

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

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CITY OF LITCHFIELD, MINNESOTA

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CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Keith Johnson	Mayor	January 1, 2019
Ron Dingmann	Council Member At Large	January 1, 2021
Michael Boyle	Council Member - 1st Ward	January 1, 2019
Darlene Kotelnicki	Council Member - 2nd Ward	January 1, 2021
Betty Allen	Council Member - 3rd Ward	January 1, 2019
Vern Loch, Jr.	Council Member - 4th Ward	January 1, 2021
Sara Miller	Council Member - 5th Ward	January 1, 2019
<u>Administration</u>		
Dave Cziok	City Administrator	Appointed
Joyce Spreiter	Assistant City Administrator	Appointed

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of December 31, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 15, 2017. Refer to Note 20 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

May 7, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

This section of the basic financial statements of the City of Litchfield (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$69.7 million. Of this amount, \$20.9 million may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,801,195, comprising of an increase in governmental activities net position of \$1,326,203 and an increase in business-type activities of \$1,474,992.
- The City's governmental funds reported combined ending fund balances of \$8.2 million. Of this total amount, approximately 3.36% is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.6 million, or 35.16% of total General Fund expenditures of \$4.5 million.

Using This Annual Report

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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

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

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

The City's Most Significant Funds: Fund Financial Statements

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

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

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

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

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

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

The fiduciary fund financial statements can be found on page 24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-64 of this report.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Supplementary Information

The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplementary information to the financial statements. Combining statements and individual fund information can be found on pages 72-113 of this report.

Statement of Net Position

The City's net position was \$69,737,695 on December 31, 2017 (see details in Table 1). This was an increase of \$2,300,791 or 3.41% from \$67,436,904 at December 31, 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 10,176,440	\$ 10,598,825	\$ 19,707,093	\$ 20,618,816
Noncurrent Assets	24,215,841	23,514,112	63,581,401	65,251,304
Total Assets	<u>34,392,281</u>	<u>34,112,937</u>	<u>83,288,494</u>	<u>85,870,120</u>
Deferred Outflows of Resources	<u>1,580,679</u>	<u>2,412,279</u>	<u>770,676</u>	<u>662,630</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 35,972,960</u>	<u>\$ 36,525,216</u>	<u>\$ 84,059,170</u>	<u>\$ 86,532,750</u>
Current and Other Liabilities	\$ 358,643	\$ 248,118	\$ 1,052,565	\$ 1,244,737
Long-Term Liabilities	8,324,557	11,205,958	38,628,603	42,213,356
Total Liabilities	<u>8,683,200</u>	<u>11,454,076</u>	<u>39,681,168</u>	<u>43,458,093</u>
Deferred Inflows of Resources	1,675,376	520,898	254,691	187,995
Net Position				
Net Investment in Capital Assets	19,331,955	17,772,041	27,034,791	24,681,236
Restricted	2,508,756	2,892,027		
Unrestricted	3,773,673	3,886,174	17,088,520	18,205,426
Total Net Position	<u>25,614,384</u>	<u>24,550,242</u>	<u>44,123,311</u>	<u>42,886,662</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 35,972,960</u>	<u>\$ 36,525,216</u>	<u>\$ 84,059,170</u>	<u>\$ 86,532,750</u>

Governmental Activities

Net position of the City's governmental activities increased by \$1,064,142, or 4.33%. This is a smaller increase when compared to the prior year due mainly to a capital grant the City received in 2016 from the United States Department of Transportation for airport runway improvements.

Business-Type Activities

Net position of the City's business-type activities increased by \$1,236,649, or 2.88%. The increase was due to the following funds change in net position: Liquor Fund (\$8,003), Sewer Fund \$577,453, Electric Fund \$544,487, and Water Fund \$122,712.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Statement of Activities

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

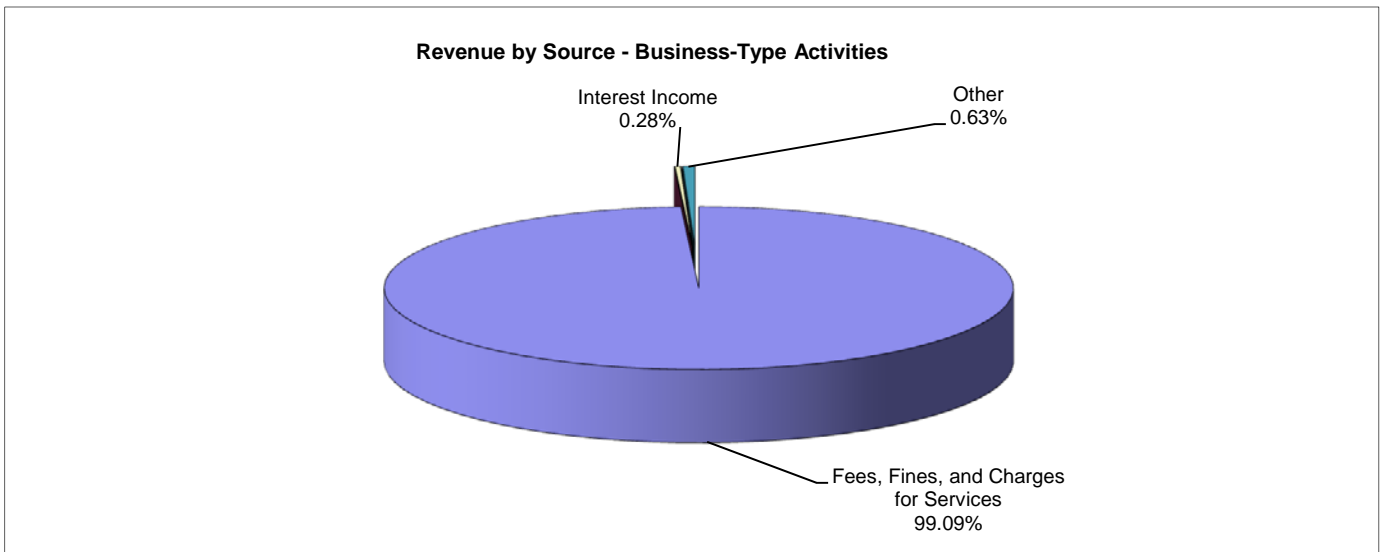
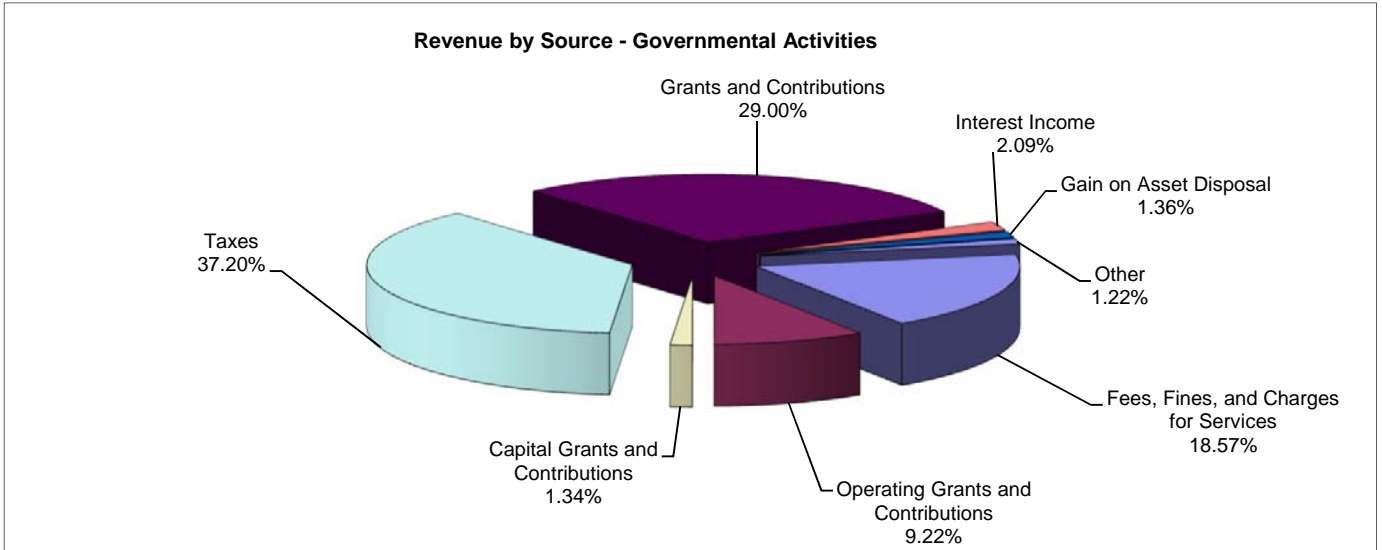
Table 2 Comparative Condensed Statement of Activities				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES				
Program Revenues				
Fees, Fines, and Charges for Services	\$ 1,208,594	\$ 1,070,941	\$ 17,347,063	\$ 17,187,833
Operating Grants and Contributions	599,891	385,673		
Capital Grants and Contributions	87,041	1,875,032		
General Revenues				
Taxes	2,420,497	2,427,098		
Grants and Contributions	1,887,106	1,888,971		
Interest Income	135,951	110,062	48,857	42,260
Other	79,350	178,835	109,246	175,257
Gain on Asset Disposal	88,418	4,394	428	
Total Revenues	<u>6,506,848</u>	<u>7,941,006</u>	<u>17,505,594</u>	<u>17,405,350</u>
EXPENSES				
General Government	1,146,723	1,218,097		
Public Safety	1,793,474	2,224,619		
Public Works	1,753,466	1,494,813		
Airport	190,674	164,955		
Culture and Recreation	1,128,059	1,155,388		
Economic Development	22,189	36,888		
Interest on Long-Term Debt	233,649	236,135		
Liquor Store			2,287,082	2,229,456
Sewer Utility			3,124,320	3,134,648
Electric Utility			8,748,330	9,037,804
Water Utility			783,281	804,260
Total Expenses	<u>6,268,234</u>	<u>6,530,895</u>	<u>14,943,013</u>	<u>15,206,168</u>
Change in Net Position before Transfers	238,614	1,410,111	2,562,581	2,199,182
TRANSFERS				
Change in Net Position	<u>1,087,589</u>	<u>1,394,508</u>	<u>(1,087,589)</u>	<u>(1,394,508)</u>
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	24,550,242	21,745,623	42,886,662	42,081,988
PRIOR PERIOD ADJUSTMENT	<u>(262,061)</u>		<u>(238,343)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>24,288,181</u>	<u>21,745,623</u>	<u>42,648,319</u>	<u>42,081,988</u>
NET POSITION, END OF YEAR	<u>\$ 25,614,384</u>	<u>\$ 24,550,242</u>	<u>\$ 44,123,311</u>	<u>\$ 42,886,662</u>

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Governmental Activities

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



CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,240,974, a decrease of \$830,675 from prior year fund balance of \$9,071,649. Approximately 3.36% of this total constitutes unassigned fund balance - \$277,190. The remainder of the fund balance (\$7,963,784) is not available for new spending because it is either 1) nonspendable - \$99,385, 2) restricted - \$2,436,421, or 3) assigned - \$5,427,978.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,593,648, an increase of \$193,762 from the 2016 unassigned fund balance of \$1,399,886. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.16% of the total General Fund expenditures.

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

Unrestricted net position in the respective proprietary funds are Liquor - \$290,914, Sewer - \$9,591,827, Electric - \$5,548,393, and Water - \$1,657,386. All proprietary funds that had an increase in total net position for the year with the largest increases in net position occurring in the Sewer Fund - \$577,453 and the Electric Fund - \$544,487. The Sewer fund experienced an increase in charges for services over the prior year, though had less operating income than budgeted due to unbudgeted depreciation expense. The Electric Fund also experienced an increase in charges for services, however had less operating income than budgeted due to unbudgeted depreciation.

General Fund Budgetary Highlights

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

Capital Assets

At the end of 2017, the City of Litchfield had \$137.0 million invested in a broad range of capital assets. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Long-Term Liabilities

At year-end, the City of Litchfield had \$43.3 million in bonds and notes outstanding. Refer to Note 9 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

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

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2018 budget, rates, and fees that will be charged by the funds of the City. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2017 final budget.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Cash Equivalents	\$ 7,799,987	\$ 11,347,101	\$ 19,147,088	\$ 20,934,860
Cash Held with Fiscal Agent	493,634	999,500	1,493,134	421,457
Receivables (Net)	1,651,572	6,691,960	8,343,532	8,909,669
Due from Other Governmental Units	97,194		97,194	164,498
Inventories	34,668	621,295	655,963	621,645
Prepaid Items	99,385	47,237	146,622	165,512
Capital Assets				
Assets Not Being Depreciated	2,902,683	1,861,194	4,763,877	19,392,038
Other Capital Assets, Net of Depreciation	21,269,272	61,720,207	82,989,479	69,182,073
Net OPEB Asset				124,362
Net Pension Asset	43,886		43,886	66,943
Total Assets	<u>34,392,281</u>	<u>83,288,494</u>	<u>117,680,775</u>	<u>119,983,057</u>
Deferred Outflows of Resources				
Related to Pensions	1,564,247	341,618	1,905,865	3,074,909
Related to Refunding of Debt		401,811	401,811	
Related to OPEB	16,432	27,247	43,679	
Total Deferred Outflows of Resources	<u>1,580,679</u>	<u>770,676</u>	<u>2,351,355</u>	<u>3,074,909</u>
Total Assets and Deferred Outflows of Resources				
	<u>\$ 35,972,960</u>	<u>\$ 84,059,170</u>	<u>\$ 120,032,130</u>	<u>\$ 123,057,966</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 50,771	\$ 501,475	\$ 552,246	\$ 543,540
Contracts Payable	105,255	12,823	118,078	136,975
Accrued Salaries	48,946	30,617	79,563	79,066
Accrued Interest Payable	91,950	400,712	492,662	573,676
Deposits Payable		57,750	57,750	67,850
Due to Other Governmental Units	61,721	49,188	110,909	91,748
Long-Term Liabilities				
Due Within One Year	798,185	1,783,738	2,581,923	3,331,237
Due in More than One Year	7,526,372	36,844,865	44,371,237	50,088,077
Total Liabilities	<u>8,683,200</u>	<u>39,681,168</u>	<u>48,364,368</u>	<u>54,912,169</u>
Deferred Inflows of Resources				
Related to Pensions	1,674,192	252,727	1,926,919	708,893
Related to OPEB	1,184	1,964	3,148	
Total Deferred Inflows of Resources	<u>1,675,376</u>	<u>254,691</u>	<u>1,930,067</u>	<u>708,893</u>
Net Position				
Net Investment in Capital Assets	19,331,955	27,034,791	46,366,746	42,607,296
Restricted for Tax Increment	22,226		22,226	23,466
Restricted for Debt Service	2,486,530		2,486,530	2,868,561
Unrestricted	3,773,673	17,088,520	20,862,193	21,937,581
Total Net Position	<u>25,614,384</u>	<u>44,123,311</u>	<u>69,737,695</u>	<u>67,436,904</u>
Total Liabilities, Deferred Inflows of Resources and Net Position				
	<u>\$ 35,972,960</u>	<u>\$ 84,059,170</u>	<u>\$ 120,032,130</u>	<u>\$ 123,057,966</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2017	2016
GOVERNMENTAL ACTIVITIES								
General Government	\$ 1,146,723	\$ 406,924	\$	\$	\$ (739,799)	\$	\$ (739,799)	\$ (886,651)
Public Safety	1,793,474	172,851	136,356	40,000	(1,444,267)		(1,444,267)	(1,822,748)
Public Works	1,753,466	2,880	405,974		(1,344,612)		(1,344,612)	(1,404,217)
Airport	190,674	76,604	36,073	47,041	(30,956)		(30,956)	1,774,012
Culture and Recreation	1,128,059	549,335	21,488		(557,236)		(557,236)	(602,686)
Economic Development	22,189				(22,189)		(22,189)	(36,888)
Interest on Long-Term Debt	233,649				(233,649)		(233,649)	(220,071)
Total Governmental Activities	6,268,234	1,208,594	599,891	87,041	(4,372,708)	0	(4,372,708)	(3,199,249)
BUSINESS-TYPE ACTIVITIES								
Liquor	2,287,082	2,456,891				169,809	169,809	185,471
Sewer	3,124,320	3,946,120				821,800	821,800	688,535
Electric	8,748,330	9,989,317				1,240,987	1,240,987	950,469
Water	783,281	954,735				171,454	171,454	157,190
Total Business-Type Activities	14,943,013	17,347,063	0	0	0	2,404,050	2,404,050	1,981,665
Total	\$ 21,211,247	\$ 18,555,657	\$ 599,891	\$ 87,041	(4,372,708)	2,404,050	(1,968,658)	(1,217,584)
GENERAL REVENUES								
Taxes								
Property Taxes, Levied for General Purposes					1,871,074		1,871,074	1,873,617
Property Taxes, Levied for Debt Service					549,423		549,423	553,481
Grants and Contributions not Restricted to Specific Programs					1,887,106		1,887,106	1,888,971
Interest Income					135,951	48,857	184,808	152,322
Other					79,350	109,246	188,596	344,597
Gain on Asset Disposal					88,418	428	88,846	13,889
TRANSFERS					1,087,589	(1,087,589)		
Total General Revenues and Transfers					5,698,911	(929,058)	4,769,853	4,826,877
Change in Net Position					1,326,203	1,474,992	2,801,195	3,609,293
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED					24,550,242	42,886,662	67,436,904	63,827,611
PRIOR PERIOD ADJUSTMENT					(262,061)	(238,343)	(500,404)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED					24,288,181	42,648,319	66,936,500	63,827,611
NET POSITION, END OF YEAR					\$ 25,614,384	\$ 44,123,311	\$ 69,737,695	\$ 67,436,904

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds	
			2017	2016
ASSETS				
Cash and Cash Equivalents	\$ 2,189,372	\$ 4,202,565	\$ 6,391,937	\$ 6,945,823
Cash with Fiscal Agent		493,634	493,634	421,457
Receivables				
Accounts	66,593	20,489	87,082	80,263
Contracts		20,000	20,000	24,000
Interest	55,892		55,892	38,112
Delinquent Property Taxes	45,279	10,931	56,210	52,837
Special Assessments	1,500	153,354	154,854	260,768
Capital Lease		1,228,333	1,228,333	1,529,167
Due from Other Governmental Units	23,225	73,511	96,736	158,800
Inventories		34,668	34,668	17,310
Prepaid Items	46,620	52,765	99,385	117,483
Due from Other Funds	1,175,932	63,675	1,239,607	17,035
	<u>\$ 3,604,413</u>	<u>\$ 6,353,925</u>	<u>\$ 9,958,338</u>	<u>\$ 9,663,055</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 42,321	\$ 8,450	\$ 50,771	\$ 57,803
Contracts Payable		105,255	105,255	
Accrued Salaries	46,769	2,177	48,946	48,166
Due to Other Governmental Units	60,978	743	61,721	42,951
Due to Other Funds		1,239,607	1,239,607	120,887
Total Liabilities	150,068	1,356,232	1,506,300	269,807
Deferred Inflows of Resources				
Unavailable Revenue				
Accounts				7,994
Delinquent Property Taxes	45,279	10,931	56,210	52,837
Special Assessments	1,500	153,354	154,854	260,768
Total Deferred Inflows of Resources	46,779	164,285	211,064	321,599
Fund Balance				
Nonspendable	46,620	52,765	99,385	134,793
Restricted		2,436,421	2,436,421	2,961,758
Assigned	1,767,298	3,660,680	5,427,978	3,925,381
Unassigned	1,593,648	(1,316,458)	277,190	2,049,717
Total Fund Balance	3,407,566	4,833,408	8,240,974	9,071,649
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,604,413</u>	<u>\$ 6,353,925</u>	<u>\$ 9,958,338</u>	<u>\$ 9,663,055</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
Total Fund Balances - Governmental Funds	\$ 8,240,974	\$ 9,071,649
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	34,619,266	32,886,959
Less: Accumulated Depreciation	(12,764,844)	(11,996,544)
Net Pension Asset	43,886	66,943
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Accounts		7,994
Delinquent Property Taxes	56,210	52,837
Special Assessments	154,854	260,768
Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
	3,605,242	3,224,854
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not recorded in the funds.		
Deferred Outflows of Resources Related to Pensions	1,564,247	2,412,279
Deferred Inflows of Resources Related to Pensions	(1,674,192)	(520,898)
Deferred Outflows of Resources Related to OPEB	16,432	
Deferred Inflows of Resources Related to OPEB	(1,184)	
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.		
Net OPEB Asset		65,128
Total OPEB Liability	(154,812)	
Bonds and Notes Payable	(6,155,000)	(7,040,000)
Bond Premium	(19,890)	(22,698)
Termination Benefits	(75,051)	(106,504)
Compensated Absences	(147,194)	(122,403)
Net Pension Liability	(1,602,610)	(3,594,353)
Accrued Interest Payable	(91,950)	(95,769)
	<u>\$ 25,614,384</u>	<u>\$ 24,550,242</u>
Total Net Position - Governmental Activities	<u>\$ 25,614,384</u>	<u>\$ 24,550,242</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds	
			2017	2016
REVENUES				
Property Taxes	\$ 1,866,918	\$ 506,786	\$ 2,373,704	\$ 2,265,089
Special Assessments		109,770	109,770	68,831
Licenses and Permits	287,960		287,960	152,287
Intergovernmental	2,023,459	541,106	2,564,565	4,148,680
Charges for Services	220,671	623,779	844,450	834,685
Fines and Forfeits	26,184		26,184	24,578
Interest Income	45,378	90,328	135,706	109,916
Miscellaneous	44,240	58,717	102,957	180,335
Total Revenues	<u>4,514,810</u>	<u>1,930,486</u>	<u>6,445,296</u>	<u>7,784,401</u>
EXPENDITURES				
Current				
General Government	1,001,358	66,609	1,067,967	936,333
Public Safety	1,859,054		1,859,054	1,849,288
Public Works	1,076,963	59,938	1,136,901	1,030,427
Airport		104,859	104,859	97,103
Culture and Recreation	570,745	566,396	1,137,141	1,138,888
Economic Development		22,189	22,189	36,888
Capital Outlay				
General Government	2,756	816	3,572	146,201
Public Works	21,598	1,407,053	1,428,651	69,958
Airport		49,614	49,614	1,935,449
Culture and Recreation		220,632	220,632	32,001
Economic Development		5,684	5,684	
Debt Service				
Principal		885,000	885,000	650,000
Interest and Other Charges		230,251	230,251	249,060
Total Expenditures	<u>4,532,474</u>	<u>3,619,041</u>	<u>8,151,515</u>	<u>8,171,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,664)	(1,688,555)	(1,706,219)	(387,195)
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Property	14,379		14,379	9,495
Transfers In	691,275	940,293	1,631,568	1,905,186
Transfers Out	(510,000)	(260,403)	(770,403)	(683,559)
Total Other Financing Sources (Uses)	<u>195,654</u>	<u>679,890</u>	<u>875,544</u>	<u>1,231,122</u>
Net Change in Fund Balances	177,990	(1,008,665)	(830,675)	843,927
FUND BALANCE, BEGINNING OF YEAR	<u>3,229,576</u>	<u>5,842,073</u>	<u>9,071,649</u>	<u>8,227,722</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,407,566</u>	<u>\$ 4,833,408</u>	<u>\$ 8,240,974</u>	<u>\$ 9,071,649</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (830,675)	\$ 843,927
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	1,732,307	2,148,850
Depreciation Expense	(768,300)	(755,181)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Certain Accounts Receivable	(7,994)	
Delinquent Property Taxes	3,373	2,737
Special Assessments	(105,914)	(59,439)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
OPEB Items	57,369	3,435
Termination Benefits	31,453	23,089
Compensated Absences	(24,792)	(2,022)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Retirement of Long-Term Debt	885,000	650,000
Amortization of Bond Premium	2,808	2,808
Change in Accrued Interest Payable	3,819	25,956
Internal service funds are used by management to charge the costs of equipment to the individual funds. The net revenue (expenditure) of the internal service fund is reported with governmental activities.		
	380,388	301,502
In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	<u>(32,639)</u>	<u>(381,043)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,326,203</u>	<u>\$ 2,804,619</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016	
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Property Taxes	\$ 1,863,055	\$ 1,863,055	\$ 1,866,918	\$ 3,863	\$ 1,835,328
Licenses and Permits	66,400	66,400	287,960	221,560	152,287
Intergovernmental	2,020,606	2,020,606	2,023,459	2,853	2,133,872
Charges for Services	158,350	158,350	220,671	62,321	217,594
Fines and Forfeits	21,000	21,000	26,184	5,184	24,578
Interest Income	2,000	2,000	45,378	43,378	30,861
Miscellaneous	3,000	3,000	44,240	41,240	105,610
Total Revenues	<u>4,134,411</u>	<u>4,134,411</u>	<u>4,514,810</u>	<u>380,399</u>	<u>4,500,130</u>
EXPENDITURES					
Current					
General Government	1,122,254	1,122,254	1,001,358	(120,896)	862,731
Public Safety	1,930,097	1,930,097	1,859,054	(71,043)	1,849,288
Public Works	1,159,681	1,159,681	1,076,963	(82,718)	1,009,644
Culture and Recreation	651,848	651,848	570,745	(81,103)	587,370
Economic Development	200	200		(200)	
Capital Outlay					
General Government	2,856	2,856	2,756	(100)	2,756
Public Safety	4,000	4,000		(4,000)	
Public Works			21,598	21,598	
Culture and Recreation	750	750		(750)	
Total Expenditures	<u>4,871,686</u>	<u>4,871,686</u>	<u>4,532,474</u>	<u>(339,212)</u>	<u>4,311,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(737,275)	(737,275)	(17,664)	719,611	188,341
OTHER FINANCING SOURCES (USES)					
Sale or Compensation for Property	2,000	2,000	14,379	12,379	9,495
Transfers In	718,775	718,775	691,275	(27,500)	734,275
Transfers Out	(10,000)	(10,000)	(510,000)	(500,000)	(645,475)
Total Other Financing Sources (Uses)	<u>710,775</u>	<u>710,775</u>	<u>195,654</u>	<u>(515,121)</u>	<u>98,295</u>
Net Change in Fund Balances	<u>\$ (26,500)</u>	<u>\$ (26,500)</u>	177,990	<u>\$ 204,490</u>	286,636
FUND BALANCE, BEGINNING OF YEAR			<u>3,229,576</u>		<u>2,942,940</u>
FUND BALANCE, END OF YEAR			<u>\$ 3,407,566</u>		<u>\$ 3,229,576</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2017	2016
					2017	2016		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Assets								
Current Assets								
Cash and Cash Equivalents	\$ 253,717	\$ 4,493,699	\$ 4,792,024	\$ 1,807,661	\$ 11,347,101	\$ 12,938,078	\$ 1,408,050	\$ 1,050,959
Receivables								
Accounts Receivable (Net)	(2,547)	410,879	894,828	86,489	1,389,649	1,395,504	46,798	
Delinquent Taxes Receivable							2,403	
Special Assessments Receivable								
Current		5,302,311			5,302,311	5,529,018		
Due from Other Governmental Units							458	5,698
Inventories	285,283		336,012		621,295	604,335		
Prepaid Items	5,568	17,026	20,304	4,339	47,237	48,029		
Due from Other Funds						103,852		
Total Current Assets	<u>542,021</u>	<u>10,223,915</u>	<u>6,043,168</u>	<u>1,898,489</u>	<u>18,707,593</u>	<u>20,618,816</u>	<u>1,457,709</u>	<u>1,056,657</u>
Noncurrent Assets								
Cash Held with Fiscal Agent			999,500		999,500			
Capital Assets								
Assets Not Being Depreciated	112,600	21,373	1,483,728	243,493	1,861,194	14,239,339		
Other Capital Assets, Net of Depreciation	1,207,075	38,711,237	17,217,926	4,583,969	61,720,207	50,952,731	2,317,533	2,491,626
Net OPEB Asset						59,234		
Total Noncurrent Assets	<u>1,319,675</u>	<u>38,732,610</u>	<u>19,701,154</u>	<u>4,827,462</u>	<u>64,580,901</u>	<u>65,251,304</u>	<u>2,317,533</u>	<u>2,491,626</u>
Total Assets	<u>1,861,696</u>	<u>48,956,525</u>	<u>25,744,322</u>	<u>6,725,951</u>	<u>83,288,494</u>	<u>85,870,120</u>	<u>3,775,242</u>	<u>3,548,283</u>
Deferred Outflows of Resources								
Related to Pensions	42,387	84,665	180,284	34,282	341,618	662,630		
Related to Refunding of Debt			401,811		401,811			
Related to OPEB	3,381	6,753	14,379	2,734	27,247			
Total Deferred Outflows of Resources	<u>45,768</u>	<u>91,418</u>	<u>596,474</u>	<u>37,016</u>	<u>770,676</u>	<u>662,630</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,907,464</u>	<u>\$ 49,047,943</u>	<u>\$ 26,340,796</u>	<u>\$ 6,762,967</u>	<u>\$ 84,059,170</u>	<u>\$ 86,532,750</u>	<u>\$ 3,775,242</u>	<u>\$ 3,548,283</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2017	2016
					2017	2016		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION								
Liabilities								
Current Liabilities								
Accounts Payable	\$ 32,830	\$ 32,447	\$ 429,997	\$ 6,201	\$ 501,475	\$ 482,308	\$	\$ 3,429
Contracts Payable			12,823		12,823	136,975		
Accrued Salaries	3,955	4,996	19,381	2,285	30,617	30,900		
Accrued Interest Payable		214,684	170,549	15,479	400,712	477,907		
Deposits Payable				57,750	57,750	67,850		
Due to Other Governmental Units	23,145		21,989	4,054	49,188	48,797		
Current Portion of Long-Term Liabilities		1,442,000	32,000	309,738	1,783,738	2,491,767	95,000	150,000
Total Current Liabilities	59,930	1,694,127	686,739	395,507	2,836,303	3,736,504	95,000	153,429
Noncurrent Liabilities								
Long-Term Liabilities, Net of Current Portion	205,343	23,476,232	12,029,237	1,134,053	36,844,865	39,721,589	75,000	170,000
Total Liabilities	265,273	25,170,359	12,715,976	1,529,560	39,681,168	43,458,093	170,000	323,429
Deferred Inflows of Resources								
Related to Pensions	31,358	62,635	133,372	25,362	252,727	187,995		
Related to OPEB	244	487	1,036	197	1,964			
Total Deferred Inflows of Resources	31,602	63,122	134,408	25,559	254,691	187,995	0	0
Net Position								
Net Investment in Capital Assets	1,319,675	14,222,635	7,942,019	3,550,462	27,034,791	24,681,236	2,147,533	2,171,626
Unrestricted	290,914	9,591,827	5,548,393	1,657,386	17,088,520	18,205,426	1,457,709	1,053,228
Total Net Position	1,610,589	23,814,462	13,490,412	5,207,848	44,123,311	42,886,662	3,605,242	3,224,854
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,907,464	\$ 49,047,943	\$ 26,340,796	\$ 6,762,967	\$ 84,059,170	\$ 86,532,750	\$ 3,775,242	\$ 3,548,283

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2017	2016
					2017	2016		
OPERATING REVENUES								
Sales	\$ 2,456,891	\$	\$	\$	\$ 2,456,891	\$ 2,414,927	\$	\$
Cost of Goods Sold	(1,842,640)				(1,842,640)	(1,836,518)		
Gross Profit on Sales	614,251	0	0	0	614,251	578,409	0	0
Charges for Services		3,755,371	9,945,890	954,735	14,655,996	14,531,726	556,265	505,070
Other			43,427		43,427	42,869		
Total Operating Revenues	614,251	3,755,371	9,989,317	954,735	15,313,674	15,153,004	556,265	505,070
OPERATING EXPENSES								
Salaries and Benefits	292,894	490,696	1,096,460	190,621	2,070,671	1,941,177		
Supplies	9,675	389,371			399,046	425,563		
Other Services and Charges	113,815	796,145			909,960	837,532	62,609	35,547
Purchased Power			5,983,325	79,810	6,063,135	6,345,856		
Production			90,388	52,132	142,520	140,980		
Distribution			272,859	73,674	346,533	240,468		
Administrative and General			178,937	43,097	222,034	327,842		
Depreciation	28,058	876,304	673,579	295,787	1,873,728	1,878,225	487,372	528,876
Total Operating Expenses	444,442	2,552,516	8,295,548	735,121	12,027,627	12,137,643	549,981	564,423
Operating Income (Loss)	169,809	1,202,855	1,693,769	219,614	3,286,047	3,015,361	6,284	(59,353)
NONOPERATING REVENUES (EXPENSES)								
Taxes							43,420	159,272
Special Assessments		190,749			190,749	198,311		
Intergovernmental							40,000	40,000
Interest Income	828	17,230	21,484	9,315	48,857	42,260	246	146
Miscellaneous Revenue	2,172	42,752	61,690	2,632	109,246	175,257		
Gain on Disposal of Asset		428			428		74,039	4,394
Interest Expense		(571,804)	(427,946)	(48,160)	(1,047,910)	(1,223,283)	(9,575)	(15,388)
Miscellaneous Expense			(24,836)		(24,836)	(8,724)	(450)	(450)
Total Nonoperating Revenues (Expenses)	3,000	(320,645)	(369,608)	(36,213)	(723,466)	(816,179)	147,680	187,974
Income (Loss) Before Capital Contributions and Transfers	172,809	882,210	1,324,161	183,401	2,562,581	2,199,182	153,964	128,621
TRANSFERS								
Transfers In				75,000	75,000	190,340	226,424	172,881
Transfers Out	(156,992)	(233,250)	(660,478)	(111,869)	(1,162,589)	(1,584,848)		
Total Transfers	(156,992)	(233,250)	(660,478)	(36,869)	(1,087,589)	(1,394,508)	226,424	172,881
Change in Net Position	15,817	648,960	663,683	146,532	1,474,992	804,674	380,388	301,502
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	1,618,592	23,237,009	12,945,925	5,085,136	42,886,662	42,081,988	3,224,854	2,923,352
PRIOR PERIOD ADJUSTMENT	(23,820)	(71,507)	(119,196)	(23,820)	(238,343)			
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,594,772	23,165,502	12,826,729	5,061,316	42,648,319	42,081,988	3,224,854	2,923,352
NET POSITION, END OF YEAR	\$ 1,610,589	\$ 23,814,462	\$ 13,490,412	\$ 5,207,848	\$ 44,123,311	\$ 42,886,662	\$ 3,605,242	\$ 3,224,854

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers	\$ 2,457,672	\$ 3,736,484	\$ 10,006,213	\$ 951,700	\$ 17,152,069	\$ 17,003,622	\$ 509,467	\$ 505,070
Payments to Suppliers	(1,986,162)	(1,186,646)	(6,500,820)	(248,850)	(9,922,478)	(10,257,686)	(66,038)	(35,096)
Payments to Employees	(260,156)	(470,686)	(1,004,547)	(176,553)	(1,911,942)	(1,872,909)		
Net Cash Provided (Used) by Operating Activities	211,354	2,079,152	2,500,846	526,297	5,317,649	4,873,027	443,429	469,974
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Taxes							41,017	157,953
Intergovernmental							45,240	40,000
Other Receipts	3,000	60,410	83,174	11,947	158,531	217,517	246	146
Other Disbursements			(24,836)		(24,836)	(8,724)	(450)	(450)
Interfund Loans			103,852		103,852	(103,852)		
Special Assessments		417,456			417,456	417,456		
Transfers In from Other Funds				75,000	75,000	190,340	226,424	172,881
Transfers Out to Other Funds	(156,992)	(233,250)	(660,478)	(111,869)	(1,162,589)	(1,584,848)		
Net Cash Provided (Used) by Noncapital Financing Activities	(153,992)	244,616	(498,288)	(24,922)	(432,586)	(872,111)	312,477	370,530
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and Construction of Capital Assets		(218,680)	(152,218)	(16,313)	(387,211)	(951,876)	(239,240)	(572,626)
Proceeds on Issuance of Long-Term Debt			10,464,871		10,464,871			
Principal Reduction on Long-Term Debt		(1,416,000)	(12,272,000)	(313,767)	(14,001,767)	(2,422,768)	(150,000)	(165,000)
Interest and Fiscal Agent Fees Paid on Bonds and Notes		(594,108)	(906,125)	(52,200)	(1,552,433)	(1,259,884)	(9,575)	(15,388)
Net Cash Provided (Used) for Capital and Related Financing Activities	0	(2,228,788)	(2,865,472)	(382,280)	(5,476,540)	(4,634,528)	(398,815)	(753,014)
Net Increase (Decrease) in Cash and Cash Equivalents	57,362	94,980	(862,914)	119,095	(591,477)	(633,612)	357,091	87,490
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	196,355	4,398,719	6,654,438	1,688,566	12,938,078	13,571,690	1,050,959	963,469
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 253,717	\$ 4,493,699	\$ 5,791,524	\$ 1,807,661	\$ 12,346,601	\$ 12,938,078	\$ 1,408,050	\$ 1,050,959

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2017	2016
					2017	2016		
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES								
Operating Income (Loss)	\$ 169,809	\$ 1,202,855	\$ 1,693,769	\$ 219,614	\$ 3,286,047	\$ 3,015,361	\$ 6,284	\$ (59,353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Depreciation	28,058	876,304	673,579	295,787	1,873,728	1,878,225	487,372	528,876
Pension Related Adjustments	21,497	23,169	60,133	6,544	111,343	102,366		
OPEB Related Adjustments	10,814	3,618	32,555	5,324	52,311			
(Increase) Decrease in Assets								
Accounts Receivable (Net)	781	(18,887)	16,896	7,065	5,855	14,100	(46,798)	
Inventories	(33,399)		16,439		(16,960)	17,758		
Prepaid Items	151	269	299	73	792	(6,483)		
Net OPEB Asset						(612)		
Increase (Decrease) in Liabilities								
Accounts Payable	14,103	(1,399)	6,548	(85)	19,167	(138,944)	(3,429)	451
Accrued Salaries	272	(1,383)	855	(27)	(283)	(40,484)		
Deposits Payable				(10,100)	(10,100)	22,710		
Due to Other Governmental Units	(887)		1,403	(125)	391	2,032		
Compensated Absences	155	(5,394)	(1,630)	2,227	(4,642)	6,998		
Net Cash Provided (Used) by Operating Activities	\$ 211,354	\$ 2,079,152	\$ 2,500,846	\$ 526,297	\$ 5,317,649	\$ 4,873,027	\$ 443,429	\$ 469,974

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2017

	Private Purpose Trust Funds
ASSETS	
Current Assets	
Cash	\$ 227,249
Accounts Receivable	126
	227,375
Total Current Assets	\$ 227,375
NET POSITION	
Held in Trust for Other Purposes	\$ 227,375

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2017

	Private Purpose Trust Funds
ADDITIONS	\$ 2,591
DEDUCTIONS	
Change in Net Position	2,591
	224,784
NET POSITION, BEGINNING OF YEAR	224,784
NET POSITION, END OF YEAR	\$ 227,375

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CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

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

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

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

Blended Component Unit

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental fund:

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

The City reports the following major enterprise funds:

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

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

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

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

Additionally, the City reports the following proprietary fund:

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

Additionally, the City reports the following fiduciary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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

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

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

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

E. RECEIVABLES AND PAYABLES

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

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

F. PREPAID ITEMS

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

G. INVENTORIES

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

H. CAPITAL ASSETS

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

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

I. DEFERRED OUTFLOWS OF RESOURCES

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

J. UNEARNED REVENUE

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

K. COMPENSATED ABSENCES

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

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

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

M. TERMINATION BENEFITS

During 2009 and 2013, the City offered certain employees an early retirement incentive which qualifies as a termination benefit under the Governmental Accounting Standards Board Statement No. 47, Accounting for Termination Benefits. The employees receiving benefits from the 2013 option elected to continue participation on the City's group insurance plan. When calculating the liability, the City used the current cost of annual health insurance premiums and increased that cost by 10% for each subsequent year. As of December 31, 2017, the City's termination benefit liability was \$75,051.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

N. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the City of Litchfield's Fire Relief Association and additions to/deductions from PERA's and the City of Litchfield's Fire Relief Association's fiduciary net position have been determined on the same basis as they are reported by PERA and the City of Litchfield's Fire Relief Association. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City participates in various pension plans; total pension expense for the fiscal year ended was \$663. The components of pension expense are noted in the plan summaries.

O. LONG-TERM OBLIGATIONS

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

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

P. DEFERRED INFLOWS OF RESOURCES

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

Q. FUND BALANCE

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Q. FUND BALANCE (Cont'd)

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

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

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

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

R. NET POSITION

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

S. USE OF ESTIMATES

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

T. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which the partial information was derived.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

B. DEFICIT FUND BALANCES

The following funds had deficit fund balances:

	<u>Fund Balance</u>
Nonmajor Governmental Funds	
Capital Projects	
2018 Improvement Project	\$ (87,698)
Civic Arena Improvements	(99,020)
TH 12 Frontage Rd Improvements	(5,684)
TH 12 Improvements	(22,648)
Storm Sewer Improvements	(1,101,408)

These deficits will be financed through future revenues of the funds.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Nonmajor Governmental Funds		
Special Revenue		
Downtown/Heritage Preservation	\$ 20,166	
Infrastructure Street	359,089	
Community Reinvestment	42,816	
Lake Ripley Improvement	490	

NOTE 3. CASH AND CASH EQUIVALENTS

A. DEPOSITS

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

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

Cash in Bank Accounts	\$ 7,366,857
Non-Negotiable Certificates of Deposit	12,000,000
ATM	6,850
Petty Cash	630
Cash with Fiscal Agent	<u>1,493,134</u>
 Total Deposits	 <u><u>\$ 20,867,471</u></u>

B. INVESTMENTS

As of the year end, the City had no investments.

Deposits are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 19,147,088
Cash Held with Fiscal Agent	1,493,134
 Statement of Fiduciary Net Position	
Cash	<u>227,249</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 20,867,471</u></u>

CITY OF LITCHFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
<u>Governmental Activities</u>		
Accounts	\$ 133,880	\$
Contracts	20,000	
Interest	55,892	
Delinquent Property Taxes	58,613	
Special Assessments	154,854	133,309
Capital Lease	1,228,333	939,167
Total Governmental Activities	\$ 1,651,572	\$ 1,072,476
<u>Business-Type Activities</u>		
Accounts	\$ 1,389,649	\$
Special Assessments	5,302,311	5,067,784
Total Business-Type Activities	\$ 6,691,960	\$ 5,067,784

NOTE 5. INVENTORIES

Inventories are as follows:

<u>Governmental Activities</u>		
Golf Course		
Pro Shop		\$ 8,159
Airport		
Fuel Inventory		26,509
Total Governmental Activities		\$ 34,668
<u>Business-Type Activities</u>		
Electric		
Transformers		\$ 268,073
Line Inventory		55,647
Pole/Conduit		12,292
Liquor		285,283
Total Business-Type Activities		\$ 621,295

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following:

Governmental Activities		
Meeker County	\$	26,174
State of Minnesota		70,155
Other Governmental Units		865
		<u>865</u>
Total Governmental Activities	\$	<u>97,194</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 1,824,293	\$	\$	\$ 1,824,293
Easements	10,428			10,428
Construction in Progress	<u>2,547,978</u>	<u>1,067,961</u>	<u>(2,547,977)</u>	<u>1,067,962</u>
Total Capital Assets, Not Being Depreciated	4,382,699	1,067,961	(2,547,977)	2,902,683
Capital Assets, Being Depreciated				
Buildings	9,777,288			9,777,288
Improvements Other than Buildings	18,121,917	3,218,610		21,340,527
Machinery and Equipment	<u>9,018,904</u>	<u>313,894</u>	<u>(130,062)</u>	<u>9,202,736</u>
Total Capital Assets, Being Depreciated	36,918,109	3,532,504	(130,062)	40,320,551
Less Accumulated Depreciation for				
Buildings	3,648,691	214,907		3,863,598
Improvements Other than Buildings	7,833,040	529,612		8,362,652
Machinery and Equipment	<u>6,437,036</u>	<u>517,441</u>	<u>(129,448)</u>	<u>6,825,029</u>
Total Accumulated Depreciation	<u>17,918,767</u>	<u>1,261,960</u>	<u>(129,448)</u>	<u>19,051,279</u>
Total Capital Assets, Being Depreciated, Net	<u>18,999,342</u>	<u>2,270,544</u>	<u>(614)</u>	<u>21,269,272</u>
Governmental Activities Net Capital Assets	<u>\$ 23,382,041</u>	<u>\$ 3,338,505</u>	<u>\$ (2,548,591)</u>	<u>\$ 24,171,955</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset activity was as follows:

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 735,155	\$	\$	\$ 735,155
Construction in Progress	14,274,184	165,041	(13,313,186)	1,126,039
Total Capital Assets, Not Being Depreciated	15,009,339	165,041	(13,313,186)	1,861,194
Capital Assets, Being Depreciated				
Buildings	46,290,201			46,290,201
Improvements Other than Buildings	22,131,484	13,394,891		35,526,375
Machinery and Equipment	10,128,148	16,313		10,144,461
Total Capital Assets, Being Depreciated	78,549,833	13,411,204	0	91,961,037
Less Accumulated Depreciation for				
Buildings	9,265,212	1,063,336		10,328,548
Improvements Other than Buildings	12,401,335	546,694		12,948,029
Machinery and Equipment	6,700,555	263,698		6,964,253
Total Accumulated Depreciation	28,367,102	1,873,728	0	30,240,830
Total Capital Assets, Being Depreciated, Net	50,182,731	11,537,476	0	61,720,207
Business-Type Activities Net Capital Assets	<u>\$ 65,192,070</u>	<u>\$ 11,702,517</u>	<u>\$ (13,313,186)</u>	<u>\$ 63,581,401</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 118,051
Public Safety	229,959
Public Works	647,861
Airport	85,815
Culture and Recreation	180,274
Total Depreciation Expense - Governmental Activities	<u>\$ 1,261,960</u>
Business-Type Activities	
Liquor	\$ 28,058
Sewer	876,304
Electric	673,579
Water	295,787
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,873,728</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,175,932
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>63,675</u>
		<u><u>\$ 1,239,607</u></u>

The purpose of the above interfund loans was to cover construction cost overruns.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	<u>Transfer In</u>				<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Water</u>	<u>Internal Service</u>	
Transfer Out					
General	\$	\$ 310,000	\$	\$ 200,000	\$ 510,000
Liquor		156,992			156,992
Sewer	183,250	50,000			233,250
Electric	435,478	150,000	75,000		660,478
Water	61,869	50,000			111,869
Nonmajor Governmental Funds	<u>10,678</u>	<u>223,301</u>		<u>26,424</u>	<u>260,403</u>
Total	<u><u>\$ 691,275</u></u>	<u><u>\$ 940,293</u></u>	<u><u>\$ 75,000</u></u>	<u><u>\$ 226,424</u></u>	<u><u>\$ 1,932,992</u></u>

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

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

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

B. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
G.O. Bonds			
General Obligation Bonds, Series 2007A	3.45-3.85%	02/01/2018	\$ 25,000
General Obligation Bonds, Series 2007A	3.45-4.40%	02/01/2028	240,000
General Obligation CIP Bonds, Series 2011B	2.00-4.125%	02/01/2032	2,660,000
General Obligation CIP Bonds, Series 2015A	2.00-2.25%	02/01/2025	810,000
G.O. Special Assessment Bonds			
G.O. Refunding Improvement Bonds, Series 2009B	2.00-4.00%	02/01/2018	25,000
G.O. Improvement and Refunding Bonds, Series 2011C	1.00-3.70%	02/01/2027	550,000
G.O. Revenue Bonds			
Public Project Lease Revenue Bonds, Series 2007B	4.50-5.10%	02/01/2028	385,000
G.O. Housing Development Bonds, Series 2011A	2.00-3.40%	02/01/2022	1,485,000
Capital Equipment Notes			145,000
Bond Premium			19,890
Termination Benefits			75,051
Compensated Absences			147,194
Net Pension Liability			1,602,610
Total OPEB Liability			<u>154,812</u>
Total Governmental Activities			<u>\$ 8,324,557</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
G.O. Sewer System Bonds, Series 2011D	1.00-4.10%	02/01/2032	\$ 1,260,000
G.O. Revenue Bonds			
G.O. Utility Revenue Bonds, Series 2014A	2.00-3.75%	02/01/2035	1,825,000
G.O. Special Assessment Bonds			
G.O. Improvement Bonds, Series 2013A	3.00-4.00%	02/01/2035	8,170,000
G.O. Revenue Notes			
1999 Water Treatment Loan	3.540%	08/20/2019	567,000
2001 Wastewater Treatment Loan	2.680%	08/20/2022	3,366,000
2009 Clean Water Revolving Fund Loan	2.652%	08/20/2029	5,167,048
2009 Wastewater Infrastructure Fund Loan	0.000%	08/20/2042	6,000,000
Revenue Bonds			
Electric Utility Revenue Refunding Bonds, Series 2017A	3.00%	02/01/2029	9,995,000
Bond Premium			598,373
Compensated Absences			109,321
Net Pension Liability			1,314,158
Total OPEB Liability			<u>256,703</u>
 Total Business-Type Activities			 <u><u>\$ 38,628,603</u></u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. Internal service funds are used to liquidate the governmental activities capital equipment notes. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences. The Liquor, Sewer, Electric and Water Funds are used to liquidate the outstanding business-type activities compensated absences.

Capital Equipment Notes:

On May 14, 2009, the City issued General Obligation Equipment Certificates in the amount of \$650,000 for a term of ten years at an interest rate ranging from 2.00% to 4.00%. Principal and interest payments are due February 1 and interest payments are due on August 1 of each year until year 2019. As of December 31, 2017, the balance remaining was \$145,000.

2009 Refunding Transaction

In May 2009, the City issued \$845,000 of General Obligation Refunding Bonds, Series 2009B. The bonds were issued to refund the General Obligation Improvement Bonds, Series 1999A; the General Obligation Bonds, Series 2002B; and the General Obligation Refunding Improvements Bonds, Series 2003A. The total cash savings to the City is \$565,712 with a net present value benefit of \$63,850.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

Refunding Transaction - 2011A

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

Refunding Transaction - 2011C

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

Water Treatment Loan - 1999

The Litchfield Public Utilities Commission applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Municipal Water Treatment Plant, wells, and water system, totaled \$4,092,166, financed under the Capitalization Grants for Drinking Water State Revolving Fund. Loan interest payments, at 3.54% per annum, will be due February and August, with principal payment amounts due in August.

Wastewater Treatment Loan - 2001

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

Wastewater Treatment Loan - 2009

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

Refunding Transaction - 2015A

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

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

Refunding Transaction - 2017A

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

C. MINIMUM DEBT PAYMENTS

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

Year Ending December 31	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 265,000	\$ 121,020	\$ 100,000	\$ 16,440
2019	250,000	114,280	80,000	14,150
2020	260,000	107,365	80,000	12,070
2021	270,000	100,175	40,000	10,390
2022	275,000	92,760	40,000	9,110
2023-2027	1,310,000	335,943	235,000	22,180
2028-2032	1,105,000	115,283		
	<u>\$ 3,735,000</u>	<u>\$ 986,826</u>	<u>\$ 575,000</u>	<u>\$ 84,340</u>

Year Ending December 31	Governmental Activities			
	G.O. Revenue Bonds		Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2018	\$ 305,000	\$ 59,503	\$ 70,000	\$ 4,400
2019	320,000	50,669	75,000	1,500
2020	320,000	40,861		
2021	335,000	30,161		
2022	355,000	18,230		
2023-2027	190,000	36,395		
2028	45,000	1,144		
	<u>\$ 1,870,000</u>	<u>\$ 236,963</u>	<u>\$ 145,000</u>	<u>\$ 5,900</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Business-Type Activities			
	G.O. Bonds		G. O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 65,000	\$ 41,760	\$ 80,000	\$ 53,382
2019	70,000	40,270	80,000	51,783
2020	70,000	38,590	80,000	50,182
2021	70,000	36,770	90,000	48,483
2022	75,000	34,740	90,000	46,683
2023-2027	410,000	136,508	470,000	199,286
2028-2032	500,000	52,727	535,000	123,041
2033-2035			400,000	22,876
	<u>\$ 1,260,000</u>	<u>\$ 381,365</u>	<u>\$ 1,825,000</u>	<u>\$ 595,716</u>

Year Ending December 31	Business-Type Activities			
	G.O. Special Assessment Bonds		G.O. Revenue Notes	
	Principal	Interest	Principal	Interest
2018	\$ 350,000	\$ 273,875	\$ 1,288,000	\$ 247,311
2019	360,000	263,225	1,324,000	210,498
2020	365,000	252,350	1,064,000	172,642
2021	375,000	241,250	1,093,000	144,238
2022	385,000	229,850	1,121,000	115,058
2023-2027	2,100,000	966,475	2,232,000	310,369
2028-2032	2,490,000	594,088	2,388,048	39,067
2033-2037	1,745,000	106,700	2,350,000	
2038-2042			2,240,000	
	<u>\$ 8,170,000</u>	<u>\$ 2,927,813</u>	<u>\$ 15,100,048</u>	<u>\$ 1,239,183</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2018	\$	\$ 343,995
2019	790,000	288,000
2020	815,000	263,925
2021	835,000	239,175
2022	860,000	213,750
2023-2027	4,700,000	659,700
2028-2029	1,995,000	59,025
	<u>\$ 9,995,000</u>	<u>\$ 2,067,570</u>

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 3,995,000	\$	\$ (260,000)	\$ 3,735,000	\$ 265,000
G.O. Special					
Assessment Bonds	935,000		(360,000)	575,000	100,000
G.O. Revenue Bonds	2,160,000		(290,000)	1,870,000	305,000
Capital Equipment					
Notes	270,000		(125,000)	145,000	70,000
Bond Premium	22,698		(2,808)	19,890	
Termination Benefits	106,504		(31,453)	75,051	32,417
Compensated					
Absences	122,403	128,908	(104,117)	147,194	25,768
Net Pension Liability	3,594,353	941,872	(2,933,615)	1,602,610	
Total OPEB Liability*	227,729	14,769	(87,686)	154,812	
Total Governmental Activities	<u>\$ 11,433,687</u>	<u>\$ 1,085,549</u>	<u>\$ (4,194,679)</u>	<u>\$ 8,324,557</u>	<u>\$ 798,185</u>

* Beginning balance represents a change in accounting principle. See Note 20 for additional information.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. CHANGES IN LONG-TERM LIABILITIES (Cont'd)

	Ending Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
G.O. Bonds	\$ 1,325,000	\$	\$ (65,000)	\$ 1,260,000	\$ 65,000
G.O. Revenue Bonds	1,905,000		(80,000)	1,825,000	80,000
G.O. Special					
Assessment Bonds	8,520,000		(350,000)	8,170,000	350,000
G.O. Revenue Notes	16,352,048		(1,252,000)	15,100,048	1,288,000
Revenue Bonds	12,240,000	9,995,000	(12,240,000)	9,995,000	
Assessments Payable	14,767		(14,767)		
Bond Premium	154,019	469,871	(25,517)	598,373	
Compensated					
Absences	113,963	107,211	(111,853)	109,321	738
Net Pension Liability	1,588,559	635,672	(910,073)	1,314,158	
Total OPEB Liability*	207,117	88,629	(39,043)	256,703	
Total Business-Type Activities	<u>\$ 42,420,473</u>	<u>\$ 11,296,383</u>	<u>\$(15,088,253)</u>	<u>\$ 38,628,603</u>	<u>\$ 1,783,738</u>

* Beginning balance represents a change in accounting principle. See Note 20 for additional information.

E. CONDUIT DEBT OBLIGATIONS

In 2006 and 2011, the City issued conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective entities to which the proceeds were remitted. As of December 31, 2017, the aggregate balance outstanding was \$1,488,985.

F. PLEGGED REVENUES

Bond Issue/ Use of Proceeds/ Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
<u>Business-Type Activities</u>					
Electric Utility Revenue Refunding Bonds, Series 2017A Improvements Utility Charges	100%	2017-2029	\$ 12,062,570	\$	\$
Revenue Bonds, Series 2014A Improvements Utility Charges	100%	2014-2035	946,731	104,404	
Total Electric Utility			<u>\$ 13,009,301</u>	<u>\$ 104,404</u>	<u>\$ 9,945,890</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

F. PLEGGED REVENUES (Cont'd)

Bond Issue/ Use of Proceeds/ Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
<u>Business-Type Activities</u> (Cont'd)					
Water Utility					
Revenue Bonds, Series 2014A					
Improvements					
Utility Charges	100%	2014-2035	\$ 941,448	\$ 103,385	\$ 954,735
Sewer Utility					
Revenue Bonds, Series 2014A					
Improvements					
Utility Charges	100%	2014-2035	\$ 532,537	\$ 109,632	\$ 3,755,371

NOTE 10. RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2017 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2017, there are no other claims liabilities reported in the financial statements based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2016, the plan covered 29 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred.

Benefits Provided:

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

A. GENERAL INFORMATION ABOUT THE PENSION PLAN (Cont'd)

Benefits Provided: (Cont'd)

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

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

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

Employees Covered by Benefit Terms:

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	2
Active employees	29

Contributions:

Contributions by the City of Litchfield are determined in accordance with Minnesota Statutes as follows:

Normal Cost for Next Year (Increase in Pension Benefit Obligation)
Plus: Estimated Expenses for Next Year and 10% of Any Deficits
Less: Anticipated Income Next Year and 10% for Any Surplus

The State of Minnesota contributes the two percent fire aid in accordance with state statute requirements. Plan members are not required to contribute to the Plan. The State Legislature may amend contribution requirements of the City and State. Municipal contributions are determined by the preparation of Schedules I & II, which must be certified to the City of Litchfield by August 1 of the preceding calendar year.

The State of Minnesota, in accordance with state statute requirements, made contributions totaling \$63,210 for the year then ended.

Actuarial Assumptions:

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

Actuarial Cost Method:	Entry Age Normal level of percent of pay cost
Amortization Method:	Straight-line - closed
Remaining Amortization Period:	5 Years
Asset Valuation Method:	Market Value as of the measurement date
Inflation	2.75 percent
Investment Rate of Return	5.00 percent, net of administrative expenses

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

B. NET PENSION LIABILITY (ASSET) (Cont'd)

Actuarial Assumptions: (Cont'd)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females as appropriate, with adjustments for mortality improvements based on Scale AA.

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

The actuarial assumptions used in the August 22, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 - December 31, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	16%	5.58%
International Equity	21%	5.71%
Fixed Income	32%	2.27%
Real Estate	2%	4.44%
Cash	29%	0.84%

Discount Rate:

The discount rate used to measure the total pension liability was changed from 4.25% to 4.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

There were no significant changes to their investment policy during the year.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

B. NET PENSION LIABILITY (ASSET) (Cont'd)

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2016	\$ 523,796	\$ 590,739	\$ (66,943)
Changes for the Year:			
Service Cost	34,110		34,110
Interest	26,501		26,501
Change of Assumptions	(3,823)		(3,823)
Contributions - State and Local		63,210	(63,210)
Contributions - Employee		29	(29)
Net Investment Income		20,579	(20,579)
Difference between Expected and Actual Experience	47,187		47,187
Administrative Expense		(3,900)	3,900
Other		1,000	(1,000)
Total Changes	<u>53,855</u>	<u>59,882</u>	<u>(6,027)</u>
Balances at 12/31/2017	<u>\$ 627,771</u>	<u>\$ 671,657</u>	<u>\$ (43,886)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents the net pension liability (asset) calculated using the discount rate of 4.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
City's Net Pension Liability (Asset)	\$ (28,529)	\$ (43,886)	\$ (59,041)

Pension Plan Fiduciary Net Position:

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

C. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2017, the City recognized pension expense of \$(441). At December 31, 2017, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$	\$ 8,937
Net differences between projected and actual earnings on pension plan investments	41,754	
Differences between expected and actual investment earnings	41,855	
Contributions paid to plan subsequent to measurement date	63,207	
State aid received for the plan subsequent to measurement date		<u>63,207</u>
Totals	<u>\$ 146,816</u>	<u>\$ 72,144</u>

\$63,207 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. \$63,207 reported as deferred inflows of resources related to pensions resulting from state aid received by the City for the pension plan subsequent to the measurement date will be recognized as an addition to the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 19,024
2019	19,023
2020	14,406
2021	5,625
2022	4,081
Thereafter	12,513

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP):

All full-time and certain part-time employees of the City are covered by GERP. GERP members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Plan (PEPFP):

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

B. BENEFITS PROVIDED

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERP Benefits:

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

B. BENEFITS PROVIDED (Cont'd)

PEPFP Benefits:

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

C. CONTRIBUTIONS

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

GERP Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50% of pay, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERP for the year ended December 31, 2017, were \$156,706. The City's contributions were equal to the required contributions for each year as set by state statute.

PEPFP Contributions:

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for PEPFP members in calendar year 2017. The City's contributions to the PEPFP for the year ended December 31, 2017, were \$94,146. The City's contributions were equal to the required contributions for each year as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2017, the City reported a liability of \$2,106,698 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$26,470. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0330% at the end of the measurement period and 0.0322% at the beginning of the period.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

For the year ended December 31, 2017, the City recognized pension expense of \$102,651 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$764 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 69,431	\$ 135,529
Changes in actuarial assumptions	349,757	211,197
Differences between projected and actual investment earnings	13,606	
Changes in proportion	35,052	58,415
Contributions paid to PERA subsequent to measurement date	<u>79,795</u>	
Totals	<u>\$ 547,641</u>	<u>\$ 405,141</u>

\$79,795 reported as deferred outflows of resources related to pensions resulting from City contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 66,405
2019	113,936
2020	(28,211)
2021	(89,425)

PEFP Pension Cost:

At December 31, 2017, the City reported a liability of \$810,071 for its proportionate share of the PEPFP's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0600% at the end of the measurement period and 0.0640% at the beginning of the period.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. PENSION COSTS (Cont'd)

PEPFP Pension Costs: (Cont'd)

For the year ended December 31, 2017, the City recognized pension expense of \$(130,888) for its proportionate share of PEPFP's pension expense. The City also recognized \$5,400 for the year ended December 31, 2017, of pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to PEPFP. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFP each year, starting in fiscal year 2014.

At December 31, 2017 the City reported its proportionate share of the PEPFP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 18,646	\$ 216,564
Changes in actuarial assumptions	1,130,816	1,150,101
Differences between projected and actual investment earnings	11,126	
Changes in proportion		82,969
Contributions paid to PERA subsequent to measurement date	<u>50,820</u>	
Totals	<u>\$ 1,211,408</u>	<u>\$ 1,449,634</u>

\$50,820 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFP will be recognized in pension expense as follows:

<u>June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 13,335
2019	13,335
2020	(16,360)
2021	(62,043)
2022	(237,313)

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017 actuarial valuation was determined using the 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% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the PEPFP Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the GERP Plan and PEPFP Plan.

Actuarial assumptions used in the June 30, 2017 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP Plan was completed in 2015. The experience study for the PEPFP Plan was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2017:

GERP:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

PEPFP:

Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.

Assumed rates of retirement were changed, resulting in fewer retirements.

The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

The based 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 based 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% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

Assumed percentage of married female members was decreased from 65% to 60%.

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rates of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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 GERP was projected to be available to make all projected future benefit payments of current plan participants. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

G. PENSION LIABILITY SENSITIVITY (Cont'd)

	GERP		PEFPF	
1% Lower	6.50%	\$ 3,267,645	15.20%	\$ 1,525,601
Current Discount Rate	7.50%	2,106,698	16.20%	810,071
1% Higher	8.50%	810,071	17.20%	219,362

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 report may be obtained on the Internet at www.mnpera.org.

NOTE 13. DEFINED CONTRIBUTION PLAN

4 council members and 25 ambulance service personnel of the City of Litchfield are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Litchfield during fiscal year 2017 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
Elected Officials	\$ 1,013	\$ 1,013	5.00%	5.00%	5.0%
Ambulance Service Personnel	13,978	26,238	53.27%	100.00%	N/A

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

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

B. TOTAL OPEB LIABILITY

The City's total OPEB liability of \$411,515 was measured as of December 31, 2016, and was determined by an actuarial valuation as of that date.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2015	\$ 434,846
Changes for the year:	
Service Cost	24,137
Interest	15,121
Changes in Assumptions or Other Inputs	(3,785)
Benefit Payments	<u>(58,804)</u>
Net Changes	<u>(23,331)</u>
Balance at December 31, 2016	<u>\$ 411,515</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.52% in 2016 to 3.81% in 2017.

	1.0% Decrease in Discount Rate (2.81%)	Discount Rate (3.81%)	1.0% Increase in Discount Rate (4.81%)
Total OPEB Liability	\$ 424,249	\$ 411,515	\$ 398,016

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percentage-point lower (5.80% decreasing to 3.40%) or 1-percentage-point higher (7.80% decreasing to 5.40%) than the current healthcare cost trend rates:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

	1.0% Decrease (5.80%) decreasing to 3.40%)	Healthcare Cost Trend Rates (6.80%) decreasing to 4.40%)	1.0% Increase (7.80%) decreasing to 5.40%)
Total OPEB Liability	\$ 381,480	\$ 411,515	\$ 445,325

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

For the year ended December 31, 2017, the City recognized OPEB expense of (\$5,058). At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$	\$ 3,148
Contributions paid subsequent to measurement date	43,679	
Totals	<u>\$ 43,679</u>	<u>\$ 3,148</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	Pension Expense
2018	\$ (638)
2019	(638)
2020	(638)
2021	(638)
2022	(596)

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

Total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	Based on the most recent disclosed assumptions for the pension plan, which the employee participates.
Healthcare Cost Trend Rates	6.80% for 2017, decreasing on average 0.37% per year to an ultimate rate of 4.4% for 2074 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.81% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aaa or higher.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2016-December 31, 2016.

NOTE 15. PUBLIC UTILITIES FUND - POWER AGREEMENTS

Litchfield Public Utilities is committed to purchase all power from two agencies, Southern Minnesota Municipal Power Agency (SMMPA) of which Litchfield Public Utilities is a member and Western Area Power Administration (WAPA). Each member of SMMPA is obligated to purchase all of its power from the Agency, with the exception that the Litchfield Public Utilities may continue its purchase of hydro-power from WAPA, which amounts to approximately 70% of the Utilities' requirements. The remaining percentage of power usage must be purchased from SMMPA per contract requirements.

NOTE 16. COMMITMENT

The City has the following projects in progress:

Project	Original Contract Amount	Remaining Commitment
2015 Sealcoat Improvement Project	\$ 328,790	\$ 14,154
2017 Circuits No. 8 and No. 10 Project	669,547	41,220
2017 State Aid Overlay Improvements	318,418	47,670
2017 Improvement Project	857,380	68,771
2017 Civic Arena Improvement Project	511,000	477,284

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 17. RECLASSIFICATIONS

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

NOTE 18. FUND BALANCE

The following is a summary of fund balance components:

	General	Nonmajor Governmental Funds	Total
Nonspendable			
Prepaid Items	\$ 46,620	\$ 52,765	\$ 99,385
Restricted for			
Tax Increment		22,226	22,226
Debt Service		2,414,195	2,414,195
Total Restricted	0	2,436,421	2,436,421
Assigned			
Hazardous Building Improvements	63,035		63,035
Dial-A-Ride	135,482		135,482
GAR Hall Improvements	47,755		47,755
Public Access	61,277		61,277
Tree Management	120,024		120,024
Cafeteria	4,080		4,080
Capital Outlay	1,335,645	2,059,365	3,395,010
Fund Operations		1,601,315	1,601,315
Total Assigned	1,767,298	3,660,680	5,427,978
Unassigned	1,593,648	(1,316,458)	277,190
	<u>\$ 3,407,566</u>	<u>\$ 4,833,408</u>	<u>\$ 8,240,974</u>

NOTE 19. TAX ABATEMENTS

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 19. TAX ABATEMENTS (Cont'd)

For the year ended December 31, 2017, the City abated property taxes totaling \$11,717 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
First District Association	Economic Development	8.37%	<u>\$ 11,717</u>

NOTE 20. PRIOR PERIOD ADJUSTMENT

A. CORRECTION OF AN ERROR

The City has determined that certain transactions were recorded incorrectly in the prior year. In the Electric Fund, accounts payable and purchased power were both overstated due to transactions being recorded twice. The transactions have been adjusted to the proper period resulting an increase to prior year's ending net position and corresponding effect on total business-type activities of \$179,881.

B. CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the governmental activities and business-type activities has been decreased to reflect a change in accounting principle. As mentioned in Note 14, the City implemented GASB 75 which records the City's total other post-employment benefits liability, deferred inflows of resources and deferred outflows of resources, and other post-employment benefits expense on the City's government-wide financial statements. Prior year partial comparative information does not reflect this change in accounting principle because the benefit plan in which the City participates has not made this information available. The net position, beginning of year, as originally stated, prior period adjustment, and net position, beginning of year, as restated as of December 31, 2017 are summarized in the following table:

	<u>Net Position, Beginning of Year, as Originally Stated</u>	<u>Change in Accounting Principle</u>	<u>Net Position, Beginning of Year, as Restated</u>
Governmental Activities	<u>\$ 24,550,242</u>	<u>\$ (262,061)</u>	<u>\$ 24,288,181</u>
Business-Type Activities			
Water Fund	\$ 1,618,592	\$ (23,820)	\$ 1,594,772
Electric Fund	12,945,925	(119,196)	12,826,729
Sewer Fund	23,237,009	(71,507)	23,165,502
Liquor Fund	5,085,136	(23,820)	5,061,316
Total	<u>\$ 42,886,662</u>	<u>\$ (238,343)</u>	<u>\$ 42,648,319</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2017

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>PERA - GERF</u>							
6/30/2017	0.0330%	\$ 2,106,698	\$ 26,470	\$ 2,133,168	\$ 2,123,338	100.46%	75.90%
6/30/2016	0.0322%	2,614,480	34,125	2,648,605	1,993,255	132.88%	68.91%
6/30/2015	0.0338%	1,751,691		1,751,691	1,976,514	88.63%	78.19%
<u>PERA - PEPFF</u>							
6/30/2017	0.0600%	810,071		810,071	620,734	130.50%	85.43%
6/30/2016	0.0640%	2,568,431		2,568,431	619,455	414.63%	63.88%
6/30/2015	0.0670%	761,277		761,277	618,406	123.10%	86.61%

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

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2017

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
<u>PERA - GERP</u>					
12/31/2017	\$ 156,706	\$ 156,706	\$	\$ 2,089,401	7.50%
12/31/2016	157,377	157,377		2,098,356	7.50%
12/31/2015	147,087	147,087		1,960,930	7.50%
<u>PERA - PEPFF</u>					
12/31/2017	94,146	94,146		581,151	16.20%
12/31/2016	102,648	102,648		633,632	16.20%
12/31/2015	101,629	101,629		627,342	16.20%

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

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2017

	Measurement Date Year Ending		
	12/31/2016	12/31/2015	12/31/2014
Service Cost	\$ 34,110	\$ 33,462	\$ 32,566
Interest	26,501	22,611	21,289
Differences Between Expected and Actual Experience	47,187		
Change in Assumptions	(3,823)	(7,185)	
Benefit Payments		(47,305)	
Net Change in Total Pension Liability	103,975	1,583	53,855
Total Pension Liability - Beginning of Year	523,796	522,213	468,358
Total Pension Liability - End of Year	<u>\$ 627,771</u>	<u>\$ 523,796</u>	<u>\$ 522,213</u>
Contributions - Employer	\$	\$ 12,823	\$ 5,020
Contributions - Member	29	27	28
Contributions - State of Minnesota	63,210	64,241	60,640
Net Investment Income	20,579	(19,870)	693
Benefit Payments		(47,305)	
Administrative Expense	(3,900)	(8,916)	(6,499)
Other	1,000		
Net Change in Plan Fiduciary Net Position	80,918	1,000	59,882
Total Plan Fiduciary Beginning of Year	590,739	589,739	529,857
Total Plan Fiduciary Net Position End of Year	<u>\$ 671,657</u>	<u>\$ 590,739</u>	<u>\$ 589,739</u>
City's Net Pension Liability - End of Year	<u>\$ (43,886)</u>	<u>\$ (66,943)</u>	<u>\$ (67,526)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.99%	112.78%	112.93%

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

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
DECEMBER 31, 2017

	Measurement Date <u>12/31/2016</u>
Service Cost	\$ 24,137
Interest	15,121
Changes in Assumptions	(3,785)
Benefit Payments	<u>(58,804)</u>
Net Change in Total OPEB Liability	(23,331)
Total OPEB Liability - Beginning of Year	<u>434,846</u>
 Total OPEB Liability - End of Year	 <u>\$ 411,515</u>
 Covered Employee Payroll	 <u>\$ 3,103,947</u>
 Total OPEB Liability as a % of Covered Employee Payroll	 <u>13.26%</u>

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1. CHANGES IN PLAN PROVISIONS - PERA

A. GERP

2017: No changes.

2016: No changes.

2015 Changes:

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

B. PEFPF

2017: No changes.

2016: No changes.

2015 Changes:

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

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS - PERA

A. GERP

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

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% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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

A. GERP (Cont'd)

2015 Changes:

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

B. PEPFF:

2017 Changes:

Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.

Assumed rates of retirement were changed, resulting in fewer retirements.

The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% 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% 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% to 60%. The assumed percentage of female members electing Joint and Survivor annuities was increased.

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 post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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

B. PEPFF: (Cont'd)

2015 Changes:

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

NOTE 3. STATUTORY ASSUMPTIONS AND VALUATION METHODS - OPEB

A. ACCUMULATED PLAN ASSETS

No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. VALUATION DATE

Actuarially determined contribution rates are calculated as of every other December 31, one year prior to the end of the fiscal year in which contributions are reported.

C. METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The information presented in the required supplementary schedules was determined as follows:

Valuation Date:	12/31/2016
Actuarial Cost Method:	Entry Age
Amortization Method:	Straight-Line - Closed
Remaining Amortization Period:	4.93 Years
Inflation:	2.75%
Healthcare cost trend rates	
Pre-Medicare Eligible	6.80%
Medicare Eligible	6.80%
Ultimate trend rates	
Pre-Medicare Eligible	4.40%
Medicare Eligible	4.40%
Year of Ultimate Rate	2074
Investment Rate of Return	N/A

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SUPPLEMENTARY INFORMATION

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COMBINING STATEMENTS OF NONMAJOR FUNDS

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CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects	Totals 2017
ASSETS				
Cash and Cash Equivalents	\$ 1,505,898	\$ 687,007	\$ 2,009,660	\$ 4,202,565
Cash with Fiscal Agent		493,634		493,634
Receivables				
Accounts	20,489			20,489
Contracts	20,000			20,000
Delinquent Property Taxes		10,931		10,931
Special Assessments		153,354		153,354
Capital Lease		1,228,333		1,228,333
Due from Other Governmental Units	18,585	5,221	49,705	73,511
Inventories	34,668			34,668
Prepaid Items	52,765			52,765
Due from Other Funds	63,675			63,675
	<u>\$ 1,716,080</u>	<u>\$ 2,578,480</u>	<u>\$ 2,059,365</u>	<u>\$ 6,353,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 8,450	\$	\$	\$ 8,450
Contracts Payable	28,404		76,851	105,255
Accrued Salaries	2,177			2,177
Due to Other Governmental Units	743			743
Due to Other Funds			1,239,607	1,239,607
Total Liabilities	<u>39,774</u>	<u>0</u>	<u>1,316,458</u>	<u>1,356,232</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Property Taxes		10,931		10,931
Special Assessments		153,354		153,354
Total Deferred Inflows of Resources	<u>0</u>	<u>164,285</u>	<u>0</u>	<u>164,285</u>
Fund Balance				
Nonspendable	52,765			52,765
Restricted	22,226	2,414,195		2,436,421
Assigned	1,601,315		2,059,365	3,660,680
Unassigned			(1,316,458)	(1,316,458)
Total Fund Balance	<u>1,676,306</u>	<u>2,414,195</u>	<u>742,907</u>	<u>4,833,408</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,716,080</u>	<u>\$ 2,578,480</u>	<u>\$ 2,059,365</u>	<u>\$ 6,353,925</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects	Totals 2017
REVENUES				
Property Taxes	\$ 783	\$ 506,003	\$	\$ 506,786
Special Assessments		109,770		109,770
Intergovernmental	444,065	50,000	47,041	541,106
Charges for Services	623,779			623,779
Interest Income	3,875	86,453		90,328
Miscellaneous	58,717			58,717
Total Revenues	<u>1,131,219</u>	<u>752,226</u>	<u>47,041</u>	<u>1,930,486</u>
EXPENDITURES				
Current				
General Government	66,609			66,609
Public Works	59,938			59,938
Airport	104,859			104,859
Culture and Recreation	566,396			566,396
Economic Development	22,189			22,189
Capital Outlay				
General Government			816	816
Public Works	299,151		1,107,902	1,407,053
Airport			49,614	49,614
Culture and Recreation	21,720		198,912	220,632
Economic Development			5,684	5,684
Debt Service				
Principal		885,000		885,000
Interest and Other Charges		230,251		230,251
Total Expenditures	<u>1,140,862</u>	<u>1,115,251</u>	<u>1,362,928</u>	<u>3,619,041</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,643)	(363,025)	(1,315,887)	(1,688,555)
OTHER FINANCING SOURCES (USES)				
Transfers In	432,731	138,691	368,871	940,293
Transfers Out	<u>(129,549)</u>	<u>(65,115)</u>	<u>(65,739)</u>	<u>(260,403)</u>
Total Other Financing Sources (Uses)	<u>303,182</u>	<u>73,576</u>	<u>303,132</u>	<u>679,890</u>
Net Change in Fund Balances	<u>293,539</u>	<u>(289,449)</u>	<u>(1,012,755)</u>	<u>(1,008,665)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,382,767</u>	<u>2,703,644</u>	<u>1,755,662</u>	<u>5,842,073</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,676,306</u>	<u>\$ 2,414,195</u>	<u>\$ 742,907</u>	<u>\$ 4,833,408</u>

CITY OF LITCHFIELD, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2017

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Towmaster
ASSETS						
Cash and Cash Equivalents	\$ 1,294	\$ 135,617	\$ 130,679	\$ 184,140	\$ 299,892	\$ 22,226
Receivables						
Accounts		299			19,523	
Contracts						
Due from Other Governmental Units				4,957		
Due from Other Funds					63,675	
Inventories		8,159		26,509		
Prepaid Items		43,623		6,494	1,943	
	<u>\$ 1,294</u>	<u>\$ 187,698</u>	<u>\$ 130,679</u>	<u>\$ 222,100</u>	<u>\$ 385,033</u>	<u>\$ 22,226</u>
Total Assets	<u>\$ 1,294</u>	<u>\$ 187,698</u>	<u>\$ 130,679</u>	<u>\$ 222,100</u>	<u>\$ 385,033</u>	<u>\$ 22,226</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$	\$ 569	\$	\$ 989	\$ 6,880	\$
Accrued Salaries Payable					2,177	
Due to Other Governmental Units		488			255	
Total Liabilities	<u>0</u>	<u>1,057</u>	<u>0</u>	<u>989</u>	<u>9,312</u>	<u>0</u>
Fund Balance						
Nonspendable		43,623		6,494	1,943	
Restricted						22,226
Assigned	1,294	143,018	130,679	214,617	373,778	
Total Fund Balance	<u>1,294</u>	<u>186,641</u>	<u>130,679</u>	<u>221,111</u>	<u>375,721</u>	<u>22,226</u>
	<u>\$ 1,294</u>	<u>\$ 187,698</u>	<u>\$ 130,679</u>	<u>\$ 222,100</u>	<u>\$ 385,033</u>	<u>\$ 22,226</u>
Total Liabilities and Fund Balance	<u>\$ 1,294</u>	<u>\$ 187,698</u>	<u>\$ 130,679</u>	<u>\$ 222,100</u>	<u>\$ 385,033</u>	<u>\$ 22,226</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2017

	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals 2017
ASSETS							
Cash and Cash Equivalents	\$ 277,127	\$ 102,204	\$ 3,626	\$ 319,763	\$ 857	\$ 28,473	\$ 1,505,898
Receivables							
Accounts				667			20,489
Contracts				20,000			20,000
Due from Other Governmental Units	12,639		989				18,585
Due from Other Funds							63,675
Inventories							34,668
Prepaid Items		705					52,765
Total Assets	\$ 289,766	\$ 102,909	\$ 4,615	\$ 340,430	\$ 857	\$ 28,473	\$ 1,716,080
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$	\$ 12	\$	\$	\$	\$	\$ 8,450
Contracts Payable	28,404						28,404
Accrued Salaries Payable							2,177
Due to Other Governmental Units							743
Total Liabilities	28,404	12	0	0	0	0	39,774
Fund Balance							
Nonspendable		705					52,765
Restricted							22,226
Assigned	261,362	102,192	4,615	340,430	857	28,473	1,601,315
Total Fund Balance	261,362	102,897	4,615	340,430	857	28,473	1,676,306
Total Liabilities and Fund Balance	\$ 289,766	\$ 102,909	\$ 4,615	\$ 340,430	\$ 857	\$ 28,473	\$ 1,716,080

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
DECEMBER 31, 2017

	2007A G.O. Improvement	2007B Public Project Lease	2009B G.O. Improvement	2011A G.O. Improvement	2011B G.O. CIP Bonds	2011C G.O. Improvement	2015A G.O. Improvement	Totals 2017
ASSETS								
Cash and Cash Equivalents	\$ 58,911	\$ 67,891	\$ 29,829	\$	\$ 207,691	\$ 192,577	\$ 130,108	\$ 687,007
Cash with Fiscal Agent				493,634				493,634
Receivables								
Delinquent Property Taxes		2,440	282		2,004	3,301	2,904	10,931
Special Assessments			14,690			138,664		153,354
Capital Lease				1,228,333				1,228,333
Due from Other Governmental Units	527	438	362		813	2,027	1,054	5,221
Total Assets	\$ 59,438	\$ 70,769	\$ 45,163	\$ 1,721,967	\$ 210,508	\$ 336,569	\$ 134,066	\$ 2,578,480
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Deferred Inflows of Resources								
Unavailable Revenue								
Delinquent Property Taxes	\$	\$ 2,440	\$ 282	\$	\$ 2,004	\$ 3,301	\$ 2,904	\$ 10,931
Special Assessments			14,690			138,664		153,354
Total Deferred Inflows of Resources	0	2,440	14,972	0	2,004	141,965	2,904	164,285
Fund Balance								
Restricted	59,438	68,329	30,191	1,721,967	208,504	194,604	131,162	2,414,195
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 59,438	\$ 70,769	\$ 45,163	\$ 1,721,967	\$ 210,508	\$ 336,569	\$ 134,066	\$ 2,578,480

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2017

	Eastern Development	2018 Improvement Project	Civic Arena Improvements	TH 12 Frontage Rd Improvements	TH 12 Improvements
ASSETS					
Cash and Cash Equivalents	\$ 159,499	\$	\$	\$	\$
Due from Other Governmental Units					
Due from Other Funds					
Total Assets	<u>\$ 159,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Contracts Payable	\$	\$	\$ 35,345	\$	\$
Due to Other Funds		87,698	63,675	5,684	22,648
Total Liabilities	<u>0</u>	<u>87,698</u>	<u>99,020</u>	<u>5,684</u>	<u>22,648</u>
Fund Balance					
Assigned	159,499				
Unassigned		(87,698)	(99,020)	(5,684)	(22,648)
Total Fund Balance	<u>159,499</u>	<u>(87,698)</u>	<u>(99,020)</u>	<u>(5,684)</u>	<u>(22,648)</u>
Total Liabilities and Fund Balance	<u>\$ 159,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2017

	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Storm Sewer Improvements	Totals 2017
ASSETS					
Cash and Cash Equivalents	\$ 29,467	\$ 1,190,000	\$ 630,694	\$	\$ 2,009,660
Due from Other Governmental Units	49,705				49,705
Due from Other Funds					
Total Assets	\$ 79,172	\$ 1,190,000	\$ 630,694	\$ 0	\$ 2,059,365
LIABILITIES AND FUND BALANCE					
Liabilities					
Contracts Payable	\$	\$	\$	\$ 41,506	\$ 76,851
Due to Other Funds				1,059,902	1,239,607
Total Liabilities	0	0	0	1,101,408	1,316,458
Fund Balance					
Assigned	79,172	1,190,000	630,694		2,059,365
Unassigned				(1,101,408)	(1,316,458)
Total Fund Balance	79,172	1,190,000	630,694	(1,101,408)	742,907
Total Liabilities and Fund Balance	\$ 79,172	\$ 1,190,000	\$ 630,694	\$ 0	\$ 2,059,365

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2017

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Towmaster
REVENUES						
Property Taxes	\$	\$	\$	\$	\$	\$ 783
Intergovernmental				36,073		
Charges for Services		290,817		76,604	201,518	
Interest Income		483		1,025	1,929	
Miscellaneous		9,461		16,865	11,739	
Total Revenues	0	300,761	0	130,567	215,186	783
EXPENDITURES						
Current						
General Government						
Public Works						
Airport				104,859		
Culture and Recreation		358,700			186,110	
Economic Development			20,166			2,023
Capital Outlay						
Public Works						
Culture and Recreation						
Total Expenditures	0	358,700	20,166	104,859	186,110	2,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(57,939)	(20,166)	25,708	29,076	(1,240)
OTHER FINANCING SOURCES (USES)						
Transfers In		100,000			59,000	
Transfers Out				(9,097)	(110,570)	
Total Other Financing Sources (Uses)	0	100,000	0	(9,097)	(51,570)	0
Net Change in Fund Balances	0	42,061	(20,166)	16,611	(22,494)	(1,240)
FUND BALANCE, BEGINNING OF YEAR	1,294	144,580	150,845	204,500	398,215	23,466
FUND BALANCE, END OF YEAR	\$ 1,294	\$ 186,641	\$ 130,679	\$ 221,111	\$ 375,721	\$ 22,226

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2017

	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals 2017
REVENUES							
Property Taxes	\$	\$	\$	\$	\$	\$	\$ 783
Intergovernmental	405,974					2,018	444,065
Charges for Services		54,840					623,779
Interest Income		438					3,875
Miscellaneous		126	1,939	16,752		1,835	58,717
Total Revenues	405,974	55,404	1,939	16,752	0	3,853	1,131,219
EXPENDITURES							
Current							
General Government		66,609					66,609
Public Works	59,938						59,938
Airport							104,859
Culture and Recreation				21,096		490	566,396
Economic Development							22,189
Capital Outlay							
Public Works	299,151						299,151
Culture and Recreation				21,720			21,720
Total Expenditures	359,089	66,609	0	42,816	0	490	1,140,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,885	(11,205)	1,939	(26,064)	0	3,363	(9,643)
OTHER FINANCING SOURCES (USES)							
Transfers In		75,739		197,992			432,731
Transfers Out		(9,882)					(129,549)
Total Other Financing Sources (Uses)	0	65,857	0	197,992	0	0	303,182
Net Change in Fund Balances	46,885	54,652	1,939	171,928	0	3,363	293,539
FUND BALANCE, BEGINNING OF YEAR	214,477	48,245	2,676	168,502	857	25,110	1,382,767
FUND BALANCE, END OF YEAR	\$ 261,362	\$ 102,897	\$ 4,615	\$ 340,430	\$ 857	\$ 28,473	\$ 1,676,306

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2017

	2006A G.O. Improvement	2007A G.O. Improvement	2007B Public Project Lease	2009B G.O. Improvement	2011A G.O. Improvement	2011B G.O. CIP Bonds	2011C G.O. Improvement	2015A G.O. Improvement	Totals 2017
REVENUES									
Property Taxes	\$ 162,310	\$ 54,165	\$ 45,098	\$ 106	\$	\$ 85,261	\$ 51,654	\$ 107,409	\$ 506,003
Special Assessments	56,748			22,182			30,840		109,770
Intergovernmental						50,000			50,000
Interest Income		125	197	113	84,089	544	1,060	325	86,453
Total Revenues	<u>219,058</u>	<u>54,290</u>	<u>45,295</u>	<u>22,401</u>	<u>84,089</u>	<u>135,805</u>	<u>83,554</u>	<u>107,734</u>	<u>752,226</u>
EXPENDITURES									
Debt Service									
Principal	265,000	15,000	25,000	20,000	265,000	130,000	75,000	90,000	885,000
Interest and Other Charges	14,821	11,136	20,344	1,800	47,746	98,138	17,990	18,276	230,251
Total Expenditures	<u>279,821</u>	<u>26,136</u>	<u>45,344</u>	<u>21,800</u>	<u>312,746</u>	<u>228,138</u>	<u>92,990</u>	<u>108,276</u>	<u>1,115,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,763)	28,154	(49)	601	(228,657)	(92,333)	(9,436)	(542)	(363,025)
OTHER FINANCING SOURCES (USES)									
Transfers In						100,000	38,691		138,691
Transfers Out	(38,691)	(26,424)							(65,115)
Total Other Financing Sources (Uses)	<u>(38,691)</u>	<u>(26,424)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>38,691</u>	<u>0</u>	<u>73,576</u>
Net Change in Fund Balances	(99,454)	1,730	(49)	601	(228,657)	7,667	29,255	(542)	(289,449)
FUND BALANCE, BEGINNING OF YEAR	99,454	57,708	68,378	29,590	1,950,624	200,837	165,349	131,704	2,703,644
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 59,438</u>	<u>\$ 68,329</u>	<u>\$ 30,191</u>	<u>\$ 1,721,967</u>	<u>\$ 208,504</u>	<u>\$ 194,604</u>	<u>\$ 131,162</u>	<u>\$ 2,414,195</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2017

	<u>Eastern Development</u>	<u>Cemetery Columbarium</u>	<u>2018 Improvement Project</u>	<u>Civic Arena Improvements</u>	<u>TH 12 Frontage Rd Improvements</u>	<u>TH 12 Improvements</u>
REVENUES						
Intergovernmental	\$	\$	\$	\$	\$	\$
EXPENDITURES						
Capital Outlay						
General Government		816				
Public Works			87,698			22,648
Airport						
Culture and Recreation				198,912		
Economic Development					5,684	
Total Expenditures	<u>0</u>	<u>816</u>	<u>87,698</u>	<u>198,912</u>	<u>5,684</u>	<u>22,648</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(816)	(87,698)	(198,912)	(5,684)	(22,648)
OTHER FINANCING SOURCES (USES)						
Transfers In				99,892		
Transfers Out		(65,739)				
Total Other Financing Sources (Uses)	<u>0</u>	<u>(65,739)</u>	<u>0</u>	<u>99,892</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(66,555)	(87,698)	(99,020)	(5,684)	(22,648)
FUND BALANCE, BEGINNING OF YEAR	<u>159,499</u>	<u>66,555</u>				
FUND BALANCE, END OF YEAR	<u>\$ 159,499</u>	<u>\$ 0</u>	<u>\$ (87,698)</u>	<u>\$ (99,020)</u>	<u>\$ (5,684)</u>	<u>\$ (22,648)</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2017

	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Storm Sewer Improvements	Totals 2017
REVENUES					
Intergovernmental	\$ 47,041	\$	\$	\$	\$ 47,041
EXPENDITURES					
Capital Outlay					
General Government					816
Public Works				997,556	1,107,902
Airport	49,614				49,614
Culture and Recreation					198,912
Economic Development					5,684
Total Expenditures	<u>49,614</u>	<u>0</u>	<u>0</u>	<u>997,556</u>	<u>1,362,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,573)	0	0	(997,556)	(1,315,887)
OTHER FINANCING SOURCES (USES)					
Transfers In		250,000	18,979		368,871
Transfers Out					(65,739)
Total Other Financing Sources (Uses)	<u>0</u>	<u>250,000</u>	<u>18,979</u>	<u>0</u>	<u>303,132</u>
Net Change in Fund Balances	(2,573)	250,000	18,979	(997,556)	(1,012,755)
FUND BALANCE, BEGINNING OF YEAR	<u>81,745</u>	<u>940,000</u>	<u>611,715</u>	<u>(103,852)</u>	<u>1,755,662</u>
FUND BALANCE, END OF YEAR	<u>\$ 79,172</u>	<u>\$ 1,190,000</u>	<u>\$ 630,694</u>	<u>\$ (1,101,408)</u>	<u>\$ 742,907</u>

INDIVIDUAL FUND STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2017
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 2,189,372	\$ 3,165,014
Receivables		
Accounts	66,593	48,350
Interest	55,892	38,112
Delinquent Property Taxes	45,279	43,441
Special Assessments	1,500	9,477
Due from Other Governmental Units	23,225	42,182
Prepaid Items	46,620	48,912
Due from Other Funds	<u>1,175,932</u>	
Total Assets	<u>\$ 3,604,413</u>	<u>\$ 3,395,488</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 42,321	\$ 23,812
Accrued Salaries	46,769	46,918
Due to Other Governmental Units	<u>60,978</u>	<u>42,264</u>
Total Liabilities	150,068	112,994
Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Property Taxes	45,279	43,441
Special Assessments	<u>1,500</u>	<u>9,477</u>
Total Deferred Inflows of Resources	46,779	52,918
Fund Balance		
Nonspendable	46,620	48,912
Assigned	1,767,298	1,780,778
Unassigned	<u>1,593,648</u>	<u>1,399,886</u>
Total Fund Balance	<u>3,407,566</u>	<u>3,229,576</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,604,413</u>	<u>\$ 3,395,488</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Property Taxes	\$ 1,863,055	\$ 1,866,918	\$ 3,863	\$ 1,835,328
Licenses and Permits	66,400	287,960	221,560	152,287
Intergovernmental	2,020,606	2,023,459	2,853	2,133,872
Charges for Services	158,350	220,671	62,321	217,594
Fines and Forfeits	21,000	26,184	5,184	24,578
Interest Income	2,000	45,378	43,378	30,861
Miscellaneous	3,000	44,240	41,240	105,610
Total Revenues	<u>4,134,411</u>	<u>4,514,810</u>	<u>380,399</u>	<u>4,500,130</u>
EXPENDITURES				
Current				
General Government	1,122,254	1,001,358	(120,896)	862,731
Public Safety	1,930,097	1,859,054	(71,043)	1,849,288
Public Works	1,159,681	1,076,963	(82,718)	1,009,644
Culture and Recreation	651,848	570,745	(81,103)	587,370
Economic Development	200		(200)	
Capital Outlay				
General Government	2,856	2,756	(100)	2,756
Public Safety	4,000		(4,000)	
Public Works		21,598	21,598	
Culture and Recreation	750		(750)	
Total Expenditures	<u>4,871,686</u>	<u>4,532,474</u>	<u>(339,212)</u>	<u>4,311,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(737,275)	(17,664)	719,611	188,341
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Property	2,000	14,379	12,379	9,495
Transfers In	718,775	691,275	(27,500)	734,275
Transfers Out	(10,000)	(510,000)	(500,000)	(645,475)
Total Other Financing Sources (Uses)	<u>710,775</u>	<u>195,654</u>	<u>(515,121)</u>	<u>98,295</u>
Net Change in Fund Balances	<u>\$ (26,500)</u>	<u>177,990</u>	<u>\$ 204,490</u>	<u>286,636</u>
FUND BALANCE, BEGINNING OF YEAR		<u>3,229,576</u>		<u>2,942,940</u>
FUND BALANCE, END OF YEAR		<u>\$ 3,407,566</u>		<u>\$ 3,229,576</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES				
Property Taxes	\$ 1,863,055	\$ 1,866,918	\$ 3,863	\$ 1,835,328
Licenses and Permits				
Business Licenses and Permits	46,050	118,132	72,082	113,449
Non-Business Licenses and Permits	20,350	169,828	149,478	38,838
Total Licenses and Permits	66,400	287,960	221,560	152,287
Intergovernmental				
Local Governmental Aid	1,877,694	1,877,694		1,873,799
Firemen's Relief Aid	60,000	63,207	3,207	63,210
Police State Aid	70,000	68,578	(1,422)	74,419
PERA Aid	9,412	9,412		15,172
Police Training Reimbursement	3,500	2,543	(957)	2,814
Other		2,025	2,025	104,458
Total Intergovernmental	2,020,606	2,023,459	2,853	2,133,872
Charges for Services				
General Government	31,850	37,940	6,090	32,241
Public Safety	103,500	122,851	19,351	128,278
Public Works	3,000	2,880	(120)	1,764
Culture and Recreation	20,000	57,000	37,000	55,311
Total Charges for Services	158,350	220,671	62,321	217,594
Fines and Forfeits	21,000	26,184	5,184	24,578
Interest Income	2,000	45,378	43,378	30,861
Miscellaneous				
Rents	2,000	1,980	(20)	2,366
Donations		11,370	11,370	10,995
Insurance Dividend		13,836	13,836	60,684
Other	1,000	17,054	16,054	31,565
Total Miscellaneous	3,000	44,240	41,240	105,610
Total Revenues	4,134,411	4,514,810	380,399	4,500,130

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES				
Current				
General Government				
City Council	\$ 30,022	\$ 26,279	\$ (3,743)	\$ 25,373
Publication of Ordinances and Proceedings	6,200	6,968	768	7,827
Mayor	8,544	7,948	(596)	6,852
City Administrator	277,172	267,152	(10,020)	257,471
Elections and Voter's Registration				15,196
Boards and Commissions	5,030	5,437	407	1,768
Finance				
Municipal Clerk	110,531	94,281	(16,250)	92,439
Assessor	43,000	44,184	1,184	51,408
Independent Accounting and Auditing	30,020	16,160	(13,860)	15,500
Purchasing	52,035	37,233	(14,802)	25,968
Technology Services	61,289	55,575	(5,714)	55,503
Legal	122,725	127,167	4,442	99,124
Planning and Zoning	200	26,773	26,573	
Advertising	18,600	17,206	(1,394)	15,785
Government Buildings				
City Hall	42,200	26,897	(15,303)	23,794
G.A.R. Hall	22,300	21,285	(1,015)	10,829
Other	292,386	220,813	(71,573)	157,894
Total General Government	1,122,254	1,001,358	(120,896)	862,731
Public Safety				
Police Protection	1,396,987	1,352,222	(44,765)	1,363,991
Fire Protection	264,374	213,440	(50,934)	245,816
Building Inspection	110,896	173,061	62,165	102,143
Civil Defense	4,400	1,835	(2,565)	3,628
Rescue Squad	138,540	111,692	(26,848)	121,310
Traffic Engineering	12,400	4,740	(7,660)	10,369
Animal Control	2,500	2,064	(436)	2,031
Total Public Safety	1,930,097	1,859,054	(71,043)	1,849,288

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Works				
Administration and Engineering	\$ 39,214	\$ 49,702	\$ 10,488	\$ 21,981
Streets and Alleys	853,891	805,269	(48,622)	781,292
Snow and Ice Removal	53,093	25,715	(27,378)	24,560
Sidewalks	6,000	4,448	(1,552)	5,146
Street Lighting	4,075	4,442	367	4,143
Maintenance Shop	138,973	111,200	(27,773)	116,204
Street Cleaning	9,000	5,236	(3,764)	1,586
Storm Drainage	18,700	23,458	4,758	28,115
Weed Control	430		(430)	
Insect and Pest Control	8,380	3,685	(4,695)	4,400
Compost Site	27,925	43,808	15,883	22,217
Total Public Works	<u>1,159,681</u>	<u>1,076,963</u>	<u>(82,718)</u>	<u>1,009,644</u>
Culture and Recreation				
Playgrounds	41,500	36,256	(5,244)	35,702
Swimming Pools and Beach	14,250	3,544	(10,706)	7,186
Skating Rinks	8,300	4,624	(3,676)	5,325
Other Recreation	46,150	42,135	(4,015)	42,405
Camping Areas	21,600	15,838	(5,762)	18,642
Municipal Parks	254,900	241,929	(12,971)	235,249
Band	4,765	2,800	(1,965)	3,600
Forestry and Shade Trees	65,925	28,918	(37,007)	55,950
Library	194,458	194,701	243	183,311
Total Culture and Recreation	<u>651,848</u>	<u>570,745</u>	<u>(81,103)</u>	<u>587,370</u>
Economic Development	200		(200)	
Total Current	<u>4,864,080</u>	<u>4,508,120</u>	<u>(355,960)</u>	<u>4,309,033</u>
Capital Outlay				
General Government	2,856	2,756	(100)	2,756
Public Safety	4,000		(4,000)	
Public Works		21,598	21,598	
Culture and Recreation	750		(750)	
Total Capital Outlay	<u>7,606</u>	<u>24,354</u>	<u>16,748</u>	<u>2,756</u>
Total Expenditures	<u>4,871,686</u>	<u>4,532,474</u>	<u>(339,212)</u>	<u>4,311,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(737,275)	(17,664)	719,611	188,341

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016
	Final Budget	Actual	Over (Under) Final Budget	Actual
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Property	\$ 2,000	\$ 14,379	\$ 12,379	\$ 9,495
Transfers In	718,775	691,275	(27,500)	734,275
Transfers Out	(10,000)	(510,000)	(500,000)	(645,475)
Total Other Financing Sources (Uses)	<u>710,775</u>	<u>195,654</u>	<u>(515,121)</u>	<u>98,295</u>
Net Change in Fund Balances	<u>\$ (26,500)</u>	177,990	<u>\$ 204,490</u>	286,636
FUND BALANCE, BEGINNING OF YEAR		<u>3,229,576</u>		<u>2,942,940</u>
FUND BALANCE, END OF YEAR		<u>\$ 3,407,566</u>		<u>\$ 3,229,576</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TRAIL PROJECT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Net Change in Fund Balances	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR		<u>1,294</u>		<u>1,294</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,294</u>		<u>\$ 1,294</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GOLF COURSE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services				
Memberships	\$ 265,000	\$ 256,206	\$ (8,794)	\$ 246,155
Sales and Other	33,500	34,611	1,111	34,743
Total Charges for Services	<u>298,500</u>	<u>290,817</u>	<u>(7,683)</u>	<u>280,898</u>
Interest Income		483	483	200
Miscellaneous				
Other	5,000	8,305	3,305	8,520
Insurance Dividend		1,156	1,156	4,800
Total Miscellaneous	<u>5,000</u>	<u>9,461</u>	<u>4,461</u>	<u>13,320</u>
Total Revenues	<u>303,500</u>	<u>300,761</u>	<u>(2,739)</u>	<u>294,418</u>
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	86,523	117,488	30,965	107,146
Operating Supplies	106,500	132,904	26,404	115,220
Professional Services	3,000	2,539	(461)	6,859
Communications	3,000	4,045	1,045	3,657
Insurance	10,000	9,540	(460)	9,639
Utilities	8,500	7,322	(1,178)	8,031
Repairs and Maintenance	24,500	13,520	(10,980)	25,897
Rentals	90,448	61,071	(29,377)	61,179
Miscellaneous	35,961	10,271	(25,690)	12,095
Total Expenditures	<u>368,432</u>	<u>358,700</u>	<u>(9,732)</u>	<u>349,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,932)	(57,939)	6,993	(55,305)
OTHER FINANCING SOURCES (USES)				
Transfers In		100,000	100,000	100,000
Transfers Out	(27,500)		27,500	
Total Other Financing Sources (Uses)	<u>(27,500)</u>	<u>100,000</u>	<u>127,500</u>	<u>100,000</u>
Net Change in Fund Balances	<u>\$ (92,432)</u>	42,061	<u>\$ 134,493</u>	44,695
FUND BALANCE, BEGINNING OF YEAR		<u>144,580</u>		<u>99,885</u>
FUND BALANCE, END OF YEAR		<u>\$ 186,641</u>		<u>\$ 144,580</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DOWNTOWN/HERITAGE PRESERVATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Current				
Economic Development		20,166	20,166	2,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(20,166)	(20,166)	(2,000)
OTHER FINANCING SOURCES (USES)				
Transfers In				7,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>(20,166)</u>	<u>\$ (20,166)</u>	5,000
FUND BALANCE, BEGINNING OF YEAR		150,845		145,845
FUND BALANCE, END OF YEAR		<u>\$ 130,679</u>		<u>\$ 150,845</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AIRPORT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$ 25,028	\$ 36,073	\$ 11,045	\$ 35,945
Charges for Services				
Fuel Sales	91,300	76,604	(14,696)	67,990
Interest Income	200	1,025	825	306
Miscellaneous				
Rental Income	14,745	15,745	1,000	15,945
Insurance Dividend		1,020	1,020	2,403
Other		100	100	600
Total Miscellaneous	<u>14,745</u>	<u>16,865</u>	<u>2,120</u>	<u>18,948</u>
Total Revenues	<u>131,273</u>	<u>130,567</u>	<u>(706)</u>	<u>123,189</u>
EXPENDITURES				
Current				
Airport				
Salaries and Benefits				189
Fuel	70,500	65,511	(4,989)	59,759
Insurance	18,000	16,517	(1,483)	15,380
Other Services and Charges	26,550	20,949	(5,601)	20,951
Repair and Maintenance	7,125	1,882	(5,243)	824
Total Expenditures	<u>122,175</u>	<u>104,859</u>	<u>(17,316)</u>	<u>97,103</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	9,098	25,708	16,610	26,086
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(9,098)</u>	<u>(9,097)</u>	<u>1</u>	
Net Change in Fund Balances	<u>\$ 0</u>	16,611	<u>\$ 16,611</u>	26,086
FUND BALANCE, BEGINNING OF YEAR		<u>204,500</u>		<u>178,414</u>
FUND BALANCE, END OF YEAR		<u>\$ 221,111</u>		<u>\$ 204,500</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CIVIC ARENA SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services	\$ 159,550	\$ 201,518	\$ 41,968	\$ 200,498
Interest Income	200	1,929	1,729	1,231
Miscellaneous				
Rents and Refunds	10,000	10,837	837	9,524
Insurance Dividend		866	866	3,907
Other		36	36	950
Total Miscellaneous	<u>10,000</u>	<u>11,739</u>	<u>1,739</u>	<u>14,381</u>
Total Revenues	<u>169,750</u>	<u>215,186</u>	<u>45,436</u>	<u>216,110</u>
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	87,056	93,398	6,342	85,715
Insurance	9,000	7,171	(1,829)	7,446
Supplies	15,600	15,258	(342)	21,383
Repair and Maintenance	17,900	20,346	2,446	26,406
Other Services and Charges	27,017	3,344	(23,673)	6,910
Community Room	8,447	2,238	(6,209)	3,825
Rentals	5,552	5,552		5,552
Utilities	47,000	38,803	(8,197)	37,706
Capital Outlay				
Culture and Recreation	500		500	
Total Expenditures	<u>218,072</u>	<u>186,110</u>	<u>(31,962)</u>	<u>194,943</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(48,322)	29,076	77,398	21,167
OTHER FINANCING SOURCES (USES)				
Transfers In	59,000	59,000		59,000
Transfers Out	(10,678)	(110,570)	(99,892)	(10,678)
Total Other Financing Sources (Uses)	<u>48,322</u>	<u>(51,570)</u>	<u>(99,892)</u>	<u>48,322</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(22,494)</u>	<u>\$ (22,494)</u>	<u>69,489</u>
FUND BALANCE, BEGINNING OF YEAR		<u>398,215</u>		<u>328,726</u>
FUND BALANCE, END OF YEAR		<u>\$ 375,721</u>		<u>\$ 398,215</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 4-12 TOWMASTER SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES				
Tax Increment	\$ 35,000	\$ 783	\$ (34,217)	\$ 35,722
EXPENDITURES				
Current				
Economic Development				
Professional Services	500	2,023	1,523	2,738
Developer Payment	34,500		(34,500)	32,150
Total Expenditures	<u>35,000</u>	<u>2,023</u>	<u>(32,977)</u>	<u>34,888</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(1,240)</u>	<u>\$ (1,240)</u>	834
FUND BALANCE, BEGINNING OF YEAR		<u>23,466</u>		<u>22,632</u>
FUND BALANCE, END OF YEAR		<u>\$ 22,226</u>		<u>\$ 23,466</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 INFRASTRUCTURE STREET SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 90,000	\$ 405,974	\$ 315,974	\$ 88,832
EXPENDITURES				
Current				
Public Works				
Other Services and Charges		59,938	59,938	20,783
Capital Outlay				
Public Works		299,151	299,151	
Total Expenditures	<u>0</u>	<u>359,089</u>	<u>359,089</u>	<u>20,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 90,000</u>	<u>46,885</u>	<u>\$ (43,115)</u>	<u>68,049</u>
FUND BALANCE, BEGINNING OF YEAR		<u>214,477</u>		<u>146,428</u>
FUND BALANCE, END OF YEAR		<u>\$ 261,362</u>		<u>\$ 214,477</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services				
Professional Services	\$ 24,896	\$ 16,840	\$ (8,056)	\$ 21,645
Sale of Lots	42,000	38,000	(4,000)	44,670
Total Charges for Services	<u>66,896</u>	<u>54,840</u>	<u>(12,056)</u>	<u>66,315</u>
Interest Income	200	438	238	593
Miscellaneous Revenue				
Insurance Dividends		126	126	843
Total Revenues	<u>67,096</u>	<u>55,404</u>	<u>(11,692)</u>	<u>67,751</u>
EXPENDITURES				
Current				
General Government				
Salaries and Benefits	24,100	27,582	3,482	28,339
Supplies	18,000	12,959	(5,041)	18,356
Insurance	2,200	2,238	38	1,944
Repairs and Maintenance	4,000	3,277	(723)	3,429
Utilities	2,500	2,981	481	1,241
Miscellaneous	16,414	17,572	1,158	20,293
Total Expenditures	<u>67,214</u>	<u>66,609</u>	<u>(605)</u>	<u>73,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118)	(11,205)	(11,087)	(5,851)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	75,739	65,739	10,000
Transfers Out	(9,882)	(9,882)		
Total Other Financing Sources (Uses)	<u>118</u>	<u>65,857</u>	<u>65,739</u>	<u>10,000</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>54,652</u>	<u>\$ 54,652</u>	<u>4,149</u>
FUND BALANCE, BEGINNING OF YEAR		<u>48,245</u>		<u>44,096</u>
FUND BALANCE, END OF YEAR		<u>\$ 102,897</u>		<u>\$ 48,245</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 PERMANENT IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES				
Miscellaneous				
Other	\$	\$ 1,939	\$ 1,939	\$ 861
Net Change in Fund Balances	\$ 0	1,939	\$ 1,939	861
FUND BALANCE, BEGINNING OF YEAR		2,676		1,815
FUND BALANCE, END OF YEAR		\$ 4,615		\$ 2,676

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY REINVESTMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Miscellaneous				
Donations	\$	\$ 8,750	\$ 8,750	\$
Other	4,000	8,002	4,002	26,072
Total Revenues	<u>4,000</u>	<u>16,752</u>	<u>12,752</u>	<u>26,072</u>
EXPENDITURES				
Current				
Culture and Recreation				
Professional Services		21,010	21,010	
Other		86	86	6,862
Capital Outlay				
Culture and Recreation		21,720	21,720	32,001
Total Expenditures	<u>0</u>	<u>42,816</u>	<u>42,816</u>	<u>38,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,000	(26,064)	(30,064)	(12,791)
OTHER FINANCING SOURCES (USES)				
Transfers In		197,992	197,992	24,911
Net Change in Fund Balances	<u>\$ 4,000</u>	<u>171,928</u>	<u>\$ 167,928</u>	<u>12,120</u>
FUND BALANCE, BEGINNING OF YEAR		<u>168,502</u>		<u>156,382</u>
FUND BALANCE, END OF YEAR		<u>\$ 340,430</u>		<u>\$ 168,502</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 HIGHWAY 12 BEAUTIFICATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016
	Final Budget	Actual		Actual
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Net Change in Fund Balances	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR		<u>857</u>		<u>857</u>
FUND BALANCE, END OF YEAR		<u>\$ 857</u>		<u>\$ 857</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 LAKE RIPLEY IMPROVEMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$	\$ 2,018	\$ 2,018	\$ 5,000
Miscellaneous				
Donations		1,835	1,835	300
Total Revenues		<u>3,853</u>	<u>3,853</u>	<u>5,300</u>
EXPENDITURES				
Current				
Culture and Recreation				
Miscellaneous		490	490	(10)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	3,363	\$ 3,363	5,310
FUND BALANCE, BEGINNING OF YEAR		<u>25,110</u>		<u>19,800</u>
FUND BALANCE, END OF YEAR		<u>\$ 28,473</u>		<u>\$ 25,110</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 253,717	\$ 196,355
Accounts Receivable (Net)	(2,547)	(1,766)
Inventories	285,283	251,884
Prepaid Items	5,568	5,719
Total Current Assets	<u>542,021</u>	<u>452,192</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	112,600	112,600
Other Capital Assets, Net of Depreciation	1,207,075	1,235,133
Net OPEB Asset		5,920
Total Noncurrent Assets	<u>1,319,675</u>	<u>1,353,653</u>
Total Assets	<u>1,861,696</u>	<u>1,805,845</u>
Deferred Outflows of Resources		
Related to Pensions	42,387	77,649
Related to OPEB	3,381	
Total Deferred Outflows of Resources	<u>45,768</u>	<u>77,649</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,907,464</u>	<u>\$ 1,883,494</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 32,830	\$ 18,727
Accrued Salaries	3,955	3,683
Due to Other Governmental Units	23,145	24,032
Total Current Liabilities	<u>59,930</u>	<u>46,442</u>
Noncurrent Liabilities		
Long-Term Liabilities, Net of Current Portion	205,343	196,430
Total Liabilities	<u>265,273</u>	<u>242,872</u>
Deferred Inflows of Resources		
Related to Pensions	31,358	22,030
Related to OPEB	244	
Total Deferred Inflows of Resources	<u>31,602</u>	<u>22,030</u>
Net Position		
Net Investment in Capital Assets	1,319,675	1,347,733
Unrestricted	290,914	270,859
Total Net Position	<u>1,610,589</u>	<u>1,618,592</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,907,464</u>	<u>\$ 1,883,494</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016
	Budget	Actual	Actual
OPERATING REVENUES			
Sales	\$ 2,196,300	\$ 2,456,891	\$ 2,414,927
Cost of Goods Sold	(1,653,100)	(1,842,640)	(1,836,518)
Gross Profit on Sales	543,200	614,251	578,409
OPERATING EXPENSES			
Salaries and Benefits	253,519	292,894	245,368
Supplies	14,700	9,675	8,849
Other Services and Charges	216,281	113,815	110,663
Depreciation		28,058	28,058
Total Operating Expenses	484,500	444,442	392,938
Operating Income (Loss)	58,700	169,809	185,471
NONOPERATING REVENUES (EXPENSES)			
Interest Income	200	828	550
Miscellaneous Revenue	100	2,172	6,881
Total Nonoperating Revenues (Expenses)	300	3,000	7,431
Income (Loss) Before Transfers	59,000	172,809	192,902
TRANSFERS			
Transfers Out	(59,000)	(156,992)	(192,016)
Change in Net Position	\$ 0	15,817	886
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED		1,618,592	1,617,706
PRIOR PERIOD ADJUSTMENT		(23,820)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED		1,594,772	1,617,706
NET POSITION, END OF YEAR		\$ 1,610,589	\$ 1,618,592

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,493,699	\$ 4,398,719
Accounts Receivable (Net)	410,879	391,992
Special Assessments Receivable		
Current	5,302,311	5,529,018
Prepaid Items	17,026	17,295
Total Current Assets	<u>10,223,915</u>	<u>10,337,024</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	21,373	11,790,159
Other Capital Assets, Net of Depreciation	38,711,237	27,737,050
Net OPEB Asset		17,771
Total Noncurrent Assets	<u>38,732,610</u>	<u>39,544,980</u>
Total Assets	<u>48,956,525</u>	<u>49,882,004</u>
Deferred Outflows of Resources		
Related to Pension	84,665	166,857
Related to OPEB	6,753	
Total Deferred Outflows of Resources	<u>91,418</u>	<u>166,857</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 49,047,943</u>	<u>\$ 50,048,861</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 32,447	\$ 33,846
Contracts Payable		136,975
Accrued Salaries	4,996	6,379
Accrued Interest Payable	214,684	228,496
Current Portion of Long-Term Liabilities	1,442,000	1,416,000
Total Current Liabilities	<u>1,694,127</u>	<u>1,821,696</u>
Noncurrent Liabilities		
Long-Term Liabilities, Net of Current Portion	<u>23,476,232</u>	<u>24,942,817</u>
Total Liabilities	<u>25,170,359</u>	<u>26,764,513</u>
Deferred Inflows of Resources		
Related to Pensions	62,635	47,339
Related to OPEB	487	
Total Deferred Inflows of Resources	<u>63,122</u>	<u>47,339</u>
Net Position		
Net Investment in Capital Assets	14,222,635	13,592,742
Unrestricted	9,591,827	9,644,267
Total Net Position	<u>23,814,462</u>	<u>23,237,009</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 49,047,943</u>	<u>\$ 50,048,861</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 3,730,968	\$ 3,755,371	\$ 3,624,872
OPERATING EXPENSES			
Salaries and Benefits	498,582	490,696	501,508
Supplies	439,400	389,371	416,714
Other Services and Charges	1,026,736	796,145	726,869
Depreciation		876,304	879,595
Total Operating Expenses	<u>1,964,718</u>	<u>2,552,516</u>	<u>2,524,686</u>
Operating Income (Loss)	<u>1,766,250</u>	<u>1,202,855</u>	<u>1,100,186</u>
NONOPERATING REVENUES (EXPENSES)			
Special Assessments Revenue	417,457	190,749	198,311
Interest Income	3,113	17,230	13,662
Sale of Capital Assets		428	
Miscellaneous Revenue		42,752	28,869
Interest Expense	<u>(636,900)</u>	<u>(571,804)</u>	<u>(609,962)</u>
Total Nonoperating Revenues (Expenses)	<u>(216,330)</u>	<u>(320,645)</u>	<u>(369,120)</u>
Income (Loss) Before Contributions and Transfers	<u>1,549,920</u>	<u>882,210</u>	<u>731,066</u>
TRANSFERS			
Transfers In			
Transfers Out	<u>(77,950)</u>	<u>(233,250)</u>	<u>(360,485)</u>
Total Transfers	<u>(77,950)</u>	<u>(233,250)</u>	<u>(360,485)</u>
Change in Net Position	<u>\$ 1,471,970</u>	648,960	370,581
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED		23,237,009	22,866,428
PRIOR PERIOD ADJUSTMENT		<u>(71,507)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED		<u>23,165,502</u>	<u>22,866,428</u>
NET POSITION, END OF YEAR		<u>\$ 23,814,462</u>	<u>\$ 23,237,009</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,792,024	\$ 6,654,438
Accounts Receivable (Net)	894,828	911,724
Inventories	336,012	352,451
Prepaid Items	20,304	20,603
Due from Other Funds		103,852
Total Current Assets	<u>6,043,168</u>	<u>8,043,068</u>
Noncurrent Assets		
Cash Held with Fiscal Agent	999,500	
Capital Assets		
Assets Not Being Depreciated	1,483,728	2,093,087
Other Capital Assets, Net of Depreciation	17,217,926	17,117,105
Net OPEB Asset		29,623
Total Noncurrent Assets	<u>19,701,154</u>	<u>19,239,815</u>
Total Assets	<u>25,744,322</u>	<u>27,282,883</u>
Deferred Outflows of Resources		
Related to Pension	180,284	348,873
Related to Refunding of Debt	401,811	
Related to OPEB	14,379	
Total Deferred Outflows of Resources	<u>596,474</u>	<u>348,873</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,340,796</u>	<u>\$ 27,631,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 429,997	\$ 423,449
Contracts Payable	12,823	
Accrued Salaries	19,381	18,526
Accrued Interest Payable	170,549	229,892
Due to Other Governmental Units	21,989	20,586
Current Portion of Long-Term Liabilities	32,000	762,000
Total Current Liabilities	<u>686,739</u>	<u>1,454,453</u>
Noncurrent Liabilities		
Long-Term Liabilities, Net of Current Portion	<u>12,029,237</u>	<u>13,132,399</u>
Total Liabilities	<u>12,715,976</u>	<u>14,586,852</u>
Deferred Inflows of Resources		
Related to Pensions	133,372	98,979
Related to OPEB	1,036	
Total Deferred Inflows of Resources	<u>134,408</u>	<u>98,979</u>
Net Position		
Net Investment in Capital Assets	7,942,019	6,224,592
Unrestricted	5,548,393	6,721,333
Total Net Position	<u>13,490,412</u>	<u>12,945,925</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,340,796</u>	<u>\$ 27,631,756</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 ELECTRIC ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 9,940,555	\$ 9,945,890	\$ 9,945,404
Miscellaneous	20,000	43,427	42,869
Total Operating Revenues	<u>9,960,555</u>	<u>9,989,317</u>	<u>9,988,273</u>
OPERATING EXPENSES			
Salaries and Benefits	1,037,200	1,096,460	1,008,331
Purchased Power	6,206,343	5,983,325	6,262,960
Production	161,100	90,388	86,763
Distribution	225,771	272,859	165,463
Administrative and General	421,363	178,937	274,397
Depreciation		673,579	676,360
Total Operating Expenses	<u>8,051,777</u>	<u>8,295,548</u>	<u>8,474,274</u>
Operating Income (Loss)	<u>1,908,778</u>	<u>1,693,769</u>	<u>1,513,999</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	8,695	21,484	22,523
Miscellaneous Revenue	7,000	61,690	123,443
Interest Expense	(516,223)	(427,946)	(554,806)
Miscellaneous Expense		(24,836)	(8,724)
Total Nonoperating Revenues (Expenses)	<u>(500,528)</u>	<u>(369,608)</u>	<u>(417,564)</u>
Income (Loss) Before Contributions and Transfers	<u>1,408,250</u>	<u>1,324,161</u>	<u>1,096,435</u>
TRANSFERS			
Transfers In			86,008
Transfers Out	(663,278)	(660,478)	(850,478)
Total Transfers	<u>(663,278)</u>	<u>(660,478)</u>	<u>(764,470)</u>
Change in Net Position	<u>\$ 744,972</u>	663,683	331,965
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED			
		12,945,925	12,613,960
PRIOR PERIOD ADJUSTMENT			
		<u>(119,196)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED			
		<u>12,826,729</u>	<u>12,613,960</u>
NET POSITION, END OF YEAR			
		<u>\$ 13,490,412</u>	<u>\$ 12,945,925</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
WATER ENTERPRISE FUND
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,807,661	\$ 1,688,566
Accounts Receivable (Net)	86,489	93,554
Prepaid Items	4,339	4,412
Total Current Assets	<u>1,898,489</u>	<u>1,786,532</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	243,493	243,493
Other Capital Assets, Net of Depreciation	4,583,969	4,863,443
Net OPEB Asset		5,920
Total Noncurrent Assets	<u>4,827,462</u>	<u>5,112,856</u>
Total Assets	<u>6,725,951</u>	<u>6,899,388</u>
Deferred Outflows of Resources		
Related to Pensions	34,282	69,251
Related to OPEB	2,734	
Total Deferred Outflows of Resources	<u>37,016</u>	<u>69,251</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,762,967</u>	<u>\$ 6,968,639</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 6,201	\$ 6,286
Accrued Salaries	2,285	2,312
Accrued Interest Payable	15,479	19,519
Deposits Payable	57,750	67,850
Due to Other Governmental Units	4,054	4,179
Current Portion of Long-Term Liabilities	309,738	313,767
Total Current Liabilities	<u>395,507</u>	<u>413,913</u>
Noncurrent Liabilities		
Long-Term Liabilities, Net of Current Portion	<u>1,134,053</u>	<u>1,449,943</u>
Total Liabilities	<u>1,529,560</u>	<u>1,863,856</u>
Deferred Inflows of Resources		
Related to Pensions	25,362	19,647
Related to OPEB	197	
Total Deferred Inflows of Resources	<u>25,559</u>	<u>19,647</u>
Net Position		
Net Investment in Capital Assets	3,550,462	3,516,169
Unrestricted	1,657,386	1,568,967
Total Net Position	<u>5,207,848</u>	<u>5,085,136</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,762,967</u>	<u>\$ 6,968,639</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 953,408	\$ 954,735	\$ 961,450
OPERATING EXPENSES			
Salaries and Benefits	185,213	190,621	185,970
Purchased Power	74,000	79,810	82,896
Production	86,100	52,132	54,217
Distribution	137,123	73,674	75,005
Administrative and General	118,702	43,097	53,445
Depreciation		295,787	294,212
Total Operating Expenses	<u>601,138</u>	<u>735,121</u>	<u>745,745</u>
Operating Income (Loss)	<u>352,270</u>	<u>219,614</u>	<u>215,705</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,568	9,315	5,525
Miscellaneous Revenue		2,632	16,064
Interest Expense	(29,594)	(48,160)	(58,515)
Total Nonoperating Revenues (Expenses)	<u>(28,026)</u>	<u>(36,213)</u>	<u>(36,926)</u>
Income (Loss) Before Contributions and Transfers	<u>324,244</u>	<u>183,401</u>	<u>178,779</u>
TRANSFERS			
Transfers In	75,000	75,000	104,332
Transfers Out	(129,874)	(111,869)	(181,869)
Total Transfers	<u>(54,874)</u>	<u>(36,869)</u>	<u>(77,537)</u>
Change in Net Position	<u>\$ 269,370</u>	146,532	101,242
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED			
		5,085,136	4,983,894
PRIOR PERIOD ADJUSTMENT			
		<u>(23,820)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED			
		<u>5,061,316</u>	<u>4,983,894</u>
NET POSITION, END OF YEAR			
		<u>\$ 5,207,848</u>	<u>\$ 5,085,136</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,408,050	\$ 1,050,959
Receivables		
Accounts Receivable (Net)	46,798	
Delinquent Property Taxes	2,403	
Due from Other Governmental Units	458	5,698
Total Current Assets	<u>1,457,709</u>	<u>1,056,657</u>
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	<u>2,317,533</u>	<u>2,491,626</u>
Total Assets	<u><u>\$ 3,775,242</u></u>	<u><u>\$ 3,548,283</u></u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$	\$ 3,429
Current Portion of Equipment Capital Notes	95,000	150,000
Total Current Liabilities	<u>95,000</u>	<u>153,429</u>
Noncurrent Liabilities		
Equipment Capital Notes, Net of Current Portion	<u>75,000</u>	<u>170,000</u>
Total Liabilities	<u>170,000</u>	<u>323,429</u>
Net Position		
Net Investment in Capital Assets	2,147,533	2,171,626
Unrestricted	1,457,709	1,053,228
Total Net Position	<u>3,605,242</u>	<u>3,224,854</u>
Total Liabilities and Net Position	<u><u>\$ 3,775,242</u></u>	<u><u>\$ 3,548,283</u></u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
User Charges	\$ 556,265	\$ 505,070
OPERATING EXPENSES		
Other Services and Charges	62,609	35,547
Depreciation	<u>487,372</u>	<u>528,876</u>
Total Operating Expenses	<u>549,981</u>	<u>564,423</u>
Operating Income (Loss)	6,284	(59,353)
NONOPERATING REVENUES (EXPENSES)		
Taxes	43,420	159,272
Intergovernmental	40,000	40,000
Interest Income	246	146
Gain on Disposal of Asset	74,039	4,394
Interest Expense	(9,575)	(15,388)
Miscellaneous Expense	<u>(450)</u>	<u>(450)</u>
Total Nonoperating Revenues (Expenses)	<u>147,680</u>	<u>187,974</u>
Income (Loss) Before Transfers	153,964	128,621
TRANSFERS		
Transfers In	<u>226,424</u>	<u>172,881</u>
Change in Net Position	380,388	301,502
NET POSITION, BEGINNING OF YEAR	<u>3,224,854</u>	<u>2,923,352</u>
NET POSITION, END OF YEAR	<u>\$ 3,605,242</u>	<u>\$ 3,224,854</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>Library</u>	<u>Lake Ripley Cemetery</u>	<u>Anderson Gardens</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
ASSETS					
Current Assets					
Cash	\$ 32,625	\$ 2,591	\$ 192,033	\$ 227,249	\$ 224,658
Accounts Receivable	126			126	126
Total Current Assets	<u>\$ 32,751</u>	<u>\$ 2,591</u>	<u>\$ 192,033</u>	<u>\$ 227,375</u>	<u>\$ 224,784</u>
NET POSITION					
Held in Trust for Other Purposes	<u>\$ 32,751</u>	<u>\$ 2,591</u>	<u>\$ 192,033</u>	<u>\$ 227,375</u>	<u>\$ 224,784</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Library	Lake Ripley Cemetery	Anderson Gardens	Totals	
				2017	2016
ADDITIONS					
Donations	\$	\$ 2,591	\$	\$ 2,591	\$
Change in Net Position	0	2,591	0	2,591	0
NET POSITION, BEGINNING OF YEAR	32,751		192,033	224,784	224,784
NET POSITION, END OF YEAR	\$ 32,751	\$ 2,591	\$ 192,033	\$ 227,375	\$ 224,784

FINANCIAL SCHEDULES

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CITY OF LITCHFIELD, MINNESOTA

G.O. BONDS, SERIES 2007A
 DECEMBER 31, 2017

General Obligation Bonds, Series 2007A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	3.85%	\$ 40,000	\$ 5,620	\$ 45,620
8/1/2018			4,850	4,850
2/1/2019	4.20%	20,000	4,850	24,850
8/1/2019			4,430	4,430
2/1/2020	4.20%	20,000	4,430	24,430
8/1/2020			4,010	4,010
2/1/2021	4.20%	20,000	4,010	24,010
8/1/2021			3,590	3,590
2/1/2022	4.20%	20,000	3,590	23,590
8/1/2022			3,170	3,170
2/1/2023	4.20%	20,000	3,170	23,170
8/1/2023			2,750	2,750
2/1/2024	4.40%	25,000	2,750	27,750
8/1/2024			2,200	2,200
2/1/2025	4.40%	25,000	2,200	27,200
8/1/2025			1,650	1,650
2/1/2026	4.40%	25,000	1,650	26,650
8/1/2026			1,100	1,100
2/1/2027	4.40%	25,000	1,100	26,100
8/1/2027			550	550
2/1/2028	4.40%	25,000	550	25,550
		<u>\$ 265,000</u>	<u>\$ 62,220</u>	<u>\$ 327,220</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. CIP BONDS, SERIES 2011B
 DECEMBER 31, 2017

General Obligation CIP Bonds, Series 2011B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.50%	\$ 130,000	\$ 48,194	\$ 178,194
8/1/2018			46,569	46,569
2/1/2019	3.00%	135,000	46,569	181,569
8/1/2019			44,544	44,544
2/1/2020	3.00%	140,000	44,544	184,544
8/1/2020			42,444	42,444
2/1/2021	3.00%	150,000	42,444	192,444
8/1/2021			40,194	40,194
2/1/2022	3.00%	155,000	40,194	195,194
8/1/2022			37,869	37,869
2/1/2023	3.125%	160,000	37,868	197,868
8/1/2023			35,368	35,368
2/1/2024	3.125%	165,000	35,369	200,369
8/1/2024			32,791	32,791
2/1/2025	4.00%	175,000	32,790	207,790
8/1/2025			29,290	29,290
2/1/2026	4.00%	180,000	29,290	209,290
8/1/2026			25,690	25,690
2/1/2027	4.00%	190,000	25,691	215,691
8/1/2027			21,891	21,891
2/1/2028	4.00%	195,000	21,891	216,891
8/1/2028			17,991	17,991
2/1/2029	4.00%	205,000	17,991	222,991
8/1/2029			13,890	13,890
2/1/2030	4.00%	215,000	13,890	228,890
8/1/2030			9,591	9,591
2/1/2031	4.125%	225,000	9,591	234,591
8/1/2031			4,950	4,950
2/1/2032	4.125%	240,000	4,950	244,950
		<u>\$ 2,660,000</u>	<u>\$ 854,338</u>	<u>\$ 3,514,338</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. CIP BONDS, SERIES 2015A
 DECEMBER 31, 2017

General Obligation CIP Bonds, Series 2015A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.00%	\$ 95,000	\$ 8,369	\$ 103,369
8/1/2018			7,419	7,419
2/1/2019	2.00%	95,000	7,419	102,419
8/1/2019			6,469	6,469
2/1/2020	2.00%	100,000	6,469	106,469
8/1/2020			5,469	5,469
2/1/2021	2.00%	100,000	5,469	105,469
8/1/2021			4,469	4,469
2/1/2022	2.00%	100,000	4,469	104,469
8/1/2022			3,469	3,469
2/1/2023	2.00%	105,000	3,469	108,469
8/1/2023			2,419	2,419
2/1/2024	2.25%	105,000	2,419	107,419
8/1/2024			1,237	1,237
2/1/2025	2.25%	110,000	1,237	111,237
		<u>\$ 810,000</u>	<u>\$ 70,271</u>	<u>\$ 880,271</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REFUNDING IMPROVEMENT BONDS, SERIES 2009B
DECEMBER 31, 2017

General Obligation Refunding Improvement Bonds, Series 2009B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	4.00%	<u>\$ 25,000</u>	<u>\$ 500</u>	<u>\$ 25,500</u>
		<u><u>\$ 25,000</u></u>	<u><u>\$ 500</u></u>	<u><u>\$ 25,500</u></u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT AND REFUNDING BONDS, SERIES 2011C
 DECEMBER 31, 2017

General Obligation Improvement and Refunding Bonds, Series 2011C

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.00%	\$ 75,000	\$ 8,345	\$ 83,345
8/1/2018			7,595	7,595
2/1/2019	2.60%	80,000	7,595	87,595
8/1/2019			6,555	6,555
2/1/2020	2.60%	80,000	6,555	86,555
8/1/2020			5,515	5,515
2/1/2021	3.20%	40,000	5,515	45,515
8/1/2021			4,875	4,875
2/1/2022	3.20%	40,000	4,875	44,875
8/1/2022			4,235	4,235
2/1/2023	3.20%	45,000	4,235	49,235
8/1/2023			3,515	3,515
2/1/2024	3.70%	45,000	3,515	48,515
8/1/2024			2,683	2,683
2/1/2025	3.70%	45,000	2,682	47,682
8/1/2025			1,850	1,850
2/1/2026	3.70%	50,000	1,850	51,850
8/1/2026			925	925
2/1/2027	3.70%	50,000	925	50,925
		<u>\$ 550,000</u>	<u>\$ 83,840</u>	<u>\$ 633,840</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2007B
 DECEMBER 31, 2017

Public Project Lease Revenue Bonds, Series 2007B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	4.90%	\$ 25,000	\$ 9,650	\$ 34,650
8/1/2018			9,038	9,038
2/1/2019	4.90%	30,000	9,038	39,038
8/1/2019			8,303	8,303
2/1/2020	4.90%	30,000	8,303	38,303
8/1/2020			7,567	7,567
2/1/2021	4.90%	30,000	7,567	37,567
8/1/2021			6,832	6,832
2/1/2022	5.00%	35,000	6,832	41,832
8/1/2022			5,957	5,957
2/1/2023	5.00%	35,000	5,957	40,957
8/1/2023			5,083	5,083
2/1/2024	5.00%	35,000	5,083	40,083
8/1/2024			4,207	4,207
2/1/2025	5.10%	40,000	4,207	44,207
8/1/2025			3,188	3,188
2/1/2026	5.10%	40,000	3,188	43,188
8/1/2026			2,167	2,167
2/1/2027	5.10%	40,000	2,167	42,167
8/1/2027			1,148	1,148
2/1/2028	5.10%	45,000	1,148	46,148
		<u>\$ 385,000</u>	<u>\$ 116,630</u>	<u>\$ 501,630</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. HOUSING DEVELOPMENT BONDS, SERIES 2011A
 DECEMBER 31, 2017

General Obligation Housing Development Bonds, Series 2011A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.50%	\$ 280,000	\$ 22,157	\$ 302,157
8/1/2018			18,658	18,658
2/1/2019	2.75%	290,000	18,657	308,657
8/1/2019			14,670	14,670
2/1/2020	3.00%	290,000	14,670	304,670
8/1/2020			10,320	10,320
2/1/2021	3.20%	305,000	10,320	315,320
8/1/2021			5,440	5,440
2/1/2022	3.40%	320,000	5,440	325,440
		<u>\$ 1,485,000</u>	<u>\$ 120,332</u>	<u>\$ 1,605,332</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS - 2009
 DECEMBER 31, 2017

Certificate of Indebtedness - 2009

Payable to: Bond Trust Services Corporation

Due Date	Interest Rate	Principal	Interest	Total
2/1/2018	4.00%	\$ 70,000	\$ 2,900	\$ 72,900
8/1/2018			1,500	1,500
2/1/2019	4.00%	75,000	1,500	76,500
		<u>\$ 145,000</u>	<u>\$ 5,900</u>	<u>\$ 150,900</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. SEWER SYSTEM BONDS, SERIES 2011D
 DECEMBER 31, 2017

General Obligation Sewer System Bonds, Series 2011D

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.00%	\$ 65,000	\$ 21,205	\$ 86,205
8/1/2018			20,555	20,555
2/1/2019	2.40%	70,000	20,555	90,555
8/1/2019			19,715	19,715
2/1/2020	2.40%	70,000	19,715	89,715
8/1/2020			18,875	18,875
2/1/2021	2.80%	70,000	18,875	88,875
8/1/2021			17,895	17,895
2/1/2022	2.80%	75,000	17,895	92,895
8/1/2022			16,845	16,845
2/1/2023	3.10%	75,000	16,845	91,845
8/1/2023			15,683	15,683
2/1/2024	3.10%	80,000	15,683	95,683
8/1/2024			14,442	14,442
2/1/2025	3.40%	80,000	14,442	94,442
8/1/2025			13,083	13,083
2/1/2026	3.40%	85,000	13,083	98,083
8/1/2026			11,637	11,637
2/1/2027	3.70%	90,000	11,637	101,637
8/1/2027			9,973	9,973
2/1/2028	3.70%	90,000	9,973	99,973
8/1/2028			8,307	8,307
2/1/2029	4.00%	95,000	8,307	103,307
8/1/2029			6,408	6,408
2/1/2030	4.00%	100,000	6,408	106,408
8/1/2030			4,407	4,407
2/1/2031	4.10%	105,000	4,407	109,407
8/1/2031			2,255	2,255
2/1/2032	4.10%	110,000	2,255	112,255
		<u>\$ 1,260,000</u>	<u>\$ 381,365</u>	<u>\$ 1,641,365</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2014A
DECEMBER 31, 2017

General Obligation Utility Revenue Bonds, Series 2014A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	2.00%	\$ 80,000	\$ 27,091	\$ 107,091
8/1/2018			26,291	26,291
2/1/2019	2.00%	80,000	26,291	106,291
8/1/2019			25,492	25,492
2/1/2020	2.00%	80,000	25,491	105,491
8/1/2020			24,691	24,691
2/1/2021	2.00%	90,000	24,692	114,692
8/1/2021			23,791	23,791
2/1/2022	2.00%	90,000	23,791	113,791
8/1/2022			22,892	22,892
2/1/2023	2.50%	90,000	22,891	112,891
8/1/2023			21,766	21,766
2/1/2024	2.50%	90,000	21,767	111,767
8/1/2024			20,641	20,641
2/1/2025	2.50%	90,000	20,641	110,641
8/1/2025			19,516	19,516
2/1/2026	3.00%	100,000	19,516	119,516
8/1/2026			18,016	18,016
2/1/2027	3.00%	100,000	18,016	118,016
8/1/2027			16,517	16,517
2/1/2028	3.00%	100,000	16,516	116,516
8/1/2028			15,016	15,016
2/1/2029	3.35%	100,000	15,016	115,016
8/1/2029			13,341	13,341
2/1/2030	3.35%	110,000	13,341	123,341
8/1/2030			11,499	11,499
2/1/2031	3.35%	110,000	11,499	121,499
8/1/2031			9,656	9,656
2/1/2032	3.75%	115,000	9,656	124,656
8/1/2032			7,500	7,500
2/1/2033	3.75%	130,000	7,500	137,500
8/1/2033			5,063	5,063
2/1/2034	3.75%	130,000	5,063	135,063
8/1/2034			2,625	2,625
2/1/2035	3.75%	140,000	2,625	142,625
		<u>\$ 1,825,000</u>	<u>\$ 595,716</u>	<u>\$ 2,420,716</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2013A
DECEMBER 31, 2017

General Obligation Improvement Bonds, Series 2013A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	3.00%	\$ 350,000	\$ 139,563	\$ 489,563
8/1/2018			134,312	134,312
2/1/2019	3.00%	360,000	134,312	494,312
8/1/2019			128,912	128,912
2/1/2020	3.00%	365,000	128,913	493,913
8/1/2020			123,438	123,438
2/1/2021	3.00%	375,000	123,437	498,437
8/1/2021			117,813	117,813
2/1/2022	3.00%	385,000	117,812	502,812
8/1/2022			112,038	112,038
2/1/2023	3.00%	395,000	112,037	507,037
8/1/2023			106,113	106,113
2/1/2024	3.00%	410,000	106,113	516,113
8/1/2024			99,963	99,963
2/1/2025	3.00%	420,000	99,962	519,962
8/1/2025			93,663	93,663
2/1/2026	3.00%	430,000	93,662	523,662
8/1/2026			87,213	87,213
2/1/2027	3.00%	445,000	87,212	532,212
8/1/2027			80,538	80,538
2/1/2028	3.25%	460,000	80,537	540,537
8/1/2028			73,062	73,062
2/1/2029	3.50%	480,000	73,063	553,063
8/1/2029			64,663	64,663
2/1/2030	4.00%	495,000	64,662	559,662
8/1/2030			56,000	56,000
2/1/2031	4.00%	520,000	56,000	576,000
8/1/2031			45,600	45,600
2/1/2032	4.00%	535,000	45,600	580,600
8/1/2032			34,900	34,900
2/1/2033	4.00%	555,000	34,900	589,900
8/1/2033			23,800	23,800
2/1/2034	4.00%	585,000	23,800	608,800
8/1/2034			12,100	12,100
2/1/2035	4.00%	605,000	12,100	617,100
		<u>\$ 8,170,000</u>	<u>\$ 2,927,813</u>	<u>\$ 11,097,813</u>

CITY OF LITCHFIELD, MINNESOTA

1999 WATER TREATMENT LOAN
DECEMBER 31, 2017

1999 Water Treatment Loan

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2018	3.54%	\$	\$ 10,036	\$ 10,036
8/20/2018		279,000	10,036	289,036
2/20/2019	3.54%		5,098	5,098
8/20/2019		288,000	5,098	293,098
		<u>\$ 567,000</u>	<u>\$ 30,268</u>	<u>\$ 597,268</u>

CITY OF LITCHFIELD, MINNESOTA
 2001 WASTEWATER TREATMENT LOAN
 DECEMBER 31, 2017

2001 Wastewater Treatment Loan

Payable to: Minnesota Public Facilities Authority

Due Date	Interest Rate	Principal	Interest	Total
2/20/2018	2.68%	\$	\$ 45,104	\$ 45,104
8/20/2018		638,000	45,104	683,104
2/20/2019	2.68%		36,555	36,555
8/20/2019		655,000	36,555	691,555
2/20/2020	2.68%		27,778	27,778
8/20/2020		673,000	27,778	700,778
2/20/2021	2.68%		18,760	18,760
8/20/2021		691,000	18,760	709,760
2/20/2022	2.68%		9,501	9,501
8/20/2022		709,000	9,501	718,501
		<u>\$ 3,366,000</u>	<u>\$ 275,396</u>	<u>\$ 3,641,396</u>

CITY OF LITCHFIELD, MINNESOTA

2009 CLEAN WATER REVOLVING FUND LOAN
DECEMBER 31, 2017

2009 Clean Water Revolving Fund Loan

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2018	2.652%	\$	\$ 68,515	\$ 68,515
8/20/2018		371,000	68,516	439,516
2/20/2019	2.652%		63,596	63,596
8/20/2019		381,000	63,596	444,596
2/20/2020	2.652%		58,543	58,543
8/20/2020		391,000	58,543	449,543
2/20/2021	2.652%		53,359	53,359
8/20/2021		402,000	53,359	455,359
2/20/2022	2.652%		48,028	48,028
8/20/2022		412,000	48,028	460,028
2/20/2023	2.652%		42,565	42,565
8/20/2023		423,000	42,565	465,565
2/20/2024	2.652%		36,957	36,957
8/20/2024		435,000	36,956	471,956
2/20/2025	2.652%		31,188	31,188
8/20/2025		446,000	31,188	477,188
2/20/2026	2.652%		25,274	25,274
8/20/2026		458,000	25,274	483,274
2/20/2027	2.652%		19,201	19,201
8/20/2027		470,000	19,201	489,201
2/20/2028	2.652%		12,969	12,969
8/20/2028		483,000	12,969	495,969
2/20/2029	2.652%		6,565	6,565
8/20/2029		495,048	6,564	501,612
		<u>\$ 5,167,048</u>	<u>\$ 933,519</u>	<u>\$ 6,100,567</u>

CITY OF LITCHFIELD, MINNESOTA

2009 WASTEWATER INFRASTRUCTURE FUND LOAN
DECEMBER 31, 2017

2009 Wastewater Infrastructure Fund Loan

Payable to: Minnesota Public Facilities Authority

Due Date	Interest Rate	Principal	Interest	Total
2/20/2030	0.00%	\$ 235,000	\$	\$ 235,000
8/20/2030	0.00%	235,000		235,000
2/20/2031	0.00%	235,000		235,000
8/20/2031	0.00%	235,000		235,000
2/20/2032	0.00%	235,000		235,000
8/20/2032	0.00%	235,000		235,000
2/20/2033	0.00%	235,000		235,000
8/20/2033	0.00%	235,000		235,000
2/20/2034	0.00%	235,000		235,000
8/20/2034	0.00%	235,000		235,000
2/20/2035	0.00%	235,000		235,000
8/20/2035	0.00%	235,000		235,000
2/20/2036	0.00%	235,000		235,000
8/20/2036	0.00%	235,000		235,000
2/20/2037	0.00%	235,000		235,000
8/20/2037	0.00%	235,000		235,000
2/20/2038	0.00%	235,000		235,000
8/20/2038	0.00%	235,000		235,000
2/20/2039	0.00%	235,000		235,000
8/20/2039	0.00%	235,000		235,000
2/20/2040	0.00%	235,000		235,000
8/20/2040	0.00%	235,000		235,000
2/20/2041	0.00%	235,000		235,000
8/20/2041	0.00%	235,000		235,000
2/20/2042	0.00%	235,000		235,000
8/20/2042	0.00%	125,000		125,000
		<u>\$ 6,000,000</u>	<u>\$ 0</u>	<u>\$ 6,000,000</u>

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC UTILITY REVENUE REFUNDING BONDS, SERIES 2017A
 DECEMBER 31, 2017

Electric Utility Revenue Refunding Bonds, Series 2017A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2018	3.00%	\$	\$ 194,070	\$ 194,070
8/1/2018			149,925	149,925
2/1/2019	3.00%	790,000	149,925	939,925
8/1/2019			138,075	138,075
2/1/2020	3.00%	815,000	138,075	953,075
8/1/2020			125,850	125,850
2/1/2021	3.00%	835,000	125,850	960,850
8/1/2021			113,325	113,325
2/1/2022	3.00%	860,000	113,325	973,325
8/1/2022			100,425	100,425
2/1/2023	3.00%	890,000	100,425	990,425
8/1/2023			87,075	87,075
2/1/2024	3.00%	910,000	87,075	997,075
8/1/2024			73,425	73,425
2/1/2025	3.00%	940,000	73,425	1,013,425
8/1/2025			59,325	59,325
2/1/2026	3.00%	965,000	59,325	1,024,325
8/1/2026			44,850	44,850
2/1/2027	3.00%	995,000	44,850	1,039,850
8/1/2027			29,925	29,925
2/1/2028	3.00%	1,025,000	29,925	1,054,925
8/1/2028			14,550	14,550
2/1/2029	3.00%	970,000	14,550	984,550
		<u>\$ 9,995,000</u>	<u>\$ 2,067,570</u>	<u>\$ 12,062,570</u>

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

May 7, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2017, 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 7, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2017-001 and 2017-002 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

May 7, 2018

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING: 2017-001 LIMITED SEGREGATION OF DUTIES

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

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Joyce Spreiter, Assistant City Administrator

Planned Completion Date for CAP:

December 31, 2018

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING: 2017-002 AUDITOR PREPARED FINANCIAL STATEMENTS

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

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

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

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

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

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Joyce Spreiter, Assistant City Administrator

Planned Completion Date for CAP:

December 31, 2018

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2016-001	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2017-002
Minnesota Legal Compliance Findings:				
None				