

# Annual Financial Report

**City of Arlington**  
Arlington, Minnesota

For the Year Ended  
December 31, 2019

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City of Arlington, Minnesota  
Annual Financial Report  
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INTRODUCTORY SECTION

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Arlington, Minnesota  
 Elected and Appointed Officials  
 For the Year Ended December 31, 2019

**Elected**

Name	Title	Term Expires
Richard Nagel	Mayor	12/31/22
Michelle Battcher	Vice Mayor	12/31/22
Tom Hatlestad	Council	12/31/20
Laura Gilman	Council	12/31/22
Joe Morgan	Council	12/31/20
<i>*Vacant</i>	Council	12/31/20

**Appointed**

Pat Melvin	Administrator
Ross Arneson	Attorney

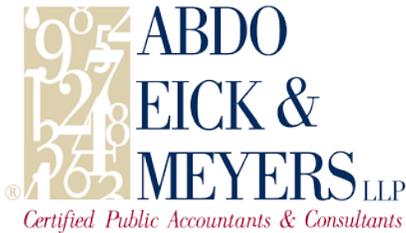
\*Councilperson resigned effective 12/9/2019, new appointment took Oath of Office 1/6/2020.

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FINANCIAL SECTION  
CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Arlington, 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 Arlington, Minnesota, (the City) 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**

The City's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 of material misstatement.

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

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

### **Opinions**

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

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## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 82 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.

### **Other Information**

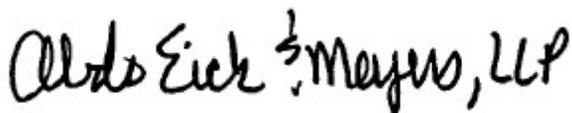
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 10, 2020

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## Management's Discussion and Analysis

As management of the City of Arlington, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,352,858 (net position). Of this amount, \$4,467,271 (unrestricted assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$802,854. Of this increase, business-type activities (enterprise fund) had an increase of \$255,433 due to an increase in charges for services. Governmental activities had an increase of \$547,421, mostly due to an increase in capital grants and contributions and charges for services.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,102,659, an increase of \$258,218 in comparison with the prior year. Approximately 35.2 percent of the total fund balance is available for spending at the City's discretion, \$1,052,689 as unassigned, and \$471,859 has been assigned for specific purposes, \$624,698 committed for specific purpose, and \$3,953,413 restricted.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,141,582, or 86.6 percent of total General fund expenditures.
- The City's total debt increased by \$1,890,000, or 18.2 percent during the current fiscal year. This change relates to the retirement of \$1,205,000 existing debt and the issuance of \$3,095,000 new debt.

### Overview of the Financial Statements

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

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

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

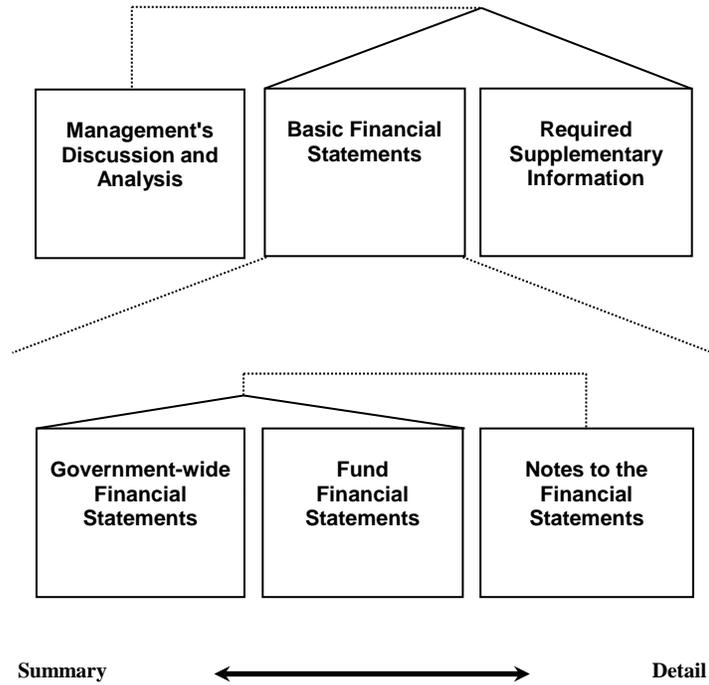


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

The City maintains 28 individual governmental funds, 11 of which are Debt Service funds, which are reported as one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Ambulance, Debt Service, Capital Equipment, and 2019 Street Improvements all of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

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

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric utility, water utility, sewer utility and storm water drainage.

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

The basic proprietary fund financial statements can be found starting on page 46 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 51 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Arlington's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension. Required supplementary information can be found starting on page 82 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 88 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,352,858 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (63.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Arlington's Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,273,493	\$ 6,831,186	\$ 442,307	\$ 2,888,265	\$ 2,507,948	\$ 380,317
Capital assets	8,693,064	7,834,462	858,602	14,788,043	13,797,800	990,243
<b>Total Assets</b>	<b>15,966,557</b>	<b>14,665,648</b>	<b>1,300,909</b>	<b>17,676,308</b>	<b>16,305,748</b>	<b>1,370,560</b>
Deferred outflows of resources	553,017	309,018	243,999	22,226	12,682	9,544
<b>Liabilities</b>						
Long-term liabilities outstanding	6,238,697	5,270,026	968,671	6,627,154	5,503,362	1,123,792
Other liabilities	252,239	259,239	(7,000)	259,148	251,871	7,277
<b>Total Liabilities</b>	<b>6,490,936</b>	<b>5,529,265</b>	<b>961,671</b>	<b>6,886,302</b>	<b>5,755,233</b>	<b>1,131,069</b>
Deferred inflows of resources	466,466	430,650	35,816	21,546	27,944	(6,398)
<b>Net Position</b>						
Net investment in capital assets	4,491,938	4,685,922	(193,984)	8,391,155	8,381,277	9,878
Restricted	3,002,494	2,348,781	653,713	-	99,360	(99,360)
Unrestricted	2,067,740	1,980,048	87,692	2,399,531	2,054,616	344,915
<b>Total Net Position</b>	<b>\$ 9,562,172</b>	<b>\$ 9,014,751</b>	<b>\$ 547,421</b>	<b>\$ 10,790,686</b>	<b>\$ 10,535,253</b>	<b>\$ 255,433</b>

An additional portion of the City's net position (14.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (21.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position increased by \$802,854 during the current fiscal year. This was largely due business-type charges for services exceeding expenditures. There was also an increase in governmental-type capital grants and contributions and charges for services that contributed to the increase.

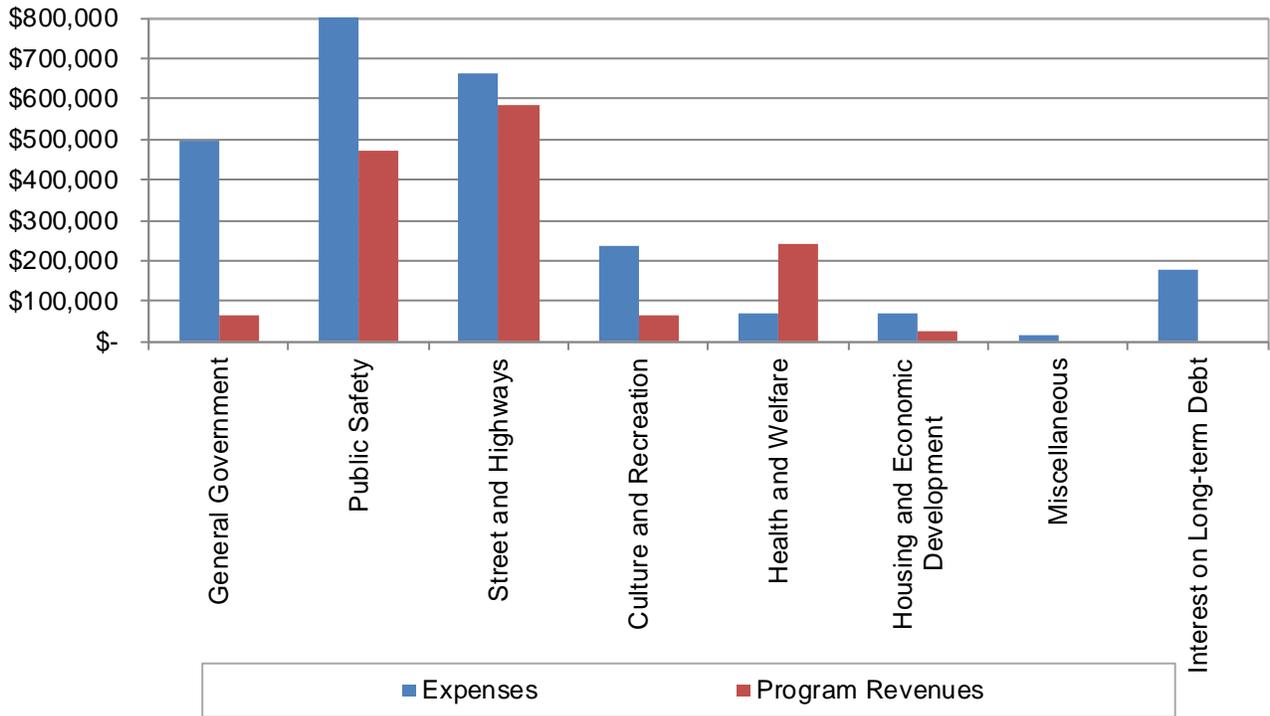
**Governmental activities.** Governmental activities increased the City's net position by \$547,421. Key elements of this increase are as follows:

### City of Arlington's Changes in Net Position

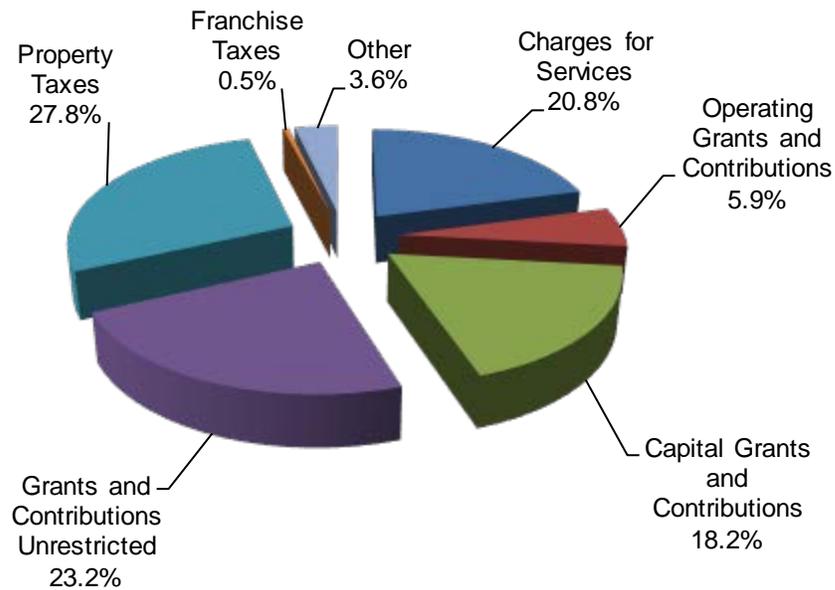
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 676,814	\$ 530,764	\$ 146,050	\$ 3,016,568	\$ 2,888,111	\$ 128,457
Operating grants and contributions	190,772	189,892	880	592	1,049	(457)
Capital grants and contributions	588,018	84,892	503,126	13,372	-	13,372
General Revenues						
Property taxes	900,424	847,190	53,234	-	-	-
Other taxes	15,402	15,442	(40)	-	-	-
Grants and contributions not restricted to specific programs	750,362	750,762	(400)	-	-	-
Other revenue	5,638	6,876	(1,238)	-	-	-
Unrestricted investment earnings	111,411	25,795	85,616	62,955	13,491	49,464
Gain on sale of capital assets	-	5,503	(5,503)	-	-	-
<b>Total Revenues</b>	<b>3,238,841</b>	<b>2,457,116</b>	<b>781,725</b>	<b>3,093,487</b>	<b>2,902,651</b>	<b>190,836</b>
Expenses						
General government	496,574	456,881	39,693	-	-	-
Public safety	964,120	832,216	131,904	-	-	-
Streets and highways	662,160	624,244	37,916	-	-	-
Culture and recreation	236,420	255,536	(19,116)	-	-	-
Health and welfare	69,930	70,176	(246)	-	-	-
Economic development	70,714	61,185	9,529	-	-	-
Miscellaneous	15,085	22,338	(7,253)	-	-	-
Interest on long-term debt	180,186	161,754	18,432	-	-	-
Electric utility	-	-	-	1,910,821	1,844,829	65,992
Water utility	-	-	-	332,552	293,560	38,992
Sewer utility	-	-	-	508,474	487,673	20,801
Storm water drainage	-	-	-	82,438	54,340	28,098
<b>Total Expenses</b>	<b>2,695,189</b>	<b>2,484,330</b>	<b>210,859</b>	<b>2,834,285</b>	<b>2,680,402</b>	<b>153,883</b>
Increase (decrease) in net assets before transfers	543,652	(27,214)	570,866	259,202	222,249	36,953
Transfers and capital contributions	3,769	18,345	(14,576)	(3,769)	(18,345)	14,576
<b>Change in Net Position</b>	<b>547,421</b>	<b>(8,869)</b>	<b>556,290</b>	<b>255,433</b>	<b>203,904</b>	<b>51,529</b>
Net Position - January 1	9,014,751	9,023,620	(8,869)	10,535,253	10,331,349	203,904
<b>Net Position - December 31</b>	<b>\$ 9,562,172</b>	<b>\$ 9,014,751</b>	<b>\$ 547,421</b>	<b>\$ 10,790,686</b>	<b>\$ 10,535,253</b>	<b>\$ 255,433</b>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities

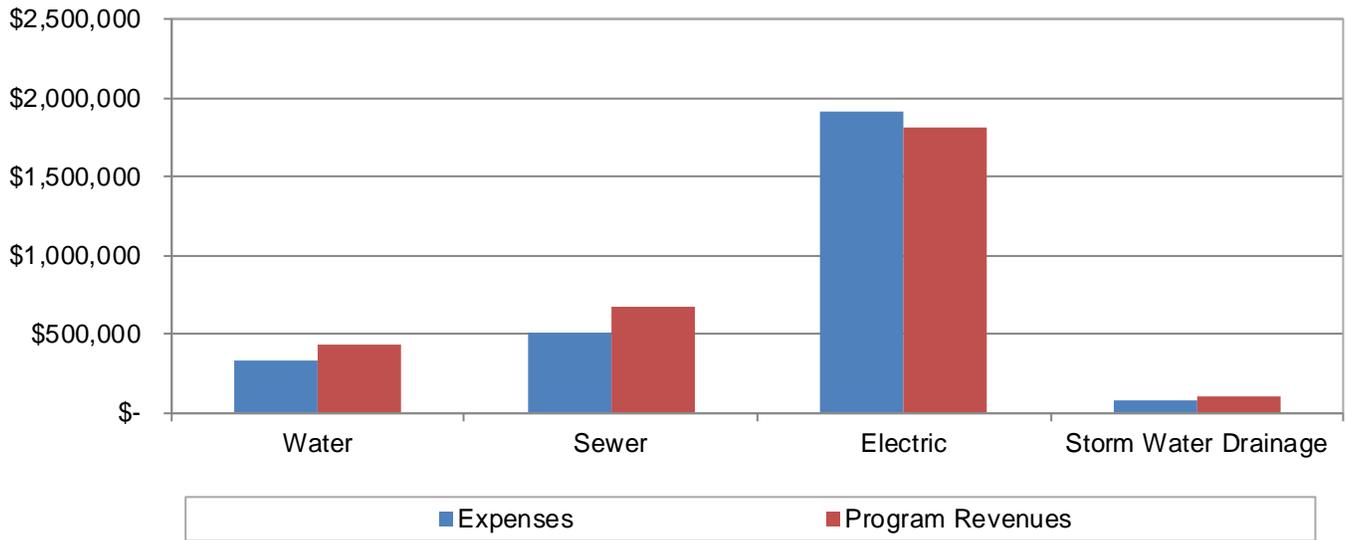


### Revenues by Source - Governmental Activities

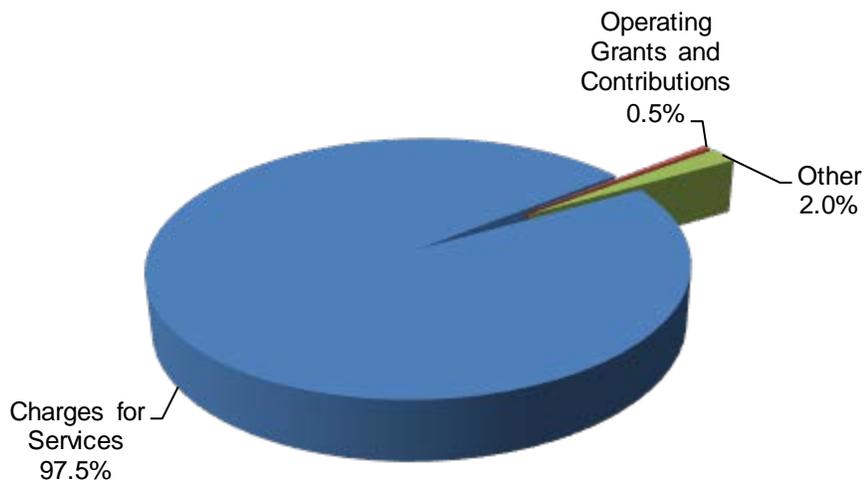


**Business-type activities.** Business-type activities increased the City's net position by \$255,433. The key element of this increase was stable expenditures and charges for services in excess of expenditures.

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



### Revenue by Source Business-type Activities



## Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,102,659, an increase of \$258,218 in comparison with the prior year. Approximately 17.2 percent of this total fund balance amount, (\$1,052,689) constitutes *unrestricted fund balance*, which is available for spending at the City's discretion, with \$624,698 committed, \$471,859 assigned for the purposes described in the fund balance section of each balance sheet. The remainder of fund balance is not available for new spending because it is restricted (\$3,953,413) for the purposes described in the fund balance section of each balance sheet.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,145,021. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 86.6 percent of that same amount.

The fund balance of the City's General fund increased by \$20,305 during the current fiscal year. Some of the key factors in this increase were as follows:

- All revenue categories increased from prior year, the largest increases being taxes (\$70,677), investment earnings (\$25,806), and miscellaneous revenues (\$27,224).
- Streets and highways current expenditures increased by \$110,989 and Public Safety current expenditures increased by \$91,562.
- Capital outlay expenditures were \$25,388 less than prior year.

The *Ambulance fund* has a total fund balance of \$379,870. The net increase in fund balance during the current year was \$93,706. The key factor in this increase was an increase in charges for services of \$73,768.

The *Debt Service fund* has a total fund balance of \$2,514,009, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$210,583.

The *Capital Equipment fund* has a total fund balance of \$616,881. The net increase in fund balance during the current year was \$156,449. The key factor in this increase was bonds proceeds for equipment and street lighting that were not fully spent during the year.

The *2019 Street Improvements fund* has a total fund balance of \$188,096. The net increase in fund balance during the current year was \$211,862. The key factor in this increase was bond proceeds in excess of 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 of the enterprise funds at the end of the year amounted to \$2,399,531. The total increase in net position for the funds was \$255,433. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$81,943 and actual expenditures were \$74,409 over budget for the year.

The excess revenues over budget is due to miscellaneous revenues and investment earnings exceeding budget by \$42,064 and \$23,708, respectively. Streets and highways current expenditures were over budget by \$98,915, contributing to expenditures being less than budgeted.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$23,481,107 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- The purchase of a 2016 Ford Explorer costing \$23,019
- The completion of the ARMAR Tower totaling \$99,965
- The library replace the carpet for \$7,700
- Purchase of a GI W Flow Meter for \$7,460
- Cement Pad for NE Substation costing \$28,897
- Pole Replacement project costing \$86,196
- Additions to the 2019 Street Improvement Project totaled \$2,429,879
- Down payment for a Fire Tanker costing \$110,250, being outfitted and expected to be delivered in 2020

Additional information on the City of Arlington's capital assets can be found in Note 3C starting on page 63 of this report.

### City of Arlington's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 373,670	\$ 373,670	\$ -	\$ 27,500	\$ 27,500	\$ -
Buildings and Improvements Infrastructure and Other	2,497,273	2,627,605	(130,332)	13,218,073	13,554,630	(336,557)
Improvements	3,590,803	3,678,315	(87,512)	-	-	-
Machinery and Equipment	342,279	374,091	(31,812)	182,415	195,162	(12,747)
Motor Vehicles	664,815	757,140	(92,325)	-	-	-
Construction in Progress	1,224,224	23,641	1,200,583	1,360,055	20,508	1,339,547
<b>Total</b>	<b>\$ 8,693,064</b>	<b>\$ 7,834,462</b>	<b>\$ 858,602</b>	<b>\$ 14,788,043</b>	<b>\$ 13,797,800</b>	<b>\$ 990,243</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,280,000. Of this amount, \$396,000 is general obligation debt, \$6,905,000 is special assessment debt and \$4,979,000 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Arlington's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Equipment Certificates	\$ 396,000	\$ 264,000	\$ 132,000	\$ -	\$ -	\$ -
General Obligation Special Assessment Bonds	3,758,807	2,809,477	949,330	3,146,193	1,795,523	1,350,670
General Obligation Revenue Bonds	1,635,000	1,900,000	(265,000)	2,640,000	2,846,000	(206,000)
Revenue Bonds	-	-	-	704,000	775,000	(71,000)
<b>Total</b>	<b>\$ 5,789,807</b>	<b>\$ 4,973,477</b>	<b>\$ 816,330</b>	<b>\$ 6,490,193</b>	<b>\$ 5,416,523</b>	<b>\$ 1,073,670</b>

The City's total debt increased by \$1,890,000 (18.2 percent) during the current fiscal year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$3,641,595 which is significantly in excess of the City's outstanding general obligation debt of \$396,000.

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

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

- The unemployment rate for Sibley County is currently 4.9 percent, which has decreased from the prior year's rate of 5.9. This compares unfavorably to the State's average unemployment rate of 3.5 percent and unfavorably to the national average rate of 3.4 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$1,145,021. It is intended that this use of available fund balance will avoid the need to excessively raise taxes or charges during the 2020 fiscal year.

The tax levy increased by 4.69 percent for 2020.

#### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Arlington, 204 Shamrock Drive, Arlington, Minnesota 55307-9551.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Arlington, Minnesota  
Statement of Net Position  
December 31, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and temporary investments	\$ 3,892,604	\$ 2,198,545	\$ 6,091,149
Receivables			
Interest	4,972	2,733	7,705
Delinquent taxes	13,959	-	13,959
Accounts, net of allowance for uncollectibles	172,202	528,945	701,147
Notes, net of allowance for uncollectibles	1,881,458	-	1,881,458
Special assessments	854,755	16,058	870,813
Due from other governments	55,671	13,372	69,043
Inventories	-	128,612	128,612
Net pension asset	57,512	-	57,512
Assets held for resale	340,360	-	340,360
Capital assets			
Nondepreciable	1,597,894	1,387,555	2,985,449
Depreciable, net of accumulated depreciation	7,095,170	13,400,488	20,495,658
Total Assets	<u>15,966,557</u>	<u>17,676,308</u>	<u>33,642,865</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>553,017</u>	<u>22,226</u>	<u>575,243</u>
<b>Liabilities</b>			
Accounts payable	158,572	200,271	358,843
Due to other governments	7,882	-	7,882
Accrued interest payable	52,354	54,036	106,390
Accrued salaries payable	33,431	4,841	38,272
Noncurrent liabilities			
Due within one year	484,128	409,283	893,411
Due in more than one year	5,381,295	6,134,547	11,515,842
Net pension liability	373,274	83,324	456,598
Total Liabilities	<u>6,490,936</u>	<u>6,886,302</u>	<u>13,377,238</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>466,466</u>	<u>21,546</u>	<u>488,012</u>
<b>Net Position</b>			
Net investment in capital assets	4,491,938	8,391,155	12,883,093
Restricted for			
Arlington night event	3,439	-	3,439
Debt service	1,563,090	-	1,563,090
Loans	928,995	-	928,995
Cemetery operations	105,568	-	105,568
Park dedication	38,556	-	38,556
Street lighting project	100,000	-	100,000
Fire tanker	74,750	-	74,750
Future improvements	188,096	-	188,096
Unrestricted	<u>2,067,740</u>	<u>2,399,531</u>	<u>4,467,271</u>
Total Net Position	<u>\$ 9,562,172</u>	<u>\$ 10,790,686</u>	<u>\$ 20,352,858</u>

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

City of Arlington, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 496,574	\$ 63,775	\$ 1,702	\$ 586
Public safety	964,120	408,419	52,067	14,033
Streets and highways	662,160	10,180	-	573,399
Culture and recreation	236,420	61,935	1,713	-
Health and welfare	69,930	104,403	135,290	-
Housing and economic development	70,714	28,102	-	-
Miscellaneous	15,085	-	-	-
Interest on long-term debt	180,186	-	-	-
Total Governmental Activities	<u>2,695,189</u>	<u>676,814</u>	<u>190,772</u>	<u>588,018</u>
<b>Business-type Activities</b>				
Water utility	332,552	434,784	-	-
Sewer utility	508,474	673,641	-	-
Electric utility	1,910,821	1,815,861	592	-
Storm Water Drainage	82,438	92,282	-	13,372
Total Business-type Activities	<u>2,834,285</u>	<u>3,016,568</u>	<u>592</u>	<u>13,372</u>
Total Primary Government	<u>\$ 5,529,474</u>	<u>\$ 3,693,382</u>	<u>\$ 191,364</u>	<u>\$ 601,390</u>

General Revenues

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Franchise taxes  
Grants and contributions not restricted to specific programs  
Other revenues  
Unrestricted investment earnings  
Transfers and capital contributions  
Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (430,511)		\$ (430,511)
(489,601)		(489,601)
(78,581)		(78,581)
(172,772)		(172,772)
169,763		169,763
(42,612)		(42,612)
(15,085)		(15,085)
(180,186)		(180,186)
<u>(1,239,585)</u>		<u>(1,239,585)</u>
-	\$ 102,232	102,232
-	165,167	165,167
-	(94,368)	(94,368)
-	23,216	23,216
-	<u>196,247</u>	<u>196,247</u>
<u>(1,239,585)</u>	<u>196,247</u>	<u>(1,043,338)</u>
645,458	-	645,458
254,966	-	254,966
15,402	-	15,402
750,362	-	750,362
5,638	-	5,638
111,411	62,955	174,366
3,769	(3,769)	-
<u>1,787,006</u>	<u>59,186</u>	<u>1,846,192</u>
547,421	255,433	802,854
<u>9,014,751</u>	<u>10,535,253</u>	<u>19,550,004</u>
<u>\$ 9,562,172</u>	<u>\$ 10,790,686</u>	<u>\$ 20,352,858</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Arlington, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2019

	<b>202</b>		
	General	Ambulance	Debt Service
<b>Assets</b>			
Cash and temporary investments	\$ 1,170,444	\$ 280,149	\$ 852,825
Receivables			
Interest	1,415	375	929
Delinquent taxes	10,022	-	3,937
Accounts, net of allowance for uncollectibles	11,990	118,679	21,677
Notes, net of allowance for uncollectibles	-	-	1,635,000
Special assessments	3,287	-	732,498
Due from other governments	41,677	-	3,578
Advances to other funds	69,000	-	-
Assets held for resale	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$ 1,307,835</u></b>	<b><u>\$ 399,203</u></b>	<b><u>\$ 3,250,444</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 83,125	\$ 11,390	\$ -
Advances from other funds	-	-	-
Due to other governments	7,882	-	-
Accrued salaries payable	24,191	7,943	-
<b>Total Liabilities</b>	<b><u>115,198</u></b>	<b><u>19,333</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	10,022	-	3,937
Unavailable revenue - special assessments	3,287	-	732,498
Unavailable revenue - intergovernmental	34,307	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>47,616</u></b>	<b><u>-</u></b>	<b><u>736,435</u></b>
<b>Fund Balances</b>			
<b>Restricted for</b>			
Arlington night event	3,439	-	-
Future loans	-	-	-
Current loans	-	-	-
Cemetery operations	-	-	-
Debt service	-	-	2,514,009
Park dedication	-	-	-
Street lighting project	-	-	-
Fire tanker	-	-	-
Capital Projects	-	-	-
<b>Committed</b>			
Economic development	-	-	-
Cemetery operations	-	-	-
Fire department operations	-	-	-
Ambulance operations	-	379,870	-
Community Center operations	-	-	-
Medical center	-	-	-
<b>Assigned for</b>			
Capital projects	-	-	-
Unassigned	1,141,582	-	-
<b>Total Fund Balances</b>	<b><u>1,145,021</u></b>	<b><u>379,870</u></b>	<b><u>2,514,009</u></b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,307,835</u></b>	<b><u>\$ 399,203</u></b>	<b><u>\$ 3,250,444</u></b>

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

<b>401</b> Capital Equipment	<b>421</b> 2019 Street Improvements	Other Governmental Funds	Total Governmental Funds
\$ 689,270	\$ 237,727	\$ 662,189	\$ 3,892,604
599	627	1,027	4,972
-	-	-	13,959
-	-	19,856	172,202
-	-	246,458	1,881,458
-	-	118,970	854,755
10,416	-	-	55,671
-	-	-	69,000
-	-	340,360	340,360
<u>\$ 700,285</u>	<u>\$ 238,354</u>	<u>\$ 1,388,860</u>	<u>\$ 7,284,981</u>
\$ 3,988	\$ 50,258	\$ 9,811	\$ 158,572
69,000	-	-	69,000
-	-	-	7,882
-	-	1,297	33,431
<u>72,988</u>	<u>50,258</u>	<u>11,108</u>	<u>268,885</u>
-	-	-	13,959
-	-	118,970	854,755
10,416	-	-	44,723
<u>10,416</u>	<u>-</u>	<u>118,970</u>	<u>913,437</u>
-	-	-	3,439
-	-	682,537	682,537
-	-	246,458	246,458
-	-	105,568	105,568
-	-	-	2,514,009
-	-	38,556	38,556
100,000	-	-	100,000
74,750	-	-	74,750
-	188,096	-	188,096
-	-	4,362	4,362
-	-	6,952	6,952
-	-	136,966	136,966
-	-	-	379,870
-	-	4,623	4,623
-	-	91,925	91,925
442,131	-	29,728	471,859
-	-	(88,893)	1,052,689
<u>616,881</u>	<u>188,096</u>	<u>1,258,782</u>	<u>6,102,659</u>
<u>\$ 700,285</u>	<u>\$ 238,354</u>	<u>\$ 1,388,860</u>	<u>\$ 7,284,981</u>

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

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City of Arlington, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2019

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 6,102,659
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	8,693,064
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(5,789,807)
Compensated absences payable	(29,297)
Net pension liability	(373,274)
Net pension asset	57,512
Premium on bonds issues, net of accumulated amortization	(46,319)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes receivable	13,959
Special assessments receivable	854,755
Intergovernmental	44,723
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	553,017
Deferred inflows of resources	(466,466)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(52,354)</u>
Total Net Position - Governmental Activities	<u><u>\$ 9,562,172</u></u>

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

City of Arlington, Minnesota  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	<b>202</b>		
	General	Ambulance	Debt Service
<b>Revenues</b>			
Taxes	\$ 667,742	\$ -	\$ 254,378
Special assessments	71	-	204,597
Licenses and permits	42,748	-	-
Intergovernmental	807,982	275	-
Charges for services	19,693	325,328	-
Fines and forfeits	13,001	-	-
Investment earnings	32,208	8,481	21,530
Miscellaneous	50,664	4,059	70,998
Total Revenues	<u>1,634,109</u>	<u>338,143</u>	<u>551,503</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	388,869	-	-
Public safety	437,613	268,288	-
Streets and highways	345,801	-	-
Health and welfare	-	-	-
Culture and recreation	84,589	-	-
Housing and economic development	44,423	-	-
Miscellaneous	9,500	-	-
<b>Capital outlay</b>			
General government	586	-	-
Public safety	3,748	3,649	-
Streets and highways	370	-	-
Culture and recreation	2,145	-	-
Housing and economic development	-	-	-
<b>Debt service</b>			
Principal	-	-	803,670
Interest and other charges	-	-	147,821
Bond issuance costs	-	-	-
Total Expenditures	<u>1,317,644</u>	<u>271,937</u>	<u>951,491</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>316,465</u>	<u>66,206</u>	<u>(399,988)</u>
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	-	34,774
Bond premiums	-	-	-
Transfers in	24,500	27,500	154,631
Transfers out	(320,660)	-	-
Total Other Financing Sources (Uses)	<u>(296,160)</u>	<u>27,500</u>	<u>189,405</u>
<b>Net Change in Fund Balances</b>	20,305	93,706	(210,583)
<b>Fund Balances, January 1</b>	<u>1,124,716</u>	<u>286,164</u>	<u>2,724,592</u>
<b>Fund Balances, December 31</b>	<u>\$ 1,145,021</u>	<u>\$ 379,870</u>	<u>\$ 2,514,009</u>

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

<b>401</b> Capital Equipment	<b>421</b> 2019 Street Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,700	\$ 925,820
-	-	28,560	233,228
-	-	-	42,748
10,000	-	11,123	829,380
-	-	285,082	630,103
-	-	-	13,001
14,276	10,346	24,570	111,411
-	-	9,955	135,676
<u>24,276</u>	<u>10,346</u>	<u>362,990</u>	<u>2,921,367</u>
-	-	-	388,869
-	-	127,088	832,989
-	-	-	345,801
-	-	69,930	69,930
-	-	97,567	182,156
-	-	21,822	66,245
-	-	8,785	18,285
-	-	-	586
232,174	-	-	239,571
76,147	1,110,580	-	1,187,097
12,903	-	7,717	22,765
-	-	4,469	4,469
-	-	-	803,670
-	-	-	147,821
2,700	19,100	-	21,800
<u>323,924</u>	<u>1,129,680</u>	<u>337,378</u>	<u>4,332,054</u>
<u>(299,648)</u>	<u>(1,119,334)</u>	<u>25,612</u>	<u>(1,410,687)</u>
285,000	1,300,226	-	1,620,000
1,597	30,970	-	32,567
172,000	-	145,540	524,171
(2,500)	-	(184,673)	(507,833)
<u>456,097</u>	<u>1,331,196</u>	<u>(39,133)</u>	<u>1,668,905</u>
156,449	211,862	(13,521)	258,218
<u>460,432</u>	<u>(23,766)</u>	<u>1,272,303</u>	<u>5,844,441</u>
<u>\$ 616,881</u>	<u>\$ 188,096</u>	<u>\$ 1,258,782</u>	<u>\$ 6,102,659</u>

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

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City of Arlington, Minnesota  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2019

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 258,218
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Depreciation	(469,663)
Capital outlay	1,340,834
Contributed assets to business-type funds	(12,569)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	803,670
Debt issued or incurred	(1,620,000)
Bond premiums received net of amortization	(31,256)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(11,876)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(22,803)
Direct aid contributions	2,960
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(9,994)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	282,985
Intergovernmental	44,723
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(7,808)
 Change in Net Position - Governmental Activities	 \$ 547,421

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

City of Arlington, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
General and Ambulance Funds  
For the Year Ended December 31, 2019

	General			
	Budgeted Amounts		Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 650,299	\$ 650,299	\$ 667,742	\$ 17,443
Special assessments	-	-	71	71
Licenses and permits	47,800	47,800	42,748	(5,052)
Intergovernmental	816,370	816,370	807,982	(8,388)
Charges for services	12,597	12,597	19,693	7,096
Fines and forfeits	8,000	8,000	13,001	5,001
Investment earnings	8,500	8,500	32,208	23,708
Miscellaneous	8,600	8,600	50,664	42,064
Total Revenues	<u>1,552,166</u>	<u>1,552,166</u>	<u>1,634,109</u>	<u>81,943</u>
Expenditures				
Current				
General government	399,764	399,764	388,869	10,895
Public safety	441,094	441,094	437,613	3,481
Streets and highways	246,886	246,886	345,801	(98,915)
Culture and recreation	101,941	101,941	84,589	17,352
Housing and economic development	26,050	26,050	44,423	(18,373)
Miscellaneous	-	-	9,500	(9,500)
Capital outlay				
General government	-	-	586	(586)
Public safety	5,000	5,000	3,748	1,252
Streets and highways	17,000	17,000	370	16,630
Culture and recreation	5,500	5,500	2,145	3,355
Total Expenditures	<u>1,243,235</u>	<u>1,243,235</u>	<u>1,317,644</u>	<u>(74,409)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>308,931</u>	<u>308,931</u>	<u>316,465</u>	<u>7,534</u>
Other Financing Sources (Uses)				
Transfers in	24,500	24,500	24,500	-
Transfers out	<u>(315,100)</u>	<u>(315,100)</u>	<u>(320,660)</u>	<u>(5,560)</u>
Total Other Financing Sources (Uses)	<u>(290,600)</u>	<u>(290,600)</u>	<u>(296,160)</u>	<u>(5,560)</u>
Net Change in Fund Balances	18,331	18,331	20,305	1,974
Fund Balances, January 1	<u>1,124,716</u>	<u>1,124,716</u>	<u>1,124,716</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 1,143,047</u></u>	<u><u>\$ 1,143,047</u></u>	<u><u>\$ 1,145,021</u></u>	<u><u>\$ 1,974</u></u>

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

Ambulance

Budgeted Amounts		Amounts	Variance with Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
1,000	1,000	275	(725)
255,500	255,500	325,328	69,828
-	-	-	-
2,000	2,000	8,481	6,481
2,000	2,000	4,059	2,059
<u>260,500</u>	<u>260,500</u>	<u>338,143</u>	<u>77,643</u>
-	-	-	-
298,656	298,656	268,288	30,368
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	3,649	(3,649)
-	-	-	-
-	-	-	-
<u>298,656</u>	<u>298,656</u>	<u>271,937</u>	<u>26,719</u>
<u>(38,156)</u>	<u>(38,156)</u>	<u>66,206</u>	<u>104,362</u>
27,500	27,500	27,500	-
-	-	-	-
<u>27,500</u>	<u>27,500</u>	<u>27,500</u>	<u>-</u>
(10,656)	(10,656)	93,706	104,362
<u>286,164</u>	<u>286,164</u>	<u>286,164</u>	<u>-</u>
<u>\$ 275,508</u>	<u>\$ 275,508</u>	<u>\$ 379,870</u>	<u>\$ 104,362</u>

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

City of Arlington, Minnesota  
Statement of Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 918,778	\$ 565,830	\$ 529,469	\$ 184,468	\$ 2,198,545
Receivables					
Interest	1,142	736	823	32	2,733
Accounts, net of allowance for uncollectibles	68,657	134,100	283,564	42,624	528,945
Special assessments	1,728	4,615	566	658	7,567
Due from other governments	-	-	-	13,372	13,372
Inventories	-	-	128,612	-	128,612
Total Current Assets	<u>990,305</u>	<u>705,281</u>	<u>943,034</u>	<u>241,154</u>	<u>2,879,774</u>
<b>Noncurrent Assets</b>					
Special assessment receivables	3,068	5,423	-	-	8,491
Capital assets					
Land	-	-	27,500	-	27,500
Construction in progress	272,118	300,205	-	787,732	1,360,055
Building and improvements	4,682,380	10,765,989	6,182,719	908,801	22,539,889
Machinery and equipment	255,019	81,364	44,422	-	380,805
Total capital assets, at cost	5,209,517	11,147,558	6,254,641	1,696,533	24,308,249
Less accumulated depreciation	(1,928,784)	(3,401,214)	(4,126,679)	(63,529)	(9,520,206)
Total capital assets (net of accumulated depreciation)	<u>3,280,733</u>	<u>7,746,344</u>	<u>2,127,962</u>	<u>1,633,004</u>	<u>14,788,043</u>
Total Noncurrent Assets	<u>3,283,801</u>	<u>7,751,767</u>	<u>2,127,962</u>	<u>1,633,004</u>	<u>14,796,534</u>
Total Assets	<u>4,274,106</u>	<u>8,457,048</u>	<u>3,070,996</u>	<u>1,874,158</u>	<u>17,676,308</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	-	-	22,226	-	22,226
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	20,009	26,289	118,141	35,832	200,271
Accrued interest payable	10,297	19,349	8,117	16,273	54,036
Accrued salaries payable	-	-	4,841	-	4,841
Compensated absences - current portion	-	-	953	-	953
Bonds payable - current portion	47,081	274,441	40,000	46,808	408,330
Total Current Liabilities	<u>77,387</u>	<u>320,079</u>	<u>172,052</u>	<u>98,913</u>	<u>668,431</u>
<b>Noncurrent Liabilities</b>					
Compensated absences - long-term portion	-	-	18,474	-	18,474
Bonds payable - long-term portion	903,884	3,224,512	490,000	1,497,677	6,116,073
Net pension liability	-	-	83,324	-	83,324
Total Noncurrent Liabilities	<u>903,884</u>	<u>3,224,512</u>	<u>591,798</u>	<u>1,497,677</u>	<u>6,217,871</u>
Total Liabilities	<u>981,271</u>	<u>3,544,591</u>	<u>763,850</u>	<u>1,596,590</u>	<u>6,886,302</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	-	-	21,546	-	21,546
<b>Net Position</b>					
Net investment in capital assets	2,360,424	4,247,391	1,597,962	185,378	8,391,155
Unrestricted	932,411	665,066	709,864	92,190	2,399,531
Total Net Position	<u>\$ 3,292,835</u>	<u>\$ 4,912,457</u>	<u>\$ 2,307,826</u>	<u>\$ 277,568</u>	<u>\$ 10,790,686</u>

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

City of Arlington, Minnesota  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
Operating Revenues					
Sales	\$ 405,471	\$ 670,291	\$ 1,813,563	\$ 92,209	\$ 2,981,534
Operating Expenses					
Personal services	-	-	142,998	-	142,998
Supplies	224	224	1,905	-	2,353
Other services and charges	172,949	169,287	1,631,854	17,931	1,992,021
Insurance	2,747	9,495	2,296	-	14,538
Utilities	28,660	48,553	195	-	77,408
Depreciation	103,452	230,688	111,513	26,204	471,857
Total Operating Expenses	<u>308,032</u>	<u>458,247</u>	<u>1,890,761</u>	<u>44,135</u>	<u>2,701,175</u>
Operating Income (Loss)	<u>97,439</u>	<u>212,044</u>	<u>(77,198)</u>	<u>48,074</u>	<u>280,359</u>
Nonoperating Revenues (Expenses)					
Investment earnings	25,683	16,654	19,777	841	62,955
Intergovernmental	-	-	400	-	400
Miscellaneous income	29,313	3,350	2,490	73	35,226
Interest expense	(20,199)	(46,122)	(20,060)	(25,679)	(112,060)
Bond issuance costs	(4,321)	(4,105)	-	(12,624)	(21,050)
Total Nonoperating Revenues (Expenses)	<u>30,476</u>	<u>(30,223)</u>	<u>2,607</u>	<u>(37,389)</u>	<u>(34,529)</u>
Income (Loss) Before Transfers	127,915	181,821	(74,591)	10,685	245,830
Capital Contributions	-	-	-	13,372	13,372
Capital Contribution From Governmental Funds	-	12,569	-	-	12,569
Transfers Out	-	(16,338)	-	-	(16,338)
Change in Net Position	127,915	178,052	(74,591)	24,057	255,433
Net Position, January 1	<u>3,164,920</u>	<u>4,734,405</u>	<u>2,382,417</u>	<u>253,511</u>	<u>10,535,253</u>
Net Position, December 31	<u>\$ 3,292,835</u>	<u>\$ 4,912,457</u>	<u>\$ 2,307,826</u>	<u>\$ 277,568</u>	<u>\$ 10,790,686</u>

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

City of Arlington, Minnesota  
Statement of Cash Flows (Continued on the Following Pages)  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers	\$ 411,576	\$ 649,483	\$ 1,850,952	\$ 91,621	\$ 3,003,632
Payments to suppliers and vendors	(222,709)	(231,831)	(1,645,485)	(27,529)	(2,127,554)
Payments to and on behalf of employees	-	-	(142,882)	-	(142,882)
Other receipts	29,313	3,350	2,890	73	35,626
Net Cash Provided (Used) by Operating Activities	<u>218,180</u>	<u>421,002</u>	<u>65,475</u>	<u>64,165</u>	<u>768,822</u>
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	-	(16,338)	-	-	(16,338)
Cash Flows from Capital And Related Financing Activities					
Acquisition of capital assets	(260,827)	(282,118)	(115,093)	(752,472)	(1,410,510)
Bond proceeds	309,796	294,307	-	905,107	1,509,210
Principal paid on bonds	(47,081)	(267,441)	(40,000)	(46,808)	(401,330)
Interest paid on bonds	(17,366)	(44,423)	(20,460)	(16,448)	(98,697)
Bond issuance costs	(4,321)	(4,105)	-	(12,624)	(21,050)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,799)</u>	<u>(303,780)</u>	<u>(175,553)</u>	<u>76,755</u>	<u>(422,377)</u>
Cash Flows from Investing Activities					
Interest received on investments	<u>25,578</u>	<u>16,640</u>	<u>20,211</u>	<u>881</u>	<u>63,310</u>
Net Increase (Decrease) In Cash and Cash Equivalents	223,959	117,524	(89,867)	141,801	393,417
Cash and Cash Equivalents, January 1	<u>694,819</u>	<u>448,306</u>	<u>619,336</u>	<u>42,667</u>	<u>1,805,128</u>
Cash and Cash Equivalents, December 31	<u>\$ 918,778</u>	<u>\$ 565,830</u>	<u>\$ 529,469</u>	<u>\$ 184,468</u>	<u>\$ 2,198,545</u>

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

City of Arlington, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
Reconciliation of Operating					
Income (Loss) to Net Cash					
Provided (Used) by Operating Activities					
Operating income (loss)	\$ 97,439	\$ 212,044	\$ (77,198)	\$ 48,074	\$ 280,359
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income (expenses) related to operations	29,313	3,350	2,890	73	35,626
Depreciation	103,452	230,688	111,513	26,204	471,857
(Increase) decrease in assets					
Accounts receivable	4,482	(24,879)	36,777	(1,008)	15,372
Special assessments	1,623	4,071	612	420	6,726
Inventories	-	-	4,019	-	4,019
Increase (decrease) in deferred outflows of resources					
Deferred pension resources	-	-	(9,544)	-	(9,544)
Increase (decrease) in liabilities					
Accounts payable	(18,129)	(4,272)	(13,254)	(9,598)	(45,253)
Compensated absences payable	-	-	4,694	-	4,694
Net pension liability	-	-	11,218	-	11,218
Accrued salaries payable	-	-	146	-	146
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	-	-	(6,398)	-	(6,398)
Net Cash Provided (Used) by Operating Activities	<u>\$ 218,180</u>	<u>\$ 421,002</u>	<u>\$ 65,475</u>	<u>\$ 64,165</u>	<u>\$ 768,822</u>
Noncash Investing, Capital					
And Financing Activities					
Capital Assets Acquired on Account	<u>\$ 12,326</u>	<u>\$ 13,638</u>	<u>\$ -</u>	<u>\$ 35,782</u>	<u>\$ 61,746</u>
Capital Contribution From Governmental Funds	<u>\$ -</u>	<u>\$ 12,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,569</u>

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

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City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

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

*Blended Component Unit.* The Arlington Economic Development Authority (EDA) was established under Minnesota statutes, 469.090 through 469.108 for the purpose of promoting economic development within the City. The governing body of the EDA consists of the Mayor, the Economic Development Director, two council members and five council appointed members of the community. The EDA has a December 31 year end and is reported as a special revenue fund. Separate financial statements are not issued for the EDA. The EDA is presented as a blended component as the City is expected to repay the EDA's outstanding debt and has significant influence over activities of the 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The *Capital Equipment fund* accounts for current and future equipment purchases.

The *2019 Street Improvements fund* accounts for costs associated with the 2019 Street Improvements project.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

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

The *Electric Utility fund* accounts for the costs associated with the City's electric power and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the operation, maintenance, and capital improvements of the City's storm water system.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer and storm water drainage 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

#### *Deposits and Investments*

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

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to state statute section 126C.55
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 61.

The City has the following recurring fair value measurements as of December 31, 2019:

- Negotiable certificates of deposit of \$2,558,295 are valued using quoted market prices (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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

### ***Property Taxes***

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

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

### ***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2019 was \$35,247 in the Fire fund and \$39,560 in the Ambulance fund.

### ***Notes Receivable***

Notes receivable are stated at principal amounts plus accrued interest and are uncollateralized. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management reviews all notes receivable periodically and estimates a portion, if any, of the balance that will not be collected.

### ***Special Assessments***

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

### ***Interfund Receivables and Payables***

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

### ***Inventories and Prepaid Items***

Inventories of materials and supplies are recorded at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The City uses the consumption method to account for all prepaid items.

### ***Assets Held for Resale***

The EDA purchased land to be used as an industrial park in 2012. The current value of the assets held for resale as of December 31, 2019 is \$340,360.

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

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets, other than infrastructure assets, are defined as assets with an estimated life in excess of two years and an individual cost of more than \$5,000. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

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

Assets	Years
Land Improvements	10 - 20
Buildings and Building Improvements	15 - 40
Distribution and Collection System	15 - 50
Infrastructure	15 - 50
Furniture, Fixtures and Equipment	5 - 10

***Deferred Outflows of Resources***

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

***Compensated Absences***

It is the City's policy, adopted in December 18, 2017, to permit employees to accumulate earned but unused paid time off (PTO) benefits. Existing sick leave balances from the previous policy were frozen, to be used for extended sick time of more than three days, or a percentage paid out at termination based the length of service with the City. All PTO pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2019 is \$48,724. The General fund is typically used to liquidate governmental compensated absences payable.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEPFP, and Arlington Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Total Pension Expense
	GERP	PEPFP	FRA	
Pension Expense	\$ 29,512	\$ 52,469	\$ 32,217	\$ 114,198

***Deferred Inflows of Resources***

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

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

***Long-term Obligations***

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

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

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

### **Fund Balance**

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

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

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

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

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

### **Net Position**

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

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

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

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the following special revenue funds: Fire, Ambulance, Community Hall, and the Cemetery fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The Council heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no amendments during the year.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2019 expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 1,243,235	\$ 1,317,644	\$ 74,409
Non-major			
Special Revenue			
Community Hall	94,803	105,284	10,481
Cemetery	6,980	8,785	1,805

The expenditures were funded by revenues in excess of budget and available fund balance.

**C. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2019:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Capital Projects	
Circle Drive Improvements	88,893

These deficit will be funded through future collection of special assessments and future bond proceeds.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**A. Deposits and Investments**

***Deposits***

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$1,572,569 and the bank balance was \$1,613,584. Of the bank balance, \$301,210 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**Investments**

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
<b>Pooled Investments at Amortized Costs</b>					
4M Fund	N/A	less than 6 months	\$ 1,740,831		
Broker Money Market Funds	N/A	less than 6 months	219,454		
<b>Non-Pooled Investments at Fair Value</b>					
Negotiable certificates of deposit	N/A	6 months to 1 year	451,278	\$ -	\$ 451,278
Negotiable certificates of deposit	N/A	1 to 3 years	1,721,757	-	1,721,757
Negotiable certificates of deposit	N/A	more than 3 years	385,260	-	385,260
<b>Total Investments</b>			<b>\$ 4,518,580</b>	<b>\$ -</b>	<b>\$ 2,558,295</b>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The City has not adopted a formal investment policy but follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2019 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *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 that is rated in the highest quality category by at least two nationally recognized rating agencies. The City does not further limit the ratings of their investments.
- *Concentration Risk* - The City does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

***Cash and Investments Summary***

A reconciliation of cash and investments as shown on the statement of net position for the City, follows:

	Primary Government
Deposits	\$ 1,572,569
Investments	4,518,580
Cash and Temporary Investments	\$ 6,091,149

**B. Notes Receivable**

Local businesses have promissory notes with the City for various amounts. These notes will be paid back to the City at various monthly payments with interest at 2.0 percent to 5.0 percent per annum on all unpaid balances. The balance on these loans at December 31, 2019 is \$18,458. These notes are secured by mortgages on the properties.

The City has also issued notes to renovate and remodel business properties and also to finance the startup costs for operating a daycare. The balance of these notes at December 31, 2019 is \$3,409. These notes are unearned for 1 year, at which time the note is forgiven if the original property owner is still remains in business. The amount of the allowance for doubtful accounts for the forgivable portion is \$3,409.

In 2014 the City issued a note for building improvements at a 0 percent interest rate and due in full on July 16, 2044. The balance of this note at December 31, 2019 is \$228,000.

Effective January 1, 2014, the City has entered into a lease agreement with Ridgeview Sibley Medical Center (RSMC). The lease term is 30 years with annual payments equal to the Series 2010B Bonds' debt service plus an additional fixed amount per year. RSMC is required to pay additional rent at annual rate equal to 1 percent of the Hospital System's net book value, as calculated based on the Hospital Financial Statements, due June 30<sup>th</sup> of every year. Lease payments related to the debt service are due 20 days prior to the applicable debt service payments on June 1 and December 1. The note receivable balance as of December 31, 2019 is \$1,635,000 which is the bond portion of the agreement.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**C. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 373,670	\$ -	\$ -	\$ 373,670
Construction in progress	23,641	1,200,583	-	1,224,224
Total Capital Assets Not Being Depreciated	<u>397,311</u>	<u>1,200,583</u>	<u>-</u>	<u>1,597,894</u>
Capital Assets being Depreciated				
Buildings and improvements	7,738,981	7,700	-	7,746,681
Infrastructure and other improvements	5,537,066	96,965	-	5,634,031
Machinery and equipment	669,307	-	-	669,307
Motor vehicles	2,460,890	23,017	-	2,483,907
Total Capital Assets Being Depreciated	<u>16,406,244</u>	<u>127,682</u>	<u>-</u>	<u>16,533,926</u>
Less Accumulated Depreciation for				
Buildings and improvements	(5,111,376)	(138,032)	-	(5,249,408)
Infrastructure and other improvements	(1,858,751)	(184,477)	-	(2,043,228)
Machinery and equipment	(295,216)	(31,812)	-	(327,028)
Motor vehicles	(1,703,750)	(115,342)	-	(1,819,092)
Total Accumulated Depreciation	<u>(8,969,093)</u>	<u>(469,663)</u>	<u>-</u>	<u>(9,438,756)</u>
Total Capital Assets Being Depreciated, Net	<u>7,437,151</u>	<u>(341,981)</u>	<u>-</u>	<u>7,095,170</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,834,462</u>	<u>\$ 858,602</u>	<u>\$ -</u>	<u>\$ 8,693,064</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 27,500	\$ -	\$ -	\$ 27,500
Construction in progress	20,508	1,339,547	-	1,360,055
Total Capital Assets Not Being Depreciated	<u>48,008</u>	<u>1,339,547</u>	<u>-</u>	<u>1,387,555</u>
Capital Assets being Depreciated				
Buildings and improvements	22,424,796	115,093	-	22,539,889
Machinery and equipment	373,345	7,460	-	380,805
Total Capital Assets Being Depreciated	<u>22,798,141</u>	<u>122,553</u>	<u>-</u>	<u>22,920,694</u>
Less Accumulated Depreciation for				
Buildings and improvements	(8,870,166)	(451,650)	-	(9,321,816)
Machinery and equipment	(178,183)	(20,207)	-	(198,390)
Total Accumulated Depreciation	<u>(9,048,349)</u>	<u>(471,857)</u>	<u>-</u>	<u>(9,520,206)</u>
Total Capital Assets Being Depreciated, Net	<u>13,749,792</u>	<u>(349,304)</u>	<u>-</u>	<u>13,400,488</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,797,800</u>	<u>\$ 990,243</u>	<u>\$ -</u>	<u>\$ 14,788,043</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

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

**Governmental Activities**

General government	\$ 102,931
Public safety	98,950
Streets and highways	229,119
Culture and recreation	38,663
	<u>38,663</u>

Total Depreciation Expense - Governmental Activities	\$ 469,663
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**Business-type Activities**

Water	\$ 103,452
Sewer	230,688
Electric	111,513
Storm Water Drainage	26,204
	<u>26,204</u>

Total Depreciation Expense - Business-type Activities	\$ 471,857
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**D. Construction Commitments**

The City has one active construction project as of December 31, 2019. At year end, the City's commitment with the contractors was as follows:

Project	Spent-to-Date	Remaining Commitment
2019 Street and Utility Improvements	<u>\$ 2,112,950</u>	<u>\$ 188,331</u>

**Operating Leases**

The City leases copiers under noncancelable operating leases. In 2019, the City entered into two leases for copiers over a term of 60 months with monthly minimum payments of \$118 and \$59, respectively. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2020	\$ 2,124
2021	2,124
2022	2,124
2023	2,124
	<u>2,124</u>
Total	\$ 8,496

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**E. Interfund Receivables, Payables and Transfers**

Advances from/to other funds at December 31, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Equipment	\$ 69,000

The advance to the Capital Equipment fund from the General fund in the amount of \$161,000 was made in 2015 to fund the purchase of a new street sweeper. This interest free advance will be paid back over the next seven years in equal installments. The current balance of this loan is \$69,000.

Interfund transfers for the year ended December 31, 2019 are as follows:

	Transfer in					Total
	General Fund	Ambulance Fund	Debt Service Fund	Capital Equipment Fund	Nonmajor Governmental Funds	
Transfer Out						
General fund	\$ -	\$ 27,500	\$ 52,060	\$ 96,000	\$ 145,100	\$ 320,660
Capital Equipment fund	-	-	2,500	-	-	2,500
Nonmajor governmental funds	24,500	-	83,733	76,000	440	184,673
Sewer Utility fund	-	-	16,338	-	-	16,338
Total	\$ 24,500	\$ 27,500	\$ 154,631	\$ 172,000	\$ 145,540	\$ 524,171

Interfund transfers were made for the following purposes:

- The following transfers were made to cover special revenue fund deficits and to increase special revenue fund balances:
  - From the General fund to the Fire fund (\$94,100)
  - From the General fund to the Ambulance fund (\$27,500)
  - From the General fund to the Community Center fund (\$50,000)
  - From the General fund to the Cemetery fund (\$1,000)
  - From the Medical Center Lease Revenue fund to Community Center fund (\$440)
- The following transfers were made to cover debt service payments:
  - From the General fund to the 2008 GO Equipment Certificate (\$52,060)
  - From the Sewer fund to the 2008 GO Equipment Certificates (\$16,338)
  - From the Medical Center Lease Revenue fund to the 2015 Street & Utility Bond fund (\$2,000)
  - From the Capital Equipment fund to the Ambulance Certificate (\$2,500)
  - From the Capital Equipment fund to 2017 Imp. Sinking fund (\$81,733)
- The following transfers was made to increase Capital Improvement fund balance:
  - From the General fund to the Capital Equipment fund (\$96,000)
  - From the Medical Center Lease Revenue fund to the Capital Equipment fund (\$76,000)
- The following transfer was made to fund the City's portion of Joint Community Education and Recreation Coordinator Position:
  - From the Medical Center Lease Revenue fund to the General fund (\$24,500)

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**F. Long-term Debt**

General Obligation Equipment Certificates

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

General obligation equipment certificates are direct obligations and pledge the full faith and credit of the government. These certificates were issued for equipment purchases and will be retired from future property tax levies. General obligation equipment certificates currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2014	\$ 282,000	2.15 %	02/04/14	02/01/20	\$ 59,000
G.O. Equipment Certificates of 2015	84,000	2.60	12/07/15	02/01/22	52,000
G.O. Equipment Certificates of 2019A	100,000	-	11/18/19	08/01/29	100,000
G.O. Equipment Certificates of 2019A	185,000	2.00 - 2.50	08/01/19	02/01/29	185,000
 Total Equipment Certificates					 <u><u>\$ 396,000</u></u>

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

Year Ending December 31,	<b>General Obligation Bonds</b> Governmental Activities		
	Principal	Interest	Total
2020	\$ 86,000	\$ 3,678	\$ 89,678
2021	47,000	4,514	51,514
2022	48,000	3,659	51,659
2023	30,000	3,025	33,025
2024	30,000	2,625	32,625
2025-2029	155,000	7,125	162,125
 Total	 <u><u>\$ 396,000</u></u>	 <u><u>\$ 24,626</u></u>	 <u><u>\$ 420,626</u></u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement Projects 2009	\$ 850,000	3.25 - 5.60 %	09/01/09	02/01/26	\$ 400,000
Improvement Projects 2012	795,000	1.00 - 2.70	09/12/12	02/01/28	325,000
Improvement Projects 2015	2,005,000	2.00 - 3.00	06/01/15	02/01/31	1,645,000
Improvement Projects 2017	1,830,000	2.00 - 2.88	06/20/17	02/01/33	1,725,000
Improvement Projects 2019	2,810,000	2.00 - 3.00	08/01/19	02/01/40	2,810,000
Total G.O. Special Assessment Bonds					<u>\$ 6,905,000</u>

The annual debt service requirements to maturity for G.O. special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 180,670	\$ 83,566	\$ 264,236	\$ 124,330	\$ 61,315	\$ 185,645
2021	242,544	96,058	338,602	187,456	77,679	265,135
2022	251,853	89,708	341,561	193,147	73,443	266,590
2023	257,888	83,095	340,983	197,112	69,044	266,156
2024	254,114	76,273	330,387	200,886	64,466	265,352
2025-2029	1,240,846	276,347	1,517,193	999,154	247,346	1,246,500
2030-2034	860,892	125,777	986,669	724,108	128,754	852,862
2035-2039	385,000	47,850	432,850	425,000	53,100	478,100
2040	85,000	2,550	87,550	95,000	2,851	97,851
Total	<u>\$ 3,758,807</u>	<u>\$ 881,224</u>	<u>\$ 4,640,031</u>	<u>\$ 3,146,193</u>	<u>\$ 777,998</u>	<u>\$ 3,924,191</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise and debt service funds and are backed by the taxing power of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Clean Water Revolving Fund Notes of 2011	\$ 4,141,932	1.00 %	06/23/11	08/20/31	\$ 2,640,000
G.O. Hospital Revenue Refunding Bonds of 2010B	3,345,000	2.00 - 4.00	12/01/10	12/01/26	<u>1,635,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 4,275,000</u></u>

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

	Water	Sewer	Electric	Storm Water
Revenues	\$ 405,471	\$ 670,291	\$ 1,813,563	\$ 92,209
Principal and Interest	64,447	311,864	60,460	63,256
Percentage of Revenues	15.9%	46.5%	3.3%	68.6%

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 210,000	\$ 58,710	\$ 268,710	\$ 208,000	\$ 26,400	\$ 234,400
2021	215,000	52,410	267,410	210,000	24,320	234,320
2022	225,000	45,638	270,638	212,000	22,220	234,220
2023	235,000	38,212	273,212	215,000	20,100	235,100
2024	240,000	29,400	269,400	217,000	17,950	234,950
2025-2029	510,000	30,800	540,800	1,116,000	56,800	1,172,800
2030-2031	-	-	-	462,000	6,940	468,940
Total	<u><u>\$ 1,635,000</u></u>	<u><u>\$ 255,170</u></u>	<u><u>\$ 1,890,170</u></u>	<u><u>\$ 2,640,000</u></u>	<u><u>\$ 174,730</u></u>	<u><u>\$ 2,814,730</u></u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds of 2014B	\$ 690,000	1.15 - 4.00 %	06/01/14	02/01/30	\$ 530,000
G.O. Disposal System Bonds of 2015	267,000	2.60	12/07/15	02/01/24	<u>174,000</u>
Total Revenue Bonds					<u>\$ 704,000</u>

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

Year Ending December 31,	<b>Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2020	\$ 76,000	\$ 23,056	\$ 99,056
2021	75,000	21,173	96,173
2022	75,000	18,983	93,983
2023	79,000	16,386	95,386
2024	79,000	13,702	92,702
2025-2029	260,000	36,870	296,870
2030	60,000	1,140	61,140
Total	<u>\$ 704,000</u>	<u>\$ 131,310</u>	<u>\$ 835,310</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
Equipment certificates	\$ 264,000	\$ 285,000	\$ (153,000)	\$ 396,000	\$ 86,000
General obligation special assessment bonds	2,809,477	1,335,000	(385,670)	3,758,807	180,670
General obligation revenue bonds	1,900,000	-	(265,000)	1,635,000	210,000
Bond premium	15,063	32,567	(1,311)	46,319	-
Total Bonds Payable	<u>4,988,540</u>	<u>1,652,567</u>	<u>(804,981)</u>	<u>5,836,126</u>	<u>476,670</u>
Compensated Absences	<u>21,489</u>	<u>39,838</u>	<u>(32,030)</u>	<u>29,297</u>	<u>7,458</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,010,029</u>	<u>\$ 1,692,405</u>	<u>\$ (837,011)</u>	<u>\$ 5,865,423</u>	<u>\$ 484,128</u>
<b>Business-type Activities</b>					
Bonds Payable					
Revenue bonds	\$ 775,000	\$ -	\$ (71,000)	\$ 704,000	\$ 76,000
General obligation revenue bonds	2,846,000	-	(206,000)	2,640,000	208,000
General obligation special assessment bonds	1,795,523	1,475,000	(124,330)	3,146,193	124,330
Bond premium	-	34,210	-	34,210	-
Total Bonds Payable	<u>5,416,523</u>	<u>1,509,210</u>	<u>(401,330)</u>	<u>6,524,403</u>	<u>408,330</u>
Compensated Absences	<u>14,733</u>	<u>10,526</u>	<u>(5,832)</u>	<u>19,427</u>	<u>953</u>
Business-type Activity Long-term Liabilities	<u>\$ 5,431,256</u>	<u>\$ 1,519,736</u>	<u>\$ (407,162)</u>	<u>\$ 6,543,830</u>	<u>\$ 409,283</u>

## Note 4: 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)

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

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

The PEPFP, 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 PEPFP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

### B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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

GERP 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

PEPFP Benefits

Benefits for the PEPFP 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 PEPFP 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 3.0 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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and 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 ending December 31, 2019, 2018 and 2017 were \$24,802, \$22,926 and \$17,330, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund 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 years ending December 31, 2019, 2018 and 2017 were \$38,450, \$27,883 and \$13,557, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$254,324 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 \$7,833. 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 0.0046 percent which was a 0.0009 percent increase from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 254,324
State of Minnesota's proportionate share of the net pension liability associated with the City	7,833
	7,833
Total	\$ 262,157

For the year ended December 31, 2019, the City recognized pension expense of \$28,925 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$587 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 9,408	\$ 7,937
Changes in Actuarial Assumptions	4,033	22,897
Net Difference Between Projected and Actual Earnings on Plan Investments	-	18,998
Changes in Proportion	42,003	15,930
Contributions Paid to PERA Subsequent to the Measurement Date	12,396	-
Total	\$ 67,840	\$ 65,762

The \$12,396 reported as deferred outflows of resources related to pensions resulting from the City's 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:

2020	\$ (8,816)
2021	(13,096)
2022	11,184
2023	410

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$202,274 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 proportionate share was 0.0190 percent which was a 0.0071 percent increase from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$49,904 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$2,565 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 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 15,108	\$ 63,175
Changes in Actuarial Assumptions	243,222	289,429
Net Difference Between Projected and Actual Earnings on Plan Investments	-	16,963
Changes in Proportion	149,906	52,683
Contributions Paid to PERA Subsequent to the Measurement Date	20,622	-
Total	\$ 428,858	\$ 422,250

The \$20,622 reported as deferred outflows of resources related to pensions resulting from the City's 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:

2020	\$ 5,020
2021	(9,850)
2022	(45,823)
2023	16,727
2024	19,912

**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:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants 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 General Employees Plan and 1.0 percent per year for 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 the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	100.00 %	

**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 position 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

**G. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	General Employees Fund	\$ 418,094	\$ 254,324
Police and Fire Fund	442,134	202,274	4

**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](http://www.mnpera.org).

**Note 5: Defined Benefit Pension Plan - Fire Relief Association**

**A. Plan Description**

All members of the Arlington Fire Department (the Department) are covered by a defined benefit plan administered by the Arlington Fire Department Relief Association (the Association). As of December 31, 2018, the plan covered 27 active firefighters and 5 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

**B. Benefits Provided**

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. 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 service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$25,468 in fire state aid to the plan on behalf of the Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2017 were \$25,468. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$3,445 to the plan.

City of Arlington, Minnesota  
Notes to the Financial Statements  
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**Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**D. Pension Costs**

At December 31, 2019, the City reported a net pension liability (asset) of (\$57,512) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2018	\$ 683,695	\$ 855,956	\$ (172,261)
Changes for the Year			
Service cost	18,805	-	18,805
Interest on pension liability (asset)	40,394	-	40,394
Assumption changes	14,713	-	14,713
Projected investment return	-	50,049	(50,049)
Contributions (employer)	-	3,445	(3,445)
Nonemployer contributions	-	25,468	(25,468)
(Gain)/loss	-	(119,799)	119,799
Total Net Changes	<u>73,912</u>	<u>(40,837)</u>	<u>114,749</u>
Ending Balance December 31, 2018	<u>\$ 757,607</u>	<u>\$ 815,119</u>	<u>\$ (57,512)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$2,693.

At December 31, 2019, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 49,021	\$ -
Contributions to Plan Subsequent to the Measurement Date	<u>29,524</u>	<u>-</u>
Total	<u>\$ 78,545</u>	<u>\$ -</u>

Deferred outflows of resources totaling \$29,524 related to pensions resulting from the City's contributions to the plan 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 of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 8,354
2021	8,354
2022	8,354
2023	23,959

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plan - Fire Relief Association (Continued)**

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-56 and 100 Percent thereafter	
Salary Increases	2.50% per year
Cost of Living Increases	4.00% per year
Investment Rate of Return	5.75%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2019.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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 net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (4.75%)</u>	<u>Current (5.75%)</u>	<u>1 Percent Increase (6.75%)</u>
Defined Benefit Plan	\$ (40,761)	\$ (57,512)	\$ (73,577)

**H. Asset Allocation**

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic 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>
Equities	67.0 %	7.50 %
Fixed Income	3.0	3.30
Other	1.0	6.00
Cash	<u>29.0</u>	2.25
Total	<u><u>100.0 %</u></u>	

**I. Pension Plan Fiduciary Net Position**

The Association issues a publicly available financial report. The report may be obtained by writing to the Arlington Fire Department Relief Association, 312 West Alden St, Arlington, MN 55307.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 6: Other Information**

**A. Risk Management**

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

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

**B. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of 3 percent of the market value of taxable property within the City. The taxable market value was \$121,386,500 at December 31, 2019 for a limit of \$3,641,595. The City currently has general obligation debt outstanding subject to this limit of \$396,000, which is significantly less than the limit. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments.

**C. Contingent Liabilities**

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

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 was \$750,127 for LGA. This accounted for 45.9 percent of General fund revenues.

**E. Joint Powers Agreements**

In October of 1984, the cities of Arlington, Gaylord, Gibbon and Winthrop entered into a joint powers agreement for monitoring and operating the activities of cable communications within the four Cities. The public agency created under the joint powers agreement to manage this activity is known as the Arlington/Gaylord/Gibbon/Winthrop Cable Communications Commission (the Commission). The Commission consists of eight directors, of which each member Council is responsible for appointing two directors to the Commission.

Property ownership is only determinable in the event of the Commission's dissolution. In the event of dissolution, after payment of obligations, remaining assets would be distributed among the existing members in proportion to the most recent member by member breakdown of the franchise fees as reported by the Grantee. As of December 31, 2019 the City's only equity interest in the Commission is the residual interest upon such dissolution and thus the City reports no equity interest in the Commission.

## **Note 6: Other Information (Continued)**

### **F. Ridgeview Sibley Medical Center**

Effective January 1, 2014 (Effective Date), the City entered into a Hospital Operating Lease Agreement (Lease Agreement) with the Sibley Medical Foundation and Ridgeview Medical Center (RMC). As of the Effective Date, RMC became the sole member of the Foundation. Under the terms of the Lease Agreement, the City will transfer all assets and liabilities, except the majority of the capital assets (Facility) and the Series 2010B Bonds, to the Foundation. The Facility and operations of the Medical Center will be leased to the Foundation and the Foundation will operate under the Sibley Medical Center name. The lease term is 30 years with annual payments equal to the Series 2010B Bonds' debt service plus an additional fixed amount per year, which will be guaranteed by RMC. The Lease Agreement provides the City an early termination option 4 years after the Effective Date. RMC has an option to purchase the assets held by the City after 10 years following the Effective Date. The Lease Agreement contains other provisions that may require early termination in specific situations. As of the Effective Date, the facility is operating as Ridgeview Sibley Medical Center (RSMC).

As of the Effective Date, all employees of the Medical Center became employees of RMC or its affiliates. The Foundation and RMC agreed to provide for minimum future capital expenditures at the Facility over the first 4 years of the Lease Agreement.

### **Note 7: Subsequent Event**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. City assets may have seen unrealized market losses as of June 10, 2020. However, City management is unable to determine the long term material impact to its asset values.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Arlington, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0046 %	\$ 254,324	\$ 7,833	\$ 262,157	\$ 323,974	80.9 %	80.2 %
06/30/18	0.0037	205,261	6,871	212,132	251,938	84.2	75.9
06/30/17	0.0041	261,741	3,285	265,026	263,653	100.5	75.9
06/30/16	0.0043	349,139	34,543	383,682	269,466	142.4	68.9
06/30/15	0.0047	243,578	-	243,578	276,820	88.0	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 24,802	\$ 24,802	\$ -	\$ 330,690	7.5 %
12/31/18	22,926	22,926	-	305,681	7.5
12/31/17	17,330	17,330	-	231,065	7.5
12/31/16	20,623	20,623	-	274,979	7.5
12/31/15	20,007	20,007	-	266,760	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Arlington, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

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

Changes in Actuarial Assumptions

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

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

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - 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.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 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 - 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.

2015 - 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.

City of Arlington, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2019

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0190 %	\$ 202,274	\$ -	\$ 202,274	\$ 200,598	100.8 %	89.3 %
06/30/18	0.0119	126,842	-	126,842	125,254	101.3	88.8
06/30/17	0.0100	135,012	-	135,012	105,197	128.3	85.4
06/30/16	0.0160	642,108	-	642,108	153,512	418.3	63.9
06/30/15	0.0110	124,986	-	124,986	97,401	128.3	86.6

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 38,450	\$ 38,450	\$ -	\$ 226,842	16.95 %
12/31/18	27,883	27,883	-	172,117	16.20
12/31/17	13,557	13,557	-	83,685	16.20
12/31/16	23,909	23,909	-	147,587	16.20
12/31/15	22,046	22,046	-	136,086	16.20

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

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

Changes in Actuarial Assumptions

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

City of Arlington, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - 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.

Changes in Plan Provisions

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 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- 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 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 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.

2015 - The post-retirement benefit increase to be 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.

City of Arlington, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)
Total Pension Liability		
Service cost	\$ 18,805	\$ 18,346
Interest on pension liability (asset)	40,394	37,175
Changes of benefit terms	14,713	-
Net Change in Total Pension Liability	<u>73,912</u>	<u>55,521</u>
Total Pension Liability - January 1	<u>683,695</u>	<u>628,174</u>
Total Pension Liability - December 31 (a)	<u><u>\$ 757,607</u></u>	<u><u>\$ 683,695</u></u>
Plan Fiduciary Net Position		
Employer contributions	\$ 3,445	\$ 3,347
Nonemployer contributions	25,468	25,917
Projected investment return	50,049	41,527
Gain (loss)	(119,799)	78,030
Administrative expenses	-	(900)
Net Change in Plan Fiduciary Net Position	<u>(40,837)</u>	<u>147,921</u>
Plan Fiduciary Net Position - January 1	<u>855,956</u>	<u>708,035</u>
Plan Fiduciary Net Position - December 31 (b)	<u><u>\$ 815,119</u></u>	<u><u>\$ 855,956</u></u>
Fire Relief's Net Pension Liability (asset) - December 31 (a-b)	<u><u>\$ (57,512)</u></u>	<u><u>\$ (172,261)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	107.59%	125.20%
Covered-employee Payroll	N/A	N/A
Fire Relief's Net Pension Liability (asset) as a Percentage of Covered-employee Payroll	N/A	N/A

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Notes to the Required Supplementary Information – Fire Relief Association**

Changes in actuarial assumptions

2019 – The discount decreased from 6.00% to 5.75% to better reflect the split interest rate based on the estimated investment return on the pension fund for the funded portion of liabilities and the estimated yield of the 20-year AA-rated municipal bonds for the unfunded portion of liabilities.

Changes in plan provisions

2019 – A benefit level increase from \$1,600 to \$1,650 was reflected in the active liability.

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2019	\$ 25,565	\$ 29,524	\$ (3,959)
12/31/2018	25,468	28,913	(3,445)
12/31/2017	25,737	29,084	(3,347)

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of Arlington, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 721,355	\$ (59,166)	\$ 662,189
Receivables			
Interest	1,026	1	1,027
Accounts, net of allowance for uncollectibles	19,856	-	19,856
Notes, net of allowance for uncollectibles	246,458	-	246,458
Special assessments	-	118,970	118,970
Assets held for resale	340,360	-	340,360
 Total Assets	 \$ 1,329,055	 \$ 59,805	 \$ 1,388,860
<b>Liabilities</b>			
Accounts payable	\$ 9,811	\$ -	\$ 9,811
Accrued salaries payable	1,297	-	1,297
Total Liabilities	11,108	-	11,108
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	118,970	118,970
<b>Fund Balances</b>			
Restricted for			
Future loans	682,537	-	682,537
Current loans	246,458	-	246,458
Cemetery operations	105,568	-	105,568
Park dedication	38,556	-	38,556
Committed for			
Economic development	4,362	-	4,362
Cemetery operations	6,952	-	6,952
Fire department operations	136,966	-	136,966
Community Center operations	4,623	-	4,623
Medical center	91,925	-	91,925
Assigned for			
Capital projects	-	29,728	29,728
Unassigned	-	(88,893)	(88,893)
Total Fund Balances	1,317,947	(59,165)	1,258,782
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ 1,329,055	 \$ 59,805	 \$ 1,388,860

City of Arlington, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 3,700	\$ 3,700
Special assessments	-	28,560	28,560
Intergovernmental	11,123	-	11,123
Charges for services	285,082	-	285,082
Investment earnings	23,800	770	24,570
Miscellaneous	9,955	-	9,955
Total Revenues	329,960	33,030	362,990
Expenditures			
Current			
Public safety	127,088	-	127,088
Health and welfare	69,930	-	69,930
Culture and recreation	97,567	-	97,567
Housing and economic development	21,822	-	21,822
Miscellaneous	8,785	-	8,785
Capital outlay			
Culture and recreation	7,717	-	7,717
Housing and economic development	-	4,469	4,469
Total Expenditures	332,909	4,469	337,378
Deficiency of Revenues Under Expenditures	(2,949)	28,561	25,612
Other Financing Sources (Uses)			
Transfers in	145,540	-	145,540
Transfers out	(102,940)	(81,733)	(184,673)
Total Other Financing Sources (Uses)	42,600	(81,733)	(39,133)
Net Change in Fund Balances	39,651	(53,172)	(13,521)
Fund Balances, January 1	1,278,296	(5,993)	1,272,303
Fund Balances, December 31	\$ 1,317,947	\$ (59,165)	\$ 1,258,782

City of Arlington, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2019

	<b>201</b>	<b>203</b>	<b>204</b>	<b>205</b>	<b>206</b>
	Fire	Community Hall	EDA Loan Programs	Revolving Loan	Small Cities Program
<b>Assets</b>					
Cash and temporary investments	\$ 123,886	\$ 8,204	\$ 190,858	\$ 151,329	\$ -
Receivables					
Interest	152	9	275	210	-
Accounts, net of allowance for uncollectibles	16,686	3,170	-	-	-
Notes, net of allowance for uncollectibles	-	-	-	18,458	228,000
Assets held for resale	-	-	340,360	-	-
<b>Total Assets</b>	<b>\$ 140,724</b>	<b>\$ 11,383</b>	<b>\$ 531,493</b>	<b>\$ 169,997</b>	<b>\$ 228,000</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,758	\$ 5,463	\$ 495	\$ -	\$ -
Accrued salaries payable	-	1,297	-	-	-
<b>Total Liabilities</b>	<b>3,758</b>	<b>6,760</b>	<b>495</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
<b>Restricted for</b>					
Future loans	-	-	530,998	151,539	-
Current loans	-	-	-	18,458	228,000
Cemetery operations	-	-	-	-	-
Park dedication	-	-	-	-	-
<b>Committed</b>					
Economic development	-	-	-	-	-
Cemetery operations	-	-	-	-	-
<b>Assigned for</b>					
Fire department operations	136,966	-	-	-	-
Community center operations	-	4,623	-	-	-
Medical center	-	-	-	-	-
<b>Total Fund Balances</b>	<b>136,966</b>	<b>4,623</b>	<b>530,998</b>	<b>169,997</b>	<b>228,000</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 140,724</b>	<b>\$ 11,383</b>	<b>\$ 531,493</b>	<b>\$ 169,997</b>	<b>\$ 228,000</b>

<b>207</b>	<b>208</b>	<b>210</b>	<b>215</b>	<b>410</b>	
Cemetery	Cemetery Perpetual Care	Medical Center	Park Dedication	EDA	Total Nonmajor
\$ 6,879	\$ 105,568	\$ 91,796	\$ 38,499	\$ 4,336	\$ 721,355
168	-	129	57	26	1,026
-	-	-	-	-	19,856
-	-	-	-	-	246,458
-	-	-	-	-	340,360
<u>\$ 7,047</u>	<u>\$ 105,568</u>	<u>\$ 91,925</u>	<u>\$ 38,556</u>	<u>\$ 4,362</u>	<u>\$ 1,329,055</u>
\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 9,811
-	-	-	-	-	1,297
<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,108</u>
-	-	-	-	-	682,537
-	-	-	-	-	246,458
-	105,568	-	-	-	105,568
-	-	-	38,556	-	38,556
-	-	-	-	4,362	4,362
6,952	-	-	-	-	6,952
-	-	-	-	-	136,966
-	-	-	-	-	4,623
-	-	91,925	-	-	91,925
<u>6,952</u>	<u>105,568</u>	<u>91,925</u>	<u>38,556</u>	<u>4,362</u>	<u>1,317,947</u>
<u>\$ 7,047</u>	<u>\$ 105,568</u>	<u>\$ 91,925</u>	<u>\$ 38,556</u>	<u>\$ 4,362</u>	<u>\$ 1,329,055</u>

City of Arlington, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	<b>201</b>	<b>203</b>	<b>204</b>	<b>205</b>	<b>206</b>
	Fire	Community Hall	EDA Loan Programs	Revolving Loan	Small Cities Program
<b>Revenues</b>					
Intergovernmental					
State	\$ 11,050	\$ 73	\$ -	\$ -	\$ -
Charges for services					
Public safety	53,338	-	-	-	-
Culture and recreation	-	43,115	-	-	-
Other	-	-	6,671	-	-
Investment earnings	3,640	146	6,318	4,713	-
Miscellaneous					
Contributions and donations	750	850	-	-	-
Loan payments received	-	-	175	1,256	-
Other	1,339	5,585	-	-	-
<b>Total Revenues</b>	<u>70,117</u>	<u>49,769</u>	<u>13,164</u>	<u>5,969</u>	<u>-</u>
<b>Expenditures</b>					
Current					
Public safety	127,088	-	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	97,567	-	-	-
Housing and economic development	-	-	7,347	-	-
Miscellaneous	-	-	-	-	-
Capital outlay					
Culture and recreation	-	7,717	-	-	-
<b>Total Expenditures</b>	<u>127,088</u>	<u>105,284</u>	<u>7,347</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,971)</u>	<u>(55,515)</u>	<u>5,817</u>	<u>5,969</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	94,100	50,440	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>94,100</u>	<u>50,440</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	37,129	(5,075)	5,817	5,969	-
Fund Balances, January 1	<u>99,837</u>	<u>9,698</u>	<u>525,181</u>	<u>164,028</u>	<u>228,000</u>
Fund Balances, December 31	<u>\$ 136,966</u>	<u>\$ 4,623</u>	<u>\$ 530,998</u>	<u>\$ 169,997</u>	<u>\$ 228,000</u>

<b>207</b>	<b>208</b>	<b>210</b>	<b>215</b>	<b>410</b>	
<u>Cemetery</u>	<u>Cemetery Perpetual Care</u>	<u>Medical Center</u>	<u>Park Dedication</u>	<u>EDA</u>	<u>Total Nonmajor</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,123
-	-	-	-	-	53,338
-	-	-	-	-	43,115
5,305	2,320	174,333	-	-	188,629
3,868	-	3,189	1,310	616	23,800
-	-	-	-	-	1,600
-	-	-	-	-	1,431
-	-	-	-	-	6,924
<u>9,173</u>	<u>2,320</u>	<u>177,522</u>	<u>1,310</u>	<u>616</u>	<u>329,960</u>
-	-	-	-	-	127,088
-	-	69,930	-	-	69,930
-	-	-	-	-	97,567
-	-	-	-	14,475	21,822
8,785	-	-	-	-	8,785
-	-	-	-	-	7,717
<u>8,785</u>	<u>-</u>	<u>69,930</u>	<u>-</u>	<u>14,475</u>	<u>332,909</u>
<u>388</u>	<u>2,320</u>	<u>107,592</u>	<u>1,310</u>	<u>(13,859)</u>	<u>(2,949)</u>
1,000	-	-	-	-	145,540
-	-	(102,940)	-	-	(102,940)
<u>1,000</u>	<u>-</u>	<u>(102,940)</u>	<u>-</u>	<u>-</u>	<u>42,600</u>
1,388	2,320	4,652	1,310	(13,859)	39,651
<u>5,564</u>	<u>103,248</u>	<u>87,273</u>	<u>37,246</u>	<u>18,221</u>	<u>1,278,296</u>
<u>\$ 6,952</u>	<u>\$ 105,568</u>	<u>\$ 91,925</u>	<u>\$ 38,556</u>	<u>\$ 4,362</u>	<u>\$ 1,317,947</u>

City of Arlington, Minnesota  
 Fire Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended December 31, 2019  
 (With Comparative Actual Amounts for Year Ended December 31, 2018)

	Final Budget	2019 Actual Amounts	Variance with Final Budget	2018 Actual Amounts
Revenues				
Intergovernmental	\$ 5,000	\$ 11,050	\$ 6,050	\$ 4,232
Charges for services	35,000	53,338	18,338	40,375
Investment earnings	1,800	3,640	1,840	999
Miscellaneous				
Contributions and donations	1,500	750	(750)	-
Other	3,500	1,339	(2,161)	190
Total Revenues	<u>46,800</u>	<u>70,117</u>	<u>23,317</u>	<u>45,796</u>
Expenditures				
Current				
Public safety				
Fire				
Personal services	53,825	57,553	(3,728)	49,579
Supplies	1,500	896	604	873
Other services and charges	82,200	68,639	13,561	70,883
Capital outlay				
Public safety	-	-	-	210
Total Expenditures	<u>137,525</u>	<u>127,088</u>	<u>10,437</u>	<u>121,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,725)	(56,971)	33,754	(75,749)
Other Financing Sources				
Transfers in	<u>94,100</u>	<u>94,100</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balances	3,375	37,129	33,754	(45,749)
Fund Balances, January 1	<u>99,837</u>	<u>99,837</u>	<u>-</u>	<u>145,586</u>
Fund Balances, December 31	<u>\$ 103,212</u>	<u>\$ 136,966</u>	<u>\$ 33,754</u>	<u>\$ 99,837</u>

City of Arlington, Minnesota  
Community Hall Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019			2018
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
<b>Revenues</b>				
Intergovernmental	\$ 80	\$ 73	\$ (7)	\$ 104
Charges for services	40,700	43,115	2,415	43,935
Investment earnings	150	146	(4)	112
Miscellaneous				
Contributions and donations	-	850	850	-
Other	4,400	5,585	1,185	5,057
Total Revenues	<u>45,330</u>	<u>49,769</u>	<u>4,439</u>	<u>49,208</u>
<b>Expenditures</b>				
Current				
Culture and recreation				
Personal services	32,363	33,680	(1,317)	29,964
Supplies	4,500	5,751	(1,251)	4,610
Other services and charges	57,940	58,136	(196)	55,469
Capital outlay				
Culture and recreation	-	7,717	(7,717)	16,386
Total Expenditures	<u>94,803</u>	<u>105,284</u>	<u>(10,481)</u>	<u>106,429</u>
Deficiency of Revenues				
Under Expenditures	(49,473)	(55,515)	(6,042)	(57,221)
<b>Other Financing Sources</b>				
Transfers in	<u>50,440</u>	<u>50,440</u>	<u>-</u>	<u>42,440</u>
Net Change in Fund Balances	967	(5,075)	(6,042)	(14,781)
Fund Balances, January 1	<u>9,698</u>	<u>9,698</u>	<u>-</u>	<u>24,479</u>
Fund Balances, December 31	<u>\$ 10,665</u>	<u>\$ 4,623</u>	<u>\$ (6,042)</u>	<u>\$ 9,698</u>

City of Arlington, Minnesota  
Cemetery Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019		Variance with Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Charges for services	\$ 2,200	\$ 5,305	\$ 3,105	\$ 2,928
Investment earnings	1,000	3,868	2,868	797
Total Revenues	<u>3,200</u>	<u>9,173</u>	<u>5,973</u>	<u>3,725</u>
Expenditures				
Current				
Miscellaneous				
Cemetery				
Personal services	4,600	4,492	108	4,360
Other services and charges	<u>2,380</u>	<u>4,293</u>	<u>(1,913)</u>	<u>2,485</u>
Total Expenditures	<u>6,980</u>	<u>8,785</u>	<u>(1,805)</u>	<u>6,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,780)	388	4,168	(3,120)
Other Financing Sources				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>3,000</u>
Net Change in Fund Balances	(2,780)	1,388	4,168	(120)
Fund Balances, January 1	<u>5,564</u>	<u>5,564</u>	<u>-</u>	<u>5,684</u>
Fund Balances, December 31	<u>\$ 2,784</u>	<u>\$ 6,952</u>	<u>\$ 4,168</u>	<u>\$ 5,564</u>

City of Arlington, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2019

	<b>102</b> Tax Abatement	<b>418</b> 2017 Improvements	<b>419</b> Circle Drive Improvements	Total Nonmajor
<b>Assets</b>				
Cash and temporary investments	\$ 131	\$ 29,596	\$ (88,893)	\$ (59,166)
Receivables				
Interest	1	-	-	1
Special assessments				
Deferred	-	-	118,970	118,970
	-	-	118,970	118,970
Total Assets	\$ 132	\$ 29,596	\$ 30,077	\$ 59,805
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	118,970	118,970
	-	-	118,970	118,970
<b>Fund Balances</b>				
Assigned for				
Capital projects	132	29,596	-	29,728
Unassigned	-	-	(88,893)	(88,893)
Total Fund Balances	132	29,596	(88,893)	(59,165)
Total Deferred Inflows of Resources and Fund Balances	\$ 132	\$ 29,596	\$ 30,077	\$ 59,805

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City of Arlington, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	<b>102</b> Tax Abatement	<b>418</b> 2017 Improvements	<b>419</b> Circle Drive Improvements	Total Nonmajor
Revenues				
Taxes	\$ 3,700	\$ -	\$ -	\$ 3,700
Special assessments	-	-	28,560	28,560
Investment earnings	30	740	-	770
Total Revenues	<u>3,730</u>	<u>740</u>	<u>28,560</u>	<u>33,030</u>
Expenditures				
Capital outlay				
Housing and economic development	4,469	-	-	4,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(739)	740	28,560	28,561
Other Financing Sources (Uses)				
Transfers out	-	(81,733)	-	(81,733)
Net Change in Fund Balances	(739)	(80,993)	28,560	(53,172)
Fund Balances, January 1	871	110,589	(117,453)	(5,993)
Fund Balances, December 31	<u>\$ 132</u>	<u>\$ 29,596</u>	<u>\$ (88,893)</u>	<u>\$ (59,165)</u>

City of Arlington, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued on the Following Pages)  
General Fund  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property taxes	\$ 635,299	\$ 635,299	\$ 652,340	\$ 17,041	\$ 581,623
Franchise taxes	15,000	15,000	15,402	402	15,442
Total taxes	<u>650,299</u>	<u>650,299</u>	<u>667,742</u>	<u>17,443</u>	<u>597,065</u>
Special assessments	-	-	71	71	-
Licenses and permits					
Business and non-business	47,800	47,800	42,748	(5,052)	23,315
Intergovernmental					
State					
Local government aid	750,127	750,127	750,127	-	748,914
Property tax credits	-	-	162	162	250
Fire aid	27,000	27,000	25,565	(1,435)	25,468
Police aid	25,000	25,000	13,662	(11,338)	7,250
Other grants	14,243	14,243	18,466	4,223	25,163
Total state aid	<u>816,370</u>	<u>816,370</u>	<u>807,982</u>	<u>(8,388)</u>	<u>807,045</u>
Charges for services					
General government	6,897	6,897	6,607	(290)	6,788
Streets and highways	3,700	3,700	9,661	5,961	1,901
Culture and recreation	2,000	2,000	3,425	1,425	3,625
Total charges for services	<u>12,597</u>	<u>12,597</u>	<u>19,693</u>	<u>7,096</u>	<u>12,314</u>
Fines and forfeits	8,000	8,000	13,001	5,001	8,466
Investment earnings	8,500	8,500	32,208	23,708	6,402
Miscellaneous					
Contributions and donations	-	-	33,180	33,180	15,490
Other	8,600	8,600	17,484	8,884	7,950
Total miscellaneous	<u>8,600</u>	<u>8,600</u>	<u>50,664</u>	<u>42,064</u>	<u>23,440</u>
Total revenues	<u>1,552,166</u>	<u>1,552,166</u>	<u>1,634,109</u>	<u>81,943</u>	<u>1,478,047</u>

City of Arlington, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued)  
 General Fund  
 For the Year Ended December 31, 2019  
 (With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 43,200	\$ 43,200	\$ 37,113	\$ 6,087	\$ 36,639
Administration/clerk					
Personal services	106,527	106,527	109,918	(3,391)	104,725
Supplies	10,000	10,000	10,915	(915)	8,958
Other services and charges	138,415	138,415	129,429	8,986	115,662
Total administration/clerk	<u>254,942</u>	<u>254,942</u>	<u>250,262</u>	<u>4,680</u>	<u>229,345</u>
Elections					
Personal services	-	-	-	-	3,364
Other services and charges	3,200	3,200	2,760	440	458
Total elections	<u>3,200</u>	<u>3,200</u>	<u>2,760</u>	<u>440</u>	<u>3,822</u>
Assessor					
Other services and charges	10,930	10,930	10,940	(10)	10,930
Legal					
Other services and charges	12,792	12,792	10,990	1,802	8,651
Planning and zoning					
Personal services	1,200	1,200	3,399	(2,199)	1,220
Supplies	100	100	319	(219)	36
Other services and charges	58,900	58,900	59,370	(470)	42,339
Total planning and zoning	<u>60,200</u>	<u>60,200</u>	<u>63,088</u>	<u>(2,888)</u>	<u>43,595</u>
Municipal building					
Supplies	500	500	182	318	918
Other services and charges	14,000	14,000	13,534	466	22,117
Total municipal building	<u>14,500</u>	<u>14,500</u>	<u>13,716</u>	<u>784</u>	<u>23,035</u>
Total general government	<u>399,764</u>	<u>399,764</u>	<u>388,869</u>	<u>10,895</u>	<u>356,017</u>

City of Arlington, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued)  
 General Fund  
 For the Year Ended December 31, 2019  
 (With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personal services	\$ 333,592	\$ 333,592	\$ 328,432	\$ 5,160	\$ 240,415
Supplies	10,800	10,800	7,838	2,962	8,013
Other services and charges	65,525	65,525	70,155	(4,630)	65,205
Total police	<u>409,917</u>	<u>409,917</u>	<u>406,425</u>	<u>3,492</u>	<u>313,633</u>
Fire					
Personal services	<u>29,500</u>	<u>29,500</u>	<u>29,524</u>	<u>(24)</u>	<u>29,905</u>
Civil defense					
Personal services	1,077	1,077	1,077	-	1,077
Supplies	-	-	480	(480)	992
Total civil defense	<u>1,077</u>	<u>1,077</u>	<u>1,557</u>	<u>(480)</u>	<u>2,069</u>
Animal control					
Other services and charges	<u>600</u>	<u>600</u>	<u>107</u>	<u>493</u>	<u>444</u>
Total public safety	<u>441,094</u>	<u>441,094</u>	<u>437,613</u>	<u>3,481</u>	<u>346,051</u>
Streets and highways					
Public works					
Personal services	99,586	99,586	99,945	(359)	93,006
Supplies	9,400	9,400	6,703	2,697	7,145
Other services and charges	98,400	98,400	167,069	(68,669)	100,292
Total public works	<u>207,386</u>	<u>207,386</u>	<u>273,717</u>	<u>(66,331)</u>	<u>200,443</u>
Street maintenance					
Supplies	26,500	26,500	60,789	(34,289)	24,402
Other services and charges	1,500	1,500	512	988	10
Total street maintenance	<u>28,000</u>	<u>28,000</u>	<u>61,301</u>	<u>(33,301)</u>	<u>24,412</u>
Street lighting					
Other services and charges	<u>11,500</u>	<u>11,500</u>	<u>10,783</u>	<u>717</u>	<u>9,957</u>
Total streets and highways	<u>246,886</u>	<u>246,886</u>	<u>345,801</u>	<u>(98,915)</u>	<u>234,812</u>

City of Arlington, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
General Fund  
For the Year Ended December 31, 2019  
(With Comparative Actual Amounts for Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current - Continued					
Culture and recreation					
Parks and recreation					
Personal services	\$ 12,313	\$ 12,313	\$ 13,147	\$ (834)	\$ 12,279
Supplies	10,500	10,500	7,015	3,485	6,772
Other services and charges	38,340	38,340	31,100	7,240	49,358
Total parks and recreation	<u>61,153</u>	<u>61,153</u>	<u>51,262</u>	<u>9,891</u>	<u>68,409</u>
Library					
Personal services	35,600	35,600	28,652	6,948	45,068
Supplies	1,200	1,200	1,452	(252)	1,274
Other services and charges	3,988	3,988	3,223	765	2,902
Total library	<u>40,788</u>	<u>40,788</u>	<u>33,327</u>	<u>7,461</u>	<u>49,244</u>
Total culture and recreation	<u>101,941</u>	<u>101,941</u>	<u>84,589</u>	<u>17,352</u>	<u>117,653</u>
Housing and economic development					
Personal services	1,250	1,250	4,382	(3,132)	1,040
Supplies	-	-	419	(419)	-
Other services and charges	24,800	24,800	39,622	(14,822)	21,358
Total housing and economic development	<u>26,050</u>	<u>26,050</u>	<u>44,423</u>	<u>(18,373)</u>	<u>22,398</u>
Miscellaneous					
Other services and charges	-	-	9,500	(9,500)	10,000
Total current	<u>1,215,735</u>	<u>1,215,735</u>	<u>1,310,795</u>	<u>(95,060)</u>	<u>1,086,931</u>
Capital outlay					
General government	-	-	586	(586)	-
Public safety	5,000	5,000	3,748	1,252	740
Streets and highways	17,000	17,000	370	16,630	24,531
Culture and recreation	5,500	5,500	2,145	3,355	6,966
Total capital outlay	<u>27,500</u>	<u>27,500</u>	<u>6,849</u>	<u>20,651</u>	<u>32,237</u>
Total expenditures	<u>1,243,235</u>	<u>1,243,235</u>	<u>1,317,644</u>	<u>(74,409)</u>	<u>1,119,168</u>
Excess of Revenues Over Expenditures	<u>308,931</u>	<u>308,931</u>	<u>316,465</u>	<u>7,534</u>	<u>358,879</u>
Other Financing Sources (Uses)					
Transfers in	24,500	24,500	24,500	-	22,000
Transfers out	(315,100)	(315,100)	(320,660)	(5,560)	(275,000)
Total other financing sources (uses)	<u>(290,600)</u>	<u>(290,600)</u>	<u>(296,160)</u>	<u>(5,560)</u>	<u>(253,000)</u>
Net Change in Fund Balances	18,331	18,331	20,305	1,974	105,879
Fund Balances, January 1	<u>1,124,716</u>	<u>1,124,716</u>	<u>1,124,716</u>	<u>-</u>	<u>1,018,837</u>
Fund Balances, December 31	<u>\$ 1,143,047</u>	<u>\$ 1,143,047</u>	<u>\$ 1,145,021</u>	<u>\$ 1,974</u>	<u>\$ 1,124,716</u>

City of Arlington, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2019

	<b>314</b> 2009 Sinking Improvement	<b>315</b> 2012 Sinking Improvement	<b>317</b> 2015 Sinking Improvement	<b>318</b> 2017 Sinking Improvement	<b>320</b> 2008 Equipment Certificates
<b>Assets</b>					
Cash and temporary investments	\$ 77,461	\$ 16,033	\$ 246,678	\$ 299,921	\$ -
Receivables					
Interest	69	13	300	349	-
Delinquent taxes	737	89	872	838	-
Accounts, net of allowance for uncollectibles	-	-	6,464	6,382	-
Notes, net of allowance for uncollectibles	-	-	-	-	-
Special assessments	13,236	34,508	124,134	198,773	-
Due from other governments	943	131	597	1,009	-
<b>Total Assets</b>	<b><u>\$ 92,446</u></b>	<b><u>\$ 50,774</u></b>	<b><u>\$ 379,045</u></b>	<b><u>\$ 507,272</u></b>	<b><u>\$ -</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	\$ 737	\$ 89	\$ 872	\$ 838	\$ -
Unavailable revenue - special assessments	13,236	34,508	124,134	198,773	-
<b>Total Deferred Inflows of Resources</b>	<b><u>13,973</u></b>	<b><u>34,597</u></b>	<b><u>125,006</u></b>	<b><u>199,611</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>					
Restricted for					
Debt service	<u>78,473</u>	<u>16,177</u>	<u>254,039</u>	<u>307,661</u>	<u>-</u>
Total Deferred Inflows of Resources and Fund Balances	<b><u>\$ 92,446</u></b>	<b><u>\$ 50,774</u></b>	<b><u>\$ 379,045</u></b>	<b><u>\$ 507,272</u></b>	<b><u>\$ -</u></b>

<b>321</b> 2019 Sinking Improvement	<b>350</b> Ambulance Certificate 2015	<b>351</b> 2020 Fire Truck	<b>352</b> 2014 Fire Certificate	<b>360</b> Hospital Bond Fund	<b>606</b> Community Center Bond	Totals
\$ 155,491	\$ 18,406	\$ 8,030	\$ 30,604	\$ -	\$ 201	\$ 852,825
43	24	86	18	-	27	929
-	-	-	587	-	814	3,937
8,831	-	-	-	-	-	21,677
-	-	-	-	1,635,000	-	1,635,000
361,847	-	-	-	-	-	732,498
-	-	-	380	-	518	3,578
<u>\$ 526,212</u>	<u>\$ 18,430</u>	<u>\$ 8,116</u>	<u>\$ 31,589</u>	<u>\$ 1,635,000</u>	<u>\$ 1,560</u>	<u>\$ 3,250,444</u>
\$ -	\$ -	\$ -	\$ 587	\$ -	\$ 814	\$ 3,937
361,847	-	-	-	-	-	732,498
<u>361,847</u>	<u>-</u>	<u>-</u>	<u>587</u>	<u>-</u>	<u>814</u>	<u>736,435</u>
164,365	18,430	8,116	31,002	1,635,000	746	2,514,009
<u>\$ 526,212</u>	<u>\$ 18,430</u>	<u>\$ 8,116</u>	<u>\$ 31,589</u>	<u>\$ 1,635,000</u>	<u>\$ 1,560</u>	<u>\$ 3,250,444</u>

City of Arlington, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2019

	<b>314</b> 2009 Sinking Improvement	<b>315</b> 2012 Sinking Improvement	<b>317</b> 2015 Sinking Improvement	<b>318</b> 2017 Sinking Improvement	<b>320</b> 2008 Equipment Certificates
Revenues					
Taxes	\$ 48,133	\$ 5,772	\$ 56,047	\$ 56,564	\$ -
Special assessments	3,154	6,255	24,631	41,596	-
Investment earnings	1,603	1,446	7,076	7,377	-
Miscellaneous	5,638	-	-	-	-
Total Revenues	<u>58,528</u>	<u>13,473</u>	<u>87,754</u>	<u>105,537</u>	<u>-</u>
Expenditures					
Debt service					
Principal	37,740	211,900	74,400	61,630	79,000
Interest and other charges	17,647	5,099	27,915	24,688	810
Total Expenditures	<u>55,387</u>	<u>216,999</u>	<u>102,315</u>	<u>86,318</u>	<u>79,810</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,141</u>	<u>(203,526)</u>	<u>(14,561)</u>	<u>19,219</u>	<u>(79,810)</u>
Other Financing Sources (Uses)					
Bonds issued	-	-	-	-	-
Transfers in	-	-	2,000	81,733	68,398
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>81,733</u>	<u>68,398</u>
Net Change in Fund Balances	3,141	(203,526)	(12,561)	100,952	(11,412)
Fund Balances, January 1	<u>75,332</u>	<u>219,703</u>	<u>266,600</u>	<u>206,709</u>	<u>11,412</u>
Fund Balances, December 31	<u>\$ 78,473</u>	<u>\$ 16,177</u>	<u>\$ 254,039</u>	<u>\$ 307,661</u>	<u>\$ -</u>

<b>321</b> 2019 Sinking Improvement	<b>350</b> Ambulance Certificate 2015	<b>351</b> 2020 Fire Truck	<b>352</b> 2014 Fire Certificate	<b>360</b> Hospital Bond Fund	<b>606</b> Community Center Bond	Totals
\$ -	\$ -	\$ -	\$ 36,345	\$ -	\$ 51,517	\$ 254,378
128,961	-	-	-	-	-	204,597
630	644	1,466	573	-	715	21,530
-	-	-	-	65,360	-	70,998
<u>129,591</u>	<u>644</u>	<u>1,466</u>	<u>36,918</u>	<u>65,360</u>	<u>52,232</u>	<u>551,503</u>
-	16,000	-	58,000	205,000	60,000	803,670
-	1,560	-	1,892	65,360	2,850	147,821
-	<u>17,560</u>	-	<u>59,892</u>	<u>270,360</u>	<u>62,850</u>	<u>951,491</u>
<u>129,591</u>	<u>(16,916)</u>	<u>1,466</u>	<u>(22,974)</u>	<u>(205,000)</u>	<u>(10,618)</u>	<u>(399,988)</u>
34,774	-	-	-	-	-	34,774
-	2,500	-	-	-	-	154,631
<u>34,774</u>	<u>2,500</u>	-	-	-	-	<u>189,405</u>
164,365	(14,416)	1,466	(22,974)	(205,000)	(10,618)	(210,583)
-	32,846	6,650	53,976	1,840,000	11,364	2,724,592
<u>\$ 164,365</u>	<u>\$ 18,430</u>	<u>\$ 8,116</u>	<u>\$ 31,002</u>	<u>\$ 1,635,000</u>	<u>\$ 746</u>	<u>\$ 2,514,009</u>

City of Arlington, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures for General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2019 and 2018

	Total 2019	Total 2018	Percent Increase (Decrease)
<b>Revenues</b>			
Taxes	\$ 925,820	\$ 860,853	7.55 %
Special assessments	233,228	121,252	92.35
Licenses and permits	42,748	23,315	83.35
Intergovernmental	829,380	832,276	(0.35)
Charges for services	630,103	537,938	17.13
Fines and forfeits	13,001	8,466	53.57
Investment earnings	111,411	25,795	331.91
Miscellaneous	135,676	110,107	23.22
	<u>\$ 2,921,367</u>	<u>\$ 2,520,002</u>	
Total Revenues	<u>\$ 2,921,367</u>	<u>\$ 2,520,002</u>	15.93 %
Per Capita	<u>\$ 1,310</u>	<u>\$ 1,141</u>	14.81 %
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 388,869	\$ 356,017	9.23 %
Public safety	832,989	740,220	12.53
Streets and highways	345,801	234,812	47.27
Health and welfare	69,930	70,176	(0.35)
Culture and recreation	182,156	207,696	(12.30)
Housing and economic development	66,245	59,151	11.99
Miscellaneous	18,285	16,845	8.55
<b>Capital outlay</b>			
General government	586	-	100.00
Public safety	239,571	77,623	208.63
Streets and highways	1,187,097	296,452	300.43
Culture and recreation	22,765	71,927	(68.35)
Housing and economic development	4,469	2,034	119.71
Miscellaneous	-	6,193	(100.00)
<b>Debt service</b>			
Principal	803,670	617,520	30.14
Interest and other charges	147,821	171,630	(13.87)
Bond issuance costs	21,800	-	100.00
	<u>\$ 4,332,054</u>	<u>\$ 2,928,296</u>	
Total Expenditures	<u>\$ 4,332,054</u>	<u>\$ 2,928,296</u>	47.94 %
Per Capita	<u>\$ 1,943</u>	<u>\$ 1,326</u>	46.53 %
Total Long-term Indebtedness	\$ 5,789,807	\$ 4,973,477	16.41 %
Per Capita	2,596	2,252	15.28
General Fund Balance - December 31	\$ 1,145,021	\$ 1,124,716	1.81 %
Per Capita	513	509	0.79

The purpose of this report is to provide a summary of financial information concerning the City of Arlington to interested citizens. The complete financial statements may be examined at City Hall, 204 Shamrock Drive, Arlington, Minnesota 55307. Questions about this report should be directed to the City Administrator at (507) 964-2378.

OTHER REQUIRED REPORTS

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019



INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

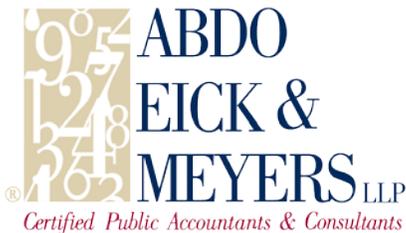
Honorable Mayor and City Council  
City of Arlington, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Arlington, Minnesota (the City) 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, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 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, and miscellaneous provisions, 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.

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 10, 2020



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

Honorable Mayor and City Council  
City of Arlington, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Minnesota (the City), 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 June 10, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 preceding paragraph 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 one deficiency in internal controls, described in the accompanying Schedule of Findings and Responses as item 2019-001 that was considered to be a significant deficiency.

## Compliance and Other Matters

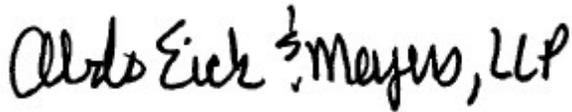
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The City's Responses to the Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 10, 2020

City of Arlington, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2019-001</b>	<b>Segregation of Duties</b>
<i>Condition:</i>	During our audit we reviewed procedures over utility billing and found the City to have limited segregation of duties over those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.

**Internal Control Over Utility Billing**

*Cause:* The Deputy Clerk approves new utility accounts, sets up and maintains customers and rates in the system, generates and mails billing statements, prepares the deposit for the bank, makes and reviews adjustments to accounts and maintains the utility billing subledger.

*Recommendation:* We recommend the Finance Director review exception reports from meter reading software and review any adjustments to utility receivables.

*Management Response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs.

*Updated Progress Since Prior Year:*

Management has reorganized the duties of its finance department and the Deputy Clerk continues to train staff on the utility billing process with the goal of meeting proper controls as outlined in the City's internal controls matrix.