

CITY OF CLARKFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

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

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CITY OF CLARKFIELD, MINNESOTA

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CITY OF CLARKFIELD, MINNESOTA
 ELECTED AND APPOINTED OFFICIALS
 DECEMBER 31, 2019

Title	Name	Term Expires
Mayor	Zachary Hendrickson	12/31/2020
Council Member	Melinda Hedman	12/31/2022
Council Member	Sue Fritz	12/31/2020
Council Member	Dale Stringer Jr.	12/31/2020
City Administrator	Amanda Luepke Resigned February 18, 2020	Appointed
Interim City Administrator	Clarissa Handler Appointed February 18, 2020 Resigned June 16, 2020	Appointed
City Administrator	Christopher Webb Appointed June 16, 2020	Appointed

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Clarkfield
Clarkfield, 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 Clarkfield, Minnesota, as of and for the year ended December 31, 2019, 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 did not audit the financial statements of the Clarkfield Care Center as of and for the year ended September 30, 2019. Those statements audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clarkfield Care Center, is based solely on the report of the other auditors. 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.

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

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

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 1.O. to the financial statements, management has not obtained the necessary information to properly record and disclose the effects of the net pension liability and the related deferred outflows of resources and deferred inflows of resources on the governmental activities relating to the City's Fire Relief Association. Accounting principles generally accepted in the United States of America require that those pension related amounts be recorded and disclosed, which would increase or decrease net pension liability, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities. The amount by which this departure would affect these pension related amounts has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material aspects the respective financial position of the governmental activities of the City of Clarkfield, Minnesota, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkfield, Minnesota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Economic Development Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

We have previously audited the City's 2018 financial statements and we expressed a qualified opinion on the governmental activities and unmodified opinions on the business-type activities, each major fund, and the aggregate remaining fund information on those audited financial statements in our report dated August 6, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 16 of the Notes to the Financial Statement for additional information regarding the prior year partial comparative information.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Proportionate Share of the Net Pension Liability and Schedules of Employer Contributions 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.

Other Matters (Cont'd)

Required Supplementary Information (Cont'd)

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 as listed in the table of contents as supplementary information and the Elected and Appointed Officials section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, 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
WILLMAR, MINNESOTA

September 29, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

This section of the basic financial statements of the City of Clarkfield (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2019. 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 \$4,469,893. Of this amount, \$180,648 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 decreased by \$78,530.
- The City's governmental funds reported combined ending fund balances of \$1,486,641 with a combined ending unassigned fund balance at a deficit.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$144,904, or 17% of total General Fund expenditures of \$838,372.

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 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 of Clarkfield 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. 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 net position and changes in them. 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 Clarkfield.

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

The City as a Whole: Statement of Net Position and Statement of Activities (Cont'd)

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, street and highways, 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 Utility, Care Center, EDA Apartment and EDA Café 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 two kinds of funds—governmental and proprietary—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 15-20 of this report.

Proprietary Funds - When the City of Clarkfield 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 21-26 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 27-62 of this report.

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Statement of Net Position

The City's combined net position increased from a year ago. Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

Table 1 Comparative Condensed Statement of Net Position			
	Governmental Activities		Change
	2019	2018	
Current and Other Assets	\$ 1,865,568	\$ 2,220,368	\$ (354,800)
Net Capital Assets	2,519,147	2,113,019	406,128
Total Assets	<u>4,384,715</u>	<u>4,333,387</u>	51,328
Deferred Outflows of Resources	<u>26,353</u>	<u>42,699</u>	(16,346)
Total Assets and Deferred Outflows of Resources	<u>\$ 4,411,068</u>	<u>\$ 4,376,086</u>	<u>\$ 34,982</u>
Current and Other Liabilities	\$ 374,138	\$ 241,545	\$ 132,593
Long-Term Liabilities	2,014,069	2,172,145	(158,076)
Total Liabilities	<u>2,388,207</u>	<u>2,413,690</u>	(25,483)
Deferred Inflows of Resources	24,922	48,578	(23,656)
Net Position			
Net Investment in Capital Assets	654,120	124,978	529,142
Restricted	364,710	348,947	15,763
Unrestricted	979,109	1,439,893	(460,785)
Total Net Position	<u>1,997,939</u>	<u>1,913,818</u>	<u>84,121</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,411,068</u>	<u>\$ 4,376,086</u>	<u>\$ 34,982</u>

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Statement of Net Position (Cont'd)

Table 2 Comparative Condensed Statement of Net Position			
	<u>Business-Type Activities</u>		Change
	<u>2019</u>	<u>2018</u>	
Current and Other Assets	\$ 1,553,397	\$ 1,762,558	\$ (209,161)
Net Capital Assets	3,557,005	3,745,068	(188,063)
Total Assets	<u>5,110,402</u>	<u>5,507,626</u>	<u>(397,224)</u>
Deferred Outflows of Resources	76,143	201,979	(125,836)
Total Assets and Deferred Outflows of Resources	<u>\$ 5,186,545</u>	<u>\$ 5,709,605</u>	<u>\$ (523,060)</u>
Current and Other Liabilities	\$ 419,980	\$ 386,361	\$ 33,619
Long-Term Liabilities	1,865,269	2,304,550	(439,281)
Total Liabilities	<u>2,285,249</u>	<u>2,690,911</u>	<u>(405,662)</u>
Deferred Inflows of Resources	429,342	384,089	45,253
Net Position			
Net Investment in Capital Assets	2,905,486	2,821,678	83,808
Restricted	364,929	341,145	23,784
Unrestricted	<u>(798,461)</u>	<u>(528,218)</u>	<u>(270,243)</u>
Total Net Position	<u>2,471,954</u>	<u>2,634,605</u>	<u>(162,651)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,186,545</u>	<u>\$ 5,709,605</u>	<u>\$ (523,060)</u>

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Governmental Activities

Net position of the City's governmental activities increased by \$84,121. Table 3 presents the key elements of the increase.

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

Table 3 Comparative Condensed Statement of Activities			
	Governmental Activities		Change
	2019	2018	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 308,031	\$ 301,831	\$ 6,200
Operating Grants and Contributions	31,503	72,045	(40,542)
Capital Grants and Contributions	6,238	44,371	(38,133)
General Revenues			
Property Taxes	402,259	437,639	(35,380)
Special Assessments	10,000		10,000
Grants and Contributions Not Restricted	380,653	361,572	19,081
Franchise and Misc Taxes	804	766	38
Interest Income	8,480	8,008	472
Gain on Sale of Asset	13,128		13,128
Other	7,563	9,674	(2,111)
Total Revenues	1,168,659	1,235,906	(67,247)
EXPENSES			
General Government	385,800	340,920	44,880
Public Safety	201,463	194,996	6,467
Streets and Highways	249,661	210,247	39,414
Culture and Recreation	146,677	140,816	5,861
Economic Development	33,433	79,740	(46,307)
Interest and Fiscal Charges	55,218	36,483	18,735
Unallocated Depreciation		2,296	(2,296)
Total Expenses	1,072,252	1,005,498	66,754
Change in Net Position Before Transfers	96,407	230,408	(134,001)
TRANSFERS			
Change in Net Position	(12,286)	(760,948)	748,662
Change in Net Position	84,121	(530,540)	614,661
NET POSITION, BEGINNING OF YEAR	1,913,818	2,444,358	(530,540)
NET POSITION, END OF YEAR	\$ 1,997,939	\$ 1,913,818	\$ 84,121

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Business-Type Activities

The net position of our business-type activities decreased by \$162,651. The decrease was due to the following funds change in net position: Water - (\$18,034), Sewer - \$33,139, Storm Sewer - \$23,872, Garbage - \$1,063, Care Center - (\$182,825), EDA Apartments - \$72,556 and EDA Café - (\$92,422).

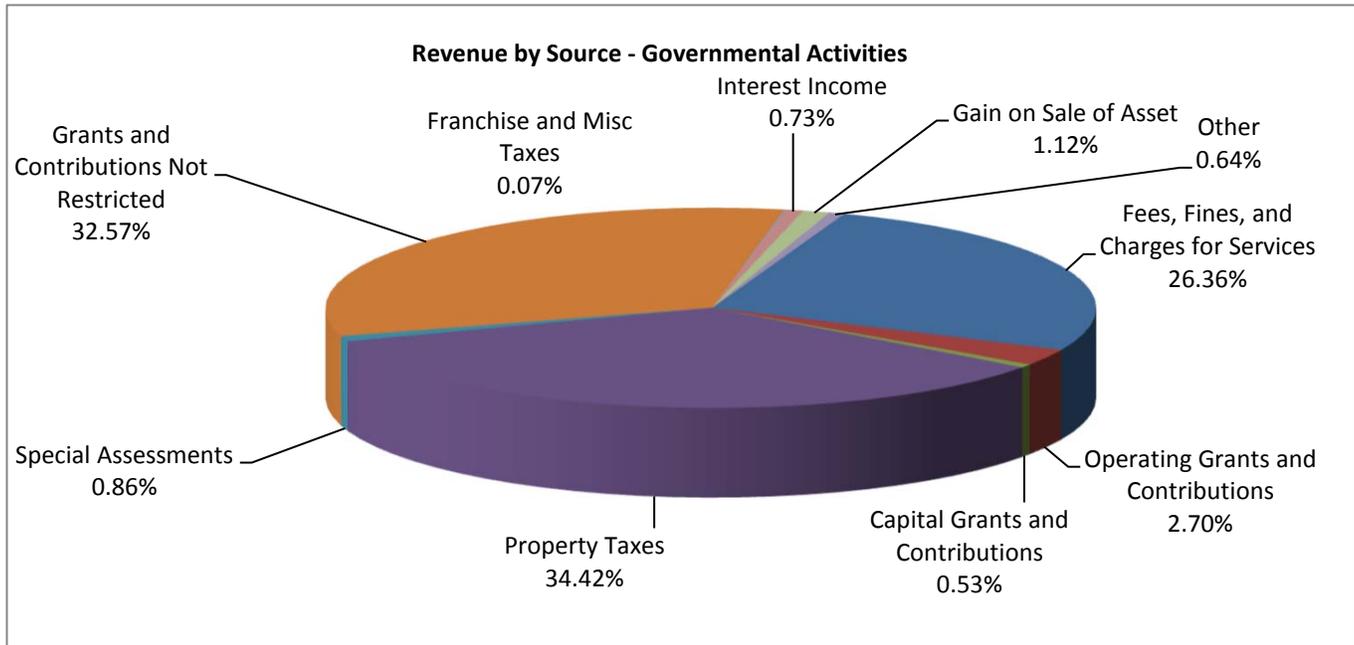
	<u>Business-Type Activities</u>		Change
	<u>2019</u>	<u>2018</u>	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 4,307,793	\$ 4,112,685	\$ 195,108
Capital Grants and Contributions	66,889	49,721	17,168
General Revenues			
Property Taxes	29,411	4,521	24,890
Interest Income	3,921	3,582	339
Other	8,008	2,282	5,726
Total Revenues	<u>4,416,022</u>	<u>4,172,791</u>	<u>243,231</u>
EXPENSES			
Water	188,217	178,364	9,853
Sewer	125,878	102,381	23,497
Garbage	56,567	45,036	11,531
Care Center	3,907,395	3,697,013	210,382
EDA Apartments	79,890	92,258	(12,368)
EDA Café	217,544	99,590	117,954
Total Expenses	<u>4,575,491</u>	<u>4,214,642</u>	<u>360,849</u>
Change in Net Position before Transfers and Contributions	(159,469)	(41,851)	(117,618)
TRANSFERS			
Change in Net Position	<u>(3,182)</u>	<u>744,011</u>	<u>(747,193)</u>
Change in Net Position	(162,651)	702,160	(864,811)
NET POSITION, BEGINNING OF YEAR	<u>2,634,605</u>	<u>1,932,445</u>	<u>702,160</u>
NET POSITION, END OF YEAR	<u>\$ 2,471,954</u>	<u>\$ 2,634,605</u>	<u>\$ (162,651)</u>

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Governmental Activities

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



Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 \$1,486,641, a decrease of (\$487,117). Of this total, (\$93,574), constitutes unassigned fund balance. The remainder of the fund balance, \$1,580,215, is not available for new spending because it is either 1) nonspendable \$24,991, 2) restricted \$938,460, or 3) committed \$616,764.

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 \$144,904. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17% of the total General Fund expenditures.

General Fund - The decrease in the City's General fund balance was (\$38,354). This is mainly due to transfers to several funds to cover deficit cash balances.

Special Revenue Funds - The City's Special Revenue fund balances decreased by (\$3,391). This is a smaller decrease than the prior year due to an increase in swimming pool charges for services.

CITY OF CLARKFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Financial Analysis of the City's Funds (Cont'd)

Debt Service Fund - The debt service fund balances increased by \$23,115. This was due to revenues and transfers covering debt service obligations.

Capital Project Funds - The capital project fund balance decreased by (\$468,487). The decrease was due to an increase in capital outlay expenditures.

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

The unrestricted net position in the respective proprietary funds are Water - \$450,937, Sewer - \$139,773, Storm Sewer - \$27,617, Garbage - \$3,995, Care Center - (\$1,251,073), EDA Apartments - \$11,892 and EDA Café - (\$181,602).

General Fund Budgetary Highlights

Over the course of the year, the City of Clarkfield City Council did not revise the budget. The General Fund budget included sufficient revenues to cover expenditures. An increase in capital outlay expenditures and transfers to the Library and EDA Apartments resulted in a decrease in fund balance of (\$38,354).

Capital Assets

At the end of 2019, the City of Clarkfield had \$16,104,881 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Long-Term Liabilities

At the end of 2019, the City of Clarkfield had \$2,530,317 in long-term debt, which includes \$13,771 in compensated absences. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

Economic Factors and Next Year's Budget

The City's appointed officials considered many factors when setting the fiscal year 2020 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 2019 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'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 information, contact the City of Clarkfield, 812 10th Avenue, Clarkfield, Minnesota 56223, (320) 669-4435 or info@clarkfield.org.

BASIC FINANCIAL STATEMENTS

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CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF NET POSITION
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Totals	
			2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments	\$ 929,257	\$ 984,764	\$ 1,914,021	\$ 2,818,414
Receivables, Net of Allowance				
Accounts	238,870	458,557	697,427	597,713
Interest	53	27	80	25
Loans	61,871		61,871	70,387
Delinquent Taxes	10,198	1,220	11,418	13,083
Special Assessments	13,018	1,185	14,203	19,571
Due from Other Governmental Units	3,493		3,493	6,177
Internal Balances	430,951	(390,390)	40,561	18,772
Prepaid Items	18,950	49,158	68,108	64,050
Stock Credit in Co-ops	7,359		7,359	7,359
Land Held for Resale	151,548		151,548	
Resident Trust Funds		1,999	1,999	2,946
Restricted Donated Funds		364,929	364,929	341,145
City Council Restricted		81,948	81,948	23,284
Capital Assets				
Assets Not Being Depreciated	1,101,463	122,932	1,224,395	758,161
Other Capital Assets, Net of Depreciation	1,417,684	3,434,073	4,851,757	5,099,926
Total Assets	<u>4,384,715</u>	<u>5,110,402</u>	<u>9,495,117</u>	<u>9,841,013</u>
Deferred Outflows of Resources	<u>26,353</u>	<u>76,143</u>	<u>102,496</u>	<u>244,678</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,411,068</u>	<u>\$ 5,186,545</u>	<u>\$ 9,597,613</u>	<u>\$ 10,085,691</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 174,982	\$ 245,665	\$ 420,647	\$ 463,046
Accrued Wages and Benefits	45,729	146,693	192,422	117,590
Due to Other Governmental Units		10,122	10,122	5,339
Accrued Interest Payable	18,427	7,183	25,610	27,468
Security Deposits Payable		8,318	8,318	9,517
Resident Trust Funds Payable		1,999	1,999	2,946
Unearned Revenue	135,000		135,000	2,000
Long-Term Liabilities				
Net Pension Liability	139,029	1,209,992	1,349,021	1,553,325
Other Long-Term Liabilities Due Within One Year	130,000	149,519	279,519	350,871
Other Long-Term Liabilities Due in More Than One Year	1,745,040	505,758	2,250,798	2,572,499
Total Liabilities	<u>2,388,207</u>	<u>2,285,249</u>	<u>4,673,456</u>	<u>5,104,601</u>
Deferred Inflows of Resources	24,922	429,342	454,264	432,667
Net Position				
Net Investment in Capital Assets	654,120	2,905,486	3,559,606	2,946,656
Restricted for				
Capital Acquisitions		364,929	364,929	341,145
Debt Service	26,613		26,613	12,507
Economic Development Loan	338,097		338,097	336,440
Unrestricted	979,109	(798,461)	180,648	911,675
Total Net Position	<u>1,997,939</u>	<u>2,471,954</u>	<u>4,469,893</u>	<u>4,548,423</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,411,068</u>	<u>\$ 5,186,545</u>	<u>\$ 9,597,613</u>	<u>\$ 10,085,691</u>

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2019	2018
GOVERNMENTAL ACTIVITIES								
General Government	\$ 385,800	\$ 23,209	\$	\$	\$ (362,591)	\$	\$ (362,591)	\$ (317,051)
Public Safety	201,463	31,591	31,503	5,000	(133,369)		(133,369)	(113,069)
Streets and Highways	249,661	5,275			(244,386)		(244,386)	(189,126)
Culture and Recreation	146,677	73,942		1,210	(71,525)		(71,525)	(81,485)
Economic Development	33,433	5,084		28	(28,321)		(28,321)	(15,596)
Interest and Fiscal Charges	55,218	168,930			113,712		113,712	131,372
Unallocated Depreciation								(2,296)
Total Governmental Activities	<u>1,072,252</u>	<u>308,031</u>	<u>31,503</u>	<u>6,238</u>	<u>(726,480)</u>	<u>0</u>	<u>(726,480)</u>	<u>(587,251)</u>
BUSINESS-TYPE ACTIVITIES								
Water	188,217	165,028				(23,189)	(23,189)	(11,542)
Sewer	125,878	166,732				40,854	40,854	58,289
Storm Sewer		23,872				23,872	23,872	3,745
Garbage	56,567	57,630				1,063	1,063	2,932
Care Center	3,907,395	3,670,107		66,889		(170,399)	(170,399)	(57,958)
EDA Apartments	79,890	105,492				25,602	25,602	21,819
EDA Café	217,544	118,932				(98,612)	(98,612)	(69,521)
Total Business-Type Activities	<u>4,575,491</u>	<u>4,307,793</u>	<u>0</u>	<u>66,889</u>	<u>0</u>	<u>(200,809)</u>	<u>(200,809)</u>	<u>(52,236)</u>
Total	<u>\$ 5,647,743</u>	<u>\$ 4,615,824</u>	<u>\$ 31,503</u>	<u>\$ 73,127</u>	<u>(726,480)</u>	<u>(200,809)</u>	<u>(927,289)</u>	<u>(639,487)</u>
GENERAL REVENUES								
Property Taxes					402,259	29,411	431,670	442,160
Special Assessments					10,000		10,000	
Grants and Contributions not Restricted to Specific Programs					380,653		380,653	361,572
Franchise and Misc Taxes					804		804	766
Interest Income					8,480	3,921	12,401	11,590
Gain on Sale of Asset					13,128		13,128	
Other					7,563	8,008	15,571	11,956
TRANSFERS					(12,286)	(3,182)	(15,468)	(16,937)
Total General Revenues and Transfers					<u>810,601</u>	<u>38,158</u>	<u>848,759</u>	<u>811,107</u>
Change in Net Position					<u>84,121</u>	<u>(162,651)</u>	<u>(78,530)</u>	<u>171,620</u>
NET POSITION, BEGINNING OF YEAR					<u>1,913,818</u>	<u>2,634,605</u>	<u>4,548,423</u>	<u>4,376,803</u>
NET POSITION, END OF YEAR					<u>\$ 1,997,939</u>	<u>\$ 2,471,954</u>	<u>\$ 4,469,893</u>	<u>\$ 4,548,423</u>

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	General	Economic Development	Infrastructure	Nonmajor Governmental Funds	Totals	
					2019	2018
ASSETS						
Cash and Investments	\$ 46,131	\$	\$ 632,984	\$ 250,142	\$ 929,257	\$ 1,563,507
Receivables						
Accounts	4,980	5,084		228,806	238,870	162,231
Interest	53				53	17
Loans				61,871	61,871	70,387
Delinquent Taxes	10,198				10,198	11,779
Special Assessments	12,771			247	13,018	17,514
Due From Other Governmental Units	3,493				3,493	6,177
Due From Other Funds	824,903	62,989		5,536	893,428	737,896
Prepaid Items	17,632	725		593	18,950	18,314
Stock Credit in Co-ops	7,359				7,359	7,359
Advance To Other Funds				35,000	35,000	35,000
Land Held for Resale				151,548	151,548	
Total Assets	\$ 927,520	\$ 68,798	\$ 632,984	\$ 733,743	\$ 2,363,045	\$ 2,630,181
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 48,884	\$	\$ 3,045	\$ 123,053	\$ 174,982	\$ 207,387
Accrued Wages and Benefits	44,320			1,409	45,729	11,790
Due to Other Funds	10,266	251,519		235,692	497,477	409,813
Unearned Revenue			135,000		135,000	2,000
Total Liabilities	103,470	251,519	138,045	360,154	853,188	630,990
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes	10,198				10,198	11,779
Special Assessments	12,771			247	13,018	13,654
Total Deferred Inflows of Resources	22,969	0	0	247	23,216	25,433
Fund Balance						
Nonspendable	24,991				24,991	24,431
Restricted	60,384		494,939	383,137	938,460	1,393,662
Committed	570,802			45,962	616,764	633,188
Unassigned	144,904	(182,721)		(55,757)	(93,574)	(77,523)
Total Fund Balance	801,081	(182,721)	494,939	373,342	1,486,641	1,973,758
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 927,520	\$ 68,798	\$ 632,984	\$ 733,743	\$ 2,363,045	\$ 2,630,181

CITY OF CLARKFIELD, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances - Governmental Funds	\$ 1,486,641	\$ 1,973,758
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	4,285,016	3,764,434
Less: Accumulated Depreciation	(1,765,869)	(1,651,415)
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
Delinquent Taxes	10,198	11,779
Special Assessments	13,018	13,654
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	26,353	42,699
Deferred Inflows of Resources Related to Pensions	(24,922)	(48,578)
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.		
Accrued Interest Payable	(18,427)	(20,368)
Bonds and Notes Payable	(1,865,027)	(1,988,041)
Compensated Absences	(10,013)	(10,145)
Net Pension Liability	(139,029)	(173,959)
Total Net Position - Governmental Activities	<u>\$ 1,997,939</u>	<u>\$ 1,913,818</u>

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Economic Development	Infrastructure	Nonmajor Governmental Funds	Totals	
					2019	2018
REVENUES						
Property Taxes	\$ 404,476	\$	\$	\$	\$ 404,476	\$ 434,819
Tax Increment				109,280	109,280	109,279
Special Assessments	10,000				10,000	
Licenses and Permits	8,951				8,951	6,619
Intergovernmental	408,554			38,858	447,412	471,136
Charges for Services	50,467	5,084		28,935	84,486	76,257
Fines and Forfeits	1,614			2,337	3,951	4,531
Interest Income	4,881			1,657	6,538	5,869
Donations	8,730			1,110	9,840	51,416
Refunds and Reimbursements	3,552				3,552	1,459
Miscellaneous	6,679			62,583	69,262	72,503
Total Revenues	907,904	5,084	0	244,760	1,157,748	1,233,888
EXPENDITURES						
Current						
General Government	394,517				394,517	325,882
Public Safety	156,325				156,325	153,072
Street and Highways	216,537				216,537	654,826
Culture and Recreation	4,948			141,258	146,206	138,126
Economic Development	8,278	5,311			13,589	71,079
Capital Outlay	56,753		467,993	486	525,232	280,123
Debt Service						
Principal				125,000	125,000	128,499
Interest and Fiscal Charges	1,014		494	53,665	55,173	26,166
Total Expenditures	838,372	5,311	468,487	320,409	1,632,579	1,777,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,532	(227)	(468,487)	(75,649)	(474,831)	(543,885)
OTHER FINANCING SOURCES (USES)						
Bonds Issued						1,460,000
Transfers In				95,600	95,600	60,149
Transfers Out	(107,886)				(107,886)	(821,097)
Total Other Financing Sources (Uses)	(107,886)	0	0	95,600	(12,286)	699,052
Net Change in Fund Balances	(38,354)	(227)	(468,487)	19,951	(487,117)	155,167
FUND BALANCE, BEGINNING OF YEAR	839,435	(182,494)	963,426	353,391	1,973,758	1,818,591
FUND BALANCE, END OF YEAR	\$ 801,081	\$ (182,721)	\$ 494,939	\$ 373,342	\$ 1,486,641	\$ 1,973,758

CITY OF CLARKFIELD, 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, 2019
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (487,117)	\$ 155,167
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in the governmental funds 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	537,937	784,053
Depreciation Expense	(118,937)	(117,131)
Capital Asset Disposal	(17,355)	(50,630)
Accumulated Depreciation Related to Capital Asset Disposal	4,483	41,188
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Taxes	(1,581)	2,947
Special Assessments	(636)	(127)
In the Statement of Activities, certain operating expenses - compensated absences and pension benefits - are measured by the amounts earned during the year. In the however, expenditures for these items are measured by the amount of governmental funds, financial resources used (essentially, the amounts actually paid).		
Compensated Absences	132	(3,722)
Net Pension Liability	42,240	(467)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Retirement of Long-Term Debt	123,014	126,513
Bonds Issued		(1,460,000)
Change in Accrued Interest Payable	<u>1,941</u>	<u>(8,331)</u>
Change in Net Position - Governmental Activities	<u>\$ 84,121</u>	<u>\$ (530,540)</u>

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Property Taxes	\$ 388,766	\$ 388,766	\$ 404,476	\$ 15,710	\$ 434,819
Special Assessments			10,000	10,000	
Licenses and Permits	6,100	6,100	8,951	2,851	6,619
Intergovernmental	361,781	361,781	408,554	46,773	426,572
Charges for Services	138,930	138,930	50,467	(88,463)	65,232
Fines and Forfeits	3,250	3,250	1,614	(1,636)	2,337
Interest Income	800	800	4,881	4,081	3,780
Donations			8,730	8,730	38,266
Refunds and Reimbursements	1,200	1,200	3,552	2,352	1,459
Miscellaneous	2,675	2,675	6,679	4,004	11,089
Total Revenues	<u>903,502</u>	<u>903,502</u>	<u>907,904</u>	<u>4,402</u>	<u>990,173</u>
EXPENDITURES					
Current					
General Government	366,255	366,255	394,517	28,262	325,882
Public Safety	202,070	202,070	156,325	(45,745)	153,072
Streets and Highways	193,267	193,267	216,537	23,270	158,252
Culture and Recreation	9,150	9,150	4,948	(4,203)	14,870
Economic Development			8,278	8,278	62,704
Capital Outlay	46,650	46,650	56,753	10,103	267,163
Debt Service					
Principal					8,499
Interest and Fiscal Charges			1,014	1,014	876
Total Expenditures	<u>817,392</u>	<u>817,392</u>	<u>838,372</u>	<u>20,980</u>	<u>991,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,110	86,110	69,532	(16,578)	(1,145)
OTHER FINANCING SOURCES (USES)					
Transfers In					2,370
Transfers Out	(86,110)	(86,110)	(107,886)	(21,776)	(818,727)
Total Other Financing Sources (Uses)	<u>(86,110)</u>	<u>(86,110)</u>	<u>(107,886)</u>	<u>(21,776)</u>	<u>(816,357)</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>(38,354)</u>	<u>\$ (38,354)</u>	<u>(817,502)</u>
FUND BALANCE, BEGINNING OF YEAR			839,435		1,656,937
FUND BALANCE, END OF YEAR			<u>\$ 801,081</u>		<u>\$ 839,435</u>

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019				2018
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Charges for Services	\$ 4,800	\$ 4,800	\$ 5,084	\$ 284	\$ 4,270
Donations					12,050
Total Revenues	<u>4,800</u>	<u>4,800</u>	<u>5,084</u>	<u>284</u>	<u>16,320</u>
EXPENDITURES					
Current					
Economic Development	7,180	7,180	5,311	(1,869)	8,375
Capital Outlay	<u>3,120</u>	<u>3,120</u>		<u>(3,120)</u>	<u>12,000</u>
Total Expenditures	<u>10,300</u>	<u>10,300</u>	<u>5,311</u>	<u>(4,988)</u>	<u>20,375</u>
Net Change in Fund Balances	<u>\$ (5,500)</u>	<u>\$ (5,500)</u>	(227)	<u>\$ 5,272</u>	(4,055)
FUND BALANCE, BEGINNING OF YEAR			<u>(182,494)</u>		<u>(178,439)</u>
FUND BALANCE, END OF YEAR			<u>\$ (182,721)</u>		<u>\$ (182,494)</u>

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30,	EDA Apartments	EDA Café	2019	2018
					2019 Care Center				
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Assets									
Current Assets									
Cash and Investments	\$ 555,785	\$ 212,695	\$ 25,544	\$ 17,264	\$ 50,198	\$ 123,278	\$	\$ 984,764	\$ 1,254,907
Receivables, Net of Allowance									
Accounts	13,893	38,021	2,073	4,928	391,851	6,051	1,740	458,557	435,482
Interest	3	24						27	8
Delinquent Taxes	891	329						1,220	1,304
Special Assessments	711	474						1,185	2,057
Prepaid Items	1,686	863			41,288	4,606	715	49,158	45,736
Total Current Assets	572,969	252,406	27,617	22,192	483,337	133,935	2,455	1,494,911	1,739,494
Restricted Cash and Investments									
Resident Trust Funds					1,999			1,999	2,946
Restricted Donated Funds					364,929			364,929	341,145
City Council Restricted					81,948			81,948	23,284
Total Restricted Assets	0	0	0	0	448,876	0	0	448,876	367,375
Noncurrent Assets									
Capital Assets									
Assets Not Being Depreciated	23,091	25,616			40,000	34,225		122,932	122,932
Other Capital Assets, Net of Depreciation	1,151,634	379,038			1,591,111	292,631	19,659	3,434,073	3,622,136
Total Capital Assets	1,174,725	404,654	0	0	1,631,111	326,856	19,659	3,557,005	3,745,068
Total Assets	1,747,694	657,060	27,617	22,192	2,563,324	460,791	22,114	5,500,792	5,851,937
Deferred Outflows of Resources									
Related to Pensions	4,695	4,295			57,432		9,721	76,143	201,979
Total Assets and Deferred Outflows of Resources	\$ 1,752,389	\$ 661,355	\$ 27,617	\$ 22,192	\$ 2,620,756	\$ 460,791	\$ 31,835	\$ 5,576,935	\$ 6,053,916

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30, 2019 Care Center	EDA Apartments	EDA Café	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
Liabilities									
Current Liabilities									
Accounts Payable	\$ 1,708	\$ 1,693	\$	\$ 18,197	\$ 223,734	\$	\$ 333	\$ 245,665	\$ 255,659
Accrued Wages and Benefits	1,947	1,986			127,123	470	15,167	146,693	105,800
Due to Other Governments						10,122		10,122	5,339
Accrued Interest Payable						5,416	1,767	7,183	7,100
Security Deposits Payable						8,318		8,318	9,517
Due to Other Funds	91,981	84,653				97,717	81,039	355,390	309,311
Advance from Other Funds							35,000	35,000	35,000
Resident Trust Funds Payable					1,999			1,999	2,946
Current Portion of Long-Term Liabilities						149,519		149,519	225,871
Total Current Liabilities	95,636	88,332	0	18,197	352,856	271,562	133,306	959,889	956,543
Noncurrent Liabilities									
Notes Payable, Net of Current Portion	110,230	40,770				351,000		502,000	697,519
Compensated Absences	1,879	1,879						3,758	1,794
Net Pension Liability	24,772	22,656			1,111,284		51,280	1,209,992	1,379,366
Total Noncurrent Liabilities	136,881	65,305	0	0	1,111,284	351,000	51,280	1,715,750	2,078,679
Total Liabilities	232,517	153,637	0	18,197	1,464,140	622,562	184,586	2,675,639	3,035,222
Deferred Inflows of Resources									
Related to Pensions	4,440	4,061			411,649		9,192	429,342	384,089
Net Position									
Net Investment in Capital Assets	1,064,495	363,884			1,631,111	(173,663)	19,659	2,905,486	2,821,678
Restricted									
Capital Acquisitions					364,929			364,929	341,145
Unrestricted	450,937	139,773	27,617	3,995	(1,251,073)	11,892	(181,602)	(798,461)	(528,218)
Total Net Position	1,515,432	503,657	27,617	3,995	744,967	(161,771)	(161,943)	2,471,954	2,634,605
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,752,389	\$ 661,355	\$ 27,617	\$ 22,192	\$ 2,620,756	\$ 460,791	\$ 31,835	\$ 5,576,935	\$ 6,053,916

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30,	EDA Apartments	EDA Café	2019	2018
					2019 Care Center				
OPERATING REVENUES									
Sewer Charges	\$	\$ 166,732	\$ 23,872	\$	\$	\$	\$	\$ 190,604	\$ 164,415
Water Charges	165,028							165,028	166,822
Garbage Charges				57,630				57,630	47,968
Rental Income						105,492		105,492	114,077
Café Charges							118,932	118,932	30,069
Net Resident Services					2,920,225			2,920,225	2,764,144
Other Operating Income					749,882			749,882	825,190
Total Operating Revenues	165,028	166,732	23,872	57,630	3,670,107	105,492	118,932	4,307,793	4,112,685
OPERATING EXPENSES									
Salaries and Benefits	59,677	54,472					110,759	224,908	76,744
Professional Services	9,934	8,924				8,029	27,301	54,188	53,528
Utilities	15,433	19,976				1,653	15,677	52,739	44,226
Repair and Maintenance	15,471	2,990				7,904	2,331	28,696	53,787
Supplies	2,587	718				921	52,253	56,479	50,881
Miscellaneous	5,222	4,599		56,567		1,974	2,267	70,629	55,973
Insurance	1,926	1,711				8,946	2,576	15,159	13,803
Property Taxes	2,625					4,783	1,651	9,059	8,017
Nursing					1,273,392			1,273,392	1,054,735
Other Care Related					44,115			44,115	44,694
Ancillary Services					251,079			251,079	251,558
Dietary					274,359			274,359	261,858
Laundry and Linen					41,858			41,858	40,513
Housekeeping					50,265			50,265	46,754
Plant Operations					183,297			183,297	184,563
Property Related					227,970			227,970	222,370
Administrative					495,622			495,622	420,135
Fringe Benefits					322,309			322,309	350,991
Depreciation	65,801	31,131			127,137	30,737	1,582	256,388	249,785
Other Operating Expenses					615,992			615,992	640,541
Total Operating Expenses	178,676	124,521	0	56,567	3,907,395	64,947	216,397	4,548,503	4,125,456
Operating Income (Loss)	(13,648)	42,211	23,872	1,063	(237,288)	40,545	(97,465)	(240,710)	(12,771)

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30,	EDA Apartments	EDA Café	2019	2018
					2019 Care Center				
NONOPERATING REVENUES (EXPENSES)									
Property Taxes	\$ 21,470	\$ 7,941	\$	\$	\$	\$	\$	\$ 29,411	\$ 4,521
Investment Income	110	769			3,042			3,921	3,582
Miscellaneous Income						1,818	6,190	8,008	2,282
Capital Grants and Contributions					66,889			66,889	49,721
Interest Expense	(9,541)	(1,357)				(14,943)	(1,147)	(26,988)	(41,198)
Loss on Defeasance of Long-Term Debt									(47,988)
Total Nonoperating Revenues (Expenses)	12,039	7,353	0	0	69,931	(13,125)	5,043	81,241	(29,080)
Income (Loss) Before Transfers	(1,609)	49,564	23,872	1,063	(167,357)	27,420	(92,422)	(159,469)	(41,851)
TRANSFERS									
Transfers In						45,136		45,136	
Transfers Out	(16,425)	(16,425)						(32,850)	
Net Equity Transfers from City of Clarkfield					(15,468)			(15,468)	744,011
Total Transfers	(16,425)	(16,425)	0	0	(15,468)	45,136	0	(3,182)	744,011
Change in Net Position	(18,034)	33,139	23,872	1,063	(182,825)	72,556	(92,422)	(162,651)	702,160
NET POSITION, BEGINNING OF YEAR	1,533,466	470,518	3,745	2,932	927,792	(234,327)	(69,521)	2,634,605	1,932,445
NET POSITION, END OF YEAR	\$ 1,515,432	\$ 503,657	\$ 27,617	\$ 3,995	\$ 744,967	\$ (161,771)	\$ (161,943)	\$ 2,471,954	\$ 2,634,605

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

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

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30,	EDA Apartments	EDA Café	2019	2018
					2019 Care Center				
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from Customers/Residents	\$ 167,049	\$ 147,484	\$ 22,143	\$ 58,298	\$ 2,964,484	\$ 102,083	\$ 119,805	\$ 3,581,346	\$ 3,397,617
Payments to Suppliers	(53,462)	(40,488)		(52,059)		(30,903)	(100,876)	(277,788)	(269,076)
Payments to Employees	(52,833)	(47,522)					(62,993)	(163,348)	(76,380)
Cash Paid to Employees and Suppliers					(3,015,229)			(3,015,229)	(2,738,709)
Cash Received from Other Services					704,244			704,244	793,940
Cash Paid to Employees and Suppliers for Other Services					(743,129)			(743,129)	(762,291)
Changes in Pension-Related Liabilities					(57,881)			(57,881)	(23,891)
Net Cash Provided (Used) by Operating Activities	60,754	59,474	22,143	6,239	(147,511)	71,180	(44,064)	28,215	321,210
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Temporary Borrowings from (Repayments to) Other Funds						3,000	43,079	46,079	59,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Cash Received from Local Taxes and State Aid Transfers In	21,531	7,964				45,136		29,495	4,846
Transfers Out	(16,425)	(16,425)						45,136	
Equity Transfer from City of Clarkfield					(15,468)			(32,850)	
Contributions Received for Capital Assets/Reinvested Interest Income					66,889			(15,468)	744,011
Miscellaneous Revenue						1,818	6,190	66,889	49,721
Proceeds from Note Issuance								8,008	2,282
Principal Paid on Long-Term Debt	(211,580)	(12,420)				(47,871)		178,000	
Interest Paid	(10,075)	(1,357)				(15,473)		(271,871)	(1,350,719)
Purchase of Property and Equipment	(5,110)				(42,417)	(14,137)	(6,661)	(26,905)	(50,790)
Net Cash Provided (Used) by Capital and Related Financing Activities	(221,659)	(22,238)	0	0	9,004	(30,527)	(471)	(68,325)	(85,793)
								(265,891)	(508,442)

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2019

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

	Business-Type Activities - Enterprise Funds							Totals	
	Water Fund	Sewer Fund	Storm Sewer Fund	Garbage Fund	September 30,	EDA Apartments	EDA Café	2019	2018
					2019 Care Center				
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest Received	\$ 108	\$ 752	\$	\$	\$ 3,042	\$	\$	\$ 3,902	\$ 3,583
Purchase of Investments					(58,664)			(58,664)	(99,466)
Redemption of Investments									295,809
Decrease (Increase) in Restricted Donated Funds					(23,784)			(23,784)	8,489
Net Cash Provided (Used) by Investing Activities	108	752	0	0	(79,406)	0	0	(78,546)	208,415
Net Increase (Decrease) in Cash and Cash Equivalents	(160,797)	37,988	22,143	6,239	(217,913)	43,653	(1,456)	(270,143)	80,644
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	716,582	174,707	3,401	11,025	268,111	79,625	1,456	1,254,907	1,174,263
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 555,785</u>	<u>\$ 212,695</u>	<u>\$ 25,544</u>	<u>\$ 17,264</u>	<u>\$ 50,198</u>	<u>\$ 123,278</u>	<u>\$ 0</u>	<u>\$ 984,764</u>	<u>\$ 1,254,907</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES									
Operating Income (Loss)	\$ (13,648)	\$ 42,211	\$ 23,872	\$ 1,063	\$ (237,288)	\$ 40,545	\$ (97,465)	\$ (240,710)	\$ (12,771)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities									
Depreciation/Amortization	65,801	31,131			127,137	30,737	1,582	256,388	249,785
Loss on Defeasance of Long-Term Debt									(47,988)
Pension Related Adjustments	5,862	5,968			(57,881)		47,766	1,715	(22,769)
(Increase) Decrease in Assets									
Accounts Receivable	1,498	(19,597)	(1,729)	668	(1,379)	(3,409)	873	(23,075)	79,126
Due from Other Governments	523	349						872	(254)
Prepaid Items	133	(15)			(4,420)	(266)	1,146	(3,422)	11,150
Increase (Decrease) in Liabilities									
Accounts Payable	42	(1,155)		4,508	(6,546)	4,302	(6,362)	(5,211)	105,449
Other Current Liabilities	(439)	(400)			32,866	(729)	8,396	39,694	(39,760)
Compensated Absences	982	982						1,964	(758)
Net Cash Provided (Used) by Operating Activities	<u>\$ 60,754</u>	<u>\$ 59,474</u>	<u>\$ 22,143</u>	<u>\$ 6,239</u>	<u>\$ (147,511)</u>	<u>\$ 71,180</u>	<u>\$ (44,064)</u>	<u>\$ 28,215</u>	<u>\$ 321,210</u>

See Accompanying Notes to the Financial Statements

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Clarkfield, Minnesota, is a statutory city governed by an elected mayor and 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, two organizations have been defined and are presented in this report as follows:

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

From the category above, the entities are identified as follows:

Blended Component Unit

The Clarkfield EDA (EDA) was established by the City Council to promote certain economic, commercial, housing and industrial development and redevelopment. The EDA is fiscally dependent on the City, as their primary source of revenue for administrative funds is from the City of Clarkfield. The EDA has all the powers given to an economic development authority pursuant to the Economic Development Authority Act; provided that prior approval of the Clarkfield City Council is required for any project of the EDA which involves bonding to be issued by the EDA. For reporting purposes, the financial statements of the EDA, regarding the apartments and café, are included in the primary government's financial statements as separate Enterprise Funds, and all other EDA activity is reported as Special Revenue Funds.

The Clarkfield Care Center was created to provide long-term health care and other services for the elderly in the area. The Care Center is governed by the City Council. For reporting purposes, the financial statements of the Clarkfield Care Center are included in the primary government's financial statements as an Enterprise Fund. The Care Center's fiscal year end is September 30. Due to this, any activity between the City and the Care Center that happens between October 1 and December 31, will show on the City's financial statements, but will not be reflected in the Care Center's financial statements until the next year.

Related Party

The Housing and Redevelopment Authority (HRA) of Clarkfield is considered a related organization as the City appoints the members of the governing body; however, the City cannot impose its will on the HRA. There are no material transactions that occurred in the current year.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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.

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.

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

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

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

Property taxes, 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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 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 Economic Development Special Revenue Fund accounts for the financial resources to be used for the operations of the economic development authority.

The Infrastructure Capital Project Fund accounts for the costs incurred related to the infrastructure project.

The City reports the following major enterprise funds:

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

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

The Storm Sewer Fund accounts for the operations of the City's storm sewer utilities.

The Garbage Fund accounts for the operations of the City's garbage services.

The Clarkfield Care Center Fund accounts for the long term health care to the elderly in the area.

The EDA Apartments Fund accounts for the operations of the 4 four-plex apartments within the City.

The EDA Café Fund accounts for the operations of the Café.

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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

D. DEPOSITS AND INVESTMENTS

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

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

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

Cash and investments were comprised of deposits and equity securities.

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

The City does not have an investment policy in place.

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. Minnesota Statutes require all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent for balances above the FDIC insured amount.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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 repurchase 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.

The City does not have a policy that further limits its collateral choices.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

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.

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.

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.

E. RESTRICTED CASH AND INVESTMENTS

The restricted cash and investments consist of resident trust funds held by the Care Center as a fiduciary for their residents, restricted donated funds, and funds required by loan agreements. Restricted cash and investments that are required for obligations classified as current liabilities are reported as current assets.

F. 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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

F. RECEIVABLES AND PAYABLES (Cont'd)

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. Yellow Medicine 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.

G. RESIDENT RECEIVABLES

The Clarkfield Care Center provides an allowance for doubtful accounts which is offset against the gross amount of receivables. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables. Payment for services is required upon receipt of invoice or claim submitted. Accounts more than 30 days old are considered past due and individually analyzed for collectability. The allowance for doubtful accounts was approximately \$0 at September 30, 2019.

H. NOTES AND LOANS RECEIVABLE

Notes and loans (hereafter referred to as "loans") have been issued to financially assist local businesses.

Loans receivable in governmental funds are reported as an asset in the amount of loan proceeds disbursed less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivables, is recognized in the government-wide financial statements for the amount of loans receivable for which collection is doubtful or questionable.

The allowance for uncollectible loans is based upon an analysis of credit risk and payment delinquency. The allowance for doubtful accounts was \$0.

I. 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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

J. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) 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 \$1,000 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 assets are recorded as capital assets at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 12 to 40 years for buildings and improvements other than buildings, and 3 to 30 years for machinery and equipment.

Capital assets not being depreciated include land and construction in progress, if any.

The City does not possess any material amounts of intangible capital assets.

K. DEFERRED OUTFLOWS OF RESOURCES

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

L. UNEARNED REVENUE

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

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

M. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated compensatory time 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 financial statements. The government-wide 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 total compensatory time.

Full-time, permanent 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 for the full amount accrued. Accordingly, the expenditure for vacation is recognized when taken. Employees are entitled to paid sick leave at the rate of one day per month up to a total of 480 hours. Employees are not compensated for unused sick leave upon termination of employment. Sick pay is recorded as an expenditure when payment is made. The City has no severance pay plan in which the employees are vested.

N. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay premiums based on amounts determined by the City Council. 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. City management has estimated the potential liability based on prior experience and determined the need to accrue a postemployment benefits liability is immaterial to users of the financial statements. The City's personnel policy does not provide for any contributions upon employee retirement.

O. 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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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 has elected not to report the pension related items for the City's Fire Relief Association.

The City participates in various pension plans; total pension expense for the fiscal year ended was \$26,588. The components of pension expense are noted in the plan summaries.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

P. 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.

Q. DEFERRED INFLOWS OF RESOURCES

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

R. FUND BALANCE

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

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

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

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 Clerk/Treasurer is authorized to establish assignments of fund balance.

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

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

R. FUND BALANCE (Cont'd)

The City uses 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.

S. 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 and proprietary 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 and proprietary 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.

T. NET RESIDENT SERVICE REVENUES

Net resident service revenues include room charges and ancillary services to residents and are recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payers.

Provisions for established third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and subsequent settlements are recorded in revenues in the year of settlements.

U. THIRD PARTY REIMBURSEMENT AGREEMENTS

Medicaid

The Care Center participates in the Medicaid program which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

Nursing facilities are paid under the Value Based Nursing Facility Reimbursement System (VBR). Under the VBR system, care related costs are reimbursed at actual cost subject to certain limitations. Other operating costs are reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, are reimbursed at an external fixed payment rate and will be cost based with no limitations. Reimbursement for historic property related costs is a separate component of the rate that has been frozen since 2010. Additional reimbursement for new property related costs is possible under certain conditions.

The VBR system includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities are also protected from significant decreases in rates in a single year due to changes in care related costs.

By Minnesota Statute, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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

U. THIRD PARTY REIMBURSEMENT AGREEMENTS (Cont'd)

Medicare

The Care Center participates in the Medicare Program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Care Center is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

V. OCCUPANCY PERCENTAGES

During the years ended September 30, 2019 and 2018, the occupancy percentages and the percentages of resident days covered under the Medicaid and Medicare programs were as follows:

	2019	2018
Total Occupancy (Based on 36 Beds)	74.6%	75.5%
Medicaid	45.9%	48.8%
Medicare	8.7%	8.3%

W. CONTRIBUTIONS

Unconditional promises to give cash and other assets to the Clarkfield Care Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are presented as restricted net position if they are received with donor stipulations that limit the use of the donated assets.

X. 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.

Y. 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, 2018, from which the partial information was derived.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 to original budgeted amounts and all the revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are submitted by all department heads to the City Clerk. The City Clerk compiles the budget requests into an overall preliminary City budget. The City Clerk presents the proposed budget to the City Council.
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 and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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

B. DEFICIT FUND BALANCE/NET POSITION

The following funds had deficit balances:

Major Governmental Funds	
Economic Development	\$ (182,721)
Major Proprietary Funds	
EDA Apartments	(161,771)
EDA Café	(161,943)
Nonmajor Governmental Funds	
Community Center	(24,737)
2005 Improvement Bonds	(20,515)

Deficits will be eliminated by future revenues or fund transfers.

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Appropriation</u>	<u>Expenditure</u>
General	\$ 817,392	\$ 838,372

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

Pooled Cash in Checking Account	\$ 1,285,879
Pooled Cash in Savings Account	25,742
Special Purpose Bank Accounts	294,549
Non-Negotiable Certificates of Deposit	305,265
Petty Cash	943
Care Center Cash and Equivalents	<u>425,035</u>
 Total Deposits	 <u><u>\$ 2,337,413</u></u>

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS

Assets measured at fair value on a recurring basis at September 30, 2019 and the related fair value of these assets are determined as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Care Center Equity Securities	\$ 25,484	\$ 0	\$ 25,484	\$ 0

The following is a summary of total deposits and investments:

Deposits	\$ 2,337,413
Investments	25,484
Total Deposits and Investments	\$ 2,362,897

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position

Cash and Investments	\$ 1,914,021
Restricted Cash and Investments	448,876
Total Deposits and Investments	\$ 2,362,897

Designated cash amounts are designated by Council and consisted of the following:

Storm Water Utility	\$ 4,042
EDA Apartments	4,375
Storm Sewer	3,745
Total Designated Cash	\$ 12,162

The Storm Water Utility designated funds are to be used for future projects. The EDA Apartments designated funds are to be used for future apartment repairs. The Storm Sewer designated funds are to be used for future storm sewer improvements.

C. RESTRICTED CASH AND INVESTMENTS

The restricted cash and investments that are required for obligations classified as current liabilities are reported as current assets. The composition of restricted cash and investments is detailed below:

Resident Trust Funds

The Care Center is the trustee of various resident funds and has a fiduciary responsibility for the administration and distribution of these funds for the residents. These funds are on deposit in a separate bank account.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

C. RESTRICTED CASH AND INVESTMENTS (Cont'd)

Restricted Donated Funds

Restricted donated funds are contributions received with donor restrictions placed on how the funds may be used. Funds of \$49,441 are restricted for remodeling of the Care Center. Funds of \$315,488 are restricted for the purchase of ambulance equipment.

City Council Restricted

The city council has directed that cash be deposited into this fund to be set aside for debt service or capital purchases.

D. NONCURRENT CASH AND INVESTMENTS

Under Loan Agreements

Under certain loan agreements, the Care Center is required to set aside funds to be used for principal and interest payments when due.

NOTE 4. LOANS RECEIVABLES

Loan Receivable balances were as follows:

Bailey's Custom Cap	\$ 17,472
Clarkfield Enterprises	32,848
Clarkfield Enterprises SCDP	11,551
Total Loans Receivable	\$ 61,871

On September 27, 2001, the City of Clarkfield loaned Bailey's Custom Cap \$40,000. In 2014, this note was rewritten at a balance of \$26,242. Terms of the note call for monthly payments of \$200 at 4% interest, beginning January 15, 2014 with a final payment due January 15, 2019. In 2016, the Company stopped making payments on this note. In 2017, this note was rewritten at a balance of \$18,872. Terms of the note call for monthly payments of \$100 at 0% interest, beginning September 15, 2017. This note is secured by a building mortgage.

On November 1, 2017, the City of Clarkfield loaned Clarkfield Enterprises \$44,000. Terms of the note call for monthly payments of \$608.65 at 4.25% interest, beginning November 1, 2017 with final payment due December 1, 2024.

On November 1, 2017, the City of Clarkfield loaned Clarkfield Enterprises SCDP \$16,000. Terms of the note call for monthly payments of \$197.46 at 1% interest beginning November 1, 2017, with final payment due December 1, 2024.

Loans receivable not scheduled for collection in subsequent year total \$51,684.

CITY OF CLARKFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 138,655	\$	\$	\$ 138,655
Construction in Progress	496,574	466,234		962,808
Total Capital Assets, Not Being Depreciated	635,229	466,234	0	1,101,463
Capital Assets, Being Depreciated				
Buildings	930,934			930,934
Equipment	1,671,592	71,703	(17,355)	1,725,940
Improvements	526,679			526,679
Total Capital Assets Being Depreciated	3,129,205	71,703	(17,355)	3,183,553
Less Accumulated Depreciation for				
Buildings	550,646	20,465		571,111
Equipment	820,289	72,035	(4,483)	887,841
Improvements	280,480	26,437		306,917
Total Accumulated Depreciation	1,651,415	118,937	(4,483)	1,765,869
Total Capital Assets, Being Depreciated, Net	1,477,790	(47,234)	(12,872)	1,417,684
Governmental Activities Net Capital Assets	<u>\$ 2,113,019</u>	<u>\$ 419,000</u>	<u>\$ (12,872)</u>	<u>\$ 2,519,147</u>
Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 122,932	\$	\$	\$ 122,932
Capital Assets, Being Depreciated				
Buildings and Structures	5,215,957	28,982		5,244,939
Land Improvements	4,458,617			4,458,617
Equipment	1,954,034	39,343		1,993,377
Total Capital Assets, Being Depreciated	11,628,608	68,325	0	11,696,933

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS (Cont'd)

<u>Business-Type Activities (Cont'd)</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for				
Buildings and Structures	\$ 3,470,429	\$ 97,636	\$	\$ 3,568,065
Land Improvements	2,946,350	85,472		3,031,822
Equipment	1,589,693	73,280		1,662,973
Total Accumulated Depreciation	<u>8,006,472</u>	<u>256,388</u>	<u>0</u>	<u>8,262,860</u>
Total Capital Assets, Being Depreciated, Net	<u>3,622,136</u>	<u>(188,063)</u>	<u>0</u>	<u>3,434,073</u>
 Business-Type Activities Net Capital Assets	 <u>\$ 3,745,068</u>	 <u>\$ (188,063)</u>	 <u>\$ 0</u>	 <u>\$ 3,557,005</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 7,167
Public Safety	42,139
Streets and Highways	52,260
Culture and Recreation	8,475
Economic Development	<u>8,896</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 118,937</u>
 Business-Type Activities	
Water	\$ 65,801
Sewer	31,131
Care Center	127,137
EDA Housing	30,737
EDA Café	<u>1,582</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 256,388</u>

CITY OF CLARKFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES/PAYABLES

The composition of interfund receivables/payables for the year is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Economic Development	\$ 251,519
General	Nonmajor Fund	235,692
General	Water	91,981
General	Sewer	84,653
General *	Care Center	49,327
General	EDA Apartments	30,692
General	EDA Café	81,039
Economic Development	EDA Apartments	62,989
Care Center *	General	8,766
Nonmajor Fund	General	1,500
Nonmajor Fund	EDA Apartments	4,036
		<u>\$ 902,194</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

* - Due to timing differences of year ends between the City and the Care Center, the actual interfund balances between the Care Center and the City's General Fund at September 30, 2019 is \$0.

<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>	<u>Amount</u>
Economic Development Loan	EDA Café	<u>\$ 35,000</u>

On August 1, 2018, the City of Clarkfield loaned the Clarkfield EDA Café \$35,000. Terms of the note call for monthly payments of \$625 at 0% interest, beginning September 1, 2018 with final payment due July 1, 2023.

B. INTERFUND TRANSFERS

The composition of interfund transfers for the year is as follows:

	<u>Transfer In</u>		<u>Total</u>
	<u>Nonmajor Fund</u>	<u>EDA Apartments</u>	
Transfer Out			
General	\$ 62,750	\$ 45,136	\$ 107,886
Water	16,425		16,425
Sewer	16,425		16,425
Totals	<u>\$ 95,600</u>	<u>\$ 45,136</u>	<u>\$ 140,736</u>

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Cont'd)

B. INTERFUND TRANSFERS (Cont'd)

The purpose of the above transfers was to provide financing for bond payments and for fund operations.

*-Due to timing differences of year ends between the City and the Care Center, the actual amount the Care Center received from the City's General Fund at September 30, 2019 is \$15,468.

NOTE 7. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

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

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

B. COMPONENTS OF LONG-TERM DEBT

	Interest Rates	Final Maturity	Principal Outstanding
<u>Governmental Activities</u>			
G.O. TIF Bonds, Series 2011A	1.75% - 4.65%	02/01/2022	\$ 410,000
G.O. Temporary Revenue Bond, Series 2018A	2.25%	09/01/2021	1,460,000
Bond Discount			(4,973)
Compensated Absences			10,013
Total Governmental Activities			\$ 1,875,040
<u>Business-Type Activities</u>			
G.O. Refunding Note, Series 2017A	2.55%	01/01/2023	\$ 151,000
G.O. Housing Development Refunding Revenue Bonds, Series 2017B	3.35%	02/01/2028	388,000
Essential Function Housing Development Revenue Bonds of 1999	1.56%	06/01/2020	112,519
Compensated Absences			3,758
Total Business-Type Activities			\$ 655,277

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

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

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

On June 2, 2017, the City issued \$288,000 General Obligation Refunding Note, Series 2017A with an interest rate of 2.55%. The City issued the Bonds to refund the General Obligation Water and Sewer Crossover Refunding Bonds of 2010A totaling \$600,000. This results in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$6,656.

On June 2, 2017, the City issued \$464,000 Housing Development Refunding Bonds, Series 2017B with an interest rate of 3.35%. The City issued the Bonds to refund the General Obligation Housing Development Refunding Revenue Bonds of 2006A totaling \$660,000. This results in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$18,258.

On September 25, 2018, the City issued \$1,460,000 General Obligation Temporary Revenue Bonds, Series 2018A with an interest rate of 2.25%. The City issued the bonds to finance preliminary costs associated with the major infrastructure project set to begin in 2019. Ultimately, these bonds will be paid off with the proceeds of long-term USDA RD Loans.

On November 19, 2018, the City issued \$178,000 Temporary General Obligation Utility Revenue Refunding Note, Series 2018B with an interest rate of 3.60%. The City issued the Note to refund the temporary General Obligation Utility Revenue Bonds, Series 2015A totaling \$172,000. Ultimately, these bonds will be paid off with the proceeds of long-term USDA RD Loans.

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. TIF Bonds, Series 2011A		G.O. Temporary Revenue Bonds, Series 2018A	
	Principal	Interest	Principal	Interest
2020	\$ 130,000	\$ 15,280	\$	\$ 32,850
2021	135,000	9,678	1,460,000	32,850
2022	145,000	3,371		
	<u>\$ 410,000</u>	<u>\$ 28,329</u>	<u>\$ 1,460,000</u>	<u>\$ 65,700</u>

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	<u>Business-Type Activities</u>			
	<u>G.O. Refunding Note, Series 2017A</u>		<u>G.O. Housing Development Refunding Revenue Bonds, Series 2017B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$	\$ 1,925	\$ 37,000	\$ 12,378
2021	51,000	3,200	37,000	11,139
2022	50,000	1,912	42,000	9,816
2023	50,000	638	41,000	8,425
2024			41,000	7,051
2025-2028			190,000	12,963
	<u>\$ 151,000</u>	<u>\$ 7,675</u>	<u>\$ 388,000</u>	<u>\$ 61,772</u>
	<u>Business-Type Activities</u>			
	<u>Essential Function Housing Development Refunding Revenue Bonds of 1999</u>			
Year Ending December 31	<u>Principal</u>	<u>Interest</u>		
2020	<u>\$ 112,519</u>	<u>\$ 861</u>		

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
G.O. TIF Bonds, Series 2011A	\$ 535,000	\$	\$ 125,000	\$ 410,000	\$ 130,000
G.O. Temporary Revenue Bonds Series 2018A	1,460,000			1,460,000	
Bond Discount	(6,959)		(1,986)	(4,973)	
Compensated Absences	10,145	9,088	9,220	10,013	
Total Governmental Activities	\$ 1,998,186	\$ 9,088	\$ 132,234	\$ 1,875,040	\$ 130,000
<u>Business-Type Activities</u>					
G.O. Refunding Note, Series 2017A	\$ 197,000	\$	\$ 46,000	\$ 151,000	\$
G.O. Utility Revenue Refunding Note, Series 2018B	178,000		178,000		
G.O. Housing Development Refunding Revenue Bonds, Series 2017B	426,000		38,000	388,000	37,000
Essential Function Housing Development Revenue Bonds of 1999	122,390		9,871	112,519	112,519
Compensated Absences	1,794	3,412	1,448	3,758	
Total Business-Type Activities	\$ 925,184	\$ 3,412	\$ 273,319	\$ 655,277	\$ 149,519

In January 2018, the Care Center transferred cash into an escrow in order to defease the bonds, using the City Council Restricted fund, the fund Restricted Under Loan Agreements, and approximately \$804,000 contributed by the City, of which approximately \$758,000 was an equity transfer to the Care Center, and approximately \$46,000 was repaid to the City during 2018. The Care Center had to contribute sufficient cash to the escrow to pay debt service through the date when the bonds can be redeemed, which resulted in a Loss on Defeasance of Bonds of \$47,988.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

E. PLEDGED REVENUES

Future revenue pledged for the payment of long-term debt is as follows:

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
Essential Function Housing Development Revenue Bonds of 1999 Facility Improvements Rental Income	100%	2014-2019	\$ 113,380	\$ 11,710	\$ 105,492

NOTE 8. 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 year end, 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 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

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.

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.

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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; 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, 2019, were \$23,026. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2019, the City reported a liability of \$237,737 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$7,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion share was 0.0043% which was an increase of 0.0005% from its proportion measured as of June 30, 2018.

The following changes in plan provisions occurred during 2019:

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

For the year ended December 31, 2019, the City recognized pension expense of \$21,001 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$549 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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

At December 31, 2019 the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,286	\$
Changes in Actuarial Assumptions		17,177
Differences Between Projected and Actual Investment Earnings		22,246
Changes in Proportion	26,893	3,192
Contributions Paid to GERP Subsequent to Measurement Date	11,885	
Totals	\$ 45,064	\$ 42,615

The \$11,885 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, 2020. 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
2020	\$ (755)
2021	(11,818)
2022	2,754
2023	383

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions	GERP
Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants 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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

GERP:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	25.00%	5.90%
Bonds	20.00%	0.75%
Alternative Assets	17.50%	5.90%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019, 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 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.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	GERP	
1% Lower	6.50%	\$ 390,827
Current Discount Rate	7.50%	237,737
1% Higher	8.50%	111,331

H. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE - CLARKFIELD CARE CENTER

A. PLAN DESCRIPTION

The Care Center participates in the following cost-sharing multiple-employer defined benefit pension plan 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 Care Center are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE - CLARKFIELD CARE CENTER (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

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.

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.

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 2019; the Facility was required to contribute 7.50 percent for Coordinated Plan members. The Facility's contributions to the General Employees Fund for the year ended September 30, 2019, were \$106,557. The Facility's contributions were equal to the required contributions as set by state statute.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE - CLARKFIELD CARE CENTER (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At September 30, 2019, the Facility reported a liability of \$1,111,284 for its proportionate share of the General Employees Fund's net pension liability. The Facility's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Facility totaled \$34,499. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Facility's proportion of the net pension liability was based on the Facility's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Facility's proportion share was 0.0201% which was a decrease of 0.0041% from its proportion measured as of June 30, 2018.

The following changes in plan provisions occurred during 2019:

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

For the year ended September 30, 2019, the Facility recognized pension expense of \$48,218 for its proportionate share of GERP's pension expense. In addition, the Facility recognized an additional \$3,000 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 September 30, 2019, the Care Center reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 30,798	\$
Changes in Actuarial Assumptions		87,347
Differences Between Projected and Actual Investment Earnings		112,640
Changes in Proportion		211,662
Contributions Paid to GERP Subsequent to Measurement Date	26,634	
Totals	\$ 57,432	\$ 411,649

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE - CLARKFIELD CARE CENTER (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

The \$26,634 reported as deferred outflows of resources related to pensions resulting from Facility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense Amount
2020	\$ (136,250)
2021	(159,358)
2022	(86,030)
2023	787

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions	GERP
Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants 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.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

GERP:

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

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE - CLARKFIELD CARE CENTER (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

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%
International Equity	25.00%	5.90%
Bonds	20.00%	0.75%
Alternative Assets	17.50%	5.90%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019, 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 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 Care Center's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Care Center's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	GERP
1% Lower	6.50% \$ 1,826,891
Current Discount Rate	7.50% 1,111,284
1% Higher	8.50% 520,408

H. PENSION PLAN FIDUCIARY NET POSITION

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

CITY OF CLARKFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	General Fund	Economic Development	Infrastructure Fund	Non Major Governmental Funds	Total
Nonspendable					
Prepaid Items	\$ 17,632	\$	\$	\$	\$ 17,632
Stock Coop Credits	7,359				7,359
Total Nonspendable	24,991	0	0	0	24,991
Restricted					
General Government	1,000				1,000
Public Safety	20,480				20,480
Public Works	32,489				32,489
Culture and Recreation	6,415				6,415
Capital Projects			494,939		494,939
Debt Service				45,040	45,040
Economic Development/ Revolving Loans				338,097	338,097
Total Restricted	60,384	0	494,939	383,137	938,460
Committed					
Between Tax Settlements	232,000				232,000
Capital Outlay					
Fire	161,092				161,092
Police	2,050				2,050
Street	26,348				26,348
Seal Coating	64,099				64,099
City Administrative					
Improvements	3,447				3,447
City Hall Improvements	2,494				2,494
Park Improvements	3,182				3,182
Fire Department					
Operations	76,090				76,090
Swimming Pool				25,330	25,330
Library				20,632	20,632
Total Committed	570,802	0	0	45,962	616,764
Unassigned	144,904	(182,721)		(55,757)	(93,574)
	<u>\$ 801,081</u>	<u>\$ (182,721)</u>	<u>\$ 494,939</u>	<u>\$ 373,342</u>	<u>\$ 1,486,641</u>

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. WORKERS COMPENSATION

The Care Center is a member of a self-insurance group for worker's compensation. Total workers compensation expense for the year ended September 30, 2019 was \$51,377.

B. REGULATION

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, regulatory activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

NOTE 13. MANAGEMENT AGREEMENT

The Clarkfield Care Center was managed by Ecumen through August of 2018. The monthly management fee under the former agreement was calculated based on \$6,500 plus 1.75% of operating revenue. Management fees paid to Ecumen amounted to \$0 for the year ended September 30, 2019.

Certain employees of Ecumen would perform services for the Care Center under the former management agreement. The Care Center had unpaid amounts pertaining to the above transactions presented as Accounts Payable - Other on the face of the financial statements of \$0 at September 30, 2019.

Beginning in September 2018, the Care Center entered into a new management agreement with Minnewaska Community Health Services. The initial term of the management agreement is three years, and the monthly management fee is calculated as \$6,500 per month plus 1.25% of total monthly operating revenue. For the year ended September 30, 2019, management fees paid under the new agreement were \$124,776.

Certain employees of Minnewaska Community Health Services perform services for the Care Center under the new management agreement. The Care Center had unpaid amounts pertaining to the above transactions presented as Accounts Payable - Other on the face of the financial statements of \$22,625 at September 30, 2019.

NOTE 14. RELATED PARTY ORGANIZATIONS

The City of Clarkfield charges the Clarkfield Care Center for snow removal, sewer and water utilities. Amounts incurred for fiscal 2019 were \$19,617. As of September 30, 2019 the Care Center owed \$1,105 to the City of Clarkfield for these services.

NOTE 15. JOINTLY GOVERNED ACTIVITY

The City contracts with Yellow Medicine County for police services. The agreement automatically renews for additional one year terms, unless notice is provided of intent not to renew. The City paid \$96,795 during 2019.

CITY OF CLARKFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 16. RECLASSIFICATIONS

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

NOTE 17. 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
Related to Pensions	\$ 102,496	\$ 454,264

NOTE 18. CONCENTRATIONS OF CREDIT RISK

The Care Center is located in Clarkfield, Minnesota. The Care Center grants credit without collateral to its residents, most of whom are local individuals and are insured under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

Medicare	\$ 41,709
Medicaid	126,133
Residents	25,582
Other Third-Party Payors	79,975
Ambulance - All Payors	25,763
Home Care - All Payors	91,519
Home Delivered Meals - All Payors	1,170
Total	\$ 391,851

NOTE 19. SUBSEQUENT EVENTS

On December 17, 2019, the City adopted a resolution approving the issuance of General Obligation Tax Abatement Bonds, Series 2020A in the amount of \$503,000 with an interest rate of 3%. The final payment is to be made in 2035 and the first interest payment is to be made August 1, 2020.

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.

CITY OF CLARKFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19. SUBSEQUENT EVENTS (Cont'd)

On September 15, 2020, the City adopted a resolution approving the issuance of General Obligation Temporary Improvement Bonds, Series 2020B in the amount of \$2,000,000 with an interest rate of 1.5%. The final payment is to be made in 2023 along with the interest payment.

On September 15, 2020, the City adopted a resolution approving the issuance of General Obligation Utility Revenue Bond Anticipation Note of 2020C in the amount of \$2,105,000 with an interest rate of 3.1%. The final payment is to be made in 2021 along with the interest payment.

On September 15, 2020, the City adopted a resolution approving the issuance of General Obligation Utility Revenue Bond of 2020D in the amount of \$8,268,000 with an interest rate of 1.125%. The final payment is to be made in 2060 and the first interest payment is to be made September 25, 2021.

NOTE 20. EMPHASIS OF MATTER

A. FINANCIAL STATEMENTS

The 2019 financial statements issued August 4, 2020 have been reissued to remedy various inaccuracies

Reconciliations of the Governmental Funds to the Statement of Net Position and Statement of Activities:

Various 2018 amounts were updated to reflect prior year amounts.

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund:

The Original and Final Budget amounts for the Transfers Out were updated to reflect the approved budgets of the City Council.

Statement of Cash Flows:

A portion of the Purchase of Investments in the Care Center Fund was removed.

Note Disclosures:

There were various edits to the Note Disclosures made to match the financial statements. The Postemployment Benefits Other Than Pensions paragraph was added in Note 1.

B. MANAGEMENT LETTER

The 2019 management letter issued August 4, 2020 has been reissued to remedy one inaccuracy:

General Recommendations

The Net of Cash and Investments and Interfund Balances amount for the EDA Café Fund was updated to include the Advance from Other Funds.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2019

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (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
<u>Pensions</u>							
<u>GERP</u>							
June 30, 2019	0.0043%	\$ 237,737	\$ 7,333	\$ 245,070	\$ 293,589	83.47%	80.23%
June 30, 2018	0.0038%	210,808	6,871	217,679	269,955	80.64%	79.53%
June 30, 2017	0.0039%	248,973	3,163	252,136	231,261	109.03%	75.90%
June 30, 2016	0.0036%	292,302	3,873	296,175	210,600	140.63%	68.91%
June 30, 2015	0.0033%	171,023		171,023	193,394	88.43%	78.19%

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

CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
12/31/2019	\$ 23,026	\$ 23,026	\$	\$ 307,013	7.50%
12/31/2018	21,022	21,022		280,295	7.50%
12/31/2017	19,289	19,289		257,187	7.50%
12/31/2016	16,069	16,069		214,253	7.50%
12/31/2015	15,766	15,766		210,213	7.50%

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

CITY OF CLARKFIELD, MINNESOTA

CLARKFIELD CARE CENTER
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 DECEMBER 31, 2019

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
June 30, 2019	0.0201%	\$ 1,111,284	\$ 34,499	\$ 1,145,783	\$ 1,560,069	73.44%	80.23%
June 30, 2018	0.0242%	1,342,517	44,048	1,386,565	1,714,221	80.89%	79.53%
June 30, 2017	0.0246%	1,570,448	19,775	1,590,223	1,813,162	87.70%	75.90%
June 30, 2016	0.0251%	2,037,996	26,588	2,064,584	1,739,161	118.71%	68.91%
June 30, 2015	0.0262%	1,357,820		1,357,820	1,747,039	77.72%	78.19%

In 2019, the Clarkfield Care Center was audited by CliftonLarsonAllen as a component unit of the City of Clarkfield, Minnesota. Amounts presented are from the 2019 Audit report provided by the client and were not audited by CDS.

CITY OF CLARKFIELD, MINNESOTA

CLARKFIELD CARE CENTER
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 DECEMBER 31, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
9/30/2019	\$ 106,557	\$ 106,557	\$	\$ 1,560,069	6.83%
9/30/2018	122,057	122,057		1,714,221	7.12%
9/30/2017	119,025	119,025		1,813,162	6.56%
9/30/2016	116,642	116,642		1,739,161	6.71%
9/30/2015	113,549	113,549		1,745,679	6.50%

In 2019, the Clarkfield Care Center was audited by CliftonLarsonAllen as a component unit of the City of Clarkfield, Minnesota. Amounts presented are from the 2019 Audit report provided by the client and were not audited by CDS.

CITY OF CLARKFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS

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.

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.

CITY OF CLARKFIELD, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

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 from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed for 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.

SUPPLEMENTARY INFORMATION

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CITY OF CLARKFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue	Debt Service	Total
ASSETS			
Cash and Investments	\$ 250,142	\$	\$ 250,142
Receivables			
Accounts	49,856	178,950	228,806
Loans	61,871		61,871
Special Assessments			
Delinquent		247	247
Due from Other Funds	5,536		5,536
Prepaid Items	593		593
Advance to Other Funds	35,000		35,000
Land Held for Resale	151,548		151,548
	<u>151,548</u>	<u></u>	<u>151,548</u>
Total Assets	<u>\$ 554,546</u>	<u>\$ 179,197</u>	<u>\$ 733,743</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 123,053	\$	\$ 123,053
Accrued Wages and Benefits	1,409		1,409
Due to Other Funds	81,267	154,425	235,692
Total Liabilities	<u>205,729</u>	<u>154,425</u>	<u>360,154</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Special Assessments		247	247
Fund Balance			
Restricted	338,097	45,040	383,137
Committed	45,962		45,962
Unassigned	(35,242)	(20,515)	(55,757)
Total Fund Balance	<u>348,817</u>	<u>24,525</u>	<u>373,342</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 554,546</u>	<u>\$ 179,197</u>	<u>\$ 733,743</u>

CITY OF CLARKFIELD, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

	Special Revenue	Debt Service	Total
REVENUES			
Tax Increment	\$	\$ 109,280	\$ 109,280
Intergovernmental	38,858		38,858
Charges for Services	28,935		28,935
Fines and Forfeits	2,337		2,337
Interest Income	1,657		1,657
Donations	1,110		1,110
Miscellaneous	2,933	59,650	62,583
Total Revenues	<u>75,830</u>	<u>168,930</u>	<u>244,760</u>
EXPENDITURES			
Current			
Culture and Recreation	141,258		141,258
Capital Outlay	486		486
Debt Service			
Principal		125,000	125,000
Interest		53,665	53,665
Total Expenditures	<u>141,744</u>	<u>178,665</u>	<u>320,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,914)	(9,735)	(75,649)
OTHER FINANCING SOURCES (USES)			
Transfers In	62,750	32,850	95,600
Net Change in Fund Balances	<u>(3,164)</u>	<u>23,115</u>	<u>19,951</u>
FUND BALANCE, BEGINNING OF YEAR	<u>351,981</u>	<u>1,410</u>	<u>353,391</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 348,817</u></u>	<u><u>\$ 24,525</u></u>	<u><u>\$ 373,342</u></u>

CITY OF CLARKFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019

	Community Center	Swimming Pool	Economic Development Loan	Library	Total
ASSETS					
Cash and Investments	\$	\$	\$ 237,190	\$ 12,952	\$ 250,142
Receivables					
Accounts		49,472		384	49,856
Loans			61,871		61,871
Due from Other Funds	1,500		4,036		5,536
Prepaid Items		504		89	593
Advance to Other Funds			35,000		35,000
Land Held for Resale	151,548				151,548
	<u>151,548</u>				<u>151,548</u>
Total Assets	<u>\$ 153,048</u>	<u>\$ 49,976</u>	<u>\$ 338,097</u>	<u>\$ 13,425</u>	<u>\$ 554,546</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 122,999	\$ 54	\$	\$	\$ 123,053
Accrued Wages and Benefits				1,409	1,409
Due to Other Funds	54,786	26,481			81,267
Total Liabilities	<u>177,785</u>	<u>26,535</u>	<u>0</u>	<u>1,409</u>	<u>205,729</u>
Fund Balance					
Restricted			338,097		338,097
Committed		25,330		20,632	45,962
Unassigned	(24,737)	(1,889)		(8,616)	(35,242)
Total Fund Balance	<u>(24,737)</u>	<u>23,441</u>	<u>338,097</u>	<u>12,016</u>	<u>348,817</u>
	<u>\$ 153,048</u>	<u>\$ 49,976</u>	<u>\$ 338,097</u>	<u>\$ 13,425</u>	<u>\$ 554,546</u>
Total Liabilities and Fund Balance	<u>\$ 153,048</u>	<u>\$ 49,976</u>	<u>\$ 338,097</u>	<u>\$ 13,425</u>	<u>\$ 554,546</u>

CITY OF CLARKFIELD, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2019

	Community Center	Swimming Pool	Economic Development Loan	Library	Total
REVENUES					
Intergovernmental	\$	\$ 38,858	\$	\$	\$ 38,858
Charges for Services		28,935			28,935
Fines and Forfeits				2,337	2,337
Interest Income			1,657		1,657
Donations				1,110	1,110
Miscellaneous		71		2,862	2,933
Total Revenues	<u>0</u>	<u>67,864</u>	<u>1,657</u>	<u>6,309</u>	<u>75,830</u>
EXPENDITURES					
Current					
Culture and Recreation	7,363	65,695		68,200	141,258
Capital Outlay		486			486
Total Expenditures	<u>7,363</u>	<u>66,181</u>	<u>0</u>	<u>68,200</u>	<u>141,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,363)	1,683	1,657	(61,891)	(65,914)
OTHER FINANCING SOURCES (USES)					
Transfers In				62,750	62,750
Net Change in Fund Balance	<u>(7,363)</u>	<u>1,683</u>	<u>1,657</u>	<u>859</u>	<u>(3,164)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>(17,374)</u>	<u>21,758</u>	<u>336,440</u>	<u>11,157</u>	<u>351,981</u>
FUND BALANCE, END OF YEAR	<u>\$ (24,737)</u>	<u>\$ 23,441</u>	<u>\$ 338,097</u>	<u>\$ 12,016</u>	<u>\$ 348,817</u>

CITY OF CLARKFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2019

	2005 Improvement Bonds	G.O. TIF Bonds 2011A	Total
ASSETS			
Receivables			
Accounts	\$	\$ 178,950	\$ 178,950
Special Assessments			
Delinquent	247		247
Total Assets	<u>\$ 247</u>	<u>\$ 178,950</u>	<u>\$ 179,197</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Due to Other Funds	\$ 20,515	\$ 133,910	\$ 154,425
Deferred Inflows of Resources			
Unavailable Revenue			
Special Assessments	247		247
Fund Balance			
Restricted		45,040	45,040
Unassigned	(20,515)		(20,515)
Total Fund Balance	<u>(20,515)</u>	<u>45,040</u>	<u>24,525</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 247</u>	<u>\$ 178,950</u>	<u>\$ 179,197</u>

CITY OF CLARKFIELD, MINNESOTA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2019

	2005 Improvement Bonds	G.O. TIF Bonds 2011A	G.O. Revenue Bonds 2018A	Total
REVENUES				
Tax Increment	\$	\$ 109,280	\$	\$ 109,280
Miscellaneous		59,650		59,650
Total Revenues	<u>0</u>	<u>168,930</u>	<u>0</u>	<u>168,930</u>
EXPENDITURES				
Debt Service				
Principal		125,000		125,000
Interest		20,815	32,850	53,665
Total Expenditures	<u>0</u>	<u>145,815</u>	<u>32,850</u>	<u>178,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	23,115	(32,850)	(9,735)
OTHER FINANCING SOURCES (USES)				
Transfers In			32,850	32,850
Net Change in Fund Balance	<u>0</u>	<u>23,115</u>	<u>0</u>	<u>23,115</u>
FUND BALANCE, BEGINNING OF YEAR	<u>(20,515)</u>	<u>21,925</u>		<u>1,410</u>
FUND BALANCE, END OF YEAR	<u>\$ (20,515)</u>	<u>\$ 45,040</u>	<u>\$ 0</u>	<u>\$ 24,525</u>

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council
City of Clarkfield
Clarkfield, 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 Clarkfield, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2020.

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 section 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. except as described in the accompanying Schedule of Findings as 2019-003 and 2019-004. 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
WILLMAR, MINNESOTA

September 29, 2020

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Morris Office
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Sartell Office
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Sartell, MN 56377
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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 Clarkfield
Clarkfield, 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 Clarkfield, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2020.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 to be material weaknesses.

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(320) 252-7565
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Compliance and Other Matters

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

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

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

September 29, 2020

CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING 2019-001 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 Finding:
None

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

Official Responsible for Ensuring CAP:
Christopher Webb, City Administrator

Planned Completion Date for CAP:
December 31, 2020

Plan to Monitor Completion of CAP:
City Council

CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING 2019-002 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 Finding:
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:
Christopher Webb, City Administrator

Planned Completion Date for CAP:
December 31, 2020

Plan to Monitor Completion of CAP:
City Council

CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

II. MINNESOTA LEGAL COMPLIANCE

FINDING 2019-003 NO AUTHORITY TO OWN AND OPERATE CAFÉ

Condition: The City owns and operates a Café.

Criteria: The City has no authority to own and operate a Café.

Cause: The City's controls do not currently address this.

Effect: The City was not in compliance with Minnesota Statutes.

Recommendation: The City should either pursue a sale with an interested buyer or cease operations and enter into a lease agreement for the property so that operations can continue under an outside party.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The City will consider pursuing a sale or entering into a lease agreement for the property.

Official Responsible for Ensuring CAP:

Christopher Webb, City Administrator

Planned Completion Date for CAP:

December 31, 2020

Plan to Monitor Completion of CAP:

City Council

CITY OF CLARKFIELD, MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

II. MINNESOTA LEGAL COMPLIANCE (Cont'd)

FINDING 2019-004 NO AUTHORITY TO HOLD CD'S FOR NON-PROFIT ENTITIES

Condition: The City held Certificates of Deposits (CD's) for a loan held by a non-profit.

Criteria: The City has no authority to hold CD's for non-profit entities.

Cause: The City's was unaware of compliance issues with holding a CD for a non-profit entity.

Effect: The City was not in compliance with Minnesota Statutes.

Recommendation: The City should wait until the CD's expire and discuss with the non-profit about the City no longer holding CD's for the non-profit entity's loans.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:
None

Actions Planned in Response to Finding:

The City will not renew the CD's for the non-profit entity.

Official Responsible for Ensuring CAP:

Christopher Webb, City Administrator

Planned Completion Date for CAP:

December 31, 2020

Plan to Monitor Completion of CAP:

City Council

CITY OF CLARKFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2018-001	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2019-001
2018-002	Limited Segregation of Duties	Not Corrected	2007	See current year finding 2019-002
Minnesota Legal Compliance Findings:				
2018-003	No Authority to Own and Operate Café	Not Corrected	2018	See current year finding 2019-003