

Annual Financial Report

City of Arlington
Arlington, Minnesota

For the Year Ended
December 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2020

| | <u>Page No.</u> |
|---|-----------------|
| Introductory Section | |
| Elected and Appointed Officials | 9 |
| Financial Section | |
| Independent Auditor's Report | 13 |
| Management's Discussion and Analysis | 17 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 31 |
| Statement of Activities | 32 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 36 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 39 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 40 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 43 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Ambulance Funds | 44 |
| Proprietary Funds | |
| Statement of Net Position | 46 |
| Statement of Revenues, Expenses and Changes in Net Position | 47 |
| Statement of Cash Flows | 48 |
| Notes to the Financial Statements | 51 |
| Required Supplementary Information | |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund | 84 |
| Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund | 84 |
| Notes to the Required Supplementary Information - General Employees Retirement Fund | 85 |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund | 87 |
| Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund | 87 |
| Notes to the Required Supplementary Information - Public Employees Police and Fire Fund | 88 |
| Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios | 90 |
| Notes to the Required Supplementary Information - Fire Relief Association | 90 |
| Schedule of Employer's Fire Relief Associations Contributions | 91 |
| Combining and Individual Fund Financial Statements and Schedules | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 94 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 95 |
| Nonmajor Special Revenue Funds | |
| Combining Balance Sheet | 96 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 98 |
| Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | |
| Fire Fund | 101 |
| Community Hall Fund | 102 |
| Cemetery Fund | 103 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2020

| | <u>Page No.</u> |
|--|-----------------|
| Combining and Individual Fund Financial Statements and Schedules (Continued) | |
| Nonmajor Capital Project Funds | |
| Combining Balance Sheet | 104 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 105 |
| General Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 106 |
| Debt Service Funds | |
| Combining Balance Sheet | 110 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 112 |
| Summary Financial Report | |
| Revenues and Expenditures for General Operations - Governmental Funds | 114 |
| Other Required Reports | |
| Independent Auditor's Report on Minnesota Legal Compliance | 117 |
| 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 <i>Government Auditing Standards</i> | 118 |
| Schedule of Findings and Responses | 120 |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

Elected

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------|--------------|---------------------|
| Richard Nagel | Mayor | 12/31/22 |
| Michelle Battcher | Vice Mayor | 12/31/22 |
| Richard Amrhein | Council | 12/31/20 |
| Laura Gilman | Council | 12/31/22 |
| Joe Morgan | Council | 12/31/20 |
| Matthew Scharpe | Council | 12/31/20 |

Appointed

| | |
|--------------|---------------|
| Amy Newsom | Administrator |
| Ross Arneson | Attorney |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION
CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Arlington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Arlington, Minnesota, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

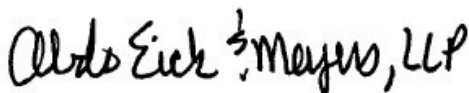
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 28, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2020.

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 \$21,106,862 (net position). Of this amount, \$5,001,851 (unrestricted assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$754,004. Of this increase, business-type activities (enterprise fund) had an increase of \$528,874 due to an increase in charges for services. Governmental activities had an increase of \$225,130. Revenues decreased for the year but were still in excess of expenditures, which had also increased.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,753,350, a decrease of \$349,309 in comparison with the prior year. Approximately 39.7 percent of the total fund balance is available for spending at the City's discretion, \$1,040,076 as unassigned, and \$740,329 has been assigned for specific purposes, \$505,941 committed for specific purpose, and \$3,467,004 restricted.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,101,606, or 79.2 percent of total General fund expenditures.
- The City's total debt decreased by \$1,235,000, or 10.1 percent during the current fiscal year. This change relates to the retirement of \$1,235,000 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**

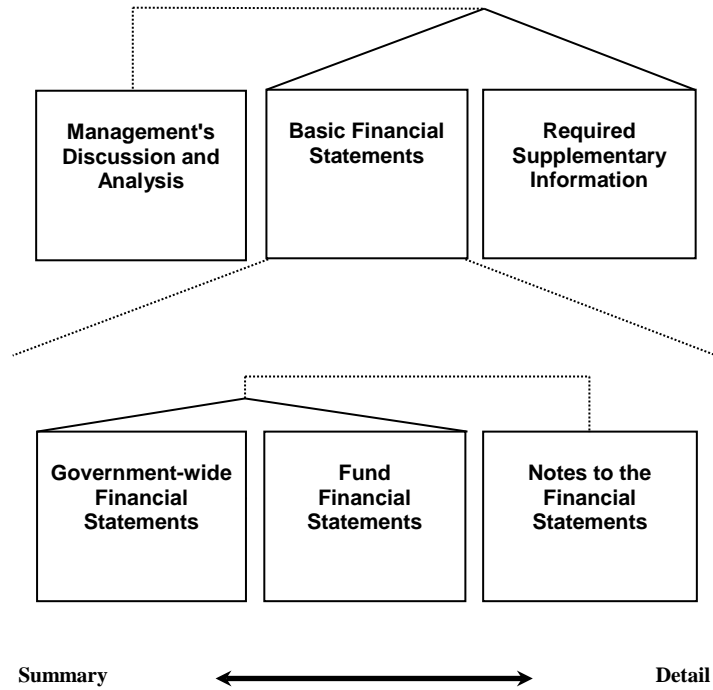


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows |
| 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 27 individual governmental funds, 10 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 14 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 51 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Arlington's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension. Required supplementary information can be found starting on page 84 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 94 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 \$21,106,862 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (57.2 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 | | |
|-----------------------------------|-------------------------|---------------------|------------------------|--------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) | 2020 | 2019 | Increase (Decrease) |
| Assets | | | | | | |
| Current and other assets | \$ 6,732,091 | \$ 7,273,493 | \$ (541,402) | \$ 3,245,879 | \$ 2,888,265 | \$ 357,614 |
| Capital assets | 8,687,671 | 8,693,064 | (5,393) | 14,380,516 | 14,788,043 | (407,527) |
| Total Assets | <u>15,419,762</u> | <u>15,966,557</u> | <u>(546,795)</u> | <u>17,626,395</u> | <u>17,676,308</u> | <u>(49,913)</u> |
| Deferred outflows of resources | <u>441,472</u> | <u>553,017</u> | <u>(111,545)</u> | <u>14,768</u> | <u>22,226</u> | <u>(7,458)</u> |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 5,613,453 | 6,238,697 | (625,244) | 6,113,847 | 6,627,154 | (513,307) |
| Other liabilities | 115,421 | 252,239 | (136,818) | 202,443 | 259,148 | (56,705) |
| Total Liabilities | <u>5,728,874</u> | <u>6,490,936</u> | <u>(762,062)</u> | <u>6,316,290</u> | <u>6,886,302</u> | <u>(570,012)</u> |
| Deferred inflows of resources | <u>345,058</u> | <u>466,466</u> | <u>(121,408)</u> | <u>5,313</u> | <u>21,546</u> | <u>(16,233)</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 3,593,700 | 4,491,938 | (898,238) | 8,477,784 | 8,391,155 | 86,629 |
| Restricted | 4,033,527 | 3,002,494 | 1,031,033 | - | - | - |
| Unrestricted | <u>2,160,075</u> | <u>2,067,740</u> | <u>92,335</u> | <u>2,841,776</u> | <u>2,399,531</u> | <u>442,245</u> |
| Total Net Position | <u>\$ 9,787,302</u> | <u>\$ 9,562,172</u> | <u>\$ 225,130</u> | <u>\$ 11,319,560</u> | <u>\$ 10,790,686</u> | <u>\$ 528,874</u> |

An additional portion of the City's net position (19.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (23.7 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 \$754,004 during the current fiscal year. This was largely due business-type charges for services exceeding expenditures.

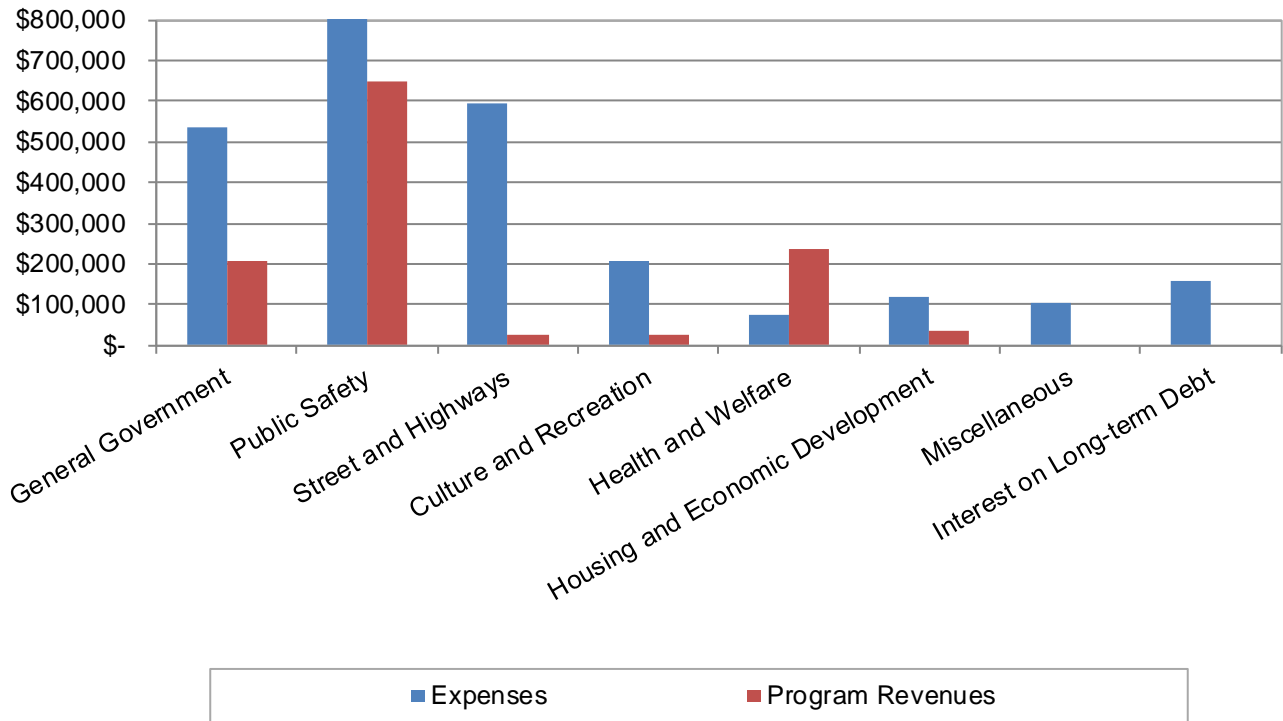
Governmental Activities. Governmental activities increased the City's net position by \$225,130. Key elements of this increase are as follows:

City of Arlington's Changes in Net Position

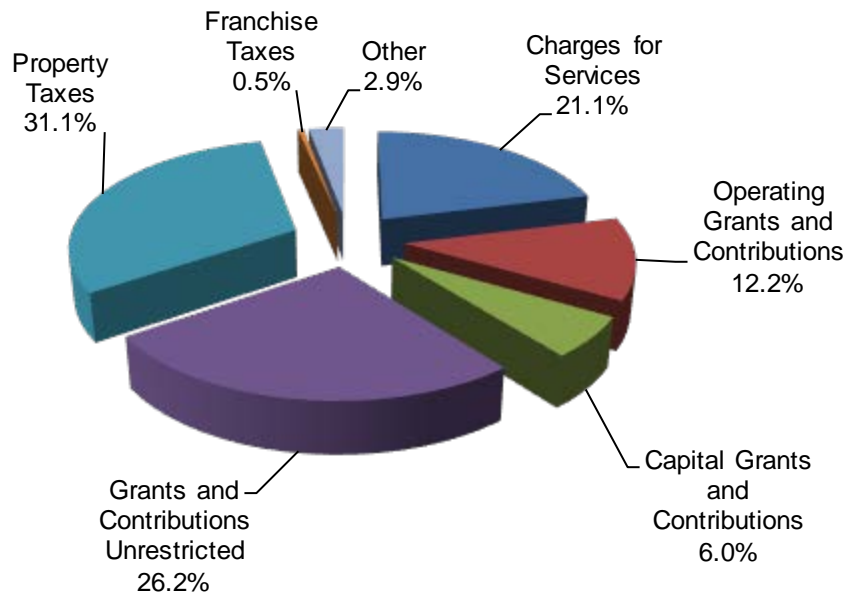
| | Governmental Activities | | | Business-type Activities | | |
|--|-------------------------|---------------------|------------------------|--------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) | 2020 | 2019 | Increase (Decrease) |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 638,639 | \$ 676,814 | \$ (38,175) | \$ 3,322,298 | \$ 3,016,568 | \$ 305,730 |
| Operating grants and contributions | 367,530 | 190,772 | 176,758 | 303 | 592 | (289) |
| Capital grants and contributions | 181,584 | 588,018 | (406,434) | - | 13,372 | (13,372) |
| General Revenues | | | | | | |
| Property taxes | 938,696 | 900,424 | 38,272 | - | - | - |
| Other taxes | 14,905 | 15,402 | (497) | - | - | - |
| Grants and contributions not restricted to specific programs | 789,545 | 750,362 | 39,183 | - | - | - |
| Other revenue | 5,088 | 5,638 | (550) | - | - | - |
| Unrestricted investment earnings | 71,057 | 111,411 | (40,354) | 43,230 | 62,955 | (19,725) |
| Gain on sale of capital assets | 10,800 | - | 10,800 | - | - | - |
| Total Revenues | 3,017,844 | 3,238,841 | (220,997) | 3,365,831 | 3,093,487 | 272,344 |
| Expenses | | | | | | |
| General government | 535,333 | 496,574 | 38,759 | - | - | - |
| Public safety | 1,000,324 | 964,120 | 36,204 | - | - | - |
| Streets and highways | 592,826 | 662,160 | (69,334) | - | - | - |
| Culture and recreation | 209,291 | 236,420 | (27,129) | - | - | - |
| Health and welfare | 72,904 | 69,930 | 2,974 | - | - | - |
| Economic development | 119,939 | 70,714 | 49,225 | - | - | - |
| Miscellaneous | 104,162 | 15,085 | 89,077 | - | - | - |
| Interest on long-term debt | 157,935 | 180,186 | (22,251) | - | - | - |
| Electric utility | - | - | - | 1,835,062 | 1,910,821 | (75,759) |
| Water utility | - | - | - | 414,962 | 332,552 | 82,410 |
| Sewer utility | - | - | - | 503,487 | 508,474 | (4,987) |
| Storm water drainage | - | - | - | 83,446 | 82,438 | 1,008 |
| Total Expenses | 2,792,714 | 2,695,189 | 97,525 | 2,836,957 | 2,834,285 | 2,672 |
| Increase (decrease) in net assets before transfers | 225,130 | 543,652 | (318,522) | 528,874 | 259,202 | 269,672 |
| Transfers and capital contributions | - | 3,769 | (3,769) | - | (3,769) | 3,769 |
| Change in Net Position | 225,130 | 547,421 | (322,291) | 528,874 | 255,433 | 273,441 |
| Net Position - January 1 | 9,562,172 | 9,014,751 | 547,421 | 10,790,686 | 10,535,253 | 255,433 |
| Net Position - December 31 | \$ 9,787,302 | \$ 9,562,172 | \$ 225,130 | \$ 11,319,560 | \$ 10,790,686 | \$ 528,874 |

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

Expenses and Program Revenues - Governmental Activities

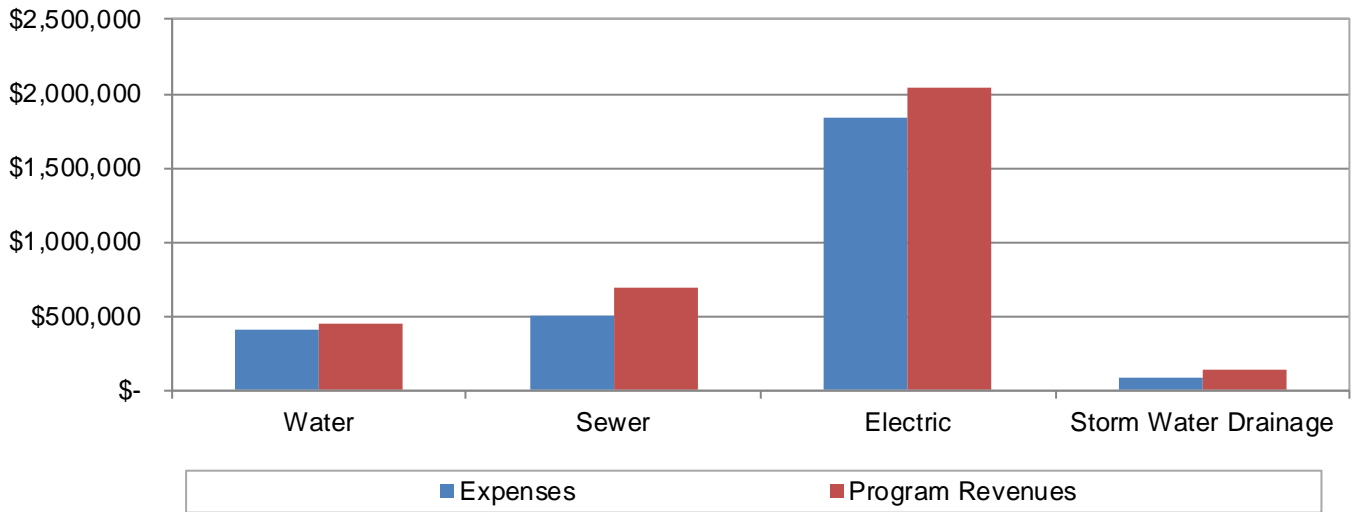


Revenues by Source - Governmental Activities

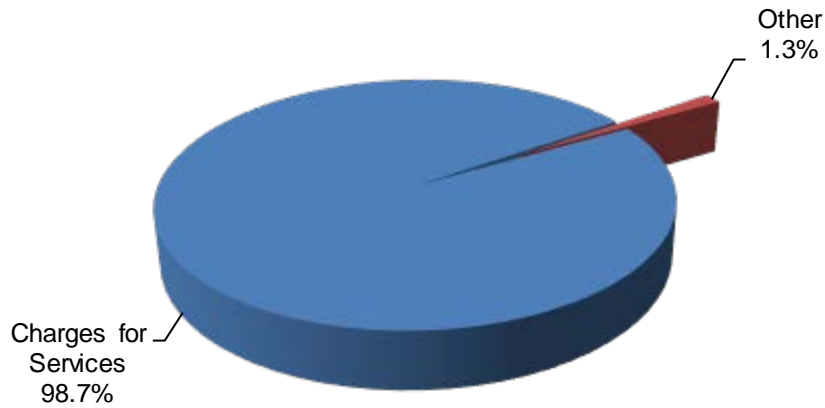


Business-type Activities. Business-type activities increased the City's net position by \$528,874. The key element of this increase was stable expenditures and charges for services in excess of expenditures.

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 \$5,753,350, a decrease of \$349,309 in comparison with the prior year. Approximately 18.1 percent of this total fund balance amount, \$1,040,076 constitutes *unrestricted fund balance*, which is available for spending at the City's discretion, with \$505,941 committed, \$740,329 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 \$3,467,004 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 \$1,101,606. 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 79.2 percent of that same amount.

The fund balance of the City's General fund decreased by \$43,415 during the current fiscal year. Some of the key factors in this decrease were as follows:

- Intergovernmental revenues increased by \$157,088, due mainly to Coronavirus Relief Fund revenues and increased Local Government Aid.
- Current expenditures stayed relatively consistent, with increases in general government and public safety, and decreases in streets and highways. The decrease in streets and highways was due in part to less snow removal costs in current year.
- Capital outlay expenditures increased by \$25,418 due mainly to public safety costs for department laptops and body cams.

The *Ambulance fund* has a total fund balance of \$490,463. The net increase in fund balance during the current year was \$110,593. The key factor in this increase was Coronavirus Relief Fund grant revenues.

The *Debt Service fund* has a total fund balance of \$2,431,386, 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 \$82,623. This increase is attributed taxes, assessments, interest earnings and miscellaneous revenues outweighing principal and interest payments.

The *Capital Equipment fund* has a total fund balance of \$509,346. The net decrease in fund balance during the current year was \$107,535. The key factor in this decrease relates to an increase in streets and highways capital outlay expenditures for a new pickup truck, street light project, and various seal coating and street patching costs.

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 \$2,841,776. The total increase in net position for the funds was \$528,874. 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 \$230,717 and actual expenditures were \$63,268 over budget for the year.

The excess revenues over budget is due to unexpected Coronavirus Relief Aid grant revenues. Miscellaneous expenditures were more than budget due to network infrastructure expenses.

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, 2020, amounts to \$23,068,187 (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 tanker was placed into service at a total cost of \$290,547
- Police Bodycam & Camera system costing \$6,180
- Fire department washing machine costing \$8,175
- 2021 Chevy Silverado Pickup for parks and public works departments totaling \$35,240
- New snow plow blade costing \$7,682
- Street Light Project was completed costing \$120,751
- 2019 Street Improvement Project was completed at a total cost of \$2,581,626
- Lift Station Rehab costing \$77,090

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

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

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------|-------------------------|---------------------|------------------------|--------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) | 2020 | 2019 | Increase (Decrease) |
| Land | \$ 373,670 | \$ 373,670 | \$ - | \$ 27,500 | \$ 27,500 | \$ - |
| Buildings and Improvements | 2,358,920 | 2,497,273 | (138,353) | 14,190,912 | 13,218,073 | 972,839 |
| Infrastructure and Other | | | | | | |
| Improvements | 4,735,656 | 3,590,803 | 1,144,853 | - | - | - |
| Machinery and Equipment | 350,806 | 342,279 | 8,527 | 162,104 | 182,415 | (20,311) |
| Motor Vehicles | 868,619 | 664,815 | 203,804 | - | - | - |
| Construction in Progress | - | 1,224,224 | (1,224,224) | - | 1,360,055 | (1,360,055) |
| Total | \$ 8,687,671 | \$ 8,693,064 | \$ (5,393) | \$ 14,380,516 | \$ 14,788,043 | \$ (407,527) |

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$11,045,000. Of this amount, \$310,000 is general obligation debt, \$6,250,000 is special assessment debt and \$4,485,000 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 | | |
|--|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) | 2020 | 2019 | Increase (Decrease) |
| General Obligation Equipment Certificates | \$ 310,000 | \$ 396,000 | \$ (86,000) | \$ - | \$ - | \$ - |
| General Obligation Special Assessment Bonds | 3,313,963 | 3,758,807 | (444,844) | 2,936,037 | 3,146,193 | (210,156) |
| General Obligation Revenue Bonds | 1,425,000 | 1,635,000 | (210,000) | 2,432,000 | 2,640,000 | (208,000) |
| Revenue Bonds | - | - | - | 628,000 | 704,000 | (76,000) |
| Total | \$ 5,048,963 | \$ 5,789,807 | \$ (740,844) | \$ 5,996,037 | \$ 6,490,193 | \$ (494,156) |

The City's total debt decreased by \$1,235,000 (10.1 percent) during the current fiscal year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$3,641,595 which is significantly in excess of the City's outstanding general obligation debt of \$310,000.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sibley County is currently 4.4 percent, which has decreased from the prior year's rate of 4.9. This compares favorably to the State's average unemployment rate of 4.6 percent and unfavorably to the national average rate of 6.5 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 \$1,101,606. 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 3.4 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Statement of Net Position
December 31, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and temporary investments | \$ 3,551,186 | \$ 2,550,815 | \$ 6,102,001 |
| Receivables | | | |
| Interest | 4,785 | 3,164 | 7,949 |
| Delinquent taxes | 16,121 | - | 16,121 |
| Accounts, net of allowance for uncollectibles | 202,217 | 549,919 | 752,136 |
| Notes, net of allowance for uncollectibles | 1,726,545 | - | 1,726,545 |
| Special assessments | 714,393 | 16,614 | 731,007 |
| Due from other governments | 2,217 | - | 2,217 |
| Inventories | - | 125,367 | 125,367 |
| Net pension asset | 174,267 | - | 174,267 |
| Assets held for resale | 340,360 | - | 340,360 |
| Capital assets | | | |
| Nondepreciable | 373,670 | 27,500 | 401,170 |
| Depreciable, net of accumulated depreciation | 8,314,001 | 14,353,016 | 22,667,017 |
| Total Assets | <u>15,419,762</u> | <u>17,626,395</u> | <u>33,046,157</u> |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | <u>441,472</u> | <u>14,768</u> | <u>456,240</u> |
| Liabilities | | | |
| Accounts payable | 57,149 | 151,769 | 208,918 |
| Due to other governments | 6,113 | - | 6,113 |
| Accrued interest payable | 41,461 | 49,378 | 90,839 |
| Accrued salaries payable | 10,698 | 1,296 | 11,994 |
| Noncurrent liabilities | | | |
| Due within one year | | | |
| Long-term liabilities | 474,005 | 459,637 | 933,642 |
| Due in more than one year | | | |
| Long-term liabilities | 4,639,538 | 5,588,941 | 10,228,479 |
| Net pension liability | 499,910 | 65,269 | 565,179 |
| Total Liabilities | <u>5,728,874</u> | <u>6,316,290</u> | <u>12,045,164</u> |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | <u>345,058</u> | <u>5,313</u> | <u>350,371</u> |
| Net Position | | | |
| Net investment in capital assets | 3,593,700 | 8,477,784 | 12,071,484 |
| Restricted for | | | |
| Debt service | 2,997,909 | - | 2,997,909 |
| Loans | 886,673 | - | 886,673 |
| Cemetery operations | 109,608 | - | 109,608 |
| Park dedication | 39,337 | - | 39,337 |
| Unrestricted | <u>2,160,075</u> | <u>2,841,776</u> | <u>5,001,851</u> |
| Total Net Position | <u>\$ 9,787,302</u> | <u>\$ 11,319,560</u> | <u>\$ 21,106,862</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, 2020

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 535,333 | \$ 89,320 | \$ 88,322 | \$ 30,761 |
| Public safety | 1,000,324 | 405,012 | 113,279 | 131,448 |
| Streets and highways | 592,826 | 8,843 | - | 19,375 |
| Culture and recreation | 209,291 | 26,813 | - | - |
| Health and welfare | 72,904 | 104,403 | 132,114 | - |
| Housing and economic development | 119,939 | 4,248 | 33,815 | - |
| Miscellaneous | 104,162 | - | - | - |
| Interest on long-term debt | 157,935 | - | - | - |
| Total Governmental Activities | <u>2,792,714</u> | <u>638,639</u> | <u>367,530</u> | <u>181,584</u> |
| Business-type Activities | | | | |
| Water utility | 414,962 | 457,011 | - | - |
| Sewer utility | 503,487 | 693,520 | 130 | - |
| Electric utility | 1,835,062 | 2,036,555 | 173 | - |
| Storm Water Drainage | 83,446 | 135,212 | - | - |
| Total Business-type Activities | <u>2,836,957</u> | <u>3,322,298</u> | <u>303</u> | <u>-</u> |
| Total Primary Government | <u>\$ 5,629,671</u> | <u>\$ 3,960,937</u> | <u>\$ 367,833</u> | <u>\$ 181,584</u> |

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise taxes
Grants and contributions not restricted to specific programs
Other revenues
Unrestricted investment earnings
Gain on sale of capital assets
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 |
| \$ (326,930) | | \$ (326,930) |
| (350,585) | | (350,585) |
| (564,608) | | (564,608) |
| (182,478) | | (182,478) |
| 163,613 | | 163,613 |
| (81,876) | | (81,876) |
| (104,162) | | (104,162) |
| (157,935) | | (157,935) |
| <u>(1,604,961)</u> | | <u>(1,604,961)</u> |
| - | 42,049 | 42,049 |
| - | 190,163 | 190,163 |
| - | 201,666 | 201,666 |
| - | 51,766 | 51,766 |
| - | <u>485,644</u> | <u>485,644</u> |
| <u>(1,604,961)</u> | <u>485,644</u> | <u>(1,119,317)</u> |
| 681,905 | - | 681,905 |
| 256,791 | - | 256,791 |
| 14,905 | - | 14,905 |
| 789,545 | - | 789,545 |
| 5,088 | - | 5,088 |
| 71,057 | 43,230 | 114,287 |
| 10,800 | - | 10,800 |
| <u>1,830,091</u> | <u>43,230</u> | <u>1,873,321</u> |
| 225,130 | 528,874 | 754,004 |
| <u>9,562,172</u> | <u>10,790,686</u> | <u>20,352,858</u> |
| <u>\$ 9,787,302</u> | <u>\$ 11,319,560</u> | <u>\$ 21,106,862</u> |

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Arlington, Minnesota

Balance Sheet
Governmental Funds
December 31, 2020

| | 202 | | |
|---|----------------------------|--------------------------|----------------------------|
| | General | Ambulance | Debt Service |
| Assets | | | |
| Cash and temporary investments | \$ 1,098,499 | \$ 341,549 | \$ 995,136 |
| Receivables | | | |
| Interest | 1,521 | 507 | 1,324 |
| Delinquent taxes | 11,998 | - | 4,123 |
| Accounts, net of allowance for uncollectibles | 15,596 | 154,600 | 9,001 |
| Notes, net of allowance for uncollectibles | - | - | 1,425,000 |
| Special assessments | 15,356 | - | 603,861 |
| Due from other governments | 1,292 | - | 925 |
| Advances to other funds | 46,000 | - | - |
| Assets held for resale | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 1,190,262</u> | <u>\$ 496,656</u> | <u>\$ 3,039,370</u> |
| Liabilities | | | |
| Accounts payable | \$ 47,595 | \$ 3,273 | \$ - |
| Advances from other funds | - | - | - |
| Due to other governments | 6,113 | - | - |
| Accrued salaries payable | 7,594 | 2,920 | - |
| Total Liabilities | <u>61,302</u> | <u>6,193</u> | <u>-</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 11,998 | - | 4,123 |
| Unavailable revenue - special assessments | 15,356 | - | 603,861 |
| Total Deferred Inflows of Resources | <u>27,354</u> | <u>-</u> | <u>607,984</u> |
| Fund Balances | | | |
| Restricted for | | | |
| Future loans | - | - | - |
| Current loans | - | - | - |
| Cemetery operations | - | - | - |
| Debt service | - | - | 2,431,386 |
| Park dedication | - | - | - |
| Committed | | | |
| Economic development | - | - | - |
| Cemetery operations | - | - | - |
| Ambulance operations | - | 490,463 | - |
| Assigned for | | | |
| Fire department operations | - | - | - |
| Community Center operations | - | - | - |
| Medical center | - | - | - |
| Capital projects | - | - | - |
| Unassigned | 1,101,606 | - | - |
| Total Fund Balances | <u>1,101,606</u> | <u>490,463</u> | <u>2,431,386</u> |
| | <u>\$ 1,190,262</u> | <u>\$ 496,656</u> | <u>\$ 3,039,370</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 1,190,262</u> | <u>\$ 496,656</u> | <u>\$ 3,039,370</u> |

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

| 401 Capital Equipment | Other Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|--------------------------------|
| \$ 546,994 | \$ 569,008 | \$ 3,551,186 |
| 552 | 881 | 4,785 |
| - | - | 16,121 |
| 7,800 | 15,220 | 202,217 |
| - | 301,545 | 1,726,545 |
| - | 95,176 | 714,393 |
| - | - | 2,217 |
| - | - | 46,000 |
| - | 340,360 | 340,360 |
| <u>\$ 555,346</u> | <u>\$ 1,322,190</u> | <u>\$ 6,603,824</u> |
| \$ - | \$ 6,281 | \$ 57,149 |
| 46,000 | - | 46,000 |
| - | - | 6,113 |
| - | 184 | 10,698 |
| <u>46,000</u> | <u>6,465</u> | <u>119,960</u> |
| - | - | 16,121 |
| - | 95,176 | 714,393 |
| <u>-</u> | <u>95,176</u> | <u>730,514</u> |
| - | 585,128 | 585,128 |
| - | 301,545 | 301,545 |
| - | 109,608 | 109,608 |
| - | - | 2,431,386 |
| - | 39,337 | 39,337 |
| - | 4,503 | 4,503 |
| - | 10,975 | 10,975 |
| - | - | 490,463 |
| - | 139,221 | 139,221 |
| - | 2,251 | 2,251 |
| - | 89,188 | 89,188 |
| 509,346 | 323 | 509,669 |
| - | (61,530) | 1,040,076 |
| <u>509,346</u> | <u>1,220,549</u> | <u>5,753,350</u> |
| <u>\$ 555,346</u> | <u>\$ 1,322,190</u> | <u>\$ 6,603,824</u> |

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2020

| | <u>Primary Government</u> |
|---|-------------------------------|
| Amounts reported for governmental activities in the statement of net position are different because | |
| Total Fund Balances - Governmental Funds | \$ 5,753,350 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds. | 8,687,671 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | |
| Long-term liabilities at year-end consist of | |
| Bonds payable | (5,048,963) |
| Compensated absences payable | (19,572) |
| Net pension liability | (499,910) |
| Net pension asset | 174,267 |
| Premium on bonds issues, net of accumulated amortization | (45,008) |
| Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds. | |
| Delinquent property taxes receivable | 16,121 |
| Special assessments receivable | 714,393 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of resources | 441,472 |
| Deferred inflows of resources | (345,058) |
| Governmental funds do not report a liability for accrued interest until due and payable. | <u>(41,461)</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 9,787,302</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, 2020

| | 202 | | |
|--|---------------------|-------------------|---------------------|
| | General | Ambulance | Debt Service |
| Revenues | | | |
| Taxes | \$ 694,834 | \$ - | \$ 249,080 |
| Special assessments | - | - | 262,734 |
| Licenses and permits | 70,403 | - | - |
| Intergovernmental | 973,787 | 54,547 | - |
| Charges for services | 17,958 | 297,802 | - |
| Fines and forfeits | 9,852 | - | - |
| Investment earnings | 21,182 | 6,753 | 16,589 |
| Miscellaneous | 58,211 | 7,687 | 68,953 |
| Total Revenues | <u>1,846,227</u> | <u>366,789</u> | <u>597,356</u> |
| Expenditures | | | |
| Current | | | |
| General government | 446,143 | - | - |
| Public safety | 463,556 | 285,610 | - |
| Streets and highways | 247,998 | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | 80,708 | - | - |
| Housing and economic development | 27,055 | - | - |
| Miscellaneous | 92,551 | - | - |
| Capital outlay | | | |
| Public safety | 16,613 | 1,610 | 110,134 |
| Streets and highways | 7,650 | - | - |
| Culture and recreation | 8,004 | - | - |
| Housing and economic development | - | - | - |
| Miscellaneous | - | - | - |
| Debt service | | | |
| Principal | - | - | 730,844 |
| Interest and other charges | - | - | 170,139 |
| Total Expenditures | <u>1,390,278</u> | <u>287,220</u> | <u>1,011,117</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>455,949</u> | <u>79,569</u> | <u>(413,761)</u> |
| Other Financing Sources (Uses) | | | |
| Sale of capital assets | - | - | 3,000 |
| Transfers in | 25,500 | 31,024 | 329,579 |
| Transfers out | (524,864) | - | (1,441) |
| Total Other Financing Sources (Uses) | <u>(499,364)</u> | <u>31,024</u> | <u>331,138</u> |
| Net Change in Fund Balances | (43,415) | 110,593 | (82,623) |
| Fund Balances, January 1 | <u>1,145,021</u> | <u>379,870</u> | <u>2,514,009</u> |
| Fund Balances, December 31 | <u>\$ 1,101,606</u> | <u>\$ 490,463</u> | <u>\$ 2,431,386</u> |

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

| 401 Capital Equipment | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---|---|
| \$ - | \$ 7,525 | \$ 951,439 |
| - | 27,363 | 290,097 |
| - | - | 70,403 |
| 19,416 | 44,189 | 1,091,939 |
| - | 239,314 | 555,074 |
| - | - | 9,852 |
| 7,995 | 18,538 | 71,057 |
| - | 12,341 | 147,192 |
| <u>27,411</u> | <u>349,270</u> | <u>3,187,053</u> |
| - | - | 446,143 |
| - | 126,241 | 875,407 |
| - | - | 247,998 |
| - | 72,904 | 72,904 |
| - | 74,354 | 155,062 |
| - | 86,145 | 113,200 |
| - | 9,811 | 102,362 |
| 82,365 | 13,427 | 224,149 |
| 248,671 | 107,673 | 363,994 |
| 12,260 | 3,900 | 24,164 |
| - | 7,346 | 7,346 |
| 3,450 | - | 3,450 |
| 10,000 | - | 740,844 |
| - | - | 170,139 |
| <u>356,746</u> | <u>501,801</u> | <u>3,547,162</u> |
| <u>(329,335)</u> | <u>(152,531)</u> | <u>(360,109)</u> |
| 7,800 | - | 10,800 |
| 237,000 | 150,574 | 773,677 |
| (23,000) | (224,372) | (773,677) |
| <u>221,800</u> | <u>(73,798)</u> | <u>10,800</u> |
| (107,535) | (226,329) | (349,309) |
| <u>616,881</u> | <u>1,446,878</u> | <u>6,102,659</u> |
| <u>\$ 509,346</u> | <u>\$ 1,220,549</u> | <u>\$ 5,753,350</u> |

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2020

| | <u>Primary Government</u> |
|---|-------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because | |
| Net change in fund balances - governmental funds | \$ (349,309) |
| 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 | (489,822) |
| Capital outlay | 484,429 |
| 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 | 740,844 |
| Bond premiums received net of amortization | 1,311 |
| 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. | 10,893 |
| Long-term pension activity is not reported in governmental funds. | |
| Pension expense | (4,582) |
| Direct aid contributions | 4,564 |
| 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. | 2,162 |
| 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 | (140,362) |
| Intergovernmental | (44,723) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences | 9,725 |
| Change in Net Position - Governmental Activities | \$ 225,130 |

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, 2020

| | General | | | |
|--|----------------------------|----------------------------|----------------------------|-------------------------------|
| | Budgeted Amounts | | Amounts | Variance with Final Budget |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 688,417 | \$ 688,417 | \$ 694,834 | \$ 6,417 |
| Licenses and permits | 35,200 | 35,200 | 70,403 | 35,203 |
| Intergovernmental | 845,813 | 845,813 | 973,787 | 127,974 |
| Charges for services | 9,230 | 9,230 | 17,958 | 8,728 |
| Fines and forfeits | 11,500 | 11,500 | 9,852 | (1,648) |
| Investment earnings | 6,400 | 6,400 | 21,182 | 14,782 |
| Miscellaneous | 18,950 | 18,950 | 58,211 | 39,261 |
| Total Revenues | <u>1,615,510</u> | <u>1,615,510</u> | <u>1,846,227</u> | <u>230,717</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 426,349 | 426,349 | 446,143 | (19,794) |
| Public safety | 460,772 | 460,772 | 463,556 | (2,784) |
| Streets and highways | 273,332 | 273,332 | 247,998 | 25,334 |
| Culture and recreation | 98,532 | 98,532 | 80,708 | 17,824 |
| Housing and economic development | 32,025 | 32,025 | 27,055 | 4,970 |
| Miscellaneous | - | - | 92,551 | (92,551) |
| Capital outlay | | | | |
| General government | 10,000 | 10,000 | - | 10,000 |
| Public safety | 3,500 | 3,500 | 16,613 | (13,113) |
| Streets and highways | 17,000 | 17,000 | 7,650 | 9,350 |
| Culture and recreation | 5,500 | 5,500 | 8,004 | (2,504) |
| Total Expenditures | <u>1,327,010</u> | <u>1,327,010</u> | <u>1,390,278</u> | <u>(63,268)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>288,500</u> | <u>288,500</u> | <u>455,949</u> | <u>167,449</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 24,500 | 24,500 | 25,500 | 1,000 |
| Transfers out | <u>(313,000)</u> | <u>(313,000)</u> | <u>(524,864)</u> | <u>(211,864)</u> |
| Total Other Financing Sources (Uses) | <u>(288,500)</u> | <u>(288,500)</u> | <u>(499,364)</u> | <u>(210,864)</u> |
| Net Change in Fund Balances | - | - | (43,415) | (43,415) |
| Fund Balances, January 1 | <u>1,145,021</u> | <u>1,145,021</u> | <u>1,145,021</u> | <u>-</u> |
| Fund Balances, December 31 | <u><u>\$ 1,145,021</u></u> | <u><u>\$ 1,145,021</u></u> | <u><u>\$ 1,101,606</u></u> | <u><u>\$ (43,415)</u></u> |

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

Ambulance

| Budgeted Amounts | | Amounts | Variance with Final Budget |
|-------------------|-------------------|-------------------|-------------------------------|
| Original | Final | | |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| 1,000 | 1,000 | 54,547 | 53,547 |
| 247,500 | 247,500 | 297,802 | 50,302 |
| - | - | - | - |
| 1,500 | 1,500 | 6,753 | 5,253 |
| 350 | 350 | 7,687 | 7,337 |
| <u>250,350</u> | <u>250,350</u> | <u>366,789</u> | <u>116,439</u> |
| - | - | - | - |
| 298,656 | 298,656 | 285,610 | 13,046 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | 1,610 | (1,610) |
| - | - | - | - |
| - | - | - | - |
| <u>298,656</u> | <u>298,656</u> | <u>287,220</u> | <u>11,436</u> |
| <u>(48,306)</u> | <u>(48,306)</u> | <u>79,569</u> | <u>127,875</u> |
| 30,000 | 30,000 | 31,024 | 1,024 |
| - | - | - | - |
| <u>30,000</u> | <u>30,000</u> | <u>31,024</u> | <u>1,024</u> |
| (18,306) | (18,306) | 110,593 | 128,899 |
| <u>379,870</u> | <u>379,870</u> | <u>379,870</u> | <u>-</u> |
| <u>\$ 361,564</u> | <u>\$ 361,564</u> | <u>\$ 490,463</u> | <u>\$ 128,899</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, 2020

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|----------------------|-------------------------|--------------------|----------------------|
| | 601 Water Utility | 602 Sewer Utility | 604 Electric Utility | 605 Storm Water | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and temporary investments | \$ 908,465 | \$ 670,108 | \$ 776,705 | \$ 195,537 | \$ 2,550,815 |
| Receivables | | | | | |
| Interest | 1,282 | 841 | 883 | 158 | 3,164 |
| Accounts, net of allowance for uncollectibles | 62,726 | 126,422 | 314,559 | 46,212 | 549,919 |
| Special assessments | 2,156 | 6,045 | 979 | 1,065 | 10,245 |
| Inventories | - | - | 125,367 | - | 125,367 |
| Total Current Assets | <u>974,629</u> | <u>803,416</u> | <u>1,218,493</u> | <u>242,972</u> | <u>3,239,510</u> |
| Noncurrent Assets | | | | | |
| Special assessment receivables | 2,301 | 4,068 | - | - | 6,369 |
| Capital assets | | | | | |
| Land | - | - | 27,500 | - | 27,500 |
| Building and improvements | 4,954,498 | 11,143,284 | 6,182,719 | 1,696,533 | 23,977,034 |
| Machinery and equipment | 255,019 | 81,364 | 44,422 | - | 380,805 |
| Total capital assets, at cost | 5,209,517 | 11,224,648 | 6,254,641 | 1,696,533 | 24,385,339 |
| Less accumulated depreciation | (2,034,051) | (3,633,637) | (4,242,150) | (94,985) | (10,004,823) |
| Total capital assets (net of accumulated depreciation) | <u>3,175,466</u> | <u>7,591,011</u> | <u>2,012,491</u> | <u>1,601,548</u> | <u>14,380,516</u> |
| Total Noncurrent Assets | <u>3,177,767</u> | <u>7,595,079</u> | <u>2,012,491</u> | <u>1,601,548</u> | <u>14,386,885</u> |
| Total Assets | <u>4,152,396</u> | <u>8,398,495</u> | <u>3,230,984</u> | <u>1,844,520</u> | <u>17,626,395</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred pension resources | - | - | 14,768 | - | 14,768 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 6,822 | 8,666 | 136,281 | - | 151,769 |
| Accrued interest payable | 8,872 | 16,893 | 7,717 | 15,896 | 49,378 |
| Accrued salaries payable | - | - | 1,296 | - | 1,296 |
| Compensated absences - current portion | - | - | 667 | - | 667 |
| Bonds payable - current portion | 53,768 | 281,161 | 40,000 | 84,041 | 458,970 |
| Total Current Liabilities | <u>69,462</u> | <u>306,720</u> | <u>185,961</u> | <u>99,937</u> | <u>662,080</u> |
| Noncurrent Liabilities | | | | | |
| Compensated absences - long-term portion | - | - | 17,664 | - | 17,664 |
| Bonds payable - long-term portion | 807,203 | 2,900,438 | 450,000 | 1,413,636 | 5,571,277 |
| Net pension liability | - | - | 65,269 | - | 65,269 |
| Total Noncurrent Liabilities | <u>807,203</u> | <u>2,900,438</u> | <u>532,933</u> | <u>1,413,636</u> | <u>5,654,210</u> |
| Total Liabilities | <u>876,665</u> | <u>3,207,158</u> | <u>718,894</u> | <u>1,513,573</u> | <u>6,316,290</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred pension resources | - | - | 5,313 | - | 5,313 |
| Net Position | | | | | |
| Net investment in capital assets | 2,345,151 | 4,409,412 | 1,522,491 | 200,730 | 8,477,784 |
| Unrestricted | 930,580 | 781,925 | 999,054 | 130,217 | 2,841,776 |
| Total Net Position | <u>\$ 3,275,731</u> | <u>\$ 5,191,337</u> | <u>\$ 2,521,545</u> | <u>\$ 330,947</u> | <u>\$ 11,319,560</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, 2020

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|----------------------|-------------------------|--------------------|----------------------|
| | 601 Water Utility | 602 Sewer Utility | 604 Electric Utility | 605 Storm Water | |
| Operating Revenues | | | | | |
| Sales | \$ 406,766 | \$ 692,626 | \$ 2,036,542 | \$ 135,198 | \$ 3,271,132 |
| Operating Expenses | | | | | |
| Personal services | - | - | 88,315 | - | 88,315 |
| Supplies | 247 | 247 | 2,014 | - | 2,508 |
| Other services and charges | 250,202 | 166,950 | 1,604,701 | 13,764 | 2,035,617 |
| Insurance | 2,877 | 10,019 | 5,249 | - | 18,145 |
| Utilities | 33,242 | 47,688 | 212 | - | 81,142 |
| Depreciation | 105,267 | 232,423 | 115,471 | 31,456 | 484,617 |
| Total Operating Expenses | <u>391,835</u> | <u>457,327</u> | <u>1,815,962</u> | <u>45,220</u> | <u>2,710,344</u> |
| Operating Income (Loss) | <u>14,931</u> | <u>235,299</u> | <u>220,580</u> | <u>89,978</u> | <u>560,788</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Investment earnings | 17,937 | 11,627 | 12,053 | 1,613 | 43,230 |
| Intergovernmental | - | 130 | - | - | 130 |
| Miscellaneous income | 50,245 | 894 | 186 | 14 | 51,339 |
| Interest expense | (23,127) | (46,160) | (19,100) | (38,226) | (126,613) |
| Total Nonoperating Revenues (Expenses) | <u>45,055</u> | <u>(33,509)</u> | <u>(6,861)</u> | <u>(36,599)</u> | <u>(31,914)</u> |
| Income (Loss) Before Transfers | 59,986 | 201,790 | 213,719 | 53,379 | 528,874 |
| Transfers In | - | 77,090 | - | - | 77,090 |
| Transfers Out | (77,090) | - | - | - | (77,090) |
| Change in Net Position | (17,104) | 278,880 | 213,719 | 53,379 | 528,874 |
| Net Position, January 1 | <u>3,292,835</u> | <u>4,912,457</u> | <u>2,307,826</u> | <u>277,568</u> | <u>10,790,686</u> |
| Net Position, December 31 | <u>\$ 3,275,731</u> | <u>\$ 5,191,337</u> | <u>\$ 2,521,545</u> | <u>\$ 330,947</u> | <u>\$ 11,319,560</u> |

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

City of Arlington, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2020

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|----------------------|-------------------------|--------------------|---------------------|
| | 601 Water Utility | 602 Sewer Utility | 604 Electric Utility | 605 Storm Water | |
| Cash Flows from Operating Activities | | | | | |
| Receipts from customers | \$ 413,036 | \$ 700,229 | \$ 2,005,134 | \$ 144,575 | \$ 3,262,974 |
| Payments to suppliers and vendors | (287,429) | (228,889) | (1,590,791) | (13,814) | (2,120,923) |
| Payments to and on behalf of employees | - | - | (119,786) | - | (119,786) |
| Other receipts | 50,245 | 1,024 | 186 | 14 | 51,469 |
| Net Cash Provided (Used) by Operating Activities | <u>175,852</u> | <u>472,364</u> | <u>294,743</u> | <u>130,775</u> | <u>1,073,734</u> |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers from other funds | - | 77,090 | - | - | 77,090 |
| Transfers to other funds | (77,090) | - | - | - | (77,090) |
| Net Cash Provided (Used) By Noncapital Financing Activities | <u>(77,090)</u> | <u>77,090</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Capital And Related Financing Activities | | | | | |
| Acquisition of capital assets | (12,326) | (90,728) | - | (35,782) | (138,836) |
| Principal paid on bonds | (89,994) | (317,354) | (40,000) | (46,808) | (494,156) |
| Interest paid on bonds | (24,552) | (48,616) | (19,500) | (38,603) | (131,271) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(126,872)</u> | <u>(456,698)</u> | <u>(59,500)</u> | <u>(121,193)</u> | <u>(764,263)</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest received on investments | 17,797 | 11,522 | 11,993 | 1,487 | 42,799 |
| Net Increase (Decrease) In Cash and Cash Equivalents | (10,313) | 104,278 | 247,236 | 11,069 | 352,270 |
| Cash and Cash Equivalents, January 1 | 918,778 | 565,830 | 529,469 | 184,468 | 2,198,545 |
| Cash and Cash Equivalents, December 31 | <u>\$ 908,465</u> | <u>\$ 670,108</u> | <u>\$ 776,705</u> | <u>\$ 195,537</u> | <u>\$ 2,550,815</u> |

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

City of Arlington, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2020

Business-type Activities - Enterprise Funds

| | 601 | 602 | 604 | 605 | Totals |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Water Utility | Sewer Utility | Electric Utility | Storm Water | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | | |
| Operating income (loss) | \$ 14,931 | \$ 235,299 | \$ 220,580 | \$ 89,978 | \$ 560,788 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Other income (expenses) related to operations | 50,245 | 1,024 | 186 | 14 | 51,469 |
| Depreciation | 105,267 | 232,423 | 115,471 | 31,456 | 484,617 |
| (Increase) decrease in assets | | | | | |
| Accounts receivable | 5,931 | 7,678 | (30,995) | (3,588) | (20,974) |
| Special assessments | 339 | (75) | (413) | (407) | (556) |
| Intergovernmental | - | - | - | 13,372 | 13,372 |
| Inventories | - | - | 3,245 | - | 3,245 |
| Increase (decrease) in deferred outflows of resources | | | | | |
| Deferred pension resources | - | - | 7,458 | - | 7,458 |
| Increase (decrease) in liabilities | | | | | |
| Accounts payable | (861) | (3,985) | 18,140 | (50) | 13,244 |
| Compensated absences payable | - | - | (1,096) | - | (1,096) |
| Net pension liability | - | - | (18,055) | - | (18,055) |
| Accrued salaries payable | - | - | (3,545) | - | (3,545) |
| Increase (decrease) in deferred inflows of resources | | | | | |
| Deferred pension resources | - | - | (16,233) | - | (16,233) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 175,852</u> | <u>\$ 472,364</u> | <u>\$ 294,743</u> | <u>\$ 130,775</u> | <u>\$ 1,073,734</u> |

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Blended Component Unit. The Arlington Economic Development Authority (EDA) was established under Minnesota statutes, 469.090 through 469.108 for the purpose of promoting economic development within the City. The governing body of the EDA consists of the Mayor, the Economic Development Director, two council members and five council appointed members of the community. The EDA has a December 31 year end and is reported as a special revenue fund. Separate financial statements are not issued for the EDA. The EDA is presented as a blended component as the City is expected to repay the EDA's outstanding debt and has significant influence over activities of the EDA.

B. Government-wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

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

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

The 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, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City has the following recurring fair value measurements as of December 31, 2020:

- Negotiable certificates of deposit of \$2,548,131 are valued using quoted market prices (Level 2 inputs).

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2020 was \$31,688 in the Fire fund and \$51,534 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, 2020 is \$340,360.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

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

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy, adopted in December 18, 2017, to permit employees to accumulate earned but unused paid time off (PTO) benefits. Existing sick leave balances from the previous policy were frozen, to be used for extended sick time of more than three days, or a percentage paid out at termination based the length of service with the City. All PTO pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2020 is \$37,903. The General fund is typically used to liquidate governmental compensated absences payable.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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 | \$ 18,176 | \$ 45,844 | \$ 17,352 | \$ 81,372 |

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, 2020

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, 2020 expenditures exceeded appropriations in the following funds:

| <u>Fund</u> | <u>Budget</u> | <u>Actual</u> | <u>Excess of Expenditures Over Appropriations</u> |
|-----------------|---------------|---------------|---|
| General | \$ 1,327,010 | \$ 1,390,278 | \$ 63,268 |
| Non-major | | | |
| Special Revenue | | | |
| Fire | 131,125 | 139,668 | 8,543 |
| Cemetery | 7,115 | 9,811 | 2,696 |

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, 2020:

| <u>Fund</u> | <u>Amount</u> |
|---------------------------|---------------|
| Nonmajor | |
| Capital Projects | |
| Circle Drive Improvements | \$ 61,530 |

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$1,649,842 and the bank balance was \$1,786,304. Of the bank balance, \$389,155 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

Investments

As of December 31, 2020, 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 |
| Pooled Investments at Amortized Costs | | | | | |
| 4M Fund | N/A | less than 6 months | \$ 1,747,929 | | |
| Broker Money Market Funds | N/A | less than 6 months | 156,099 | | |
| Non-Pooled Investments at Fair Value | | | | | |
| Negotiable certificates of deposit | N/A | less than 1 year | 2,228,149 | \$ - | \$ 2,228,149 |
| Negotiable certificates of deposit | N/A | 1 to 5 years | 319,982 | - | 319,982 |
| Total Investments | | | \$ 4,452,159 | \$ - | \$ 2,548,131 |

(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, 2020 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, 2020

Note 3: Detailed Notes on all Funds (Continued)

Cash and Investments Summary

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

| | Primary Government |
|--------------------------------|-----------------------|
| Deposits | \$ 1,649,842 |
| Investments | 4,452,159 |
| Cash and Temporary Investments | \$ 6,102,001 |

B. Notes Receivable

Local businesses have promissory notes with the City for various amounts. These notes will be paid back to the City at various monthly payments with interest at 2.0 percent to 5.0 percent per annum on all unpaid balances. The balance on these loans at December 31, 2020 is \$73,545. These notes are secured by mortgages on the properties.

The City has also issued notes to renovate and remodel business properties and also to finance the startup costs for operating a daycare. The balance of these notes at December 31, 2020 is \$41,988. A portion of these notes (\$1,988) are unearned for 1 year, 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 \$41,988.

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, 2020 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 30th 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, 2020 is \$1,425,000 which is the bond portion of the agreement.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

C. Capital Assets

Capital asset activity for the City for the year ended December 31, 2020, was as follows:

| | Restated Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------------------|---------------------|-----------------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets not being Depreciated | | | | |
| Land | \$ 373,670 | \$ - | \$ - | \$ 373,670 |
| Construction in progress | 1,224,224 | - | (1,224,224) | - |
| Total Capital Assets Not Being Depreciated | <u>1,597,894</u> | <u>-</u> | <u>(1,224,224)</u> | <u>373,670</u> |
| Capital Assets being Depreciated | | | | |
| Buildings and improvements | 7,746,681 | - | - | 7,746,681 |
| Infrastructure and other improvements | 5,634,031 | 1,342,322 | - | 6,976,353 |
| Machinery and equipment | 669,307 | 40,543 | - | 709,850 |
| Motor vehicles | 2,483,907 | 325,788 | - | 2,809,695 |
| Total Capital Assets Being Depreciated | <u>16,533,926</u> | <u>1,708,653</u> | <u>-</u> | <u>18,242,579</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and improvements | (5,249,408) | (138,353) | - | (5,387,761) |
| Infrastructure and other improvements | (2,043,228) | (197,469) | - | (2,240,697) |
| Machinery and equipment | (327,028) | (32,016) | - | (359,044) |
| Motor vehicles | (1,819,092) | (121,984) | - | (1,941,076) |
| Total Accumulated Depreciation | <u>(9,438,756)</u> | <u>(489,822)</u> | <u>-</u> | <u>(9,928,578)</u> |
| Total Capital Assets Being Depreciated, Net | <u>7,095,170</u> | <u>1,218,831</u> | <u>-</u> | <u>8,314,001</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 8,693,064</u> | <u>\$ 1,218,831</u> | <u>\$ (1,224,224)</u> | <u>\$ 8,687,671</u> |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-type Activities | | | | |
| Capital Assets not being Depreciated | | | | |
| Land | \$ 27,500 | \$ - | \$ - | \$ 27,500 |
| Construction in progress | 1,360,055 | - | (1,360,055) | - |
| Total Capital Assets Not Being Depreciated | <u>1,387,555</u> | <u>-</u> | <u>(1,360,055)</u> | <u>27,500</u> |
| Capital Assets being Depreciated | | | | |
| Buildings and improvements | 22,539,889 | 1,437,145 | - | 23,977,034 |
| Machinery and equipment | 380,805 | - | - | 380,805 |
| Total Capital Assets Being Depreciated | <u>22,920,694</u> | <u>1,437,145</u> | <u>-</u> | <u>24,357,839</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and improvements | (9,321,816) | (464,306) | - | (9,786,122) |
| Machinery and equipment | (198,390) | (20,311) | - | (218,701) |
| Total Accumulated Depreciation | <u>(9,520,206)</u> | <u>(484,617)</u> | <u>-</u> | <u>(10,004,823)</u> |
| Total Capital Assets Being Depreciated, Net | <u>13,400,488</u> | <u>952,528</u> | <u>-</u> | <u>14,353,016</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 14,788,043</u> | <u>\$ 952,528</u> | <u>\$ (1,360,055)</u> | <u>\$ 14,380,516</u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

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

Governmental Activities

| | |
|--|------------------------------|
| General government | \$ 102,931 |
| Public safety | 110,928 |
| Streets and highways | 238,144 |
| Culture and recreation | <u>37,819</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 489,822</u></u> |

Business-type Activities

| | |
|---|------------------------------|
| Water | \$ 105,267 |
| Sewer | 232,423 |
| Electric | 115,471 |
| Storm Water Drainage | <u>31,456</u> |
| Total Depreciation Expense - Business-type Activities | <u><u>\$ 484,617</u></u> |

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 |
|-----------------------------|------------------------|
| 2021 | \$ 2,124 |
| 2022 | 2,124 |
| 2023 | 2,124 |
| 2024 | <u>2,124</u> |
| Total | <u><u>\$ 8,496</u></u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

E. Interfund Receivables, Payables and Transfers

Advances from/to other funds at December 31, 2020 are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-------------------|-----------|
| General | Capital Equipment | \$ 46,000 |

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 \$46,000.

Interfund transfers for the year ended December 31, 2020 are as follows:

| | Transfer in | | | | | | Total |
|-----------------------------|--------------|----------------|-------------------|------------------------|--------------------|-----------------------------|------------|
| | General Fund | Ambulance Fund | Debt Service Fund | Capital Equipment Fund | Sewer Utility Fund | Nonmajor Governmental Funds | |
| Transfer Out | | | | | | | |
| General fund | \$ - | \$ 31,024 | \$ 188,147 | \$ 157,000 | \$ - | \$ 148,693 | \$ 524,864 |
| Debt Service funds | - | - | - | - | - | 1,441 | 1,441 |
| Capital Equipment fund | - | - | 23,000 | - | - | - | 23,000 |
| Nonmajor governmental funds | 25,500 | - | 118,432 | 80,000 | - | 440 | 224,372 |
| Water Utility fund | - | - | - | - | 77,090 | - | 77,090 |
| Total | \$ 25,500 | \$ 31,024 | \$ 329,579 | \$ 237,000 | \$ 77,090 | \$ 150,574 | \$ 850,767 |

Unbudgeted transfers were made for the following purposes:

- Transfer from the General fund to nonmajor governmental funds of \$15,000 to cover shortage due to COVID-19
- Transfer from the Capital Equipment fund to the Ambulance Certificate fund of \$23,000 for the City's portion of 2015 Ambulance Certificate
- The following transfers were made to close funds:
 - From the General fund to the 2009 Sinking Improvement fund (closed)
 - From the 2017 Street Improvement Construction fund (closed) to the 2017 Sinking Improvement fund
 - From the 2014 Fire Truck fund (closed) to the 2020 Tanker fund
 - From the 2019 Street Improvement Construction fund (closed) to the 2019 Sinking Improvement fund
 - From the Community Center Bond (closed) fund to the Community Center fund

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

F. Long-term Debt

General Obligation Equipment Certificates

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

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

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|--------------------------------------|--------------------------|------------------|---------------|------------------|---------------------------|
| G.O. Equipment Certificates of 2015 | \$ 84,000 | 2.60 % | 12/07/15 | 02/01/22 | \$ 35,000 |
| G.O. Equipment Certificates of 2019A | 100,000 | - | 11/18/19 | 08/01/29 | 90,000 |
| G.O. Equipment Certificates of 2019A | 185,000 | 2.00 - 2.50 | 08/01/19 | 02/01/29 | 185,000 |
| Total Equipment Certificates | | | | | <u><u>\$ 310,000</u></u> |

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 |
| 2021 | \$ 47,000 | \$ 4,514 | \$ 51,514 |
| 2022 | 48,000 | 3,659 | 51,659 |
| 2023 | 30,000 | 3,025 | 33,025 |
| 2024 | 30,000 | 2,625 | 32,625 |
| 2025 | 30,000 | 2,225 | 32,225 |
| 2026 - 2029 | 125,000 | 4,900 | 129,900 |
| Total | <u><u>\$ 310,000</u></u> | <u><u>\$ 20,948</u></u> | <u><u>\$ 330,948</u></u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

| Description | Authorized and Issued | Interest Rate | Issue Date | Maturity Date | Balance at Year End |
|-------------------------------------|--------------------------|------------------|---------------|------------------|---------------------------|
| Improvement Projects 2012 | \$ 795,000 | 1.00 - 2.70 % | 09/12/12 | 02/01/28 | \$ 295,000 |
| Improvement Projects 2015 | 2,005,000 | 2.00 - 3.00 | 06/01/15 | 02/01/31 | 1,525,000 |
| Improvement Projects 2017 | 1,830,000 | 2.00 - 2.88 | 06/20/17 | 02/01/33 | 1,620,000 |
| Improvement Projects 2019 | 2,810,000 | 2.00 - 3.00 | 08/01/19 | 02/01/40 | 2,810,000 |
| Total G.O. Special Assessment Bonds | | | | | <u>\$ 6,250,000</u> |

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

| Year Ending December 31, | G.O. Special Assessment Bonds Governmental Activities | | | G.O. Special Assessment Bonds Business-type Activities | | |
|-----------------------------|---|-------------------|---------------------|--|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 201,030 | \$ 82,806 | \$ 283,836 | \$ 173,970 | \$ 72,783 | \$ 246,753 |
| 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 - 2030 | 1,167,014 | 241,926 | 1,408,940 | 962,986 | 218,417 | 1,181,403 |
| 2031 - 2035 | 695,554 | 98,291 | 793,845 | 619,446 | 103,773 | 723,219 |
| 2036 - 2040 | 395,000 | 30,376 | 425,376 | 440,000 | 33,750 | 473,750 |
| Total | <u>\$ 3,313,963</u> | <u>\$ 742,835</u> | <u>\$ 4,056,798</u> | <u>\$ 2,936,037</u> | <u>\$ 683,272</u> | <u>\$ 3,619,309</u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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 | \$ 2,432,000 |
| G.O. Hospital Revenue Refunding Bonds of 2010B | 3,345,000 | 2.00 - 4.00 | 12/01/10 | 12/01/26 | <u>1,425,000</u> |
| Total G.O. Revenue Bonds | | | | | <u><u>\$ 3,857,000</u></u> |

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

| | Water | Sewer | Electric | Storm Water |
|------------------------|------------|------------|--------------|----------------|
| Revenues | \$ 406,766 | \$ 692,626 | \$ 2,036,542 | \$ 135,198 |
| Principal and Interest | 114,546 | 365,970 | 59,500 | 85,411 |
| Percentage of Revenues | 28.2% | 52.8% | 2.9% | 63.2% |

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

| Year Ending December 31, | G.O. Revenue Bonds Governmental Activities | | | G.O. Revenue Bonds Business-type Activities | | |
|-----------------------------|--|-------------------|---------------------|---|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 215,000 | \$ 52,410 | \$ 267,410 | \$ 210,000 | \$ 24,320 | \$ 234,320 |
| 2022 | 225,000 | 45,638 | 270,638 | 212,000 | 22,220 | 234,220 |
| 2023 | 235,000 | 38,212 | 273,212 | 215,000 | 20,100 | 235,100 |
| 2024 | 240,000 | 29,400 | 269,400 | 217,000 | 17,950 | 234,950 |
| 2025 | 250,000 | 20,400 | 270,400 | 219,000 | 15,780 | 234,780 |
| 2026 - 2030 | 260,000 | 10,400 | 270,400 | 1,127,000 | 45,640 | 1,172,640 |
| 2031 | - | - | - | 232,000 | 2,320 | 234,320 |
| Total | <u>\$ 1,425,000</u> | <u>\$ 196,460</u> | <u>\$ 1,621,460</u> | <u>\$ 2,432,000</u> | <u>\$ 148,330</u> | <u>\$ 2,580,330</u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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 | \$ 490,000 |
| G.O. Disposal System Bonds of 2015 | 267,000 | 2.60 | 12/07/15 | 02/01/24 | <u>138,000</u> |
| Total Revenue Bonds | | | | | <u><u>\$ 628,000</u></u> |

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

| Year Ending December 31, | Revenue Bonds | | |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| | Business-type Activities | | |
| | Principal | Interest | Total |
| 2021 | \$ 75,000 | \$ 21,173 | \$ 96,173 |
| 2022 | 75,000 | 18,983 | 93,983 |
| 2023 | 79,000 | 16,386 | 95,386 |
| 2024 | 79,000 | 13,702 | 92,702 |
| 2025 | 50,000 | 11,360 | 61,360 |
| 2026 - 2030 | <u>270,000</u> | <u>26,650</u> | <u>296,650</u> |
| Total | <u><u>\$ 628,000</u></u> | <u><u>\$ 108,254</u></u> | <u><u>\$ 736,254</u></u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|-------------------------|----------------------------|----------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| Equipment certificates | \$ 396,000 | \$ - | \$ (86,000) | \$ 310,000 | \$ 47,000 |
| General obligation special assessment bonds | 3,758,807 | - | (444,844) | 3,313,963 | 201,030 |
| General obligation revenue bonds | 1,635,000 | - | (210,000) | 1,425,000 | 215,000 |
| Bond premium | 46,319 | - | (1,311) | 45,008 | - |
| Total Bonds Payable | <u>5,836,126</u> | <u>-</u> | <u>(742,155)</u> | <u>5,093,971</u> | <u>463,030</u> |
| Compensated Absences | <u>29,297</u> | <u>38,989</u> | <u>(48,714)</u> | <u>19,572</u> | <u>10,975</u> |
| Governmental Activity Long-term Liabilities | <u><u>\$ 5,865,423</u></u> | <u><u>\$ 38,989</u></u> | <u><u>\$ (790,869)</u></u> | <u><u>\$ 5,113,543</u></u> | <u><u>\$ 474,005</u></u> |
| Business-type Activities | | | | | |
| Bonds Payable | | | | | |
| Revenue bonds | \$ 704,000 | \$ - | \$ (76,000) | \$ 628,000 | \$ 75,000 |
| General obligation revenue bonds | 2,640,000 | - | (208,000) | 2,432,000 | 210,000 |
| General obligation special assessment bonds | 3,146,193 | - | (210,156) | 2,936,037 | 173,970 |
| Bond premium | 34,210 | - | - | 34,210 | - |
| Total Bonds Payable | <u>6,524,403</u> | <u>-</u> | <u>(494,156)</u> | <u>6,030,247</u> | <u>458,970</u> |
| Compensated Absences | <u>19,427</u> | <u>3,987</u> | <u>(5,083)</u> | <u>18,331</u> | <u>667</u> |
| Business-type Activity Long-term Liabilities | <u><u>\$ 6,543,830</u></u> | <u><u>\$ 3,987</u></u> | <u><u>\$ (499,239)</u></u> | <u><u>\$ 6,048,578</u></u> | <u><u>\$ 459,637</u></u> |

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 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, 2020, 2019 and 2018 were \$28,705, \$24,802 and \$22,926, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 were \$41,212, \$38,450 and \$27,883, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$281,786 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 \$8,609. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0047 percent which was a 0.0001 percent increase from its proportion measured as of June 30, 2019.

| | |
|--|--------------------------|
| City's Proportionate Share of the Net Pension Liability | \$ 281,786 |
| State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City | <u>8,609</u> |
| Total | <u><u>\$ 290,395</u></u> |

For the year ended December 31, 2020, the City recognized pension expense of \$17,427 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$749 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, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 2,936 | \$ 4,894 |
| Changes in Actuarial Assumptions | 1,590 | 11,600 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 10,531 | - |
| Changes in Proportion | 32,656 | 6,441 |
| Contributions Paid to PERA Subsequent to the Measurement Date | <u>16,044</u> | <u>-</u> |
| Total | <u><u>\$ 63,757</u></u> | <u><u>\$ 22,935</u></u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

The \$16,044 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | |
|------|--|----|---------|
| 2021 | | \$ | (6,605) |
| 2022 | | | 17,673 |
| 2023 | | | 6,899 |
| 2024 | | | 6,811 |

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$283,393 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0215 percent which was a 0.0025 percent increase from its proportionate share measured as of June 30, 2019.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. 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 fire 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.

As a result, 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 \$4.5 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, 2020, the City recognized pension expense of \$43,791 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 \$2,053 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.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

At December 31, 2020, 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 | \$ 15,089 | \$ 35,796 |
| Changes in Actuarial Assumptions | 143,678 | 196,043 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 30,583 | - |
| Changes in Proportion | 146,992 | 35,122 |
| Contributions Paid to PERA Subsequent to the Measurement Date | 19,754 | - |
| Total | \$ 356,096 | \$ 266,961 |

The \$19,754 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|----------|
| 2021 | \$ 9,687 |
| 2022 | (26,287) |
| 2023 | 36,264 |
| 2024 | 39,452 |
| 2025 | 10,265 |

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2020 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. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------------------------|--------------------------|---|
| Domestic Stocks | 35.5 % | 5.10 % |
| Alternative Assets (Private Markets) | 25.0 | 5.90 |
| Bonds (Fixed Income) | 20.0 | 0.75 |
| International Stocks | 17.5 | 5.30 |
| Cash | <u>2.0</u> | - |
| Total | <u><u>100.00 %</u></u> | |

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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:

| | <u>City Proportionate Share of NPL</u> | | |
|------------------------|--|------------------------|-----------------------------------|
| | <u>1 Percent Decrease (6.50%)</u> | <u>Current (7.50%)</u> | <u>1 Percent Increase (8.50%)</u> |
| General Employees Fund | \$ 451,606 | \$ 281,786 | \$ 141,699 |
| Police and Fire Fund | 564,843 | 283,393 | 50,542 |

H. Pension Plan Fiduciary Net Position

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

Note 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, 2019, 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 \$27,399 in fire state aid to the plan on behalf of the Fire Department for the year ended December 31, 2020, 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, 2019 were \$27,399. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$4,075 to the plan.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

D. Pension Costs

At December 31, 2020, the City reported a net pension liability (asset) of (\$174,267) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2020. 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, 2020 | \$ 757,607 | \$ 815,119 | \$ (57,512) |
| Changes for the Year | | | |
| Service cost | 19,878 | - | 19,878 |
| Interest cost | 44,279 | - | 44,279 |
| Assumption changes | 5,615 | - | 5,615 |
| Plan changes | 15,635 | - | 15,635 |
| Contributions (employer) | - | 3,959 | (3,959) |
| Nonemployer contributions | - | 26,263 | (26,263) |
| Projected investment return (Gain)/loss | (19,212) | 47,312 | (47,312) |
| Benefit payments | (14,814) | (14,814) | - |
| Total Net Changes | <u>51,381</u> | <u>168,136</u> | <u>(116,755)</u> |
| Ending Balance December 31, 2020 | <u>\$ 808,988</u> | <u>\$ 983,255</u> | <u>\$ (174,267)</u> |

For the year ended December 31, 2020, the City recognized pension expense of \$17,352.

At December 31, 2020, 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 | \$ - | \$ 16,810 |
| Changes in Actuarial Assumptions | 4,913 | - |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 43,665 |
| Contributions to Plan Subsequent to the Measurement Date | <u>31,474</u> | <u>-</u> |
| Total | <u>\$ 36,387</u> | <u>\$ 60,475</u> |

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2020

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

Deferred outflows of resources totaling \$31,474 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, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

| | | |
|------------|----|----------|
| 2021 | \$ | (14,430) |
| 2022 | | (14,430) |
| 2023 | | 1,175 |
| 2024 | | (22,780) |
| 2025 | | (1,700) |
| Thereafter | | (3,397) |

E. Actuarial Assumptions

The total pension liability at December 31, 2020 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2020.

F. Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

| | <u>1 Percent Decrease (4.75%)</u> | <u>Current (5.75%)</u> | <u>1 Percent Increase (6.75%)</u> |
|----------------------|---------------------------------------|------------------------|---------------------------------------|
| Defined Benefit Plan | \$ (154,778) | \$ (174,267) | \$ (193,108) |

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
December 31, 2020

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 |
|--------------|----------------------|--|
| Equities | 66.0 % | 7.5 % |
| Fixed Income | 3.0 | 3.5 |
| Other | 1.0 | 6.5 |
| Cash | 30.0 | 2.0 |
| 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 \$121,386,500 at December 31, 2020 for a limit of \$3,641,595. The City currently has general obligation debt outstanding subject to this limit of \$310,000, 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.

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 2020 was \$780,103 for LGA. This accounted for 42.3 percent of General fund revenues.

E. Joint Powers Agreements

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

Property ownership is only determinable in the event of the Commission's dissolution. In the event of dissolution, after payment of obligations, remaining assets would be distributed among the existing members in proportion to the most recent member by member breakdown of the franchise fees as reported by the Grantee. As of December 31, 2020 the City's only equity interest in the Commission is the residual interest upon such dissolution and thus the City reports no equity interest in the Commission.

On January 4, 2020, the City of Arlington entered into a trial joint powers agreement with the City of Gaylord for ambulance services. The agreement was to split the revenues and expenditures equally between the two cities. This agreement ended on July 5, 2020. A reconciliation was done in December 2020 and the City of Arlington issued a check to the City of Gaylord for \$112,799. This payment is being shown as an expense in the 2020 financial statements as it was issued in 2020, but was outstanding as of December 31, 2020.

F. Ridgeview Sibley Medical Center

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

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

Note 7: 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Arlington, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2020

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 |
|--------------------------|---|--|--|----------------|-------------------------------------|--|--|
| 06/30/20 | 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) |
|----------------|--|---|---|-------------------------------------|--|
| 12/31/20 | \$ 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, 2020

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

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, 2020

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

Changes in Plan Provisions

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 - No changes noted

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, 2020

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 |
|--------------------|--|---|---|-------------|----------------------------|--|--|
| 06/30/20 | 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) |
|-------------|---------------------------------------|--|--|----------------------------|--|
| 12/31/20 | \$ 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, 2020

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

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, 2020

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

Changes in Plan Provisions

2020 - No changes noted

2019 - No changes noted

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

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

| | 2020 (Fire Relief Report Date 2019) | 2019 (Fire Relief Report Date 2018) | 2018 (Fire Relief Report Date 2017) |
|--|---|---|---|
| Total Pension Liability | | | |
| Service cost | \$ 19,878 | \$ 18,805 | \$ 18,346 |
| Interest cost | 44,279 | 40,394 | 37,175 |
| Assumption changes | 5,615 | - | - |
| Plan changes | 15,635 | 14,713 | - |
| Gain or loss | (19,212) | - | - |
| Benefit payments | (14,814) | - | - |
| Net Change in Total Pension Liability | 51,381 | 73,912 | 55,521 |
| Total Pension Liability - January 1 | 757,607 | 683,695 | 628,174 |
| Total Pension Liability - December 31 (a) | <u>\$ 808,988</u> | <u>\$ 757,607</u> | <u>\$ 683,695</u> |
| Plan Fiduciary Net Position | | | |
| Employer contributions | \$ 3,959 | \$ 3,445 | \$ 3,347 |
| Nonemployer contributions | 26,263 | 25,468 | 25,917 |
| Projected investment return | 47,312 | 50,049 | 41,527 |
| Gain or loss | 105,416 | (119,799) | 78,030 |
| Benefit payments | (14,814) | - | - |
| Administrative expenses | - | - | (900) |
| Net Change in Plan Fiduciary Net Position | 168,136 | (40,837) | 147,921 |
| Plan Fiduciary Net Position - January 1 | 815,119 | 855,956 | 708,035 |
| Plan Fiduciary Net Position - December 31 (b) | <u>\$ 983,255</u> | <u>\$ 815,119</u> | <u>\$ 855,956</u> |
| Fire Relief's Net Pension Liability (asset) - December 31 (a-b) | <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) | 145.44% | 107.59% | 125.20% |
| Covered-employee Payroll | 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 |

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, 2020

Schedule of Employer's Fire Relief Association Contributions

| Year Ending | Actuarial Determined Contribution (a) | Actual Contributions Paid (b) | Contribution Deficiency (Excess) (a-b) |
|----------------|--|--|---|
| 12/31/2020 | \$ 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Arlington, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2020

| | Special Revenue | Capital Projects | Total Nonmajor Governmental Funds |
|--|--------------------|---------------------|--|
| Assets | | | |
| Cash and temporary investments | \$ 630,215 | \$ (61,207) | \$ 569,008 |
| Receivables | | | |
| Interest | 881 | - | 881 |
| Accounts, net of allowance for uncollectibles | 15,220 | - | 15,220 |
| Notes, net of allowance for uncollectibles | 301,545 | - | 301,545 |
| Special assessments | - | 95,176 | 95,176 |
| Assets held for resale | 340,360 | - | 340,360 |
| Total Assets | \$ 1,288,221 | \$ 33,969 | \$ 1,322,190 |
| Liabilities | | | |
| Accounts payable | \$ 6,281 | \$ - | \$ 6,281 |
| Accrued salaries payable | 184 | - | 184 |
| Total Liabilities | 6,465 | - | 6,465 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - special assessments | - | 95,176 | 95,176 |
| Fund Balances | | | |
| Restricted for | | | |
| Future loans | 585,128 | - | 585,128 |
| Current loans | 301,545 | - | 301,545 |
| Cemetery operations | 109,608 | - | 109,608 |
| Park dedication | 39,337 | - | 39,337 |
| Committed for | | | |
| Economic development | 4,503 | - | 4,503 |
| Cemetery operations | 10,975 | - | 10,975 |
| Assigned for | | | |
| Fire department operations | 139,221 | - | 139,221 |
| Community Center operations | 2,251 | - | 2,251 |
| Medical center | 89,188 | - | 89,188 |
| Capital projects | - | 323 | 323 |
| Unassigned | - | (61,530) | (61,530) |
| Total Fund Balances | 1,281,756 | (61,207) | 1,220,549 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 1,288,221 | \$ 33,969 | \$ 1,322,190 |

City of Arlington, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2020

| | Special Revenue | Capital Projects | Total Nonmajor Governmental Funds |
|---------------------------------------|---------------------|---------------------|--|
| Revenues | | | |
| Taxes | \$ - | \$ 7,525 | \$ 7,525 |
| Special assessments | - | 27,363 | 27,363 |
| Intergovernmental | 44,189 | - | 44,189 |
| Charges for services | 239,314 | - | 239,314 |
| Investment earnings | 13,113 | 5,425 | 18,538 |
| Miscellaneous | 12,341 | - | 12,341 |
| Total Revenues | <u>308,957</u> | <u>40,313</u> | <u>349,270</u> |
| Expenditures | | | |
| Current | | | |
| Public safety | 126,241 | - | 126,241 |
| Health and welfare | 72,904 | - | 72,904 |
| Culture and recreation | 74,354 | - | 74,354 |
| Housing and economic development | 86,145 | - | 86,145 |
| Miscellaneous | 9,811 | - | 9,811 |
| Capital outlay | | | |
| Public safety | 13,427 | - | 13,427 |
| Streets and highways | - | 107,673 | 107,673 |
| Culture and recreation | 3,900 | - | 3,900 |
| Housing and economic development | - | 7,346 | 7,346 |
| Total Expenditures | <u>386,782</u> | <u>115,019</u> | <u>501,801</u> |
| Deficiency of Revenues | | | |
| Under Expenditures | <u>(77,825)</u> | <u>(74,706)</u> | <u>(152,531)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 150,574 | - | 150,574 |
| Transfers out | (108,940) | (115,432) | (224,372) |
| Total Other Financing Sources (Uses) | <u>41,634</u> | <u>(115,432)</u> | <u>(73,798)</u> |
| Net Change in Fund Balances | (36,191) | (190,138) | (226,329) |
| Fund Balances, January 1 | <u>1,317,947</u> | <u>128,931</u> | <u>1,446,878</u> |
| Fund Balances, December 31 | <u>\$ 1,281,756</u> | <u>\$ (61,207)</u> | <u>\$ 1,220,549</u> |

City of Arlington, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2020

| | 201 | 203 | 204 | 205 | 206 |
|---|-------------------|-------------------|-------------------------|-------------------|-------------------------|
| | Fire | Community Hall | EDA Loan Programs | Revolving Loan | Small Cities Program |
| Assets | | | | | |
| Cash and temporary investments | \$ 127,724 | \$ 4,823 | \$ 143,698 | \$ 100,726 | \$ - |
| Receivables | | | | | |
| Interest | 164 | - | 214 | 155 | - |
| Accounts, net of allowance for uncollectibles | 15,001 | 200 | - | - | - |
| Notes, net of allowance for uncollectibles | - | - | - | 73,545 | 228,000 |
| Assets held for resale | - | - | 340,360 | - | - |
| Total Assets | \$ 142,889 | \$ 5,023 | \$ 484,272 | \$ 174,426 | \$ 228,000 |
| Liabilities | | | | | |
| Accounts payable | \$ 3,668 | \$ 2,588 | \$ 25 | \$ - | \$ - |
| Accrued salaries payable | - | 184 | - | - | - |
| Total Liabilities | 3,668 | 2,772 | 25 | - | - |
| Fund Balances | | | | | |
| Restricted for | | | | | |
| Future loans | - | - | 484,247 | 100,881 | - |
| Current loans | - | - | - | 73,545 | 228,000 |
| Cemetery operations | - | - | - | - | - |
| Park dedication | - | - | - | - | - |
| Committed | | | | | |
| Economic development | - | - | - | - | - |
| Cemetery operations | - | - | - | - | - |
| Assigned for | | | | | |
| Fire department operations | 139,221 | - | - | - | - |
| Community center operations | - | 2,251 | - | - | - |
| Medical center | - | - | - | - | - |
| Total Fund Balances | 139,221 | 2,251 | 484,247 | 174,426 | 228,000 |
| Total Liabilities and Fund Balance | \$ 142,889 | \$ 5,023 | \$ 484,272 | \$ 174,426 | \$ 228,000 |

| 207 | 208 | 210 | 215 | 410 | |
|------------------|-------------------------------|-------------------|--------------------|-----------------|---------------------|
| Cemetery | Cemetery Perpetual Care | Medical Center | Park Dedication | EDA | Total Nonmajor |
| \$ 10,795 | \$ 109,608 | \$ 89,062 | \$ 39,282 | \$ 4,497 | \$ 630,215 |
| 161 | - | 126 | 55 | 6 | 881 |
| 19 | - | - | - | - | 15,220 |
| - | - | - | - | - | 301,545 |
| - | - | - | - | - | 340,360 |
| <u>\$ 10,975</u> | <u>\$ 109,608</u> | <u>\$ 89,188</u> | <u>\$ 39,337</u> | <u>\$ 4,503</u> | <u>\$ 1,288,221</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,281 |
| - | - | - | - | - | 184 |
| - | - | - | - | - | 6,465 |
| - | - | - | - | - | 585,128 |
| - | - | - | - | - | 301,545 |
| - | 109,608 | - | - | - | 109,608 |
| - | - | - | 39,337 | - | 39,337 |
| - | - | - | - | 4,503 | 4,503 |
| 10,975 | - | - | - | - | 10,975 |
| - | - | - | - | - | 139,221 |
| - | - | - | - | - | 2,251 |
| - | - | 89,188 | - | - | 89,188 |
| <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>\$ 10,975</u> | <u>\$ 109,608</u> | <u>\$ 89,188</u> | <u>\$ 39,337</u> | <u>\$ 4,503</u> | <u>\$ 1,288,221</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, 2020

| | 201 | 203 | 204 | 205 | 206 |
|--|-------------------|-------------------|-------------------------|-------------------|-------------------------|
| | Fire | Community Hall | EDA Loan Programs | Revolving Loan | Small Cities Program |
| Revenues | | | | | |
| Intergovernmental | | | | | |
| Federal - CARES | \$ 208 | \$ - | \$ 33,815 | \$ - | \$ - |
| State | 10,166 | - | - | - | - |
| Charges for services | | | | | |
| Public safety | 37,294 | - | - | - | - |
| Culture and recreation | - | 12,918 | - | - | - |
| Other | - | - | 2,220 | - | - |
| Investment earnings | 2,319 | 13 | 3,293 | 2,467 | - |
| Miscellaneous | | | | | |
| Contributions and donations | 4,502 | 3,900 | - | - | - |
| Loan payments received | - | - | - | 2,028 | - |
| Other | 765 | 1,146 | - | - | - |
| Total Revenues | <u>55,254</u> | <u>17,977</u> | <u>39,328</u> | <u>4,495</u> | <u>-</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 126,241 | - | - | - | - |
| Health and welfare | - | - | - | - | - |
| Culture and recreation | - | 74,354 | - | - | - |
| Housing and economic development | - | - | 86,079 | 66 | - |
| Miscellaneous | - | - | - | - | - |
| Capital outlay | | | | | |
| Public safety | 13,427 | - | - | - | - |
| Culture and recreation | - | 3,900 | - | - | - |
| Total Expenditures | <u>139,668</u> | <u>78,254</u> | <u>86,079</u> | <u>66</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(84,414)</u> | <u>(60,277)</u> | <u>(46,751)</u> | <u>4,429</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 86,669 | 57,905 | - | - | - |
| Transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>86,669</u> | <u>57,905</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 2,255 | (2,372) | (46,751) | 4,429 | - |
| Fund Balances, January 1 | <u>136,966</u> | <u>4,623</u> | <u>530,998</u> | <u>169,997</u> | <u>228,000</u> |
| Fund Balances, December 31 | <u>\$ 139,221</u> | <u>\$ 2,251</u> | <u>\$ 484,247</u> | <u>\$ 174,426</u> | <u>\$ 228,000</u> |

| 207 | 208 | 210 | 215 | 410 | |
|------------------|--|---------------------------|----------------------------|-----------------|---------------------------|
| <u>Cemetery</u> | <u>Cemetery Perpetual Care</u> | <u>Medical Center</u> | <u>Park Dedication</u> | <u>EDA</u> | <u>Total Nonmajor</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34,023 |
| - | - | - | - | - | 10,166 |
| - | - | - | - | - | 37,294 |
| - | - | - | - | - | 12,918 |
| 5,535 | 4,040 | 177,307 | - | - | 189,102 |
| 2,299 | - | 1,800 | 781 | 141 | 13,113 |
| - | - | - | - | - | 8,402 |
| - | - | - | - | - | 2,028 |
| - | - | - | - | - | 1,911 |
| <u>7,834</u> | <u>4,040</u> | <u>179,107</u> | <u>781</u> | <u>141</u> | <u>308,957</u> |
| - | - | - | - | - | 126,241 |
| - | - | 72,904 | - | - | 72,904 |
| - | - | - | - | - | 74,354 |
| - | - | - | - | - | 86,145 |
| 9,811 | - | - | - | - | 9,811 |
| - | - | - | - | - | 13,427 |
| - | - | - | - | - | 3,900 |
| <u>9,811</u> | <u>-</u> | <u>72,904</u> | <u>-</u> | <u>-</u> | <u>386,782</u> |
| <u>(1,977)</u> | <u>4,040</u> | <u>106,203</u> | <u>781</u> | <u>141</u> | <u>(77,825)</u> |
| 6,000 | - | - | - | - | 150,574 |
| - | - | (108,940) | - | - | (108,940) |
| <u>6,000</u> | <u>-</u> | <u>(108,940)</u> | <u>-</u> | <u>-</u> | <u>41,634</u> |
| 4,023 | 4,040 | (2,737) | 781 | 141 | (36,191) |
| <u>6,952</u> | <u>105,568</u> | <u>91,925</u> | <u>38,556</u> | <u>4,362</u> | <u>1,317,947</u> |
| <u>\$ 10,975</u> | <u>\$ 109,608</u> | <u>\$ 89,188</u> | <u>\$ 39,337</u> | <u>\$ 4,503</u> | <u>\$ 1,281,756</u> |

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Arlington, Minnesota
Fire Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for Year Ended December 31, 2019)

| | Final Budget | 2020 Actual Amounts | Variance with Final Budget | 2019 Actual Amounts |
|--|-------------------|---------------------------|-------------------------------|---------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 4,200 | \$ 10,374 | \$ 6,174 | \$ 11,050 |
| Charges for services | 43,000 | 37,294 | (5,706) | 53,338 |
| Investment earnings | 1,000 | 2,319 | 1,319 | 3,640 |
| Miscellaneous | | | | |
| Contributions and donations | 1,000 | 4,502 | 3,502 | 750 |
| Other | 150 | 765 | 615 | 1,339 |
| Total Revenues | <u>49,350</u> | <u>55,254</u> | <u>5,904</u> | <u>70,117</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | | | | |
| Fire | | | | |
| Personal services | 53,825 | 51,931 | 1,894 | 57,553 |
| Supplies | 1,500 | 621 | 879 | 896 |
| Other services and charges | 75,800 | 73,689 | 2,111 | 68,639 |
| Capital outlay | | | | |
| Public safety | - | 13,427 | (13,427) | - |
| Total Expenditures | <u>131,125</u> | <u>139,668</u> | <u>(8,543)</u> | <u>127,088</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (81,775) | (84,414) | (2,639) | (56,971) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 80,000 | 86,669 | 6,669 | 94,100 |
| Net Change in Fund Balances | (1,775) | 2,255 | 4,030 | 37,129 |
| Fund Balances, January 1 | 136,966 | 136,966 | - | 99,837 |
| Fund Balances, December 31 | <u>\$ 135,191</u> | <u>\$ 139,221</u> | <u>\$ 4,030</u> | <u>\$ 136,966</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, 2020
(With Comparative Actual Amounts for Year Ended December 31, 2019)

| | Final Budget | 2020 Actual Amounts | Variance with Final Budget | 2019 Actual Amounts |
|--|-------------------|---------------------------|-------------------------------|---------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 80 | \$ - | \$ (80) | \$ 73 |
| Charges for services | 45,100 | 12,918 | (32,182) | 43,115 |
| Investment earnings | 100 | 13 | (87) | 146 |
| Miscellaneous | | | | |
| Contributions and donations | - | 3,900 | 3,900 | 850 |
| Other | 4,550 | 1,146 | (3,404) | 5,585 |
| Total Revenues | <u>49,830</u> | <u>17,977</u> | <u>(31,853)</u> | <u>49,769</u> |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | | | | |
| Personal services | 36,004 | 34,884 | 1,120 | 33,680 |
| Supplies | 4,000 | 2,878 | 1,122 | 5,751 |
| Other services and charges | 59,240 | 36,592 | 22,648 | 58,136 |
| Capital outlay | | | | |
| Culture and recreation | 1,500 | 3,900 | (2,400) | 7,717 |
| Total Expenditures | <u>100,744</u> | <u>78,254</u> | <u>22,490</u> | <u>105,284</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (50,914) | (60,277) | (9,363) | (55,515) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 40,440 | 57,905 | 17,465 | 50,440 |
| Net Change in Fund Balances | (10,474) | (2,372) | 8,102 | (5,075) |
| Fund Balances, January 1 | 4,623 | 4,623 | - | 9,698 |
| Fund Balances, December 31 | <u>\$ (5,851)</u> | <u>\$ 2,251</u> | <u>\$ 8,102</u> | <u>\$ 4,623</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, 2020
 (With Comparative Actual Amounts for Year Ended December 31, 2019)

| | 2020 | | Variance with Final Budget | 2019 |
|--|-----------------|-------------------|-------------------------------|-------------------|
| | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues | | | | |
| Charges for services | \$ 2,700 | \$ 5,535 | \$ 2,835 | \$ 5,305 |
| Investment earnings | 500 | 2,299 | 1,799 | 3,868 |
| Total Revenues | <u>3,200</u> | <u>7,834</u> | <u>4,634</u> | <u>9,173</u> |
| Expenditures | | | | |
| Current | | | | |
| Miscellaneous | | | | |
| Cemetery | | | | |
| Personal services | 4,290 | 5,218 | (928) | 4,492 |
| Other services and charges | 2,825 | 4,593 | (1,768) | 4,293 |
| Total Expenditures | <u>7,115</u> | <u>9,811</u> | <u>(2,696)</u> | <u>8,785</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,915) | (1,977) | 1,938 | 388 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>6,000</u> | <u>6,000</u> | <u>-</u> | <u>1,000</u> |
| Net Change in Fund Balances | 2,085 | 4,023 | 1,938 | 1,388 |
| Fund Balances, January 1 | <u>6,952</u> | <u>6,952</u> | <u>-</u> | <u>5,564</u> |
| Fund Balances, December 31 | <u>\$ 9,037</u> | <u>\$ 10,975</u> | <u>\$ 1,938</u> | <u>\$ 6,952</u> |

City of Arlington, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2020

| | 102 Tax Abatement | 418 2017 Improvements | 419 Circle Drive Improvements | 421 2019 Street Improvements | Total Nonmajor |
|--|--------------------------------|------------------------------------|--|---|-------------------------|
| Assets | | | | | |
| Cash and temporary investments | \$ 323 | \$ - | \$ (61,530) | \$ - | \$ (61,207) |
| Receivables | | | | | |
| Special assessments | | | | | |
| Deferred | - | - | 95,176 | - | 95,176 |
| Total Assets | <u>\$ 323</u> | <u>\$ -</u> | <u>\$ 33,646</u> | <u>\$ -</u> | <u>\$ 33,969</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - special assessments | - | - | 95,176 | - | 95,176 |
| Fund Balances | | | | | |
| Assigned for | | | | | |
| Capital projects | 323 | - | - | - | 323 |
| Unassigned | - | - | (61,530) | - | (61,530) |
| Total Fund Balances | <u>323</u> | <u>-</u> | <u>(61,530)</u> | <u>-</u> | <u>(61,207)</u> |
| Total Deferred Inflows of Resources and Fund Balances | <u>\$ 323</u> | <u>\$ -</u> | <u>\$ 33,646</u> | <u>\$ -</u> | <u>\$ 33,969</u> |

City of Arlington, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 For the Year Ended December 31, 2020

| | 102 Tax Abatement | 418 2017 Improvements | 419 Circle Drive Improvements | 421 2019 Street Improvements | Total Nonmajor |
|--|--------------------------------|------------------------------------|--|---|--------------------|
| Revenues | | | | | |
| Taxes | \$ 7,525 | \$ - | \$ - | \$ - | \$ 7,525 |
| Special assessments | - | - | 27,363 | - | 27,363 |
| Investment earnings | 12 | - | - | 5,413 | 5,425 |
| Total Revenues | <u>7,537</u> | <u>-</u> | <u>27,363</u> | <u>5,413</u> | <u>40,313</u> |
| Expenditures | | | | | |
| Capital outlay | | | | | |
| Streets and highways | - | - | - | 107,673 | 107,673 |
| Housing and economic development | 7,346 | - | - | - | 7,346 |
| Total Expenditures | <u>7,346</u> | <u>-</u> | <u>-</u> | <u>107,673</u> | <u>115,019</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | | |
| | 191 | - | 27,363 | (102,260) | (74,706) |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | (29,596) | - | (85,836) | (115,432) |
| Net Change in Fund Balances | | | | | |
| | 191 | (29,596) | 27,363 | (188,096) | (190,138) |
| Fund Balances, January 1 | | | | | |
| | <u>132</u> | <u>29,596</u> | <u>(88,893)</u> | <u>188,096</u> | <u>128,931</u> |
| Fund Balances, December 31 | | | | | |
| | <u>\$ 323</u> | <u>\$ -</u> | <u>\$ (61,530)</u> | <u>\$ -</u> | <u>\$ (61,207)</u> |

City of Arlington, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued on the Following Pages)
 General Fund
 For the Year Ended December 31, 2020
 (With Comparative Actual Amounts for Year Ended December 31, 2019)

| | 2020 | | | Variance with Final Budget | 2019 |
|-----------------------------|------------------|------------------|------------------|-------------------------------|------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | Amounts | | Amounts |
| Revenues | | | | | |
| Taxes | | | | | |
| Property taxes | \$ 673,417 | \$ 673,417 | \$ 679,929 | \$ 6,512 | \$ 652,340 |
| Franchise taxes | 15,000 | 15,000 | 14,905 | (95) | 15,402 |
| Total taxes | <u>688,417</u> | <u>688,417</u> | <u>694,834</u> | <u>6,417</u> | <u>667,742</u> |
| Special assessments | - | - | - | - | 71 |
| Licenses and permits | | | | | |
| Business and non-business | 35,200 | 35,200 | 70,403 | 35,203 | 42,748 |
| Intergovernmental | | | | | |
| Federal | | | | | |
| CARES | - | - | 87,746 | 87,746 | - |
| Other grants | - | - | 25,731 | 25,731 | - |
| Total federal grants | <u>-</u> | <u>-</u> | <u>113,477</u> | <u>113,477</u> | <u>-</u> |
| State | | | | | |
| Local government aid | 779,100 | 779,100 | 780,103 | 1,003 | 750,127 |
| Property tax credits | - | - | 144 | 144 | 162 |
| Fire aid | 25,000 | 25,000 | 27,399 | 2,399 | 25,565 |
| Police aid | 25,000 | 25,000 | 26,441 | 1,441 | 13,662 |
| Other grants | 16,713 | 16,713 | 26,223 | 9,510 | 18,466 |
| Total state aid | <u>845,813</u> | <u>845,813</u> | <u>860,310</u> | <u>14,497</u> | <u>807,982</u> |
| Total intergovernmental | <u>845,813</u> | <u>845,813</u> | <u>973,787</u> | <u>127,974</u> | <u>807,982</u> |
| Charges for services | | | | | |
| General government | 6,530 | 6,530 | 8,290 | 1,760 | 6,607 |
| Streets and highways | 1,200 | 1,200 | 8,668 | 7,468 | 9,661 |
| Culture and recreation | 1,500 | 1,500 | 1,000 | (500) | 3,425 |
| Total charges for services | <u>9,230</u> | <u>9,230</u> | <u>17,958</u> | <u>8,728</u> | <u>19,693</u> |
| Fines and forfeits | 11,500 | 11,500 | 9,852 | (1,648) | 13,001 |
| Investment earnings | 6,400 | 6,400 | 21,182 | 14,782 | 32,208 |
| Miscellaneous | | | | | |
| Contributions and donations | 13,000 | 13,000 | 9,236 | (3,764) | 33,180 |
| Other | 5,950 | 5,950 | 48,975 | 43,025 | 17,484 |
| Total miscellaneous | <u>18,950</u> | <u>18,950</u> | <u>58,211</u> | <u>39,261</u> | <u>50,664</u> |
| Total revenues | <u>1,615,510</u> | <u>1,615,510</u> | <u>1,846,227</u> | <u>230,717</u> | <u>1,634,109</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, 2020
(With Comparative Actual Amounts for Year Ended December 31, 2019)

| | 2020 | | | Variance with Final Budget | 2019 |
|----------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | | Actual Amounts |
| | Original | Final | | | |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Mayor and Council | | | | | |
| Personal services | \$ 43,900 | \$ 43,900 | \$ 36,722 | \$ 7,178 | \$ 37,113 |
| Administration/clerk | | | | | |
| Personal services | 104,446 | 104,446 | 105,161 | (715) | 109,918 |
| Supplies | 15,000 | 15,000 | 31,296 | (16,296) | 10,915 |
| Other services and charges | 148,650 | 148,650 | 133,857 | 14,793 | 129,429 |
| Total administration/clerk | <u>268,096</u> | <u>268,096</u> | <u>270,314</u> | <u>(2,218)</u> | <u>250,262</u> |
| Elections | | | | | |
| Personal services | 3,000 | 3,000 | 4,824 | (1,824) | - |
| Supplies | 2,500 | 2,500 | 11,866 | (9,366) | - |
| Other services and charges | 500 | 500 | 704 | (204) | 2,760 |
| Total elections | <u>6,000</u> | <u>6,000</u> | <u>17,394</u> | <u>(11,394)</u> | <u>2,760</u> |
| Assessor | | | | | |
| Other services and charges | <u>10,930</u> | <u>10,930</u> | <u>10,940</u> | <u>(10)</u> | <u>10,940</u> |
| Legal | | | | | |
| Other services and charges | <u>14,792</u> | <u>14,792</u> | <u>7,029</u> | <u>7,763</u> | <u>10,990</u> |
| Planning and zoning | | | | | |
| Personal services | 20,331 | 20,331 | 29,964 | (9,633) | 3,399 |
| Supplies | 100 | 100 | 72 | 28 | 319 |
| Other services and charges | 43,900 | 43,900 | 62,155 | (18,255) | 59,370 |
| Total planning and zoning | <u>64,331</u> | <u>64,331</u> | <u>92,191</u> | <u>(27,860)</u> | <u>63,088</u> |
| Municipal building | | | | | |
| Supplies | 500 | 500 | 2,531 | (2,031) | 182 |
| Other services and charges | <u>17,800</u> | <u>17,800</u> | <u>9,022</u> | <u>8,778</u> | <u>13,534</u> |
| Total municipal building | <u>18,300</u> | <u>18,300</u> | <u>11,553</u> | <u>6,747</u> | <u>13,716</u> |
| Total general government | <u>426,349</u> | <u>426,349</u> | <u>446,143</u> | <u>(19,794)</u> | <u>388,869</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, 2020
 (With Comparative Actual Amounts for Year Ended December 31, 2019)

| | 2020 | | | | 2019 |
|----------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Public safety | | | | | |
| Police | | | | | |
| Personal services | \$ 339,212 | \$ 339,212 | \$ 344,282 | \$ (5,070) | \$ 328,432 |
| Supplies | 10,800 | 10,800 | 7,440 | 3,360 | 7,838 |
| Other services and charges | 78,825 | 78,825 | 78,064 | 761 | 70,155 |
| Total police | <u>428,837</u> | <u>428,837</u> | <u>429,786</u> | <u>(949)</u> | <u>406,425</u> |
| Fire | | | | | |
| Personal services | 30,095 | 30,095 | 32,172 | (2,077) | 29,524 |
| Civil defense | | | | | |
| Personal services | 1,077 | 1,077 | 1,077 | - | 1,077 |
| Supplies | 163 | 163 | 400 | (237) | 480 |
| Total civil defense | <u>1,240</u> | <u>1,240</u> | <u>1,477</u> | <u>(237)</u> | <u>1,557</u> |
| Animal control | | | | | |
| Other services and charges | 600 | 600 | 121 | 479 | 107 |
| Total public safety | <u>460,772</u> | <u>460,772</u> | <u>463,556</u> | <u>(2,784)</u> | <u>437,613</u> |
| Streets and highways | | | | | |
| Public works | | | | | |
| Personal services | 109,157 | 109,157 | 105,812 | 3,345 | 99,945 |
| Supplies | 9,900 | 9,900 | 7,651 | 2,249 | 6,703 |
| Other services and charges | 114,750 | 114,750 | 96,492 | 18,258 | 167,069 |
| Total public works | <u>233,807</u> | <u>233,807</u> | <u>209,955</u> | <u>23,852</u> | <u>273,717</u> |
| Street maintenance | | | | | |
| Supplies | 28,500 | 28,500 | 29,283 | (783) | 60,789 |
| Other services and charges | 1,525 | 1,525 | 887 | 638 | 512 |
| Total street maintenance | <u>30,025</u> | <u>30,025</u> | <u>30,170</u> | <u>(145)</u> | <u>61,301</u> |
| Street lighting | | | | | |
| Other services and charges | 9,500 | 9,500 | 7,873 | 1,627 | 10,783 |
| Total streets and highways | <u>273,332</u> | <u>273,332</u> | <u>247,998</u> | <u>25,334</u> | <u>345,801</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, 2020
 (With Comparative Actual Amounts for Year Ended December 31, 2019)

| | 2020 | | | | 2019 |
|--|---------------------|---------------------|---------------------|--------------------|---------------------|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Expenditures (Continued) | | | | | |
| Current - Continued | | | | | |
| Culture and recreation | | | | | |
| Parks and recreation | | | | | |
| Personal services | \$ 15,264 | \$ 15,264 | \$ 13,029 | \$ 2,235 | \$ 13,147 |
| Supplies | 9,500 | 9,500 | 5,940 | 3,560 | 7,015 |
| Other services and charges | 42,990 | 42,990 | 28,425 | 14,565 | 31,100 |
| Total parks and recreation | <u>67,754</u> | <u>67,754</u> | <u>47,394</u> | <u>20,360</u> | <u>51,262</u> |
| Library | | | | | |
| Personal services | 25,928 | 25,928 | 29,205 | (3,277) | 28,652 |
| Supplies | 1,350 | 1,350 | 1,570 | (220) | 1,452 |
| Other services and charges | 3,500 | 3,500 | 2,539 | 961 | 3,223 |
| Total library | <u>30,778</u> | <u>30,778</u> | <u>33,314</u> | <u>(2,536)</u> | <u>33,327</u> |
| Total culture and recreation | <u>98,532</u> | <u>98,532</u> | <u>80,708</u> | <u>17,824</u> | <u>84,589</u> |
| Housing and economic development | | | | | |
| Personal services | 28,525 | 28,525 | 25,826 | 2,699 | 4,382 |
| Supplies | - | - | - | - | 419 |
| Other services and charges | 3,500 | 3,500 | 1,229 | 2,271 | 39,622 |
| Total housing and economic development | <u>32,025</u> | <u>32,025</u> | <u>27,055</u> | <u>4,970</u> | <u>44,423</u> |
| Miscellaneous | | | | | |
| Other services and charges | - | - | 92,551 | (92,551) | 9,500 |
| Total current | <u>1,291,010</u> | <u>1,291,010</u> | <u>1,358,011</u> | <u>(67,001)</u> | <u>1,310,795</u> |
| Capital outlay | | | | | |
| General government | 10,000 | 10,000 | - | 10,000 | 586 |
| Public safety | 3,500 | 3,500 | 16,613 | (13,113) | 3,748 |
| Streets and highways | 17,000 | 17,000 | 7,650 | 9,350 | 370 |
| Culture and recreation | 5,500 | 5,500 | 8,004 | (2,504) | 2,145 |
| Total capital outlay | <u>36,000</u> | <u>36,000</u> | <u>32,267</u> | <u>3,733</u> | <u>6,849</u> |
| Total expenditures | <u>1,327,010</u> | <u>1,327,010</u> | <u>1,390,278</u> | <u>(63,268)</u> | <u>1,317,644</u> |
| Excess of Revenues Over Expenditures | <u>288,500</u> | <u>288,500</u> | <u>455,949</u> | <u>167,449</u> | <u>316,465</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 24,500 | 24,500 | 25,500 | 1,000 | 24,500 |
| Transfers out | (313,000) | (313,000) | (524,864) | (211,864) | (320,660) |
| Total other financing sources (uses) | <u>(288,500)</u> | <u>(288,500)</u> | <u>(499,364)</u> | <u>(210,864)</u> | <u>(296,160)</u> |
| Net Change in Fund Balances | - | - | (43,415) | (43,415) | 20,305 |
| Fund Balances, January 1 | <u>1,145,021</u> | <u>1,145,021</u> | <u>1,145,021</u> | <u>-</u> | <u>1,124,716</u> |
| Fund Balances, December 31 | <u>\$ 1,145,021</u> | <u>\$ 1,145,021</u> | <u>\$ 1,101,606</u> | <u>\$ (43,415)</u> | <u>\$ 1,145,021</u> |

City of Arlington, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2020

| | 314 2009 Sinking Improvement | 315 2012 Sinking Improvement | 317 2015 Sinking Improvement | 318 2017 Sinking Improvement | 321 2019 Sinking Improvement |
|---|--|--|--|--|--|
| Assets | | | | | |
| Cash and temporary investments | \$ - | \$ 20,534 | \$ 260,514 | \$ 354,438 | \$ 302,333 |
| Receivables | | | | | |
| Interest | - | 18 | 284 | 389 | 590 |
| Delinquent taxes | - | 878 | 1,210 | 851 | 318 |
| Accounts, net of allowance for uncollectibles | - | - | - | - | 9,001 |
| Notes, net of allowance for uncollectibles | - | - | - | - | - |
| Special assessments | - | 27,728 | 103,190 | 160,984 | 311,959 |
| Due from other governments | - | 88 | 131 | 560 | 57 |
| | <u>-</u> | <u>88</u> | <u>131</u> | <u>560</u> | <u>57</u> |
| Total Assets | <u>\$ -</u> | <u>\$ 49,246</u> | <u>\$ 365,329</u> | <u>\$ 517,222</u> | <u>\$ 624,258</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | \$ - | \$ 878 | \$ 1,210 | \$ 851 | \$ 318 |
| Unavailable revenue - special assessments | - | 27,728 | 103,190 | 160,984 | 311,959 |
| Total Deferred Inflows of Resources | <u>-</u> | <u>28,606</u> | <u>104,400</u> | <u>161,835</u> | <u>312,277</u> |
| Fund Balances | | | | | |
| Restricted for | | | | | |
| Debt service | - | 20,640 | 260,929 | 355,387 | 311,981 |
| Total Deferred Inflows of Resources and Fund Balances | <u>\$ -</u> | <u>\$ 49,246</u> | <u>\$ 365,329</u> | <u>\$ 517,222</u> | <u>\$ 624,258</u> |

| 350 Ambulance Certificate 2015 | 351 2020 Fire Truck | 352 2014 Fire Certificate | 360 Hospital Bond Fund | 606 Community Center Bond | Totals |
|--|-------------------------------------|---|--|---|---------------------|
| \$ 23,397 | \$ 33,920 | \$ - | \$ - | \$ - | \$ 995,136 |
| 3 | 40 | - | - | - | 1,324 |
| - | 866 | - | - | - | 4,123 |
| - | - | - | - | - | 9,001 |
| - | - | - | 1,425,000 | - | 1,425,000 |
| - | - | - | - | - | 603,861 |
| - | 89 | - | - | - | 925 |
| <u>\$ 23,400</u> | <u>\$ 34,915</u> | <u>\$ -</u> | <u>\$ 1,425,000</u> | <u>\$ -</u> | <u>\$ 3,039,370</u> |
| \$ - | \$ 866 | \$ - | \$ - | \$ - | \$ 4,123 |
| - | - | - | - | - | 603,861 |
| - | 866 | - | - | - | 607,984 |
| 23,400 | 34,049 | - | 1,425,000 | - | 2,431,386 |
| <u>\$ 23,400</u> | <u>\$ 34,915</u> | <u>\$ -</u> | <u>\$ 1,425,000</u> | <u>\$ -</u> | <u>\$ 3,039,370</u> |

City of Arlington, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2020

| | 314 2009 Sinking Improvement | 315 2012 Sinking Improvement | 317 2015 Sinking Improvement | 318 2017 Sinking Improvement | 321 2019 Sinking Improvement |
|--|--|--|--|--|--|
| Revenues | | | | | |
| Taxes | \$ 44,500 | \$ 5,132 | \$ 74,109 | \$ 50,147 | \$ 23,274 |
| Special assessments | 3,000 | 8,506 | 26,584 | 47,675 | 68,453 |
| Investment earnings | 352 | 234 | 4,024 | 5,394 | 5,353 |
| Miscellaneous | 5,088 | - | - | - | - |
| Total Revenues | <u>52,940</u> | <u>13,872</u> | <u>104,717</u> | <u>103,216</u> | <u>97,080</u> |
| Expenditures | | | | | |
| Capital outlay | | | | | |
| Public safety | - | - | - | - | - |
| Debt service | | | | | |
| Principal | 301,914 | 6,900 | 74,400 | 61,630 | - |
| Interest and other charges | 17,646 | 2,509 | 26,427 | 23,456 | 35,300 |
| Total Expenditures | <u>319,560</u> | <u>9,409</u> | <u>100,827</u> | <u>85,086</u> | <u>35,300</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(266,620)</u> | <u>4,463</u> | <u>3,890</u> | <u>18,130</u> | <u>61,780</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 188,147 | - | 3,000 | 29,596 | 85,836 |
| Sale of capital asset | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>188,147</u> | <u>-</u> | <u>3,000</u> | <u>29,596</u> | <u>85,836</u> |
| Net Change in Fund Balances | (78,473) | 4,463 | 6,890 | 47,726 | 147,616 |
| Fund Balances, January 1 | <u>78,473</u> | <u>16,177</u> | <u>254,039</u> | <u>307,661</u> | <u>164,365</u> |
| Fund Balances, December 31 | <u>\$ -</u> | <u>\$ 20,640</u> | <u>\$ 260,929</u> | <u>\$ 355,387</u> | <u>\$ 311,981</u> |

| 350 Ambulance Certificate 2015 | 351 2020 Fire Truck | 352 2014 Fire Certificate | 360 Hospital Bond Fund | 606 Community Center Bond | Totals |
|--|-------------------------------------|---|--|---|---------------------|
| \$ - | \$ 21,259 | \$ 30,055 | \$ - | \$ 604 | \$ 249,080 |
| - | 108,516 | - | - | - | 262,734 |
| 101 | 1,023 | 17 | - | 91 | 16,589 |
| - | 4,655 | - | 59,210 | - | 68,953 |
| <u>101</u> | <u>135,453</u> | <u>30,072</u> | <u>59,210</u> | <u>695</u> | <u>597,356</u> |
| - | 110,134 | - | - | - | 110,134 |
| 17,000 | - | 59,000 | 210,000 | - | 730,844 |
| 1,131 | 3,826 | 634 | 59,210 | - | 170,139 |
| <u>18,131</u> | <u>113,960</u> | <u>59,634</u> | <u>269,210</u> | <u>-</u> | <u>1,011,117</u> |
| <u>(18,030)</u> | <u>21,493</u> | <u>(29,562)</u> | <u>(210,000)</u> | <u>695</u> | <u>(413,761)</u> |
| 23,000 | 1,440 | - | - | - | 331,019 |
| - | 3,000 | - | - | - | 3,000 |
| - | - | (1,440) | - | (1,441) | (2,881) |
| <u>23,000</u> | <u>4,440</u> | <u>(1,440)</u> | <u>-</u> | <u>(1,441)</u> | <u>331,138</u> |
| 4,970 | 25,933 | (31,002) | (210,000) | (746) | (82,623) |
| <u>18,430</u> | <u>8,116</u> | <u>31,002</u> | <u>1,635,000</u> | <u>746</u> | <u>2,514,009</u> |
| <u>\$ 23,400</u> | <u>\$ 34,049</u> | <u>\$ -</u> | <u>\$ 1,425,000</u> | <u>\$ -</u> | <u>\$ 2,431,386</u> |

City of Arlington, Minnesota
 Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 For the Years Ended December 31, 2020 and 2019

| | Total 2020 | Total 2019 | Percent Increase (Decrease) |
|------------------------------------|---------------------|---------------------|-----------------------------------|
| Revenues | | | |
| Taxes | \$ 951,439 | \$ 925,820 | 2.77 % |
| Special assessments | 290,097 | 233,228 | 24.38 |
| Licenses and permits | 70,403 | 42,748 | 64.69 |
| Intergovernmental | 1,091,939 | 829,380 | 31.66 |
| Charges for services | 555,074 | 630,103 | (11.91) |
| Fines and forfeits | 9,852 | 13,001 | (24.22) |
| Investment earnings | 71,057 | 111,411 | (36.22) |
| Miscellaneous | 147,192 | 135,676 | 8.49 |
| | <u>\$ 3,187,053</u> | <u>\$ 2,921,367</u> | |
| Total Revenues | <u>\$ 3,187,053</u> | <u>\$ 2,921,367</u> | 9.09 % |
| Per Capita | <u>\$ 1,440</u> | <u>\$ 1,310</u> | 9.92 % |
| Expenditures | | | |
| Current | | | |
| General government | \$ 446,143 | \$ 388,869 | 14.73 % |
| Public safety | 875,407 | 832,989 | 5.09 |
| Streets and highways | 247,998 | 345,801 | (28.28) |
| Health and welfare | 72,904 | 69,930 | 4.25 |
| Culture and recreation | 155,062 | 182,156 | (14.87) |
| Housing and economic development | 113,200 | 66,245 | 70.88 |
| Miscellaneous | 102,362 | 18,285 | 459.81 |
| Capital outlay | | | |
| General government | - | 586 | (100.00) |
| Public safety | 224,149 | 239,571 | (6.44) |
| Streets and highways | 363,994 | 1,187,097 | (69.34) |
| Culture and recreation | 24,164 | 22,765 | 6.15 |
| Housing and economic development | 7,346 | 4,469 | 64.38 |
| Miscellaneous | 3,450 | - | 100.00 |
| Debt service | | | |
| Principal | 740,844 | 803,670 | (7.82) |
| Interest and other charges | 170,139 | 147,821 | 15.10 |
| Bond issuance costs | - | 21,800 | (100.00) |
| | <u>\$ 3,547,162</u> | <u>\$ 4,332,054</u> | |
| Total Expenditures | <u>\$ 3,547,162</u> | <u>\$ 4,332,054</u> | (18.12) % |
| Per Capita | <u>\$ 1,602</u> | <u>\$ 1,943</u> | (17.55) % |
| Total Long-term Indebtedness | \$ 5,048,963 | \$ 5,789,807 | (12.80) % |
| Per Capita | 2,280 | 2,596 | (12.17) |
| General Fund Balance - December 31 | \$ 1,101,606 | \$ 1,145,021 | (3.79) % |
| Per Capita | 498 | 513 | (2.92) |

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, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY



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, 2020, 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 28, 2021.

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 item 2020-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 28, 2021



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, 2020, 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 28, 2021.

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 2020-001 that was considered to be a significant deficiency.

Compliance and Other Matters

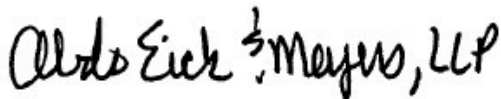
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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, EICK & MEYERS, LLP
Mankato, Minnesota
May 28, 2021

City of Arlington, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2020

| <u>Finding</u> | <u>Description</u> |
|------------------------|---|
| 2020-001 | Segregation of Duties |
| <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, 2020

Internal Control Over Utility Billing

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

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

Management Response:

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

Updated Progress Since Prior Year:

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

2020-002 Long Outstanding Checks

Condition: The City had 6 outstanding checks, dated prior to December 31, 2017.

Criteria: 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.

Effect: Current staff was unaware that these checks were still outstanding.

Recommendation: 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.

Management Response:

Management will send out follow-up inquires to the payees.