

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2021

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF LITCHFIELD, MINNESOTA (Meeker County)

\$7,910,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

PROPOSAL OPENING: November 1, 2021, 10:00 A.M., C.T.

CONSIDERATION: November 1, 2021, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$7,910,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 115.46 and 475.67, and Chapters 429, 444 and 475, by the City of Litchfield, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: November 23, 2021

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$565,000	2028	\$585,000	2033	\$645,000
2024	585,000	2029	595,000	2034	655,000
2025	580,000	2030	610,000	2035	665,000
2026	585,000	2031	620,000		
2027	590,000	2032	630,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$7,815,080.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$158,200 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	1	FINANCIAL STATEMENTS	A-1
THE BONDS	1	FORM OF LEGAL OPINION	B-1
GENERAL	1	BOOK-ENTRY-ONLY SYSTEM	C-1
OPTIONAL REDEMPTION	2	FORM OF CONTINUING DISCLOSURE UNDERTAKING ..	D-1
AUTHORITY; PURPOSE	2	TERMS OF PROPOSAL	E-1
ESTIMATED SOURCES AND USES	3		
SECURITY	4		
RATING	5		
CONTINUING DISCLOSURE	5		
LEGAL OPINION	6		
TAX EXEMPTION	6		
QUALIFIED TAX-EXEMPT OBLIGATIONS	7		
MUNICIPAL ADVISOR	7		
MUNICIPAL ADVISOR AFFILIATED COMPANIES ...	8		
INDEPENDENT AUDITORS	8		
RISK FACTORS	8		
VALUATIONS	11		
OVERVIEW	11		
CURRENT PROPERTY VALUATIONS	12		
2020/21 NET TAX CAPACITY BY CLASSIFICATION .	12		
TREND OF VALUATIONS	13		
LARGER TAXPAYERS	13		
DEBT	14		
DIRECT DEBT	14		
SCHEDULES OF BONDED INDEBTEDNESS	15		
DEBT LIMIT	23		
OVERLAPPING DEBT	23		
DEBT RATIOS	24		
DEBT PAYMENT HISTORY	24		
FUTURE FINANCING	24		
TAX RATES, LEVIES AND COLLECTIONS	25		
TAX LEVIES AND COLLECTIONS	25		
TAX CAPACITY RATES	26		
LEVY LIMITS	26		
THE ISSUER	27		
CITY GOVERNMENT	27		
EMPLOYEES; PENSIONS; UNIONS	27		
POST EMPLOYMENT BENEFITS	27		
LITIGATION	28		
MUNICIPAL BANKRUPTCY	28		
FUNDS ON HAND	28		
ENTERPRISE FUNDS	29		
SUMMARY GENERAL FUND INFORMATION	30		
GENERAL INFORMATION	31		
LOCATION	31		
LARGER EMPLOYERS	31		
BUILDING PERMITS	32		
U.S. CENSUS DATA	33		
EMPLOYMENT/UNEMPLOYMENT DATA	33		

CITY OF LITCHFIELD CITY COUNCIL

		<u>Term Expires</u>
Keith Johnson	Mayor	January 2023
Betty Allen	Council Member	January 2023
John Carlson	Council Member	January 2025
Ron Dingmann	Council Member	January 2025
Darlene Kotelnicki	Council Member	January 2025
Eric Mathwig	Council Member	January 2023
Sara Miller	Council Member	January 2023

ADMINISTRATION

Dave Cziok, City Administrator
Joyce Spreiter, Assistant Administrator

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Litchfield, Minnesota (the "City") and the issuance of its \$7,910,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on November 1, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 23, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 115.46 and 475.67, and Chapters 429, 444 and 475, by the City, for the purpose of effecting current refundings of the City's \$8,865,000 General Obligation Improvement Bonds, Series 2013A (the "Series 2013A Bonds" or the "Improvement Refunding Bonds") and \$1,980,000 General Obligation Utility Revenue Bonds, Series 2014A (the "Series 2014A Bonds" or "Utility Revenue Refunding Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 536682
Series 2013A Bonds	12/11/13	2/1/22	Par	2023	3.00%	\$ 395,000	WJ2
				2024	3.00%	410,000	WK9
				2025	3.00%	420,000	WL7
				2026	3.00%	430,000	WM5
				2027	3.00%	445,000	WN3
				2028	3.25%	460,000	WP8
				2029	3.50%	480,000	WQ6
				2030	3.50%	495,000	WR4
				2033 (term)	4.00%	1,610,000	WU7
				2035 (term)	4.00%	<u>1,190,000</u>	WW3
Total Series 2013A Bonds Being Refunded						<u>\$6,335,000</u>	

A portion of the proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2022 from the Debt Service Account for the Series 2013A Bonds.

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 536682
Series 2014A Bonds	2/27/14	2/1/22	Par	2025 (term)	2.50%	\$ 270,000	XG7
				2028 (term)	3.00%	300,000	XK8
				2031 (term)	3.35%	320,000	XN2
				2035 (term)	3.75%	<u>515,000</u>	XS1
Total Series 2014A Bonds Being Refunded						<u>\$1,405,000</u>	

A portion of the proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the principal and interest payment due on February 1, 2022 from the Debt Service Account for the Series 2014A Bonds.

ESTIMATED SOURCES AND USES*

Sources	Improvement Refunding Portion	Utility Revenue Refunding Portion	Total Bond Issue
Par Amount of Bonds	<u>\$6,475,000</u>	<u>\$1,435,000</u>	<u>\$7,910,000</u>
Total Sources	\$6,475,000	\$1,435,000	\$7,910,000
Uses			
Total Underwriter's Discount (1.200%)	\$77,700	\$17,220	\$94,920
Costs of Issuance	60,575	13,425	74,000
Deposit to Current Refunding Fund	6,335,000	1,405,000	7,740,000
Rounding Amount	<u>1,725</u>	<u>(645)</u>	<u>1,080</u>
Total Uses	\$6,475,000	\$1,435,000	\$7,910,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Improvement Refunding Portion	Utility Revenue Refunding Portion	Total Bond Issue
2/01/2023	\$460,000	\$105,000	\$565,000
2/01/2024	480,000	105,000	585,000
2/01/2025	480,000	100,000	580,000
2/01/2026	475,000	110,000	585,000
2/01/2027	480,000	110,000	590,000
2/01/2028	485,000	100,000	585,000
2/01/2029	495,000	100,000	595,000
2/01/2030	500,000	110,000	610,000
2/01/2031	510,000	110,000	620,000
2/01/2032	515,000	115,000	630,000
2/01/2033	520,000	125,000	645,000
2/01/2034	535,000	120,000	655,000
2/01/2035	<u>540,000</u>	<u>125,000</u>	<u>665,000</u>
Total	\$6,475,000	\$1,435,000	\$7,910,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service for the Improvement Refunding Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Refunding Portion of the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Refunding Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service for the Utility Revenue Refunding Portion of the Bonds will entirely paid from net revenues of the sewer, water and wastewater systems (utility revenues) which are owned and operated by the City.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB ") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should

consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2020 have been audited by Conway, Deuth & Schmiesing, PLLP, Litchfield, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments and utility revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2018/19	2019/20	2020/21
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value \$459,312,979¹

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	\$443,776,100	\$4,836,270
Personal Property	<u>2,765,400</u>	<u>53,553</u>
Total Valuation	<u><u>\$446,541,500</u></u>	<u><u>\$4,889,823</u></u>

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$2,346,375	47.98%
Agricultural	12,679	0.26%
Commercial/industrial	1,702,760	34.82%
Public utility	122	0.00%
Railroad operating property	20,504	0.42%
Non-homestead residential	740,806	15.15%
Commercial & residential seasonal/rec.	13,024	0.27%
Personal property	<u>53,553</u>	<u>1.10%</u>
Total	<u><u>\$4,889,823</u></u>	<u><u>100.00%</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 97.34% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$459,312,979.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2016/17	\$ 372,964,400	\$ 326,586,261	\$ 4,054,324	\$ 4,054,324	+9.01%
2017/18	384,911,300	338,920,746	4,174,623	4,174,623	+3.20%
2018/19	389,639,200	341,985,761	4,221,132	4,221,132	+1.23%
2019/20	410,985,700	363,658,137	4,487,742	4,487,742	+5.48%
2020/21	446,541,500	400,431,358	4,889,823	4,889,823	+8.65%

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
First District Association	Industrial	\$386,953	7.91%
Walmart Stores, Inc. 1634-02	Commercial	121,992	2.49%
Clark Equipment Company	Industrial	77,132	1.58%
Meeker Co-op Light & Power	Commercial	68,196	1.39%
Custom Products of Litchfield	Industrial	63,604	1.30%
Monroe Towmaster, LLC	Industrial	54,984	1.12%
Anderson Chemical Company	Industrial	48,794	1.00%
Quadion Corporation	Industrial	48,502	0.99%
Individual	Residential	45,519	0.93%
600 South Davis Ave, LLC	Apartments	39,575	0.81%
Total		<u>\$955,251</u>	<u>19.54%</u>

City's Total 2020/21 Net Tax Capacity \$4,889,823

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Meeker County.

¹ Net Tax Capacity includes tax increment values, if any.

² Taxable Net Tax Capacity does not include tax increment values, if any.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Refunding Portion of the Bonds)*	\$ 6,860,000
Total G.O. debt secured by tax abatement revenues	2,240,000
Total G.O. debt secured by secured by taxes	3,505,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Refunding Portion of the Bonds)*	13,396,048
Total G.O. debt secured by housing revenues	<u>320,000</u>
Total General Obligation Debt*	<u><u>\$26,321,048</u></u>

Revenue Debt (see schedules following)

Total revenue debt secured by electric utility revenues	<u><u>\$ 7,555,000</u></u>
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Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations ²	<u><u>\$ 270,000</u></u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

² Non-general obligation debt has not been included in the debt ratios.

City of Litchfield, Minnesota

Schedule of Bonded Indebtedness

General Obligation Debt Secured by Special Assessments and Taxes

(As of 11/23/2021)

Improvement Bonds			Refunding Bonds 1)		
Series 2013A			Series 2021A		
Dated Amount	12/11/2013 \$8,865,000	11/23/2021 \$6,475,000*			
Maturity	02/01	02/01			
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest	
2022	385,000	117,813	0	43,391	
2023			460,000	62,183	
2024			480,000	60,418	
2025			480,000	58,258	
2026			475,000	55,633	
2027			480,000	52,528	
2028			485,000	48,908	
2029			495,000	44,616	
2030			500,000	39,640	
2031			510,000	33,828	
2032			515,000	27,293	
2033			520,000	20,305	
2034			535,000	12,653	
2035			540,000	4,320	
	385,000	117,813	6,475,000	563,970	
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I
2022	385,000	161,204	385,000	161,204	546,204
2023	460,000	62,183	460,000	62,183	522,183
2024	480,000	60,418	480,000	60,418	540,418
2025	480,000	58,258	480,000	58,258	538,258
2026	475,000	55,633	475,000	55,633	530,633
2027	480,000	52,528	480,000	52,528	532,528
2028	485,000	48,908	485,000	48,908	533,908
2029	495,000	44,616	495,000	44,616	539,616
2030	500,000	39,640	500,000	39,640	539,640
2031	510,000	33,828	510,000	33,828	543,828
2032	515,000	27,293	515,000	27,293	542,293
2033	520,000	20,305	520,000	20,305	540,305
2034			535,000	12,653	547,653
2035			540,000	4,320	544,320
			6,860,000	681,783	7,541,783
Calendar Year Ending	Principal	Interest	Outstanding	% Paid	Calendar Year Ending
2022	6,475,000	5.61%	6,475,000	5.61%	2022
2023	6,015,000	12.32%	6,015,000	12.32%	2023
2024	5,535,000	19.31%	5,535,000	19.31%	2024
2025	5,055,000	26.31%	5,055,000	26.31%	2025
2026	4,580,000	33.24%	4,580,000	33.24%	2026
2027	4,100,000	40.23%	4,100,000	40.23%	2027
2028	3,615,000	47.30%	3,615,000	47.30%	2028
2029	3,120,000	54.52%	3,120,000	54.52%	2029
2030	2,620,000	61.81%	2,620,000	61.81%	2030
2031	2,110,000	69.24%	2,110,000	69.24%	2031
2032	1,595,000	76.75%	1,595,000	76.75%	2032
2033	1,075,000	84.33%	1,075,000	84.33%	2033
2034	540,000	92.13%	540,000	92.13%	2034
2035	0	100.00%	0	100.00%	2035

* Preliminary, subject to change.

- 1) This represents the \$6,475,000 Improvement Refunding Portion of the \$7,910,000 General Obligation Refunding Bonds, Series 2021A. This portion will refund the 2023 through 2035 maturities of the City's \$8,865,000 General Obligation Improvement Bonds, Series 2013A, dated December 11, 2013.

City of Litchfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 11/23/2021)

Abatement Bonds 1)
Series 2018A

Dated Amount	12/27/2018 \$2,360,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	125,000	75,694	125,000	75,694	200,694	2,115,000	5.58%	2022
2023	130,000	70,594	130,000	70,594	200,594	1,985,000	11.38%	2023
2024	135,000	65,294	135,000	65,294	200,294	1,850,000	17.41%	2024
2025	140,000	59,794	140,000	59,794	199,794	1,710,000	23.66%	2025
2026	145,000	54,094	145,000	54,094	199,094	1,565,000	30.13%	2026
2027	150,000	48,194	150,000	48,194	198,194	1,415,000	36.83%	2027
2028	155,000	42,094	155,000	42,094	197,094	1,260,000	43.75%	2028
2029	165,000	36,519	165,000	36,519	201,519	1,095,000	51.12%	2029
2030	170,000	31,494	170,000	31,494	201,494	925,000	58.71%	2030
2031	175,000	26,319	175,000	26,319	201,319	750,000	66.52%	2031
2032	180,000	20,994	180,000	20,994	200,994	570,000	74.55%	2032
2033	185,000	15,403	185,000	15,403	200,403	385,000	82.81%	2033
2034	190,000	9,425	190,000	9,425	199,425	195,000	91.29%	2034
2035	195,000	3,169	195,000	3,169	198,169	0	100.00%	2035
	2,240,000	559,078	2,240,000	559,078	2,799,078			

1) This represents the \$2,360,000 Abatement Portion of the \$3,410,000 General Obligation Bonds, Series 2018A.

City of Litchfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/23/2021)

Capital Improvement Plan Bonds Series 2015A			Equipment Bonds 1) Series 2018A			CIP Refunding Bonds 2) Series 2019A						
Dated Amount	04/29/2015 \$995,000	12/27/2018 \$1,050,000	12/12/2019 \$2,220,000									
Maturity	02/01	02/01	02/01									
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	100,000	7,938	45,000	34,259	160,000	51,720	305,000	93,916	398,916	3,200,000	8.70%	2022
2023	105,000	5,888	45,000	32,459	165,000	46,845	315,000	85,191	400,191	2,885,000	17.69%	2023
2024	105,000	3,656	45,000	30,659	170,000	41,820	320,000	76,135	396,135	2,565,000	26.82%	2024
2025	110,000	1,238	50,000	28,759	180,000	36,570	340,000	66,566	406,566	2,225,000	36.52%	2025
2026			50,000	26,759	180,000	31,170	230,000	57,929	287,929	1,995,000	43.08%	2026
2027			55,000	24,659	190,000	25,620	245,000	50,279	295,279	1,750,000	50.07%	2027
2028			55,000	22,459	195,000	19,845	250,000	42,304	292,304	1,500,000	57.20%	2028
2029			60,000	20,459	200,000	14,920	260,000	35,379	295,379	1,240,000	64.62%	2029
2030			60,000	18,659	205,000	10,870	265,000	29,529	294,529	975,000	72.18%	2030
2031			60,000	16,859	210,000	6,720	270,000	23,579	293,579	705,000	79.89%	2031
2032			65,000	14,984	220,000	2,310	285,000	17,294	302,294	420,000	88.02%	2032
2033			65,000	12,993			65,000	12,993	77,993	355,000	89.87%	2033
2034			65,000	10,921			65,000	10,921	75,921	290,000	91.73%	2034
2035			70,000	8,728			70,000	8,728	78,728	220,000	93.72%	2035
2036			70,000	6,383			70,000	6,383	76,383	150,000	95.72%	2036
2037			75,000	3,881			75,000	3,881	78,881	75,000	97.86%	2037
2038			75,000	1,294			75,000	1,294	76,294	0	100.00%	2038
	420,000	18,719	1,010,000	315,171	2,075,000	288,410	3,505,000	622,299	4,127,299			

1) This represents the \$1,050,000 Equipment Portion of the \$3,410,000 General Obligation Bonds, Series 2018A.

2) This represents the \$2,220,000 Series 2011B Refunding Portion of the \$4,025,000 General Obligation Sewer Revenue and Refunding Bonds, Series 2019A.

City of Litchfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 11/23/2021)

Sewer Revenue Note Series 2002 (MPFA)		Taxable Sewer Revenue Note Series 2009A (MPFA)		Taxable Sewer Revenue Note 1) Series 2009B (MPFA)		Utility Revenue Bonds Series 2014A		Sewer Revenue and Refunding Bonds 2) Series 2019A		
Dated Amount	12/27/2001 \$10,963,561	09/01/2009 \$7,086,048	09/01/2009 \$6,000,000	02/27/2014 \$1,980,000	12/12/2019 \$1,655,000					
Maturity	08/20	08/20	02/20 & 08/20	02/01	02/01					
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	709,000	19,001	412,000	96,057	0	0	90,000	23,791	130,000	39,005
2023			423,000	85,130	0	0			135,000	35,030
2024			435,000	73,913	0	0			140,000	30,905
2025			446,000	62,376	0	0			140,000	26,705
2026			458,000	50,548	0	0			150,000	22,355
2027			470,000	38,402	0	0			155,000	17,780
2028			483,000	25,938	0	0			155,000	13,130
2029			495,048	13,129	0	0			165,000	9,155
2030					470,000	0			165,000	5,855
2031					470,000	0			100,000	3,205
2032					470,000	0			105,000	1,103
2033					470,000	0				
2034					470,000	0				
2035					470,000	0				
2036					470,000	0				
2037					470,000	0				
2038					470,000	0				
2039					470,000	0				
2040					470,000	0				
2041					470,000	0				
2042					360,000	0				
	709,000	19,001	3,622,048	445,493	6,000,000	0	90,000	23,791	1,540,000	204,228

1) This loan has 0.00% interest..

2) This represents the \$1,655,000 Sewer System Portion and Series 2011D Refunding Portion of the \$4,025,000 General Obligation Sewer Revenue and Refunding Bonds, Series 2019A.

--Continued on next page

City of Litchfield, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Utility Revenues
(As of 11/23/2021)

Refunding Bonds 3)
Series 2021A

Dated Amount	11/23/2021 \$1,435,000*										
Maturity	02/01										
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending			
2022	0	9,674	1,341,000	187,528	1,528,528	12,055,048	10.01%	2022			
2023	105,000	13,859	663,000	134,019	797,019	11,392,048	14.96%	2023			
2024	105,000	13,465	680,000	118,283	798,283	10,712,048	20.04%	2024			
2025	100,000	13,005	686,000	102,086	788,086	10,026,048	25.16%	2025			
2026	110,000	12,425	718,000	85,328	803,328	9,308,048	30.52%	2026			
2027	110,000	11,710	735,000	67,892	802,892	8,573,048	36.00%	2027			
2028	100,000	10,925	738,000	49,993	787,993	7,835,048	41.51%	2028			
2029	100,000	10,050	760,048	32,334	792,382	7,075,000	47.19%	2029			
2030	110,000	8,998	745,000	14,853	759,853	6,330,000	52.75%	2030			
2031	110,000	7,733	680,000	10,938	690,938	5,650,000	57.82%	2031			
2032	115,000	6,298	690,000	7,400	697,400	4,960,000	62.97%	2032			
2033	125,000	4,675	595,000	4,675	599,675	4,365,000	67.42%	2033			
2034	120,000	2,900	590,000	2,900	592,900	3,775,000	71.82%	2034			
2035	125,000	1,000	595,000	1,000	596,000	3,180,000	76.26%	2035			
2036			470,000	0	470,000	2,710,000	79.77%	2036			
2037			470,000	0	470,000	2,240,000	83.28%	2037			
2038			470,000	0	470,000	1,770,000	86.79%	2038			
2039			470,000	0	470,000	1,300,000	90.30%	2039			
2040			470,000	0	470,000	830,000	93.80%	2040			
2041			470,000	0	470,000	360,000	97.31%	2041			
2042			360,000	0	360,000	0	100.00%	2042			
	1,435,000	126,715	13,396,048	819,228	14,215,276						

* Preliminary, subject to change.

3) This represents the \$1,435,000 Utility Revenue Refunding Portion of the \$7,910,000 General Obligation Refunding Bonds, Series 2021A. This portion will refund the 2023 through 2035 maturities of the City's \$1,980,000 General Obligation Utility Revenue Bonds, Series 2014A, dated February 27, 2014.

Litchfield Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Housing Revenues
(As of 11/23/2021)

Housing Development Bonds
Series 2011A

Dated Amount	04/14/2011 \$3,000,000
Maturity	02/01
Calendar Year Ending	Principal Interest
2022	320,000 5,440
	320,000 5,440

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
320,000	5,440	325,440	0	100.00%	2022
320,000	5,440	325,440			

City of Litchfield, Minnesota
Schedule of Bonded Indebtedness
Revenue Debt Secured by Electric Revenues
(As of 11/23/2021)

Electric Utility Revenue Refunding Bonds Series 2017A			
Dated Amount	06/08/2017 \$9,995,000		
Maturity	02/01		
Calendar Year Ending	Principal	Interest	
2022	860,000	213,750	
2023	890,000	187,500	
2024	910,000	160,500	
2025	940,000	132,750	
2026	965,000	104,175	
2027	995,000	74,775	
2028	1,025,000	44,475	
2029	970,000	14,550	
	7,555,000	932,475	

Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
860,000	213,750	1,073,750	6,695,000	11.38%	2022
890,000	187,500	1,077,500	5,805,000	23.16%	2023
910,000	160,500	1,070,500	4,895,000	35.21%	2024
940,000	132,750	1,072,750	3,955,000	47.65%	2025
965,000	104,175	1,069,175	2,990,000	60.42%	2026
995,000	74,775	1,069,775	1,995,000	73.59%	2027
1,025,000	44,475	1,069,475	970,000	87.16%	2028
970,000	14,550	984,550	0	100.00%	2029
7,555,000	932,475	8,487,475			

Litchfield Economic Development Authority, Minnesota

Schedule of Bonded Indebtedness

Non-General Obligation Debt Secured by Annual Appropriation

(As of 11/23/2021)

Public Project Lease Revenue Bonds 1) Series 2007B			
Dated	12/27/2007		
Amount	\$575,000		
Maturity	02/01		
Calendar Year Ending		Principal	Interest
2022		35,000	12,790
2023		35,000	11,040
2024		35,000	9,290
2025		40,000	7,395
2026		40,000	5,355
2027		40,000	3,315
2028		45,000	1,148
		270,000	50,333

1) This issue is not subject to the debt limit.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience (includes the Utility Revenue Refunding Portion of the Bonds); (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2020/21 Assessor's Estimated Market Value	\$446,541,500
Multiply by 3%	0.03
Statutory Debt Limit	\$ 13,396,245
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(3,505,000)
Unused Debt Limit	<u>\$ 9,891,245</u>

OVERLAPPING DEBT¹

Taxing District	2020/21 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Meeker County	\$32,425,396	15.0802%	\$ 1,145,000	\$ 172,668
I.S.D. No. 465 (Litchfield Public Schools)	14,462,406	33.8106%	37,685,000 ³	12,741,525
City's Share of Total Overlapping Debt				<u>\$12,914,193</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Currently, the State of Minnesota is paying approximately 16.2% of the principal and interest on Litchfield Public School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$6,104,970. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$459,312,979)	Debt/ Current Population Estimate (6,631)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$ 6,860,000		
Tax Abatement Revenues	2,240,000		
Taxes	3,505,000		
Utility Revenues*	13,396,048		
Housing Revenues	320,000		
Total General Obligation Debt (includes the Bonds)*	\$26,321,048		
Less: G.O. Debt Paid Entirely from Revenues ¹	(13,716,048)		
Tax Supported General Obligation Debt*	\$12,605,000	2.74%	\$1,900.92
 City's Share of Total Overlapping Debt ²	 \$12,914,193	 2.81%	 \$1,947.55
 Total*	 \$25,519,193	 5.55%	 \$3,848.47

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$2,064,127, the City's net overlapping debt is \$10,850,066, which results in a net overlapping debt/market value ratio of 2.3610% and net overlapping debt/current population estimate ratio of \$1,636.51.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2016/17	\$ 2,405,667	\$ 2,381,043	\$ 2,403,994	99.93%
2017/18	2,479,888	2,459,164	2,477,809	99.92%
2018/19	2,665,379	2,644,413	2,657,585	99.71%
2019/20	2,831,250	2,782,916	2,782,916	98.29%
2020/21	2,974,236	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. Since 2020 the City has not seen any material reduction in property tax collections. However, in the event of future delays or reductions in the receipt of property taxes, the City has sufficient reserves to cover any shortfall so there should be no material impact on the City's finance and payment of obligation.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2020.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2016/17	2017/18	2018/19	2019/20	2020/21
Meeker County	48.415%	48.683%	48.705%	49.145%	47.974%
City of Litchfield	59.400%	59.484%	63.306%	63.120%	60.825%
I.S.D. No. 465 (Litchfield Public Schools)	25.669%	19.457%	17.874%	28.196%	24.722%

Referendum Market Value Rates:

I.S.D. No. 465 (Litchfield Public Schools)	0.12179%	0.12948%	0.12567%	0.22137%	0.21111%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Meeker County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1872. The City operates under a home rule charter form of government consisting of a six-member City Council of which the Mayor is a voting member. The City Administrator and Assistant Administrator are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 41 full-time, 14 part-time, and 26 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
International Union of Operating Engineers (IUOE), Local No. 70	December 31, 2021
Minnesota Teamsters Public & Law Enforcement Employees Union, Local No. 320	December 31, 2021

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$260,198 as of December 31, 2020. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of August 31, 2021)

Fund	Total Cash and Investments
Operating Funds	\$ 15,963,891
Temporary Projects	(1,796,827) ¹
Debt Service	1,981,557
Revolving/Dedicated	9,558,387
Other Dedicated Funds	1,268,622
Total Funds on Hand	<u><u>\$ 26,975,630</u></u>

¹ Ongoing electric generation project. Various funding sources will be received following the completion of the project.

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2018	2019	2020
Liquor			
Total Operating Revenues	\$ 634,950	\$ 628,914	\$ 739,958
Less: Operating Expenses	<u>(427,803)</u>	<u>(427,229)</u>	<u>(453,603)</u>
Operating Income	\$ 207,147	\$ 201,685	\$ 286,355
Plus: Depreciation	<u>28,058</u>	<u>27,119</u>	<u>26,179</u>
Revenues Available for Debt Service	<u><u>\$ 235,205</u></u>	<u><u>\$ 228,804</u></u>	<u><u>\$ 312,534</u></u>
Sewer			
Total Operating Revenues	\$ 3,941,722	\$ 4,098,863	\$ 4,241,543
Less: Operating Expenses	<u>(2,726,275)</u>	<u>(2,816,218)</u>	<u>(2,714,954)</u>
Operating Income	\$ 1,215,447	\$ 1,282,645	\$ 1,526,589
Plus: Depreciation	<u>1,165,039</u>	<u>1,158,902</u>	<u>1,157,788</u>
Revenues Available for Debt Service	<u><u>\$ 2,380,486</u></u>	<u><u>\$ 2,441,547</u></u>	<u><u>\$ 2,684,377</u></u>
Electric			
Total Operating Revenues	\$10,374,368	\$10,622,571	\$10,393,277
Less: Operating Expenses	<u>(8,200,799)</u>	<u>(8,469,287)</u>	<u>(8,378,438)</u>
Operating Income	\$ 2,173,569	\$ 2,153,284	\$ 2,014,839
Plus: Depreciation	<u>680,910</u>	<u>685,078</u>	<u>688,764</u>
Revenues Available for Debt Service	<u><u>\$ 2,854,479</u></u>	<u><u>\$ 2,838,362</u></u>	<u><u>\$ 2,703,603</u></u>
Water			
Total Operating Revenues	\$ 911,340	\$ 891,673	\$ 957,770
Less: Operating Expenses	<u>(643,948)</u>	<u>(680,408)</u>	<u>(684,487)</u>
Operating Income	\$ 267,392	\$ 211,265	\$ 273,283
Plus: Depreciation	<u>315,284</u>	<u>310,828</u>	<u>294,646</u>
Revenues Available for Debt Service	<u><u>\$ 582,676</u></u>	<u><u>\$ 522,093</u></u>	<u><u>\$ 567,929</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2021 Adopted Budget 1)
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	
Revenues					
Property taxes	\$1,866,918	\$1,954,421	\$2,138,462	\$2,267,514	\$2,410,500
Lodging tax	0	2,706	41,393	35,068	43,100
Fees, licenses and permits	287,960	174,679	258,752	218,445	134,900
Intergovernmental	2,023,459	2,105,689	2,119,099	2,605,013	2,209,008
Charges for services	220,671	234,528	284,889	273,742	238,350
Fines and forfeitures	26,184	32,899	41,087	22,870	21,000
Interest income	45,378	66,987	58,477	8,605	50,000
Miscellaneous	44,240	30,648	38,923	30,214	6,500
Total Revenues	<u>\$4,514,810</u>	<u>\$4,602,557</u>	<u>\$4,981,082</u>	<u>\$5,461,471</u>	<u>\$5,113,358</u>
Expenditures					
Current:					
General government	\$1,001,358	\$971,403	\$1,109,928	\$1,179,119	\$866,326
Public safety	1,859,054	1,999,555	2,143,620	2,190,614	2,118,925
Public works	1,076,963	1,231,461	1,326,323	1,355,658	1,402,520
Sanitation					15,450
Health					200
Culture and recreation	570,745	589,266	636,669	624,547	693,909
Miscellaneous					419,385
Capital outlay	24,354	2,756	13,827	216,149	436,644
Total Expenditures	<u>\$4,532,474</u>	<u>\$4,794,441</u>	<u>\$5,230,367</u>	<u>\$5,566,087</u>	<u>\$5,953,359</u>
Excess of revenues over (under) expenditures	(\$17,664)	(\$191,884)	(\$249,285)	(\$104,616)	(\$840,001)
Other Financing Sources (Uses)					
Sale or compensation for property	\$14,379	\$0	\$0	\$0	\$0
Proceeds from sale of asset	0	11,563	26,518	12,015	0
Operating transfers in	691,275	672,398	649,750	850,000	850,000
Operating transfers out	(510,000)	(322,492)	(266,113)	(630,783)	(10,000)
Total Other Financing Sources (Uses)	<u>\$195,654</u>	<u>\$361,469</u>	<u>\$410,155</u>	<u>\$231,232</u>	<u>\$840,000</u>
Net changes in Fund Balances	\$177,990	\$169,585	\$160,870	\$126,616	(\$1)
General Fund Balance January 1	\$3,229,576	\$3,407,566	\$3,577,151	\$3,738,021	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	<u>\$3,407,566</u>	<u>\$3,577,151</u>	<u>\$3,738,021</u>	<u>\$3,864,637</u>	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$46,620	\$57,541	\$65,450	\$83,979	
Assigned	1,767,298	2,056,155	2,170,931	2,253,216	
Unassigned	1,593,648	1,463,455	1,501,640	1,527,442	
Total	<u>\$3,407,566</u>	<u>\$3,577,151</u>	<u>\$3,738,021</u>	<u>\$3,864,637</u>	

1) The 2021 budget was adopted on December 31, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 6,726 and a current population estimate of 6,631, and comprising an area of 4.5 square miles, is located approximately 65 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 465 (Litchfield Public Schools)	Elementary and secondary education	514
Walmart	Discount retail store	335 ²
Meeker County	County government and services	285
Meeker Manor ³	Skilled nursing care facility	190
Bobcat Company	Equipment and attachment manufacturer	185
Meeker County Memorial Hospital	Hospital	153
First District Association	Cheese/whey/processing	150
Towmaster Trailers, Inc.	Truck trailers	150
Minnesota Rubber & Plastics - Litchfield Plant	Rubber and plastic component manufacturer	103
Custom Products of Litchfield	Rollover protection systems manufacturer	100

Source: *Data Axle Reference Solutions, written and telephone survey (September 2021), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Includes casual and seasonal employees.

³ Formally known as Ecumen of Litchfield.

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	6	5	4	7	4
Valuation	\$1,536,900	\$1,304,000	\$950,000	\$1,807,000	\$940,000
<u>New Multiple Family Buildings</u>					
No. of building permits	1	1	1	0	1
Valuation	\$3,000,000	\$300,000	\$300,000	\$0	\$1,500,000
<u>New Commercial/Industrial</u>					
No. of building permits	13	5	9	9	10
Valuation	\$26,867,067	\$4,237,750	\$31,083,000	\$18,677,000	\$445,000
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	121	72	87	104	60
Valuation	\$35,005,064	\$6,679,841	\$34,128,309	\$22,710,186	\$3,357,693

Source: The City.

¹ As of September 29, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	6,526
2010 U.S. Census population	6,726
2019 State Demographer's Estimate	6,631
Percent of Change 2000 - 2010	+ 3.06%

Income and Age Statistics

	The City	Meeker County	State of Minnesota	United States
2019 per capita income	\$32,372	\$32,368	\$37,625	\$34,103
2019 median household income	\$56,941	\$63,452	\$71,306	\$62,843
2019 median family income	\$67,984	\$78,352	\$89,842	\$77,263
2019 median gross rent	\$750	\$755	\$977	\$1,062
2019 median value owner occupied units	\$136,200	\$170,200	\$223,900	\$217,500
2019 median age	42.9 yrs.	42.2 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
City % of 2019 per capita income	86.04%	94.92%
City % of 2019 median family income	75.67%	87.99%

Housing Statistics

	<u>The City</u>		
	2010	2019	Percent of Change
All Housing Units	2,737	2,930	7.05%

Source: 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Meeker County	Meeker County	State of Minnesota
2017	12,713	4.0%	3.4%
2018	12,685	3.5%	3.0%
2019	12,797	4.0%	3.2%
2020	12,637	4.8%	6.2%
2021, August	12,584	2.8%	3.4%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF LITCHFIELD, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2020

	PAGE
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	5-11
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	18
Statement of Net Position - Proprietary Funds	19-20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22-23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	25-66
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	67
Schedule of Employer Contributions	68
Schedule of Changes in the City's Net Pension Liability and Related Ratios	69

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

TABLE OF CONTENTS
DECEMBER 31, 2020TABLE OF CONTENTS
DECEMBER 31, 2020

	<u>PAGE</u>		<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (Cont'd)		SUPPLEMENTARY INFORMATION (Cont'd)	
Schedule of Changes in the City's Total OPEB Liability	70	INDIVIDUAL FUND STATEMENTS (Cont'd)	
Notes to Required Supplementary Information	71-78	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Airport Special Revenue Fund	99
SUPPLEMENTARY INFORMATION		Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Civic Arena Special Revenue Fund	100
COMBINING STATEMENTS OF NONMAJOR FUNDS		Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - TIF District No. 4-12 Towmaster Special Revenue Fund	101
Combining Balance Sheet - Nonmajor Governmental Funds	79	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Infrastructure Street Special Revenue Fund	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	80	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Cemetery Special Revenue Fund	103
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue	81-82	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Permanent Improvement Revolving Special Revenue Fund	104
Combining Balance Sheet - Nonmajor Governmental Funds - Debt Service	83	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Community Reinvestment Special Revenue Fund	105
Combining Balance Sheet - Nonmajor Governmental Funds - Capital Projects	84	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Highway 12 Beautification Special Revenue Fund	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue	85-86	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Lake Ripley Improvement Special Revenue Fund	107
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Debt Service	87	Liquor Enterprise Fund	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Capital Projects	88-89	Statement of Net Position	108
INDIVIDUAL FUND STATEMENTS		Statement of Revenues, Expenses and Changes in Net Position	109
Balance Sheet - General Fund	90	Sewer Enterprise Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	91	Statement of Net Position	110
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Detail - General Fund	92-95	Statement of Revenues, Expenses and Changes in Net Position	111
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Trail Project Special Revenue Fund	96	Electric Enterprise Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Golf Course Special Revenue Fund	97	Statement of Net Position	112
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Downtown/Heritage Preservation Special Revenue Fund	98	Statement of Revenues, Expenses and Changes in Net Position	113

TABLE OF CONTENTS
DECEMBER 31, 2020

ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2020

	PAGE	Elected Officials	Position	Term Expires
SUPPLEMENTARY INFORMATION (Cont'd)				
INDIVIDUAL FUND STATEMENTS (Cont'd)				
Water Enterprise Fund		Keith Johnson	Mayor	January 1, 2023
Statement of Net Position	114	Ron Dingmann	Council Member-At-Large	January 1, 2021
Statement of Revenues, Expenses and Changes in Net Position	115	Eric Mathwig	Council Member - Ward 1	January 1, 2023
Capital Improvement Revolving Internal Service Fund		Darlene Kotelnicki	Council Member - Ward 2	January 1, 2021
Statement of Net Position	116	Betty Allen	Council Member - Ward 3	January 1, 2023
Statement of Revenues, Expenses and Changes in Net Position	117	Vernon Loch	Council Member - Ward 4	January 1, 2021
Private Purpose Trust Funds		Sara Miller	Council Member - Ward 5	January 1, 2023
Statement of Fiduciary Net Position	118	Administration		
Statement of Changes in Fiduciary Net Position	119	Dave Cziok	City Administrator	Appointed
REQUIRED REPORTS		Joyce Spreiter	Assistant City Administrator	Appointed
Schedule of Expenditures of Federal Awards	120			
Notes to the Schedule of Expenditures of Federal Awards	121			
COMPLIANCE SECTION				
Independent Auditor's Report On Minnesota Legal Compliance	122			
Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123-124			
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	125-126			
Schedule of Findings and Questioned Costs	127-129			
Summary Schedule of Prior Audit Findings	130			



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

2				
Willmar Office	Benson Office	Morris Office	Litchfield Office	Sartell Office
331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	401 Atlantic Ave Morris, MN 56267 (320) 589-2602	820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	Site 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

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, 2020 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 2019 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated April 20, 2020. Refer to Note 17 and Note 20 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2019 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 and schedules 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 of U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also 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.

Other Matters (Cont'd)

Supplementary and Other Information (Cont'd)

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 June 7, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

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

June 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

This section of the basic financial statements of the City of Litchfield, Minnesota (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2020. 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 \$85.2 million. Of this amount, \$27.6 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 \$6,268,804, comprising of an increase in governmental activities net position of \$1,005,156 and an increase in business-type activities of \$5,263,648.
- The City's governmental funds reported combined ending fund balances of \$10.3 million. Of this total amount, approximately 12.72% 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 27.44% of total General Fund expenditures of \$5.6 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 25-66 of this report.

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 79-119 of this report.

Statement of Net Position

The City's net position was \$85,209,345 on December 31, 2020 (see details in Table 1). This was an increase of \$6,268,804 or 7.94% from \$78,940,541 at December 31, 2019.

	Table 1 Comparative Condensed Statement of Net Position			
	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Current and Other Assets	\$ 12,224,692	\$ 14,189,277	\$ 17,121,539	\$ 17,469,870
Noncurrent Assets	29,909,026	30,243,844	69,269,871	66,342,593
Total Assets	42,133,718	44,433,121	86,391,410	83,812,463
Deferred Outflows of Resources	711,524	1,010,014	423,558	431,607
Total Assets and Deferred Outflows of Resources	\$ 42,845,242	\$ 45,443,135	\$ 86,814,968	\$ 84,244,070
Current and Other Liabilities	\$ 371,713	\$ 440,751	\$ 1,807,349	\$ 957,891
Long-Term Liabilities	9,190,965	12,141,101	31,956,380	35,318,206
Total Liabilities	9,562,678	12,581,852	33,763,729	36,276,097
Deferred Inflows of Resources	920,834	1,504,709	203,624	384,006
Net Position	22,500,205	19,890,970	33,579,463	25,889,348
Restricted	1,574,173	4,391,107		
Unrestricted	8,287,352	7,274,497	19,288,152	21,694,619
Total Net Position	32,361,730	31,356,574	52,847,615	47,583,967
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 42,845,242	\$ 45,443,135	\$ 86,814,968	\$ 84,244,070

Governmental Activities

Net position of the City's governmental activities increased by \$1,005,156, or 3.21%. This is a smaller increase when compared to the prior year due to a decrease in capital grants and contributions for Highway 12 project related costs.

Business-Type Activities

Net position of the City's business-type activities increased by \$5,263,648, or 11.06%. The increase was due to the following funds change in net position: Liquor Fund (\$1,808), Sewer Fund \$985,248, Electric Fund \$4,206,070, and Water Fund \$74,138.

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	
	2020	2019	2020	2019
REVENUES				
Program Revenues	\$ 1,136,839	\$ 1,194,409	\$ 18,696,034	\$ 18,434,006
Fees, Fines, and Charges for Services	352,261	364,317	111,824	
Operating Grants and Contributions	346,124	3,618,993	2,956,764	250,000
Capital Grants and Contributions				
General Revenues				
Taxes	2,875,146	2,719,561		
Grants and Contributions	2,428,736	1,947,627		
Interest Income	129,188	192,788	148,164	174,644
Other	76,416	89,156	111,573	52,095
Gain on Asset Disposal	37,143	58,864		
Total Revenues	7,381,853	10,185,715	22,024,359	18,910,745
EXPENSES				
General Government	1,344,003	1,215,009		
Public Safety	2,057,922	2,160,867		
Public Works	2,596,077	2,024,218		
Airport	288,183	268,839		
Culture and Recreation	1,390,963	1,251,060		
Economic Development	13,212	23,628		
Interest on Long-Term Debt	231,655	338,745		
Liquor Store			2,650,621	2,444,375
Sewer Utility			3,178,502	3,343,757
Electric Utility			8,678,533	8,763,419
Water Utility			707,737	708,779
Total Expenses	7,922,015	7,282,366	15,215,393	15,260,330
Change in Net Position before Transfers	(540,162)	2,903,349	6,808,966	3,650,415
TRANSFERS				
Change in Net Position	1,545,318	1,926,259	(1,545,318)	(1,926,259)
	1,005,156	4,829,608	5,263,648	1,724,156
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	31,356,574	26,566,141	47,583,967	45,859,811
PRIOR PERIOD ADJUSTMENT		(39,175)		
NET POSITION, BEGINNING OF YEAR, AS RESTATED	31,356,574	26,526,966	47,583,967	45,859,811
NET POSITION, END OF YEAR	\$ 32,361,730	\$ 31,356,574	\$ 52,847,615	\$ 47,583,967

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 \$10,345,791, a decrease of \$1,947,110 from prior year fund balance of \$12,292,901. Approximately 12.72% of this total constitutes unassigned fund balance of \$1,315,641. The remainder of the fund balance, \$9,030,150 is not available for new spending because it is either 1) nonspendable - \$159,141, 2) restricted - \$1,656,418, or 3) assigned - \$7,214,591.

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 \$1,527,442, an increase of \$25,802 from the 2019 unassigned fund balance of \$1,501,640. 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 27.44% of the total General Fund expenditures.

The 2019A G.O. CIP Refunding Bonds fund is used to account for the activity of the related debt. The fund balance decreased in the current year due to the City paying off old debt related to the refunding.

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 - \$300,505, Sewer - \$10,657,428, Electric - \$6,209,812, and Water - \$2,100,407. 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 - \$985,248 and the Electric Fund - \$4,206,070. 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 received capital contributions in the current year to offset costs of the electric generation improvement project.

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 intergovernmental revenues were higher than budgeted, due to the receipt of CARES Act Coronavirus Relief Fund revenue.

Capital Assets

At the end of 2020, the City of Litchfield had \$152.8 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.

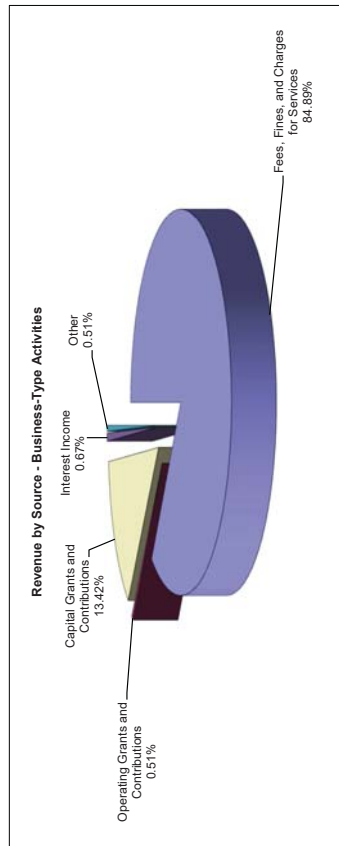
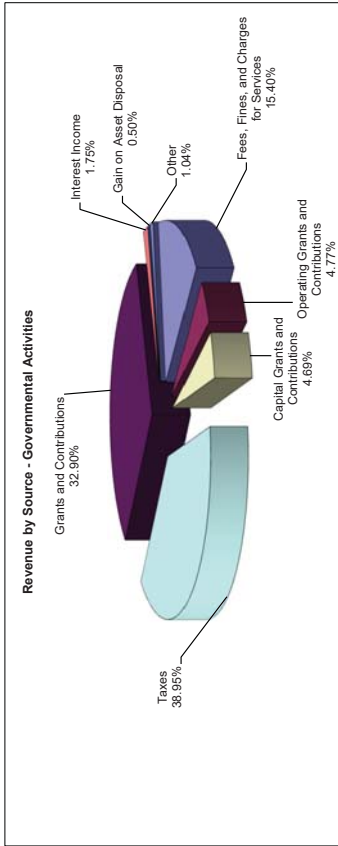
Long-Term Liabilities

At year-end, the City of Litchfield had \$38 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.

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, 2020

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2021 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 2020 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 cityhall@ci.litchfield.mn.us.

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and Cash Equivalents	\$ 10,399,874	\$ 14,644,035	\$ 25,043,909
Cash Held with Fiscal Agent	602,808		602,808
Restricted Cash		999,500	999,500
Receivables (Net)	680,355	6,085,037	6,765,392
Due from Other Governmental Units	351,546	351,546	59,716
Inventories	30,968		666,555
Prepaid Items	159,141	59,482	217,623
Capital Assets			181,025
Assets Not Being Depreciated	6,941,786	7,726,714	14,668,500
Other Capital Assets, Net of Depreciation	22,849,369	56,229,128	79,078,497
Net Pension Asset	117,871		117,871
Total Assets	42,133,718	86,391,410	128,525,128
Deferred Outflows of Resources	711,524	423,558	1,135,082
Total Assets and Deferred Outflows of Resources	\$ 42,845,242	\$ 86,814,968	\$ 129,660,210
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accounts Payable	\$ 87,852	\$ 496,107	\$ 583,959
Contracts Payable	37,373	857,107	95,785
Accrued Salaries	90,494	48,105	138,599
Accrued Interest Payable	93,723	294,898	388,621
Deposits Payable		51,100	51,100
Unearned Revenue		3,267	3,267
Due to Other Governmental Units	62,271	56,765	119,036
Long-Term Liabilities			88,016
Net Pension Liability	1,699,256	1,075,081	2,774,337
Total OPEB Liability	112,068	148,130	260,198
Due Within One Year	740,000	2,508,000	3,248,000
Due in More than One Year	6,639,641	28,225,169	34,864,810
Total Liabilities	9,562,678	33,763,729	43,326,407
Deferred Inflows of Resources	920,834	203,624	1,124,458
Net Position			1,888,715
Net Investment in Capital Assets	22,500,205	33,579,463	56,079,668
Restricted for Tax Increment	17,168		17,168
Restricted for Debt Service	1,557,005	1,557,005	4,372,751
Unrestricted	8,287,352	19,268,152	27,555,504
Total Net Position	32,361,730	52,847,615	85,209,345
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 42,845,242	\$ 86,814,968	\$ 129,660,210

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Fiscal Prices and Services	Program Revenues Operating Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,344,003	\$ 301,502	\$ 6,100	\$	\$ (1,036,401)	\$	\$ (831,428)
Public Safety	2,057,822	166,797	233,634		(1,655,431)		(1,655,431)
Public Works	2,956,077	4,415	94,394		(2,497,288)		(2,497,288)
Airport	284,183	83,841	6,423	327,174	129,256		739,256
Land and Recreation	1,153,133	579,264	11,710	16,950	(77,120)		(77,120)
Economic Development	13,212				(13,212)		(13,212)
Interest on Long-Term Debt	231,655				(231,655)		(231,655)
Total Governmental Activities	7,622,015	1,136,839	352,261	346,124	(6,086,791)	0	(6,086,791)
BUSINESS-TYPE ACTIVITIES							
Liquor	2,650,621	2,936,976	3,011		289,366		289,366
Sewer	3,176,902	4,408,011	29,944		1,250,053		1,250,053
Water	6,165,836	10,545,316	1,133		4,378,513		4,378,513
Waste	707,737	867,770	2,831		232,564		232,564
Total Business-Type Activities	15,215,395	18,866,034	111,824	2,956,764	0	6,549,229	6,549,229
Total	\$ 23,127,409	\$ 19,892,873	\$ 464,085	\$ 3,302,888	(6,086,791)	6,549,229	462,738
GENERAL REVENUES							
Taxes							
Property Taxes, Levied for General Purposes					2,269,026		2,269,026
Property Taxes, Levied for Debt Service					547,033		547,033
Lodging Tax					35,088		35,088
Grants and Contributions not Restricted to Specific Programs					2,428,736		2,428,736
Other Revenues					148,864		148,864
Other Income					79,162		79,162
Gain on Asset Disposal					37,143		37,143
TRANSFERS					1,545,315		1,545,315
Total General Revenues and Transfers					7,083,397		7,083,397
Change in Net Position					1,055,126		1,055,126
NET POSITION, BEGINNING OF YEAR							
AS ORIGINALLY STATED					31,356,574	47,583,967	78,940,541
PROR PERIOD ADJUSTMENT							
NET POSITION, BEGINNING OF YEAR							
AS RESTATE							
NET POSITION, END OF YEAR					\$ 32,361,730	\$ 52,847,615	\$ 85,209,345

See Accompanying Notes to the Financial Statements
13

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	2019A		Nonmajor		Total Governmental Funds	
	General	G.O. CIP Refunding Bonds	Governmental Funds		2020	2019
ASSETS						
Cash and Cash Equivalents	\$ 3,777,492	\$ 242,781	\$ 4,946,736	\$ 8,967,009	\$ 10,968,710	
Cash with Fiscal Agent			602,808	602,808	531,311	
Receivables						
Accounts	49,543		2,206	51,749	71,134	
Contracts			13,220	13,220	12,000	
Interest	101,940			101,940	127,431	
Delinquent Property Taxes	60,771	2,321	12,194	75,286	43,843	
Special Assessments	4,250		87,620	91,870	111,574	
Capital Lease			345,417	345,417	673,334	
Due from Other Funds			445,806	445,806		
Due from Other Governmental Units	19,778	696	331,055	351,529	59,693	
Inventories			30,968	30,968	40,280	
Prepaid Items	83,979		75,162	159,141	132,745	
Total Assets	\$ 4,097,753	\$ 245,798	\$ 6,893,192	\$ 11,236,743	\$ 12,772,055	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 20,255	\$	\$ 67,597	\$ 87,852	\$ 110,340	
Contracts Payable			37,373	37,373	95,785	
Accrued Salaries	86,210		4,284	90,494	75,842	
Due to Other Funds			445,806	445,806		
Due to Other Governmental Units	61,630		641	62,271	41,770	
Total Liabilities	168,095	0	555,701	723,796	323,737	
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Property Taxes	60,771	2,321	12,194	75,286	43,843	
Special Assessments	4,250		87,620	91,870	111,574	
Total Deferred Inflows of Resources	65,021	2,321	99,814	167,156	155,417	
Fund Balance						
Nonspendable	83,979		75,162	159,141	132,745	
Restricted		243,477	1,412,941	1,656,418	4,387,694	
Assigned	2,253,216		4,961,375	7,214,591	6,343,841	
Unassigned	1,527,442		(211,801)	1,315,641	1,428,621	
Total Fund Balance	3,864,637	243,477	6,237,677	10,345,791	12,292,901	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,097,753	\$ 245,798	\$ 6,893,192	\$ 11,236,743	\$ 12,772,055	

See Accompanying Notes to the Financial Statements

14

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
		\$	\$	
Total Fund Balances - Governmental Funds		\$ 10,345,791	\$ 12,292,901	
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		42,892,417	42,474,071	
Less: Accumulated Depreciation		(15,349,270)	(14,526,702)	
Net Pension Asset		117,871	35,342	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				
Delinquent Property Taxes		75,286	43,843	
Special Assessments		91,870	111,574	
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.		3,681,763	3,678,355	
Deferred outflows and inflows of resources related to pensions, other post-employment benefits and debt refundings are applicable to future periods and, therefore, are not recorded in the funds.				
Deferred Outflows of Resources Related to Pensions		700,034	995,792	
Deferred Inflows of Resources Related to Pensions		(777,572)	(1,339,683)	
Deferred Outflows of Resources Related to OPEB		11,490	14,222	
Deferred Inflows of Resources Related to OPEB		(57,111)	(71,384)	
Deferred Inflows of Resources Related to Refunding of Debt		(86,151)	(93,642)	
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		(112,068)	(116,192)	
Bonds and Notes Payable		(7,075,000)	(10,285,000)	
Bond Premium		(129,799)	(138,890)	
Termination Benefits			(4,259)	
Compensated Absences		(174,842)	(157,663)	
Net Pension Liability		(1,699,256)	(1,439,097)	
Accrued Interest Payable		(93,723)	(117,014)	
Total Net Position - Governmental Activities		\$ 32,361,730	\$ 31,356,574	

See Accompanying Notes to the Financial Statements

15

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	General	2019A G.O. CIP Refunding Bonds	Nonmajor Governmental Funds	Total Governmental Funds	2020	2019
REVENUES						
Property Taxes	\$ 2,267,514	\$ 84,368	\$ 456,753	\$ 2,808,635	\$ 2,687,228	
Lodging Tax	35,068			35,068	41,393	
Special Assessments			22,503	22,503	25,938	
Licenses and Permits	218,445			218,445	258,752	
Intergovernmental	2,605,013	50,000	461,371	3,116,384	5,928,582	
Charges for Services	273,742		617,532	891,274	895,444	
Fines and Forfeits	22,870			22,870	41,087	
Interest Income	8,605	1,572	103,545	113,722	173,372	
Miscellaneous	30,214		58,708	88,922	80,745	
Total Revenues	5,461,471	135,940	1,720,472	7,317,823	10,132,541	
EXPENDITURES						
Current						
General Government	1,179,119		51,599	1,230,718	1,162,870	
Public Safety	2,190,614			2,190,614	2,143,620	
Public Works	1,355,658		8,128	1,363,786	1,528,837	
Airport				122,180	92,777	
Culture and Recreation	624,547		608,301	1,232,848	1,248,368	
Economic Development			12,832	12,832	23,628	
Capital Outlay						
General Government	121,761			121,761	57,866	
Public Safety	23,784			23,784		
Public Works	60,604		482,943	543,547	4,510,647	
Airport			344,774	344,774		
Culture and Recreation	10,000		143,514	153,514	21,271	
Economic Development			380	380	9,805	
Debt Service						
Principal		2,395,000	815,000	3,210,000	630,000	
Interest and Other Charges		85,736	185,792	271,528	304,675	
Total Expenditures	5,586,087	2,480,736	2,775,443	10,822,266	11,734,394	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,616)	(2,344,796)	(1,055,031)	(3,504,443)	(1,601,853)	
OTHER FINANCING SOURCES (USES)						
Proceeds from the Sale of an Asset	12,015			12,015	26,518	
Refunding Bonds Issued					2,220,000	
Bond Premium					93,642	
Transfers In	850,000	100,000	1,358,704	2,308,704	2,459,623	
Transfers Out	(630,783)		(132,603)	(763,386)	(592,564)	
Total Other Financing Sources (Uses)	231,232	100,000	1,226,101	1,557,333	4,207,419	
Net Change in Fund Balances	126,616	(2,244,796)	171,070	(1,947,110)	2,605,566	
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED	3,738,021	2,488,273	6,066,607	12,292,901	9,726,510	
PRIOR PERIOD ADJUSTMENT					(39,175)	
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	3,738,021	2,488,273	6,066,607	12,292,901	9,687,335	
FUND BALANCE, END OF YEAR	\$ 3,864,637	\$ 243,477	\$ 6,237,677	\$ 10,345,791	\$ 12,292,901	

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
Total Net Change in Fund Balances - Governmental Funds	\$ (1,947,110)	\$ 2,605,566
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	418,346	4,777,625
Depreciation Expense	(822,568)	(872,827)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	31,443	(9,060)
Special Assessments	(19,704)	(15,327)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
OPEB Items	15,665	2,437
Termination Benefits	4,259	13,246
Compensated Absences	(17,179)	(24,784)
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. Proceeds from the issuance of Bonds		(2,220,000)
Premium from the Issuance of Bonds		(93,642)
Principal Retirement of Long-Term Debt	3,210,000	630,000
Amortization of Bond Premium	16,582	3,856
Change in Accrued Interest Payable	23,291	(36,426)
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.		
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).	3,408	(61,055)
Change in Net Position - Governmental Activities	88,723	129,999
	\$ 1,005,156	\$ 4,829,608

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020				2019	
	Budgeted Amounts		Actual	Budget	Over	
	Original	Final			Final	Actual
REVENUES						
Property Taxes	\$ 2,287,500	\$ 2,287,500	\$ 2,287,514	\$ (19,986)	\$ (19,986)	\$ 2,138,462
Lodging Tax	42,100	42,100	35,068	(7,032)	(7,032)	41,393
Licenses and Permits	134,900	134,900	218,445	83,545	83,545	258,752
Intergovernmental	2,164,970	2,164,970	2,605,013	440,043	440,043	2,119,099
Charges for Services	233,350	233,350	273,742	40,392	40,392	284,889
Fines and Forfeits	21,000	21,000	22,870	1,870	1,870	41,087
Interest Income	70,000	70,000	8,605	(61,395)	(61,395)	58,477
Miscellaneous	11,500	11,500	30,214	18,714	18,714	38,923
Total Revenues	4,965,320	4,965,320	5,451,471	496,151	496,151	4,981,082
EXPENDITURES						
Current						
General Government	1,533,809	1,533,809	1,179,119	(354,690)	(354,690)	1,109,928
Public Safety	2,175,624	2,175,624	2,190,614	14,990	14,990	2,143,620
Public Works	1,434,799	1,434,799	1,355,658	(79,141)	(79,141)	1,326,323
Culture and Recreation	669,782	669,782	624,547	(45,235)	(45,235)	636,669
Economic Development	200	200		(200)	(200)	
Capital Outlay						
General Government	2,856	2,856	121,761	118,905	118,905	2,756
Public Safety			23,784	23,784	23,784	
Public Works			60,604	60,604	60,604	1,300
Culture and Recreation	10,750	10,750	10,000	(750)	(750)	9,771
Total Expenditures	5,827,820	5,827,820	5,566,087	(261,733)	(261,733)	5,230,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	(862,500)	(862,500)	(104,616)	757,884	757,884	(249,285)
OTHER FINANCING SOURCES (USES)						
Proceeds from the Sale of an Asset						
Transfers In	2,000	2,000	12,015	10,015	10,015	26,518
Transfers Out	850,000	850,000				649,750
	(10,000)	(10,000)	(630,783)	(620,783)	(620,783)	(266,113)
Total Other Financing Sources (Uses)	842,000	842,000	231,232	(610,768)	(610,768)	410,155
Net Change in Fund Balances	\$ (20,500)	\$ (20,500)	126,616	\$ 147,116	\$ 147,116	160,870
FUND BALANCE, BEGINNING OF YEAR			3,738,021			3,577,151
FUND BALANCE, END OF YEAR			\$ 3,864,637			\$ 3,738,021

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2020

PROPRIETARY FUNDS

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Current Assets							
Cash and Cash Equivalents	\$ 247,918	\$ 6,023,776	\$ 6,195,071	\$ 2,177,270	\$ 14,644,035	\$ 15,022,499	\$ 1,432,865
Accounts Receivable, Net of Allowance for Doubtful Accounts	626	533,336	893,469	83,429	1,510,860	1,521,827	
Delinquent Taxes Receivable		259,648			259,648	259,989	1,064
Current Portion of Special Assessments Receivable							
Other Governmental Units	313,337		336,177		649,514	626,275	17
Inventories	7,107	21,324	25,828	4,223	58,482	46,280	23
Prepaid Items	968,988	6,538,684	7,449,545	2,264,922	17,121,139	17,468,870	1,417,222
Total Current Assets							
Noncurrent Assets							
Capital Assets							
Land							
Buildings							
Equipment							
Other Capital Assets, Net of Depreciation							
Total Noncurrent Assets							
Total Assets							
Deferred Outflows of Resources							
Total Assets and Deferred Outflows of Resources							

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION							
Current Liabilities							
Accounts Payable	\$ 34,562	\$ 28,420	\$ 439,253	\$ 5,872	\$ 468,107	\$ 469,600	\$
Contracts Payable			857,107		857,107		
Accrued Salaries	7,151	10,023	28,574	2,357	48,105	37,219	
Accrued Interest Payable		173,960	112,899	8,039	294,898	317,709	
Deposits Payable			51,100		51,100	53,850	
Due to Other Governmental Units	3,257				3,257		
Due to Other Long-Term Liabilities	29,874	1,602,500	22,462	4,429	56,765	46,246	
Total Current Liabilities	74,854	1,813,033	2,320,495	106,797	4,315,949	4,406,891	0
Long-Term Liabilities							
Capital Lease Obligations	154,312	226,840	624,234	69,695	1,075,081	996,459	
Other Pension Liability	21,256	31,250	86,021	9,601	148,130	136,400	
Total Long-Term Liabilities	13,299	19,088,509	8,527,089	596,272	28,225,169	30,796,347	
Total Liabilities	168,869	19,346,599	9,237,344	675,568	29,448,380	31,865,206	0
Deferred Inflows of Resources	23,492	74,477	95,045	10,610	203,624	384,006	
Net Position	1,939,319	14,569,624	14,485,037	3,968,549	39,979,463	29,440,098	2,951,139
Unrestricted Net Position	309,505	10,657,126	6,209,812	2,100,407	19,266,852	21,894,619	1,417,222
Total Net Position	1,538,824	25,226,902	20,894,849	5,368,950	52,847,615	47,953,967	3,678,355
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,825,039	\$ 46,461,271	\$ 32,247,733	\$ 6,179,925	\$ 88,814,968	\$ 84,244,070	\$ 3,678,355

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals	2020	2019
OPERATING REVENUES							
Sales	\$ 2,926,978	\$	\$	\$	\$ 2,926,978	\$	\$ 2,645,060
Cost of Goods Sold	(1,575,971)				(1,575,971)		(1,575,971)
Gross Profit on Sales	726,958				726,958		629,914
Charges for Services							
Other		4,241,543	10,383,277	957,770	15,589,714	15,573,902	682,457
Total Operating Revenues	726,958	4,241,543	10,383,277	957,770	16,333,548	16,242,021	682,457
OPERATING EXPENSES							
Salaries and Benefits	267,191	370,244	983,355	112,399	1,733,189	1,886,975	
Supplies	16,456	389,359	3,469	459,234	459,234	375,997	88,577
Other Services and Charges	123,627	797,263	6,059,320	5,129	850,519	1,022,984	
Depreciation							
Production			86,005	87,301	173,306	197,021	
Distribution			373,506	457,791	831,297	337,951	
Interest Expense and General			888,784	294,645	1,183,429	1,050,000	
Depreciation	26,179	1,157,788	8,278,436	664,487	12,127,890	2,181,527	640,986
Total Operating Expenses	426,603	2,714,954	8,278,436	294,645	12,314,638	12,350,142	726,443
Operating Income (Loss)	286,355	1,526,589	2,074,839	273,283	4,101,066	3,891,879	(80,186)
NON-OPERATING REVENUES (EXPENSES)							
Special Assessments		166,468			166,468		
Interest Income	3,011	76,739	2,531		82,281	174,839	8,000
Miscellaneous Revenue	2,330	54,254	71,864	20,396	148,844	15,644	15,466
Interest Expense and Fiscal Agent Charges	1,794	21,841	86,860	1,176	111,673	52,095	1,000
Miscellaneous Expense	(5,217)	(649,331)	(20,360)	(20,327)	(747,735)	(850,042)	(1,500)
Total Non-Operating Revenue (Expenses)	785	(193,341)	(65,000)	(855)	(240,301)	46,184	35,252
Income (Loss) Before Transfers	286,510	1,333,248	1,949,369	274,138	3,843,265	3,948,416	(120,059)
CONTRIBUTIONS							
Contributions			2,966,764		2,966,764	250,000	
TRANSFERS							
Transfers In							
Transfers Out	(256,318)	(350,000)	(770,000)	(200,000)	(1,546,318)	12,000	59,000
Total Transfers	(256,318)	(350,000)	(770,000)	(200,000)	(1,546,318)	(1,538,259)	0
Change in Net Position	(1,869)	985,248	4,206,070	74,138	5,206,448	1,724,156	3,408
NET POSITION, BEGINNING OF YEAR	1,546,632	24,241,744	16,488,779	5,312,812	47,589,967	45,859,811	3,759,410
NET POSITION, END OF YEAR	\$ 1,538,824	\$ 25,226,992	\$ 20,894,849	\$ 5,368,950	\$ 52,847,615	\$ 47,593,967	\$ 3,678,355

See Accompanying Notes to the Financial Statements

CITY OF LUTCHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

[illegible]

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Liquor	Sawyer	Electric	Water	Totals	2020	2019	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers	\$ 2,688,873	\$ 4,183,730	\$ 10,457,744	\$ 959,436	\$ 18,537,763	\$ 18,355,424	\$ 18,282,457	\$ 684,326
Payments to Employees	(298,064)	(381,324)	(1,028,193)	(115,742)	(1,803,273)	(1,784,201)	(80,777)	(214,546)
Net Cash Provided (Used) by Operating Activities	290,017	2,604,814	2,731,726	569,004	6,196,161	6,176,987	593,380	469,690
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Intergovernmental	3,011	29,544	78,738	2,531	111,824		191	96
Other Receipts	4,144	78,195	157,824	21,574	259,739	228,739	16,466	20,543
Special Assessments			417,457		417,457	417,457		19,416
Miscellaneous In From Other Funds						12,000		59,000
Transfers Out to Other Funds	(295,318)	(6,217)	(39,960)	(2,923)	(99,130)			
Total Noncapital Financing Activities	(28,283)	(350,000)	(706,000)	(200,000)	(1,545,318)	(1,538,259)		
Net Cash Provided (Used) by Noncapital Financing Activities	(28,283)	167,979	(486,428)	(178,816)	(795,430)	(1,232,063)	24,663	99,926
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and Construction of Capital Assets		(30,240)	(2,526,134)	(16,058)	(2,575,432)	(177,389)	(626,941)	(449,458)
Proceeds from Sale of Assets						1,656,000		
Proceeds on Issuance of Long-Term Debt		(2,572,000)	(847,000)	(30,000)	(3,449,000)	(2,624,000)		(75,000)
Principal Reduction on Long-Term Debt		(458,023)	(284,163)	(20,577)	(762,763)	(898,763)		(1,500)
Interest and Fiscal Agent Fees Paid on Bonds and Notes								
Net Cash Provided (Used) by Capital and Related Financing Activities	2,654	(3,089,263)	(3,664,297)	(69,636)	(6,814,156)	(1,969,743)	(601,133)	(519,969)
Net Increase (Decrease) in Cash and Cash Equivalents	-24,664	(3,147,616)	(1,426,359)	1,853,719	(1,743,996)	2,533,161	161,729	-49,536
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	245,664	6,336,246	16,816,970	1,863,979	17,056,969	14,123,818	14,116,135	1,366,497
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 247,918	\$ 6,023,776	\$ 7,194,571	\$ 2,177,270	\$ 15,643,536	\$ 17,056,969	\$ 14,322,865	\$ 1,416,135
RECONCILIATION OF CASH AND CASH EQUIVALENTS								
Cash and Investments	\$ 247,918	\$ 6,023,776	\$ 6,195,071	\$ 2,177,270	\$ 14,644,035	\$ 15,022,489	\$ 14,322,865	\$ 1,416,135
Restricted Cash					999,500	2,034,500		
Total Cash and Cash Equivalents								

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

ASSETS	
Current Assets	
Cash	
Accounts Receivable	
Total Assets	
NET POSITION	
Held in Trust for Other Purposes	

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020

ADDITIONS	
Interest Income	
Change in Net Position	
NET POSITION, BEGINNING OF YEAR	
NET POSITION, END OF YEAR	

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 separate entity 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.

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 funds:

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 2019A G.O. CIP Refunding Bonds Debt Service Fund is used to account for the revenues and expenditures related to the 2019A debt.

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.

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 cash equivalents 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.

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.

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 acquisition 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.

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 represent 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 and proprietary fund Statement of Net Position which are related to pensions, OPEB, and refunding of debt.

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.

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. 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 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 year ended December 31, 2020, was \$256,535. The components of pension expense are noted in the plan summaries.

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

N. 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.

O. 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 represent 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 and proprietary fund Statement of Net Position and the governmental fund financial statements related to property taxes, special assessments, pensions, OPEB and refunding of debt.

P. 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 would otherwise 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.

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.

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

P. FUND BALANCE (Cont'd)

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.

Q. 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.

R. 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.

S. 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, 2019, from which the partial information was derived.

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.

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

A. BUDGETARY INFORMATION (Cont'd)

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 fund had deficit fund balance:

	<u>Fund Balance</u>
Nonmajor Capital Project Funds TH 12 Improvements	\$ (211,801)

This deficit will be financed through future revenues of the fund and transfers from other funds.

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	\$ 489,533	\$ 407,036
Downtown/Heritage Preservation	11,644	
Airport	122,180	100,075
TIF District No. 4-12 Townmaster	1,188	
Infrastructure Street	8,128	
Community Reinvestment	77,192	
Lake Ripley Improvement	3,082	

NOTE 3. CASH AND CASH EQUIVALENTS

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	\$ 7,276,579
Non-Negotiable Certificates of Deposit	18,000,000
ATM	3,470
Petty Cash	630
Cash with Fiscal Agent	602,808
Restricted Cash	999,500
Total Deposits	<u>\$ 26,882,987</u>

Deposits are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 25,043,909
Cash Held with Fiscal Agent	602,808
Restricted Cash	999,500
Statement of Fiduciary Net Position	
Cash	<u>236,770</u>
Total Cash and Cash Equivalents	<u>\$ 26,882,987</u>

NOTE 4. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

A. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
<u>Governmental Activities</u>		
Accounts	\$ 51,749	\$ 5,220
Contracts	13,220	
Interest	101,940	
Delinquent Property Taxes	76,159	
Special Assessments	91,870	72,691
Capital Lease	345,417	26,667
Total Governmental Activities	\$ 680,355	\$ 104,578
<u>Business-Type Activities</u>		
Accounts	\$ 1,510,860	\$ 4,314,529
Special Assessments	4,574,177	
Total Business-Type Activities	\$ 6,085,037	\$ 4,314,529

B. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for Doubtful Accounts are as follows:

<u>Business-Type Activities</u>	
Water	\$ 1,790
Electric	18,437
Sewer	8,829
Total Business-Type Activities	\$ 29,056

NOTE 5. INVENTORIES

Inventories are as follows:

<u>Governmental Activities</u>	
Golf Course	\$ 14,573
Pro Shop	
Airport	16,395
Fuel Inventory	
Total Governmental Activities	\$ 30,968
<u>Business-Type Activities</u>	
Electric	
Transformers	\$ 275,209
Line Inventory	37,041
Pole/Conduit	22,927
Liquor	313,337
Total Business-Type Activities	\$ 648,514

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of the following:

<u>Governmental Activities</u>	
Meeker County	\$ 23,280
State of Minnesota	328,266
Total Governmental Activities	\$ 351,546

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTE 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	\$ 94,784	\$	\$ 1,919,077
Easements	10,428			10,428
Construction in Progress	6,843,722	211,800	(2,043,241)	5,012,281
Total Capital Assets,				
Not Being Depreciated	8,678,443	306,584	(2,043,241)	6,941,786
Capital Assets, Being Depreciated				
Buildings	9,777,288	344,773		10,122,061
Improvements Other than Buildings	23,384,915	2,301,951	(447,097)	25,239,769
Machinery and Equipment	9,978,699	586,441	(258,695)	10,306,445
Total Capital Assets,				
Being Depreciated	43,140,902	3,233,165	(705,792)	45,668,275
Less Accumulated Depreciation for				
Buildings	4,289,212	201,190		4,490,402
Improvements Other than Buildings	9,632,647	764,538	(155,242)	10,241,943
Machinery and Equipment	7,688,984	656,272	(258,695)	8,086,561
Total Accumulated Depreciation				
	21,610,843	1,622,000	(413,937)	22,818,906
Total Capital Assets, Being Depreciated, Net				
Governmental Activities	21,530,059	1,611,165	(291,855)	22,849,369
Net Capital Assets	\$ 30,208,502	\$ 1,917,749	\$ (2,335,096)	\$ 29,791,155

38

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTE 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	841,529	6,150,030		6,991,559
Total Capital Assets,				
Not Being Depreciated	1,576,684	6,150,030	0	7,726,714
Capital Assets, Being Depreciated				
Buildings	46,290,201			46,290,201
Improvements Other than Buildings	36,354,183			36,354,183
Machinery and Equipment	9,885,384	239,273	(294,566)	9,830,091
Total Capital Assets,				
Being Depreciated	92,529,768	239,273	(294,566)	92,474,475
Less Accumulated Depreciation for				
Buildings	12,413,771	1,032,340		13,446,111
Improvements Other than Buildings	14,714,712	888,183		15,602,895
Machinery and Equipment	7,244,053	246,854	(294,566)	7,196,341
Total Accumulated Depreciation				
	34,372,536	2,167,377	(294,566)	36,245,347
Total Capital Assets, Being Depreciated, Net				
Business-Type Activities	58,157,232	(1,928,104)	0	56,229,128
Net Capital Assets	\$ 59,733,916	\$ 4,221,926	\$ 0	\$ 63,955,842

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
General Government	\$ 109,331
Public Safety	224,133
Public Works	882,077
Airport	166,002
Culture and Recreation	240,457
Total Depreciation Expense - Governmental Activities	\$ 1,622,000

<u>Business-Type Activities</u>	
Liquor	\$ 26,179
Sewer	1,157,788
Electric	688,764
Water	294,646
Total Depreciation Expense - Business-Type Activities	\$ 2,167,377

39

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERSA. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 445,806

The purpose of the above interfund loans was to cover negative cash.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

Transfer In			
2019A			
General	G.O. CIP Refunding Bonds	Nonmajor Governmental Funds	Total
Transfer Out			
General	\$	\$ 630,783	\$ 630,783
Liquor		295,318	295,318
Sewer	250,000	100,000	350,000
Electric	500,000	100,000	700,000
Water	100,000	100,000	200,000
Nonmajor Governmental Funds		132,603	132,603
Total	\$ 850,000	\$ 1,358,704	\$ 2,308,704

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 LIABILITIESA. 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTE 9. LONG-TERM LIABILITIES (Cont'd)B. COMPONENTS OF LONG-TERM LIABILITIES

	Interest Rates	Final Maturity	Balance Outstanding
<u>Governmental Activities</u>			
G.O. Bonds			
G.O. CIP Bonds Refunding, Series 2019A	2.00-3.00%	02/01/2029	\$ 2,220,000
G.O. CIP Bonds, Series 2015A	2.00-2.25%	02/01/2025	520,000
G.O. Bonds, Series 2018A	3.45-4.00%	02/01/2038	3,410,000
G.O. Revenue Bonds			
Public Project Lease Revenue Bonds, Series 2007B	4.50-5.10%	02/01/2028	300,000
G.O. Housing Development Bonds, Series 2011A	2.00-3.40%	02/01/2022	625,000
Bond Premium			129,799
Compensated Absences			174,842
Total Governmental Activities			\$ 7,379,641
<u>Business-Type Activities</u>			
G.O. Bonds			
G.O. Sewer System Bonds Refunding, Series 2019A	2.00-3.00%	02/01/2029	\$ 1,035,000
G.O. Revenue Bonds			
G.O. Utility Revenue Bonds, Series 2014A	2.00-3.75%	02/01/2035	1,585,000
G.O. Sewer Revenue Bonds, Series 2019A	2.00-3.00%	02/01/2029	620,000
G.O. Special Assessment Bonds			
G.O. Improvement Bonds, Series 2013A	3.00-4.00%	02/01/2035	7,095,000
G.O. Revenue Notes			
2001 Wastewater Treatment Loan	2.680%	08/20/2022	1,400,000
2009 Clean Water Revolving Fund Loan	2.652%	08/20/2029	4,024,048
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	8,390,000
Bond Premium			480,437
Compensated Absences			103,684
Total Business-Type Activities			\$ 30,733,169

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences.

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

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

Refunding Transaction - 2011A

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

Wastewater Treatment Loan - 2001

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

Wastewater Treatment Loan - 2009

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

Refunding Transaction - 2015A

In April 2015, the City issued \$995,000 of General Obligation Capital Improvement Plan Bonds, Series 2015A. The bonds were issued in part to refund the Public Project Lease Revenue Bonds, Series 2005A. The total cash savings to the City is \$102,062.52 with a net present value benefit of \$94,981.91.

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.

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

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

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.

General Obligation Sewer Revenue and Refunding Bonds - 2019A

In December 2019, the City issued \$3,875,000 of General Obligation Sewer Revenue and Refunding Bonds, Series 2019A with final maturity of February 2, 2032. \$2,220,000 of the principal is to be used to refund the Capital Improvement Plan Bonds, Series 2011B. \$1,035,000 of the principal is to be used to refund Sewer System Bonds, Series 2011D. \$620,000 is to be allocated to finance the 2020 Sewer Projects. Interest Rates range from 2.10% to 3.00%. 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, 2020.

If an event of default occurs on Public Facilities Authority outstanding debt items including direct borrowings of the City, the City may be subject to financial consequences. The finance-related consequences could include the following: (1) an additional interest penalty by the Authority of the related debt, (2) withhold approval of any disbursement request, (3) reject any pending application for financial assistance, (4) demand immediate payment of the loan or bond, or (5) any other remedy available to the Authority by law.

CITY OF LITCHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	Interest	G.O. Revenue Bonds
	Principal	Interest	Principal
2021	\$ 405,000	\$ 182,785	\$ 335,000
2022	430,000	169,610	355,000
2023	445,000	155,785	35,000
2024	455,000	141,429	35,000
2025	480,000	126,360	40,000
2026-2030	2,035,000	427,813	125,000
2031-2035	1,680,000	148,823	
2036-2038	220,000	11,558	
	<u>\$ 6,150,000</u>	<u>\$ 1,364,163</u>	<u>\$ 925,000</u>
			<u>\$ 85,933</u>

Year Ending December 31	Business-Type Activities		
	G.O. Bonds	Interest	G.O. Revenue Bonds
	Principal	Interest	Principal
2021	\$ 65,000	\$ 26,230	\$ 140,000
2022	75,000	24,130	145,000
2023	75,000	21,880	150,000
2024	80,000	19,555	150,000
2025	80,000	17,155	150,000
2026-2030	455,000	48,300	845,000
2031-2035	205,000	4,308	625,000
	<u>\$ 1,035,000</u>	<u>\$ 161,558</u>	<u>\$ 2,205,000</u>
			<u>\$ 525,719</u>

CITY OF LITCHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	G.O. Special Assessment Bonds		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 375,000	\$ 241,250	\$ 1,093,000	\$ 144,238
2022	385,000	229,850	1,121,000	115,060
2023	395,000	218,150	423,000	85,130
2024	410,000	206,075	435,000	73,912
2025	420,000	193,625	446,000	62,376
2026-2030	2,310,000	760,613	2,376,048	128,016
2031-2035	2,800,000	288,800	2,350,000	
2036-2040			2,350,000	
2041-2042			830,000	
	<u>\$ 7,095,000</u>	<u>\$ 2,138,363</u>	<u>\$ 11,424,048</u>	<u>\$ 608,732</u>

Year Ending December 31	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2021	\$ 835,000	\$ 239,175
2022	860,000	213,750
2023	890,000	187,500
2024	910,000	160,500
2025	940,000	132,750
2026-2030	3,955,000	237,975
	<u>\$ 8,390,000</u>	<u>\$ 1,171,650</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 8,645,000	\$	\$ (2,495,000)	\$ 6,150,000	\$ 405,000
G.O. Special					
Assessment Bonds	395,000		(395,000)		
G.O. Revenue Bonds	1,245,000		(320,000)	925,000	335,000
Bond Premium	138,890		(9,091)	129,799	
Termination Benefits	4,259		(4,259)		
Compensated Absences	157,663	145,523	(128,344)	174,842	
Total Governmental Activities	\$ 10,585,812	\$ 145,523	\$ (3,351,694)	\$ 7,379,641	\$ 740,000
<u>Business-Type Activities</u>					
G.O. Bonds	\$ 2,160,000		\$ (1,125,000)	\$ 1,035,000	\$ 65,000
G.O. Revenue Bonds	2,285,000		(80,000)	2,205,000	140,000
G.O. Special					
Assessment Bonds	7,460,000		(365,000)	7,095,000	375,000
G.O. Revenue Notes	12,488,048		(1,064,000)	11,424,048	1,093,000
Revenue Bonds	9,205,000		(815,000)	8,390,000	835,000
Bond Premium	532,406		(51,969)	480,437	
Compensated Absences	114,893	99,485	(110,694)	103,684	
Total Business-Type Activities	\$ 34,245,347	\$ 99,485	\$ (3,611,663)	\$ 30,733,169	\$ 2,508,000

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, 2020, the aggregate balance outstanding was \$1,204,550.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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	100%	2017-2029	\$ 9,561,650	\$ 1,078,925	
Improvements Utility Charges					
Revenue Bonds, Series 2014A					
Improvements Utility Charges	100%	2014-2035	790,078	51,578	10,370,401
Total Electric Utility			\$ 10,351,728	\$ 1,130,503	
Water Utility					
Revenue Bonds, Series 2014A					
Improvements Utility Charges	100%	2014-2035	\$ 790,871	\$ 49,593	\$ 957,770
Sewer Utility					
Revenue Bonds, Series 2014A					
Improvements Utility Charges	100%	2014-2035	\$ 444,419	\$ 29,012	\$ 4,241,543

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

At December 31, 2020, 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, 2020, the plan covered 27 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred.

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:

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

B. BENEFITS PROVIDED (Cont'd)

Completed Years of Service	Non-forfeitable Percentage of Pension Amount
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.

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, 2020, the State of Minnesota contributed \$67,955 in fire state aid to the plan on behalf of the Fire Department.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

D. PENSION COSTS

The City reported a net pension liability (asset) of \$(117,871). The City's net pension liability (asset) was measured as of December 31, 2020, 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)
Balance at December 31, 2019	\$ 624,790	\$ 660,132	\$ (35,342)
Changes for the Year:			
Service Cost	30,865		30,865
Interest	33,083		33,083
Contributions - Member		30	(30)
Contributions - State		67,955	(67,955)
Net Investment Income		89,306	(89,306)
Benefit Payments	(51,001)	(51,001)	
Administrative Expense		(10,814)	10,814
Net Changes	12,947	95,476	(82,529)
Balance at December 31, 2020	\$ 637,737	\$ 755,608	\$ (117,871)

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2020, the City recognized pension expense of \$(11,842).

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 25,859	\$ 10,920
Changes in Actuarial Assumptions		5,724
Net Differences Between Projected and Actual Investment Earnings	4,189	
Contributions Paid to Plan Subsequent to Measurement Date	68,273	
State Aid Received for the Plan Subsequent to Measurement Date		68,273
Totals	\$ 98,321	\$ 84,917

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

D. PENSION COSTS (Cont'd)

\$68,273 reported as deferred outflows of resources related to pensions resulting from City contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2021. \$68,273 reported as deferred inflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$ 5,870
2022	4,322
2023	12,282
2024	(8,724)
2025	2,423
Thereafter	(2,769)

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 Method:	5 Years
Asset Valuation Method:	Market Value as of the measurement date
Inflation:	2.50%
Investment Rate of Return:	5.25%

Mortality rates were based on the RP-2014 employee generational mortality table projected with mortality improvement scale MP-2018, from a base year of 2006.

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 November 18, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.25%. 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

G. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the City's net pension liability (asset) for the Volunteer Firefighter Fund, calculated using the assumed 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 one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (4.25%)	Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
City's Net Pension Liability (Asset)	\$ (103,445)	\$ (117,871)	\$ (132,032)

H. INVESTMENT POLICY:

The City of Litchfield's Fireman Relief Association does not have a formal investment policy.

I. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	26.81%	4.76%
International Equity	38.55%	5.41%
Fixed Income	19.90%	2.01%
Real Estate and Alternatives	0.05%	4.53%
Cash	14.69%	0.74%
	<u>100.00%</u>	

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

J. PENSION PLAN FIDUCIARY NET POSITION:

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020NOTE 12. DEFINED BENEFIT PENSION PLAN - STATEWIDEA. 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.

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

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

PEPPF 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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

C. CONTRIBUTIONS

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020; 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, 2020, were \$167,139. The City's contributions were equal to the required contributions as set by state statute.

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

C. CONTRIBUTIONS (Cont'd)

PEPPF Contributions:

Police and Fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$133,146. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2020, the City reported a liability of \$1,888,569 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$58,288. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.0315 percent at the end of the measurement period and 0.0297 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 1,888,569
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the City	58,288
Total	<u>\$ 1,946,857</u>

The following changes in plan provisions occurred during 2020:

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

For the year ended December 31, 2020, the City recognized pension expense of \$167,710 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$5,073 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

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	\$ 16,283	\$ 7,145
Changes in Actuarial Assumptions		69,197
Differences Between Projected and Actual Investment Earnings	27,154	
Changes in Proportion	74,639	78,580
Contributions Paid to GERP Subsequent to Measurement Date	84,501	
Totals	\$ 202,577	\$ 154,922

The \$84,501 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2021	(135,147)
2022	(7,952)
2023	60,625
2024	45,628

PEPP Pension Costs:

At December 31, 2020, the City reported a liability of \$885,768 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0672 percent at the end of the measurement period and 0.0689 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

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

D. PENSION COSTS (Cont'd)

PEPP Pension Costs: (Cont'd)

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$153,133 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$6,421 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$6,048 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

There have been no changes in plan provisions during 2020.

At December 31, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 37,365	\$ 40,061
Changes in Actuarial Assumptions	282,704	495,388
Differences Between Projected and Actual Investment Earnings	43,599	
Changes in Proportion	80,298	90,474
Contributions Paid to PEPP Subsequent to Measurement Date	70,487	
Totals	\$ 514,453	\$ 625,923

The \$70,487 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

D. PENSION COSTS (Cont'd)

PEPFP Pension Costs: (Cont'd)

Year ended December 31,	Pension Expense Amount
2021	(56,346)
2022	(229,046)
2023	50,412
2024	55,417
2025	(2,394)

E. ACTUARIAL ASSUMPTIONS

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

Actuarial Assumptions	GERP	PEPFP
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%

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

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

The following changes in actuarial assumptions occurred in 2020:

GERP:

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

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

PEPFP:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
Private Markets	17.50%	5.30%
Fixed Income	20.00%	0.75%
International Equity	25.00%	5.90%
Cash Equivalents	2.00%	0.00%
	100.00%	
		59

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

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

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

	GERP	PEPFP
1% Lower	6.50% \$ 3,026,721	6.50% \$ 1,765,463
Current Discount Rate	7.50% 1,888,569	7.50% 885,768
1% Higher	8.50% 949,685	8.50% 157,974

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.mmpera.org.

NOTE 13. DEFINED CONTRIBUTION PLAN

4 council members and 31 ambulance service personnel of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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 five 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 contributions 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

NOTE 13. DEFINED CONTRIBUTION PLAN (Cont'd)

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

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
Elected Officials	\$ 840	\$ 840	5.00%	5.00%	5.00%
Ambulance Service Personnel	15,605	35,868	43.51%	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 5 retired participants. Benefit 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 \$260,198 was measured as of December 31, 2019, 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, 2020.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

Balance at December 31, 2019	Total OPEB Liability
	\$ 252,592
Changes for the year:	
Service Cost	18,517
Interest	9,683
Changes in Assumptions or Other Inputs	(391)
Benefit Payments	(20,203)
Net Changes	7,606
Balance at December 31, 2020	\$ 260,198

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 3.71% in 2019 to 2.75% in 2020.

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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1.0% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1.0% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 274,274	\$ 260,198	\$ 246,359

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 (5.40% decreasing to 3.00%) or 1-percentage-point higher (7.40% decreasing to 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates	
	1.0% Decrease (5.40% decreasing to 3.00%)	1.0% Increase (7.40% decreasing to 5.00%)
Total OPEB Liability	\$ 234,460	\$ 290,052

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$(10,736). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 129,565
Changes in Actuarial Assumptions or Other Inputs	4,845	3,036
Contributions Paid Subsequent to Measurement Date	21,836	
Totals	\$ 26,681	\$ 132,601

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)

\$21,836 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended December 31,	Pension Expense Amount
2021	(21,319)
2022	(21,276)
2023	(20,795)
2024	(22,334)
2025	(22,334)
Thereafter	(19,698)

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Based on the most recent disclosed assumptions for the pension plan, which the employee participates.
Healthcare Cost Trend Rates	6.40% for 2020, decreasing on average 0.04% per year to an ultimate rate of 4.00% for 2075 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 2.75% 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/Aa or higher.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

CITY OF LITCHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15. FUND BALANCE

The following is a summary of fund balance components:

	General	2019A G.O. CJP Refunding Bonds	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$ 83,979	\$	\$ 75,162	\$ 159,141
Restricted for				
Tax Increment		243,477	17,168	17,168
Debt Service		243,477	1,395,773	1,639,250
Total Restricted	0	243,477	1,412,941	1,656,418
Assigned				
Hazardous Building Improvements	195,958			195,958
Dial-A-Ride	108,939			108,939
GAR Hall Improvements	60,862			60,862
Public Access	75,836			75,836
Tree Management	240,080			240,080
Cafeteria	8,351			8,351
Capital Outlay	1,563,190		3,052,407	4,615,597
Fund Operations			1,908,968	1,908,968
Total Assigned	2,253,216	0	4,961,375	7,214,591
Unassigned	1,527,442		(211,801)	1,315,641
	\$ 3,864,637	\$ 243,477	\$ 6,237,677	\$ 10,345,791

NOTE 16. COMMITMENTS

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 24.9% 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, 2020

NOTE 16. COMMITMENTS (Cont'd)

B. CONSTRUCTION PROJECTS

The City has the following projects in progress:

Project	Contract Amount	Remaining Commitment
Airport Snow Removal Building	\$ 272,874	\$ 28,761
Phase II Generation Improvements	8,199,800	2,224,550
2018 Splash Pad	177,233	13,612

NOTE 17. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no effect 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, 2020, the City abated property taxes totaling \$11,096 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	45.65%	\$ 11,096

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Related to Pensions	\$ 700,034	\$ 777,572
Related to OPEB	11,490	57,111
Related to Refunding of Debt		86,151
Total Governmental Activities	\$ 711,524	\$ 920,834
Business-Type Activities		
Related to Pensions	\$ 115,317	\$ 88,190
Related to OPEB	15,191	75,490
Related to Refunding of Debt	293,050	39,944
Total Business-Type Activities	\$ 423,558	\$ 203,624

NOTE 20. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that certain prior year golf course membership operating allocation amounts applicable to the fiscal year ending December 31, 2019 and prior totaling \$51,900 were incorrectly omitted in the Golf Course Special Revenue Fund. To correct this error, 2019 accounts payable was increased by \$51,900, expenditures were increased by \$12,725 and the beginning fund balance of the Golf Course Special Revenue Fund of \$190,995, as originally reported, has been decreased by \$39,175 to \$151,820. The Governmental Activities 2019 beginning Net Position of \$26,566,141, as originally reported, has been decreased by \$39,175 to \$26,526,966.

NOTE 21. COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITCHFIELD, MINNESOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2020

Fiscal Year Ending	Contributions in Relation to the Statutorily Required Contribution		Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	(b)			
Pensions					
<u>GERP</u>					
12/31/2020	\$ 167,139	\$ 167,139	\$	\$ 2,228,511	7.50%
12/31/2019	162,292	162,292		2,163,877	7.50%
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%
PEREP					
12/31/2020	133,146	133,146		752,240	17.70%
12/31/2019	128,261	128,261		756,702	16.95%
12/31/2018	108,538	108,538		669,989	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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY										
DECEMBER 31, 2020										
Fiscal Year Ending	Employer's Proportionate Share (Percentage)	Employer's Share (Amount)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Employer	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	(a)	(b)	(a+b)	(c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions										
GERP										
June 30, 2020	0.0315%	\$ 1,888,569	\$ 58,288	\$ 1,946,857	\$ 2,242,703				86.81%	79.06%
June 30, 2019	0.0297%	1,642,046	50,988	1,693,044	2,082,257				81.31%	80.23%
June 30, 2018	0.0319%	1,769,681	57,968	1,827,649	2,053,744				87.71%	79.53%
June 30, 2017	0.0350%	2,106,686	28,470	2,135,168	2,123,358				100.46%	75.90%
June 30, 2016	0.0349%	2,147,460	34,125	2,181,585	1,993,255				102.88%	68.16%
June 30, 2015	0.0338%	1,751,691		1,751,691	1,976,514				88.63%	78.19%
PEPEP										
June 30, 2020	0.0672%	885,768	20,872	906,640	759,642				119.35%	87.19%
June 30, 2019	0.0669%	733,510		733,510	727,220				100.86%	89.26%
June 30, 2018	0.0576%	613,957		613,957	607,539				101.06%	88.84%
June 30, 2017	0.0600%	810,071		810,071	620,734				130.50%	85.43%
June 30, 2016	0.0640%	2,568,431		2,568,431	619,455				414.63%	63.88%
June 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.

See Accompanying Notes to the Required Supplementary Information

See Accompanying Notes to the Required Supplementary Information
68

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2020

	Measurement Date				
	2019	2018	2017	2016	2014
Service Cost	\$ 30,865	\$ 35,159	\$ 34,218	\$ 34,110	\$ 32,566
Interest	33,083	32,247	31,932	26,501	21,289
Differences Between Expected and Actual Experience		(14,234)		47,187	
Change in Assumptions		(703)		(3,823)	
Benefit Payments	(51,001)	(74,920)	(46,680)		(7,185)
Net Change in Total Pension Liability	12,947	(22,451)	19,470	103,975	53,955
Total Pension Liability - Beginning of Year	624,790	647,241	627,771	523,796	468,558
Total Pension Liability - End of Year	\$ 637,737	\$ 624,790	\$ 647,241	\$ 627,771	\$ 522,713
Contributions - Employer					
Contributions - Member	30	27	29	29	28
Contributions - State of Minnesota	67,955	64,236	63,207	63,210	60,640
Net Investment Income	89,306	(70,574)	71,510	20,579	693
Benefit Payments	(51,001)	(74,920)	(46,680)		(7,185)
Administrative Expense	(10,814)	(7,006)	(11,354)	(3,900)	(6,499)
Other				1,000	
Net Change in Plan Fiduciary Net Position	95,476	(88,237)	78,712	80,918	59,882
Total Plan Fiduciary Beginning of Year	680,132	748,369	671,657	590,739	529,857
Total Plan Fiduciary Net Position End of Year	\$ 755,608	\$ 660,132	\$ 748,369	\$ 671,657	\$ 589,739
City's Net Pension Liability - End of Year	\$ (117,871)	\$ (35,342)	\$ (101,128)	\$ (43,886)	\$ (67,526)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	118.48%	105.66%	115.62%	106.95%	112.93%

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

See Accompanying Notes to the Required Supplementary Information

69

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
DECEMBER 31, 2020

	Measurement Date				
	2019	2018	2017	2016	2015
Service Cost	\$ 18,517	\$ 28,719	\$ 24,914	\$ 24,137	\$ 24,137
Interest	9,683	14,250	15,796	15,121	15,121
Differences Between Expected and Actual Experience		(173,635)			
Change in Assumptions	(391)	(1,960)	9,804	(3,785)	
Benefit Payments	(20,203)	(33,131)	(43,680)	(58,804)	(58,804)
Net Change in Total OPEB Liability	7,606	(165,757)	6,834	(23,331)	(23,331)
Total OPEB Liability - Beginning of Year	252,592	418,349	411,515	434,846	434,846
Total OPEB Liability - End of Year	\$ 260,198	\$ 252,592	\$ 418,349	\$ 411,515	\$ 411,515
Covered Employee Payroll	\$ 2,841,218	\$ 2,860,925	\$ 3,103,947	\$ 3,103,947	\$ 3,103,947
Total OPEB Liability as a % of Covered Employee Payroll	9.16%	9.49%	13.48%	13.26%	13.26%

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

See Accompanying Notes to the Required Supplementary Information

70

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 1. CHANGES IN PLAN PROVISIONSA. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)2020 Changes:

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

2019 Changes:

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

2018 Changes:

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

There have been no changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPPF)2020 Changes:

There have been no changes since the prior valuation.

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.

An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.

New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.

Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

There have been no changes since the prior valuation.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPFP) (Cont'd)2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

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

C. CITY OF LITCHFIELD'S FIREMAN'S RELIEF ASSOCIATION2020 Changes:

There have been no changes since the prior valuation.

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

There have been no changes since the prior valuation.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

There have been no changes since the prior valuation.

D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST2020 Changes:

No changes.

2019 Changes:

Retiree premiums were updated to current levels.

Direct subsidy values were updated to current levels.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST (Cont'd)2018 Changes:

No changes.

2017 Changes:

No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONSA. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)2020 Changes:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)2019 Changes:

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

2018 Changes:

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

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

2017 Changes:

The combined service annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

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

2016 Changes:

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

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

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes:

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

B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPPF)2020 Changes:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEPPF) (Cont'd)2019 Changes:

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

2018 Changes:

The mortality projection was changed 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 percent lower than the previous rates.

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

The combined service annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

The assumed percentage of female members electing joint and survivor annuities was increased.

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

The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 Changes:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)B. PUBLIC EMPLOYEES POLICE AND FIRE PLAN (PEFPF) (Cont'd)2016 Changes: (Cont'd)

The assumed investment return was changed from 7.9 percent to 7.5 percent.

The single discount rate changed from 7.90 percent to 5.60 percent.

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

2015 Changes:

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

C. CITY OF LITCHFIELD'S FIREMAN'S RELIEF ASSOCIATION2020 Changes:

Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index as of December 31, 2019); used in discount rate determination.

2019 Changes:

The expected investment return and discount rate increased from 5.00% to 5.25% to reflect updated capital market assumptions.

The mortality and withdrawal assumptions were updated to the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation.

The inflation assumption decreased from 2.75% to 2.50%.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

The expected investment return and discount rate increased from 4.75% to 5.00% to reflect changes in the investment weightings.

2016 Changes:

The discount rate increased from 4.25% to 4.75%.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)C. CITY OF LITCHFIELD'S FIREMAN'S RELIEF ASSOCIATION (Cont'd)2015 Changes:

There have been no changes since the prior valuation.

D. OTHER POST EMPLOYMENT BENEFITS PLAN NOT ADMINISTERED IN A TRUST2020 Changes:

The municipal bond index rate was updated to reflect rates as of the December 31, 2019 measurement date.

2019 Changes:

The index rate for 20-year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.31% to 3.71%.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.

Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2016 PERA Police and Fire Plan to the rates used in the 7/1/2018 valuation.

The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 50% to 30% to reflect recent plan experience.

The percent of retirees electing spouse coverage changed from 0% to 25% to reflect recent plan experience.

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%.

COMBINING STATEMENTS OF NONMAJOR FUNDS

SUPPLEMENTARY INFORMATION

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue	Debt Service	Capital Projects	Totals
ASSETS				
Cash and Cash Equivalents	\$ 1,959,313	\$ 443,860	\$ 2,543,563	\$ 4,946,736
Cash with Fiscal Agent		602,808		602,808
Receivables				
Accounts	2,206			2,206
Contracts	13,220			13,220
Delinquent Property Taxes		9,157	3,037	12,194
Special Assessments			87,620	87,620
Capital Lease		345,417		345,417
Due from Other Funds			445,806	445,806
Due from Other Governmental Units		3,688	327,367	331,055
Inventories	30,968			30,968
Prepaid Items	75,162			75,162
Total Assets	\$ 2,080,869	\$ 1,404,930	\$ 3,407,393	\$ 6,893,192
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 66,034	\$	\$ 1,563	\$ 67,597
Contracts Payable	8,612		28,761	37,373
Accrued Salaries	4,284			4,284
Due to Other Funds			445,806	445,806
Due to Other Governmental Units	641			641
Total Liabilities	79,571	0	476,130	555,701
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Property Taxes		9,157	3,037	12,194
Special Assessments			87,620	87,620
Total Deferred Inflows of Resources	0	9,157	90,657	99,814
Fund Balance				
Nonspendable	75,162			75,162
Restricted	17,168	1,395,773		1,412,941
Assigned	1,908,968		3,052,407	4,961,375
Unassigned			(211,801)	(211,801)
Total Fund Balance	2,001,298	1,395,773	2,840,606	6,237,677
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,080,869	\$ 1,404,930	\$ 3,407,393	\$ 6,893,192

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUES				
Property Taxes	\$	\$ 456,753	\$	\$ 456,753
Special Assessments		22,503		22,503
Intergovernmental	134,197		327,174	461,371
Charges for Services	617,532			617,532
Interest Income	15,769	61,168	26,608	103,545
Miscellaneous	58,708			58,708
Total Revenues	826,206	540,424	353,782	1,720,412
EXPENDITURES				
Current				
General Government	51,599			51,599
Public Works	8,128			8,128
Airport	122,180			122,180
Culture and Recreation	608,301			608,301
Economic Development	12,832			12,832
Capital Outlay				
Public Works				
Airport			482,943	482,943
Culture and Recreation			344,774	344,774
Economic Development	142,939		575	143,514
Debt Service			380	380
Principal		815,000		815,000
Interest and Other Charges		185,792		185,792
Total Expenditures	945,979	1,000,792	828,672	2,775,443
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,773)	(460,368)	(474,890)	(1,055,031)
OTHER FINANCING SOURCES (USES)				
Transfers In	626,101		732,603	1,358,704
Transfers Out	(75,790)	(25,194)	(31,619)	(132,603)
Total Other Financing Sources (Uses)	550,311	(25,194)	700,984	1,226,101
Net Change in Fund Balances	430,538	(485,562)	226,094	171,070
FUND BALANCE, BEGINNING OF YEAR	1,570,760	1,881,335	2,614,512	6,066,607
FUND BALANCE, END OF YEAR	\$ 2,001,298	\$ 1,395,773	\$ 2,840,606	\$ 6,237,677

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2020

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Townmaster
ASSETS						
Cash and Cash Equivalents	\$ 1,294	\$ 140,589	\$ 102,723	\$ 189,598	\$ 251,922	\$ 17,168
Receivables						
Accounts		639			900	
Contracts		14,573		16,395		
Inventories		62,869		7,810	2,847	
Prepaid Items						
	\$ 1,294	\$ 218,670	\$ 102,723	\$ 213,803	\$ 255,669	\$ 17,168
Total Assets						
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$	\$ 62,467	\$	\$	2,192	\$
Contracts Payable					2,414	
Accrued Salaries Payable		1,870			15	
Due to Other Governmental Units		626				
Total Liabilities	0	64,963	0	0	4,621	0
Fund Balance						
Nonspendable		62,869		7,810	2,847	
Restricted						17,168
Assigned	1,294	90,838	102,723	205,993	248,201	
Total Fund Balance	1,294	153,707	102,723	213,803	251,048	17,168
Total Liabilities and Fund Balance	\$ 1,294	\$ 218,670	\$ 102,723	\$ 213,803	\$ 255,669	\$ 17,168

81

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2020

	Infrastructure Street	Cemetery	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals
ASSETS						
Cash and Cash Equivalents	\$ 863,398	\$ 66,786	\$ 312,073	\$ 857	\$ 12,905	\$ 1,959,313
Receivables						
Accounts			667			2,206
Contracts			13,220			13,220
Inventories						30,968
Prepaid Items		1,636				75,162
Total Assets	\$ 863,398	\$ 68,422	\$ 325,960	\$ 857	\$ 12,905	\$ 2,080,869
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 1,370	\$ 5	\$ 8,612	\$	\$	\$ 66,034
Contracts Payable						8,612
Accrued Salaries Payable						4,284
Due to Other Governmental Units						
Total Liabilities	1,370	5	8,612	0	0	641
Fund Balance						
Nonspendable		1,636				75,162
Restricted						17,168
Assigned	862,028	66,781	317,348	857	12,905	1,908,968
Total Fund Balance	862,028	68,417	317,348	857	12,905	2,001,238
Total Liabilities and Fund Balance	\$ 863,398	\$ 68,422	\$ 325,960	\$ 857	\$ 12,905	\$ 2,080,869

82

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
DECEMBER 31, 2020

	2007B Public Project Lease	2011A G.O. Improvement	2015A G.O. Improvement	2018A G.O. Bonds	Totals
ASSETS					
Cash and Cash Equivalents	\$ 60,996	\$ 602,808	\$ 147,048	\$ 235,816	\$ 443,860
Cash with Fiscal Agent					602,808
Receivables					
Delinquent Property Taxes	1,261	345,417	2,922	4,974	9,157
Capital Lease	360		1,088	2,231	3,457
Due from Other Governmental Units					3,688
Total Assets	\$ 62,626	\$ 948,225	\$ 151,058	\$ 243,021	\$ 1,404,930

A-48 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Deferred Inflows of Resources					
Unavailable Revenue	\$ 1,261	\$ 2,922	\$ 4,974	\$ 9,157	
Delinquent Property Taxes					
Fund Balance	61,365	945,225	148,136	238,047	1,395,773
Restricted					
Total Deferred Inflows of Resources and Fund Balance	\$ 62,626	\$ 948,225	\$ 151,058	\$ 243,021	\$ 1,404,930

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
DECEMBER 31, 2020

	Eastern Development	TH-12 Improvements	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Totals
ASSETS						
Cash and Cash Equivalents	\$ 164,465	\$ 460	\$ 381,965	\$ 1,996,673	\$ 381,965	\$ 2,543,563
Receivables						
Delinquent Property Taxes					3,037	3,037
Special Assessments					87,620	87,620
Due from Other Funds			327,174		445,806	445,806
Due from Other Governmental Units					193	327,367
Total Assets	\$ 164,465	\$ 0	\$ 327,634	\$ 1,996,673	\$ 918,621	\$ 3,407,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 1,563	\$ 28,761	\$ 1,563	\$ 28,761	\$ 1,563	\$ 1,563
Contracts Payable		210,238	235,568			445,806
Due to Other Funds		211,801	264,329	0	0	476,130
Total Liabilities	0	0	0	0	0	0
Deferred Inflows of Resources						
Unavailable Revenue					3,037	3,037
Delinquent Property Taxes					87,620	87,620
Special Assessments					90,657	90,657
Total Deferred Inflows of Resources	0	0	0	0	90,657	90,657
Fund Balance	164,465		63,305	1,996,673	827,964	3,052,407
Assigned						(211,801)
Unassigned	164,465	(211,801)	63,305	1,996,673	827,964	2,840,606
Total Fund Balance	\$ 164,465	\$ 0	\$ 327,634	\$ 1,996,673	\$ 918,621	\$ 3,407,393
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 164,465	\$ 0	\$ 327,634	\$ 1,996,673	\$ 918,621	\$ 3,407,393

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2020

	Trail Project	Golf Course	Downtown/ Heritage Preservation	Airport	Civic Arena	TIF District No. 4-12 Townmaster
REVENUES						
Intergovernmental	\$	\$ 5,637	\$ 5,191	\$ 6,423	\$ 8,038	\$
Charges for Services		308,914		83,841	188,927	
Interest Income		1,635	917	1,947	2,481	
Miscellaneous		10,273		19,619	5,465	
Total Revenues	0	326,459	6,108	111,830	204,891	0
EXPENDITURES						
Current						
General Government						
Public Works				122,180		
Airport		429,117			176,102	1,188
Culture and Recreation			11,644			
Economic Development						
Capital Outlay						
Culture and Recreation		60,416			5,331	
Total Expenditures	0	489,533	11,644	122,180	181,433	1,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(163,074)	(5,536)	(10,350)	23,458	(1,188)
TRANSFERS						
Transfers In		105,000	14,000		59,000	
Transfers Out				(9,098)	(42,355)	
Total Transfers	0	105,000	14,000	(9,098)	16,645	0
Net Change in Fund Balances	0	(58,074)	8,464	(19,448)	40,103	(1,188)
FUND BALANCE, BEGINNING OF YEAR	1,294	211,781	94,259	233,251	210,945	18,356
FUND BALANCE, END OF YEAR	\$ 1,294	\$ 153,707	\$ 102,723	\$ 213,803	\$ 251,048	\$ 17,168

85

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2020

	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals
REVENUES							
Intergovernmental	\$ 108,548	\$ 35,860	\$	\$	\$	\$ 360	\$ 134,197
Charges for Services							617,532
Interest Income	5,665	705		2,294		145	15,769
Miscellaneous		463	1,388	18,950		2,550	58,708
Total Revenues	114,213	37,018	1,388	21,244	0	3,055	826,206
EXPENDITURES							
Current							
General Government		51,599					51,599
Public Works	8,128						8,128
Airport							122,180
Culture and Recreation						3,082	608,301
Economic Development							12,832
Capital Outlay							
Culture and Recreation							
Total Expenditures	8,128	51,599	0	77,192	0	3,082	142,939
Excess (Deficiency) of Revenues Over (Under) Expenditures	106,085	(14,581)	1,388	(55,948)	0	(27)	(119,773)
TRANSFERS							
Transfers In	306,783	10,000		131,318			626,101
Transfers Out		(9,882)	(14,455)				(75,790)
Total Transfers	306,783	118	(14,455)	131,318	0	0	550,311
Net Change in Fund Balances	412,868	(14,463)	(13,067)	75,370	0	(27)	430,538
FUND BALANCE, BEGINNING OF YEAR	449,160	82,880	13,067	241,978	857	12,832	1,570,760
FUND BALANCE, END OF YEAR	\$ 862,028	\$ 68,417	\$ 0	\$ 317,348	\$ 857	\$ 12,805	\$ 2,001,298

86

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
YEAR ENDED DECEMBER 31, 2020

	2007B Public Project Lease	2011A G.O. Improvement	2011C G.O. Improvement	2015A G.O. Improvement	2016A G.O. Bonds	Totals
REVENUES						
Property Taxes	\$ 44,657	\$	\$ 1,738	\$ 132,308	\$ 278,050	\$ 456,753
Special Assessments	388	59,045	22,503	739	996	22,503
Interest Income	45,045	59,045	24,241	133,047	279,046	61,168
Total Revenues						540,424
EXPENDITURES						
Debt Service						
Principal	30,000	290,000	395,000	100,000		815,000
Interest and Other Charges	16,446	25,465	11,055	12,599	120,227	185,792
Total Expenditures	46,446	315,465	406,055	112,599	120,227	1,000,792
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,401)	(266,420)	(381,814)	20,448	158,819	(460,386)
OTHER FINANCING SOURCES (USES)						
Transfer Out	(1,401)	(266,420)	(25,194)	20,448	158,819	(25,194)
Net Change in Fund Balances						(485,562)
FUND BALANCE, BEGINNING OF YEAR	62,766	1,204,645	407,008	127,688	79,228	1,881,335
FUND BALANCE, END OF YEAR	\$ 61,365	\$ 948,225	\$ 0	\$ 148,136	\$ 238,047	\$ 1,395,773

87

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
YEAR ENDED DECEMBER 31, 2020

	Eastern Development	2018 Improvement Project	TH 12 Frontage Rd Improvements	TH 12 Improvements	Civic Arena Improvements
REVENUES					
Intergovernmental					
Interest Income	\$ 1,677	\$	\$	\$	\$
Total Revenues	1,677	0	0	0	0
EXPENDITURES					
Capital Outlay					
Public Works				211,801	
Airport					
Culture and Recreation					575
Economic Development	0	0	380	380	575
Total Expenditures				211,801	575
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,677	0	(380)	(211,801)	(575)
TRANSFERS					
Transfers In					
Transfers Out		31,239	380		42,355
Total Transfers	0	31,239	380	0	42,355
Net Change in Fund Balances	1,677	31,239	0	(211,801)	41,780
FUND BALANCE, BEGINNING OF YEAR	162,788	(31,239)			(41,780)
FUND BALANCE, END OF YEAR	\$ 164,465	\$ 0	\$ 0	\$ (211,801)	\$ 0

88

CITY OF LITCHFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
YEAR ENDED DECEMBER 31, 2020

REVENUES
Intergovernmental
Interest Income
Total Revenues

EXPENDITURES
Capital Outlay
Public Works
Airport
Culture and Recreation
Economic Development
Total Expenditures
Excess (Deficiency) of Revenues
Over (Under) Expenditures

TRANSFERS
Transfers In
Transfers Out
Total Transfers
Net Change in Fund Balances

FUND BALANCE, BEGINNING OF YEAR
FUND BALANCE, END OF YEAR

	Airport Improvements	Infrastructure Public Works Facility	Infrastructure Revolving	Totals
\$	327,174	\$	\$	\$
	460	17,299	7,172	26,608
	327,634	17,299	7,172	353,782
	344,774		271,142	482,943
				344,774
				575
	344,774	0	271,142	828,672
	(17,140)	17,299	(263,970)	(474,890)
		300,000	358,629	732,603
	0	300,000	(31,619)	(31,619)
	(17,140)	317,299	63,040	700,984
	80,445	1,679,374	764,924	2,614,512
\$	63,305	\$	\$	\$
		1,996,673	827,964	2,840,606

INDIVIDUAL FUND STATEMENTS

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GENERAL FUND

DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	2020	2019
ASSETS		
Cash and Investments	\$ 3,777,492	\$ 3,617,283
Receivables		
Accounts	49,543	51,818
Interest	101,940	127,431
Delinquent Property Taxes	60,771	35,260
Special Assessments	4,250	
Due from Other Governmental Units	19,778	41,572
Prepaid Items	83,979	65,450
Total Assets	\$ 4,097,753	\$ 3,938,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 20,255	\$ 51,096
Accrued Salaries	86,210	73,124
Due to Other Governmental Units	61,630	41,313
Total Liabilities	168,095	165,533
Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Property Taxes	60,771	35,260
Special Assessments	4,250	
Total Deferred Inflows of Resources	65,021	35,260
Fund Balance		
Nonspendable		
Assigned	83,979	65,450
Unassigned	2,253,216	2,170,931
Total Fund Balance	1,527,442	1,501,640
Total Liabilities, Deferred Inflows of Resources and Fund Balance	3,864,637	3,738,021
	\$ 4,097,753	\$ 3,938,814

90

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Property Taxes	\$ 2,287,500	\$ 2,267,514	\$ (19,986)	\$ 2,138,462
Lodging Tax	42,100	35,068	(7,032)	41,393
Licenses and Permits	134,900	218,445	83,545	258,752
Intergovernmental	2,164,970	2,605,013	440,043	2,119,099
Charges for Services	233,350	273,742	40,392	284,889
Fines and Forfeits	21,000	22,870	1,870	41,087
Interest Income	70,000	8,605	(61,395)	58,477
Miscellaneous	11,500	30,214	18,714	38,923
Total Revenues	4,965,320	5,461,471	496,151	4,981,062
EXPENDITURES				
Current				
General Government	1,533,809	1,179,119	(354,690)	1,109,928
Public Safety	2,175,624	2,190,614	14,990	2,143,620
Public Works	1,434,799	1,355,658	(79,141)	1,326,323
Culture and Recreation	669,782	624,547	(45,235)	636,669
Economic Development	200		(200)	
Capital Outlay				
General Government	2,856	121,761	118,905	2,756
Public Safety		23,784	23,784	
Public Works		60,604	60,604	1,300
Culture and Recreation	10,750	10,000	(750)	9,771
Total Expenditures	5,827,820	5,566,087	(261,733)	5,230,367
Excess (Deficiency) of Revenues Over (Under) Expenditures	(862,500)	(104,616)	757,884	(249,285)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of an Asset	2,000	12,015	10,015	26,518
Transfers In	850,000	850,000		649,750
Transfers Out	(10,000)	(630,783)	(620,783)	(266,113)
Total Other Financing Sources (Uses)	842,000	231,232	(610,768)	410,155
Net Change in Fund Balance	\$ (20,500)	126,616	\$ 147,116	160,870
FUND BALANCE, BEGINNING OF YEAR		3,738,021		3,577,151
FUND BALANCE, END OF YEAR		\$ 3,864,637		\$ 3,738,021

91

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DETAIL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Property Taxes	\$ 2,287,500	\$ 2,267,514	\$ (19,986)	\$ 2,138,462
Lodging Tax	42,100	35,068	(7,032)	41,393
Licenses and Permits				
Business Licenses and Permits	107,550	117,726	10,176	115,130
Non-Business Licenses and Permits	27,350	100,719	73,369	143,622
Total Licenses and Permits	134,900	218,445	83,545	258,752
Intergovernmental				
Local Governmental Aid	2,022,058	2,025,247	3,189	1,938,215
Firemen's Relief Aid	60,000	72,273	12,273	64,954
Police State Aid	70,000	94,510	24,510	77,856
PERA Aid	9,412	9,412	(9,412)	9,412
Police Training Reimbursement	3,500	9,409	5,909	9,942
Other		403,574	403,574	18,720
Total Intergovernmental	2,164,970	2,605,013	440,043	2,119,099
Charges for Services				
General Government	11,850	20,087	8,237	39,265
Public Safety	167,500	168,797	1,297	170,631
Public Works	3,000	4,415	1,415	3,360
Culture and Recreation	51,000	80,443	29,443	71,633
Total Charges for Services	233,350	273,742	40,392	284,889
Fines and Forfeits	21,000	22,870	1,870	41,087
Interest Income	70,000	8,605	(61,395)	58,477
Miscellaneous				
Rents	2,000	1,985	(15)	1,650
Donations		9,300	9,300	10,208
Insurance Dividend		15,076	15,076	5,980
Other	9,500	3,853	(5,647)	21,085
Total Miscellaneous	11,500	30,214	18,714	38,923
Total Revenues	4,965,320	5,461,471	496,151	4,981,082

92

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DETAIL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES				
Current				
General Government				
City Council	\$ 29,972	\$ 24,878	\$ (5,094)	\$ 25,555
Publication of Ordinances and Proceedings	6,200	6,242	42	5,890
Mayor	8,514	7,030	(1,484)	6,927
City Administrator	310,964	300,272	(10,692)	286,637
Elections and Voter's Registration	19,250	25,160	5,910	
Boards and Commissions	7,630	4,519	(3,111)	5,799
Finance				
Municipal Clerk	109,451	93,328	(16,123)	95,531
Assessor	47,500	48,593	1,093	69,999
Independent Accounting and Auditing	30,000	19,500	(10,500)	20,550
Purchasing	47,961	52,663	4,702	35,650
Technology Services	52,527	30,667	(21,860)	54,258
Legal	122,600	111,544	(11,056)	137,819
Planning and Zoning	65,200	64,545	(655)	56,119
Advertising	19,500	12,622	(6,878)	15,469
Government Buildings				
City Hall	37,250	38,492	1,242	30,682
G.A.R. Hall	19,300	15,299	(4,001)	13,417
Other	599,990	323,765	(276,225)	249,626
Total General Government	1,533,809	1,179,119	(354,690)	1,109,928
Public Safety				
Police Protection	1,631,552	1,643,623	12,071	1,663,477
Fire Protection	283,301	267,603	(15,698)	224,814
Building Inspection	118,826	112,270	(6,556)	112,767
Civil Defense	4,475	18,029	13,554	2,232
Rescue Squad	122,945	133,772	10,827	134,096
Traffic Engineering	11,900	13,403	1,503	4,360
Animal Control	2,625	1,914	(711)	1,874
Total Public Safety	2,175,624	2,190,614	14,990	2,143,620

93

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DETAIL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Works				
Administration and Engineering	\$ 31,550	\$ 40,296	\$ 8,746	\$ 23,406
Streets and Alleys	1,110,396	1,065,836	(44,560)	1,031,604
Snow and Ice Removal	46,223	31,980	(14,243)	66,672
Sidewalks	6,000	9,092	3,092	22
Street Lighting	4,575	4,026	(549)	6,271
Maintenance Shop	143,355	126,874	(16,481)	129,449
Street Cleaning	6,700	3,149	(3,551)	2,816
Storm Drainage	34,200	7,457	(26,743)	20,119
Weed Control	400		(400)	
Insect and Pest Control	8,350		(8,350)	2,510
Compost Site	43,050	66,948	23,898	43,454
Total Public Works	1,434,799	1,355,658	(79,141)	1,326,323
Culture and Recreation				
Playgrounds	35,600	35,797	197	29,682
Swimming Pools and Beach	8,850	3,594	(5,256)	20,384
Skating Rinks	8,700	5,931	(2,769)	6,649
Other Recreation	45,550	42,433	(3,117)	42,326
Camping Areas	27,100	30,113	3,013	23,847
Municipal Parks	282,704	286,759	4,055	285,602
Band	3,750		(3,750)	3,051
Forestry and Shade Trees	42,274	24,252	(18,022)	34,000
Library	215,254	195,668	(19,586)	211,128
Total Culture and Recreation	669,782	624,547	(45,235)	636,669
Economic Development				
Total Current	200	5,349,938	(200)	5,216,540
Capital Outlay				
General Government	2,856	121,761	118,905	2,756
Public Safety		23,784	23,784	
Public Works		60,604	60,604	1,300
Culture and Recreation		10,000	(750)	9,771
Total Capital Outlay	10,750	216,149	202,543	13,827
Total Expenditures	13,606	5,566,087	(261,733)	5,230,367
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(862,500)	(104,616)	757,884	(249,285)

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DETAIL

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of an Asset	\$ 2,000	\$ 12,015	\$ 10,015	\$ 26,518
Transfers In	850,000	850,000		649,750
Transfers Out	(10,000)	(630,783)	(620,783)	(286,113)
Total Other Financing Sources (Uses)	842,000	231,232	(610,768)	410,155
Net Change in Fund Balance	<u>(20,500)</u>	<u>126,616</u>	<u>\$ 147,116</u>	<u>160,870</u>
FUND BALANCE, BEGINNING OF YEAR		<u>3,738,021</u>		<u>3,577,151</u>
FUND BALANCE, END OF YEAR		<u>\$ 3,864,637</u>		<u>\$ 3,738,021</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, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Net Change in Fund Balance	<u>0</u>		<u>0</u>	
FUND BALANCE, BEGINNING OF YEAR		1,294		1,294
FUND BALANCE, END OF YEAR	<u>\$</u>	<u>1,294</u>		<u>\$</u>

96

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, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES	\$	\$	\$	\$
Intergovernmental				
Charges for Services				
Memberships	269,200	293,120	23,920	264,865
Sales and Other	35,500	15,794	(19,706)	36,509
Total Charges for Services	<u>304,700</u>	<u>308,914</u>	<u>4,214</u>	<u>301,374</u>
Interest Income		1,635	1,635	1,479
Miscellaneous				
Other	5,100	9,099	3,999	6,281
Insurance Dividend		1,174	1,174	491
Total Miscellaneous	<u>5,100</u>	<u>10,273</u>	<u>5,173</u>	<u>6,772</u>
Total Revenues	<u>309,800</u>	<u>326,459</u>	<u>16,659</u>	<u>309,625</u>
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	140,235	150,961	10,726	157,868
Operating Supplies	141,000	139,209	(1,791)	150,785
Professional Services	2,000	1,640	(360)	1,885
Communications	3,000	2,932	(68)	2,239
Insurance	10,000	12,688	2,688	10,096
Utilities	8,500	9,407	907	6,573
Repairs and Maintenance	25,000	19,623	(5,377)	17,445
Rentals	35,500	34,471	(1,029)	35,774
Miscellaneous	41,801	58,186	16,385	54,634
Capital Outlay				
Culture and Recreation		60,416	60,416	
Total Expenditures	<u>407,036</u>	<u>489,533</u>	<u>82,497</u>	<u>437,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(97,236)</u>	<u>(163,074)</u>	<u>(65,838)</u>	<u>(127,674)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		105,000	105,000	187,635
Net Change in Fund Balance	<u>\$</u>	<u>(58,074)</u>	<u>\$</u>	<u>59,961</u>
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED		211,781		190,995
PRIOR PERIOD ADJUSTMENT				<u>(39,175)</u>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED		<u>211,781</u>		<u>151,820</u>
FUND BALANCE, END OF YEAR	<u>\$</u>	<u>153,707</u>	<u>\$</u>	<u>211,781</u>

97

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, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental Revenue	\$	5,191	\$ 5,191	\$ 8,300
Investment Income		917	917	1,293
Total Revenue	0	6,108	6,108	9,593
EXPENDITURES				
Current				
Economic Development				
Other Services and Charges		11,644	11,644	21,914
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	0	(5,536)	(5,536)	(12,321)
OTHER FINANCING SOURCES (USES)				
Transfers In		14,000	14,000	
Net Change in Fund Balance	\$ 0	8,464	\$ 8,464	(12,321)
FUND BALANCE, BEGINNING OF YEAR		94,259		106,580
FUND BALANCE, END OF YEAR	\$	102,723		\$ 94,259

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
AIRPORT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$	32,028	\$ 6,423	\$ 28,658
Charges for Services				
Fuel Sales	60,000	83,841	23,841	58,009
Interest Income	200	1,947	1,747	2,465
Miscellaneous				
Rental Income	16,945	18,245	1,300	16,370
Insurance Dividend		1,374	1,374	454
Total Miscellaneous	16,945	19,619	2,674	16,824
Total Revenues	109,173	111,830	2,657	105,956
EXPENDITURES				
Current				
Airport				
Fuel	51,000	73,294	22,294	53,043
Insurance	20,000	19,633	(367)	16,864
Other Services and Charges	27,650	27,566	(84)	21,501
Repair and Maintenance	1,425	1,687	262	1,369
Total Expenditures	100,075	122,180	22,105	92,777
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	9,098	(10,350)	(19,448)	13,179
OTHER FINANCING SOURCES (USES)				
Transfers Out	(9,098)	(9,098)		(9,098)
Net Change in Fund Balance	\$ 0	(19,448)	\$ (19,448)	4,081
FUND BALANCE, BEGINNING OF YEAR		233,251		229,170
FUND BALANCE, END OF YEAR	\$	213,803		\$ 233,251

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUALCIVIC ARENA SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental		\$ 8,038	\$ 8,038	\$
Charges for Services	203,250	188,927	(14,323)	206,062
Interest Income	2,000	2,461	461	4,193
Miscellaneous				
Rents and Refunds	8,000	4,574	(3,426)	11,207
Insurance Dividend		858	858	374
Other		33	33	
Total Miscellaneous	8,000	5,465	(2,535)	11,581
Total Revenues	213,250	204,891	(8,359)	221,836
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	79,604	76,575	(3,029)	81,514
Insurance	9,000	9,752	752	8,007
Supplies	20,500	19,905	(595)	17,457
Repair and Maintenance	22,000	30,798	8,798	14,720
Other Services and Charges	85,968	3,774	(82,194)	4,388
Community Room	5,847	2,364	(3,483)	4,535
Utilities	43,500	32,934	(10,566)	38,455
Capital Outlay				
Culture and Recreation	5,831	5,331	500	2,518
Total Expenditures	272,250	181,433	(90,817)	171,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,000)	23,458	82,458	50,242
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out	59,000	59,000		59,000
		(42,355)	(42,355)	(163,893)
Total Other Financing Sources (Uses)	59,000	16,645	(42,355)	(104,893)
Net Change in Fund Balance	\$ 0	40,103	\$ 40,103	(54,651)
FUND BALANCE, BEGINNING OF YEAR		210,945		265,596
FUND BALANCE, END OF YEAR	\$ 251,048			\$ 210,945

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUALTIF DISTRICT NO. 4-12 TOWMASTER SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
	\$	\$	\$	\$
EXPENDITURES				
Current				
Economic Development		1,188	1,188	1,347
Professional Services				367
Miscellaneous	0	1,188	1,188	1,714
Total Expenditures	0	(1,188)	(1,188)	(1,714)
Net Change in Fund Balance	\$ 0	18,356		20,070
FUND BALANCE, BEGINNING OF YEAR		\$ 17,168		\$ 18,356
FUND BALANCE, END OF YEAR				

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$ 90,000	\$ 108,548	\$ 18,548	\$ 103,197
Interest Income		5,665	5,665	5,540
Total Revenues	90,000	114,213	24,213	108,737
EXPENDITURES				
Current				
Public Works				
Other Services and Charges		8,128	8,128	5,202
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,000	106,085	16,085	103,535
OTHER FINANCING SOURCES (USES)				
Transfers In		306,783	306,783	
Net Change in Fund Balance	\$ 90,000	412,868	\$ 322,868	103,535
FUND BALANCE, BEGINNING OF YEAR		449,160		345,625
FUND BALANCE, END OF YEAR	\$	862,028		\$ 449,160

102

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

CEMETERY SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services	\$ 24,000	\$ 16,260	\$ (7,740)	\$ 18,090
Professional Services	44,000	19,590	(24,410)	27,020
Sale of Lots	68,000	35,850	(32,150)	45,110
Total Charges for Services				
Interest Income	200	705	505	1,140
Miscellaneous				
Donations		100	100	241
Insurance Dividends		363	363	156
Total Miscellaneous	0	463	463	397
Total Revenues	68,200	37,018	(31,182)	46,647
EXPENDITURES				
Current				
General Government				
Salaries and Benefits	24,072	20,154	(3,918)	21,535
Supplies	18,000	10,286	(7,714)	14,220
Insurance	3,500	3,252	(248)	4,365
Repairs and Maintenance	3,500	980	(2,520)	845
Utilities	2,500	1,908	(592)	964
Rentals	7,694	7,793	99	1,020
Miscellaneous	9,052	7,226	(1,826)	9,993
Total Expenditures	68,318	51,599	(16,719)	52,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118)	(14,581)	(14,463)	(6,295)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000		10,000
Transfers Out	(9,882)	(9,882)		(9,882)
Total Other Financing Sources (Uses)	118	118	0	118
Net Change in Fund Balance	\$ 0	(14,463)	\$ (14,463)	(6,177)
FUND BALANCE, BEGINNING OF YEAR		82,880		89,057
FUND BALANCE, END OF YEAR	\$	68,417		\$ 82,880

103

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Interest Income	\$	\$	\$	\$ 140
Miscellaneous				
Other	0	1,388	1,388	4,823
Total Revenues		1,388	1,388	4,963
OTHER FINANCING SOURCES (USES)				
Transfers Out		(14,455)	(14,455)	
Net Change in Fund Balance	\$ 0	(13,067)	\$ (13,067)	4,963
FUND BALANCE, BEGINNING OF YEAR		13,067		8,104
FUND BALANCE, END OF YEAR	\$	0	\$	13,067

104

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, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Interest Income	\$	\$ 2,294	\$ 2,294	\$ 2,318
Miscellaneous				
Donations		18,950	18,950	
Other	4,000		(4,000)	
Total Miscellaneous	4,000	18,950	14,950	0
Total Revenues	4,000	21,244	17,244	2,318
EXPENDITURES				
Current				
Capital Outlay				
Culture and Recreation		77,192	77,192	3,325
Total Expenditures	0	77,192	77,192	3,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,000	(55,948)	(59,948)	(1,007)
OTHER FINANCING SOURCES (USES)				
Transfers In		131,318	131,318	56,655
Net Change in Fund Balance	\$ 4,000	75,370	\$ 71,370	55,648
FUND BALANCE, BEGINNING OF YEAR		241,978		186,330
FUND BALANCE, END OF YEAR	\$	317,348	\$	241,978

105

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, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR	<u>857</u>	<u>857</u>		<u>857</u>
FUND BALANCE, END OF YEAR	<u>\$ 857</u>	<u>\$ 857</u>		<u>\$ 857</u>

106

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, 2020
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES	\$	\$	\$	\$
Intergovernmental		360	360	335
Interest Income		145	145	163
Miscellaneous				
Donations		2,550	2,550	1,425
Total Revenues	<u>0</u>	<u>3,055</u>	<u>3,055</u>	<u>1,923</u>
EXPENDITURES				
Current				
Culture and Recreation				
Miscellaneous		3,082	3,082	2,806
Net Change in Fund Balance	<u>0</u>	<u>(27)</u>	<u>\$ (27)</u>	<u>(883)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>12,932</u>		<u>13,815</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,905</u>	<u>\$ 12,905</u>		<u>\$ 12,932</u>

107

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 247,918	\$ 245,464
Accounts Receivable	626	523
Inventories	313,337	286,424
Prepaid Items	7,107	5,909
Total Current Assets	568,988	538,320
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	112,600	112,600
Other Capital Assets, Net of Depreciation	1,125,719	1,151,898
Total Noncurrent Assets	1,238,319	1,264,498
Total Assets	1,807,307	1,802,818
Deferred Outflows of Resources	18,732	14,521
Total Assets and Deferred Outflows of Resources	\$ 1,826,039	\$ 1,817,339
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 34,562	\$ 33,470
Accrued Salaries	7,151	5,245
Unearned Revenue	3,267	3,267
Due to Other Governmental Units	29,874	23,806
Total Current Liabilities	74,854	65,788
Long-Term Liabilities		
Net Pension Liability	154,312	128,408
Total OPEB Liability	21,298	22,733
Other Long-Term Liabilities	13,299	10,601
Total Long-Term Liabilities	188,869	161,742
Total Liabilities	263,723	227,530
Deferred Inflows of Resources	23,492	49,177
Net Position		
Net Investment in Capital Assets	1,238,319	1,264,498
Unrestricted	300,505	276,134
Total Net Position	1,538,824	1,540,632
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,826,039	\$ 1,817,339

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
LIQUOR ENTERPRISE FUNDYEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
	Budget	Actual
OPERATING REVENUES		
Sales	\$ 2,529,300	\$ 2,936,976
Cost of Goods Sold	(1,921,100)	(2,197,018)
Gross Profit on Sales	608,200	739,958
OPERATING EXPENSES		
Salaries and Benefits	272,554	287,191
Supplies	16,400	16,406
Other Services and Charges	261,146	123,827
Depreciation		26,179
Total Operating Expenses	550,100	453,603
Operating Income (Loss)	58,100	286,355
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue		3,011
Interest Income	800	2,350
Miscellaneous Revenue	100	1,794
Total Nonoperating Revenues (Expenses)	900	7,155
Income (Loss) Before Transfers	59,000	293,510
TRANSFERS		
Transfers Out	(59,000)	(295,318)
Change in Net Position	0	(1,808)
NET POSITION, BEGINNING OF YEAR		1,540,632
NET POSITION, END OF YEAR		\$ 1,538,824
		\$ 1,540,632

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,023,776	\$ 5,303,246
Accounts Receivable, Net of Allowance for Doubtful Accounts	533,336	475,523
Current Portion of Special Assessments Receivable	259,648	250,989
Prepaid Items	21,324	16,766
Total Current Assets	6,838,084	6,046,524
Noncurrent Assets		
Restricted Cash		1,035,000
Special Assessments Receivable, Net of Current Portion	4,314,529	4,574,177
Capital Assets		
Assets Not Being Depreciated	21,373	21,373
Other Capital Assets, Net of Depreciation	35,259,748	36,387,296
Total Noncurrent Assets	39,595,650	42,017,846
Total Assets	46,433,734	48,064,370
Deferred Outflows of Resources	27,537	21,738
Total Assets and Deferred Outflows of Resources	\$ 46,461,271	\$ 48,086,108
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 26,420	\$ 32,532
Accrued Salaries	10,023	7,886
Accrued Interest Payable	173,960	186,067
Current Portion of Other Long-Term Liabilities	1,602,800	2,572,000
Total Current Liabilities	1,813,203	2,798,485
Long-Term Liabilities		
Net Pension Liability	226,840	197,210
Total OPEB Liability	31,250	30,311
Other Long-Term Liabilities, Net of Current Portion	19,088,509	20,702,240
Total Long-Term Liabilities	19,346,599	20,929,761
Total Liabilities	21,159,802	23,728,246
Deferred Inflows of Resources	74,477	116,118
Net Position		
Net Investment in Capital Assets	14,569,564	13,110,527
Unrestricted	10,657,428	11,131,217
Total Net Position	25,226,992	24,241,744
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 46,461,271	\$ 48,086,108

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
SEWER ENTERPRISE FUNDYEAR ENDED DECEMBER 31, 2020
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Budget	Actual	Budget	Actual
OPERATING REVENUES				
Charges for Services	\$ 4,162,894	\$ 4,241,543	\$ 4,098,863	
OPERATING EXPENSES				
Salaries and Benefits	407,221	370,244	392,944	
Supplies	467,000	389,359	365,288	
Other Services and Charges	1,454,556	797,563	899,084	
Depreciation		1,157,788	1,158,902	
Total Operating Expenses	2,328,777	2,714,954	2,816,218	
Operating Income (Loss)	1,834,117	1,526,589	1,282,645	
NONOPERATING REVENUES (EXPENSES)				
Special Assessments Revenue	417,457	166,468	174,839	
Intergovernmental Revenue		29,544		
Interest Income	17,545	54,254	61,979	
Miscellaneous Revenue		21,941	9,964	
Interest Expense and Fiscal Charges	(478,750)	(458,331)	(527,539)	
Miscellaneous Expense	(16,000)	(5,217)		
Total Nonoperating Revenues (Expenses)	(59,748)	(191,341)	(280,757)	
Income (Loss) Before Transfers	1,774,369	1,335,248	1,001,888	
TRANSFERS				
Transfer In			12,000	
Transfers Out	(250,000)	(350,000)	(925,124)	
Total Transfers	(250,000)	(350,000)	(913,124)	
Change in Net Position	\$ 1,524,369	985,248	88,764	
NET POSITION, BEGINNING OF YEAR		24,241,744	24,152,980	
NET POSITION, END OF YEAR		\$ 25,226,992	\$ 24,241,744	

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,195,071	\$ 7,620,070
Accounts Receivable, Net of Allowance for Doubtful Accounts	893,469	957,936
Inventories	335,177	339,851
Prepaid Items	25,828	21,590
Total Current Assets	<u>7,449,545</u>	<u>8,939,447</u>
Noncurrent Assets		
Restricted Cash	999,500	999,500
Capital Assets		
Assets Not Being Depreciated	7,349,248	1,199,218
Other Capital Assets, Net of Depreciation	16,180,611	16,676,400
Total Noncurrent Assets	<u>24,529,359</u>	<u>18,875,118</u>
Total Assets	<u>31,978,904</u>	<u>27,814,565</u>
Deferred Outflows of Resources	368,829	388,881
Total Assets and Deferred Outflows of Resources	<u>\$ 32,347,733</u>	<u>\$ 28,203,446</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities		
Current Liabilities		
Accounts Payable	\$ 429,253	\$ 426,988
Contracts Payable	857,107	
Accrued Salaries	28,574	21,904
Accrued Interest Payable	112,889	123,353
Due to Other Governmental Units	22,462	21,709
Current Portion of Other Long-Term Liabilities	870,200	847,000
Total Current Liabilities	<u>2,320,495</u>	<u>1,440,954</u>
Long-Term Liabilities		
Net Pension Liability	624,234	550,250
Total OPEB Liability	86,021	75,778
Other Long-Term Liabilities, Net of Current Portion	8,527,089	9,450,244
Total Long-Term Liabilities	<u>9,237,344</u>	<u>10,076,272</u>
Total Liabilities	<u>11,557,839</u>	<u>11,517,226</u>
Deferred Inflows of Resources	95,045	197,441
Net Position		
Net Investment in Capital Assets	14,485,037	7,979,192
Unrestricted	6,209,812	8,509,587
Total Net Position	<u>20,694,849</u>	<u>16,488,779</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,347,733</u>	<u>\$ 28,203,446</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
ELECTRIC ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020		2019	
	Budget	Actual	Budget	Actual
OPERATING REVENUES				
Charges for Services	\$ 10,446,369	\$ 10,370,401	\$ 10,583,366	
Miscellaneous	20,000	22,876	39,205	
Total Operating Revenues	<u>10,466,369</u>	<u>10,393,277</u>	<u>10,622,571</u>	
OPERATING EXPENSES				
Salaries and Benefits	1,074,367	983,355	1,108,700	
Supplies		3,469		
Purchased Power	6,310,000	6,059,200	6,102,577	
Production	164,100	86,005	153,505	
Distribution	237,285	373,506	251,703	
Administrative and General	1,019,854	184,139	167,724	
Depreciation		688,764	685,078	
Total Operating Expenses	<u>8,805,606</u>	<u>8,378,438</u>	<u>8,489,287</u>	
Operating Income (Loss)	<u>1,660,763</u>	<u>2,014,839</u>	<u>2,133,284</u>	
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental Revenue		76,738		
Interest Income	21,848	71,164	86,404	
Miscellaneous Revenue	7,000	86,660	36,137	
Interest Expense and Fiscal Charges	(283,688)	(269,105)	(294,132)	
Miscellaneous Expense	(16,000)	(30,990)		
Total Nonoperating Revenues (Expenses)	<u>(270,840)</u>	<u>(65,533)</u>	<u>(171,591)</u>	
Income (Loss) Before Transfers	<u>1,389,923</u>	<u>1,949,306</u>	<u>1,961,693</u>	
CAPITAL CONTRIBUTIONS				
Contributions		2,956,764		250,000
TRANSFERS				
Transfers Out	(600,000)	(700,000)	(608,250)	
Change in Net Position	<u>\$ 789,923</u>	<u>4,206,070</u>	<u>1,623,443</u>	
NET POSITION, BEGINNING OF YEAR		<u>16,488,779</u>		<u>14,865,336</u>
NET POSITION, END OF YEAR		<u>\$ 20,694,849</u>		<u>\$ 16,488,779</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
WATER ENTERPRISE FUND

DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,177,270	\$ 1,853,719
Accounts Receivable, Net of Allowance for Doubtful Accounts	83,429	87,845
Prepaid Items	4,223	4,015
Total Current Assets	2,264,922	1,945,579
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	243,493	243,493
Other Capital Assets, Net of Depreciation	3,663,050	3,941,638
Total Noncurrent Assets	3,906,543	4,185,131
Total Assets	6,171,465	6,130,710
Deferred Outflows of Resources	8,460	6,467
Total Assets and Deferred Outflows of Resources	\$ 6,179,925	\$ 6,137,177
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 5,872	\$ 6,610
Accrued Salaries	2,357	2,184
Accrued Interest Payable	8,039	8,289
Deposits Payable	51,100	53,850
Due to Other Governmental Units	4,429	731
Current Portion of Other Long-Term Liabilities	35,000	30,000
Total Current Liabilities	106,797	101,664
Long-Term Liabilities		
Net Pension Liability	69,695	60,591
Total OPEB Liability	9,601	7,578
Other Long-Term Liabilities, Net of Current Portion	596,272	633,262
Total Long-Term Liabilities	675,568	701,431
Total Liabilities	782,365	803,095
Deferred Inflows of Resources	10,610	21,270
Net Position		
Net Investment in Capital Assets	3,286,543	3,535,131
Unrestricted	2,100,407	1,777,681
Total Net Position	5,386,950	5,312,812
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,179,925	\$ 6,137,177

114

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL

WATER ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
	Budget	Actual
OPERATING REVENUES		
Charges for Services	\$ 892,497	\$ 957,770
OPERATING EXPENSES		
Salaries and Benefits	130,275	112,399
Other Services and Charges	5,129	5,129
Purchased Power	83,000	75,210
Production	74,600	87,301
Distribution	110,249	84,285
Administrative and General	338,667	25,517
Depreciation		294,646
Total Operating Expenses	741,920	684,487
Operating Income (Loss)	150,577	273,283
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue		2,531
Interest Income	7,500	20,396
Miscellaneous Revenue		1,178
Interest Expense and Fiscal Charges	(20,078)	(20,327)
Miscellaneous Expense	(8,000)	(2,923)
Total Nonoperating Revenues (Expenses)	(20,578)	855
Income (Loss) Before Transfers	129,999	274,138
TRANSFERS		
Transfers Out	(100,000)	(200,000)
Change in Net Position	\$ 29,999	74,138
NET POSITION, BEGINNING OF YEAR		5,312,812
NET POSITION, END OF YEAR	\$ 5,386,950	\$ 5,312,812

115

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,432,865	\$ 1,416,135
Receivables	873	1,064
Delinquent Property Taxes	17	23
Due from Other Governmental Units		
Total Current Assets	<u>1,433,755</u>	<u>1,417,222</u>
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	2,248,008	2,261,133
Total Assets	<u>\$ 3,681,763</u>	<u>\$ 3,678,355</u>
NET POSITION		
Net Investment in Capital Assets	\$ 2,248,008	\$ 2,261,133
Unrestricted	<u>1,433,755</u>	<u>1,417,222</u>
Total Net Position	<u>\$ 3,681,763</u>	<u>\$ 3,678,355</u>

116

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
OPERATING REVENUES		
User Charges	\$ 682,457	\$ 595,497
OPERATING EXPENSES		
Other Services and Charges	88,577	214,646
Depreciation	<u>640,066</u>	<u>571,168</u>
Total Operating Expenses	<u>728,643</u>	<u>785,814</u>
Operating Income (Loss)	<u>(46,186)</u>	<u>(190,317)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	8,000	20,000
Interest Income	15,466	19,416
Miscellaneous Revenue	1,000	
Gain on Disposal of Asset	25,128	32,346
Interest Expense and Fiscal Charges		<u>(1,500)</u>
Total Nonoperating Revenues (Expenses)	<u>49,594</u>	<u>70,262</u>
Income (Loss) Before Transfers	<u>3,408</u>	<u>(120,055)</u>
TRANSFERS		
Transfers In		59,000
Change in Net Position	<u>3,408</u>	<u>(61,055)</u>
NET POSITION, BEGINNING OF YEAR	<u>3,678,355</u>	<u>3,739,410</u>
NET POSITION, END OF YEAR	<u>\$ 3,681,763</u>	<u>\$ 3,678,355</u>

117

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019

	Library	Lake Ripley Cemetery	Anderson Gardens	Totals	
				2020	2019
ASSETS					
Current Assets					
Cash	\$ 33,629	\$ 5,129	\$ 198,012	\$ 236,770	\$ 234,356
Accounts Receivable	126			126	126
Total Assets	<u>\$ 33,755</u>	<u>\$ 5,129</u>	<u>\$ 198,012</u>	<u>\$ 236,896</u>	<u>\$ 234,482</u>
NET POSITION					
Held in Trust for Other Purposes	\$ 33,755	\$ 5,129	\$ 198,012	\$ 236,896	\$ 234,482

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED DECEMBER 31, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Library	Lake Ripley Cemetery	Anderson Gardens	Totals	
				2020	2019
ADDITIONS					
Donations	\$	\$	\$	\$	\$
Interest Income	343	52	2,019	2,414	10,630
Total Additions	343	52	2,019	2,414	3,004
					13,634
DEDUCTIONS					
Professional Services					
Change in Net Position	343	52	2,019	2,414	7,761
					5,873
NET POSITION, BEGINNING OF YEAR	33,412	5,077	195,993	234,482	228,609
NET POSITION, END OF YEAR	\$ 33,755	\$ 5,129	\$ 198,012	\$ 236,896	\$ 234,482

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

Federal Grantor / Pass-Through Grantor/ Program Title	Federal CFDA Number	Passed Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of the Interior Minnesota Department of Administration Historic Preservation Fund Grants-In-Aid	15.904	Not Assigned	\$ 5,191	\$
U.S. Department of Transportation Minnesota Department of Transportation Airport Improvement Program	20.106	Not Assigned	327,174	
U.S. Department of the Treasury Minnesota Management and Budget Coronavirus Relief Fund	21.019	* Not Assigned	509,526	20,000
Total Federal Awards			\$ 841,891	\$ 20,000

* Denotes major program

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Litchfield, Minnesota. The City's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal loan and grant activity of the City of Litchfield under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

NOTE 4. SUBRECIPIENTS

During the year ended December 31, 2020, the City passed \$20,000 to subrecipients.

NOTE 5. DE MINIMIS COST RATE

The City elected not to charge the de minimis indirect cost rate of 10% to federal programs.

COMPLIANCE SECTION



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, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Conway, Deuth & Schmiesing, PLLP

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

June 7, 2021

122

Willmar Office	Benson Office	Morris Office	Litchfield Office	Sartell Office
331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	401 Atlantic Ave Morris, MN 56267 (320) 589-2602	820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	Site 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
www.cdscpa.com				

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 and Questioned Costs as Items 2020-001 and 2020-002 that we consider to be significant deficiencies.

123

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

City's Response to Finding

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

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

June 7, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Litchfield's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major funds for the year ended December 31, 2020.

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Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

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

June 7, 2021

126

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2020

I. SUMMARY OF AUDIT RESULTS

A. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

No

2020-001, 2020-002

Noncompliance material to financial statements noted?

No

B. Federal Awards

Type of auditor's report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

No

No

Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance?

No

C. Identification of Major Programs

CFDA No.:

21.019

Name of Federal Program or Cluster:

Coronavirus Relief Fund

Dollar threshold used to distinguish between

\$750,000

Type A and Type B programs:

Auditee qualified as a low-risk auditee?

No

127

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020

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

FINDING: 2020-001 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, 2021

Plan to Monitor Completion of CAP:
City Council

128

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020

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

FINDING: 2020-002 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, 2021

Plan to Monitor Completion of CAP:
City Council

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

129

IV. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

None

CITY OF LITCHFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020

Comment Reference	Comment Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2019-001	Limited Segregation of Duties	Not Corrected	2017	See current year finding 2020-001
2019-002	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2020-002
Minnesota Legal Compliance Findings:				
None				

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$7,910,000*
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A
CITY OF LITCHFIELD
MEEKER COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Litchfield, Meeker County, Minnesota (the "Issuer"), of its \$7,910,000* General Obligation Refunding Bonds, Series 2021A, bearing a date of original issue of November 23, 2021 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Litchfield, Minnesota (the "Issuer"), in connection with the issuance of its \$7,910,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 1, 2021 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated November __, 2021, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2022, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: November __, 2021.

CITY OF LITCHFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its Administrator

APPENDIX E

TERMS OF PROPOSAL

\$7,910,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A CITY OF LITCHFIELD, MINNESOTA

Proposals for the purchase of \$7,910,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds") of the City of Litchfield, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on November 1, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 115.46 and 475.67, and Chapters 429, 444 and 475, by the City, for the purpose of effecting a current refunding of certain outstanding general obligations of the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated November 23, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$565,000	2028	\$585,000	2033	\$645,000
2024	585,000	2029	595,000	2034	655,000
2025	580,000	2030	610,000	2035	665,000
2026	585,000	2031	620,000		
2027	590,000	2032	630,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about November 23, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,815,080 plus accrued interest on the principal sum of \$7,910,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$158,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Litchfield, Minnesota

PROPOSAL FORM

The City Council
City of Litchfield, Minnesota (the "City")

November 1, 2021

RE: \$7,910,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds")
DATED: November 23, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$7,815,080) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2023	_____ % due	2028	_____ % due	2033
_____ % due	2024	_____ % due	2029	_____ % due	2034
_____ % due	2025	_____ % due	2030	_____ % due	2035
_____ % due	2026	_____ % due	2031		
_____ % due	2027	_____ % due	2032		

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$158,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 23, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 23, 2021 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Litchfield, Minnesota, on November 1, 2021.

By: _____ By: _____
Title: _____ Title: _____