (145,530) |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunding Bonds Issued | | | 2,220,000 |
| Bond Premium | | | 93,642 |
| Transfers In | | | 100,000 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>2,413,642</u> |
| Net Change in Fund Balances | (2,049) | (266,777) | 2,268,112 |
| FUND BALANCE, BEGINNING OF YEAR | <u>64,815</u> | <u>1,471,422</u> | <u>220,161</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 62,766</u> | <u>\$ 1,204,645</u> | <u>\$ 2,488,273</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2019

| | 2011C G.O. Improvement | 2015A G.O. Improvement | 2018A G.O. Bonds | Totals |
|--|------------------------------|------------------------------|------------------------|---------------------|
| REVENUES | | | | |
| Property Taxes | \$ 291,380 | \$ 108,022 | \$ 18,425 | \$ 548,766 |
| Special Assessments | 25,938 | | | 25,938 |
| Intergovernmental | | | | 50,000 |
| Interest Income | 2,729 | 833 | 1,318 | 66,532 |
| Total Revenues | <u>320,047</u> | <u>108,855</u> | <u>19,743</u> | <u>691,236</u> |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal | 80,000 | 95,000 | | 630,000 |
| Interest and Other Charges | 16,525 | 14,542 | 71,661 | 304,675 |
| Total Expenditures | <u>96,525</u> | <u>109,542</u> | <u>71,661</u> | <u>934,675</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 223,522 | (687) | (51,918) | (243,439) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding Bonds Issued | | | | 2,220,000 |
| Bond Premium | | | | 93,642 |
| Transfers In | | | | 100,000 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,413,642</u> |
| Net Change in Fund Balances | 223,522 | (687) | (51,918) | 2,170,203 |
| FUND BALANCE, BEGINNING OF YEAR | <u>183,486</u> | <u>128,375</u> | <u>131,146</u> | <u>2,199,405</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 407,008</u> | <u>\$ 127,688</u> | <u>\$ 79,228</u> | <u>\$ 4,369,608</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2019

| | Eastern Development | 2018 Improvement Project | TH 12 Frontage Rd Improvements | Civic Arena Improvements |
|--|------------------------|--------------------------------|--------------------------------------|-----------------------------|
| REVENUES | | | | |
| Interest Income | \$ 2,070 | \$ | \$ | \$ |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| General Government | | 55,140 | | |
| Public Works | | 3,181 | | |
| Culture and Recreation | | | | 8,175 |
| Economic Development | | | 9,805 | |
| Total Expenditures | <u>0</u> | <u>58,321</u> | <u>9,805</u> | <u>8,175</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,070 | (58,321) | (9,805) | (8,175) |
| TRANSFERS | | | | |
| Transfers In | | 16,140 | 14,239 | 33,514 |
| Transfers Out | | | | |
| Total Transfers | <u>0</u> | <u>16,140</u> | <u>14,239</u> | <u>33,514</u> |
| Net Change in Fund Balances | 2,070 | (42,181) | 4,434 | 25,339 |
| FUND BALANCE, BEGINNING OF YEAR | <u>160,718</u> | <u>10,942</u> | <u>(4,434)</u> | <u>(67,119)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 162,788</u> | <u>\$ (31,239)</u> | <u>\$ 0</u> | <u>\$ (41,780)</u> |

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2019

| | Airport Improvements | Infrastructure Public Works Facility | Infrastructure Revolving | Storm Sewer Improvements | Totals |
|--|-------------------------|--|-----------------------------|-----------------------------|---------------------|
| REVENUES | | | | | |
| Interest Income | \$ 1,023 | \$ 18,578 | \$ 7,961 | \$ | \$ 29,632 |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | | | | | 55,140 |
| Public Works | | 38,300 | | | 41,481 |
| Culture and Recreation | | | | | 8,175 |
| Economic Development | | | | | 9,805 |
| Total Expenditures | <u>0</u> | <u>38,300</u> | <u>0</u> | <u>0</u> | <u>114,601</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,023 | (19,722) | 7,961 | 0 | (84,969) |
| TRANSFERS | | | | | |
| Transfers In | | 250,000 | 299,359 | | 613,252 |
| Transfers Out | | | (141,657) | (1,921) | (143,578) |
| Total Transfers | <u>0</u> | <u>250,000</u> | <u>157,702</u> | <u>(1,921)</u> | <u>469,674</u> |
| Net Change in Fund Balances | 1,023 | 230,278 | 165,663 | (1,921) | 384,705 |
| FUND BALANCE, BEGINNING OF YEAR | <u>79,422</u> | <u>1,449,096</u> | <u>599,261</u> | <u>1,921</u> | <u>2,229,807</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 80,445</u> | <u>\$ 1,679,374</u> | <u>\$ 764,924</u> | <u>\$ 0</u> | <u>\$ 2,614,512</u> |

INDIVIDUAL FUND STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 GENERAL FUND
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and Investments | \$ 3,617,283 | \$ 3,498,333 |
| Receivables | | |
| Accounts | 51,818 | 64,348 |
| Interest | 127,431 | 108,530 |
| Delinquent Property Taxes | 35,260 | 42,561 |
| Special Assessments | | 874 |
| Due from Other Governmental Units | 41,572 | 86,869 |
| Prepaid Items | <u>65,450</u> | <u>57,541</u> |
| Total Assets | <u>\$ 3,938,814</u> | <u>\$ 3,859,056</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts Payable | \$ 51,096 | \$ 51,909 |
| Accrued Salaries | 73,124 | 56,590 |
| Due to Other Governmental Units | <u>41,313</u> | <u>129,971</u> |
| Total Liabilities | 165,533 | 238,470 |
| Deferred Inflows of Resources | | |
| Unavailable Revenue | | |
| Delinquent Property Taxes | 35,260 | 42,561 |
| Special Assessments | | 874 |
| Total Deferred Inflows of Resources | <u>35,260</u> | <u>43,435</u> |
| Fund Balance | | |
| Nonspendable | 65,450 | 57,541 |
| Assigned | 2,170,931 | 2,056,155 |
| Unassigned | <u>1,501,640</u> | <u>1,463,455</u> |
| Total Fund Balance | <u>3,738,021</u> | <u>3,577,151</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 3,938,814</u> | <u>\$ 3,859,056</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | | 2018 |
|--|--------------------|---------------------|------------------------------|---------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Property Taxes | \$ 2,127,055 | \$ 2,138,462 | \$ 11,407 | \$ 1,954,421 |
| Lodging Tax | 39,885 | 41,393 | 1,508 | 2,706 |
| Licenses and Permits | 124,900 | 258,752 | 133,852 | 174,679 |
| Intergovernmental | 2,081,127 | 2,119,099 | 37,972 | 2,105,689 |
| Charges for Services | 249,833 | 284,889 | 35,056 | 234,528 |
| Fines and Forfeits | 21,000 | 41,087 | 20,087 | 32,899 |
| Interest Income | 40,000 | 58,477 | 18,477 | 66,987 |
| Miscellaneous | 31,500 | 38,923 | 7,423 | 30,648 |
| Total Revenues | <u>4,715,300</u> | <u>4,981,082</u> | <u>265,782</u> | <u>4,602,557</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 1,222,021 | 1,109,928 | (112,093) | 971,403 |
| Public Safety | 2,147,769 | 2,143,620 | (4,149) | 1,999,555 |
| Public Works | 1,326,477 | 1,326,323 | (154) | 1,231,461 |
| Culture and Recreation | 667,477 | 636,669 | (30,808) | 569,724 |
| Economic Development | 200 | | (200) | |
| Capital Outlay | | | | |
| General Government | 2,856 | 2,756 | (100) | 2,756 |
| Public Works | | 1,300 | 1,300 | |
| Culture and Recreation | 10,750 | 9,771 | (979) | 19,542 |
| Total Expenditures | <u>5,377,550</u> | <u>5,230,367</u> | <u>(147,183)</u> | <u>4,794,441</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (662,250) | (249,285) | 412,965 | (191,884) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from the Sale of an Asset | 2,000 | 26,518 | 24,518 | 11,563 |
| Transfers In | 649,750 | 649,750 | | 672,398 |
| Transfers Out | (10,000) | (266,113) | (256,113) | (322,492) |
| Total Other Financing Sources (Uses) | <u>641,750</u> | <u>410,155</u> | <u>(231,595)</u> | <u>361,469</u> |
| Net Change in Fund Balance | <u>\$ (20,500)</u> | 160,870 | <u>\$ 181,370</u> | 169,585 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>3,577,151</u> | | <u>3,407,566</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 3,738,021</u> | | <u>\$ 3,577,151</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|-----------------------------------|-----------------|--------------|------------------------------|--------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Property Taxes | \$ 2,127,055 | \$ 2,138,462 | \$ 11,407 | \$ 1,954,421 |
| Lodging Tax | 39,885 | 41,393 | 1,508 | 2,706 |
| Licenses and Permits | | | | |
| Business Licenses and Permits | 97,550 | 115,130 | 17,580 | 118,197 |
| Non-Business Licenses and Permits | 27,350 | 143,622 | 116,272 | 56,482 |
| Total Licenses and Permits | 124,900 | 258,752 | 133,852 | 174,679 |
| Intergovernmental | | | | |
| Local Governmental Aid | 1,938,215 | 1,938,215 | | 1,935,223 |
| Firemen's Relief Aid | 60,000 | 64,954 | 4,954 | 64,236 |
| Police State Aid | 70,000 | 77,856 | 7,856 | 69,601 |
| PERA Aid | 9,412 | 9,412 | | 9,412 |
| Police Training Reimbursement | 3,500 | 9,942 | 6,442 | 7,656 |
| Other | | 18,720 | 18,720 | 19,561 |
| Total Intergovernmental | 2,081,127 | 2,119,099 | 37,972 | 2,105,689 |
| Charges for Services | | | | |
| General Government | 31,850 | 39,265 | 7,415 | 36,481 |
| Public Safety | 167,500 | 170,631 | 3,131 | 130,066 |
| Public Works | 3,000 | 3,360 | 360 | 13,549 |
| Culture and Recreation | 47,483 | 71,633 | 24,150 | 54,432 |
| Total Charges for Services | 249,833 | 284,889 | 35,056 | 234,528 |
| Fines and Forfeits | 21,000 | 41,087 | 20,087 | 32,899 |
| Interest Income | 40,000 | 58,477 | 18,477 | 66,987 |
| Miscellaneous | | | | |
| Rents | 2,000 | 1,650 | (350) | 1,935 |
| Donations | | 10,208 | 10,208 | 10,243 |
| Insurance Dividend | | 5,980 | 5,980 | 6,271 |
| Other | 29,500 | 21,085 | (8,415) | 12,199 |
| Total Miscellaneous | 31,500 | 38,923 | 7,423 | 30,648 |
| Total Revenues | 4,715,300 | 4,981,082 | 265,782 | 4,602,557 |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|---|------------------|------------------|---------------------------|------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| City Council | \$ 30,072 | \$ 25,555 | \$ (4,517) | \$ 25,368 |
| Publication of Ordinances and Proceedings | 6,200 | 5,890 | (310) | 5,125 |
| Mayor | 8,544 | 6,927 | (1,617) | 6,858 |
| City Administrator | 304,197 | 286,637 | (17,560) | 277,064 |
| Elections and Voter's Registration | | | | 15,422 |
| Boards and Commissions | 7,630 | 5,799 | (1,831) | 5,399 |
| Finance | | | | |
| Municipal Clerk | 109,109 | 95,531 | (13,578) | 89,941 |
| Assessor | 47,250 | 69,999 | 22,749 | 22,794 |
| Independent Accounting and Auditing | 30,000 | 20,550 | (9,450) | 24,800 |
| Purchasing | 46,461 | 35,650 | (10,811) | 35,673 |
| Technology Services | 47,194 | 54,258 | 7,064 | 44,014 |
| Legal | 122,725 | 137,819 | 15,094 | 103,494 |
| Planning and Zoning | 65,200 | 56,119 | (9,081) | 80,422 |
| Advertising | 21,500 | 15,469 | (6,031) | 18,569 |
| Government Buildings | | | | |
| City Hall | 36,700 | 30,682 | (6,018) | 32,465 |
| G.A.R. Hall | 19,300 | 13,417 | (5,883) | 20,295 |
| Other | 319,939 | 249,626 | (70,313) | 163,700 |
| Total General Government | 1,222,021 | 1,109,928 | (112,093) | 971,403 |
| Public Safety | | | | |
| Police Protection | 1,607,340 | 1,663,477 | 56,137 | 1,516,985 |
| Fire Protection | 265,931 | 224,814 | (41,117) | 239,242 |
| Building Inspection | 117,255 | 112,767 | (4,488) | 109,897 |
| Civil Defense | 4,475 | 2,232 | (2,243) | 2,352 |
| Rescue Squad | 138,268 | 134,096 | (4,172) | 119,607 |
| Traffic Engineering | 11,900 | 4,360 | (7,540) | 9,361 |
| Animal Control | 2,600 | 1,874 | (726) | 2,111 |
| Total Public Safety | 2,147,769 | 2,143,620 | (4,149) | 1,999,555 |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|--|------------------|------------------|---------------------------|------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| EXPENDITURES (Cont'd) | | | | |
| Current (Cont'd) | | | | |
| Public Works | | | | |
| Administration and Engineering | \$ 31,550 | \$ 23,406 | \$ (8,144) | \$ 18,370 |
| Streets and Alleys | 1,018,087 | 1,031,604 | 13,517 | 988,824 |
| Snow and Ice Removal | 46,223 | 66,672 | 20,449 | 25,962 |
| Sidewalks | 6,000 | 22 | (5,978) | 4,861 |
| Street Lighting | 4,575 | 6,271 | 1,696 | 4,475 |
| Maintenance Shop | 137,487 | 129,449 | (8,038) | 126,262 |
| Street Cleaning | 6,650 | 2,816 | (3,834) | 4,020 |
| Storm Drainage | 34,200 | 20,119 | (14,081) | 34,995 |
| Weed Control | 400 | | (400) | |
| Insect and Pest Control | 8,380 | 2,510 | (5,870) | 3,416 |
| Compost Site | 32,925 | 43,454 | 10,529 | 20,276 |
| Total Public Works | 1,326,477 | 1,326,323 | (154) | 1,231,461 |
| Culture and Recreation | | | | |
| Playgrounds | 35,500 | 29,682 | (5,818) | 35,346 |
| Swimming Pools and Beach | 8,850 | 20,384 | 11,534 | |
| Skating Rinks | 8,400 | 6,649 | (1,751) | 7,783 |
| Other Recreation | 45,700 | 42,326 | (3,374) | 44,352 |
| Camping Areas | 25,700 | 23,847 | (1,853) | 20,807 |
| Municipal Parks | 279,150 | 265,602 | (13,548) | 240,041 |
| Band | 3,750 | 3,051 | (699) | 2,400 |
| Forestry and Shade Trees | 45,673 | 34,000 | (11,673) | 33,149 |
| Library | 214,754 | 211,128 | (3,626) | 185,846 |
| Total Culture and Recreation | 667,477 | 636,669 | (30,808) | 569,724 |
| Economic Development | 200 | | (200) | |
| Total Current | 5,363,944 | 5,216,540 | (147,404) | 4,772,143 |
| Capital Outlay | | | | |
| General Government | 2,856 | 2,756 | (100) | 2,756 |
| Public Works | | 1,300 | 1,300 | |
| Culture and Recreation | 10,750 | 9,771 | (979) | 19,542 |
| Total Capital Outlay | 13,606 | 13,827 | 221 | 22,298 |
| Total Expenditures | 5,377,550 | 5,230,367 | (147,183) | 4,794,441 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (662,250) | (249,285) | 412,965 | (191,884) |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|--------------------------------------|--------------------|---------------------|------------------------------|---------------------|
| | Final Budget | Actual | | Actual |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from the Sale of an Asset | \$ 2,000 | \$ 26,518 | \$ 24,518 | \$ 11,563 |
| Transfers In | 649,750 | 649,750 | | 672,398 |
| Transfers Out | (10,000) | (266,113) | (256,113) | (322,492) |
| Total Other Financing Sources (Uses) | <u>641,750</u> | <u>410,155</u> | <u>(231,595)</u> | <u>361,469</u> |
| Net Change in Fund Balance | <u>\$ (20,500)</u> | 160,870 | <u>\$ 181,370</u> | 169,585 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>3,577,151</u> | | <u>3,407,566</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 3,738,021</u> | | <u>\$ 3,577,151</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TRAIL PROJECT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|-----------------|--------------|---------------------------------|--------------|
| | Final Budget | Actual | | Actual |
| REVENUES | \$ | \$ | \$ | \$ |
| EXPENDITURES | | | | |
| Net Change in Fund Balance | <u>\$</u> | <u>0</u> | <u>\$</u> | <u>0</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>1,294</u> | | <u>1,294</u> |
| FUND BALANCE, END OF YEAR | | <u>\$</u> | | <u>\$</u> |
| | | <u>1,294</u> | | <u>1,294</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GOLF COURSE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|--|--------------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Charges for Services | | | | |
| Memberships | \$ 250,700 | \$ 264,865 | \$ 14,165 | \$ 257,344 |
| Sales and Other | 37,000 | 36,509 | (491) | 34,942 |
| Total Charges for Services | <u>287,700</u> | <u>301,374</u> | <u>13,674</u> | <u>292,286</u> |
| Interest Income | | 1,479 | 1,479 | 1,069 |
| Miscellaneous | | | | |
| Other | 8,000 | 6,281 | (1,719) | 8,470 |
| Insurance Dividend | | 491 | 491 | 537 |
| Total Miscellaneous | <u>8,000</u> | <u>6,772</u> | <u>(1,228)</u> | <u>9,007</u> |
| Total Revenues | <u>295,700</u> | <u>309,625</u> | <u>13,925</u> | <u>302,362</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture and Recreation | | | | |
| Salaries and Benefits | 131,447 | 157,868 | 26,421 | 128,651 |
| Operating Supplies | 101,500 | 150,785 | 49,285 | 143,329 |
| Professional Services | 2,000 | 1,885 | (115) | 2,085 |
| Communications | 3,000 | 2,239 | (761) | 3,662 |
| Insurance | 10,000 | 10,096 | 96 | 9,822 |
| Utilities | 8,500 | 6,573 | (1,927) | 6,598 |
| Repairs and Maintenance | 23,500 | 17,445 | (6,055) | 26,688 |
| Rentals | 35,500 | 35,774 | 274 | 35,718 |
| Miscellaneous | 69,499 | 41,909 | (27,590) | 36,455 |
| Total Expenditures | <u>384,946</u> | <u>424,574</u> | <u>39,628</u> | <u>393,008</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (89,246) | (114,949) | (25,703) | (90,646) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | 187,635 | 187,635 | 95,000 |
| Net Change in Fund Balance | <u>\$ (89,246)</u> | <u>72,686</u> | <u>\$ 161,932</u> | <u>4,354</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>190,995</u> | | <u>186,641</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 263,681</u> | | <u>\$ 190,995</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DOWNTOWN/HERITAGE PRESERVATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|-----------------|-----------|---------------------------------|------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ | \$ 8,300 | \$ 8,300 | \$ |
| Investment Income | | 1,293 | 1,293 | 937 |
| Total Revenue | 0 | 9,593 | 9,593 | 937 |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic Development | | | | |
| Other Services and Charges | | 21,914 | 21,914 | 25,036 |
| Net Change in Fund Balance | \$ 0 | (12,321) | \$ (12,321) | (24,099) |
| FUND BALANCE, BEGINNING OF YEAR | | 106,580 | | 130,679 |
| FUND BALANCE, END OF YEAR | | \$ 94,259 | | \$ 106,580 |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AIRPORT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|--|-----------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Intergovernmental | \$ 30,028 | \$ 28,658 | \$ (1,370) | \$ 33,373 |
| Charges for Services | | | | |
| Fuel Sales | 65,000 | 58,009 | (6,991) | 65,543 |
| Interest Income | 200 | 2,465 | 2,265 | 1,420 |
| Miscellaneous | | | | |
| Rental Income | 16,945 | 16,370 | (575) | 16,565 |
| Insurance Dividend | | 454 | 454 | 474 |
| Total Miscellaneous | <u>16,945</u> | <u>16,824</u> | <u>(121)</u> | <u>17,039</u> |
| Total Revenues | <u>112,173</u> | <u>105,956</u> | <u>(6,217)</u> | <u>117,375</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Airport | | | | |
| Fuel | 53,000 | 53,043 | 43 | 58,338 |
| Insurance | 20,000 | 16,864 | (3,136) | 16,681 |
| Other Services and Charges | 28,550 | 21,501 | (7,049) | 24,313 |
| Repair and Maintenance | 1,525 | 1,369 | (156) | 886 |
| Total Expenditures | <u>103,075</u> | <u>92,777</u> | <u>(10,298)</u> | <u>100,218</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,098 | 13,179 | 4,081 | 17,157 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(9,098)</u> | <u>(9,098)</u> | | <u>(9,098)</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | 4,081 | <u>\$ 4,081</u> | 8,059 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>229,170</u> | | <u>221,111</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 233,251</u> | | <u>\$ 229,170</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CIVIC ARENA SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|---------------------------------------|-----------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Intergovernmental | \$ | \$ | \$ | \$ 50,000 |
| Charges for Services | 199,250 | 206,062 | 6,812 | 199,413 |
| Interest Income | 2,000 | 4,193 | 2,193 | 2,854 |
| Miscellaneous | | | | |
| Rents and Refunds | 8,000 | 11,207 | 3,207 | 9,463 |
| Insurance Dividend | | 374 | 374 | 405 |
| Total Miscellaneous | <u>8,000</u> | <u>11,581</u> | <u>3,581</u> | <u>9,868</u> |
| Total Revenues | <u>209,250</u> | <u>221,836</u> | <u>12,586</u> | <u>262,135</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture and Recreation | | | | |
| Salaries and Benefits | 82,154 | 81,514 | (640) | 88,225 |
| Insurance | 9,000 | 8,007 | (993) | 7,406 |
| Supplies | 20,500 | 17,457 | (3,043) | 16,309 |
| Repair and Maintenance | 22,000 | 14,720 | (7,280) | 9,330 |
| Other Services and Charges | 85,731 | 4,388 | (81,343) | 4,821 |
| Community Room | 5,847 | 4,535 | (1,312) | 2,356 |
| Rentals | | | | 5,552 |
| Utilities | 40,000 | 38,455 | (1,545) | 38,870 |
| Capital Outlay | | | | |
| Culture and Recreation | 3,018 | 2,518 | 500 | |
| Total Expenditures | <u>268,250</u> | <u>171,594</u> | <u>(96,656)</u> | <u>172,869</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | (59,000) | 50,242 | 109,242 | 89,266 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 59,000 | 59,000 | | 59,000 |
| Transfers Out | | (163,893) | (163,893) | (258,391) |
| Total Other Financing Sources (Uses) | <u>59,000</u> | <u>(104,893)</u> | <u>(163,893)</u> | <u>(199,391)</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | <u>(54,651)</u> | <u>\$ (54,651)</u> | <u>(110,125)</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>265,596</u> | | <u>375,721</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 210,945</u> | | <u>\$ 265,596</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 4-12 TOWMASTER SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|-----------------|------------------|---------------------------------|------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Tax Increment | \$ | \$ | \$ | \$ 367 |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic Development | | | | |
| Professional Services | | 1,347 | 1,347 | 1,740 |
| Miscellaneous | | 367 | 367 | 783 |
| Total Expenditures | <u>0</u> | <u>1,714</u> | <u>1,714</u> | <u>2,523</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | <u>(1,714)</u> | <u>\$ (1,714)</u> | <u>(2,156)</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>20,070</u> | | <u>22,226</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 18,356</u> | | <u>\$ 20,070</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 INFRASTRUCTURE STREET SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|------------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Intergovernmental | \$ 90,000 | \$ 103,197 | \$ 13,197 | \$ 93,930 |
| Interest Income | | 5,540 | 5,540 | 2,593 |
| Total Revenues | <u>90,000</u> | <u>108,737</u> | <u>18,737</u> | <u>96,523</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Works | | | | |
| Other Services and Charges | | 5,202 | 5,202 | 12,260 |
| Net Change in Fund Balance | <u>\$ 90,000</u> | 103,535 | <u>\$ 13,535</u> | 84,263 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>345,625</u> | | <u>261,362</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 449,160</u> | | <u>\$ 345,625</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|--|-----------------|------------------|---------------------------------|------------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Charges for Services | | | | |
| Professional Services | \$ 22,000 | \$ 18,090 | \$ (3,910) | \$ 20,600 |
| Sale of Lots | 40,000 | 27,020 | (12,980) | 27,665 |
| Total Charges for Services | <u>62,000</u> | <u>45,110</u> | <u>(16,890)</u> | <u>48,265</u> |
| Interest Income | 200 | 1,140 | 940 | 706 |
| Miscellaneous | | | | |
| Donations | | 241 | 241 | 173 |
| Insurance Dividends | | 156 | 156 | 112 |
| Total Miscellaneous | <u>0</u> | <u>397</u> | <u>397</u> | <u>285</u> |
| Total Revenues | <u>62,200</u> | <u>46,647</u> | <u>(15,553)</u> | <u>49,256</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| Salaries and Benefits | 24,072 | 21,535 | (2,537) | 19,001 |
| Supplies | 18,000 | 14,220 | (3,780) | 20,657 |
| Insurance | 3,000 | 4,365 | 1,365 | 3,197 |
| Repairs and Maintenance | 3,500 | 845 | (2,655) | 4,645 |
| Utilities | 2,500 | 964 | (1,536) | 1,418 |
| Rentals | 800 | 1,020 | 220 | 719 |
| Miscellaneous | 10,446 | 9,993 | (453) | 13,577 |
| Total Expenditures | <u>62,318</u> | <u>52,942</u> | <u>(9,376)</u> | <u>63,214</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (118) | (6,295) | (6,177) | (13,958) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 10,000 | 10,000 | | 10,000 |
| Transfers Out | (9,882) | (9,882) | | (9,882) |
| Total Other Financing Sources (Uses) | <u>118</u> | <u>118</u> | <u>0</u> | <u>118</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | <u>(6,177)</u> | <u>\$ (6,177)</u> | <u>(13,840)</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>89,057</u> | | <u>102,897</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 82,880</u> | | <u>\$ 89,057</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 PERMANENT IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|-----------------|------------------|---------------------------------|-----------------|
| | Final Budget | Actual | | Actual |
| REVENUES | | | | |
| Interest Income | \$ | \$ 140 | \$ 140 | \$ 45 |
| Miscellaneous | | | | |
| Other | | 4,823 | 4,823 | 3,444 |
| Total Revenues | <u>0</u> | <u>4,963</u> | <u>4,963</u> | <u>3,489</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | <u>4,963</u> | <u>\$ 4,963</u> | <u>3,489</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>8,104</u> | | <u>4,615</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 13,067</u> | | <u>\$ 8,104</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY REINVESTMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 | |
|--|-----------------|------------|---------------------------------|------------|
| | Final Budget | Actual | Over (Under) Final Budget | Actual |
| REVENUES | | | | |
| Interest Income | \$ | \$ 2,318 | \$ 2,318 | \$ 1,416 |
| Miscellaneous | | | | |
| Donations | | | | 155,750 |
| Other | 4,000 | | (4,000) | 667 |
| Total Miscellaneous | 4,000 | 0 | (4,000) | 156,417 |
| Total Revenues | 4,000 | 2,318 | (1,682) | 157,833 |
| EXPENDITURES | | | | |
| Current | | | | |
| Culture and Recreation | | | | |
| Professional Services | | | | 56,171 |
| Other | | | | 108 |
| Capital Outlay | | | | |
| Culture and Recreation | | 3,325 | 3,325 | 380,882 |
| Total Expenditures | 0 | 3,325 | 3,325 | 437,161 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 4,000 | (1,007) | (5,007) | (279,328) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | 56,655 | 56,655 | 125,228 |
| Net Change in Fund Balance | \$ 4,000 | 55,648 | \$ 51,648 | (154,100) |
| FUND BALANCE, BEGINNING OF YEAR | | 186,330 | | 340,430 |
| FUND BALANCE, END OF YEAR | | \$ 241,978 | | \$ 186,330 |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 HIGHWAY 12 BEAUTIFICATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 |
|---------------------------------|-----------------|---------------|---------------------------------|---------------|
| | Final Budget | Actual | | Actual |
| REVENUES | \$ | \$ | \$ | \$ |
| EXPENDITURES | | | | |
| Net Change in Fund Balance | <u>\$ 0</u> | 0 | <u>\$ 0</u> | 0 |
| FUND BALANCE, BEGINNING OF YEAR | | <u>857</u> | | <u>857</u> |
| FUND BALANCE, END OF YEAR | | <u>\$ 857</u> | | <u>\$ 857</u> |

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 LAKE RIPLEY IMPROVEMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | Over (Under) Final Budget | 2018 | |
|---------------------------------|-----------------|------------------|---------------------------------|--------|------------------|
| | Final Budget | Actual | | Actual | |
| REVENUES | | | | | |
| Intergovernmental | \$ | \$ 335 | \$ 335 | \$ | |
| Interest Income | | 163 | 163 | | 227 |
| Miscellaneous | | | | | |
| Donations | | 1,425 | 1,425 | | 5,335 |
| Total Revenues | <u>0</u> | <u>1,923</u> | <u>1,923</u> | | <u>5,562</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Culture and Recreation | | | | | |
| Supplies | | | | | 930 |
| Repairs and Maintenance | | | | | 18,001 |
| Miscellaneous | | 2,806 | 2,806 | | 1,289 |
| Total Expenditures | <u>0</u> | <u>2,806</u> | <u>2,806</u> | | <u>20,220</u> |
| Net Change in Fund Balance | <u>\$ 0</u> | <u>(883)</u> | <u>\$ (883)</u> | | <u>(14,658)</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | | | |
| | | <u>13,815</u> | | | <u>28,473</u> |
| FUND BALANCE, END OF YEAR | | | | | |
| | | <u>\$ 12,932</u> | | | <u>\$ 13,815</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 245,464 | \$ 243,259 |
| Accounts Receivable | 523 | 371 |
| Inventories | 286,424 | 293,451 |
| Prepaid Items | 5,909 | 6,083 |
| Total Current Assets | <u>538,320</u> | <u>543,164</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Assets Not Being Depreciated | 112,600 | 112,600 |
| Other Capital Assets, Net of Depreciation | 1,151,898 | 1,179,017 |
| Total Noncurrent Assets | <u>1,264,498</u> | <u>1,291,617</u> |
| Total Assets | <u>1,802,818</u> | <u>1,834,781</u> |
| Deferred Outflows of Resources | <u>14,521</u> | <u>30,929</u> |
| Total Asses and Deferred Outflows of Resources | <u>\$ 1,817,339</u> | <u>\$ 1,865,710</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 33,470 | \$ 24,228 |
| Accrued Salaries | 5,245 | 4,513 |
| Unearned Revenue | 3,267 | 3,267 |
| Due to Other Governmental Units | 23,806 | 24,391 |
| Total Current Liabilities | <u>65,788</u> | <u>56,399</u> |
| Long-Term Liabilities | | |
| Net Pension Liability | 128,408 | 141,928 |
| Total OPEB Liability | 22,733 | 33,552 |
| Other Long-Term Liabilities | 10,601 | 10,413 |
| Total Long-Term Liabilities | <u>161,742</u> | <u>185,893</u> |
| Total Liabilities | <u>227,530</u> | <u>242,292</u> |
| Deferred Inflows of Resources | 49,177 | 41,481 |
| Net Position | | |
| Net Investment in Capital Assets | 1,264,498 | 1,291,617 |
| Unrestricted | 276,134 | 290,320 |
| Total Net Position | <u>1,540,632</u> | <u>1,581,937</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 1,817,339</u> | <u>\$ 1,865,710</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 |
|---|--------------|--------------|--------------|
| | Budget | Actual | Actual |
| OPERATING REVENUES | | | |
| Sales | \$ 2,422,300 | \$ 2,646,060 | \$ 2,563,158 |
| Cost of Goods Sold | (1,864,100) | (2,017,146) | (1,928,208) |
| Gross Profit on Sales | 558,200 | 628,914 | 634,950 |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | 271,324 | 267,730 | 272,520 |
| Supplies | 15,400 | 10,709 | 12,206 |
| Other Services and Charges | 213,376 | 121,671 | 115,019 |
| Depreciation | | 27,119 | 28,058 |
| Total Operating Expenses | 500,100 | 427,229 | 427,803 |
| Operating Income (Loss) | 58,100 | 201,685 | 207,147 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 800 | 2,578 | 1,580 |
| Miscellaneous Revenue | 100 | 1,067 | 1,278 |
| Total Nonoperating Revenues (Expenses) | 900 | 3,645 | 2,858 |
| Income (Loss) Before Transfers | 59,000 | 205,330 | 210,005 |
| TRANSFERS | | | |
| Transfers Out | (59,000) | (246,635) | (238,657) |
| Change in Net Position | \$ 0 | (41,305) | (28,652) |
| NET POSITION, BEGINNING OF YEAR | | 1,581,937 | 1,610,589 |
| NET POSITION, END OF YEAR | | \$ 1,540,632 | \$ 1,581,937 |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 5,303,246 | \$ 4,609,754 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 475,523 | 441,170 |
| Current Portion of Special Assessments Receivable | 250,989 | 242,618 |
| Prepaid Items | 16,766 | 18,094 |
| Total Current Assets | <u>6,046,524</u> | <u>5,311,636</u> |
| Noncurrent Assets | | |
| Restricted Cash | 1,035,000 | |
| Special Assessments Receivable, Net of Current Portion | 4,574,177 | 4,825,166 |
| Capital Assets | | |
| Assets Not Being Depreciated | 21,373 | 21,373 |
| Other Capital Assets, Net of Depreciation | 36,387,296 | 37,546,198 |
| Total Noncurrent Assets | <u>42,017,846</u> | <u>42,392,737</u> |
| Total Assets | <u>48,064,370</u> | <u>47,704,373</u> |
| Deferred Outflows of Resources | <u>21,738</u> | <u>43,231</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 48,086,108</u> | <u>\$ 47,747,604</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 32,532 | \$ 4,904 |
| Accrued Salaries | 7,886 | 6,430 |
| Accrued Interest Payable | 186,067 | 200,636 |
| Current Portion of Other Long-Term Liabilities | 2,572,000 | 1,484,000 |
| Total Current Liabilities | <u>2,798,485</u> | <u>1,695,970</u> |
| Long-Term Liabilities | | |
| Net Pension Liability | 197,210 | 198,381 |
| Total OPEB Liability | 30,311 | 46,897 |
| Other Long-Term Liabilities, Net of Current Portion | 20,702,240 | 21,595,395 |
| Total Long-Term Liabilities | <u>20,929,761</u> | <u>21,840,673</u> |
| Total Liabilities | <u>23,728,246</u> | <u>23,536,643</u> |
| Deferred Inflows of Resources | 116,118 | 57,981 |
| Net Position | | |
| Net Investment in Capital Assets | 13,110,527 | 14,508,089 |
| Unrestricted | 11,131,217 | 9,644,891 |
| Total Net Position | <u>24,241,744</u> | <u>24,152,980</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 48,086,108</u> | <u>\$ 47,747,604</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 |
|---|---------------------|----------------------|----------------------|
| | Budget | Actual | Actual |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 4,009,258 | \$ 4,098,863 | \$ 3,941,722 |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | 396,451 | 392,944 | 307,205 |
| Supplies | 467,000 | 365,288 | 389,442 |
| Other Services and Charges | 1,394,080 | 899,084 | 864,589 |
| Depreciation | | 1,158,902 | 1,165,039 |
| Total Operating Expenses | <u>2,257,531</u> | <u>2,816,218</u> | <u>2,726,275</u> |
| Operating Income (Loss) | <u>1,751,727</u> | <u>1,282,645</u> | <u>1,215,447</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Special Assessments Revenue | 417,457 | 174,839 | 182,930 |
| Interest Income | 17,518 | 61,979 | 35,157 |
| Miscellaneous Revenue | | 9,964 | 22,609 |
| Interest Expense and Fiscal Charges | (516,323) | (527,539) | (533,120) |
| Total Nonoperating Revenues (Expenses) | <u>(81,348)</u> | <u>(280,757)</u> | <u>(292,424)</u> |
| Income (Loss) Before Transfers | <u>1,670,379</u> | <u>1,001,888</u> | <u>923,023</u> |
| TRANSFERS | | | |
| Transfer In | | 12,000 | |
| Transfers Out | (183,250) | (925,124) | (584,505) |
| Total Transfers | <u>(183,250)</u> | <u>(913,124)</u> | <u>(584,505)</u> |
| Change in Net Position | <u>\$ 1,487,129</u> | <u>88,764</u> | <u>338,518</u> |
| NET POSITION, BEGINNING OF YEAR | | <u>24,152,980</u> | <u>23,814,462</u> |
| NET POSITION, END OF YEAR | | <u>\$ 24,241,744</u> | <u>\$ 24,152,980</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 7,620,070 | \$ 6,480,752 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 957,936 | 1,086,363 |
| Inventories | 339,851 | 348,149 |
| Prepaid Items | 21,590 | 21,544 |
| Total Current Assets | <u>8,939,447</u> | <u>7,936,808</u> |
| Noncurrent Assets | | |
| Restricted Cash | 999,500 | 999,500 |
| Capital Assets | | |
| Assets Not Being Depreciated | 1,199,218 | 796,404 |
| Other Capital Assets, Net of Depreciation | 16,676,400 | 17,336,894 |
| Total Noncurrent Assets | <u>18,875,118</u> | <u>19,132,798</u> |
| Total Assets | <u>27,814,565</u> | <u>27,069,606</u> |
| Deferred Outflows of Resources | | |
| | <u>388,881</u> | <u>479,401</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 28,203,446</u> | <u>\$ 27,549,007</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 426,988 | \$ 548,836 |
| Accrued Salaries | 21,904 | 20,962 |
| Accrued Interest Payable | 123,353 | 133,495 |
| Due to Other Governmental Units | 21,709 | 23,010 |
| Current Portion of Other Long-Term Liabilities | 847,000 | 822,000 |
| Total Current Liabilities | <u>1,440,954</u> | <u>1,548,303</u> |
| Long-Term Liabilities | | |
| Net Pension Liability | 550,250 | 522,410 |
| Total OPEB Liability | 75,778 | 123,497 |
| Other Long-Term Liabilities, Net of Current Portion | 9,450,244 | 10,336,775 |
| Total Long-Term Liabilities | <u>10,076,272</u> | <u>10,982,682</u> |
| Total Liabilities | <u>11,517,226</u> | <u>12,530,985</u> |
| Deferred Inflows of Resources | | |
| | 197,441 | 152,686 |
| Net Position | | |
| Net Investment in Capital Assets | 7,979,192 | 7,410,268 |
| Unrestricted | 8,509,587 | 7,455,068 |
| Total Net Position | <u>16,488,779</u> | <u>14,865,336</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 28,203,446</u> | <u>\$ 27,549,007</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 ELECTRIC ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 |
|---|-------------------|----------------------|----------------------|
| | Budget | Actual | Actual |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 10,330,043 | \$ 10,583,366 | \$ 10,334,790 |
| Miscellaneous | 20,000 | 39,205 | 39,578 |
| Total Operating Revenues | <u>10,350,043</u> | <u>10,622,571</u> | <u>10,374,368</u> |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | 1,088,953 | 1,108,700 | 957,819 |
| Purchased Power | 6,106,537 | 6,102,577 | 6,119,627 |
| Production | 154,100 | 153,505 | 125,813 |
| Distribution | 216,917 | 251,703 | 174,613 |
| Administrative and General | 1,229,883 | 167,724 | 170,883 |
| Depreciation | | 685,078 | 680,910 |
| Total Operating Expenses | <u>8,796,390</u> | <u>8,469,287</u> | <u>8,229,665</u> |
| Operating Income (Loss) | <u>1,553,653</u> | <u>2,153,284</u> | <u>2,144,703</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental Revenue | | 250,000 | |
| Interest Income | 21,965 | 86,404 | 42,581 |
| Miscellaneous Revenue | 7,000 | 36,137 | 73,063 |
| Interest Expense and Fiscal Charges | (310,903) | (294,132) | (323,827) |
| Gain (Loss) on Disposal of an Asset | | | (3,346) |
| Total Nonoperating Revenues (Expenses) | <u>(281,938)</u> | <u>78,409</u> | <u>(211,529)</u> |
| Income (Loss) Before Transfers | <u>1,271,715</u> | <u>2,231,693</u> | <u>1,933,174</u> |
| TRANSFERS | | | |
| Transfers Out | <u>(508,250)</u> | <u>(608,250)</u> | <u>(558,250)</u> |
| Change in Net Position | <u>\$ 763,465</u> | <u>1,623,443</u> | <u>1,374,924</u> |
| NET POSITION, BEGINNING OF YEAR | | <u>14,865,336</u> | <u>13,490,412</u> |
| NET POSITION, END OF YEAR | | <u>\$ 16,488,779</u> | <u>\$ 14,865,336</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
WATER ENTERPRISE FUND
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,853,719 | \$ 1,790,553 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 87,845 | 92,480 |
| Prepaid Items | 4,015 | 4,602 |
| Total Current Assets | <u>1,945,579</u> | <u>1,887,635</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Assets Not Being Depreciated | 243,493 | 243,493 |
| Other Capital Assets, Net of Depreciation | 3,941,638 | 4,252,466 |
| Total Noncurrent Assets | <u>4,185,131</u> | <u>4,495,959</u> |
| Total Assets | <u>6,130,710</u> | <u>6,383,594</u> |
| Deferred Outflows of Resources | <u>6,467</u> | <u>12,687</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 6,137,177</u></u> | <u><u>\$ 6,396,281</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 6,610 | \$ 1,940 |
| Accrued Salaries | 2,184 | 11,937 |
| Accrued Interest Payable | 8,289 | 56,150 |
| Deposits Payable | 53,850 | 695 |
| Due to Other Governmental Units | 731 | 318,000 |
| Current Portion of Other Long-Term Liabilities | 30,000 | 388,722 |
| Total Current Liabilities | <u>101,664</u> | <u>388,722</u> |
| Long-Term Liabilities | | |
| Net Pension Liability | 60,591 | 58,223 |
| Total OPEB Liability | 7,578 | 13,764 |
| Other Long-Term Liabilities, Net of Current Portion | 633,262 | 658,997 |
| Total Long-Term Liabilities | <u>701,431</u> | <u>730,984</u> |
| Total Liabilities | <u>803,095</u> | <u>1,119,706</u> |
| Deferred Inflows of Resources | 21,270 | 17,017 |
| Net Position | | |
| Net Investment in Capital Assets | 3,535,131 | 3,527,959 |
| Unrestricted | 1,777,681 | 1,731,599 |
| Total Net Position | <u>5,312,812</u> | <u>5,259,558</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u><u>\$ 6,137,177</u></u> | <u><u>\$ 6,396,281</u></u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2019 | | 2018 |
|---|-------------------|---------------------|---------------------|
| | Budget | Actual | Actual |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 902,006 | \$ 891,673 | \$ 911,340 |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | 128,136 | 127,601 | 51,846 |
| Other Services and Charges | 5,129 | 5,129 | 5,129 |
| Purchased Power | 83,000 | 74,718 | 71,952 |
| Production | 74,600 | 43,516 | 69,066 |
| Distribution | 105,800 | 86,248 | 102,392 |
| Administrative and General | 255,113 | 32,368 | 28,279 |
| Depreciation | | 310,828 | 315,284 |
| Total Operating Expenses | <u>651,778</u> | <u>680,408</u> | <u>643,948</u> |
| Operating Income (Loss) | <u>250,228</u> | <u>211,265</u> | <u>267,392</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 7,815 | 23,683 | 13,883 |
| Miscellaneous Revenue | | 4,927 | 1,985 |
| Interest Expense and Fiscal Charges | (30,573) | (28,371) | (37,733) |
| Gain (Loss) on Disposal of an Asset | | | (16,219) |
| Total Nonoperating Revenues (Expenses) | <u>(22,758)</u> | <u>239</u> | <u>(38,084)</u> |
| Income (Loss) Before Transfers | <u>227,470</u> | <u>211,504</u> | <u>229,308</u> |
| TRANSFERS | | | |
| Transfers Out | <u>(58,250)</u> | <u>(158,250)</u> | <u>(177,598)</u> |
| Change in Net Position | <u>\$ 169,220</u> | <u>53,254</u> | <u>51,710</u> |
| NET POSITION, BEGINNING OF YEAR | | <u>5,259,558</u> | <u>5,207,848</u> |
| NET POSITION, END OF YEAR | | <u>\$ 5,312,812</u> | <u>\$ 5,259,558</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 1,416,135 | \$ 1,366,497 |
| Receivables | | |
| Accounts Receivable (Net) | | 88,829 |
| Delinquent Property Taxes | 1,064 | 2,031 |
| Due from Other Governmental Units | 23 | 566 |
| Total Current Assets | <u>1,417,222</u> | <u>1,457,923</u> |
| Noncurrent Assets | | |
| Capital Assets | | |
| Other Capital Assets, Net of Depreciation | <u>2,261,133</u> | <u>2,356,487</u> |
| Total Assets | <u><u>\$ 3,678,355</u></u> | <u><u>\$ 3,814,410</u></u> |
| LIABILITIES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Current Portion of Equipment Capital Notes | \$ | \$ 75,000 |
| Net Position | | |
| Net Investment in Capital Assets | 2,261,133 | 2,281,487 |
| Unrestricted | <u>1,417,222</u> | <u>1,457,923</u> |
| Total Net Position | <u>3,678,355</u> | <u>3,739,410</u> |
| Total Liabilities and Net Position | <u><u>\$ 3,678,355</u></u> | <u><u>\$ 3,814,410</u></u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| User Charges | \$ 595,497 | \$ 505,700 |
| OPERATING EXPENSES | | |
| Other Services and Charges | 214,646 | 70,221 |
| Depreciation | <u>571,168</u> | <u>483,608</u> |
| Total Operating Expenses | <u>785,814</u> | <u>553,829</u> |
| Operating Income (Loss) | (190,317) | (48,129) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Taxes | | 40,557 |
| Intergovernmental | 20,000 | 60,000 |
| Interest Income | 19,416 | 11,590 |
| Gain on Disposal of Asset | 32,346 | |
| Interest Expense and Fiscal Charges | (1,500) | (4,861) |
| Miscellaneous Expense | | <u>(450)</u> |
| Total Nonoperating Revenues (Expenses) | <u>70,262</u> | <u>106,836</u> |
| Income (Loss) Before Transfers | (120,055) | 58,707 |
| TRANSFERS | | |
| Transfers In | <u>59,000</u> | <u>75,461</u> |
| Change in Net Position | (61,055) | 134,168 |
| NET POSITION, BEGINNING OF YEAR | <u>3,739,410</u> | <u>3,605,242</u> |
| NET POSITION, END OF YEAR | <u>\$ 3,678,355</u> | <u>\$ 3,739,410</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

| | Library | Lake Ripley Cemetery | Anderson Gardens | Totals | |
|----------------------------------|------------------|-------------------------|---------------------|-------------------|-------------------|
| | | | | 2019 | 2018 |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash | \$ 33,286 | \$ 5,077 | \$ 195,993 | \$ 234,356 | \$ 228,483 |
| Accounts Receivable | 126 | | | 126 | 126 |
| Total Assets | <u>\$ 33,412</u> | <u>\$ 5,077</u> | <u>\$ 195,993</u> | <u>\$ 234,482</u> | <u>\$ 228,609</u> |
| NET POSITION | | | | | |
| Held in Trust for Other Purposes | <u>\$ 33,412</u> | <u>\$ 5,077</u> | <u>\$ 195,993</u> | <u>\$ 234,482</u> | <u>\$ 228,609</u> |

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

| | Library | Lake Ripley Cemetery | Anderson Gardens | Totals | |
|--|------------------|-------------------------|---------------------|-------------------|-------------------|
| | | | | 2019 | 2018 |
| ADDITIONS | | | | | |
| Donations | \$ | \$ 10,630 | \$ | \$ 10,630 | \$ 700 |
| Interest Income | 423 | 89 | 2,492 | 3,004 | 1,734 |
| Total Additions | 423 | 10,719 | 2,492 | 13,634 | 2,434 |
| DEDUCTIONS | | | | | |
| Professional Services | 11 | 7,750 | | 7,761 | 1,200 |
| Change in Net Position | 412 | 2,969 | 2,492 | 5,873 | 1,234 |
| NET POSITION, BEGINNING OF YEAR | <u>33,000</u> | <u>2,108</u> | <u>193,501</u> | <u>228,609</u> | <u>227,375</u> |
| NET POSITION, END OF YEAR | <u>\$ 33,412</u> | <u>\$ 5,077</u> | <u>\$ 195,993</u> | <u>\$ 234,482</u> | <u>\$ 228,609</u> |

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council
City of Litchfield
Litchfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2020.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

April 20, 2020

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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 Members of the City Council
City of Litchfield
Litchfield, 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 Litchfield, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

April 20, 2020

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

FINDING: 2019-001 LIMITED SEGREGATION OF DUTIES

- Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
- Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.
- Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.
- Effect: The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
- Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Joyce Spreiter, Assistant City Administrator

Planned Completion Date for CAP:

December 31, 2020

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (Cont'd)

FINDING: 2019-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Finding:

The City is aware of this; however, due to significant cost and a limited number of employees, the City believes it's in their best financial interest to contract for the preparation of the financial statements.

Official Responsible for Ensuring CAP:

Joyce Spreiter, Assistant City Administrator

Planned Completion Date for CAP:

December 31, 2020

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019

| <u>Comment Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>Year Finding Initially Occurred</u> | <u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u> |
|--------------------------------------|---------------------------------------|---------------|--|---|
| Financial Statement Findings: | | | | |
| 2018-001 | Limited Segregation of Duties | Not Corrected | 2017 | See current year finding 2019-001 |
| 2018-002 | Auditor Prepared Financial Statements | Not Corrected | 2007 | See current year finding 2019-002 |
| Minnesota Legal Compliance Findings: | | | | |
| None | | | | |