

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

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

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CITY OF LITCHFIELD, MINNESOTA

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CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2018

<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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of December 31, 2018 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 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 7, 2018. Refer to Note 17 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2017 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 20, 2019 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
CPAS & ADVISORS
LITCHFILED, MINNESOTA

May 20, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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, 2018. 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 \$72.4 million. Of this amount, \$25.9 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 \$2,688,257, comprising of an increase in governmental activities net position of \$951,757 and an increase in business-type activities of \$1,736,500.
- The City's governmental funds reported combined ending fund balances of \$9.7 million. Of this total amount, approximately 14.31% is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.5 million, or 30.52% of total General Fund expenditures of \$4.8 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, 2018

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, 2018

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 72-115 of this report.

Statement of Net Position

The City's net position was \$72,425,952 on December 31, 2018 (see details in Table 1). This was an increase of \$2,688,257 or 3.85% from \$69,737,695 at December 31, 2017.

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and Other Assets	\$ 11,802,993	\$ 10,176,440	\$ 21,503,909	\$ 13,643,076
Noncurrent Assets	26,500,186	24,215,841	61,488,445	69,648,685
Total Assets	<u>38,303,179</u>	<u>34,392,281</u>	<u>82,992,354</u>	<u>83,291,761</u>
Deferred Outflows of Resources	<u>1,220,107</u>	<u>1,580,679</u>	<u>566,248</u>	<u>770,676</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 39,523,286</u>	<u>\$ 35,972,960</u>	<u>\$ 83,558,602</u>	<u>\$ 84,062,437</u>
Current and Other Liabilities	\$ 519,344	\$ 358,643	\$ 1,065,394	\$ 2,839,570
Long-Term Liabilities	10,726,465	8,324,557	36,364,232	36,844,865
Total Liabilities	<u>11,245,809</u>	<u>8,683,200</u>	<u>37,429,626</u>	<u>39,684,435</u>
Deferred Inflows of Resources	1,711,336	1,675,376	269,165	254,691
Net Position				
Net Investment in Capital Assets	17,486,312	19,331,955	26,737,933	27,034,791
Restricted	2,275,256	2,508,756		
Unrestricted	6,804,573	3,773,673	19,121,878	17,088,520
Total Net Position	<u>26,566,141</u>	<u>25,614,384</u>	<u>45,859,811</u>	<u>44,123,311</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 39,523,286</u>	<u>\$ 35,972,960</u>	<u>\$ 83,558,602</u>	<u>\$ 84,062,437</u>

Governmental Activities

Net position of the City's governmental activities increased by \$951,757, or 3.72%. This is a smaller increase when compared to the prior year due to an overall decrease in program revenues while having an increase in program expenses.

Business-Type Activities

Net position of the City's business-type activities increased by \$1,736,500, or 3.94%. The increase was due to the following funds change in net position: Liquor Fund (\$28,652), Sewer Fund \$338,518, Electric Fund \$1,374,924, and Water Fund \$51,710.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Statement of Activities

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

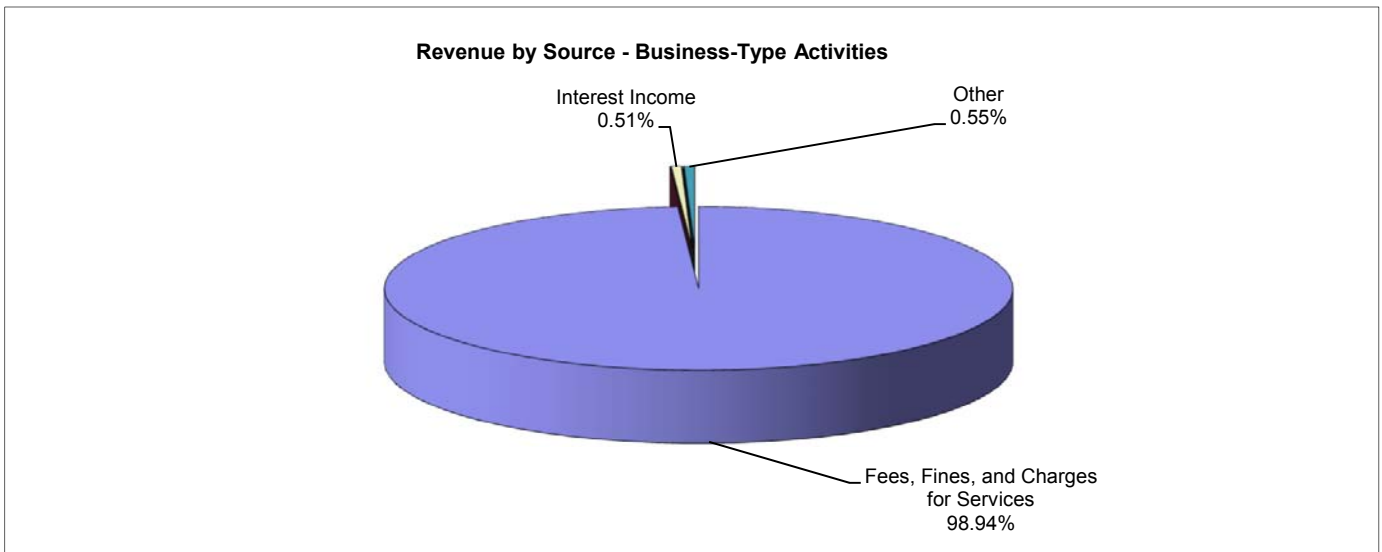
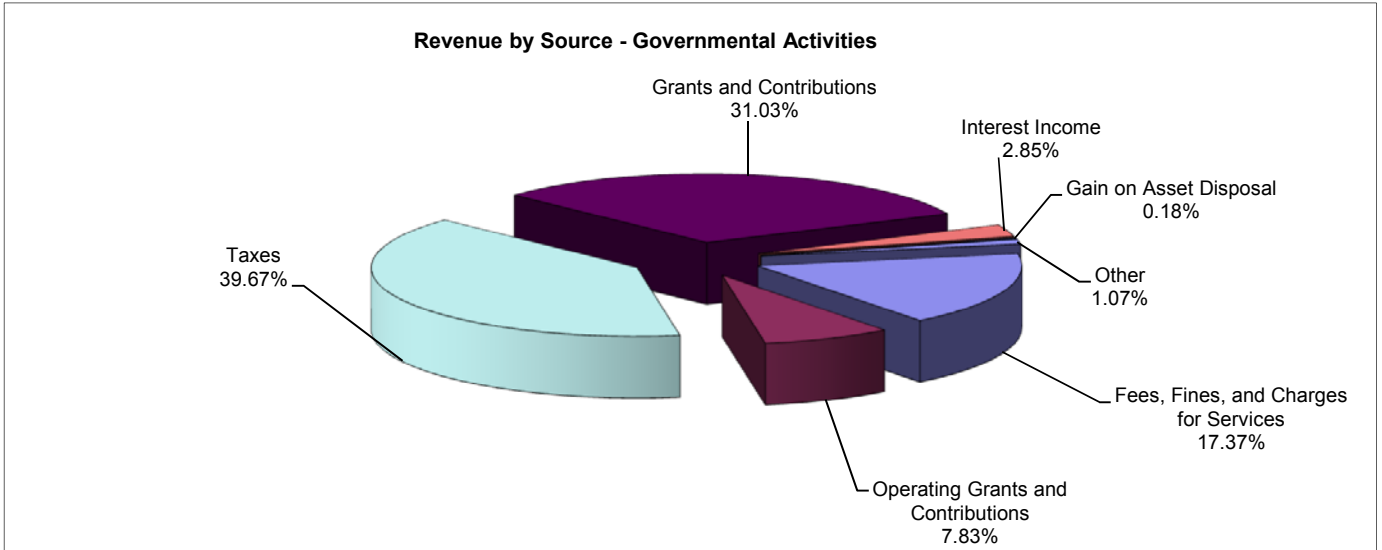
Table 2 Comparative Condensed Statement of Activities				
	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
REVENUES				
Program Revenues				
Fees, Fines, and Charges for Services	\$ 1,096,988	\$ 1,206,769	\$ 17,973,518	\$ 17,344,188
Operating Grants and Contributions	494,121	601,726		
Capital Grants and Contributions		47,041		
General Revenues				
Taxes	2,504,823	2,420,497		
Grants and Contributions	1,959,343	1,887,106		
Interest Income	179,977	135,951	93,201	48,857
Other	66,935	77,444	98,935	109,246
Gain on Asset Disposal	11,563	88,418		428
Total Revenues	<u>6,313,750</u>	<u>6,464,952</u>	<u>18,165,654</u>	<u>17,502,719</u>
EXPENSES				
General Government	1,187,437	1,146,652		
Public Safety	1,831,740	1,753,474		
Public Works	2,137,185	1,753,466		
Airport	277,490	190,674		
Culture and Recreation	1,172,179	1,126,234		
Economic Development	27,559	22,189		
Interest on Long-Term Debt	287,413	233,649		
Liquor Store			2,356,011	2,286,710
Sewer Utility			3,259,395	3,124,320
Electric Utility			8,556,838	8,745,833
Water Utility			697,900	783,275
Total Expenses	<u>6,921,003</u>	<u>6,226,338</u>	<u>14,870,144</u>	<u>14,940,138</u>
Change in Net Position before Transfers	(607,253)	238,614	3,295,510	2,562,581
TRANSFERS	<u>1,559,010</u>	<u>1,087,589</u>	<u>(1,559,010)</u>	<u>(1,087,589)</u>
Change in Net Position	951,757	1,326,203	1,736,500	1,474,992
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	25,614,384	24,550,242	44,123,311	42,886,662
PRIOR PERIOD ADJUSTMENT		<u>(262,061)</u>		<u>(238,343)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>25,614,384</u>	<u>24,288,181</u>	<u>44,123,311</u>	<u>42,648,319</u>
NET POSITION, END OF YEAR	<u>\$ 26,566,141</u>	<u>\$ 25,614,384</u>	<u>\$ 45,859,811</u>	<u>\$ 44,123,311</u>

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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, 2018

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 \$9,726,510, an increase of \$1,485,536 from prior year fund balance of \$8,240,974. Approximately 14.31% of this total constitutes unassigned fund balance - \$1,391,902. The remainder of the fund balance (\$8,334,608) is not available for new spending because it is either 1) nonspendable - \$117,578, 2) restricted - \$2,219,475, or 3) assigned - \$5,997,555.

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 \$1,463,455, an increase of \$130,193 from the 2017 unassigned fund balance of \$1,593,648. 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 30.52% 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 - \$290,320, Sewer - \$9,644,891, Electric - \$7,455,068, and Water - \$1,731,599. All proprietary funds, except the Liquor Fund, had an increase in total net position for the year with the largest increases in net position occurring in the Sewer Fund - \$338,518 and the Electric Fund - \$1,374,924. 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 more operating income than budgeted.

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 2018, the City of Litchfield had \$140.5 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 \$44 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, 2018

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2019 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 2018 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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Cash Equivalents	\$ 9,547,240	\$ 13,124,318	\$ 22,671,558	\$ 19,147,088
Cash Held with Fiscal Agent	532,256		532,256	493,634
Restricted Cash		999,500	999,500	999,500
Receivables (Net)	1,416,567	6,688,168	8,104,735	8,346,799
Due from Other Governmental Units	164,412		164,412	97,194
Inventories	24,940	641,600	666,540	655,963
Prepaid Items	117,578	50,323	167,901	146,622
Capital Assets				
Assets Not Being Depreciated	5,972,069	1,173,870	7,145,939	4,763,877
Other Capital Assets, Net of Depreciation	20,426,989	60,314,575	80,741,564	82,989,479
Net Pension Asset	101,128		101,128	43,886
Total Assets	38,303,179	82,992,354	121,295,533	117,684,042
Deferred Outflows of Resources	1,220,107	566,248	1,786,355	2,351,355
Total Assets and Deferred Outflows of Resources	\$ 39,523,286	\$ 83,558,602	\$ 123,081,888	\$ 120,035,397
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 56,050	\$ 577,968	\$ 634,018	\$ 552,246
Contracts Payable	192,423		192,423	118,078
Accrued Salaries	59,815	33,845	93,660	79,563
Accrued Interest Payable	80,588	346,068	426,656	492,662
Deposits Payable		56,150	56,150	57,750
Unearned Revenue		3,267	3,267	3,267
Due to Other Governmental Units	130,468	48,096	178,564	110,909
Net Pension Liability	1,462,696	920,942	2,383,638	2,916,768
Total OPEB Liability	200,639	217,710	418,349	411,515
Other Long-Term Liabilities				
Due Within One Year	718,246	2,624,000	3,342,246	2,581,923
Due in More than One Year	8,344,884	32,601,580	40,946,464	41,042,954
Total Liabilities	11,245,809	37,429,626	48,675,435	48,367,635
Deferred Inflows of Resources	1,711,336	269,165	1,980,501	1,930,067
Net Position				
Net Investment in Capital Assets	17,486,312	26,737,933	44,224,245	44,861,856
Restricted for Tax Increment	20,070		20,070	22,226
Restricted for Debt Service	2,255,186		2,255,186	2,486,530
Unrestricted	6,804,573	19,121,878	25,926,451	22,367,083
Total Net Position	26,566,141	45,859,811	72,425,952	69,737,695
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 39,523,286	\$ 83,558,602	\$ 123,081,888	\$ 120,035,397

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
						2018	2017
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,187,437	\$ 291,698	\$ 173	\$ (895,566)	\$	\$ (895,566)	\$ (739,728)
Public Safety	1,831,740	180,067	145,317	(1,506,356)		(1,506,356)	(1,444,267)
Public Works	2,137,185	13,549	93,930	(2,029,706)		(2,029,706)	(1,344,612)
Airport	277,490	65,543	33,373	(178,574)		(178,574)	(30,956)
Culture and Recreation	1,172,179	546,131	221,328	(404,720)		(404,720)	(555,401)
Economic Development	27,559			(27,559)		(27,559)	(22,189)
Interest on Long-Term Debt	287,413			(287,413)		(287,413)	(233,649)
Total Governmental Activities	6,921,003	1,096,988	494,121	0	(5,329,894)	0	(5,329,894)
BUSINESS-TYPE ACTIVITIES							
Liquor	2,356,011	2,563,158				207,147	169,809
Sewer	3,259,395	4,124,652				865,257	821,800
Electric	8,556,838	10,374,368				1,817,530	1,240,987
Water	697,900	911,340				213,440	171,454
Total Business-Type Activities	14,870,144	17,973,518	0	0	0	3,103,374	2,404,050
Total	\$ 21,791,147	\$ 19,070,506	\$ 494,121	\$ 0	(5,329,894)	3,103,374	(2,226,520)
GENERAL REVENUES							
Taxes							
Property Taxes, Levied for General Purposes				1,952,070		1,952,070	1,871,074
Property Taxes, Levied for Debt Service				550,047		550,047	549,423
Lodging Tax				2,706		2,706	
Grants and Contributions not Restricted to Specific Programs				1,959,343		1,959,343	1,887,106
Interest Income				179,977	93,201	273,178	184,808
Other				66,935	98,935	165,870	186,690
Gain on Asset Disposal				11,563		11,563	88,846
TRANSFERS				1,559,010	(1,559,010)		
Total General Revenues and Transfers				6,281,651	(1,366,874)	4,914,777	4,767,947
Change in Net Position				951,757	1,736,500	2,688,257	2,801,195
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED				25,614,384	44,123,311	69,737,695	67,436,904
PRIOR PERIOD ADJUSTMENT							(500,404)
NET POSITION, BEGINNING OF YEAR, AS RESTATED				25,614,384	44,123,311	69,737,695	66,936,500
NET POSITION, END OF YEAR				\$ 26,566,141	\$ 45,859,811	\$ 72,425,952	\$ 69,737,695

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	General	Civic Arena Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
				2018	2017
ASSETS					
Cash and Cash Equivalents	\$ 3,498,333	\$	\$ 4,682,410	\$ 8,180,743	\$ 6,391,937
Cash with Fiscal Agent			532,256	532,256	493,634
Receivables					
Accounts	64,348		17,859	82,207	87,082
Contracts			16,000	16,000	20,000
Interest	108,530			108,530	55,892
Delinquent Property Taxes	42,561		10,342	52,903	56,210
Special Assessments	874		126,027	126,901	20,471
Capital Lease			939,166	939,166	1,228,333
Due from Other Governmental Units	86,869		76,977	163,846	96,736
Inventories			24,940	24,940	34,668
Prepaid Items	57,541		60,037	117,578	99,385
Due from Other Funds					1,239,607
Total Assets	\$ 3,859,056	\$ 0	\$ 6,486,014	\$ 10,345,070	\$ 9,823,955
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 51,909	\$	\$ 4,141	\$ 56,050	\$ 50,771
Contracts Payable		67,119	125,304	192,423	105,255
Accrued Salaries	56,590		3,225	59,815	48,946
Due to Other Governmental Units	129,971		497	130,468	61,721
Due to Other Funds					1,239,607
Total Liabilities	238,470	67,119	133,167	438,756	1,506,300
Deferred Inflows of Resources					
Unavailable Revenue					
Delinquent Property Taxes	42,561		10,342	52,903	56,210
Special Assessments	874		126,027	126,901	20,471
Total Deferred Inflows of Resources	43,435	0	136,369	179,804	76,681
Fund Balance					
Nonspendable	57,541		60,037	117,578	99,385
Restricted			2,219,475	2,219,475	2,436,421
Assigned	2,056,155		3,941,400	5,997,555	5,427,978
Unassigned	1,463,455	(67,119)	(4,434)	1,391,902	277,190
Total Fund Balance	3,577,151	(67,119)	6,216,478	9,726,510	8,240,974
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,859,056	\$ 0	\$ 6,486,014	\$ 10,345,070	\$ 9,823,955

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, 2018
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Fund Balances - Governmental Funds	\$ 9,726,510	\$ 8,240,974
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	37,696,446	34,619,266
Less: Accumulated Depreciation	(13,653,875)	(12,764,844)
Net Pension Asset	101,128	43,886
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	52,903	56,210
Special Assessments	126,901	154,854
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.		
	3,739,410	3,605,242
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	1,194,056	1,564,247
Deferred Inflows of Resources Related to Pensions	(1,710,133)	(1,674,192)
Deferred Outflows of Resources Related to OPEB	26,051	16,432
Deferred Inflows of Resources Related to OPEB	(1,203)	(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.		
Total OPEB Liability	(200,639)	(154,812)
Bonds and Notes Payable	(8,695,000)	(6,155,000)
Bond Premium	(142,746)	(19,890)
Termination Benefits	(17,505)	(75,051)
Compensated Absences	(132,879)	(147,194)
Net Pension Liability	(1,462,696)	(1,602,610)
Accrued Interest Payable	(80,588)	(91,950)
	<u>\$ 26,566,141</u>	<u>\$ 25,614,384</u>
Total Net Position - Governmental Activities	<u>\$ 26,566,141</u>	<u>\$ 25,614,384</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Civic Arena Improvements	Nonmajor Governmental Funds	Total Governmental Funds	
				2018	2017
REVENUES					
Property Taxes	\$ 1,954,421	\$	\$ 510,164	\$ 2,464,585	\$ 2,373,704
Lodging Tax	2,706			2,706	
Special Assessments			34,002	34,002	109,770
Licenses and Permits	174,679			174,679	287,960
Intergovernmental	2,105,689		227,304	2,332,993	2,564,565
Charges for Services	234,528		605,507	840,035	842,625
Fines and Forfeits	32,899			32,899	26,184
Interest Income	66,987		101,400	168,387	135,706
Miscellaneous	30,648		201,395	232,043	102,886
Total Revenues	<u>4,602,557</u>	<u>0</u>	<u>1,679,772</u>	<u>6,282,329</u>	<u>6,443,400</u>
EXPENDITURES					
Current					
General Government	971,403		63,214	1,034,617	1,067,896
Public Safety	1,999,555			1,999,555	1,859,054
Public Works	1,231,461		12,260	1,243,721	1,159,549
Airport			100,218	100,218	104,859
Culture and Recreation	589,266		642,376	1,231,642	1,265,167
Economic Development			27,559	27,559	27,873
Capital Outlay					
General Government	2,756		683,013	685,769	3,572
Public Works			238,061	238,061	1,406,003
Airport			295	295	49,614
Culture and Recreation		1,381,259	380,882	1,762,141	90,781
Economic Development			337,719	337,719	
Debt Service					
Principal			870,000	870,000	885,000
Interest and Other Charges			296,277	296,277	230,251
Total Expenditures	<u>4,794,441</u>	<u>1,381,259</u>	<u>3,651,874</u>	<u>9,827,574</u>	<u>8,149,619</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(191,884)	(1,381,259)	(1,972,102)	(3,545,245)	(1,706,219)
OTHER FINANCING SOURCES (USES)					
Proceeds from the Sale of an Asset	11,563			11,563	14,379
Proceeds from the Issuance of Bonds		1,024,390	2,385,610	3,410,000	
Premium from the Issuance of Bonds			125,669	125,669	
Transfers In	672,398	388,770	1,195,909	2,257,077	1,631,568
Transfers Out	(322,492)		(451,036)	(773,528)	(770,403)
Total Other Financing Sources (Uses)	<u>361,469</u>	<u>1,413,160</u>	<u>3,256,152</u>	<u>5,030,781</u>	<u>875,544</u>
Net Change in Fund Balances	169,585	31,901	1,284,050	1,485,536	(830,675)
FUND BALANCE, BEGINNING OF YEAR	<u>3,407,566</u>	<u>(99,020)</u>	<u>4,932,428</u>	<u>8,240,974</u>	<u>9,071,649</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,577,151</u>	<u>\$ (67,119)</u>	<u>\$ 6,216,478</u>	<u>\$ 9,726,510</u>	<u>\$ 8,240,974</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, 2018
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 1,485,536	\$ (830,675)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital Outlay	3,077,180	1,732,307
Depreciation Expense	(889,031)	(768,300)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Certain Accounts Receivable		(7,994)
Delinquent Property Taxes	(3,307)	(6,104)
Special Assessments	(27,953)	(96,437)
<p>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.</p>		
OPEB Items	(36,227)	57,369
Termination Benefits	57,546	31,453
Compensated Absences	14,315	(24,792)
<p>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.</p>		
Proceeds from the Issuance of Bonds	(3,410,000)	
Premium from the Issuance of Bonds	(125,669)	
Principal Retirement of Long-Term Debt	870,000	885,000
Amortization of Bond Premium	2,813	2,808
Change in Accrued Interest Payable	11,362	3,819
<p>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.</p>		
	134,168	380,388
<p>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).</p>		
	<u>(208,976)</u>	<u>(32,639)</u>
Change in Net Position - Governmental Activities	<u>\$ 951,757</u>	<u>\$ 1,326,203</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017	
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Property Taxes	\$ 1,938,055	\$ 1,938,055	\$ 1,954,421	\$ 16,366	\$ 1,866,918
Lodging Tax			2,706	2,706	
Licenses and Permits	116,900	116,900	174,679	57,779	287,960
Intergovernmental	2,078,135	2,078,135	2,105,689	27,554	2,023,459
Charges for Services	184,850	184,850	234,528	49,678	220,671
Fines and Forfeits	21,000	21,000	32,899	11,899	26,184
Interest Income	21,000	21,000	66,987	45,987	45,378
Miscellaneous	10,000	10,000	30,648	20,648	44,169
Total Revenues	<u>4,369,940</u>	<u>4,369,940</u>	<u>4,602,557</u>	<u>232,617</u>	<u>4,514,739</u>
EXPENDITURES					
Current					
General Government	1,158,810	1,158,810	971,403	(187,407)	1,001,287
Public Safety	2,009,073	2,009,073	1,999,555	(9,518)	1,859,054
Public Works	1,257,265	1,257,265	1,231,461	(25,804)	1,076,963
Culture and Recreation	630,236	630,236	589,266	(40,970)	570,745
Economic Development	200	200		(200)	
Capital Outlay					
General Government	2,856	2,856	2,756	(100)	2,756
Public Works					21,598
Culture and Recreation	750	750		(750)	
Total Expenditures	<u>5,059,190</u>	<u>5,059,190</u>	<u>4,794,441</u>	<u>(264,749)</u>	<u>4,532,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(689,250)	(689,250)	(191,884)	497,366	(17,664)
OTHER FINANCING SOURCES (USES)					
Proceeds from the Sale of an Asset	2,000	2,000	11,563	9,563	14,379
Transfers In	677,250	677,250	672,398	(4,852)	691,275
Transfers Out	(10,000)	(10,000)	(322,492)	(312,492)	(510,000)
Total Other Financing Sources (Uses)	<u>669,250</u>	<u>669,250</u>	<u>361,469</u>	<u>(307,781)</u>	<u>195,654</u>
Net Change in Fund Balances	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	169,585	<u>\$ 189,585</u>	177,990
FUND BALANCE, BEGINNING OF YEAR			<u>3,407,566</u>		<u>3,229,576</u>
FUND BALANCE, END OF YEAR			<u>\$ 3,577,151</u>		<u>\$ 3,407,566</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	2018	2017	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Assets								
Current Assets								
Cash and Cash Equivalents	\$ 243,259	\$ 4,609,754	\$ 6,480,752	\$ 1,790,553	\$ 13,124,318	\$ 11,347,101	\$ 1,366,497	\$ 1,408,050
Receivables								
Accounts Receivable, Net of Allowance for Doubtful Accounts	371	441,170	1,086,363	92,480	1,620,384	1,392,916	88,829	46,798
Delinquent Taxes Receivable							2,031	2,403
Current Portion of Special Assessments Receivable		242,618			242,618	234,527		
Due from Other Governmental Units							566	458
Inventories	293,451		348,149		641,600	621,295		
Prepaid Items	6,083	18,094	21,544	4,602	50,323	47,237		
Total Current Assets	543,164	5,311,636	7,936,808	1,887,635	15,679,243	13,643,076	1,457,923	1,457,709
Noncurrent Assets								
Restricted Cash			999,500		999,500	999,500		
Special Assessments Receivable, Net of Current Portion		4,825,166			4,825,166	5,067,784		
Capital Assets								
Assets Not Being Depreciated	112,600	21,373	796,404	243,493	1,173,870	1,861,194		
Other Capital Assets, Net of Depreciation	1,179,017	37,546,198	17,336,894	4,252,466	60,314,575	61,720,207	2,356,487	2,317,533
Total Noncurrent Assets	1,291,617	42,392,737	19,132,798	4,495,959	67,313,111	69,648,685	2,356,487	2,317,533
Total Assets	1,834,781	47,704,373	27,069,606	6,383,594	82,992,354	83,291,761	3,814,410	3,775,242
Deferred Outflows of Resources	30,929	43,231	479,401	12,687	566,248	770,676		
Total Assets and Deferred Outflows of Resources	\$ 1,865,710	\$ 47,747,604	\$ 27,549,007	\$ 6,396,281	\$ 83,558,602	\$ 84,062,437	\$ 3,814,410	\$ 3,775,242

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund			
	Liquor	Sewer	Electric	Water	Totals		2018	2017
					2018	2017		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION								
Liabilities								
Current Liabilities								
Accounts Payable	\$ 24,228	\$ 4,904	\$ 548,836	\$	\$ 577,968	\$ 501,475	\$	\$
Contracts Payable						12,823		
Accrued Salaries	4,513	6,430	20,962	1,940	33,845	30,617		
Accrued Interest Payable		200,636	133,495	11,937	346,068	400,712		
Deposits Payable				56,150	56,150	57,750		
Unearned Revenue	3,267				3,267	3,267		
Due to Other Governmental Units	24,391		23,010	695	48,096	49,188		
Current Portion of Other Noncurrent Liabilities		1,484,000	822,000	318,000	2,624,000	1,783,738	75,000	95,000
Total Current Liabilities	56,399	1,695,970	1,548,303	388,722	3,689,394	2,839,570	75,000	95,000
Noncurrent Liabilities								
Net Pension Liability	141,928	198,381	522,410	58,223	920,942	1,314,158		
Total OPEB Liability	33,552	46,897	123,497	13,764	217,710	256,703		
Other Noncurrent Liabilities, Net of Current Portion	10,413	21,595,395	10,336,775	658,997	32,601,580	35,274,004		75,000
Total Noncurrent Liabilities	185,893	21,840,673	10,982,682	730,984	33,740,232	36,844,865	0	75,000
Total Liabilities	242,292	23,536,643	12,530,985	1,119,706	37,429,626	39,684,435	75,000	170,000
Deferred Inflows of Resources	41,481	57,981	152,686	17,017	269,165	254,691		
Net Position								
Net Investment in Capital Assets	1,291,617	14,508,089	7,410,268	3,527,959	26,737,933	27,034,791	2,281,487	2,147,533
Unrestricted	290,320	9,644,891	7,455,068	1,731,599	19,121,878	17,088,520	1,457,923	1,457,709
Total Net Position	1,581,937	24,152,980	14,865,336	5,259,558	45,859,811	44,123,311	3,739,410	3,605,242
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,865,710	\$ 47,747,604	\$ 27,549,007	\$ 6,396,281	\$ 83,558,602	\$ 84,062,437	\$ 3,814,410	\$ 3,775,242

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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2018	2017
					2018	2017		
OPERATING REVENUES								
Sales	\$ 2,563,158	\$	\$	\$	\$ 2,563,158	\$ 2,456,519	\$	\$
Cost of Goods Sold	(1,928,208)				(1,928,208)	(1,842,640)		
Gross Profit on Sales	634,950	0	0	0	634,950	613,879	0	0
Charges for Services		3,941,722	10,334,790	911,340	15,187,852	14,653,493	505,700	556,265
Other			39,578		39,578	43,427		
Total Operating Revenues	634,950	3,941,722	10,374,368	911,340	15,862,380	15,310,799	505,700	556,265
OPERATING EXPENSES								
Salaries and Benefits	272,520	307,205	957,819	51,846	1,589,390	2,070,671		
Supplies	10,212	389,442			399,654	399,046		
Other Services and Charges	117,013	864,589		5,129	986,731	909,588	70,221	62,609
Purchased Power			6,119,627	71,952	6,191,579	6,063,135		
Production			125,813	69,066	194,879	142,520		
Distribution			141,381	102,392	243,773	346,527		
Administrative and General			175,249	28,279	203,528	219,537		
Depreciation	28,058	1,165,039	680,910	315,284	2,189,291	1,873,728	483,608	487,372
Total Operating Expenses	427,803	2,726,275	8,200,799	643,948	11,998,825	12,024,752	553,829	549,981
Operating Income (Loss)	207,147	1,215,447	2,173,569	267,392	3,863,555	3,286,047	(48,129)	6,284
NONOPERATING REVENUES (EXPENSES)								
Taxes							40,557	43,420
Special Assessments		182,930			182,930	190,749		
Intergovernmental							60,000	40,000
Interest Income	1,580	35,157	42,581	13,883	93,201	48,857	11,590	246
Miscellaneous Revenue	1,278	22,609	73,063	1,985	98,935	109,246		
Gain (Loss) on Disposal of an Asset			(3,346)	(16,219)	(19,565)	428		74,039
Interest Expense		(533,120)	(323,827)	(37,733)	(894,680)	(1,047,910)	(4,861)	(9,575)
Miscellaneous Expense			(28,866)		(28,866)	(24,836)	(450)	(450)
Total Nonoperating Revenues (Expenses)	2,858	(292,424)	(240,395)	(38,084)	(568,045)	(723,466)	106,836	147,680
Income (Loss) Before Capital Contributions and Transfers	210,005	923,023	1,933,174	229,308	3,295,510	2,562,581	58,707	153,964
TRANSFERS								
Transfers In						75,000	75,461	226,424
Transfers Out	(238,657)	(584,505)	(558,250)	(177,598)	(1,559,010)	(1,162,589)		
Total Transfers	(238,657)	(584,505)	(558,250)	(177,598)	(1,559,010)	(1,087,589)	75,461	226,424
Change in Net Position	(28,652)	338,518	1,374,924	51,710	1,736,500	1,474,992	134,168	380,388
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	1,610,589	23,814,462	13,490,412	5,207,848	44,123,311	42,886,662	3,605,242	3,224,854
PRIOR PERIOD ADJUSTMENT						(238,343)		
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,610,589	23,814,462	13,490,412	5,207,848	44,123,311	42,648,319	3,605,242	3,224,854
NET POSITION, END OF YEAR	\$ 1,581,937	\$ 24,152,980	\$ 14,865,336	\$ 5,259,558	\$ 45,859,811	\$ 44,123,311	\$ 3,739,410	\$ 3,605,242

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers	\$ 2,563,507	\$ 3,911,431	\$ 10,182,833	\$ 903,749	\$ 17,561,520	\$ 17,149,194	\$ 463,669	\$ 509,467
Payments to Suppliers	(2,071,472)	(1,282,642)	(6,455,587)	(286,641)	(10,096,342)	(9,919,603)	(70,221)	(66,038)
Payments to Employees	(266,694)	(405,791)	(1,040,837)	(122,211)	(1,835,533)	(1,911,942)		
Net Cash Provided (Used) by Operating Activities	225,341	2,222,998	2,686,409	494,897	5,629,645	5,317,649	393,448	443,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Taxes							40,929	44,446
Intergovernmental							59,892	41,811
Other Receipts	2,858	57,766	112,298	(351)	172,571	158,531	11,590	246
Other Disbursements			(28,866)		(28,866)	(24,386)	(450)	(450)
Interfund Loans						103,852		
Special Assessments		417,457			417,457	417,456		
Transfers In from Other Funds						75,000	75,461	226,424
Transfers Out to Other Funds	(238,657)	(584,505)	(558,250)	(177,598)	(1,559,010)	(1,162,589)		
Net Cash Provided (Used) by Noncapital Financing Activities	(235,799)	(109,282)	(474,818)	(177,949)	(997,848)	(432,136)	187,422	312,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and Construction of Capital Assets			(125,377)	16,219	(109,158)	(387,211)	(522,562)	(239,240)
Proceeds on Issuance of Long-Term Debt						10,464,871		
Principal Reduction on Long-Term Debt		(1,442,000)	(32,000)	(309,000)	(1,783,000)	(14,001,767)	(95,000)	(150,000)
Interest and Fiscal Agent Fees Paid on Bonds and Notes		(555,661)	(365,486)	(41,275)	(962,422)	(1,552,883)	(4,861)	(9,575)
Net Cash Provided (Used) for Capital and Related Financing Activities	0	(1,997,661)	(522,863)	(334,056)	(2,854,580)	(5,476,990)	(622,423)	(398,815)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,458)	116,055	1,688,728	(17,108)	1,777,217	(591,477)	(41,553)	357,091
CASH AND CASH EQUIVALENTS, BEGINNING 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
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 243,259	\$ 4,609,754	\$ 7,480,252	\$ 1,790,553	\$ 14,123,818	\$ 12,346,601	\$ 1,366,497	\$ 1,408,050

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2018	2017
					2018	2017		
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES								
Operating Income (Loss)	\$ 207,147	\$ 1,215,447	\$ 2,173,569	\$ 267,392	\$ 3,863,555	\$ 3,286,047	\$ (48,129)	\$ 6,284
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Depreciation	28,058	1,165,039	680,910	315,284	2,189,291	1,873,728	483,608	487,372
Pension Related Adjustments	4,607	(84,727)	(70,066)	(58,702)	(208,888)	111,343		
OPEB Related Adjustments	682	(16,265)	(13,925)	(11,164)	(40,672)	52,311		
(Increase) Decrease in Assets								
Accounts Receivable (Net)	349	(30,291)	(191,535)	(5,991)	(227,468)	5,855	(42,031)	(46,798)
Inventories	(8,168)		(12,137)		(20,305)	(16,960)		
Prepaid Items	(515)	(1,068)	(1,240)	(263)	(3,086)	792		
Increase (Decrease) in Liabilities								
Accounts Payable	(8,602)	(27,543)	118,839	(6,201)	76,493	19,167		(3,429)
Accrued Salaries	558	1,434	1,581	(345)	3,228	(283)		
Deposits Payable				(1,600)	(1,600)	(10,100)		
Due to Other Governmental Units	1,246		1,021	(3,359)	(1,092)	391		
Compensated Absences	(21)	972	(608)	(154)	189	(4,642)		
Net Cash Provided (Used) by Operating Activities	<u>\$ 225,341</u>	<u>\$ 2,222,998</u>	<u>\$ 2,686,409</u>	<u>\$ 494,897</u>	<u>\$ 5,629,645</u>	<u>\$ 5,317,649</u>	<u>\$ 393,448</u>	<u>\$ 443,429</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	Private Purpose Trust Funds
ASSETS	
Current Assets	
Cash	\$ 228,483
Accounts Receivable	126
	228,609
Total Current Assets	\$ 228,609
NET POSITION	
Held in Trust for Other Purposes	\$ 228,609

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2018

	Private Purpose Trust Funds
ADDITIONS	
Donations	\$ 700
Interest Income	1,734
Total Additions	2,434
DEDUCTIONS	
Professional Services	1,200
Change in Net Position	1,234
NET POSITION, BEGINNING OF YEAR	227,375
NET POSITION, END OF YEAR	\$ 228,609

See Accompanying Notes to the Financial Statements

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CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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.

The Civic Arena Improvements Capital Project Fund is used to account for the costs incurred related to the civic arena refrigeration improvement project.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, the City's termination benefit liability was \$17,505.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$916,567. 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 prepaid items and inventories that be considered unassigned.

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2017, from which the partial information was derived.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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>
Civic Arena Improvements Capital Project Fund	\$ (67,119)
Nonmajor Capital Project Funds	
TH 12 Frontage Rd Improvements	(4,434)

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Nonmajor Special Revenue Funds		
Golf Course	\$ 393,008	\$ 341,675
Downtown/Heritage Preservation	25,036	
TIF District No. 4-12 Towmaster	2,523	
Infrastructure Street	12,260	
Community Reinvestment	437,161	
Lake Ripley Improvement	20,220	

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	\$ 7,893,143
Non-Negotiable Certificates of Deposit	16,000,000
ATM	5,770
Petty Cash	628
Cash with Fiscal Agent	<u>532,256</u>
Total Deposits	<u><u>\$ 24,431,797</u></u>

Deposits are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 22,671,558
Cash Held with Fiscal Agent	532,256
Restricted Cash	999,500
Statement of Fiduciary Net Position	
Cash	<u>228,483</u>
Total Cash and Cash Equivalents	<u><u>\$ 24,431,797</u></u>

CITY OF LITCHFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2018

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
<u>Governmental Activities</u>		
Accounts	\$ 171,036	\$
Contracts	16,000	12,000
Interest	108,530	
Delinquent Property Taxes	54,934	
Special Assessments	126,901	105,223
Capital Lease	939,166	649,167
	<u>\$ 1,416,567</u>	<u>\$ 766,390</u>
 <u>Business-Type Activities</u>		
Accounts	\$ 1,620,384	\$
Special Assessments	5,067,784	4,825,166
	<u>\$ 6,688,168</u>	<u>\$ 4,825,166</u>

NOTE 5. INVENTORIES

Inventories are as follows:

<u>Governmental Activities</u>		
Golf Course		
Pro Shop		\$ 8,427
Airport		
Fuel Inventory		16,513
		<u>\$ 24,940</u>
 <u>Business-Type Activities</u>		
Electric		
Transformers		\$ 267,249
Line Inventory		60,814
Pole/Conduit		20,086
Liquor		293,451
		<u>\$ 641,600</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following:

<u>Governmental Activities</u>		
Meeker County		\$ 27,921
State of Minnesota		121,854
Other		14,637
		<hr/>
Total Governmental Activities		<u>\$ 164,412</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 1,824,293	\$	\$	\$ 1,824,293
Easements	10,428			10,428
Construction in Progress	1,067,962	3,069,386		4,137,348
Total Capital Assets, Not Being Depreciated	2,902,683	3,069,386	0	5,972,069
Capital Assets, Being Depreciated				
Buildings	9,777,288			9,777,288
Improvements Other than Buildings	21,340,527	7,794		21,348,321
Machinery and Equipment	9,202,736	522,562		9,725,298
Total Capital Assets, Being Depreciated	40,320,551	530,356	0	40,850,907
Less Accumulated Depreciation for				
Buildings	3,863,598	213,446		4,077,044
Improvements Other than Buildings	8,362,652	653,902		9,016,554
Machinery and Equipment	6,825,029	505,291		7,330,320
Total Accumulated Depreciation	19,051,279	1,372,639	0	20,423,918
Total Capital Assets, Being Depreciated, Net	21,269,272	(842,283)	0	20,426,989
Governmental Activities Net Capital Assets	<u>\$ 24,171,955</u>	<u>\$ 2,227,103</u>	<u>\$ 0</u>	<u>\$ 26,399,058</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	1,126,039	103,077	(790,401)	438,715
Total Capital Assets, Not Being Depreciated	1,861,194	103,077	(790,401)	1,173,870
Capital Assets, Being Depreciated				
Buildings	46,290,201			46,290,201
Improvements Other than Buildings	35,526,375	803,224		36,329,599
Machinery and Equipment	10,144,461		(259,077)	9,885,384
Total Capital Assets, Being Depreciated	91,961,037	803,224	(259,077)	92,505,184
Less Accumulated Depreciation for				
Buildings	10,328,548	1,052,100		11,380,648
Improvements Other than Buildings	12,948,029	874,416		13,822,445
Machinery and Equipment	6,964,253	262,775	(239,512)	6,987,516
Total Accumulated Depreciation	30,240,830	2,189,291	(239,512)	32,190,609
Total Capital Assets, Being Depreciated, Net	61,720,207	(1,386,067)	(19,565)	60,314,575
Business-Type Activities Net Capital Assets	<u>\$ 63,581,401</u>	<u>\$ (1,282,990)</u>	<u>\$ (809,966)</u>	<u>\$ 61,488,445</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 108,977
Public Safety	219,363
Public Works	683,802
Airport	176,977
Culture and Recreation	183,520
Total Depreciation Expense - Governmental Activities	<u>\$ 1,372,639</u>
Business-Type Activities	
Liquor	\$ 28,058
Sewer	1,165,039
Electric	680,910
Water	315,284
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,189,291</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	Transfer In				Total
	General	Civic Arena Improvements	Internal Service	Nonmajor Governmental Funds	
Transfer Out					
General	\$	\$	\$ 50,000	\$ 272,492	\$ 322,492
Liquor				238,657	238,657
Sewer	205,898			378,607	584,505
Electric	288,902			269,348	558,250
Water	177,598				177,598
Nonmajor Governmental Funds		388,770	25,461	36,805	451,036
Total	<u>\$ 672,398</u>	<u>\$ 388,770</u>	<u>\$ 75,461</u>	<u>\$ 1,195,909</u>	<u>\$ 2,332,538</u>

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

NOTE 9. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

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

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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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 CIP Bonds, Series 2011B	2.00-4.125%	02/01/2032	\$ 2,530,000
General Obligation CIP Bonds, Series 2015A	2.00-2.25%	02/01/2025	715,000
General Obligation Bonds, Series 2018A	3.45-4.00%	02/01/2038	3,410,000
G.O. Special Assessment Bonds			
G.O. Improvement and Refunding Bonds, Series 2011C	1.00-3.70%	02/01/2027	475,000
G.O. Revenue Bonds			
Public Project Lease Revenue Bonds, Series 2007B	4.50-5.10%	02/01/2028	360,000
G.O. Housing Development Bonds, Series 2011A	2.00-3.40%	02/01/2022	1,205,000
Capital Equipment Notes			75,000
Bond Premium			142,746
Termination Benefits			17,505
Compensated Absences			<u>132,879</u>
Total Governmental Activities			<u>\$ 9,063,130</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
G.O. Sewer System Bonds, Series 2011D	1.00-4.10%	02/01/2032	\$ 1,195,000
G.O. Revenue Bonds			
G.O. Utility Revenue Bonds, Series 2014A	2.00-3.75%	02/01/2035	1,745,000
G.O. Special Assessment Bonds			
G.O. Improvement Bonds, Series 2013A	3.00-4.00%	02/01/2035	7,820,000
G.O. Revenue Notes			
1999 Water Treatment Loan	3.540%	08/20/2019	288,000
2001 Wastewater Treatment Loan	2.680%	08/20/2022	2,728,000
2009 Clean Water Revolving Fund Loan	2.652%	08/20/2029	4,796,048
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			549,022
Compensated Absences			<u>109,510</u>
Total Business-Type Activities			<u>\$ 35,225,580</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. Internal service funds are used to liquidate the governmental activities capital equipment notes. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences. 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, 2018, the balance remaining was \$75,000.

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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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.

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

Refunding Transaction - 2017A

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

General Obligation Bonds - 2018A

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

C. MINIMUM DEBT PAYMENTS

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

Year Ending December 31	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 230,000	\$ 176,187	\$ 80,000	\$ 14,150
2020	240,000	218,678	80,000	12,070
2021	410,000	209,128	40,000	10,390
2022	425,000	195,953	40,000	9,110
2023	440,000	182,177	45,000	7,750
2024-2028	2,100,000	680,340	190,000	14,430
2029-2033	2,070,000	289,534		
2034-2038	740,000	43,800		
	<u>\$ 6,655,000</u>	<u>\$ 1,995,797</u>	<u>\$ 475,000</u>	<u>\$ 67,900</u>

Year Ending December 31	Governmental Activities			
	G.O. Revenue Bonds		Capital Equipment Notes	
	Principal	Interest	Principal	Interest
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	35,000	11,040		
2024-2028	200,000	26,499		
	<u>\$ 1,565,000</u>	<u>\$ 177,460</u>	<u>\$ 75,000</u>	<u>\$ 1,500</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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
2019	\$ 70,000	\$ 40,270	\$ 80,000	\$ 51,783
2020	70,000	38,590	80,000	50,183
2021	70,000	36,770	90,000	48,483
2022	75,000	34,740	90,000	46,683
2023	75,000	32,528	90,000	44,658
2024-2028	425,000	122,260	480,000	186,163
2029-2033	410,000	34,448	565,000	104,071
2034-2035			270,000	10,313
	<u>\$ 1,195,000</u>	<u>\$ 339,605</u>	<u>\$ 1,745,000</u>	<u>\$ 542,334</u>

Year Ending December 31	Business-Type Activities			
	G.O. Special Assessment Bonds		G.O. Revenue Notes	
	Principal	Interest	Principal	Interest
2019	\$ 360,000	\$ 263,225	\$ 1,324,000	\$ 210,498
2020	365,000	252,350	1,064,000	172,644
2021	375,000	241,250	1,093,000	144,238
2022	385,000	229,850	1,121,000	115,058
2023	395,000	218,150	423,000	85,131
2024-2028	2,165,000	901,925	2,292,000	251,174
2029-2033	2,585,000	499,188	2,375,048	13,130
2034-2038	1,190,000	48,000	2,350,000	
2039-2042			1,770,000	
	<u>\$ 7,820,000</u>	<u>\$ 2,653,938</u>	<u>\$ 13,812,048</u>	<u>\$ 991,872</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2019	\$ 790,000	\$ 288,000
2020	815,000	263,925
2021	835,000	239,175
2022	860,000	213,750
2023	890,000	187,500
2024-2028	4,835,000	516,675
2029-2032	970,000	14,550
	<u>\$ 9,995,000</u>	<u>\$ 1,723,575</u>

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 3,735,000	\$ 3,410,000	\$ (490,000)	\$ 6,655,000	\$ 230,000
G.O. Special					
Assessment Bonds	575,000		(100,000)	475,000	80,000
G.O. Revenue Bonds	1,870,000		(305,000)	1,565,000	320,000
Capital Equipment					
Notes	145,000		(70,000)	75,000	75,000
Bond Premium	19,890	125,669	(2,813)	142,746	
Termination Benefits	75,051		(57,546)	17,505	13,246
Compensated					
Absences	147,194	159,200	(173,515)	132,879	
Total Governmental Activities	<u>\$ 6,567,135</u>	<u>\$ 3,694,869</u>	<u>\$ (1,198,874)</u>	<u>\$ 9,063,130</u>	<u>\$ 718,246</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 1,260,000	\$	\$ (65,000)	\$ 1,195,000	\$ 70,000
G.O. Revenue Bonds	1,825,000		(80,000)	1,745,000	80,000
G.O. Special					
Assessment Bonds	8,170,000		(350,000)	7,820,000	360,000
G.O. Revenue Notes	15,100,048		(1,288,000)	13,812,048	1,324,000
Revenue Bonds	9,995,000			9,995,000	790,000
Bond Premium	598,372		(49,350)	549,022	
Compensated					
Absences	109,321	99,127	(98,938)	109,510	
Total Business-Type Activities	<u>\$ 37,057,741</u>	<u>\$ 99,127</u>	<u>\$ (1,931,288)</u>	<u>\$ 35,225,580</u>	<u>\$ 2,624,000</u>

E. CONDUIT DEBT OBLIGATIONS

In 2011, the City issued conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective entities to which the proceeds were remitted. As of December 31, 2018, the aggregate balance outstanding was \$1,397,002.

F. PLEDGED 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	\$ 11,718,575	\$ 343,995	
Revenue Bonds,					
Series 2014A					
Improvements					
Utility Charges	100%	2014-2035	893,874	52,858	
Total Electric Utility			<u>\$ 12,612,449</u>	<u>\$ 396,853</u>	\$ 10,334,790

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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
Water Utility Revenue Bonds, Series 2014A Improvements Utility Charges	100%	2014-2035	\$ 890,656	\$ 50,793	\$ 911,340
Sewer Utility Revenue Bonds, Series 2014A Improvements Utility Charges	100%	2014-2035	\$ 502,804	\$ 29,732	\$ 3,941,722

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 2018 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, there are no other claims liabilities reported in the financial statements based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

A. PLAN DESCRIPTION

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2017, the plan covered 29 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

B. BENEFITS PROVIDED

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

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

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

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

C. CONTRIBUTIONS

The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. As of December 31, 2017, the State of Minnesota contributed \$63,207 in fire state aid to the plan on behalf of the Fire Department.

D. PENSION COSTS

The City reported a net pension liability (asset) of \$(101,128). The City's net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 1/1/2017	\$ 627,771	\$ 671,657	\$ (43,886)
Changes for the Year:			
Service Cost	34,218		34,218
Interest	31,932		31,932
Contributions - Member		29	(29)
Contributions - State		63,207	(63,207)
Net Investment Income		71,510	(71,510)
Benefit Payments	(46,680)	(46,680)	
Administrative Expense		(11,354)	11,354
	<u>19,470</u>	<u>76,712</u>	<u>(57,242)</u>
Net Change			
	<u>\$ 647,241</u>	<u>\$ 748,369</u>	<u>\$ (101,128)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$(7,401).

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 36,523	\$
Changes in actuarial assumptions		7,687
Net differences between projected and actual investment earnings		5,034
Contributions paid to plan subsequent to measurement date	64,236	
State aid received for the plan subsequent to measurement date		64,236
	<u>64,236</u>	<u>64,236</u>
Totals	<u>\$ 100,759</u>	<u>\$ 76,957</u>

\$64,236 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, 2019. \$64,236 reported as deferred inflows of resources related to pensions resulting from state aid received for the plan subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

<u>December 31,</u>	<u>Pension Expense Amount</u>	
2019	\$	11,062
2020		6,445
2021		(2,336)
2022		(3,881)
2023		4,081
Thereafter		8,431

E. ACTUARIAL ASSUMPTIONS

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

Actuarial Cost Method:	Entry Age Normal level of percent of pay cost
Amortization Method:	Straight-line - closed
Remaining Amortization 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

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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

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 January 10, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2016 - December 31, 2016.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.00%. 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.

G. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) calculated using the discount rate as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 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)	\$ (87,413)	\$ (101,128)	\$ (114,637)

H. ASSET ALLOCATION

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

H. ASSET ALLOCATION (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	23.00%	4.95%
International Equity	30.00%	5.24%
Fixed Income	21.00%	1.99%
Real Estate	1.00%	4.19%
Cash	25.00%	0.58%
	<u>100.00%</u>	

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

I. PENSION PLAN FIDUCIARY NET POSITION:

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

NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

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

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

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

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

B. BENEFITS PROVIDED

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

GERP Benefits:

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PEFP Benefits:

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

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

C. CONTRIBUTIONS

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$158,245. The City's contributions were equal to the required contributions as set by state statute.

PEFPF Contributions:

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2018. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$108,538. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2018 the City reported a liability of \$1,769,681 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$57,967. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion share was 0.0319% which was a decrease of 0.0011% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019;

For the year ended December 31, 2018, the City recognized pension expense of \$102,651 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$13,518 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, 2018 the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 48,384	\$ 52,099
Changes in actuarial assumptions	170,639	203,536
Differences between projected and actual investment earnings		185,686
Changes in proportion	32,478	73,398
Contributions paid to GERP subsequent to measurement date	79,828	
	<u>79,828</u>	
Totals	<u>\$ 331,329</u>	<u>\$ 514,719</u>

\$79,828 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2019	\$ 38,558
2020	(100,708)
2021	(164,131)
2022	(36,937)

PEPFP Pension Costs:

At December 31, 2018 the City reported a liability of \$613,957 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion was 0.0576% which was a decrease of 0.0024% from its proportion measured as of June 30, 2017. The City also recognized \$5,184 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 the City recognized pension expense of \$5,184 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 25,342	\$ 169,566
Changes in actuarial assumptions	848,111	940,626
Differences between projected and actual investment earnings		121,460
Changes in proportion		154,664
Contributions paid to PEPFP subsequent to measurement date	<u>60,937</u>	
Totals	<u>\$ 934,390</u>	<u>\$ 1,386,316</u>

\$60,937 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2019	\$ (37,932)
2020	(66,440)
2021	(114,183)
2022	(286,882)
2023	(7,426)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

<u>Actuarial Assumptions</u>	<u>GERP</u>	<u>PEPFP</u>
Inflation	2.50% per year	2.50% per year
Salary Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERP:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEFPF:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	20.00%	5.90%
Cash	2.00%	0.00%
	100.00%	

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, and the Police and Fire Fund. 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 paragraphs, 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:

	<u>GERP</u>		<u>PEFPF</u>	
1% Lower	6.50%	\$ 2,875,959	15.20%	\$ 1,316,362
Current Discount Rate	7.50%	1,769,681	16.20%	613,957
1% Higher	8.50%	856,481	17.20%	33,097

H. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 13. DEFINED CONTRIBUTION PLAN

5 council members and 23 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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13. DEFINED CONTRIBUTION PLAN (Cont'd)

Total contributions made by the City of Litchfield during fiscal year 2018 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
Elected Officials	\$ 1,020	\$ 1,020	5.00%	5.00%	5.00%
Ambulance Service Personnel	12,271	24,018	51.09%	100.00%	N/A

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 40 active participants and 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 \$418,349 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to December 31, 2018.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at December 31, 2017	\$ 411,515
Changes for the year:	
Service Cost	24,914
Interest	15,796
Changes in Assumptions or Other Inputs	9,804
Benefit Payments	(43,680)
Net Changes	6,834
Balance at December 31, 2018	\$ 418,349

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.81% in 2017 to 3.31% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	<u>1.0% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1.0% Increase in Discount Rate (4.31%)</u>
Total OPEB Liability	\$ 431,036	\$ 418,349	\$ 404,859

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

	<u>1.0% Decrease (5.80% decreasing to 3.40%)</u>	<u>Healthcare Cost Trend Rates (6.80% decreasing to 4.40%)</u>	<u>1.0% Increase (7.80% decreasing to 5.40%)</u>
Total OPEB Liability	\$ 383,185	\$ 418,349	\$ 458,142

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$39,235. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 8,151	\$ 2,509
Contributions paid subsequent to measurement date	<u>46,168</u>	
Totals	<u>\$ 54,319</u>	<u>\$ 2,509</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

<u>Year ended June 30,</u>	<u>OPEB Expense</u>
2019	\$ 1,015
2020	1,015
2021	1,015
2022	1,058
2023	1,539

E. ACTUARIAL METHODS AND ASSUMPTIONS

Total OPEB liability in the December 31, 2017 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 2018, decreasing on average 0.37% per year to an ultimate rate of 4.4% for 2075 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.31% 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017-December 31, 2017.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 15. FUND BALANCE

The following is a summary of fund balance components:

	General	Civic Arena Improvements	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$ 57,541	\$	\$ 60,037	\$ 117,578
Restricted for				
Tax Increment			20,070	20,070
Debt Service			2,199,405	2,199,405
Total Restricted	<u>0</u>	<u>0</u>	<u>2,219,475</u>	<u>2,219,475</u>
Assigned				
Hazardous Building Improvements	88,517			88,517
Dial-A-Ride	146,747			146,747
GAR Hall Improvements	47,689			47,689
Public Access	72,008			72,008
Tree Management	170,941			170,941
Cafeteria	2,576			2,576
Capital Outlay	1,527,677		2,564,014	4,091,691
Fund Operations			1,377,386	1,377,386
Total Assigned	<u>2,056,155</u>	<u>0</u>	<u>3,941,400</u>	<u>5,997,555</u>
Unassigned	<u>1,463,455</u>	<u>(67,119)</u>	<u>(4,434)</u>	<u>1,391,902</u>
	<u>\$ 3,577,151</u>	<u>\$ (67,119)</u>	<u>\$ 6,216,478</u>	<u>\$ 9,726,510</u>

NOTE 16. COMMITMENT

A. PURCHASED POWER AGREEMENT

Litchfield Public Utilities is committed to purchase all power from two agencies, Southern Minnesota Municipal Power Agency (SMMPA) of which Litchfield Public Utilities is a member and Western Area Power Administration (WAPA). Each member of SMMPA is obligated to purchase all of its power from the Agency, with the exception that the Litchfield Public Utilities may continue its purchase of hydro-power from WAPA, which amounts to approximately 24.55% of the Utilities' requirements. The remaining percentage of power usage must be purchased from SMMPA per contract requirements.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16. COMMITMENT (Cont'd)

B. CONSTRUCTION PROJECTS

The City has the following projects in progress:

Project	Contract Amount	Remaining Commitment
2015 Sealcoat Improvement Project	\$ 328,790	\$ 14,154
2017 State Aid Overlay Improvements	318,418	47,670
2017 Improvement Project	857,380	53,801
2017 Civic Arena Improvement Project	1,346,594	71,341
2018 Splash Pad	358,322	13,612
2018 Improvement Project	713,898	102,184
2018 Frontage Road Improvement Project	305,956	43,793

NOTE 17. RECLASSIFICATIONS

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

NOTE 18. TAX ABATEMENTS

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

For the year ended December 31, 2018, the City abated property taxes totaling \$10,955 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

Business	Purpose	Percent Abated	Amount Abated
First District Association	Economic Development	8.94%	\$ <u>10,955</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 19. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
Related to Pensions	\$ 1,194,056	\$ 1,710,133
Related to OPEB	<u>26,051</u>	<u>1,203</u>
Total Governmental Activities	<u>\$ 1,220,107</u>	<u>\$ 1,711,336</u>
<u>Business-Type Activities</u>		
Related to Pensions	\$ 172,422	\$ 267,859
Related to OPEB	28,268	1,306
Related to Refunding of Debt	<u>365,558</u>	<u> </u>
Total Business-Type Activities	<u>\$ 566,248</u>	<u>\$ 269,165</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2018

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>GERP</u>							
6/30/2018	0.0319%	\$ 1,769,681	\$ 57,967	\$ 1,827,648	\$ 2,083,744	87.71%	79.53%
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>PEFPF</u>							
6/30/2018	0.0576%	613,957		613,957	607,539	101.06%	88.84%
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, 2018

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>GERP</u>					
12/31/2018	\$ 158,245	\$ 158,245	\$	\$ 2,109,907	7.50%
12/31/2017	156,706	156,706		2,089,401	7.50%
12/31/2016	157,377	157,377		2,098,356	7.50%
12/31/2015	147,087	147,087		1,960,930	7.50%
 <u>PEFP</u>					
12/31/2018	108,538	108,538		669,988	16.20%
12/31/2017	94,146	94,146		581,151	16.20%
12/31/2016	102,648	102,648		633,632	16.20%
12/31/2015	101,629	101,629		627,342	16.20%

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

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2018

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

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

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
DECEMBER 31, 2018

	Measurement Date	
	12/31/2017	12/31/2016
Service Cost	\$ 24,914	\$ 24,137
Interest	15,796	15,121
Changes in Assumptions	9,804	(3,785)
Benefit Payments	(43,680)	(58,804)
Net Change in Total OPEB Liability	6,834	(23,331)
Total OPEB Liability - Beginning of Year	411,515	434,846
Total OPEB Liability - End of Year	\$ 418,349	\$ 411,515
Covered Employee Payroll	\$ 3,103,947	\$ 3,103,947
Total OPEB Liability as a % of Covered Employee Payroll	13.48%	13.26%

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

No changes.

2017 Changes:

No changes.

2016 Changes:

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. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2018 Changes:

No changes.

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

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

C. OTHER POSTEMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST

2018 Changes:

No changes.

2017 Changes:

No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

The mortality projection was changes from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

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

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

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.

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. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP)

2018 Changes:

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

2017 Changes:

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

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

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

2017 Changes: (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.

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.

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.

C. OTHER POSTEMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST

2018 Changes:

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

2017 Changes:

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

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SUPPLEMENTARY INFORMATION

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COMBINING STATEMENTS OF NONMAJOR FUNDS

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CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects	Totals
ASSETS				
Cash and Cash Equivalents	\$ 1,312,274	\$ 722,268	\$ 2,647,868	\$ 4,682,410
Cash with Fiscal Agent		532,256		532,256
Receivables				
Accounts	17,859			17,859
Contracts	16,000			16,000
Delinquent Property Taxes		10,342		10,342
Special Assessments		126,027		126,027
Capital Lease		939,166		939,166
Due from Other Governmental Units	71,262	5,715		76,977
Inventories	24,940			24,940
Prepaid Items	60,037			60,037
	<u>\$ 1,502,372</u>	<u>\$ 2,335,774</u>	<u>\$ 2,647,868</u>	<u>\$ 6,486,014</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 4,141	\$	\$	\$ 4,141
Contracts Payable	37,016		88,288	125,304
Accrued Salaries	3,225			3,225
Due to Other Governmental Units	497			497
Total Liabilities	<u>44,879</u>	<u>0</u>	<u>88,288</u>	<u>133,167</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Property Taxes		10,342		10,342
Special Assessments		126,027		126,027
Total Deferred Inflows of Resources	<u>0</u>	<u>136,369</u>	<u>0</u>	<u>136,369</u>
Fund Balance				
Nonspendable	60,037			60,037
Restricted	20,070	2,199,405		2,219,475
Assigned	1,377,386		2,564,014	3,941,400
Unassigned			(4,434)	(4,434)
Total Fund Balance	<u>1,457,493</u>	<u>2,199,405</u>	<u>2,559,580</u>	<u>6,216,478</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,502,372</u>	<u>\$ 2,335,774</u>	<u>\$ 2,647,868</u>	<u>\$ 6,486,014</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUES				
Property Taxes	\$ 367	\$ 509,797	\$	\$ 510,164
Special Assessments		34,002		34,002
Intergovernmental	177,303	50,001		227,304
Charges for Services	605,507			605,507
Interest Income	11,267	74,307	15,826	101,400
Miscellaneous	201,395			201,395
Total Revenues	<u>995,839</u>	<u>668,107</u>	<u>15,826</u>	<u>1,679,772</u>
EXPENDITURES				
Current				
General Government	63,214			63,214
Public Works	12,260			12,260
Airport	100,218			100,218
Culture and Recreation	642,376			642,376
Economic Development	27,559			27,559
Capital Outlay				
General Government			683,013	683,013
Public Works			238,061	238,061
Airport			295	295
Culture and Recreation	380,882			380,882
Economic Development			337,719	337,719
Debt Service				
Principal		870,000		870,000
Interest and Other Charges		296,277		296,277
Total Expenditures	<u>1,226,509</u>	<u>1,166,277</u>	<u>1,259,088</u>	<u>3,651,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,670)	(498,170)	(1,243,262)	(1,972,102)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Bonds		83,172	2,302,438	2,385,610
Premium from the Issuance of Bonds		125,669		125,669
Transfers In	289,228	117,825	788,856	1,195,909
Transfers Out	(277,371)	(43,286)	(130,379)	(451,036)
Total Other Financing Sources (Uses)	<u>11,857</u>	<u>283,380</u>	<u>2,960,915</u>	<u>3,256,152</u>
Net Change in Fund Balances	(218,813)	(214,790)	1,717,653	1,284,050
FUND BALANCE, BEGINNING OF YEAR	<u>1,676,306</u>	<u>2,414,195</u>	<u>841,927</u>	<u>4,932,428</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,457,493</u>	<u>\$ 2,199,405</u>	<u>\$ 2,559,580</u>	<u>\$ 6,216,478</u>

CITY OF LITCHFIELD, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2018

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Towmaster
ASSETS						
Cash and Cash Equivalents	\$ 1,294	\$ 132,539	\$ 109,951	\$ 201,643	\$ 200,001	\$ 20,070
Receivables						
Accounts		299			16,893	
Contracts						
Due from Other Governmental Units				5,188	50,000	
Inventories		8,427		16,513		
Prepaid Items		50,098		6,596	2,056	
	<u>1,294</u>	<u>191,363</u>	<u>109,951</u>	<u>229,940</u>	<u>268,950</u>	<u>20,070</u>
Total Assets	<u>\$ 1,294</u>	<u>\$ 191,363</u>	<u>\$ 109,951</u>	<u>\$ 229,940</u>	<u>\$ 268,950</u>	<u>\$ 20,070</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$	\$	\$ 3,371	\$ 770	\$	\$
Contracts Payable						
Accrued Salaries Payable					3,225	
Due to Other Governmental Units		368			129	
Total Liabilities	<u>0</u>	<u>368</u>	<u>3,371</u>	<u>770</u>	<u>3,354</u>	<u>0</u>
Fund Balance						
Nonspendable		50,098		6,596	2,056	
Restricted						20,070
Assigned	1,294	140,897	106,580	222,574	263,540	
Total Fund Balance	<u>1,294</u>	<u>190,995</u>	<u>106,580</u>	<u>229,170</u>	<u>265,596</u>	<u>20,070</u>
Total Liabilities and Fund Balance	<u>\$ 1,294</u>	<u>\$ 191,363</u>	<u>\$ 109,951</u>	<u>\$ 229,940</u>	<u>\$ 268,950</u>	<u>\$ 20,070</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2018

	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals
ASSETS							
Cash and Cash Equivalents	\$ 359,250	\$ 87,770	\$ 6,809	\$ 178,275	\$ 857	\$ 13,815	\$ 1,312,274
Receivables							
Accounts				667			17,859
Contracts				16,000			16,000
Due from Other Governmental Units	14,779		1,295				71,262
Inventories							24,940
Prepaid Items		1,287					60,037
Total Assets	\$ 374,029	\$ 89,057	\$ 8,104	\$ 194,942	\$ 857	\$ 13,815	\$ 1,502,372
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$	\$	\$	\$	\$	\$	\$ 4,141
Contracts Payable	28,404			8,612			37,016
Accrued Salaries Payable							3,225
Due to Other Governmental Units							497
Total Liabilities	28,404	0	0	8,612	0	0	44,879
Fund Balance							
Nonspendable		1,287					60,037
Restricted							20,070
Assigned	345,625	87,770	8,104	186,330	857	13,815	1,377,386
Total Fund Balance	345,625	89,057	8,104	186,330	857	13,815	1,457,493
Total Liabilities and Fund Balance	\$ 374,029	\$ 89,057	\$ 8,104	\$ 194,942	\$ 857	\$ 13,815	\$ 1,502,372

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2018

	2007B Public Project Lease	2011A G.O. Improvement	2011B G.O. CIP Bonds
ASSETS			
Cash and Cash Equivalents	\$ 64,341	\$	\$ 219,259
Cash with Fiscal Agent		532,256	
Receivables			
Delinquent Property Taxes	1,030		1,757
Special Assessments			
Capital Lease		939,166	
Due from Other Governmental Units	474		902
	<u>65,845</u>		<u>902</u>
Total Assets	\$ 65,845	\$ 1,471,422	\$ 221,918
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Deferred Inflows of Resources			
Unavailable Revenue			
Delinquent Property Taxes	\$ 1,030	\$	\$ 1,757
Special Assessments			
Total Deferred Inflows of Resources	<u>1,030</u>	<u>0</u>	<u>1,757</u>
Fund Balance			
Restricted	<u>64,815</u>	<u>1,471,422</u>	<u>220,161</u>
Total Deferred Inflows of Resources and Fund Balance	\$ 65,845	\$ 1,471,422	\$ 221,918

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2018

	2011C G.O. Improvement	2015A G.O. Improvement	2018A G.O. Bonds	Totals
ASSETS				
Cash and Cash Equivalents	\$ 180,314	\$ 127,208	\$ 131,146	\$ 722,268
Cash with Fiscal Agent				532,256
Receivables				
Delinquent Property Taxes	6,150	1,405		10,342
Special Assessments	126,027			126,027
Capital Lease				939,166
Due from Other Governmental Units	3,172	1,167		5,715
	<u>3,172</u>	<u>1,167</u>		<u>5,715</u>
Total Assets	<u>\$ 315,663</u>	<u>\$ 129,780</u>	<u>\$ 131,146</u>	<u>\$ 2,335,774</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Property Taxes	\$ 6,150	\$ 1,405	\$	\$ 10,342
Special Assessments	126,027			126,027
Total Deferred Inflows of Resources	<u>132,177</u>	<u>1,405</u>	<u>0</u>	<u>136,369</u>
Fund Balance				
Restricted	<u>183,486</u>	<u>128,375</u>	<u>131,146</u>	<u>2,199,405</u>
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 315,663</u>	<u>\$ 129,780</u>	<u>\$ 131,146</u>	<u>\$ 2,335,774</u>

CITY OF LITCHFIELD, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2018

	Eastern Development	2018 Improvement Project	TH 12 Frontage Rd Improvements	TH 12 Improvements
ASSETS				
Cash and Cash Equivalents	\$ 160,718	\$ 43,137	\$ 9,365	\$ 262,654
LIABILITIES AND FUND BALANCE				
Liabilities				
Contracts Payable	\$	\$ 32,195	\$ 13,799	\$
Fund Balance				
Assigned	160,718	10,942		262,654
Unassigned			(4,434)	
Total Fund Balance	160,718	10,942	(4,434)	262,654
Total Liabilities and Fund Balance	\$ 160,718	\$ 43,137	\$ 9,365	\$ 262,654

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2018

	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Storm Sewer Improvements	Totals
ASSETS					
Cash and Cash Equivalents	\$ 79,422	\$ 1,449,096	\$ 599,261	\$ 44,215	\$ 2,647,868
LIABILITIES AND FUND BALANCE					
Liabilities					
Contracts Payable	\$	\$	\$	\$ 42,294	\$ 88,288
Fund Balance					
Assigned	79,422	1,449,096	599,261	1,921	2,564,014
Unassigned					(4,434)
Total Fund Balance	<u>79,422</u>	<u>1,449,096</u>	<u>599,261</u>	<u>1,921</u>	<u>2,559,580</u>
Total Liabilities and Fund Balance	<u>\$ 79,422</u>	<u>\$ 1,449,096</u>	<u>\$ 599,261</u>	<u>\$ 44,215</u>	<u>\$ 2,647,868</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2018

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Towmaster
REVENUES						
Property Taxes	\$	\$	\$	\$	\$	\$ 367
Intergovernmental				33,373	50,000	
Charges for Services		292,286		65,543	199,413	
Interest Income		1,069	937	1,420	2,854	
Miscellaneous		9,007		17,039	9,868	
Total Revenues	0	302,362	937	117,375	262,135	367
EXPENDITURES						
Current						
General Government						
Public Works						
Airport				100,218		
Culture and Recreation		393,008			172,869	
Economic Development			25,036			2,523
Capital Outlay						
Culture and Recreation						
Total Expenditures	0	393,008	25,036	100,218	172,869	2,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(90,646)	(24,099)	17,157	89,266	(2,156)
OTHER FINANCING SOURCES (USES)						
Transfers In		95,000			59,000	
Transfers Out				(9,098)	(258,391)	
Total Other Financing Sources (Uses)	0	95,000	0	(9,098)	(199,391)	0
Net Change in Fund Balances	0	4,354	(24,099)	8,059	(110,125)	(2,156)
FUND BALANCE, BEGINNING OF YEAR	1,294	186,641	130,679	221,111	375,721	22,226
FUND BALANCE, END OF YEAR	\$ 1,294	\$ 190,995	\$ 106,580	\$ 229,170	\$ 265,596	\$ 20,070

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2018

	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals
REVENUES							
Property Taxes	\$	\$	\$	\$	\$	\$	\$ 367
Intergovernmental	93,930						177,303
Charges for Services		48,265					605,507
Interest Income	2,593	706	45	1,416		227	11,267
Miscellaneous		285	3,444	156,417		5,335	201,395
Total Revenues	<u>96,523</u>	<u>49,256</u>	<u>3,489</u>	<u>157,833</u>	<u>0</u>	<u>5,562</u>	<u>995,839</u>
EXPENDITURES							
Current							
General Government		63,214					63,214
Public Works	12,260						12,260
Airport							100,218
Culture and Recreation				56,279		20,220	642,376
Economic Development							27,559
Capital Outlay							
Culture and Recreation				380,882			380,882
Total Expenditures	<u>12,260</u>	<u>63,214</u>	<u>0</u>	<u>437,161</u>	<u>0</u>	<u>20,220</u>	<u>1,226,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,263	(13,958)	3,489	(279,328)	0	(14,658)	(230,670)
OTHER FINANCING SOURCES (USES)							
Transfers In		10,000		125,228			289,228
Transfers Out		(9,882)					(277,371)
Total Other Financing Sources (Uses)	<u>0</u>	<u>118</u>	<u>0</u>	<u>125,228</u>	<u>0</u>	<u>0</u>	<u>11,857</u>
Net Change in Fund Balances	84,263	(13,840)	3,489	(154,100)	0	(14,658)	(218,813)
FUND BALANCE, BEGINNING OF YEAR	<u>261,362</u>	<u>102,897</u>	<u>4,615</u>	<u>340,430</u>	<u>857</u>	<u>28,473</u>	<u>1,676,306</u>
FUND BALANCE, END OF YEAR	<u>\$ 345,625</u>	<u>\$ 89,057</u>	<u>\$ 8,104</u>	<u>\$ 186,330</u>	<u>\$ 857</u>	<u>\$ 13,815</u>	<u>\$ 1,457,493</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2018

	2007A G.O. Improvement	2007B Public Project Lease	2009B G.O. Improvement	2011A G.O. Improvement
REVENUES				
Property Taxes	\$ 216,415	\$ 45,428	\$ 57	\$
Special Assessments			7,934	
Intergovernmental				
Interest Income		321		70,720
Total Revenues	<u>216,415</u>	<u>45,749</u>	<u>7,991</u>	<u>70,720</u>
EXPENDITURES				
Debt Service				
Principal	240,000	25,000	25,000	280,000
Interest and Other Charges	19,729	24,263	4,694	41,265
Total Expenditures	<u>259,729</u>	<u>49,263</u>	<u>29,694</u>	<u>321,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,314)	(3,514)	(21,703)	(250,545)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Bonds				
Premium from the Issuance of Bonds				
Transfers In	9,337			
Transfers Out	(25,461)		(8,488)	
Total Other Financing Sources (Uses)	<u>(16,124)</u>	<u>0</u>	<u>(8,488)</u>	<u>0</u>
Net Change in Fund Balances	(59,438)	(3,514)	(30,191)	(250,545)
FUND BALANCE, BEGINNING OF YEAR	<u>59,438</u>	<u>68,329</u>	<u>30,191</u>	<u>1,721,967</u>
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 64,815</u>	<u>\$ 0</u>	<u>\$ 1,471,422</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2018

	2011B G.O. CIP Bonds	2011C G.O. Improvement	2015A G.O. Improvement	2018A G.O. Bonds	Totals
REVENUES					
Property Taxes	\$ 85,834	\$ 53,925	\$ 108,138	\$	\$ 509,797
Special Assessments		26,068			34,002
Intergovernmental	50,001				50,001
Interest Income	1,035	1,628	519	84	74,307
Total Revenues	<u>136,870</u>	<u>81,621</u>	<u>108,657</u>	<u>84</u>	<u>668,107</u>
EXPENDITURES					
Debt Service					
Principal	130,000	75,000	95,000		870,000
Interest and Other Charges	95,213	16,890	16,444	77,779	296,277
Total Expenditures	<u>225,213</u>	<u>91,890</u>	<u>111,444</u>	<u>77,779</u>	<u>1,166,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,343)	(10,269)	(2,787)	(77,695)	(498,170)
OTHER FINANCING SOURCES (USES)					
Proceeds from the Issuance of Bonds				83,172	83,172
Premium from the Issuance of Bonds				125,669	125,669
Transfers In	100,000	8,488			117,825
Transfers Out		(9,337)			(43,286)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(849)</u>	<u>0</u>	<u>208,841</u>	<u>283,380</u>
Net Change in Fund Balances	11,657	(11,118)	(2,787)	131,146	(214,790)
FUND BALANCE, BEGINNING OF YEAR	<u>208,504</u>	<u>194,604</u>	<u>131,162</u>	<u>0</u>	<u>2,414,195</u>
FUND BALANCE, END OF YEAR	<u>\$ 220,161</u>	<u>\$ 183,486</u>	<u>\$ 128,375</u>	<u>\$ 131,146</u>	<u>\$ 2,199,405</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2018

	Eastern Development	2018 Improvement Project	TH 12 Frontage Rd Improvements	TH 12 Improvements
REVENUES				
Interest Income	\$ 1,219	\$	\$	\$
EXPENDITURES				
Capital Outlay				
General Government		683,013		
Public Works		98,737		112,653
Airport				
Economic Development			337,719	
Total Expenditures	<u>0</u>	<u>781,750</u>	<u>337,719</u>	<u>112,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,219	(781,750)	(337,719)	(112,653)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Bonds		848,469	338,969	
Transfers In		31,921		397,955
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>880,390</u>	<u>338,969</u>	<u>397,955</u>
Net Change in Fund Balances	1,219	98,640	1,250	285,302
FUND BALANCE, BEGINNING OF YEAR	<u>159,499</u>	<u>(87,698)</u>	<u>(5,684)</u>	<u>(22,648)</u>
FUND BALANCE, END OF YEAR	<u>\$ 160,718</u>	<u>\$ 10,942</u>	<u>\$ (4,434)</u>	<u>\$ 262,654</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2018

	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Storm Sewer Improvements	Totals
REVENUES					
Interest Income	\$ 545	\$ 9,096	\$ 4,966	\$	\$ 15,826
EXPENDITURES					
Capital Outlay					
General Government					683,013
Public Works				26,671	238,061
Airport	295				295
Economic Development					337,719
Total Expenditures	<u>295</u>	<u>0</u>	<u>0</u>	<u>26,671</u>	<u>1,259,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	250	9,096	4,966	(26,671)	(1,243,262)
OTHER FINANCING SOURCES (USES)					
Proceeds from the Issuance of Bonds				1,115,000	2,302,438
Transfers In		250,000	93,980	15,000	788,856
Transfers Out			(130,379)		(130,379)
Total Other Financing Sources (Uses)	<u>0</u>	<u>250,000</u>	<u>(36,399)</u>	<u>1,130,000</u>	<u>2,960,915</u>
Net Change in Fund Balances	250	259,096	(31,433)	1,103,329	1,717,653
FUND BALANCE, BEGINNING OF YEAR	<u>79,172</u>	<u>1,190,000</u>	<u>630,694</u>	<u>(1,101,408)</u>	<u>841,927</u>
FUND BALANCE, END OF YEAR	<u>\$ 79,422</u>	<u>\$ 1,449,096</u>	<u>\$ 599,261</u>	<u>\$ 1,921</u>	<u>\$ 2,559,580</u>

INDIVIDUAL FUND STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 GENERAL FUND
 DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 3,498,333	\$ 2,189,372
Receivables		
Accounts	64,348	66,593
Interest	108,530	55,892
Delinquent Property Taxes	42,561	45,279
Special Assessments	874	1,500
Due from Other Governmental Units	86,869	23,225
Prepaid Items	57,541	46,620
Due from Other Funds		1,175,932
	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,859,056</u>	<u>\$ 3,604,413</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 51,909	\$ 42,321
Accrued Salaries	56,590	46,769
Due to Other Governmental Units	129,971	60,978
Total Liabilities	<u>238,470</u>	<u>150,068</u>
Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Property Taxes	42,561	45,279
Special Assessments	874	1,500
Total Deferred Inflows of Resources	<u>43,435</u>	<u>46,779</u>
Fund Balance		
Nonspendable	57,541	46,620
Assigned	2,056,155	1,767,298
Unassigned	1,463,455	1,593,648
Total Fund Balance	<u>3,577,151</u>	<u>3,407,566</u>
	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,859,056</u>	<u>\$ 3,604,413</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Property Taxes	\$ 1,938,055	\$ 1,954,421	\$ 16,366	\$ 1,866,918
Lodging Tax		2,706	2,706	
Licenses and Permits	116,900	174,679	57,779	287,960
Intergovernmental	2,078,135	2,105,689	27,554	2,023,459
Charges for Services	184,850	234,528	49,678	220,671
Fines and Forfeits	21,000	32,899	11,899	26,184
Interest Income	21,000	66,987	45,987	45,378
Miscellaneous	10,000	30,648	20,648	44,169
Total Revenues	4,369,940	4,602,557	232,617	4,514,739
EXPENDITURES				
Current				
General Government	1,158,810	971,403	(187,407)	1,001,287
Public Safety	2,009,073	1,999,555	(9,518)	1,859,054
Public Works	1,257,265	1,231,461	(25,804)	1,076,963
Culture and Recreation	630,236	589,266	(40,970)	570,745
Economic Development	200		(200)	
Capital Outlay				
General Government	2,856	2,756	(100)	2,756
Public Works				21,598
Culture and Recreation	750		(750)	
Total Expenditures	5,059,190	4,794,441	(264,749)	4,532,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	(689,250)	(191,884)	497,366	(17,664)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of an Asset	2,000	11,563	9,563	14,379
Transfers In	677,250	672,398	(4,852)	691,275
Transfers Out	(10,000)	(322,492)	(312,492)	(510,000)
Total Other Financing Sources (Uses)	669,250	361,469	(307,781)	195,654
Net Change in Fund Balances	\$ (20,000)	169,585	\$ 189,585	177,990
FUND BALANCE, BEGINNING OF YEAR		3,407,566		3,229,576
FUND BALANCE, END OF YEAR		\$ 3,577,151		\$ 3,407,566

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Property Taxes	\$ 1,938,055	\$ 1,954,421	\$ 16,366	\$ 1,866,918
Lodging Tax		2,706	2,706	
Licenses and Permits				
Business Licenses and Permits	94,550	118,197	23,647	118,132
Non-Business Licenses and Permits	22,350	56,482	34,132	169,828
Total Licenses and Permits	116,900	174,679	57,779	287,960
Intergovernmental				
Local Governmental Aid	1,935,223	1,935,223		1,877,694
Firemen's Relief Aid	60,000	64,236	4,236	63,207
Police State Aid	70,000	69,601	(399)	68,578
PERA Aid	9,412	9,412		9,412
Police Training Reimbursement	3,500	7,656	4,156	2,543
Other		19,561	19,561	2,025
Total Intergovernmental	2,078,135	2,105,689	27,554	2,023,459
Charges for Services				
General Government	31,850	36,481	4,631	37,940
Public Safety	117,500	130,066	12,566	122,851
Public Works	3,000	13,549	10,549	2,880
Culture and Recreation	32,500	54,432	21,932	57,000
Total Charges for Services	184,850	234,528	49,678	220,671
Fines and Forfeits	21,000	32,899	11,899	26,184
Interest Income	21,000	66,987	45,987	45,378
Miscellaneous				
Rents	2,000	1,935	(65)	1,980
Donations		10,243	10,243	11,370
Insurance Dividend		6,271	6,271	13,836
Other	8,000	12,199	4,199	16,983
Total Miscellaneous	10,000	30,648	20,648	44,169
Total Revenues	4,369,940	4,602,557	232,617	4,514,739

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES				
Current				
General Government				
City Council	\$ 30,022	\$ 25,368	\$ (4,654)	\$ 26,279
Publication of Ordinances and Proceedings	6,200	5,125	(1,075)	6,968
Mayor	8,544	6,858	(1,686)	7,948
City Administrator	287,457	277,064	(10,393)	267,152
Elections and Voter's Registration	13,600	15,422	1,822	
Boards and Commissions	7,030	5,399	(1,631)	5,437
Finance				
Municipal Clerk	109,508	89,941	(19,567)	94,281
Assessor	43,000	22,794	(20,206)	44,184
Independent Accounting and Auditing	30,020	24,800	(5,220)	16,160
Purchasing	52,155	37,867	(14,288)	37,233
Technology Services	51,000	41,820	(9,180)	55,575
Legal	122,725	103,494	(19,231)	127,167
Planning and Zoning	65,200	80,422	15,222	26,773
Advertising	18,600	18,569	(31)	17,206
Government Buildings				
City Hall	37,700	32,465	(5,235)	26,897
G.A.R. Hall	19,300	20,295	995	21,285
Other	256,749	163,700	(93,049)	220,742
Total General Government	1,158,810	971,403	(187,407)	1,001,287
Public Safety				
Police Protection	1,473,620	1,516,985	43,365	1,352,222
Fire Protection	263,740	239,242	(24,498)	213,440
Building Inspection	115,320	109,897	(5,423)	173,061
Civil Defense	4,425	2,352	(2,073)	1,835
Rescue Squad	136,968	119,607	(17,361)	111,692
Traffic Engineering	12,400	9,361	(3,039)	4,740
Animal Control	2,600	2,111	(489)	2,064
Total Public Safety	2,009,073	1,999,555	(9,518)	1,859,054

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Works				
Administration and Engineering	\$ 36,714	\$ 18,370	\$ (18,344)	\$ 49,702
Streets and Alleys	955,517	988,824	33,307	805,269
Snow and Ice Removal	49,093	25,962	(23,131)	25,715
Sidewalks	6,000	4,861	(1,139)	4,448
Street Lighting	4,575	4,475	(100)	4,442
Maintenance Shop	136,481	126,262	(10,219)	111,200
Street Cleaning	8,450	4,020	(4,430)	5,236
Storm Drainage	18,700	34,995	16,295	23,458
Weed Control	430		(430)	
Insect and Pest Control	8,380	3,416	(4,964)	3,685
Compost Site	32,925	20,276	(12,649)	43,808
Total Public Works	<u>1,257,265</u>	<u>1,231,461</u>	<u>(25,804)</u>	<u>1,076,963</u>
Culture and Recreation				
Playgrounds	35,500	35,346	(154)	36,256
Swimming Pools and Beach	11,850	19,542	7,692	3,544
Skating Rinks	8,400	7,783	(617)	4,624
Other Recreation	45,700	44,352	(1,348)	42,135
Camping Areas	21,600	20,807	(793)	15,838
Municipal Parks	254,822	240,041	(14,781)	241,929
Band	4,765	2,400	(2,365)	2,800
Forestry and Shade Trees	40,473	33,149	(7,324)	28,918
Library	207,126	185,846	(21,280)	194,701
Total Culture and Recreation	<u>630,236</u>	<u>589,266</u>	<u>(40,970)</u>	<u>570,745</u>
Economic Development	<u>200</u>		<u>(200)</u>	
Total Current	<u>5,055,584</u>	<u>4,791,685</u>	<u>(263,899)</u>	<u>4,508,049</u>
Capital Outlay				
General Government	2,856	2,756	(100)	2,756
Public Works				21,598
Culture and Recreation	<u>750</u>		<u>(750)</u>	
Total Capital Outlay	<u>3,606</u>	<u>2,756</u>	<u>(850)</u>	<u>24,354</u>
Total Expenditures	<u>5,059,190</u>	<u>4,794,441</u>	<u>(264,749)</u>	<u>4,532,403</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(689,250)	(191,884)	497,366	(17,664)

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of an Asset	\$ 2,000	\$ 11,563	\$ 9,563	\$ 14,379
Transfers In	677,250	672,398	(4,852)	691,275
Transfers Out	(10,000)	(322,492)	(312,492)	(510,000)
Total Other Financing Sources (Uses)	<u>669,250</u>	<u>361,469</u>	<u>(307,781)</u>	<u>195,654</u>
Net Change in Fund Balances	<u>\$ (20,000)</u>	169,585	<u>\$ 189,585</u>	177,990
FUND BALANCE, BEGINNING OF YEAR		<u>3,407,566</u>		<u>3,229,576</u>
FUND BALANCE, END OF YEAR		<u>\$ 3,577,151</u>		<u>\$ 3,407,566</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017
	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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services				
Memberships	\$ 250,600	\$ 257,344	\$ 6,744	\$ 254,381
Sales and Other	34,500	34,942	442	34,611
Total Charges for Services	<u>285,100</u>	<u>292,286</u>	<u>7,186</u>	<u>288,992</u>
Interest Income		1,069	1,069	483
Miscellaneous				
Other	5,000	8,470	3,470	8,305
Insurance Dividend		537	537	1,156
Total Miscellaneous	<u>5,000</u>	<u>9,007</u>	<u>4,007</u>	<u>9,461</u>
Total Revenues	<u>290,100</u>	<u>302,362</u>	<u>12,262</u>	<u>298,936</u>
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	93,523	128,651	35,128	117,488
Operating Supplies	101,500	143,329	41,829	132,904
Professional Services	2,000	2,085	85	2,539
Communications	3,000	3,662	662	4,045
Insurance	10,000	9,822	(178)	9,540
Utilities	8,500	6,598	(1,902)	7,322
Repairs and Maintenance	23,500	26,688	3,188	13,520
Rentals	93,102	60,167	(32,935)	61,071
Miscellaneous	6,550	12,006	5,456	8,446
Total Expenditures	<u>341,675</u>	<u>393,008</u>	<u>51,333</u>	<u>356,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,575)	(90,646)	(39,071)	(57,939)
OTHER FINANCING SOURCES (USES)				
Transfers In		95,000	95,000	100,000
Transfers Out	(27,500)		27,500	
Total Other Financing Sources (Uses)	<u>(27,500)</u>	<u>95,000</u>	<u>122,500</u>	<u>100,000</u>
Net Change in Fund Balances	<u>\$ (79,075)</u>	4,354	<u>\$ 83,429</u>	42,061
FUND BALANCE, BEGINNING OF YEAR		<u>186,641</u>		<u>144,580</u>
FUND BALANCE, END OF YEAR		<u>\$ 190,995</u>		<u>\$ 186,641</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Investment Income	\$	\$ 937	\$ 937	\$
EXPENDITURES				
Current				
Economic Development		25,036	25,036	20,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	(24,099)	\$ (24,099)	(20,166)
FUND BALANCE, BEGINNING OF YEAR		130,679		150,845
FUND BALANCE, END OF YEAR		\$ 106,580		\$ 130,679

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AIRPORT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$ 30,028	\$ 33,373	\$ 3,345	\$ 36,073
Charges for Services				
Fuel Sales	86,300	65,543	(20,757)	76,604
Interest Income	200	1,420	1,220	1,025
Miscellaneous				
Rental Income	14,745	16,565	1,820	15,745
Insurance Dividend		474	474	1,020
Other				100
Total Miscellaneous	<u>14,745</u>	<u>17,039</u>	<u>2,294</u>	<u>16,865</u>
Total Revenues	<u>131,273</u>	<u>117,375</u>	<u>(13,898)</u>	<u>130,567</u>
EXPENDITURES				
Current				
Airport				
Fuel	70,500	58,338	(12,162)	65,511
Insurance	20,000	16,681	(3,319)	16,517
Other Services and Charges	26,550	20,283	(6,267)	20,949
Repair and Maintenance	5,125	4,916	(209)	1,882
Total Expenditures	<u>122,175</u>	<u>100,218</u>	<u>(21,957)</u>	<u>104,859</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	9,098	17,157	8,059	25,708
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(9,098)</u>	<u>(9,098)</u>		<u>(9,097)</u>
Net Change in Fund Balances	<u>\$ 0</u>	8,059	<u>\$ 8,059</u>	16,611
FUND BALANCE, BEGINNING OF YEAR		<u>221,111</u>		<u>204,500</u>
FUND BALANCE, END OF YEAR		<u>\$ 229,170</u>		<u>\$ 221,111</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$	\$ 50,000	\$ 50,000	\$
Charges for Services	172,550	199,413	26,863	201,518
Interest Income	200	2,854	2,654	1,929
Miscellaneous				
Rents and Refunds	8,000	9,463	1,463	10,837
Insurance Dividend		405	405	866
Other				36
Total Miscellaneous	8,000	9,868	1,868	11,739
Total Revenues	180,750	262,135	81,385	215,186
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	95,109	88,225	(6,884)	93,398
Insurance	9,000	7,406	(1,594)	7,171
Supplies	15,600	15,461	(139)	15,258
Repair and Maintenance	24,900	10,178	(14,722)	20,346
Other Services and Charges	40,642	4,821	(35,821)	3,344
Community Room	8,447	2,356	(6,091)	2,238
Rentals	5,552	5,552		5,552
Utilities	40,000	38,870	(1,130)	38,803
Capital Outlay				
Culture and Recreation	500		500	
Total Expenditures	239,750	172,869	(66,881)	186,110
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(59,000)	89,266	148,266	29,076
OTHER FINANCING SOURCES (USES)				
Transfers In	59,000	59,000		59,000
Transfers Out		(258,391)	(258,391)	(110,570)
Total Other Financing Sources (Uses)	59,000	(199,391)	(258,391)	(51,570)
Net Change in Fund Balances	\$ 0	(110,125)	\$ (110,125)	(22,494)
FUND BALANCE, BEGINNING OF YEAR		375,721		398,215
FUND BALANCE, END OF YEAR		\$ 265,596		\$ 375,721

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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual		Actual
REVENUES				
Tax Increment	\$	\$ 367	\$ 367	\$ 783
EXPENDITURES				
Current				
Economic Development				
Professional Services		1,740	1,740	2,023
Miscellaneous		783	783	
Total Expenditures	<u>0</u>	<u>2,523</u>	<u>2,523</u>	<u>2,023</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(2,156)</u>	<u>\$ (2,156)</u>	<u>(1,240)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>22,226</u>		<u>23,466</u>
FUND BALANCE, END OF YEAR		<u>\$ 20,070</u>		<u>\$ 22,226</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$ 85,000	\$ 93,930	\$ 8,930	\$ 405,974
Interest Income		2,593	2,593	
Total Revenues	<u>85,000</u>	<u>96,523</u>	<u>11,523</u>	<u>405,974</u>
EXPENDITURES				
Current				
Public Works				
Other Services and Charges		12,260	12,260	59,938
Capital Outlay				
Public Works				299,151
Total Expenditures	<u>0</u>	<u>12,260</u>	<u>12,260</u>	<u>359,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 85,000</u>	<u>84,263</u>	<u>\$ (737)</u>	<u>46,885</u>
FUND BALANCE, BEGINNING OF YEAR		<u>261,362</u>		<u>214,477</u>
FUND BALANCE, END OF YEAR		<u>\$ 345,625</u>		<u>\$ 261,362</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services				
Professional Services	\$ 22,000	\$ 20,600	\$ (1,400)	\$ 16,840
Sale of Lots	42,000	27,665	(14,335)	38,000
Total Charges for Services	64,000	48,265	(15,735)	54,840
Interest Income	200	706	506	438
Miscellaneous				
Donations		173	173	
Insurance Dividends		112	112	126
Total Miscellaneous	0	285	285	126
Total Revenues	64,200	49,256	(14,944)	55,404
EXPENDITURES				
Current				
General Government				
Salaries and Benefits	24,072	19,001	(5,071)	27,582
Supplies	18,000	20,657	2,657	12,959
Insurance	2,400	3,197	797	2,238
Repairs and Maintenance	3,675	4,645	970	3,277
Utilities	2,500	1,418	(1,082)	2,981
Rentals	2,936	2,936		
Miscellaneous	10,735	11,360	625	17,572
Total Expenditures	64,318	63,214	(1,104)	66,609
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118)	(13,958)	(13,840)	(11,205)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000		75,739
Transfers Out	(9,882)	(9,882)		(9,882)
Total Other Financing Sources (Uses)	118	118	0	65,857
Net Change in Fund Balances	\$ 0	(13,840)	\$ (13,840)	54,652
FUND BALANCE, BEGINNING OF YEAR		102,897		48,245
FUND BALANCE, END OF YEAR		\$ 89,057		\$ 102,897

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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Interest Income	\$ 81	\$ 45	\$ (36)	\$
Miscellaneous				
Other		3,444	3,444	1,939
Total Revenues	<u>81</u>	<u>3,489</u>	<u>3,408</u>	<u>1,939</u>
Net Change in Fund Balances	<u>\$ 81</u>	<u>3,489</u>	<u>\$ 3,408</u>	<u>1,939</u>
FUND BALANCE, BEGINNING OF YEAR		<u>4,615</u>		<u>2,676</u>
FUND BALANCE, END OF YEAR		<u>\$ 8,104</u>		<u>\$ 4,615</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY REINVESTMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Interest Income	\$	\$ 1,416	\$ 1,416	\$
Miscellaneous				
Donations		155,750	155,750	8,750
Other	10,750	667	(10,083)	8,002
Total Miscellaneous	10,750	156,417	145,667	16,752
Total Revenues	10,750	157,833	147,083	16,752
EXPENDITURES				
Current				
Culture and Recreation				
Professional Services		56,171	56,171	21,010
Other		108	108	86
Capital Outlay				
Culture and Recreation		380,882	380,882	21,720
Total Expenditures	0	437,161	437,161	42,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,750	(279,328)	(290,078)	(26,064)
OTHER FINANCING SOURCES (USES)				
Transfers In		125,228	125,228	197,992
Net Change in Fund Balances	\$ 10,750	(154,100)	\$ (164,850)	171,928
FUND BALANCE, BEGINNING OF YEAR		340,430		168,502
FUND BALANCE, END OF YEAR		\$ 186,330		\$ 340,430

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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017
	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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017
	Final Budget	Actual		Actual
REVENUES				
Intergovernmental	\$	\$	\$	\$ 2,018
Interest Income		227	227	
Miscellaneous				
Donations		5,335	5,335	1,835
Total Revenues		<u>5,562</u>	<u>5,562</u>	<u>3,853</u>
EXPENDITURES				
Current				
Culture and Recreation				
Supplies		930	930	
Repairs & Maintenance		18,001	18,001	
Miscellaneous		1,289	1,289	490
Total Expenditures	<u>0</u>	<u>20,220</u>	<u>20,220</u>	<u>490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>(14,658)</u>	<u>\$ (14,658)</u>	<u>3,363</u>
FUND BALANCE, BEGINNING OF YEAR		<u>28,473</u>		<u>25,110</u>
FUND BALANCE, END OF YEAR		<u>\$ 13,815</u>		<u>\$ 28,473</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 243,259	\$ 253,717
Accounts Receivable	371	720
Inventories	293,451	285,283
Prepaid Items	6,083	5,568
Total Current Assets	<u>543,164</u>	<u>545,288</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	112,600	112,600
Other Capital Assets, Net of Depreciation	1,179,017	1,207,075
Total Noncurrent Assets	<u>1,291,617</u>	<u>1,319,675</u>
Total Assets	<u>1,834,781</u>	<u>1,864,963</u>
Deferred Outflows of Resources		
	<u>30,929</u>	<u>45,768</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,865,710</u>	<u>\$ 1,910,731</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 24,228	\$ 32,830
Accrued Salaries	4,513	3,955
Unearned Revenue	3,267	3,267
Due to Other Governmental Units	24,391	23,145
Total Current Liabilities	<u>56,399</u>	<u>63,197</u>
Noncurrent Liabilities		
Net Pension Liability	141,928	163,058
Total OPEB Liability	33,552	31,851
Other Noncurrent Liabilities	10,413	10,434
Total Noncurrent Liabilities	<u>185,893</u>	<u>205,343</u>
Total Liabilities	<u>242,292</u>	<u>268,540</u>
Deferred Inflows of Resources		
	41,481	31,602
Net Position		
Net Investment in Capital Assets	1,291,617	1,319,675
Unrestricted	290,320	290,914
Total Net Position	<u>1,581,937</u>	<u>1,610,589</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,865,710</u>	<u>\$ 1,910,731</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017
	Budget	Actual	Actual
OPERATING REVENUES			
Sales	\$ 2,322,300	\$ 2,563,158	\$ 2,456,519
Cost of Goods Sold	(1,729,100)	(1,928,208)	(1,842,640)
Gross Profit on Sales	593,200	634,950	613,879
OPERATING EXPENSES			
Salaries and Benefits	267,547	272,520	292,894
Supplies	13,900	10,212	9,675
Other Services and Charges	253,053	117,013	113,443
Depreciation		28,058	28,058
Total Operating Expenses	534,500	427,803	444,070
Operating Income (Loss)	58,700	207,147	169,809
NONOPERATING REVENUES (EXPENSES)			
Interest Income	200	1,580	828
Miscellaneous Revenue	100	1,278	2,172
Total Nonoperating Revenues (Expenses)	300	2,858	3,000
Income (Loss) Before Transfers	59,000	210,005	172,809
TRANSFERS			
Transfers Out	(59,000)	(238,657)	(156,992)
Change in Net Position	\$ 0	(28,652)	15,817
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED			
		1,610,589	1,618,592
PRIOR PERIOD ADJUSTMENT			
			(23,820)
NET POSITION, BEGINNING OF YEAR, AS RESTATED			
		1,610,589	1,594,772
NET POSITION, END OF YEAR			
	\$	1,581,937	\$ 1,610,589

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,609,754	\$ 4,493,699
Accounts Receivable, Net of Allowance for Doubtful Accounts	441,170	410,879
Current Portion of Special Assessments Receivable	242,618	234,527
Prepaid Items	18,094	17,026
Total Current Assets	<u>5,311,636</u>	<u>5,156,131</u>
Noncurrent Assets		
Special Assessments Receivable, Net of Current Portion	4,825,166	5,067,784
Capital Assets		
Assets Not Being Depreciated	21,373	21,373
Other Capital Assets, Net of Depreciation	37,546,198	38,711,237
Total Noncurrent Assets	<u>42,392,737</u>	<u>43,800,394</u>
Total Assets	<u>47,704,373</u>	<u>48,956,525</u>
Deferred Outflows of Resources		
	<u>43,231</u>	<u>91,418</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 47,747,604</u>	<u>\$ 49,047,943</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 4,904	\$ 32,447
Accrued Salaries	6,430	4,996
Accrued Interest Payable	200,636	214,684
Current Portion of Other Noncurrent Liabilities	1,484,000	1,442,000
Total Current Liabilities	<u>1,695,970</u>	<u>1,694,127</u>
Noncurrent Liabilities		
Net Pension Liability	198,381	325,696
Total OPEB Liability	46,897	63,620
Other Noncurrent Liabilities, Net of Current Portion	21,595,395	23,086,916
Total Noncurrent Liabilities	<u>21,840,673</u>	<u>23,476,232</u>
Total Liabilities	<u>23,536,643</u>	<u>25,170,359</u>
Deferred Inflows of Resources		
	57,981	63,122
Net Position		
Net Investment in Capital Assets	14,508,089	14,222,635
Unrestricted	9,644,891	9,591,827
Total Net Position	<u>24,152,980</u>	<u>23,814,462</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 47,747,604</u>	<u>\$ 49,047,943</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 3,864,729	\$ 3,941,722	\$ 3,755,371
OPERATING EXPENSES			
Salaries and Benefits	516,339	307,205	490,696
Supplies	444,900	389,442	389,371
Other Services and Charges	1,137,108	864,589	796,145
Depreciation		1,165,039	876,304
Total Operating Expenses	<u>2,098,347</u>	<u>2,726,275</u>	<u>2,552,516</u>
Operating Income (Loss)	1,766,382	1,215,447	1,202,855
NONOPERATING REVENUES (EXPENSES)			
Special Assessments Revenue	417,457	182,930	190,749
Interest Income	3,330	35,157	17,230
Gain (Loss) on Disposal of an Asset			428
Miscellaneous Revenue		22,609	42,752
Interest Expense	<u>(562,706)</u>	<u>(533,120)</u>	<u>(571,804)</u>
Total Nonoperating Revenues (Expenses)	<u>(141,919)</u>	<u>(292,424)</u>	<u>(320,645)</u>
Income (Loss) Before Contributions and Transfers	1,624,463	923,023	882,210
TRANSFERS			
Transfers Out	<u>(183,250)</u>	<u>(584,505)</u>	<u>(233,250)</u>
Total Transfers	<u>(183,250)</u>	<u>(584,505)</u>	<u>(233,250)</u>
Change in Net Position	<u>\$ 1,441,213</u>	338,518	648,960
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED		23,814,462	23,237,009
PRIOR PERIOD ADJUSTMENT			<u>(71,507)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED		<u>23,814,462</u>	<u>23,165,502</u>
NET POSITION, END OF YEAR		<u>\$ 24,152,980</u>	<u>\$ 23,814,462</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,480,752	\$ 4,792,024
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,086,363	894,828
Inventories	348,149	336,012
Prepaid Items	21,544	20,304
Total Current Assets	<u>7,936,808</u>	<u>6,043,168</u>
Noncurrent Assets		
Restricted Cash	999,500	999,500
Capital Assets		
Assets Not Being Depreciated	796,404	1,483,728
Other Capital Assets, Net of Depreciation	17,336,894	17,217,926
Total Noncurrent Assets	<u>19,132,798</u>	<u>19,701,154</u>
Total Assets	<u>27,069,606</u>	<u>25,744,322</u>
Deferred Outflows of Resources		
	<u>479,401</u>	<u>596,474</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 27,549,007</u>	<u>\$ 26,340,796</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 548,836	\$ 429,997
Contracts Payable		12,823
Accrued Salaries	20,962	19,381
Accrued Interest Payable	133,495	170,549
Due to Other Governmental Units	23,010	21,989
Current Portion of Other Noncurrent Liabilities	822,000	32,000
Total Current Liabilities	<u>1,548,303</u>	<u>686,739</u>
Noncurrent Liabilities		
Net Pension Liability	522,410	693,525
Total OPEB Liability	123,497	135,471
Other Noncurrent Liabilities, Net of Current Portion	10,336,775	11,200,241
Total Noncurrent Liabilities	<u>10,982,682</u>	<u>12,029,237</u>
Total Liabilities	<u>12,530,985</u>	<u>12,715,976</u>
Deferred Inflows of Resources		
	152,686	134,408
Net Position		
Net Investment in Capital Assets	7,410,268	7,942,019
Unrestricted	7,455,068	5,548,393
Total Net Position	<u>14,865,336</u>	<u>13,490,412</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 27,549,007</u>	<u>\$ 26,340,796</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 ELECTRIC ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 9,843,434	\$ 10,334,790	\$ 9,943,393
Miscellaneous	20,000	39,578	43,427
Total Operating Revenues	<u>9,863,434</u>	<u>10,374,368</u>	<u>9,986,820</u>
OPERATING EXPENSES			
Salaries and Benefits	1,079,752	957,819	1,096,460
Purchased Power	6,215,000	6,119,627	5,983,325
Production	154,100	125,813	90,388
Distribution	194,993	141,381	272,859
Administrative and General	590,306	175,249	176,440
Depreciation		680,910	673,579
Total Operating Expenses	<u>8,234,151</u>	<u>8,200,799</u>	<u>8,293,051</u>
Operating Income (Loss)	<u>1,629,283</u>	<u>2,173,569</u>	<u>1,693,769</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	6,830	42,581	21,484
Miscellaneous Revenue	7,000	73,063	61,690
Interest Expense	(365,028)	(323,827)	(427,946)
Gain (Loss) on Disposal of an Asset		(3,346)	
Miscellaneous Expense		(28,866)	(24,836)
Total Nonoperating Revenues (Expenses)	<u>(351,198)</u>	<u>(240,395)</u>	<u>(369,608)</u>
Income (Loss) Before Contributions and Transfers	<u>1,278,085</u>	<u>1,933,174</u>	<u>1,324,161</u>
TRANSFERS			
Transfers Out	(508,250)	(558,250)	(660,478)
Total Transfers	<u>(508,250)</u>	<u>(558,250)</u>	<u>(660,478)</u>
Change in Net Position	<u>\$ 769,835</u>	1,374,924	663,683
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED			
		13,490,412	12,945,925
PRIOR PERIOD ADJUSTMENT			
			<u>(119,196)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED			
		<u>13,490,412</u>	<u>12,826,729</u>
NET POSITION, END OF YEAR			
		<u>\$ 14,865,336</u>	<u>\$ 13,490,412</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 WATER ENTERPRISE FUND
 DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,790,553	\$ 1,807,661
Accounts Receivable, Net of Allowance for Doubtful Accounts	92,480	86,489
Prepaid Items	4,602	4,339
Total Current Assets	<u>1,887,635</u>	<u>1,898,489</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	243,493	243,493
Other Capital Assets, Net of Depreciation	4,252,466	4,583,969
Total Noncurrent Assets	<u>4,495,959</u>	<u>4,827,462</u>
Total Assets	<u>6,383,594</u>	<u>6,725,951</u>
Deferred Outflows of Resources	<u>12,687</u>	<u>37,016</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 6,396,281</u></u>	<u><u>\$ 6,762,967</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$	\$ 6,201
Accrued Salaries	1,940	2,285
Accrued Interest Payable	11,937	15,479
Deposits Payable	56,150	57,750
Due to Other Governmental Units	695	4,054
Current Portion of Other Noncurrent Liabilities	318,000	309,738
Total Current Liabilities	<u>388,722</u>	<u>395,507</u>
Noncurrent Liabilities		
Net Pension Liability	58,223	131,879
Total OPEB Liability	13,764	25,761
Other Noncurrent Liabilities, Net of Current Portion	658,997	976,413
Total Noncurrent Liabilities	<u>730,984</u>	<u>1,134,053</u>
Total Liabilities	<u>1,119,706</u>	<u>1,529,560</u>
Deferred Inflows of Resources	17,017	25,559
Net Position		
Net Investment in Capital Assets	3,527,959	3,550,462
Unrestricted	1,731,599	1,657,386
Total Net Position	<u>5,259,558</u>	<u>5,207,848</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 6,396,281</u></u>	<u><u>\$ 6,762,967</u></u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 963,794	\$ 911,340	\$ 954,729
OPERATING EXPENSES			
Salaries and Benefits	190,467	51,846	190,621
Other Services and Charges	5,129	5,129	
Purchased Power	83,000	71,952	79,810
Production	72,600	69,066	52,132
Distribution	93,700	102,392	73,668
Administrative and General	111,804	28,279	43,097
Depreciation		315,284	295,787
Total Operating Expenses	<u>556,700</u>	<u>643,948</u>	<u>735,115</u>
Operating Income (Loss)	407,094	267,392	219,614
NONOPERATING REVENUES (EXPENSES)			
Interest Income	1,573	13,883	9,315
Miscellaneous Revenue		1,985	2,632
Interest Expense	(41,040)	(37,733)	(48,160)
Gain (Loss) on Disposal of an Asset		(16,219)	
Total Nonoperating Revenues (Expenses)	<u>(39,467)</u>	<u>(38,084)</u>	<u>(36,213)</u>
Income (Loss) Before Contributions and Transfers	367,627	229,308	183,401
TRANSFERS			
Transfers In			75,000
Transfers Out	(58,250)	(177,598)	(111,869)
Total Transfers	<u>(58,250)</u>	<u>(177,598)</u>	<u>(36,869)</u>
Change in Net Position	<u>\$ 309,377</u>	51,710	146,532
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED			
		5,207,848	5,085,136
PRIOR PERIOD ADJUSTMENT			
			(23,820)
NET POSITION, BEGINNING OF YEAR, AS RESTATED			
		<u>5,207,848</u>	<u>5,061,316</u>
NET POSITION, END OF YEAR			
		<u>\$ 5,259,558</u>	<u>\$ 5,207,848</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,366,497	\$ 1,408,050
Receivables		
Accounts Receivable (Net)	88,829	46,798
Delinquent Property Taxes	2,031	2,403
Due from Other Governmental Units	566	458
Total Current Assets	<u>1,457,923</u>	<u>1,457,709</u>
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	<u>2,356,487</u>	<u>2,317,533</u>
Total Assets	<u><u>\$ 3,814,410</u></u>	<u><u>\$ 3,775,242</u></u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Current Portion of Equipment Capital Notes	\$ 75,000	\$ 95,000
Noncurrent Liabilities		
Equipment Capital Notes, Net of Current Portion		75,000
Total Liabilities	<u>75,000</u>	<u>170,000</u>
Net Position		
Net Investment in Capital Assets	2,281,487	2,147,533
Unrestricted	1,457,923	1,457,709
Total Net Position	<u>3,739,410</u>	<u>3,605,242</u>
Total Liabilities and Net Position	<u><u>\$ 3,814,410</u></u>	<u><u>\$ 3,775,242</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
User Charges	\$ 505,700	\$ 556,265
OPERATING EXPENSES		
Other Services and Charges	70,221	62,609
Depreciation	<u>483,608</u>	<u>487,372</u>
Total Operating Expenses	<u>553,829</u>	<u>549,981</u>
Operating Income (Loss)	(48,129)	6,284
NONOPERATING REVENUES (EXPENSES)		
Taxes	40,557	43,420
Intergovernmental	60,000	40,000
Interest Income	11,590	246
Gain on Disposal of Asset		74,039
Interest Expense	(4,861)	(9,575)
Miscellaneous Expense	<u>(450)</u>	<u>(450)</u>
Total Nonoperating Revenues (Expenses)	<u>106,836</u>	<u>147,680</u>
Income (Loss) Before Transfers	58,707	153,964
TRANSFERS		
Transfers In	<u>75,461</u>	<u>226,424</u>
Change in Net Position	134,168	380,388
NET POSITION, BEGINNING OF YEAR	<u>3,605,242</u>	<u>3,224,854</u>
NET POSITION, END OF YEAR	<u>\$ 3,739,410</u>	<u>\$ 3,605,242</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Library	Lake Ripley Cemetery	Anderson Gardens	Totals	
				2018	2017
ASSETS					
Current Assets					
Cash	\$ 32,874	\$ 2,108	\$ 193,501	\$ 228,483	\$ 227,249
Accounts Receivable	126			126	126
Total Current Assets	<u>\$ 33,000</u>	<u>\$ 2,108</u>	<u>\$ 193,501</u>	<u>\$ 228,609</u>	<u>\$ 227,375</u>
NET POSITION					
Held in Trust for Other Purposes	<u>\$ 33,000</u>	<u>\$ 2,108</u>	<u>\$ 193,501</u>	<u>\$ 228,609</u>	<u>\$ 227,375</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Library	Lake Ripley Cemetery	Anderson Gardens	Totals	
				2018	2017
ADDITIONS					
Donations	\$	\$ 700	\$	\$ 700	\$ 2,591
Interest Income	249	17	1,468	1,734	
Total Additions	249	717	1,468	2,434	2,591
REDUCTIONS					
Professional Services		1,200		1,200	
Change in Net Position	249	(483)	1,468	1,234	2,591
NET POSITION, BEGINNING OF YEAR	32,751	2,591	192,033	227,375	224,784
NET POSITION, END OF YEAR	\$ 33,000	\$ 2,108	\$ 193,501	\$ 228,609	\$ 227,375

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019.

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
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

May 20, 2019

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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, 2018, 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 20, 2019.

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 2018-001 and 2018-002 that we consider to be significant deficiencies.

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

City's Response to Finding

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

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

May 20, 2019

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING: 2018-001 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, 2019

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING: 2018-002 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, 2019

Plan to Monitor Completion of CAP:

City Council

CITY OF LITCHFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018

<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:				
2017-001	Limited Segregation of Duties	Not Corrected	2017	See current year finding 2018-001
2017-002	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2018-002
Minnesota Legal Compliance Findings:				
None				