



# Annual Financial Report

## City of Arlington

Arlington, Minnesota

For the year ended December 31, 2021



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INTRODUCTORY SECTION

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Arlington, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2021

**Elected**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Nagel	Mayor	12/31/22
Michelle Battcher	Vice Mayor	12/31/22
Joe Morgan	Council	12/31/22
Matthew Scharpe	Council	12/31/24
John Thomes	Council	12/31/24

**Appointed**

Amy Newsom	Administrator
Ross Arneson	Attorney

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FINANCIAL SECTION  
CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Arlington, Minnesota

### Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

### Basis for Opinions

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

### Management's Responsibility for the Financial Statements

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

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

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

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

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

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

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

## **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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022 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**  
Mankato, Minnesota  
May 26, 2022



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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, 2021.

### 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 \$21,561,478 (net position). Of this amount, \$5,195,696 (unrestricted assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$454,616. Of this increase, business-type activities (enterprise fund) had an increase of \$281,141 due to an increase in charges for services. Governmental activities had an increase of \$173,475.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,740,832, a decrease of \$12,518 in comparison with the prior year. Approximately 43.2 percent of the total fund balance is available for spending at the City's discretion, \$1,182,546 as unassigned, and \$679,637 has been assigned for specific purposes, \$617,384 committed for specific purpose, and \$3,261,265 restricted.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,217,640, or 92.8 percent of total General fund expenditures.
- The City's total debt decreased by \$922,000, or 8.3 percent during the current fiscal year. This change relates to the retirement of \$922,000 existing debt and no new debt issuances.

### 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**

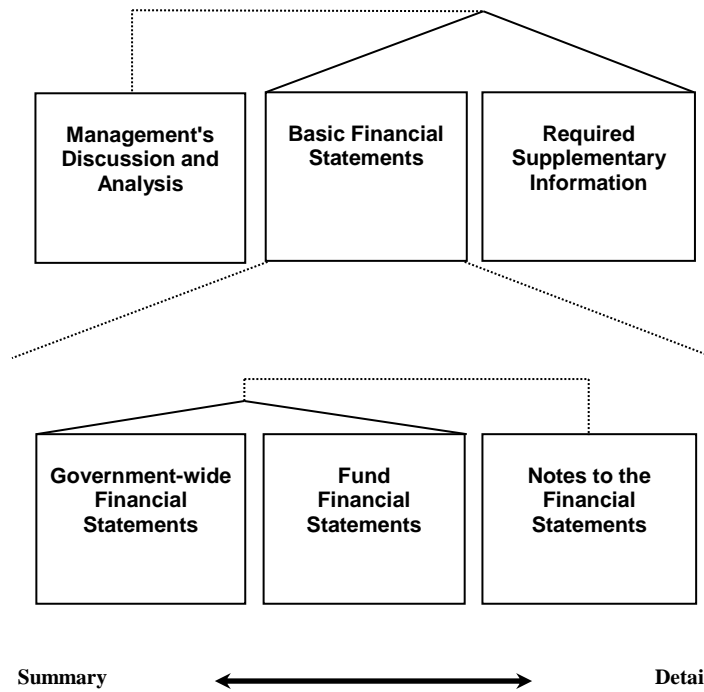


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
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 22 individual governmental funds, 7 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 and Capital Equipment, all of which are considered to be major funds. Data from the other 12 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 and Ambulance fund. A budgetary comparison statement has been provided for these funds 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 49 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 92 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 \$21,561,478 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (58.4 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 6,869,885	\$ 6,732,091	\$ 137,794	\$ 3,239,630	\$ 3,245,879	\$ (6,249)
Capital assets	8,434,307	8,687,671	(253,364)	14,237,687	14,380,516	(142,829)
<b>Total Assets</b>	<b>15,304,192</b>	<b>15,419,762</b>	<b>(115,570)</b>	<b>17,477,317</b>	<b>17,626,395</b>	<b>(149,078)</b>
Deferred outflows of resources	564,800	441,472	123,328	41,298	14,768	26,530
<b>Liabilities</b>						
Long-term liabilities outstanding	4,948,378	5,613,453	(665,075)	5,636,766	6,113,847	(477,081)
Other liabilities	263,677	115,421	148,256	236,634	202,443	34,191
<b>Total Liabilities</b>	<b>5,212,055</b>	<b>5,728,874</b>	<b>(516,819)</b>	<b>5,873,400</b>	<b>6,316,290</b>	<b>(442,890)</b>
Deferred inflows of resources	696,160	345,058	351,102	44,514	5,313	39,201
<b>Net Position</b>						
Net investment in capital assets	3,806,404	3,593,700	212,704	8,795,636	8,477,784	317,852
Restricted	3,763,742	4,033,527	(269,785)	-	-	-
Unrestricted	2,390,631	2,160,075	230,556	2,805,065	2,841,776	(36,711)
<b>Total Net Position</b>	<b>\$ 9,960,777</b>	<b>\$ 9,787,302</b>	<b>\$ 173,475</b>	<b>\$ 11,600,701</b>	<b>\$ 11,319,560</b>	<b>\$ 281,141</b>

An additional portion of the City's net position (17.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (24.1 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 \$454,616 during the current fiscal year. This was largely due business-type charges for services exceeding expenditures.

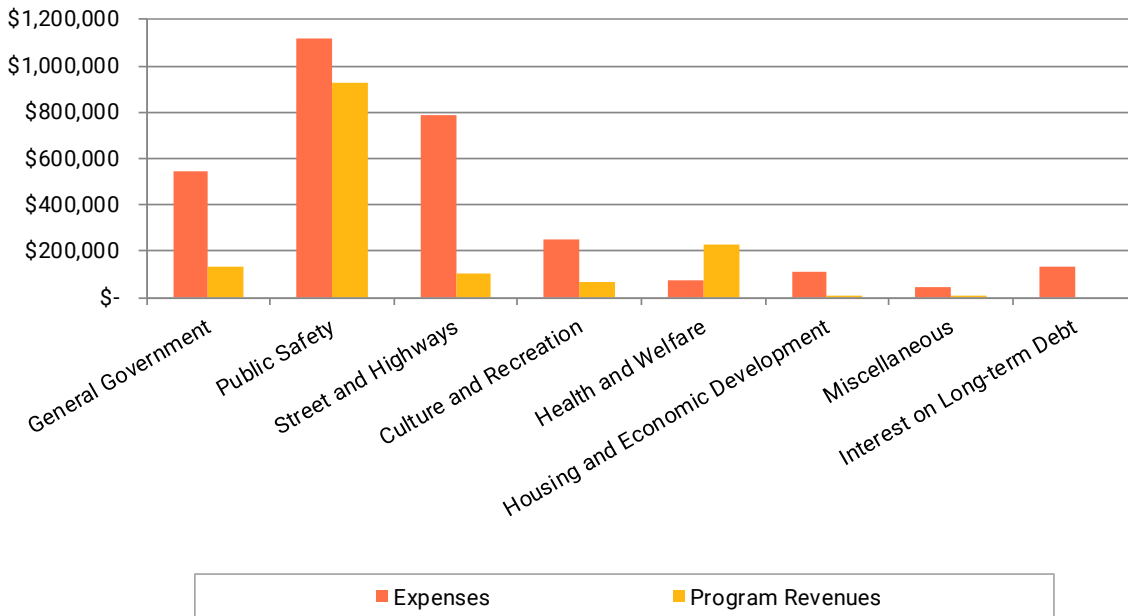
**Governmental Activities.** Governmental activities increased the City's net position by \$173,475. Key elements of this increase are as follows:

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

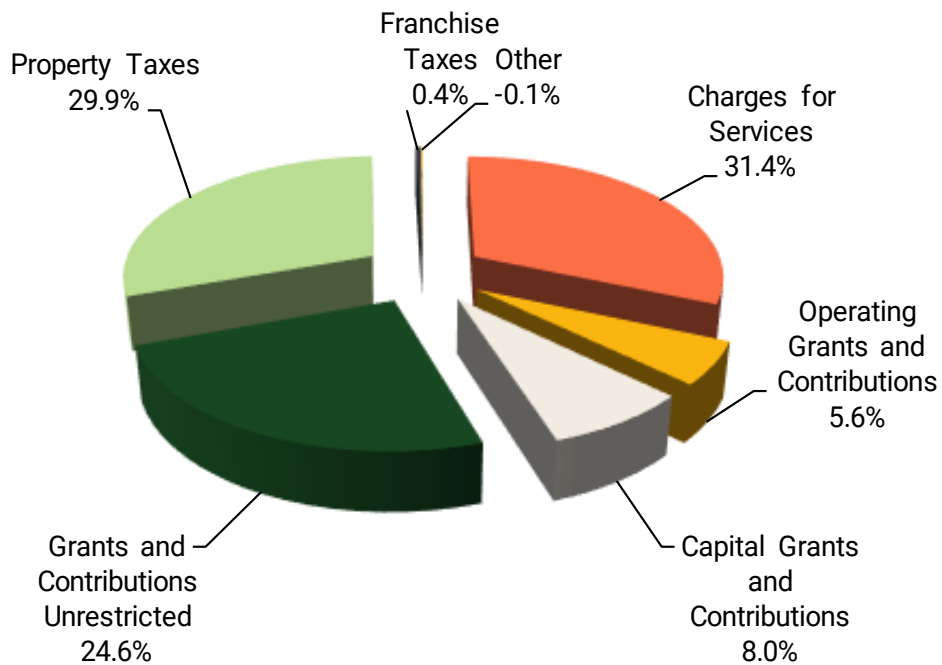
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,017,717	\$ 638,639	\$ 379,078	\$ 3,537,544	\$ 3,322,298	\$ 215,246
Operating grants and contributions	182,081	367,530	(185,449)	120	303	(183)
Capital grants and contributions	258,923	181,584	77,339	-	-	-
General Revenues						
Property taxes	968,899	938,696	30,203	-	-	-
Other taxes	14,031	14,905	(874)	-	-	-
Grants and contributions not restricted to specific programs	796,338	789,545	6,793	-	-	-
Other revenue	-	5,088	(5,088)	-	-	-
Unrestricted investment earnings	(4,600)	71,057	(75,657)	(4,020)	43,230	(47,250)
Gain on sale of capital assets	-	10,800	(10,800)	-	-	-
Total Revenues	3,233,389	3,017,844	215,545	3,533,644	3,365,831	167,813
Expenses						
General government	542,296	535,333	6,963	-	-	-
Public safety	1,120,800	1,000,324	120,476	-	-	-
Streets and highways	788,339	592,826	195,513	-	-	-
Culture and recreation	247,409	209,291	38,118	-	-	-
Health and welfare	73,938	72,904	1,034	-	-	-
Economic development	107,752	119,939	(12,187)	-	-	-
Miscellaneous	43,317	104,162	(60,845)	-	-	-
Interest on long-term debt	136,063	157,935	(21,872)	-	-	-
Electric utility	-	-	-	2,250,569	1,835,062	415,507
Water utility	-	-	-	357,097	414,962	(57,865)
Sewer utility	-	-	-	541,725	503,487	38,238
Storm water drainage	-	-	-	103,112	83,446	19,666
Total Expenses	3,059,914	2,792,714	267,200	3,252,503	2,836,957	415,546
Change in Net Position	173,475	225,130	(51,655)	281,141	528,874	(281,141)
Net Position - January 1	9,787,302	9,562,172	225,130	11,319,560	10,790,686	528,874
Net Position - December 31	\$ 9,960,777	\$ 9,787,302	\$ 173,475	\$ 11,600,701	\$ 11,319,560	\$ 247,733

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

### Expenses and Program Revenues - Governmental Activities

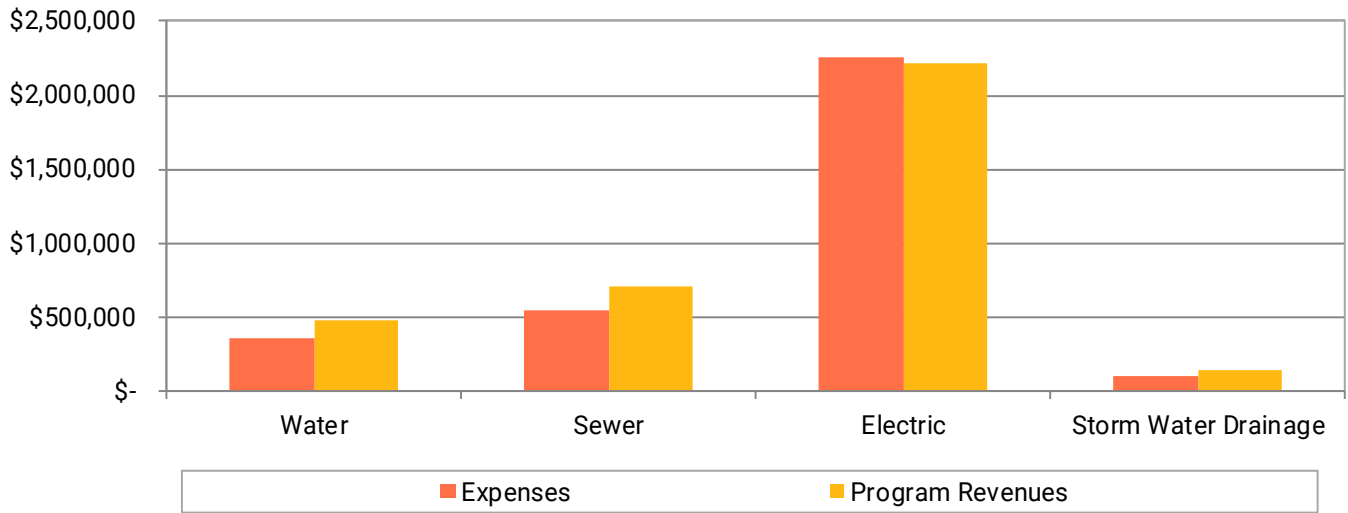


### Revenues by Source - Governmental Activities

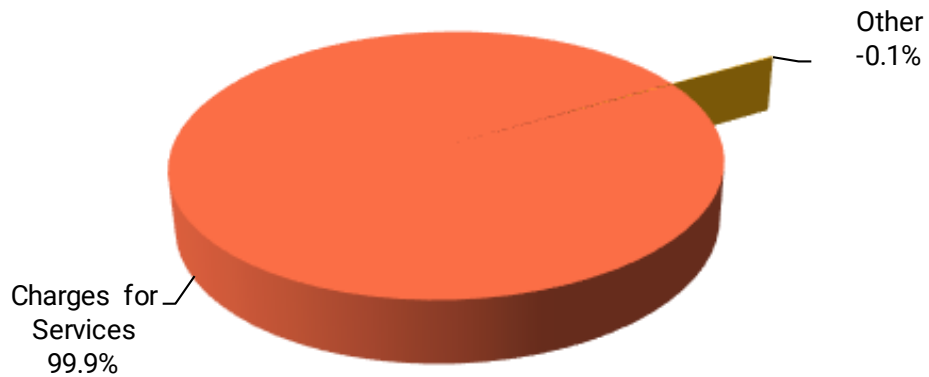


**Business-type Activities.** Business-type activities increased the City’s net position by \$281,141. The key element of this increase was stable expenditures and charges for services in excess of expenditures.

**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 \$5,740,832, a decrease of \$12,518 in comparison with the prior year. Approximately 20.6 percent of this total fund balance amount, \$1,182,546 constitutes *unrestricted fund balance*, which is available for spending at the City's discretion, with \$617,384 committed, \$679,637 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 \$3,261,265 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 \$1,217,640. 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 92.8 percent of that same amount.

The fund balance of the City's General fund increased by \$116,034 during the current fiscal year. Some of the key factors in this increase were as follows:

- Intergovernmental revenues decreased by \$113,258, due mainly to a decrease in CARES dollars.
- Property tax revenue increased by \$50,340, due to increased levy.
- Current expenditures generally decreased, except for an increase in streets and highways and parks expenditures. The increase in streets and highways due to a number of expenses not seen in the prior year.
- Capital outlay expenditures decreased by \$25,124 due to various expenses for departments not seen in the current year.
- Transfers out decreased by \$158,709, due to unusual one-time transfers done in prior year.

The *Ambulance fund* has a total fund balance of \$597,802. The net increase in fund balance during the current year was \$107,339. The key factor in this increase was an increase in charges for services revenue in the current year.

The *Debt Service fund* has a total fund balance of \$2,240,751, 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 \$190,635. This decrease is attributed to principal and interest payments outweighing taxes, assessments, interest earnings, and miscellaneous revenues.

The *Capital Equipment fund* has a total fund balance of \$374,740. The net decrease in fund balance during the current year was \$134,606. The key factor in this decrease relates to an increase in public safety, culture and recreation, and miscellaneous capital outlay expenditures. Significant Capital items are described on the next page.

**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 \$2,805,065. The total increase in net position for the funds was \$281,141. 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 \$83,255 and actual expenditures were \$32,779 under budget for the year.

The excess revenues over budget is due to higher permit revenue, insurance claim reimbursement & dividends, and park contributions. Miscellaneous expenditures were more than budget due to subsidy of WAC/SAC waivers.

## 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, 2021, amounts to \$22,671,994 (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:

- Fire SCBA's costing \$155,466
- Turnout gear costing \$76,251
- Fire department Jaws of Life costing \$43,778
- Sirens costing \$39,506
- Addition of Substation Transformer totaling \$129,905
- Green Isle Lift Station Rehab totaling \$81,358

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

### City of Arlington's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 328,700	\$ 373,670	\$ (44,970)	\$ 27,500	\$ 27,500	\$ -
Buildings and Improvements Infrastructure and Other Improvements	2,254,818	2,358,920	(104,102)	13,761,194	14,190,912	(429,718)
Machinery and Equipment	4,492,638	4,735,656	(243,018)	-	-	-
Motor Vehicles	623,846	350,806	273,040	268,836	162,104	106,732
Construction in Progress	734,305	868,619	(134,314)	-	-	-
	-	-	-	180,157	-	180,157
<b>Total</b>	<b>\$ 8,434,307</b>	<b>\$ 8,687,671</b>	<b>\$ (253,364)</b>	<b>\$ 14,237,687</b>	<b>\$ 14,380,516</b>	<b>\$ (142,829)</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,123,000. Of this amount, \$263,000 is general obligation debt, \$5,875,000 is special assessment debt and \$3,985,000 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation						
Equipment Certificates	\$ 263,000	\$ 310,000	\$ (47,000)	\$ -	\$ -	\$ -
General Obligation Special						
Assessment Bonds	3,112,933	3,313,963	(201,030)	2,762,067	2,936,037	(173,970)
General Obligation						
Revenue Bonds	1,210,000	1,425,000	(215,000)	2,222,000	2,432,000	(210,000)
Revenue Bonds	-	-	-	553,000	628,000	(75,000)
<b>Total</b>	<u>\$ 4,585,933</u>	<u>\$ 5,048,963</u>	<u>\$ (463,030)</u>	<u>\$ 5,537,067</u>	<u>\$ 5,996,037</u>	<u>\$ (458,970)</u>

The City's total debt decreased by \$922,000 (8.3 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 \$3,797,907 which is significantly in excess of the City's outstanding general obligation debt of \$263,000.

Additional information on the City of Arlington's long-term debt can be found in Note 3F starting on page 63 of this report.

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

- The unemployment rate for Sibley County is currently 3.6 percent, which has decreased from the prior year's rate of 4.4. This compares unfavorably to the State's average unemployment rate of 3.0 percent and favorably to the national average rate of 3.9 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 2021 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$1,217,640. It is intended that this use of available fund balance will avoid the need to excessively raise taxes or charges during the 2021 fiscal year.

The tax levy increased by 3.6 percent for 2021.

#### 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, 2021

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City of Arlington, Minnesota  
Statement of Net Position  
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 3,794,144	\$ 2,541,788	\$ 6,335,932
Receivables			
Interest	3,838	3,069	6,907
Delinquent taxes	16,019	-	16,019
Accounts, net of allowance for uncollectibles	348,967	553,932	902,899
Notes, net of allowance for uncollectibles	1,491,128	-	1,491,128
Special assessments	614,082	17,139	631,221
Due from other governments	3,900	-	3,900
Inventories	-	123,702	123,702
Net pension asset	274,147	-	274,147
Assets held for resale	323,660	-	323,660
Capital assets			
Nondepreciable	328,700	207,657	536,357
Depreciable, net of accumulated depreciation	8,105,607	14,030,030	22,135,637
Total Assets	<u>15,304,192</u>	<u>17,477,317</u>	<u>32,781,509</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>564,800</u>	<u>41,298</u>	<u>606,098</u>
<b>Liabilities</b>			
Accounts payable	89,242	188,988	278,230
Due to other governments	2,868	-	2,868
Accrued interest payable	38,872	46,371	85,243
Accrued salaries payable	15,435	1,275	16,710
Unearned revenue	117,260	-	117,260
Noncurrent liabilities			
Due within one year			
Long-term liabilities	484,848	468,826	953,674
Due in more than one year			
Long-term liabilities	4,155,744	5,119,303	9,275,047
Net pension liability	307,786	48,637	356,423
Total Liabilities	<u>5,212,055</u>	<u>5,873,400</u>	<u>11,085,455</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>696,160</u>	<u>44,514</u>	<u>740,674</u>
<b>Net Position</b>			
Net investment in capital assets	3,806,404	8,795,636	12,602,040
Restricted for			
Debt service	2,743,228	-	2,743,228
Loans	866,176	-	866,176
Cemetery operations	115,058	-	115,058
Park dedication	39,280	-	39,280
Unrestricted	<u>2,390,631</u>	<u>2,805,065</u>	<u>5,195,696</u>
Total Net Position	<u>\$ 9,960,777</u>	<u>\$ 11,600,701</u>	<u>\$ 21,561,478</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, 2021

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	\$ 542,296	\$ 130,956	\$ 452	\$ -
Public safety	1,120,800	704,236	54,781	165,172
Streets and highways	788,339	8,940	-	93,751
Culture and recreation	247,409	63,919	-	-
Health and welfare	73,938	104,403	126,848	-
Housing and economic development	107,752	5,013	-	-
Miscellaneous	43,317	250	-	-
Interest on long-term debt	136,063	-	-	-
Total Governmental Activities	<u>3,059,914</u>	<u>1,017,717</u>	<u>182,081</u>	<u>258,923</u>
<b>Business-type Activities</b>				
Water utility	357,097	479,204	-	-
Sewer utility	541,725	701,753	-	-
Electric utility	2,250,569	2,217,486	120	-
Storm Water Drainage	103,112	139,101	-	-
Total Business-type Activities	<u>3,252,503</u>	<u>3,537,544</u>	<u>120</u>	<u>-</u>
Total Primary Government	<u>\$ 6,312,417</u>	<u>\$ 4,555,261</u>	<u>\$ 182,201</u>	<u>\$ 258,923</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  
Unrestricted investment earnings (Loss)  
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
\$ (410,888)		\$ (410,888)
(196,611)		(196,611)
(685,648)		(685,648)
(183,490)		(183,490)
157,313		157,313
(102,739)		(102,739)
(43,067)		(43,067)
(136,063)		(136,063)
<u>(1,601,193)</u>		<u>(1,601,193)</u>
-	122,107	122,107
-	160,028	160,028
-	(32,963)	(32,963)
-	35,989	35,989
<u>-</u>	<u>285,161</u>	<u>285,161</u>
<u>(1,601,193)</u>	<u>285,161</u>	<u>(1,316,032)</u>
730,379	-	730,379
238,520	-	238,520
14,031	-	14,031
796,338	-	796,338
(4,600)	(4,020)	(8,620)
<u>1,774,668</u>	<u>(4,020)</u>	<u>1,770,648</u>
173,475	281,141	454,616
<u>9,787,302</u>	<u>11,319,560</u>	<u>21,106,862</u>
<u>\$ 9,960,777</u>	<u>\$ 11,600,701</u>	<u>\$ 21,561,478</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, 2021

City of Arlington, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2021

	<b>202</b>		
	General	Ambulance	Debt Service
<b>Assets</b>			
Cash and temporary investments	\$ 1,229,930	\$ 331,892	\$ 1,023,560
Receivables			
Interest	1,148	373	978
Delinquent taxes	12,108	-	3,911
Accounts, net of allowance for uncollectibles	47,054	280,821	4,909
Notes, net of allowance for uncollectibles	-	-	1,210,000
Special assessments	5,262	-	537,438
Due from other governments	2,596	-	1,304
Advances to other funds	23,000	-	-
Assets held for resale	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 1,321,098</u>	<u>\$ 613,086</u>	<u>\$ 2,782,100</u>
<b>Liabilities</b>			
Accounts payable	\$ 75,343	\$ 7,951	\$ -
Advances from other funds	-	-	-
Due to other governments	2,868	-	-
Accrued salaries payable	7,877	7,333	-
Unearned revenue	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>86,088</u>	<u>15,284</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	12,108	-	3,911
Unavailable revenue - special assessments	5,262	-	537,438
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>17,370</u>	<u>-</u>	<u>541,349</u>
<b>Fund Balances</b>			
Restricted for			
Future loans	-	-	-
Current loans	-	-	-
Cemetery operations	-	-	-
Debt service	-	-	2,240,751
Park dedication	-	-	-
Committed			
Economic development	-	-	-
Cemetery operations	-	-	-
Ambulance operations	-	597,802	-
Assigned for			
Fire department operations	-	-	-
Community Center operations	-	-	-
Medical center	-	-	-
Capital projects	-	-	-
Unassigned	1,217,640	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>1,217,640</u>	<u>597,802</u>	<u>2,240,751</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,321,098</u>	<u>\$ 613,086</u>	<u>\$ 2,782,100</u>

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

<b>401 Capital Equipment</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 397,465	\$ 811,297	\$ 3,794,144
412	927	3,838
-	-	16,019
-	16,183	348,967
-	281,128	1,491,128
-	71,382	614,082
-	-	3,900
-	-	23,000
-	323,660	323,660
<u>\$ 397,877</u>	<u>\$ 1,504,577</u>	<u>\$ 6,618,738</u>
\$ 137	\$ 5,811	\$ 89,242
23,000	-	23,000
-	-	2,868
-	225	15,435
-	117,260	117,260
<u>23,137</u>	<u>123,296</u>	<u>247,805</u>
-	-	16,019
-	71,382	614,082
-	71,382	630,101
-	585,048	585,048
-	281,128	281,128
-	115,058	115,058
-	-	2,240,751
-	39,280	39,280
-	4,496	4,496
-	15,086	15,086
-	-	597,802
-	202,061	202,061
-	12,999	12,999
-	89,484	89,484
374,740	353	375,093
-	(35,094)	1,182,546
<u>374,740</u>	<u>1,309,899</u>	<u>5,740,832</u>
<u>\$ 397,877</u>	<u>\$ 1,504,577</u>	<u>\$ 6,618,738</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, 2021

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 5,740,832
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	8,434,307
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	(4,585,933)
Compensated absences payable	(12,689)
Net pension liability	(307,786)
Net pension asset	274,147
Premium on bonds issues, net of accumulated amortization	(41,970)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes receivable	16,019
Special assessments receivable	614,082
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	564,800
Deferred inflows of resources	(696,160)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(38,872)</u>
Total Net Position - Governmental Activities	<u><u>\$ 9,960,777</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, 2021

	<b>202</b>		
	General	Ambulance	Debt Service
Revenues			
Taxes	\$ 744,300	\$ -	\$ 230,907
Special assessments	-	-	108,583
Licenses and permits	78,140	-	-
Intergovernmental	860,529	-	-
Charges for services	18,458	537,770	-
Fines and forfeits	9,215	-	-
Investment earnings (Loss)	(1,121)	(193)	(1,295)
Miscellaneous	59,044	20,681	52,910
Total Revenues	<u>1,768,565</u>	<u>558,258</u>	<u>391,105</u>
Expenditures			
Current			
General government	431,966	-	-
Public safety	405,015	530,369	-
Streets and highways	316,945	-	-
Health and welfare	-	-	-
Culture and recreation	92,369	-	-
Housing and economic development	29,488	-	-
Miscellaneous	28,950	-	-
Capital outlay			
Public safety	877	550	-
Streets and highways	1,306	-	-
Culture and recreation	4,960	-	-
Housing and economic development	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	-	453,030
Interest and other charges	-	-	141,690
Total Expenditures	<u>1,311,876</u>	<u>530,919</u>	<u>594,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>456,689</u>	<u>27,339</u>	<u>(203,615)</u>
Other Financing Sources (Uses)			
Loss on sale of capital assets	-	-	-
Transfers in	26,500	80,000	12,980
Transfers out	(367,155)	-	-
Total Other Financing Sources (Uses)	<u>(340,655)</u>	<u>80,000</u>	<u>12,980</u>
Net Change in Fund Balances	116,034	107,339	(190,635)
Fund Balances, January 1	<u>1,101,606</u>	<u>490,463</u>	<u>2,431,386</u>
Fund Balances, December 31	<u>\$ 1,217,640</u>	<u>\$ 597,802</u>	<u>\$ 2,240,751</u>

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



<b>401 Capital Equipment</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 7,825	\$ 983,032
-	26,649	135,232
-	-	78,140
209,796	2,295	1,072,620
-	295,466	851,694
-	-	9,215
(182)	(1,809)	(4,600)
29,015	46,866	208,516
<u>238,629</u>	<u>377,292</u>	<u>3,333,849</u>
-	-	431,966
-	123,655	1,059,039
-	-	316,945
-	73,938	73,938
-	82,959	175,328
-	18,096	47,584
-	11,340	40,290
359,827	4,550	365,804
177,716	-	179,022
18,320	7,925	31,205
-	7,799	7,799
6,027	-	6,027
10,000	-	463,030
-	-	141,690
<u>571,890</u>	<u>330,262</u>	<u>3,339,667</u>
<u>(333,261)</u>	<u>47,030</u>	<u>(5,818)</u>
-	(6,700)	(6,700)
198,655	152,660	470,795
-	(103,640)	(470,795)
<u>198,655</u>	<u>42,320</u>	<u>(6,700)</u>
(134,606)	89,350	(12,518)
<u>509,346</u>	<u>1,220,549</u>	<u>5,753,350</u>
<u>\$ 374,740</u>	<u>\$ 1,309,899</u>	<u>\$ 5,740,832</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, 2021

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ (12,518)
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	(561,485)
Capital outlay	353,091
The net effect of various miscellaneous transactions involving capital assets	
Sale of capital assets	(44,970)
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	463,030
Bond premiums received net of amortization	3,038
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.	2,589
Long-term pension activity is not reported in governmental funds.	
Pension expense	61,277
Direct aid contributions	2,953
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.	(102)
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	(100,311)
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	<u>6,883</u>
Change in Net Position - Governmental Activities	<u>\$ 173,475</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  
Budget and Actual  
General and Ambulance Funds  
For the Year Ended December 31, 2021

	General			
	Budgeted Amounts		Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 738,685	\$ 738,685	\$ 744,300	\$ 5,615
Special assessments	71	71	-	(71)
Licenses and permits	43,143	43,143	78,140	34,997
Intergovernmental	850,811	850,811	860,529	9,718
Charges for services	16,619	16,619	18,458	1,839
Fines and forfeits	12,950	12,950	9,215	(3,735)
Investment earnings (Loss)	9,500	9,500	(1,121)	(10,621)
Miscellaneous	13,531	13,531	59,044	45,513
Total Revenues	<u>1,685,310</u>	<u>1,685,310</u>	<u>1,768,565</u>	<u>83,255</u>
Expenditures				
Current				
General government	446,187	446,187	431,966	14,221
Public safety	473,764	473,764	405,015	68,749
Streets and highways	285,353	285,353	316,945	(31,592)
Culture and recreation	102,331	102,331	92,369	9,962
Housing and economic development	30,620	30,620	29,488	1,132
Miscellaneous	-	-	28,950	(28,950)
Capital outlay				
Public safety	-	-	877	(877)
Streets and highways	3,000	3,000	1,306	1,694
Culture and recreation	3,400	3,400	4,960	(1,560)
Total Expenditures	<u>1,344,655</u>	<u>1,344,655</u>	<u>1,311,876</u>	<u>32,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>340,655</u>	<u>340,655</u>	<u>456,689</u>	<u>116,034</u>
Other Financing Sources (Uses)				
Transfers in	26,500	26,500	26,500	-
Transfers out	(367,155)	(367,155)	(367,155)	-
Total Other Financing Sources (Uses)	<u>(340,655)</u>	<u>(340,655)</u>	<u>(340,655)</u>	<u>-</u>
Net Change in Fund Balances	-	-	116,034	116,034
Fund Balances, January 1	<u>1,101,606</u>	<u>1,101,606</u>	<u>1,101,606</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,101,606</u>	<u>\$ 1,101,606</u>	<u>\$ 1,217,640</u>	<u>\$ 116,034</u>

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

Ambulance

Budgeted Amounts		Amounts	Variance with Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
5,000	5,000	-	(5,000)
281,334	281,334	537,770	256,436
-	-	-	-
1,500	1,500	(193)	(1,693)
100	100	20,681	20,581
<u>287,934</u>	<u>287,934</u>	<u>558,258</u>	<u>270,324</u>
-	-	-	-
370,986	370,986	530,369	(159,383)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	550	(550)
-	-	-	-
-	-	-	-
<u>370,986</u>	<u>370,986</u>	<u>530,919</u>	<u>(159,933)</u>
<u>(83,052)</u>	<u>(83,052)</u>	<u>27,339</u>	<u>110,391</u>
80,000	80,000	80,000	-
-	-	-	-
<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
(3,052)	(3,052)	107,339	110,391
<u>490,463</u>	<u>490,463</u>	<u>490,463</u>	<u>-</u>
<u>\$ 487,411</u>	<u>\$ 487,411</u>	<u>\$ 597,802</u>	<u>\$ 110,391</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, 2021

	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	\$ 923,910	\$ 694,018	\$ 697,287	\$ 226,573	\$ 2,541,788
Receivables					
Interest	1,101	810	945	213	3,069
Accounts, net of allowance for uncollectibles	71,254	137,061	323,296	22,321	553,932
Special assessments	2,576	7,475	1,342	1,500	12,893
Inventories	-	-	123,702	-	123,702
<b>Total Current Assets</b>	<u>998,841</u>	<u>839,364</u>	<u>1,146,572</u>	<u>250,607</u>	<u>3,235,384</u>
<b>Noncurrent Assets</b>					
Special assessment receivables	1,534	2,712	-	-	4,246
Capital assets					
Land	-	-	27,500	-	27,500
Construction in progress	180,157	-	-	-	180,157
Building and improvements	4,954,498	11,224,642	6,182,719	1,696,533	24,058,392
Machinery and equipment	255,019	81,364	174,327	-	510,710
<b>Total capital assets, at cost</b>	5,389,674	11,306,006	6,384,546	1,696,533	24,776,759
Less accumulated depreciation	<u>(2,148,389)</u>	<u>(3,876,033)</u>	<u>(4,361,951)</u>	<u>(152,699)</u>	<u>(10,539,072)</u>
<b>Total capital assets (net of accumulated depreciation)</b>	<u>3,241,285</u>	<u>7,429,973</u>	<u>2,022,595</u>	<u>1,543,834</u>	<u>14,237,687</u>
<b>Total Noncurrent Assets</b>	<u>3,242,819</u>	<u>7,432,685</u>	<u>2,022,595</u>	<u>1,543,834</u>	<u>14,241,933</u>
<b>Total Assets</b>	<u>4,241,660</u>	<u>8,272,049</u>	<u>3,169,167</u>	<u>1,794,441</u>	<u>17,477,317</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	-	-	41,298	-	41,298
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	29,887	6,265	152,836	-	188,988
Accrued interest payable	8,427	15,428	7,317	15,199	46,371
Accrued salaries payable	-	-	1,275	-	1,275
Compensated absences - current portion	-	-	3,391	-	3,391
Bonds payable - current portion	55,580	284,581	40,000	85,274	465,435
<b>Total Current Liabilities</b>	<u>93,894</u>	<u>306,274</u>	<u>204,819</u>	<u>100,473</u>	<u>705,460</u>
<b>Noncurrent Liabilities</b>					
Compensated absences - long-term portion	-	-	15,172	-	15,172
Bonds payable - long-term portion	751,272	2,615,523	410,000	1,327,336	5,104,131
Net pension liability	-	-	48,637	-	48,637
<b>Total Noncurrent Liabilities</b>	<u>751,272</u>	<u>2,615,523</u>	<u>473,809</u>	<u>1,327,336</u>	<u>5,167,940</u>
<b>Total Liabilities</b>	<u>845,166</u>	<u>2,921,797</u>	<u>678,628</u>	<u>1,427,809</u>	<u>5,873,400</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	-	-	44,514	-	44,514
<b>Net Position</b>					
Net investment in capital assets	2,465,089	4,529,869	1,572,595	228,083	8,795,636
Unrestricted	931,405	820,383	914,728	138,549	2,805,065
<b>Total Net Position</b>	<u>\$ 3,396,494</u>	<u>\$ 5,350,252</u>	<u>\$ 2,487,323</u>	<u>\$ 366,632</u>	<u>\$ 11,600,701</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, 2021

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
Operating Revenues					
Sales	\$ 438,443	\$ 694,049	\$ 2,207,970	\$ 138,432	\$ 3,478,894
Operating Expenses					
Personal services	-	-	107,099	-	107,099
Supplies	314	314	7,336	-	7,964
Other services and charges	189,492	205,589	1,996,042	9,807	2,400,930
Insurance	2,471	8,830	1,948	-	13,249
Utilities	30,618	44,332	203	-	75,153
Depreciation	114,338	242,396	119,801	57,714	534,249
Total Operating Expenses	<u>337,233</u>	<u>501,461</u>	<u>2,232,429</u>	<u>67,521</u>	<u>3,138,644</u>
Operating Income (Loss)	<u>101,210</u>	<u>192,588</u>	<u>(24,459)</u>	<u>70,911</u>	<u>340,250</u>
Nonoperating Revenues (Expenses)					
Investment earnings (Loss)	(1,344)	(1,113)	(1,259)	(304)	(4,020)
Miscellaneous income	40,761	7,704	9,636	669	58,770
Interest expense	(20,215)	(40,598)	(18,140)	(36,617)	(115,570)
Amortization of bond premiums	351	334	-	1,026	1,711
Total Nonoperating Revenues (Expenses)	<u>19,553</u>	<u>(33,673)</u>	<u>(9,763)</u>	<u>(35,226)</u>	<u>(59,109)</u>
Change in Net Position	120,763	158,915	(34,222)	35,685	281,141
Net Position, January 1	<u>3,275,731</u>	<u>5,191,337</u>	<u>2,521,545</u>	<u>330,947</u>	<u>11,319,560</u>
Net Position, December 31	<u>\$ 3,396,494</u>	<u>\$ 5,350,252</u>	<u>\$ 2,487,323</u>	<u>\$ 366,632</u>	<u>\$ 11,600,701</u>

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

City of Arlington, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Electric Utility	605 Storm Water	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 430,262	\$ 683,336	\$ 2,198,870	\$ 161,888	\$ 3,474,356
Payments to suppliers and vendors	(216,844)	(261,466)	(1,987,309)	(9,807)	(2,475,426)
Payments to and on behalf of employees	-	-	(110,849)	-	(110,849)
Other receipts	40,761	7,704	9,636	669	58,770
Net Cash Provided (Used) by Operating Activities	<u>254,179</u>	<u>429,574</u>	<u>110,348</u>	<u>152,750</u>	<u>946,851</u>
<b>Cash Flows from Capital And Related Financing Activities</b>					
Acquisition of capital assets	(163,143)	(81,358)	(129,905)	-	(374,406)
Principal paid on bonds	(53,768)	(281,161)	(40,000)	(84,041)	(458,970)
Interest paid on bonds	(20,660)	(42,063)	(18,540)	(37,314)	(118,577)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(237,571)</u>	<u>(404,582)</u>	<u>(188,445)</u>	<u>(121,355)</u>	<u>(951,953)</u>
<b>Cash Flows from Investing Activities</b>					
Investment market value loss	(1,163)	(1,082)	(1,321)	(359)	(3,925)
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	15,445	23,910	(79,418)	31,036	(9,027)
Cash and Cash Equivalents, January 1	908,465	670,108	776,705	195,537	2,550,815
Cash and Cash Equivalents, December 31	<u>\$ 923,910</u>	<u>\$ 694,018</u>	<u>\$ 697,287</u>	<u>\$ 226,573</u>	<u>\$ 2,541,788</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ 101,210	\$ 192,588	\$ (24,459)	\$ 70,911	\$ 340,250
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income (expenses) related to operations	40,761	7,704	9,636	669	58,770
Depreciation	114,338	242,396	119,801	57,714	534,249
(Increase) decrease in assets					
Accounts receivable	(8,528)	(10,639)	(8,737)	23,891	(4,013)
Special assessments	347	(74)	(363)	(435)	(525)
Inventories	-	-	1,665	-	1,665
Increase (decrease) in deferred outflows of resources					
Deferred pension resources	-	-	(26,530)	-	(26,530)
Increase (decrease) in liabilities					
Accounts payable	6,051	(2,401)	16,555	-	20,205
Compensated absences payable	-	-	232	-	232
Net pension liability	-	-	(16,632)	-	(16,632)
Accrued salaries payable	-	-	(21)	-	(21)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	-	-	39,201	-	39,201
Net Cash Provided (Used) by Operating Activities	<u>\$ 254,179</u>	<u>\$ 429,574</u>	<u>\$ 110,348</u>	<u>\$ 152,750</u>	<u>\$ 946,851</u>
<b>Noncash Investing, Capital And Financing Activities</b>					
Capital Assets Acquired on Account	\$ 17,014	\$ -	\$ -	\$ -	\$ 17,014
Amortization of bond premium (discount)	<u>\$ (351)</u>	<u>\$ (334)</u>	<u>\$ -</u>	<u>\$ (1,026)</u>	<u>\$ (685)</u>

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



City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

## 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

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

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

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

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

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

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

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

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 59.

The City has the following recurring fair value measurements as of December 31, 2021:

- Negotiable certificates of deposit of \$2,415,922 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 2021. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2021 was \$33,678 in the Fire fund and \$151,059 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, 2021 is \$323,660.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021 is \$31,252. The General fund is typically used to liquidate governmental compensated absences payable.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 General Employee Plan (GERP), Police and Fire Plan (PEPFP), and Arlington Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Total Pension Expense
	GERP	PEPFP	FRA	
Pension Expense	\$ 35,504	\$ (1,710)	\$ 31,329	\$ 65,124

***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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has 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, 2021

**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, 2021 expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Ambulance	\$ 370,986	\$ 530,919	\$ 159,933
Non-major Special Revenue			
Community Hall	86,318	90,884	4,566
Cemetery	10,445	11,340	895
EDA Loan Programs	6,600	18,071	11,471

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, 2021:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Capital Projects	
Circle Drive Improvements	\$ 34,881
Special Revenue	
COVID-19	213

These deficit will be funded through future collection of special assessments and future interest earnings.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, which 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 \$2,165,857 and the bank balance was \$2,214,031. Of the bank balance, \$300,677 was covered by federal depository insurance. Of the remaining balance, \$1,275,102 was collateralized with securities held by the pledging financial institution's trust department in the City's name, but this left a balance of \$829,587 which was uncollateralized.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**Investments**

As of December 31, 2021, 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	\$ 1,748,504		
Broker Money Market Funds	N/A	less than 6 months	5,649		
<b>Non-Pooled Investments at Fair Value</b>					
Negotiable certificates of deposit	N/A	less than 1 year	1,941,888	\$ -	\$ 1,941,888
Negotiable certificates of deposit	N/A	1 to 5 years	474,034	-	474,034
<b>Total Investments</b>			<b>\$ 4,170,075</b>	<b>\$ -</b>	<b>\$ 2,415,922</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, 2021 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, 2021

**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	\$ 2,165,857
Investments	4,170,075
Cash and Temporary Investments	\$ 6,335,932

**Notes Receivable**

A local business has a promissory note with the City. This note will be paid back to the City with monthly payments of \$629 with interest at 4.75 percent on all unpaid balances. The balance on this loan at December 31, 2021 is \$53,128. This note is secured by a mortgage on the property.

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, 2021 is \$43,747. A portion of these notes (\$3,747) are unearned for 3 years, at which time the note is forgiven if the original property owner is still in business. The remaining \$40,000 is eligible to be forgiven after 5 years if the original property owner remains in business. The amount of the allowance for doubtful accounts for the forgivable portion is \$43,747.

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, 2021 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, 2021 is \$1,210,000 which is the bond portion of the agreement.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**C. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2021, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 373,670	\$ -	\$ (44,970)	\$ 328,700
Capital Assets being Depreciated				
Buildings and improvements	7,746,681	22,940	-	7,769,621
Infrastructure and other improvements	6,976,353	-	-	6,976,353
Machinery and equipment	709,850	330,151	-	1,040,001
Motor vehicles	2,809,695	-	-	2,809,695
Total Capital Assets Being Depreciated	<u>18,242,579</u>	<u>353,091</u>	<u>-</u>	<u>18,595,670</u>
Less Accumulated Depreciation for				
Buildings and improvements	(5,387,761)	(127,042)	-	(5,514,803)
Infrastructure and other improvements	(2,240,697)	(243,018)	-	(2,483,715)
Machinery and equipment	(359,044)	(57,111)	-	(416,155)
Motor vehicles	(1,941,076)	(134,314)	-	(2,075,390)
Total Accumulated Depreciation	<u>(9,928,578)</u>	<u>(561,485)</u>	<u>-</u>	<u>(10,490,063)</u>
Total Capital Assets Being Depreciated, Net	<u>8,314,001</u>	<u>(208,394)</u>	<u>-</u>	<u>8,105,607</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,687,671</u>	<u>\$ (208,394)</u>	<u>\$ (44,970)</u>	<u>\$ 8,434,307</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	-	180,157	-	180,157
Total Capital Assets Not Being Depreciated	<u>27,500</u>	<u>180,157</u>	<u>-</u>	<u>207,657</u>
Capital Assets being Depreciated				
Buildings and improvements	23,977,034	81,358	-	24,058,392
Machinery and equipment	380,805	129,905	-	510,710
Total Capital Assets Being Depreciated	<u>24,357,839</u>	<u>211,263</u>	<u>-</u>	<u>24,569,102</u>
Less Accumulated Depreciation for				
Buildings and improvements	(9,786,122)	(511,076)	-	(10,297,198)
Machinery and equipment	(218,701)	(23,173)	-	(241,874)
Total Accumulated Depreciation	<u>(10,004,823)</u>	<u>(534,249)</u>	<u>-</u>	<u>(10,539,072)</u>
Total Capital Assets Being Depreciated, Net	<u>14,353,016</u>	<u>(322,986)</u>	<u>-</u>	<u>14,030,030</u>
Business-type Activities Capital Assets, Net	<u>\$ 14,380,516</u>	<u>\$ (142,829)</u>	<u>\$ -</u>	<u>\$ 14,237,687</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

**Governmental Activities**

General government	\$ 104,165
Public safety	128,399
Streets and highways	289,634
Culture and recreation	39,287
	<u>39,287</u>

Total Depreciation Expense - Governmental Activities	\$ 561,485
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**Business-type Activities**

Water	\$ 114,338
Sewer	242,396
Electric	119,801
Storm Water Drainage	57,714
	<u>57,714</u>

Total Depreciation Expense - Business-type Activities	\$ 534,249
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**D. 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
2022	\$ 2,124
2023	2,124
2024	2,124
2025	2,124
	<u>2,124</u>
Total	\$ 8,496

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

Advances from/to other funds at December 31, 2021 are as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Equipment	\$ 23,000

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 \$23,000.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Interfund transfers for the year ended December 31, 2021 are as follows:

	Transfer in					Total
	General Fund	Ambulance Fund	Debt Service Fund	Capital Equipment Fund	Nonmajor Governmental Funds	
Transfer Out						
General fund	\$ -	\$ 80,000	\$ -	\$ 135,155	\$ 152,000	\$ 367,155
Nonmajor governmental funds	26,500	-	12,980	63,500	660	103,640
<b>Total</b>	<b>\$ 26,500</b>	<b>\$ 80,000</b>	<b>\$ 12,980</b>	<b>\$ 198,655</b>	<b>\$ 152,660</b>	<b>\$ 470,795</b>

All interfund transfers in the current year were budgeted for.

**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 2015	\$ 84,000	2.60 %	12/07/15	02/01/22	\$ 18,000
G.O. Equipment Certificates of 2019A	100,000	-	11/18/19	08/01/29	80,000
G.O. Equipment Certificates of 2019A	185,000	2.00 - 2.50	08/01/19	02/01/29	165,000
<b>Total Equipment Certificates</b>					<b>\$ 263,000</b>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2022	\$ 48,000	\$ 3,659	\$ 51,659
2023	30,000	3,025	33,025
2024	30,000	2,625	32,625
2025	30,000	2,225	32,225
2026	30,000	1,825	31,825
2027 - 2029	95,000	3,075	98,075
<b>Total</b>	<b>\$ 263,000</b>	<b>\$ 16,434</b>	<b>\$ 279,434</b>

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement Projects 2012	\$ 795,000	1.00 - 2.70 %	09/12/12	02/01/28	\$ 265,000
Improvement Projects 2015	2,005,000	2.00 - 3.00	06/01/15	02/01/31	1,400,000
Improvement Projects 2017	1,830,000	2.00 - 2.88	06/20/17	02/01/33	1,515,000
Improvement Projects 2019	2,810,000	2.00 - 3.00	08/01/19	02/01/40	2,695,000
<b>Total G.O. Special Assessment Bonds</b>					<b>\$ 5,875,000</b>

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
2022	\$ 206,565	\$ 78,827	\$ 285,392	\$ 178,435	\$ 69,287	\$ 247,722
2023	212,600	74,725	287,325	182,400	65,771	248,171
2024	212,600	70,300	282,900	187,400	61,804	249,204
2025	223,600	65,584	289,184	191,400	57,687	249,087
2026	226,534	60,446	286,980	193,466	53,307	246,773
2027 - 2031	1,183,753	210,195	1,393,948	961,247	193,769	1,155,016
2032 - 2036	527,281	80,302	607,583	512,719	87,039	599,758
2037 - 2040	320,000	19,650	339,650	355,000	21,825	376,825
<b>Total</b>	<b>\$ 3,112,933</b>	<b>\$ 660,029</b>	<b>\$ 3,772,962</b>	<b>\$ 2,762,067</b>	<b>\$ 610,489</b>	<b>\$ 3,372,556</b>



City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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	\$ 2,222,000
G.O. Hospital Revenue Refunding Bonds of 2010B	3,345,000	2.00 - 4.00	12/01/10	12/01/26	<u>1,210,000</u>
Total G.O. Revenue Bonds					<u>\$ 3,432,000</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	\$ 438,443	\$ 694,049	\$ 2,207,970	\$ 138,432
Principal and Interest	74,428	323,224	58,540	121,355
Percentage of Revenues	17.0%	46.6%	2.7%	87.7%

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Governmental Activities			<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	250,000	20,400	270,400	219,000	15,780	234,780
2026	260,000	10,400	270,400	221,000	13,590	234,590
2027 - 2031	-	-	-	1,138,000	34,370	1,172,370
Total	<u>\$ 1,210,000</u>	<u>\$ 144,050</u>	<u>\$ 1,354,050</u>	<u>\$ 2,222,000</u>	<u>\$ 124,010</u>	<u>\$ 2,346,010</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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	\$ 450,000
G.O. Disposal System Bonds of 2015	267,000	2.60	12/07/15	02/01/24	<u>103,000</u>
Total Revenue Bonds					<u>\$ 553,000</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
2022	\$ 75,000	\$ 18,983	\$ 93,983
2023	79,000	16,386	95,386
2024	79,000	13,702	92,702
2025	50,000	11,360	61,360
2026	50,000	9,360	59,360
2027 - 2030	<u>220,000</u>	<u>17,290</u>	<u>237,290</u>
Total	<u>\$ 553,000</u>	<u>\$ 87,081</u>	<u>\$ 640,081</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 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	\$ 310,000	\$ -	\$ (47,000)	\$ 263,000	\$ 48,000
General obligation special assessment bonds	3,313,963	-	(201,030)	3,112,933	206,565
General obligation revenue bonds	1,425,000	-	(215,000)	1,210,000	225,000
Bond premium	45,008	-	(3,038)	41,970	-
Total Bonds Payable	<u>5,093,971</u>	<u>-</u>	<u>(466,068)</u>	<u>4,627,903</u>	<u>479,565</u>
Compensated Absences	<u>19,572</u>	<u>29,515</u>	<u>(36,399)</u>	<u>12,689</u>	<u>5,283</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,113,543</u>	<u>\$ 29,515</u>	<u>\$ (502,467)</u>	<u>\$ 4,640,592</u>	<u>\$ 484,848</u>
<b>Business-type Activities</b>					
Bonds Payable					
Revenue bonds	\$ 628,000	\$ -	\$ (75,000)	\$ 553,000	\$ 75,000
General obligation revenue bonds	2,432,000	-	(210,000)	2,222,000	212,000
General obligation special assessment bonds	2,936,037	-	(173,970)	2,762,067	178,435
Bond premium	34,210	-	(1,711)	32,499	-
Total Bonds Payable	<u>6,030,247</u>	<u>-</u>	<u>(460,681)</u>	<u>5,569,566</u>	<u>465,435</u>
Compensated Absences	<u>18,331</u>	<u>11,822</u>	<u>(11,590)</u>	<u>18,563</u>	<u>3,391</u>
Business-type Activity Long-term Liabilities	<u>\$ 6,048,578</u>	<u>\$ 11,822</u>	<u>\$ (472,271)</u>	<u>\$ 5,588,129</u>	<u>\$ 468,826</u>

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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

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

Public Employees Police and Fire Plan

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

**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.

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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, 2021

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

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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 2021 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, 2021, 2020 and 2019 were \$30,041, \$28,705 and \$24,802, 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 Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$32,642, \$41,212 and \$38,450, 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, 2021, the City reported a liability of \$230,604 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$7,087. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0054 percent which was a 0.0007 percent increase from its proportion measured as of June 30, 2020.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

City's Proportionate Share of the Net Pension Liability	\$ 230,604
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>7,087</u>
Total	<u>\$ 237,691</u>

For the year ended December 31, 2021, the City recognized pension expense of \$34,932 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$572 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,207	\$ 6,952
Changes in Actuarial Assumptions	140,802	4,410
Net Difference Between Projected and Actual Earnings on Plan Investments	-	199,698
Changes in Proportion	38,087	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>15,709</u>	<u>-</u>
Total	<u>\$ 195,805</u>	<u>\$ 211,060</u>

The \$15,709 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 18,547
2023	7,773
2024	(2,811)
2025	(54,473)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$125,819 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0163 percent which was a 0.0052 percent decrease from its proportionate share measured as of June 30, 2020.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of \$2,744 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$1,034 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 26,051	\$ 16,469
Changes in Actuarial Assumptions	231,214	97,326
Net Difference Between Projected and Actual Earnings on Plan Investments	-	228,942
Changes in Proportion	100,151	63,254
Contributions Paid to PERA Subsequent to the Measurement Date	16,991	-
Total	\$ 374,407	\$ 405,991

The \$16,991 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (62,725)
2023	(174)
2024	3,013
2025	(29,172)
2026	40,483

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

##### **E. Actuarial Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

##### General Employees Fund

###### Changes in Actuarial Assumptions

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

###### Changes in Plan Provisions

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



City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Arlington, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2021 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.

**G. Pension Liability Sensitivity**

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 470,315	\$ 230,604	\$ 33,907
Police and Fire Fund	399,453	125,819	(98,494)

**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).

City of Arlington, Minnesota  
Notes to the Financial Statements  
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**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, 2020, the plan covered 31 active firefighters and 10 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 \$27,766 in fire state aid to the plan on behalf of the Fire Department for the year ended December 31, 2021, 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, 2021 were \$27,766. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$3,909 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, 2021, the City reported a net pension liability (asset) of (\$274,147) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2021. 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, 2021	\$ 808,988	\$ 983,255	\$ (174,267)
Changes for the Year			
Service cost	21,895	-	21,895
Interest cost	47,776	-	47,776
Plan changes	17,215	-	17,215
Contributions (employer)	-	4,075	(4,075)
Nonemployer contributions	-	27,399	(27,399)
Projected investment return	-	57,442	(57,442)
(Gain)/loss	-	97,850	(97,850)
Total Net Changes	<u>86,886</u>	<u>186,766</u>	<u>(99,880)</u>
Ending Balance December 31, 2021	<u>\$ 895,874</u>	<u>\$ 1,170,021</u>	<u>\$ (274,147)</u>

For the year ended December 31, 2021, the City recognized pension expense of \$31,329.

At December 31, 2021, 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
Differences Between Expected and Actual Experience	\$ -	\$ 14,408
Changes in Actuarial Assumptions	4,211	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	109,215
Contributions to Plan Subsequent to the Measurement Date	<u>31,675</u>	<u>-</u>
Total	<u>\$ 35,886</u>	<u>\$ 123,623</u>

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

Deferred outflows of resources totaling \$31,675 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, 2022. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ (34,000)
2023	(18,395)
2024	(42,350)
2025	(21,270)
2026	(1,700)
Thereafter	(1,697)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2021 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	3.25% per year
Investment Rate of Return	7.50%
20 Year Municipal Bond Yield	3.00%

There were no changes in actuarial assumptions in 2021.

**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:

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (258,501)	\$ (274,147)	\$ (289,193)

**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.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
Total	<u>100.0 %</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.

**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 \$126,596,900 at December 31, 2021 for a limit of \$3,797,907. The City currently has general obligation debt outstanding subject to this limit of \$263,000, 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.

City of Arlington, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**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 2021 was \$796,203 for LGA. This accounted for 45.0 percent of General fund revenues.

**E. 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**

On January 3, 2022, the City approved the issuance of a \$1,105,000 general obligation utility revenue note, series 2022A with a closing date of March 1, 2022. The note will be funding a water source project. This will be a 20 year term note with a call option on February 1, 2029.

**Note 8: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Arlington, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2021

**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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0054 %	\$ 230,604	\$ 7,087	\$ 237,691	\$ 405,014	56.9 %	87.0 %
06/30/20	0.0047	281,786	8,609	290,395	334,101	84.3	79.0
06/30/19	0.0046	254,324	7,833	262,157	323,974	78.5	80.2
06/30/18	0.0037	205,261	6,871	212,132	251,938	81.5	75.9
06/30/17	0.0041	261,741	3,285	265,026	263,653	99.3	75.9
06/30/16	0.0043	349,139	34,543	383,682	269,466	129.6	68.9
06/30/15	0.0047	243,578	-	243,578	272,088	89.5	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)
12/31/21	\$ 30,041	\$ 30,041	\$ -	\$ 400,545	7.5 %
12/31/20	28,705	28,705	-	382,739	7.5
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	-	266,754	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, 2021

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

Changes in Actuarial Assumptions

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

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

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

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

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.

City of Arlington, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

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

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

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

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

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

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, 2021

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0163 %	\$ 125,819	\$ 5,679	\$ 131,498	\$ 200,024	62.9 %	93.7 %
06/30/20	0.0215	283,393	6,674	290,067	242,900	116.7	87.2
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	147,587	84.7	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)
12/31/21	\$ 32,642	\$ 32,642	\$ -	\$ 184,419	17.70 %
12/31/20	41,212	41,212	-	232,838	17.70
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	-	136,087	16.20

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, 2021

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

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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

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

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

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.

City of Arlington, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

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

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

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

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 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.

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

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, 2021

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

	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)
Total Pension Liability				
Service cost	\$ 21,895	\$ 19,878	\$ 18,805	\$ 18,346
Interest cost	47,776	44,279	40,394	37,175
Assumption changes	-	5,615	-	-
Plan changes	17,215	15,635	14,713	-
Gain or loss	-	(19,212)	-	-
Benefit payments	-	(14,814)	-	-
Net Change in Total Pension Liability	<u>86,886</u>	<u>51,381</u>	<u>73,912</u>	<u>55,521</u>
Total Pension Liability - January 1	<u>808,988</u>	<u>757,607</u>	<u>683,695</u>	<u>628,174</u>
Total Pension Liability - December 31 (a)	<u>\$ 895,874</u>	<u>\$ 808,988</u>	<u>\$ 757,607</u>	<u>\$ 683,695</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 4,075	\$ 3,959	\$ 3,445	\$ 3,347
Nonemployer contributions	27,399	26,263	25,468	25,917
Projected investment return	57,442	47,312	50,049	41,527
Gain or loss	97,850	105,416	(119,799)	78,030
Benefit payments	-	(14,814)	-	-
Administrative expenses	-	-	-	(900)
Net Change in Plan Fiduciary Net Position	<u>186,766</u>	<u>168,136</u>	<u>(40,837)</u>	<u>147,921</u>
Plan Fiduciary Net Position - January 1	<u>983,255</u>	<u>815,119</u>	<u>855,956</u>	<u>708,035</u>
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 1,170,021</u>	<u>\$ 983,255</u>	<u>\$ 815,119</u>	<u>\$ 855,956</u>
Fire Relief's Net Pension Liability (asset) - December 31 (a-b)	<u>\$ (274,147)</u>	<u>\$ (174,267)</u>	<u>\$ (57,512)</u>	<u>\$ (172,261)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	130.60%	121.54%	107.59%	125.20%
Covered-employee Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (asset) as a Percentage of Covered-employee Payroll	N/A	N/A	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

2020 - The assumed future deferred interest rate changed from 4% to 5% to reflect that most deferred members receive the current board-set rate of 5%.

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

2020 - The benefit level changed from \$1,650 to \$1,700.

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



City of Arlington, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2021

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

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2021	\$ 27,766	\$ 31,675	\$ (3,909)
12/31/2020	27,399	31,474	(4,075)
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.*

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ARLINGTON  
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Arlington, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 845,825	\$ (34,528)	\$ 811,297
Receivables			
Interest	927	-	927
Accounts, net of allowance for uncollectibles	16,183	-	16,183
Notes, net of allowance for uncollectibles	281,128	-	281,128
Special assessments	-	71,382	71,382
Assets held for resale	323,660	-	323,660
	<u>\$ 1,467,723</u>	<u>\$ 36,854</u>	<u>\$ 1,504,577</u>
<b>Liabilities</b>			
Accounts payable	\$ 5,811	\$ -	\$ 5,811
Accrued salaries payable	225	-	225
Unearned revenue	117,260	-	117,260
Total Liabilities	<u>123,296</u>	<u>-</u>	<u>123,296</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	71,382	71,382
	<u>-</u>	<u>71,382</u>	<u>71,382</u>
<b>Fund Balances</b>			
<b>Restricted for</b>			
Future loans	585,048	-	585,048
Current loans	281,128	-	281,128
Cemetery operations	115,058	-	115,058
Park dedication	39,280	-	39,280
<b>Committed for</b>			
Economic development	4,496	-	4,496
Cemetery operations	15,086	-	15,086
<b>Assigned for</b>			
Fire department operations	202,061	-	202,061
Community Center operations	12,999	-	12,999
Medical center	89,484	-	89,484
Capital projects	-	353	353
Unassigned	(213)	(34,881)	(35,094)
Total Fund Balances	<u>1,344,427</u>	<u>(34,528)</u>	<u>1,309,899</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
	<u>\$ 1,467,723</u>	<u>\$ 36,854</u>	<u>\$ 1,504,577</u>

City of Arlington, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ 7,825	\$ 7,825
Special assessments	-	26,649	26,649
Intergovernmental	2,295	-	2,295
Charges for services	295,466	-	295,466
Investment earnings (loss)	(1,813)	4	(1,809)
Miscellaneous	46,866	-	46,866
Total Revenues	<u>342,814</u>	<u>34,478</u>	<u>377,292</u>
Expenditures			
Current			
Public safety	123,655	-	123,655
Health and welfare	73,938	-	73,938
Culture and recreation	82,959	-	82,959
Housing and economic development	18,096	-	18,096
Miscellaneous	11,340	-	11,340
Capital outlay			
Public safety	4,550	-	4,550
Culture and recreation	7,925	-	7,925
Housing and economic development	-	7,799	7,799
Total Expenditures	<u>322,463</u>	<u>7,799</u>	<u>330,262</u>
Excess of Revenues Under Expenditures	<u>20,351</u>	<u>26,679</u>	<u>47,030</u>
Other Financing Sources (Uses)			
Transfers in	152,660	-	152,660
Sale of capital assets	(6,700)	-	(6,700)
Transfers out	(103,640)	-	(103,640)
Total Other Financing Sources (Uses)	<u>42,320</u>	<u>-</u>	<u>42,320</u>
Net Change in Fund Balances	62,671	26,679	89,350
Fund Balances, January 1	<u>1,281,756</u>	<u>(61,207)</u>	<u>1,220,549</u>
Fund Balances, December 31	<u>\$ 1,344,427</u>	<u>\$ (34,528)</u>	<u>\$ 1,309,899</u>

City of Arlington, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2021

	200	201	203	204 EDA Loan Programs	205 Revolving Loan
	COVID-19	Fire	Community Hall		
<b>Assets</b>					
Cash and temporary investments	\$ 117,012	\$ 187,818	\$ 16,392	\$ 137,705	\$ 123,850
Receivables					
Interest	35	199	-	173	139
Accounts, net of allowance for uncollectibles	-	15,943	240	-	-
Notes, net of allowance for uncollectibles	-	-	-	-	53,128
Assets held for resale	-	-	-	323,660	-
<b>Total Assets</b>	<b>\$ 117,047</b>	<b>\$ 203,960</b>	<b>\$ 16,632</b>	<b>\$ 461,538</b>	<b>\$ 177,117</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 1,899	\$ 3,408	\$ 479	\$ -
Accrued salaries payable	-	-	225	-	-
Unearned revenue	117,260	-	-	-	-
<b>Total Liabilities</b>	<b>117,260</b>	<b>1,899</b>	<b>3,633</b>	<b>479</b>	<b>-</b>
<b>Fund Balances</b>					
<b>Restricted for</b>					
Future loans		-	-	461,059	123,989
Current loans	-	-	-	-	53,128
Cemetery operations	-	-	-	-	-
Park dedication	-	-	-	-	-
<b>Committed</b>					
Economic development	-	-	-	-	-
Cemetery operations	-	-	-	-	-
<b>Assigned for</b>					
Fire department operations	-	202,061	-	-	-
Community center operations	-	-	12,999	-	-
Medical center	-	-	-	-	-
<b>Unassigned</b>					
	(213)	-	-	-	-
<b>Total Fund Balances</b>	<b>(213)</b>	<b>202,061</b>	<b>12,999</b>	<b>461,059</b>	<b>177,117</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 117,047</b>	<b>\$ 203,960</b>	<b>\$ 16,632</b>	<b>\$ 461,538</b>	<b>\$ 177,117</b>

<b>206</b>	<b>207</b>	<b>208</b>	<b>210</b>	<b>215</b>	<b>410</b>	
Small Cities Program	Cemetery	Cemetery Perpetual Care	Medical Center	Park Dedication	EDA	Total Nonmajor
\$ -	\$ 14,962	\$ 115,058	\$ 89,304	\$ 39,233	\$ 4,491	\$ 845,825
-	149	-	180	47	5	927
-	-	-	-	-	-	16,183
228,000	-	-	-	-	-	281,128
-	-	-	-	-	-	323,660
<u>\$ 228,000</u>	<u>\$ 15,111</u>	<u>\$ 115,058</u>	<u>\$ 89,484</u>	<u>\$ 39,280</u>	<u>\$ 4,496</u>	<u>\$ 1,467,723</u>
\$ -	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 5,811
-	-	-	-	-	-	225
-	-	-	-	-	-	117,260
-	25	-	-	-	-	123,296
-	-	-	-	-	-	585,048
228,000	-	-	-	-	-	281,128
-	-	115,058	-	-	-	115,058
-	-	-	-	39,280	-	39,280
-	-	-	-	-	4,496	4,496
-	15,086	-	-	-	-	15,086
-	-	-	-	-	-	202,061
-	-	-	-	-	-	12,999
-	-	-	89,484	-	-	89,484
-	-	-	-	-	-	(213)
<u>228,000</u>	<u>15,086</u>	<u>115,058</u>	<u>89,484</u>	<u>39,280</u>	<u>4,496</u>	<u>1,344,427</u>
<u>\$ 228,000</u>	<u>\$ 15,111</u>	<u>\$ 115,058</u>	<u>\$ 89,484</u>	<u>\$ 39,280</u>	<u>\$ 4,496</u>	<u>\$ 1,467,723</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, 2021

	200	201	203	204 EDA Loan Programs	205 Revolving Loan
	COVID-19	Fire	Community Hall		
<b>Revenues</b>					
Intergovernmental					
State	\$ -	\$ 2,295	\$ -	\$ -	\$ -
Charges for services					
Public safety	-	63,051	-	-	-
Culture and recreation	-	-	38,424	-	-
Other	-	-	-	1,800	-
Investment earnings (loss)	(213)	(406)	-	(217)	(247)
Miscellaneous					
Contributions and donations	-	38,856	-	-	-
Loan payments received	-	-	-	-	2,963
Other	-	2,249	2,548	-	-
<b>Total Revenues</b>	<u>(213)</u>	<u>106,045</u>	<u>40,972</u>	<u>1,583</u>	<u>2,716</u>
<b>Expenditures</b>					
Current					
Public safety	-	123,655	-	-	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	82,959	-	-
Housing and economic development	-	-	-	18,071	25
Miscellaneous	-	-	-	-	-
Capital outlay					
Public safety	-	4,550	-	-	-
Culture and recreation	-	-	7,925	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>128,205</u>	<u>90,884</u>	<u>18,071</u>	<u>25</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(213)</u>	<u>(22,160)</u>	<u>(49,912)</u>	<u>(16,488)</u>	<u>2,691</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	85,000	60,660	-	-
Sale of capital assets	-	-	-	(6,700)	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>85,000</u>	<u>60,660</u>	<u>(6,700)</u>	<u>-</u>
Net Change in Fund Balances	(213)	62,840	10,748	(23,188)	2,691
Fund Balances, January 1	-	139,221	2,251	484,247	174,426
Fund Balances, December 31	<u>\$ (213)</u>	<u>\$ 202,061</u>	<u>\$ 12,999</u>	<u>\$ 461,059</u>	<u>\$ 177,117</u>



<b>206</b>	<b>207</b>	<b>208</b>	<b>210</b>	<b>215</b>	<b>410</b>	
Small Cities Program	Cemetery	Cemetery Perpetual Care	Medical Center	Park Dedication	EDA	Total Nonmajor
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,295
-	-	-	-	-	-	63,051
-	-	-	-	-	-	38,424
-	8,400	5,450	178,341	-	-	193,991
-	(199)	-	(467)	(57)	(7)	(1,813)
-	250	-	-	-	-	39,106
-	-	-	-	-	-	2,963
-	-	-	-	-	-	4,797
-	<u>8,451</u>	<u>5,450</u>	<u>177,874</u>	<u>(57)</u>	<u>(7)</u>	<u>342,814</u>
-	-	-	-	-	-	123,655
-	-	-	73,938	-	-	73,938
-	-	-	-	-	-	82,959
-	-	-	-	-	-	18,096
-	11,340	-	-	-	-	11,340
-	-	-	-	-	-	4,550
-	-	-	-	-	-	7,925
-	<u>11,340</u>	-	<u>73,938</u>	-	-	<u>322,463</u>
-	<u>(2,889)</u>	<u>5,450</u>	<u>103,936</u>	<u>(57)</u>	<u>(7)</u>	<u>20,351</u>
-	7,000	-	-	-	-	152,660
-	-	-	-	-	-	(6,700)
-	-	-	(103,640)	-	-	(103,640)
-	<u>7,000</u>	-	<u>(103,640)</u>	-	-	<u>42,320</u>
-	4,111	5,450	296	(57)	(7)	62,671
<u>228,000</u>	<u>10,975</u>	<u>109,608</u>	<u>89,188</u>	<u>39,337</u>	<u>4,503</u>	<u>1,281,756</u>
<u>\$ 228,000</u>	<u>\$ 15,086</u>	<u>\$ 115,058</u>	<u>\$ 89,484</u>	<u>\$ 39,280</u>	<u>\$ 4,496</u>	<u>\$ 1,344,427</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, 2021  
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Intergovernmental	\$ 2,500	\$ 2,295	\$ (205)	\$ 10,374
Charges for services	49,711	63,051	13,340	37,294
Investment earnings (loss)	1,000	(406)	(1,406)	2,319
Miscellaneous				
Contributions and donations	100	38,856	38,756	4,502
Other	150	2,249	2,099	765
Total Revenues	<u>53,461</u>	<u>106,045</u>	<u>52,584</u>	<u>55,254</u>
Expenditures				
Current				
Public safety				
Fire				
Personal services	59,207	56,062	3,145	51,931
Supplies	1,500	1,309	191	621
Other services and charges	79,500	66,284	13,216	73,689
Capital outlay				
Public safety	-	4,550	(4,550)	13,427
Total Expenditures	<u>140,207</u>	<u>128,205</u>	<u>12,002</u>	<u>139,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,746)	(22,160)	64,586	(84,414)
Other Financing Sources (Uses)				
Transfers in	<u>85,000</u>	<u>85,000</u>	-	<u>86,669</u>
Net Change in Fund Balances	(1,746)	62,840	64,586	2,255
Fund Balances, January 1	<u>139,221</u>	<u>139,221</u>	-	<u>136,966</u>
Fund Balances, December 31	<u><u>\$ 137,475</u></u>	<u><u>\$ 202,061</u></u>	<u><u>\$ 64,586</u></u>	<u><u>\$ 139,221</u></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, 2021  
(With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental	\$ 80	\$ -	\$ (80)	\$ -
Charges for services	27,000	38,424	11,424	12,918
Investment earnings	100	-	(100)	13
Miscellaneous				
Contributions and donations	-	-	-	3,900
Other	3,500	2,548	(952)	1,146
Total Revenues	<u>30,680</u>	<u>40,972</u>	<u>10,292</u>	<u>17,977</u>
Expenditures				
Current				
Culture and recreation				
Personal services	31,502	28,390	3,112	34,884
Supplies	4,000	3,099	901	2,878
Other services and charges	50,816	51,470	(654)	36,592
Capital outlay				
Culture and recreation	-	7,925	(7,925)	3,900
Total Expenditures	<u>86,318</u>	<u>90,884</u>	<u>(4,566)</u>	<u>78,254</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,638)	(49,912)	5,726	(60,277)
Other Financing Sources (Uses)				
Transfers in	<u>60,660</u>	<u>60,660</u>	-	<u>57,905</u>
Net Change in Fund Balances	5,022	10,748	5,726	(2,372)
Fund Balances, January 1	<u>2,251</u>	<u>2,251</u>	-	<u>4,623</u>
Fund Balances, December 31	<u>\$ 7,273</u>	<u>\$ 12,999</u>	<u>\$ 5,726</u>	<u>\$ 2,251</u>

City of Arlington, Minnesota  
EDA Loan Programs  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2021  
(With Comparative Actual Amounts for Year Ended December 31, 2020)

	Final Budget	2021 Actual Amounts	Variance with Final Budget	2020 Actual Amounts
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ 33,815
Taxes				
Investment earnings (loss)	1,500	(217)	(1,717)	3,293
Miscellaneous				
Other	3,700	1,800	(1,900)	2,220
Total Revenues	<u>5,200</u>	<u>1,583</u>	<u>(3,617)</u>	<u>39,328</u>
Expenditures				
Current				
Housing and economic development				
Other services and charges	<u>6,600</u>	<u>18,071</u>	<u>(11,471)</u>	<u>86,079</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,400)	(16,488)	(15,088)	(46,751)
Other Financing Sources (Uses)				
Loss on sale of assets held for resale	<u>-</u>	<u>(6,700)</u>	<u>(6,700)</u>	<u>-</u>
Net Change in Fund Balances	(1,400)	(23,188)	(21,788)	(46,751)
Fund Balances, January 1	<u>484,247</u>	<u>484,247</u>	<u>-</u>	<u>530,998</u>
Fund Balances, December 31	<u>\$ 482,847</u>	<u>\$ 461,059</u>	<u>\$ (21,788)</u>	<u>\$ 484,247</u>

City of Arlington, Minnesota  
 Revolving Loan  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended December 31, 2021  
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Investment earnings (loss)	\$ 1,000	\$ (247)	\$ (1,247)	\$ 2,467
Miscellaneous				
Loan payments received	11,390	2,963	(8,427)	2,028
Total Revenues	<u>12,390</u>	<u>2,716</u>	<u>(9,674)</u>	<u>4,495</u>
Expenditures				
Current				
Housing and economic development				
Other services and charges	250	25	225	66
Net Change in Fund Balances	12,140	2,691	(9,449)	4,429
Fund Balances, January 1	<u>174,426</u>	<u>174,426</u>	-	<u>169,997</u>
Fund Balances, December 31	<u>\$ 186,566</u>	<u>\$ 177,117</u>	<u>\$ (9,449)</u>	<u>\$ 174,426</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, 2021  
(With Comparative Actual Amounts for Year Ended December 31, 2020)

	Final Budget	2021 Actual Amounts	Variance with Final Budget	2020 Actual Amounts
Revenues				
Charges for services	\$ 2,700	\$ 8,400	\$ 5,700	\$ 5,535
Investment earnings (loss)	500	(199)	(699)	2,299
Miscellaneous				
Contributions and donations	-	250	250	-
Total Revenues	<u>3,200</u>	<u>8,451</u>	<u>5,251</u>	<u>7,834</u>
Expenditures				
Current				
Miscellaneous				
Cemetery				
Personal services	7,950	5,282	2,668	5,218
Other services and charges	2,495	6,058	(3,563)	4,593
Total Expenditures	<u>10,445</u>	<u>11,340</u>	<u>(895)</u>	<u>9,811</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,245)	(2,889)	4,356	(1,977)
Other Financing Sources (Uses)				
Transfers in	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>6,000</u>
Net Change in Fund Balances	(245)	4,111	4,356	4,023
Fund Balances, January 1	<u>10,975</u>	<u>10,975</u>	<u>-</u>	<u>6,952</u>
Fund Balances, December 31	<u>\$ 10,730</u>	<u>\$ 15,086</u>	<u>\$ 4,356</u>	<u>\$ 10,975</u>

**City of Arlington, Minnesota**  
**Cemetery Perpetual Care Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts for Year Ended December 31, 2020)**

	<u>Final</u>	<u>2021</u>	<u>Variance with</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
		<u>Amounts</u>		<u>Amounts</u>
Revenues				
Charges for services	\$ 2,000	\$ 5,450	\$ 3,450	\$ 4,040
Fund Balances, January 1	<u>109,608</u>	<u>109,608</u>	<u>-</u>	<u>105,568</u>
Fund Balances, December 31	<u>\$ 109,608</u>	<u>\$ 115,058</u>	<u>\$ -</u>	<u>\$ 109,608</u>

City of Arlington, Minnesota  
 Medical Center  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended December 31, 2021  
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual Amounts		Actual Amounts
Revenues				
Charges for services	\$ 176,403	\$ 178,341	\$ 1,938	\$ 174,333
Investment earnings (loss)	100	(467)	(567)	1,800
Total Revenues	<u>176,503</u>	<u>177,874</u>	<u>1,371</u>	<u>176,133</u>
Expenditures				
Current				
Health and Welfare				
Other services and charges	<u>72,000</u>	<u>73,938</u>	<u>(1,938)</u>	<u>69,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,503	103,936	(567)	106,203
Other Financing Sources (Uses)				
Transfers out	<u>(96,160)</u>	<u>(103,640)</u>	<u>(7,480)</u>	<u>(108,940)</u>
Net Change in Fund Balances	8,343	296	(8,047)	(2,737)
Fund Balances, January 1	<u>89,188</u>	<u>89,188</u>	<u>-</u>	<u>91,925</u>
Fund Balances, December 31	<u><u>\$ 97,531</u></u>	<u><u>\$ 89,484</u></u>	<u><u>\$ (8,047)</u></u>	<u><u>\$ 89,188</u></u>



City of Arlington, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2021

	<b>102</b>	<b>419</b>	
	Tax	Circle Drive	Total
	Abatement	Improvements	Nonmajor
<b>Assets</b>			
Cash and temporary investments	\$ 353	\$ (34,881)	\$ (34,528)
Receivables			
Special assessments			
Deferred	-	71,382	71,382
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u>\$ 353</u>	<u>\$ 36,501</u>	<u>\$ 36,854</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	\$ -	\$ 71,382	\$ 71,382
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>			
Assigned for			
Capital projects	353	-	353
Unassigned	-	(34,881)	(34,881)
<b>Total Fund Balances</b>	<u>353</u>	<u>(34,881)</u>	<u>(34,528)</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Deferred Inflows</b>	<u>\$ 353</u>	<u>\$ 36,501</u>	<u>\$ 36,854</u>
of Resources and Fund Balances	<u>          </u>	<u>          </u>	<u>          </u>

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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, 2021

	<b>102</b> Tax Abatement	<b>419</b> Circle Drive Improvements	Total Nonmajor
Revenues			
Taxes	\$ 7,825	\$ -	\$ 7,825
Special assessments	-	26,649	26,649
Investment earnings	4	-	4
Total Revenues	7,829	26,649	34,478
Expenditures			
Capital outlay			
Housing and economic development	7,799	-	7,799
Net Change in Fund Balances	30	26,649	26,679
Fund Balances, January 1	323	(61,530)	(61,207)
Fund Balances, December 31	\$ 353	\$ (34,881)	\$ (34,528)

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, 2021  
(With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property taxes	\$ 723,283	\$ 723,283	\$ 730,269	\$ 6,986	\$ 679,929
Franchise taxes	15,402	15,402	14,031	(1,371)	14,905
Total taxes	<u>738,685</u>	<u>738,685</u>	<u>744,300</u>	<u>5,615</u>	<u>694,834</u>
Special assessments	<u>71</u>	<u>71</u>	<u>-</u>	<u>(71)</u>	<u>-</u>
Licenses and permits					
Business and non-business	<u>43,143</u>	<u>43,143</u>	<u>78,140</u>	<u>34,997</u>	<u>70,403</u>
Intergovernmental					
Federal					
CARES	-	-	-	-	87,746
Other grants	-	-	-	-	25,731
Total federal grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,477</u>
State					
Local government aid	796,203	796,203	796,203	-	780,103
Property tax credits	162	162	135	(27)	144
Fire aid	26,000	26,000	27,766	1,766	27,399
Police aid	13,000	13,000	15,514	2,514	26,441
Other grants	15,446	15,446	20,911	5,465	26,223
Total state aid	<u>850,811</u>	<u>850,811</u>	<u>860,529</u>	<u>9,718</u>	<u>860,310</u>
Total intergovernmental	<u>850,811</u>	<u>850,811</u>	<u>860,529</u>	<u>9,718</u>	<u>973,787</u>
Charges for services					
General government	6,619	6,619	7,143	524	8,290
Streets and highways	8,200	8,200	8,940	740	8,668
Culture and recreation	1,800	1,800	2,375	575	1,000
Total charges for services	<u>16,619</u>	<u>16,619</u>	<u>18,458</u>	<u>1,839</u>	<u>17,958</u>
Fines and forfeits	<u>12,950</u>	<u>12,950</u>	<u>9,215</u>	<u>(3,735)</u>	<u>9,852</u>
Investment earnings (loss)	<u>9,500</u>	<u>9,500</u>	<u>(1,121)</u>	<u>(10,621)</u>	<u>21,182</u>
Miscellaneous					
Contributions and donations	7,500	7,500	11,222	3,722	9,236
Other	6,031	6,031	47,822	41,791	48,975
Total miscellaneous	<u>13,531</u>	<u>13,531</u>	<u>59,044</u>	<u>45,513</u>	<u>58,211</u>
Total revenues	<u>1,685,310</u>	<u>1,685,310</u>	<u>1,768,565</u>	<u>83,255</u>	<u>1,846,227</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, 2021  
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 42,699	\$ 42,699	\$ 33,746	\$ 8,953	\$ 36,722
Administration/clerk					
Personal services	109,851	109,851	69,880	39,971	105,161
Supplies	11,500	11,500	17,161	(5,661)	31,296
Other services and charges	146,077	146,077	146,149	(72)	133,857
Total administration/clerk	<u>267,428</u>	<u>267,428</u>	<u>233,190</u>	<u>34,238</u>	<u>270,314</u>
Elections					
Personal services	-	-	-	-	4,824
Supplies	-	-	-	-	11,866
Other services and charges	-	-	-	-	704
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,394</u>
Assessor					
Other services and charges	<u>10,940</u>	<u>10,940</u>	<u>10,940</u>	<u>-</u>	<u>10,940</u>
Legal					
Other services and charges	<u>13,716</u>	<u>13,716</u>	<u>7,558</u>	<u>6,158</u>	<u>7,029</u>
Planning and zoning					
Personal services	41,332	41,332	33,480	7,852	29,964
Supplies	100	100	181	(81)	72
Other services and charges	54,868	54,868	76,907	(22,039)	62,155
Total planning and zoning	<u>96,300</u>	<u>96,300</u>	<u>110,568</u>	<u>(14,268)</u>	<u>92,191</u>
Municipal building					
Supplies	300	300	207	93	2,531
Other services and charges	14,804	14,804	35,757	(20,953)	9,022
Total municipal building	<u>15,104</u>	<u>15,104</u>	<u>35,964</u>	<u>(20,860)</u>	<u>11,553</u>
Total general government	<u>446,187</u>	<u>446,187</u>	<u>431,966</u>	<u>14,221</u>	<u>446,143</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, 2021  
 (With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personal services	\$ 364,919	\$ 364,919	\$ 299,691	\$ 65,228	\$ 344,282
Supplies	7,700	7,700	8,433	(733)	7,440
Other services and charges	69,125	69,125	63,697	5,428	78,064
Total police	<u>441,744</u>	<u>441,744</u>	<u>371,821</u>	<u>69,923</u>	<u>429,786</u>
Fire					
Personal services	<u>30,343</u>	<u>30,343</u>	<u>31,674</u>	<u>(1,331)</u>	<u>32,172</u>
Civil defense					
Personal services	1,077	1,077	1,077	-	1,077
Supplies	-	-	-	-	400
Total civil defense	<u>1,077</u>	<u>1,077</u>	<u>1,077</u>	<u>-</u>	<u>1,477</u>
Animal control					
Other services and charges	<u>600</u>	<u>600</u>	<u>443</u>	<u>157</u>	<u>121</u>
Total public safety	<u>473,764</u>	<u>473,764</u>	<u>405,015</u>	<u>68,749</u>	<u>463,556</u>
Streets and highways					
Public works					
Personal services	117,911	117,911	122,920	(5,009)	105,812
Supplies	6,230	6,230	5,989	241	7,651
Other services and charges	120,200	120,200	141,442	(21,242)	96,492
Total public works	<u>244,341</u>	<u>244,341</u>	<u>270,351</u>	<u>(26,010)</u>	<u>209,955</u>
Street maintenance					
Supplies	28,500	28,500	39,875	(11,375)	29,283
Other services and charges	1,512	1,512	241	1,271	887
Total street maintenance	<u>30,012</u>	<u>30,012</u>	<u>40,116</u>	<u>(10,104)</u>	<u>30,170</u>
Street lighting					
Other services and charges	<u>11,000</u>	<u>11,000</u>	<u>6,478</u>	<u>4,522</u>	<u>7,873</u>
Total streets and highways	<u>285,353</u>	<u>285,353</u>	<u>316,945</u>	<u>(31,592)</u>	<u>247,998</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, 2021  
(With Comparative Actual Amounts for Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current - Continued					
Culture and recreation					
Parks and recreation					
Personal services	\$ 11,250	\$ 11,250	\$ 14,138	\$ (2,888)	\$ 13,029
Supplies	9,500	9,500	8,616	884	5,940
Other services and charges	39,686	39,686	34,817	4,869	28,425
Total parks and recreation	<u>60,436</u>	<u>60,436</u>	<u>57,571</u>	<u>2,865</u>	<u>47,394</u>
Library					
Personal services	37,262	37,262	30,420	6,842	29,205
Supplies	1,350	1,350	1,740	(390)	1,570
Other services and charges	3,283	3,283	2,638	645	2,539
Total library	<u>41,895</u>	<u>41,895</u>	<u>34,798</u>	<u>7,097</u>	<u>33,314</u>
Total culture and recreation	<u>102,331</u>	<u>102,331</u>	<u>92,369</u>	<u>9,962</u>	<u>80,708</u>
Housing and economic development					
Personal services	26,795	26,795	26,920	(125)	25,826
Supplies	-	-	152	(152)	-
Other services and charges	3,825	3,825	2,416	1,409	1,229
Total housing and economic development	<u>30,620</u>	<u>30,620</u>	<u>29,488</u>	<u>1,132</u>	<u>27,055</u>
Miscellaneous					
Other services and charges	-	-	28,950	(28,950)	92,551
Total current	<u>1,338,255</u>	<u>1,338,255</u>	<u>1,304,733</u>	<u>33,522</u>	<u>1,358,011</u>
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	877	(877)	16,613
Streets and highways	3,000	3,000	1,306	1,694	7,650
Culture and recreation	3,400	3,400	4,960	(1,560)	8,004
Total capital outlay	<u>6,400</u>	<u>6,400</u>	<u>7,143</u>	<u>(743)</u>	<u>32,267</u>
Total expenditures	<u>1,344,655</u>	<u>1,344,655</u>	<u>1,311,876</u>	<u>32,779</u>	<u>1,390,278</u>
Excess of Revenues Over Expenditures	<u>340,655</u>	<u>340,655</u>	<u>456,689</u>	<u>116,034</u>	<u>455,949</u>
Other Financing Sources (Uses)					
Transfers in	26,500	26,500	26,500	-	25,500
Transfers out	(367,155)	(367,155)	(367,155)	-	(524,864)
Total other financing sources (uses)	<u>(340,655)</u>	<u>(340,655)</u>	<u>(340,655)</u>	<u>-</u>	<u>(499,364)</u>
Net Change in Fund Balances	-	-	116,034	116,034	(43,415)
Fund Balances, January 1	<u>1,101,606</u>	<u>1,101,606</u>	<u>1,101,606</u>	<u>-</u>	<u>1,145,021</u>
Fund Balances, December 31	<u>\$ 1,101,606</u>	<u>\$ 1,101,606</u>	<u>\$ 1,217,640</u>	<u>\$ 116,034</u>	<u>\$ 1,101,606</u>

City of Arlington, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2021

	<b>315</b> 2012 Sinking Improvement	<b>317</b> 2015 Sinking Improvement	<b>318</b> 2017 Sinking Improvement	<b>321</b> 2019 Sinking Improvement	<b>350</b> Ambulance Certificate 2015
<b>Assets</b>					
Cash and temporary investments	\$ 24,835	\$ 263,140	\$ 349,047	\$ 335,097	\$ 15,668
Receivables					
Interest	20	239	365	322	8
Delinquent taxes	497	1,265	920	599	-
Accounts, net of allowance for uncollectibles	-	-	4,909	-	-
Notes, net of allowance for uncollectibles	-	-	-	-	-
Special assessments	32,591	87,582	145,180	272,085	-
Due from other governments	18	287	705	204	-
	<u>57,961</u>	<u>352,513</u>	<u>501,126</u>	<u>608,307</u>	<u>15,676</u>
<b>Total Assets</b>	<b>\$ 57,961</b>	<b>\$ 352,513</b>	<b>\$ 501,126</b>	<b>\$ 608,307</b>	<b>\$ 15,676</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	\$ 497	\$ 1,265	\$ 920	\$ 599	\$ -
Unavailable revenue - special assessments	32,591	87,582	145,180	272,085	-
<b>Total Deferred Inflows of Resources</b>	<b>33,088</b>	<b>88,847</b>	<b>146,100</b>	<b>272,684</b>	<b>-</b>
<b>Fund Balances</b>					
Restricted for					
Debt service	24,873	263,666	355,026	335,623	15,676
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 57,961</b>	<b>\$ 352,513</b>	<b>\$ 501,126</b>	<b>\$ 608,307</b>	<b>\$ 15,676</b>



<b>351</b> 2020 Fire Truck	<b>360</b> Hospital Bond Fund	Totals
\$ 35,773	\$ -	\$ 1,023,560
24	-	978
630	-	3,911
-	-	4,909
-	1,210,000	1,210,000
-	-	537,438
90	-	1,304
<u>\$ 36,517</u>	<u>\$ 1,210,000</u>	<u>\$ 2,782,100</u>
\$ 630	\$ -	\$ 3,911
-	-	537,438
<u>630</u>	<u>-</u>	<u>541,349</u>
<u>35,887</u>	<u>1,210,000</u>	<u>2,240,751</u>
<u>\$ 36,517</u>	<u>\$ 1,210,000</u>	<u>\$ 2,782,100</u>

City of Arlington, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2021

	<b>315</b> 2012 Sinking Improvement	<b>317</b> 2015 Sinking Improvement	<b>318</b> 2017 Sinking Improvement	<b>321</b> 2019 Sinking Improvement	<b>350</b> Ambulance Certificate 2015
Revenues					
Taxes	\$ 5,335	\$ 81,638	\$ 60,316	\$ 57,852	\$ -
Special assessments	8,215	20,768	23,633	55,967	-
Investment earnings (loss)	(32)	(261)	(457)	(427)	(15)
Miscellaneous	-	-	-	-	-
Total Revenues	<u>13,518</u>	<u>102,145</u>	<u>83,492</u>	<u>113,392</u>	<u>(15)</u>
Expenditures					
Debt service					
Principal	6,900	77,500	61,630	55,000	17,000
Interest and other charges	2,385	24,908	22,223	34,750	689
Total Expenditures	<u>9,285</u>	<u>102,408</u>	<u>83,853</u>	<u>89,750</u>	<u>17,689</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,233</u>	<u>(263)</u>	<u>(361)</u>	<u>23,642</u>	<u>(17,704)</u>
Other Financing Sources (Uses)					
Transfers in	-	3,000	-	-	9,980
Net Change in Fund Balances	4,233	2,737	(361)	23,642	(7,724)
Fund Balances, January 1	<u>20,640</u>	<u>260,929</u>	<u>355,387</u>	<u>311,981</u>	<u>23,400</u>
Fund Balances, December 31	<u>\$ 24,873</u>	<u>\$ 263,666</u>	<u>\$ 355,026</u>	<u>\$ 335,623</u>	<u>\$ 15,676</u>

<b>351</b> 2020 Fire Truck	<b>360</b> Hospital Bond Fund	Totals
\$ 25,766	\$ -	\$ 230,907
-	-	108,583
(103)	-	(1,295)
-	52,910	52,910
<u>25,663</u>	<u>52,910</u>	<u>391,105</u>
20,000	215,000	453,030
3,825	52,910	141,690
<u>23,825</u>	<u>267,910</u>	<u>594,720</u>
<u>1,838</u>	<u>(215,000)</u>	<u>(203,615)</u>
<u>-</u>	<u>-</u>	<u>12,980</u>
1,838	(215,000)	(190,635)
<u>34,049</u>	<u>1,425,000</u>	<u>2,431,386</u>
<u>\$ 35,887</u>	<u>\$ 1,210,000</u>	<u>\$ 2,240,751</u>

City of Arlington, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures for General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2021 and 2020

	Total 2021	Total 2020	Percent Increase (Decrease)
<b>Revenues</b>			
Taxes	\$ 983,032	\$ 951,439	3.32 %
Special assessments	135,232	290,097	(53.38)
Licenses and permits	78,140	70,403	10.99
Intergovernmental	1,072,620	1,091,939	(1.77)
Charges for services	851,694	555,074	53.44
Fines and forfeits	9,215	9,852	(6.47)
Investment earnings (loss)	(4,600)	71,057	(106.47)
Miscellaneous	208,516	147,192	41.66
	<u>\$ 3,333,849</u>	<u>\$ 3,187,053</u>	
Total Revenues	<u>\$ 3,333,849</u>	<u>\$ 3,187,053</u>	4.61 %
Per Capita	<u>\$ 1,484</u>	<u>\$ 1,440</u>	3.06 %
<b>Expenditures</b>			
Current			
General government	\$ 431,966	\$ 446,143	(3.18) %
Public safety	1,059,039	875,407	20.98
Streets and highways	316,945	247,998	27.80
Health and welfare	73,938	72,904	1.42
Culture and recreation	175,328	155,062	13.07
Housing and economic development	47,584	113,200	(57.96)
Miscellaneous	40,290	102,362	(60.64)
Capital outlay			
Public safety	365,804	224,149	63.20
Streets and highways	179,022	363,994	(50.82)
Culture and recreation	31,205	24,164	29.14
Housing and economic development	7,799	7,346	6.17
Miscellaneous	6,027	3,450	74.70
Debt service			
Principal	463,030	740,844	(37.50)
Interest and other charges	141,690	170,139	(16.72)
	<u>\$ 3,339,667</u>	<u>\$ 3,547,162</u>	
Total Expenditures	<u>\$ 3,339,667</u>	<u>\$ 3,547,162</u>	(5.85) %
Per Capita	<u>\$ 1,486</u>	<u>\$ 1,602</u>	(7.24) %
Total Long-term Indebtedness	\$ 4,585,933	\$ 5,048,963	(9.17) %
Per Capita	2,041	2,280	(10.48)
General Fund Balance - December 31	\$ 1,217,640	\$ 1,101,606	10.53 %
Per Capita	542	498	8.84

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, 2021

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**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, 2021, 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 May 26, 2022.

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, except as described in the Schedule of Findings and Responses as items 2021-002 and 2021-003. 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**  
Mankato, Minnesota  
May 26, 2022

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2022.

**Internal Control Over Financial Reporting**

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

*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 2021-001 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance as item 2020-002 and identified no 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**  
Mankato, Minnesota  
May 26, 2022



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City of Arlington, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-001</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 Disbursements**

<i>Cause:</i>	The Deputy Clerk sets up and maintains vendors, prepares checks, mails checks to vendors and initiates wire transfers.
<i>Recommendation:</i>	We recommend that an employee other than the Deputy Clerk mail checks to vendors and initiates wire transfer.

*Management Response:*

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited and there has been a lot of turnover in the past year.

**Internal Control Over Payroll**

<i>Cause:</i>	The Deputy Clerk sets up employee/payroll records, runs payroll, initiates payroll transfers for direct deposit, and prepares the payroll tax returns. The Accountant/Clerk maintains/controls the check stock, maintains and posts payroll to the general ledger and reconciles the bank accounts.
<i>Recommendation:</i>	We recommend that an employee other than the Deputy Clerk initiates payroll transfers for direct deposit.

*Management Response:*

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited and there has been a lot of turnover in the past year.

City of Arlington, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-001</b>	<b>Segregation of Duties (Continued)</b>
<b><u>Internal Control Over Utility Billing</u></b>	
<i>Cause:</i>	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.
<i>Recommendation:</i>	We recommend the Finance Director review exception reports from meter reading software and review any adjustments to utility receivables.
<i>Management Response:</i>	
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.	
<i>Updated Progress Since Prior Year:</i>	
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.	
<b>2021-002</b>	<b>Long Outstanding Checks</b>
<i>Condition:</i>	The City had 12 outstanding checks, dated prior to December 31, 2018.
<i>Criteria:</i>	In accordance with Minnesota statute, section 345.41, if the City's records show unclaimed or uncashed checks or intangible property held for more than three years; the property must be reported and paid or delivered to the state Commissioner of Commerce.
<i>Effect:</i>	Current staff was unaware that these checks were still outstanding.
<i>Recommendation:</i>	We recommend that the City review their list of outstanding checks each month for any being uncashed over the required time period. If a long outstanding check is found, have it delivered to the state Commissioner of Commerce.
<i>Management Response:</i>	
Management will send out follow-up inquires to the payees.	

City of Arlington, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-003</b>	<b>Collateral Coverage</b>
<i>Condition:</i>	The City had \$829,587 of deposits uncollateralized on December 31, 2021.
<i>Criteria:</i>	In accordance with Minnesota statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	Notification of cancelled collateral was not received by the City in a timely manner to identify a deficiency in total covered collateral.
<i>Effect:</i>	At year end, the City did not have sufficient collateral.
<i>Recommendation:</i>	We recommend that the City reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the City complies with the applicable statute.
<i>Management Response:</i>	
	The City is aware of the situation and plans to monitor the coverage to ensure compliance is met.