

ANNUAL FINANCIAL REPORT

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Arlington, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Arlington, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2024

Elected

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matthew Scharpe	Mayor	12/31/26
Dave Meyer	Vice Mayor	12/31/24
Jeff Matz	Council	12/31/26
John Thomes	Council	12/31/24
Christina Litfin	Council	12/31/26
Curtis Ling	Council	12/31/24

Appointed

Jessica Steinke	City Administrator
Ken Janssen	Attorney

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FINANCIAL SECTION
CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Arlington, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Arlington, Minnesota, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General, Ambulance and Medical Center funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2025 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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July 29, 2025



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Management's Discussion and Analysis

As management of the City of Arlington, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024.

Financial Highlights

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was mainly due to increased investment earnings and operating and capital grants and contributions.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to an increase in unspent bond proceeds. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- Unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt increased during the fiscal year. The increase was a result of new debt issuance as shown on the outstanding debt table.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City’s Annual Financial Report

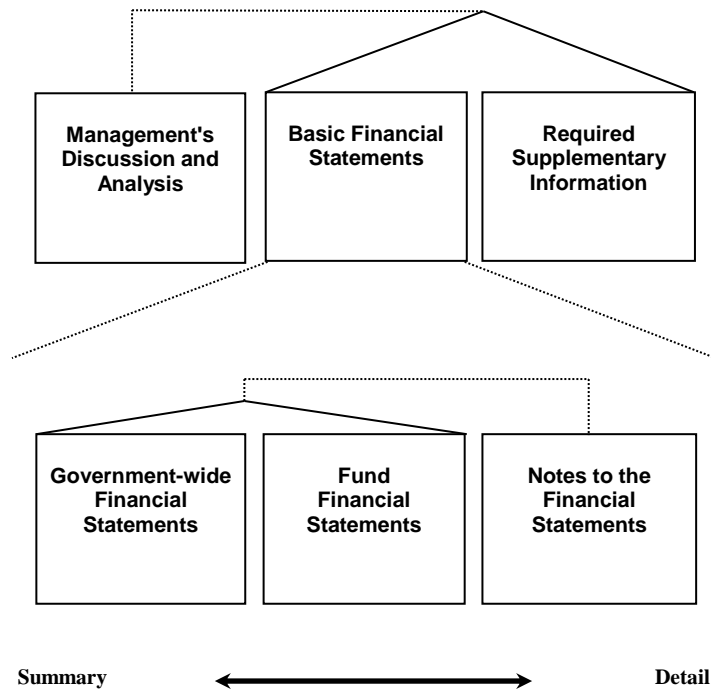


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation, health and welfare, housing and economic development, and miscellaneous. The business-type activities of the City include water utility, sewer utility, electric utility and storm water.

The government-wide financial statements can be found starting on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 23 individual governmental funds, 7 of which are Debt Service funds, which are reported as one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Ambulance, Medical Center, Debt Service and 2024 Project funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Ambulance and Medical Center funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric utility, water utility, sewer utility and storm water drainage.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 46 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 49 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 94 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the chart below.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Arlington's Net Position

	Governmental Activities			Business-type Activities		
	2024	Restated 2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Assets						
Current and other assets	\$ 11,085,157	\$ 6,874,369	\$ 4,210,788	\$ 5,555,442	\$ 3,173,902	\$ 2,381,540
Capital assets	10,059,475	8,421,127	1,638,348	15,849,727	15,187,044	662,683
Total Assets	<u>21,144,632</u>	<u>15,295,496</u>	<u>5,849,136</u>	<u>21,405,169</u>	<u>18,360,946</u>	<u>3,044,223</u>
Deferred Outflows of Resources	<u>556,649</u>	<u>754,059</u>	<u>(197,410)</u>	<u>13,503</u>	<u>22,499</u>	<u>(8,996)</u>
Liabilities						
Long-term liabilities outstanding	8,092,018	4,320,501	3,771,517	8,375,452	5,759,039	2,616,413
Other liabilities	510,659	468,368	42,291	313,442	356,653	(43,211)
Total Liabilities	<u>8,602,677</u>	<u>4,788,869</u>	<u>3,813,808</u>	<u>8,688,894</u>	<u>6,115,692</u>	<u>2,573,202</u>
Deferred Inflows of Resources	<u>2,755,501</u>	<u>3,063,849</u>	<u>(308,348)</u>	<u>297,444</u>	<u>310,784</u>	<u>(13,340)</u>
Net Position						
Net investment in capital assets	5,071,014	4,756,463	314,551	9,099,186	9,507,735	(408,549)
Restricted	3,640,312	1,954,439	1,685,873	-	-	-
Unrestricted	<u>1,631,777</u>	<u>1,485,935</u>	<u>145,842</u>	<u>3,333,148</u>	<u>2,449,234</u>	<u>883,914</u>
Total Net Position	<u>\$ 10,343,103</u>	<u>\$ 8,196,837</u>	<u>\$ 2,146,266</u>	<u>\$ 12,432,334</u>	<u>\$ 11,956,969</u>	<u>\$ 475,365</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

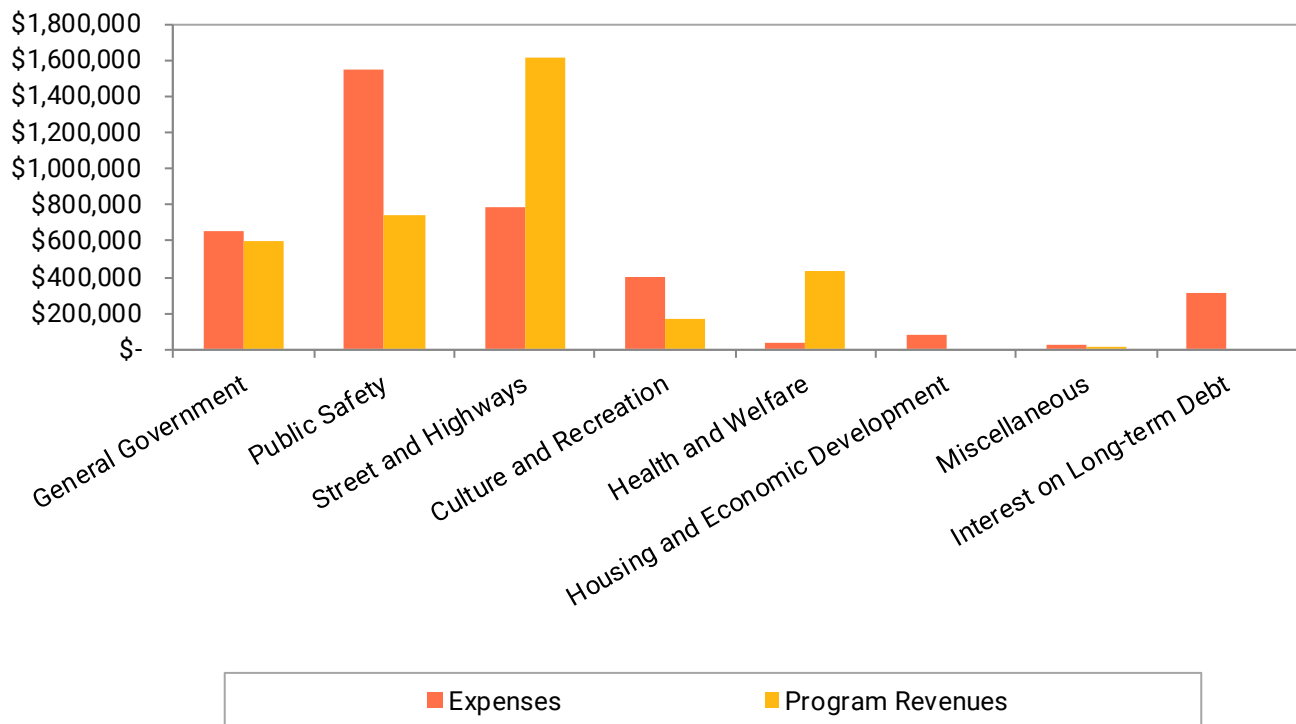
Governmental Activities. Governmental activities increased the City's net position. Key elements of this increase are increased investment earnings and a state public safety grant in the current year. See table below for further information.

City of Arlington's Changes in Net Position

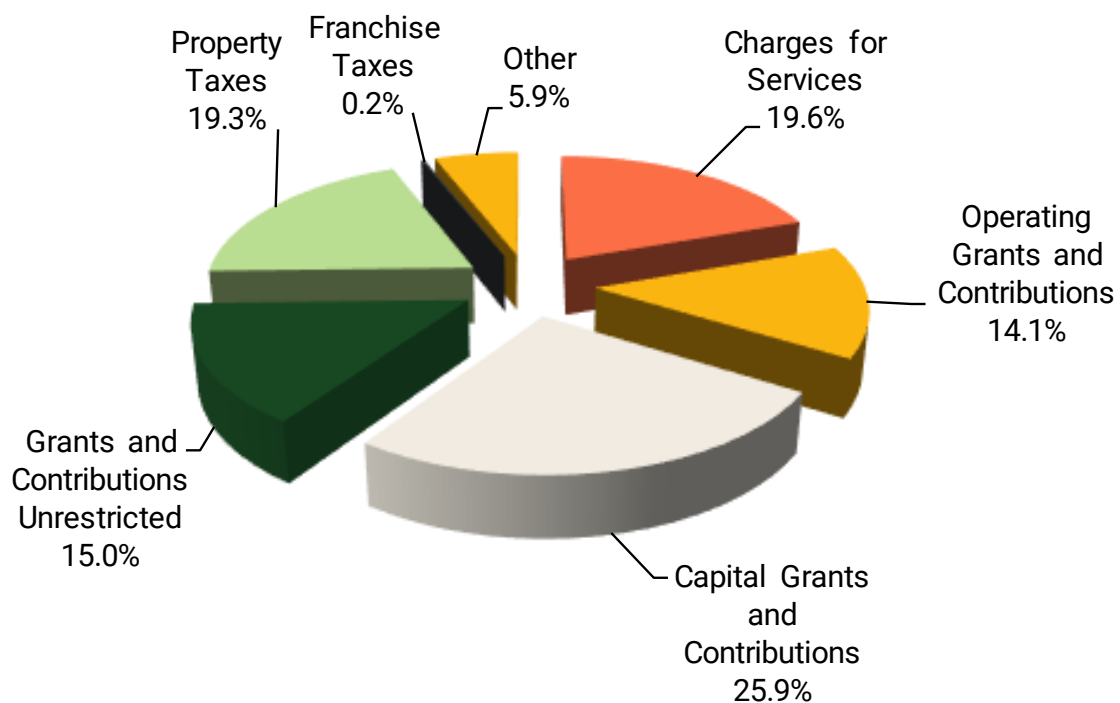
	Governmental Activities			Business-type Activities		
	2024	Restated 2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,172,157	\$ 1,057,905	\$ 114,252	\$ 4,185,308	\$ 3,873,730	\$ 311,578
Operating grants and contributions	842,849	507,259	335,590	-	715	(715)
Capital grants and contributions	1,554,159	20,313	1,533,846	-	-	-
General Revenues						
Property taxes	1,155,031	1,070,342	84,689	-	-	-
Other taxes	13,676	13,803	(127)	-	-	-
Grants and contributions not restricted to specific programs	899,528	813,845	85,683	-	-	-
Unrestricted investment earnings (loss)	312,367	102,372	209,995	85,699	80,870	4,829
Gain on sale of capital assets	40,934	16,795	24,139	-	-	-
Total Revenues	<u>5,990,701</u>	<u>3,602,634</u>	<u>2,388,067</u>	<u>4,271,007</u>	<u>3,955,315</u>	<u>315,692</u>
Expenses						
General government	650,388	638,894	11,494	-	-	-
Public safety	1,544,561	1,616,374	(71,813)	-	-	-
Streets and highways	792,223	744,970	47,253	-	-	-
Culture and recreation	398,062	338,071	59,991	-	-	-
Health and welfare	42,254	45,966	(3,712)	-	-	-
Economic development	83,915	16,269	67,646	-	-	-
Miscellaneous	23,542	14,600	8,942	-	-	-
Interest on long-term debt	309,490	117,278	192,212	-	-	-
Electric utility	-	-	-	2,438,031	2,622,701	(184,670)
Water utility	-	-	-	546,173	396,494	149,679
Sewer utility	-	-	-	653,240	607,218	46,022
Storm water drainage	-	-	-	158,198	95,091	63,107
Total Expenses	<u>3,844,435</u>	<u>3,532,422</u>	<u>312,013</u>	<u>3,795,642</u>	<u>3,721,504</u>	<u>74,138</u>
Change in Net Position	<u>2,146,266</u>	<u>70,212</u>	<u>2,076,054</u>	<u>475,365</u>	<u>233,811</u>	<u>241,554</u>
Net Position - January 1	8,196,837	8,672,320	(475,483)	11,956,969	11,723,158	233,811
Prior Period Restatement (Note 7)	<u>-</u>	<u>(545,695)</u>	<u>545,695</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - January 1 as Restated	<u>8,196,837</u>	<u>8,126,625</u>	<u>70,212</u>	<u>11,956,969</u>	<u>11,723,158</u>	<u>233,811</u>
Net Position - December 31	<u>\$ 10,343,103</u>	<u>\$ 8,196,837</u>	<u>\$ 2,146,266</u>	<u>\$ 12,432,334</u>	<u>\$ 11,956,969</u>	<u>\$ 475,365</u>

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

Expenses and Program Revenues - Governmental Activities

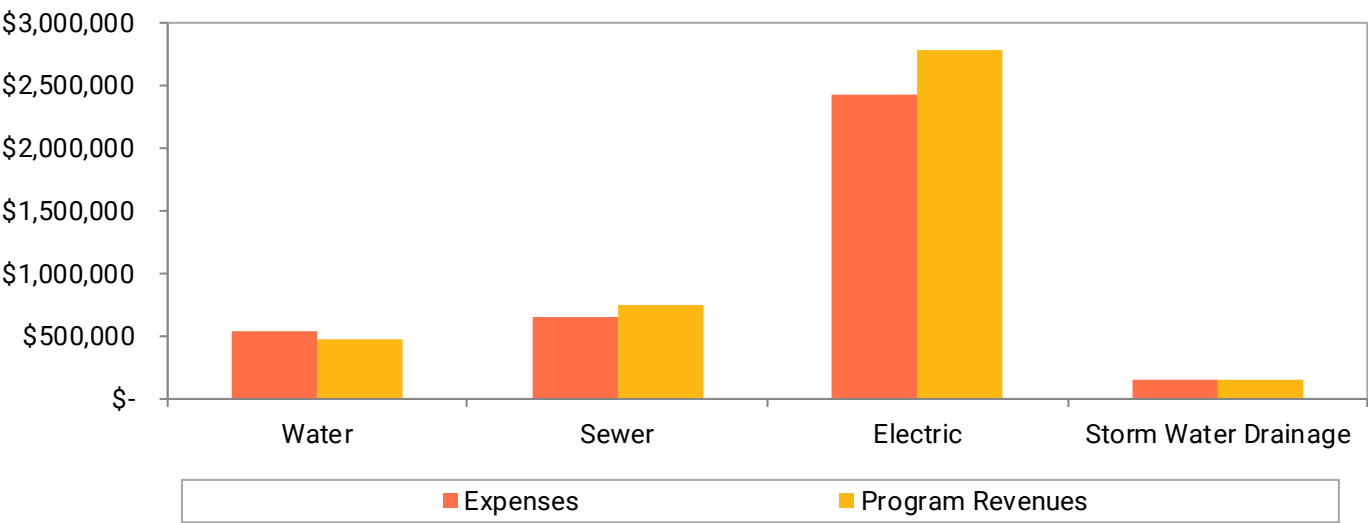


Revenues by Source - Governmental Activities

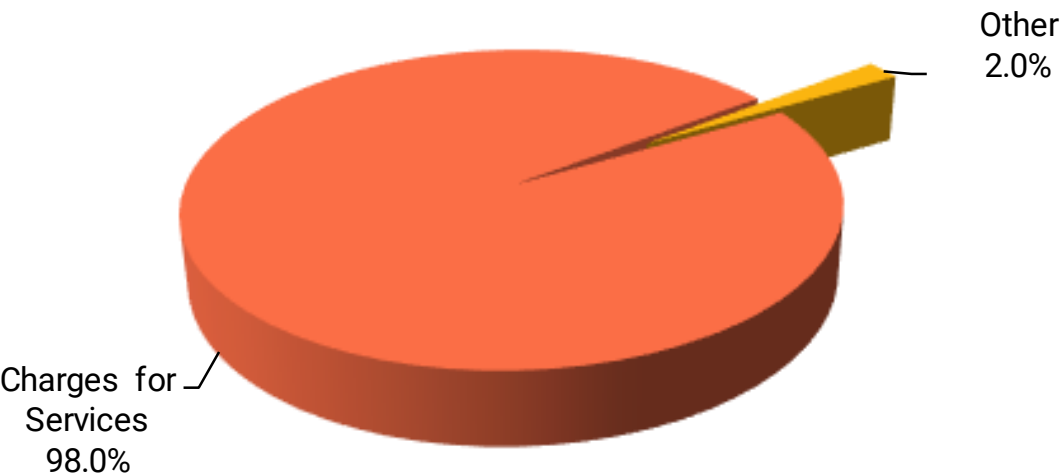


Business-type Activities. Business-type activities increased the City’s net position as shown in the changes in net position table. The key element of this increase was stable expenditures and charges for services in excess of expenditures.

Expenses and Program Revenues - Business-type Activities



Revenue by Source Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2024.

	General Fund	Ambulance Fund	Medical Center Fund	Debt Fund	2024 Project Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances									
Restricted	\$ 50,753	\$ 103,032	\$ -	\$ 1,288,243	\$ 2,655,447	\$ 386,116	\$ 4,483,591	\$ 1,506,633	\$ 2,976,958
Committed	-	229,093	-	-	-	31,879	260,972	408,756	(147,784)
Assigned	-	-	169,291	-	-	505,062	674,353	672,479	1,874
Unassigned	1,194,614	-	-	-	-	(44,761)	1,149,853	803,848	346,005
Total	<u>\$ 1,245,367</u>	<u>\$ 332,125</u>	<u>\$ 169,291</u>	<u>\$ 1,288,243</u>	<u>\$ 2,655,447</u>	<u>\$ 878,296</u>	<u>\$ 6,568,769</u>	<u>\$ 3,391,716</u>	<u>\$ 3,177,053</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances as shown above. Additional information on the City's fund balances can be found in Note 1 of this report.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase (Decrease)
General Fund Fund Balances			
Restricted	\$ 50,753	\$ 88,317	\$ (37,564)
Unassigned	1,194,614	1,061,555	133,059
Total	<u>\$ 1,245,367</u>	<u>\$ 1,149,872</u>	<u>\$ 95,495</u>
General Fund Expenditures	\$ 2,257,017	\$ 1,649,920	
Unassigned as a Percent of Expenditures	52.9%	64.3%	
Total Fund Balance as a Percent of Expenditures	55.2%	69.7%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above.

Other major governmental fund analysis is shown below.

	December 31, 2024	December 31, 2023	Increase (Decrease)
Ambulance	\$ 332,125	\$ 392,324	\$ (60,199)
<i>The Ambulance fund decreased during the year due to an increase in wages and benefits and insurance write-offs.</i>			
Medical Center Fund	169,291	146,887	22,404
<i>The Medical Center fund increased during the year mainly due to an increase in investment earnings.</i>			
Debt Service	1,288,243	1,017,685	270,558
<i>The Debt Service fund increased during the year due to new sinking improvement debt.</i>			
2024 Project	2,655,447	(246,656)	2,902,103
<i>The 2024 Project fund increased during the year due to the issuance of new bonds.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows.

	Ending Net Position 2024	Ending Net Position 2023	Increase (Decrease)
Water Utility	\$ 3,489,460	\$ 3,534,709	\$ (45,249)
<i>The decrease primarily is attributed to an increase of depreciation during the year.</i>			
Sewer Utility	5,824,738	5,692,240	132,498
<i>The increase primarily is attributed to an increase of investment earnings during the year.</i>			
Electric Utility	2,636,269	2,258,711	377,558
<i>The increase primarily is attributed to an increase in sales revenue and investment earnings during the year.</i>			
Storm Water Drainage	481,867	471,309	10,558
<i>The increase primarily is attributed to an increase of investment earnings and sales during the year.</i>			

General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 1,873,614	\$ 2,053,509	\$ 179,895
Expenditures	1,971,114	2,257,017	(285,903)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,500)	(203,508)	(106,008)
Other Financing Sources (Uses)			
Sale of capital assets	-	35,000	35,000
Insurance reimbursements	-	166,503	166,503
Transfers in	97,500	97,500	-
Total Other Financing Sources (Uses)	97,500	299,003	201,503
Net Change in Fund Balances	-	95,495	95,495
Fund Balances, January 1	1,149,872	1,149,872	-
Fund Balances, December 31	\$ 1,149,872	\$ 1,245,367	\$ 95,495

The City's General fund budget was not amended during the year. Actual revenues and expenditures were over the final budget as shown above.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- Completed water treatment plant project for a total cost of \$1,997,114.
- Two police interceptor purchases for \$62,068 and \$62,741.
- Construction in progress for 2024 street project for a cost of \$2,701,970.

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

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

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 328,700	\$ 328,700	\$ -	\$ 27,500	\$ 27,500	\$ -
Buildings and Improvements Infrastructure and Other Improvements	2,156,056	2,057,941	98,115	14,430,738	12,862,429	1,568,309
Machinery and Equipment	3,961,155	4,212,432	(251,277)	-	-	-
Motor Vehicles	706,056	643,999	62,057	358,552	351,389	7,163
Construction in Progress	993,975	931,399	62,576	-	-	-
	1,913,533	246,656	1,666,877	1,032,937	1,945,726	(912,789)
Total	\$ 10,059,475	\$ 8,421,127	\$ 1,638,348	\$ 15,849,727	\$ 15,187,044	\$ 662,683
Percent Increase (Decrease)			19.5%			4.4%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding consisting of general obligation debt, special assessment debt and revenue debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Arlington's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
General Obligation Equipment Certificates	\$ 155,000	\$ 185,000	\$ (30,000)	\$ -	\$ -	\$ -
General Obligation Special Assessment Bonds	6,736,168	2,693,768	4,042,400	5,303,832	2,401,232	2,902,600
General Obligation Revenue Bonds	510,000	750,000	(240,000)	2,583,000	2,850,000	(267,000)
Revenue Bonds	-	-	-	320,000	399,000	(79,000)
Total	\$ 7,401,168	\$ 3,628,768	\$ 3,772,400	\$ 8,206,832	\$ 5,650,232	\$ 2,556,600
Percent Increase (Decrease)			104.0%			45.2%

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes.

Additional information on the City of Arlington's long-term debt can be found in Note 3E starting on page 65 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sibley County is currently 3.8 percent, which has increased from the prior year's rate of 3.7. This compares unfavorably to the State's average unemployment rate of 2.6 percent and is the same as the national average rate of 3.8 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2025 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$1,194,614. It is intended that this use of available fund balance will avoid the need to excessively raise taxes or charges during the 2025 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Arlington, 204 Shamrock Drive, Arlington, Minnesota 55307-9551.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Arlington, Minnesota
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 6,141,437	\$ 4,472,953	\$ 10,614,390	\$ 538,469
Receivables				
Interest	7,559	5,341	12,900	1,230
Delinquent taxes	16,222	-	16,222	-
Accounts, net of allowance for uncollectibles	485,790	638,822	1,124,612	-
Notes, net of allowance for uncollectibles	228,000	-	228,000	36,959
Special assessments	1,750,193	5,483	1,755,676	-
Lease	2,225,995	286,667	2,512,662	-
Due from other governments	41,042	-	41,042	-
Inventories	-	146,176	146,176	-
Assets held for resale	-	-	-	83,660
Net pension asset	188,919	-	188,919	-
Capital assets				
Nondepreciable	2,242,233	1,060,437	3,302,670	-
Depreciable, net of accumulated depreciation	7,817,242	14,789,290	22,606,532	-
Total Assets	<u>21,144,632</u>	<u>21,405,169</u>	<u>42,549,801</u>	<u>660,318</u>
Deferred Outflows of Resources				
Deferred pension resources	556,649	13,503	570,152	-
Liabilities				
Accounts payable	338,054	194,091	532,145	247
Due to other governments	10,496	-	10,496	-
Accrued interest payable	129,820	114,941	244,761	-
Accrued salaries payable	32,289	4,410	36,699	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	547,316	526,554	1,073,870	-
Due in more than one year				
Long-term liabilities	7,040,198	7,803,509	14,843,707	-
Net pension liability	504,504	45,389	549,893	-
Total Liabilities	<u>8,602,677</u>	<u>8,688,894</u>	<u>17,291,571</u>	<u>247</u>
Deferred Inflows of Resources				
Deferred pension resources	575,286	28,905	604,191	-
Deferred lease revenue	2,180,215	268,539	2,448,754	-
Total Deferred Inflows of Resources	<u>2,755,501</u>	<u>297,444</u>	<u>3,052,945</u>	<u>-</u>
Net Position				
Net investment in capital assets	5,071,014	9,099,186	14,170,200	-
Restricted				
Pensions	188,919	-	188,919	-
Debt service	2,911,492	-	2,911,492	-
Loans	228,000	-	228,000	655,302
Cemetery operations	116,452	-	116,452	-
Public safety	153,785	-	153,785	-
Park dedication	41,664	-	41,664	-
Unrestricted	1,631,777	3,333,148	4,964,925	4,769
Total Net Position	<u>\$ 10,343,103</u>	<u>\$ 12,432,334</u>	<u>\$ 22,775,437</u>	<u>\$ 660,071</u>

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

City of Arlington, Minnesota
Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 650,388	\$ 345,148	\$ 249,413	\$ -
Public safety	1,544,561	550,231	196,832	-
Streets and highways	792,223	6,131	53,977	1,554,159
Culture and recreation	398,062	137,616	35,272	-
Health and welfare	42,254	122,981	307,355	-
Housing and economic development	83,915	-	-	-
Miscellaneous	23,542	10,050	-	-
Interest on long-term debt	309,490	-	-	-
Total Governmental Activities	<u>3,844,435</u>	<u>1,172,157</u>	<u>842,849</u>	<u>1,554,159</u>
Business-type Activities				
Water utility	546,173	480,935	-	-
Sewer utility	653,240	753,666	-	-
Electric utility	2,438,031	2,791,467	-	-
Storm water	158,198	159,240	-	-
Total Business-type Activities	<u>3,795,642</u>	<u>4,185,308</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,640,077</u>	<u>\$ 5,357,465</u>	<u>\$ 842,849</u>	<u>\$ 1,554,159</u>
Component Unit				
Economic Development Authority	<u>\$ 36,836</u>	<u>\$ 93,839</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for other purposes
Property taxes, levied for debt service
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Total General Revenues

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (55,827)	\$ -	\$ (55,827)	\$ -
(797,498)	-	(797,498)	-
822,044	-	822,044	-
(225,174)	-	(225,174)	-
388,082	-	388,082	-
(83,915)	-	(83,915)	-
(13,492)	-	(13,492)	-
(309,490)	-	(309,490)	-
<u>(275,270)</u>	<u>-</u>	<u>(275,270)</u>	<u>-</u>
-	(65,238)	(65,238)	-
-	100,426	100,426	-
-	353,436	353,436	-
-	1,042	1,042	-
<u>-</u>	<u>389,666</u>	<u>389,666</u>	<u>-</u>
<u>(275,270)</u>	<u>389,666</u>	<u>114,396</u>	<u>\$ -</u>
			<u>\$ 57,003</u>
665,204	-	665,204	-
281,364	-	281,364	-
208,463	-	208,463	-
13,676	-	13,676	-
899,528	-	899,528	-
312,367	85,699	398,066	-
40,934	-	40,934	-
<u>2,421,536</u>	<u>85,699</u>	<u>2,507,235</u>	<u>-</u>
2,146,266	475,365	2,621,631	57,003
<u>8,196,837</u>	<u>11,956,969</u>	<u>20,153,806</u>	<u>603,068</u>
<u>\$ 10,343,103</u>	<u>\$ 12,432,334</u>	<u>\$ 22,775,437</u>	<u>\$ 660,071</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Arlington, Minnesota

Balance Sheet
Governmental Funds
December 31, 2024

		202	210	
	General	Ambulance	Medical Center	Debt Service
Assets				
Cash and temporary investments	\$ 1,388,179	\$ (80,272)	\$ 128,050	\$ 1,264,330
Receivables				
Interest	2,561	470	480	2,192
Delinquent taxes	8,414	107	-	3,075
Accounts, net of allowance for uncollectibles	13,480	429,341	-	15,660
Notes, net of allowance for uncollectibles	-	-	-	-
Special assessments	199	-	-	1,749,994
Lease	-	-	1,690,773	535,222
Due from other governments	38,596	-	-	1,042
Due from other funds	11,051	-	-	-
Total Assets	\$ 1,462,480	\$ 349,646	\$ 1,819,303	\$ 3,571,515
Liabilities				
Accounts payable	\$ 178,734	\$ 5,517	\$ -	\$ -
Due to other governments	10,496	-	-	-
Due to other funds	-	-	-	-
Accrued salaries payable	19,270	11,897	-	-
Total Liabilities	208,500	17,414	-	-
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	8,414	107	-	3,075
Special assessments	199	-	-	1,749,994
Deferred lease revenue	-	-	1,650,012	530,203
Total Deferred Inflows of Resources	8,613	107	1,650,012	2,283,272
Fund Balances				
Restricted				
Public safety	50,753	103,032	-	-
Current loans	-	-	-	-
Cemetery operations	-	-	-	-
Debt service	-	-	-	1,288,243
Park dedication	-	-	-	-
Capital Projects	-	-	-	-
Committed				
Cemetery operations	-	-	-	-
Ambulance operations	-	229,093	-	-
Assigned				
Fire department operations	-	-	-	-
Community center operations	-	-	-	-
Medical center	-	-	169,291	-
Capital projects	-	-	-	-
Future COVID projects	-	-	-	-
Unassigned	1,194,614	-	-	-
Total Fund Balances	1,245,367	332,125	169,291	1,288,243
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,462,480	\$ 349,646	\$ 1,819,303	\$ 3,571,515

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

Formerly Nonmajor 424 2024 Project	Other Governmental Funds	Total
\$ 2,755,557	\$ 685,593	\$ 6,141,437
-	1,856	7,559
-	4,626	16,222
-	27,309	485,790
-	228,000	228,000
-	-	1,750,193
-	-	2,225,995
-	1,404	41,042
-	-	11,051
<u>\$ 2,755,557</u>	<u>\$ 948,788</u>	<u>\$ 10,907,289</u>
\$ 100,110	\$ 53,693	\$ 338,054
-	-	10,496
-	11,051	11,051
-	1,122	32,289
<u>100,110</u>	<u>65,866</u>	<u>391,890</u>
-	4,626	16,222
-	-	1,750,193
-	-	2,180,215
<u>-</u>	<u>4,626</u>	<u>3,946,630</u>
-	-	153,785
-	228,000	228,000
-	116,452	116,452
-	-	1,288,243
-	41,664	41,664
2,655,447	-	2,655,447
-	31,879	31,879
-	-	229,093
-	255,182	255,182
-	9,422	9,422
-	-	169,291
-	240,089	240,089
-	369	369
-	(44,761)	1,149,853
<u>2,655,447</u>	<u>878,296</u>	<u>6,568,769</u>
<u>\$ 2,755,557</u>	<u>\$ 948,788</u>	<u>\$ 10,907,289</u>

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

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City of Arlington, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2024

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 6,568,769
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	10,059,475
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(7,401,168)
Compensated absences payable	(43,716)
Net pension liability	(504,504)
Net pension asset	188,919
Premium on bonds issues, net of accumulated amortization	(142,630)
Long-term assets are not available to pay current-period expenditures and, therefore, are delayed in the funds.	
Delinquent property taxes receivable	16,222
Special assessments receivable	1,750,193
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	556,649
Deferred inflows of resources	(575,286)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(129,820)</u>
Total Net Position - Governmental Activities	<u><u>\$ 10,343,103</u></u>

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

City of Arlington, Minnesota
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

		202	210	
	General	Ambulance	Medical Center	Debt Service
Revenues				
Taxes	\$ 667,573	\$ 22	\$ -	\$ 208,056
Special assessments	-	-	-	217,248
Licenses and permits	143,780	-	-	-
Intergovernmental	1,136,147	103,032	-	-
Charges for services	17,826	441,661	129,097	-
Fines and forfeits	10,618	-	-	-
Investment earnings	38,787	4,124	7,184	39,166
Miscellaneous	38,778	2,791	29,877	271,362
Total Revenues	<u>2,053,509</u>	<u>551,630</u>	<u>166,158</u>	<u>735,832</u>
Expenditures				
Current				
General government	543,433	-	-	-
Public safety	560,273	609,829	-	-
Streets and highways	444,059	-	-	-
Health and welfare	-	-	42,254	-
Culture and recreation	245,221	-	-	-
Housing and economic development	38,723	-	-	-
Miscellaneous	-	-	-	-
Capital outlay				
General government	209,537	-	-	-
Public safety	135,682	2,000	-	-
Streets and highways	39,754	-	-	-
Culture and recreation	40,335	-	-	-
Housing and economic development	-	-	-	-
Debt service				
Principal	-	-	-	472,600
Interest and other charges	-	-	-	103,940
Bond issuance costs	-	-	-	-
Total Expenditures	<u>2,257,017</u>	<u>611,829</u>	<u>42,254</u>	<u>576,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(203,508)</u>	<u>(60,199)</u>	<u>123,904</u>	<u>159,292</u>
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	108,266
Bond premiums	-	-	-	-
Insurance reimbursement	166,503	-	-	-
Sale of capital assets	35,000	-	-	-
Transfers in	97,500	-	-	3,000
Transfers out	-	-	(101,500)	-
Total Other Financing Sources (Uses)	<u>299,003</u>	<u>-</u>	<u>(101,500)</u>	<u>111,266</u>
Net Change in Fund Balances	<u>95,495</u>	<u>(60,199)</u>	<u>22,404</u>	<u>270,558</u>
Fund Balances, January 1 as previously reported	1,149,872	392,324	146,887	1,017,685
Change to the financial reporting entity (Note 7)				
Change from nonmajor to major fund	-	-	-	-
Change from major to nonmajor fund	-	-	-	-
Fund Balances, January 1 as restated	<u>1,149,872</u>	<u>392,324</u>	<u>146,887</u>	<u>1,017,685</u>
Fund Balances, December 31	<u>\$ 1,245,367</u>	<u>\$ 332,125</u>	<u>\$ 169,291</u>	<u>\$ 1,288,243</u>

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

Formerly Major 401 Capital Equipment	Formerly Nonmajor 424 2024 Project	Other Governmental Funds	Total
\$ -	\$ -	\$ 289,167	\$ 1,164,818
-	-	24,508	241,756
-	-	-	143,780
-	-	254,132	1,493,311
-	-	137,222	725,806
-	-	-	10,618
-	187,260	35,846	312,367
-	-	15,224	358,032
-	187,260	756,099	4,450,488
-	-	-	543,433
-	-	155,228	1,325,330
-	20,219	-	464,278
-	-	-	42,254
-	-	103,341	348,562
-	-	-	38,723
-	-	22,153	22,153
-	-	-	209,537
-	-	303,844	441,526
-	1,403,820	170,264	1,613,838
-	-	-	40,335
-	-	45,577	45,577
-	-	10,000	482,600
-	-	-	103,940
-	117,623	-	117,623
-	1,541,662	810,407	5,839,709
-	(1,354,402)	(54,308)	(1,389,221)
-	4,146,734	-	4,255,000
-	109,771	-	109,771
-	-	-	166,503
-	-	-	35,000
-	-	1,000	101,500
-	-	-	(101,500)
-	4,256,505	1,000	4,566,274
-	2,902,103	(53,308)	3,177,053
231,016	-	453,932	3,391,716
-	(246,656)	246,656	-
(231,016)	-	231,016	-
-	(246,656)	931,604	3,391,716
\$ -	\$ 2,655,447	\$ 878,296	\$ 6,568,769

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

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City of Arlington, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2024

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 3,177,053
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Depreciation	(640,364)
Capital outlay	2,272,778
The net effect of various miscellaneous transactions involving capital assets	
Gain on trade in of capital assets	5,934
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	482,600
Debt issued or incurred	(4,255,000)
Bond premiums received net of amortization	(106,734)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(90,964)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(16,035)
Direct aid contributions	18,679
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	3,889
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	1,312,403
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(17,973)</u>
Change in Net Position - Governmental Activities	<u>\$ 2,146,266</u>

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

City of Arlington, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General and Ambulance Funds
For the Year Ended December 31, 2024

	General			
	Budgeted Amounts			Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 672,083	\$ 672,083	\$ 667,573	\$ (4,510)
Licenses and permits	71,600	71,600	143,780	72,180
Intergovernmental	1,047,650	1,047,650	1,136,147	88,497
Charges for services	41,381	41,381	17,826	(23,555)
Fines and forfeits	11,000	11,000	10,618	(382)
Investment earnings	10,000	10,000	38,787	28,787
Miscellaneous	19,900	19,900	38,778	18,878
Total Revenues	<u>1,873,614</u>	<u>1,873,614</u>	<u>2,053,509</u>	<u>179,895</u>
Expenditures				
Current				
General government	519,892	519,892	543,433	(23,541)
Public safety	598,917	598,917	560,273	38,644
Streets and highways	532,852	532,852	444,059	88,793
Culture and recreation	219,580	219,580	245,221	(25,641)
Health and welfare	-	-	-	-
Housing and economic development	48,373	48,373	38,723	9,650
Capital outlay				
General government	-	-	209,537	(209,537)
Public safety	-	-	135,682	(135,682)
Streets and highways	30,000	30,000	39,754	(9,754)
Culture and recreation	21,500	21,500	40,335	(18,835)
Total Expenditures	<u>1,971,114</u>	<u>1,971,114</u>	<u>2,257,017</u>	<u>(285,903)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(97,500)</u>	<u>(97,500)</u>	<u>(203,508)</u>	<u>(106,008)</u>
Other Financing Sources (Uses)				
Transfers in	97,500	97,500	97,500	-
Insurance reimbursements	-	-	166,503	166,503
Sale of capital assets	-	-	35,000	35,000
Transfers out	-	-	-	-
Total Other Financing				
Sources (Uses)	<u>97,500</u>	<u>97,500</u>	<u>299,003</u>	<u>201,503</u>
Net Change in Fund Balances	-	-	95,495	95,495
Fund Balances, January 1	<u>1,149,872</u>	<u>1,149,872</u>	<u>1,149,872</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,149,872</u>	<u>\$ 1,149,872</u>	<u>\$ 1,245,367</u>	<u>\$ 95,495</u>

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

Ambulance				Medical Center			
Budgeted Amounts		Amounts	Variance with Final Budget	Budgeted Amounts		Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ 22	\$ 22	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
5,000	5,000	103,032	98,032	-	-	-	-
541,000	541,000	441,661	(99,339)	152,403	152,403	129,097	(23,306)
-	-	-	-	-	-	-	-
2,000	2,000	4,124	2,124	1,200	1,200	7,184	5,984
-	-	2,791	2,791	-	-	29,877	29,877
548,000	548,000	551,630	3,630	153,603	153,603	166,158	12,555
-	-	-	-	-	-	-	-
545,343	545,343	609,829	(64,486)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	48,000	48,000	42,254	5,746
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,000	(2,000)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
545,343	545,343	611,829	(66,486)	48,000	48,000	42,254	5,746
2,657	2,657	(60,199)	(62,856)	105,603	105,603	123,904	18,301
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(101,500)	(101,500)	(101,500)	-
-	-	-	-	(101,500)	(101,500)	(101,500)	-
2,657	2,657	(60,199)	(62,856)	4,103	4,103	22,404	18,301
392,324	392,324	392,324	-	146,887	146,887	146,887	-
\$ 394,981	\$ 394,981	\$ 332,125	\$ (62,856)	\$ 150,990	\$ 150,990	\$ 169,291	\$ 18,301

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

City of Arlington, Minnesota
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	605	Total
	Water Utility	Sewer Utility	Electric Utility	Storm Water	
Assets					
Current Assets					
Cash and temporary investments	\$ 1,242,925	\$ 1,253,697	\$ 879,447	\$ 1,096,884	\$ 4,472,953
Receivables					
Interest	1,084	1,961	1,675	621	5,341
Accounts, net of allowance for uncollectibles	85,220	129,934	396,555	27,113	638,822
Special assessments	554	1,323	3,232	374	5,483
Lease	286,667	-	-	-	286,667
Inventories	-	-	146,176	-	146,176
Total Current Assets	<u>1,616,450</u>	<u>1,386,915</u>	<u>1,427,085</u>	<u>1,124,992</u>	<u>5,555,442</u>
Noncurrent Assets					
Capital assets					
Land	-	-	27,500	-	27,500
Construction in progress	392,516	247,905	-	392,516	1,032,937
Building and improvements	6,953,362	11,482,996	6,182,719	1,696,533	26,315,610
Machinery and equipment	255,019	206,374	267,192	-	728,585
Total capital assets, at cost	<u>7,600,897</u>	<u>11,937,275</u>	<u>6,477,411</u>	<u>2,089,049</u>	<u>28,104,632</u>
Less accumulated depreciation	<u>(2,531,346)</u>	<u>(4,641,097)</u>	<u>(4,756,621)</u>	<u>(325,841)</u>	<u>(12,254,905)</u>
Total capital assets (net of accumulated depreciation)	<u>5,069,551</u>	<u>7,296,178</u>	<u>1,720,790</u>	<u>1,763,208</u>	<u>15,849,727</u>
Total Assets	<u>6,686,001</u>	<u>8,683,093</u>	<u>3,147,875</u>	<u>2,888,200</u>	<u>21,405,169</u>
Deferred Outflows of Resources					
Deferred pension resources	<u>2,927</u>	<u>2,927</u>	<u>7,649</u>	<u>-</u>	<u>13,503</u>
Liabilities					
Current Liabilities					
Accounts payable	21,757	18,534	139,623	14,177	194,091
Accrued interest payable	43,685	27,275	5,150	38,831	114,941
Accrued salaries payable	914	914	2,582	-	4,410
Compensated absences - current portion	3,169	3,169	9,816	-	16,154
Bonds payable - current portion	109,318	259,175	50,000	91,907	510,400
Total Current Liabilities	<u>178,843</u>	<u>309,067</u>	<u>207,171</u>	<u>144,915</u>	<u>839,996</u>
Noncurrent Liabilities					
Bonds payable - long-term portion	2,735,981	2,536,110	270,000	2,261,418	7,803,509
Net pension liability	9,839	9,839	25,711	-	45,389
Total Noncurrent Liabilities	<u>2,745,820</u>	<u>2,545,949</u>	<u>295,711</u>	<u>2,261,418</u>	<u>7,848,898</u>
Total Liabilities	<u>2,924,663</u>	<u>2,855,016</u>	<u>502,882</u>	<u>2,406,333</u>	<u>8,688,894</u>
Deferred Inflows of Resources					
Deferred pension resources	6,266	6,266	16,373	-	28,905
Deferred lease revenue	268,539	-	-	-	268,539
Total Deferred Inflows of Resources	<u>274,805</u>	<u>6,266</u>	<u>16,373</u>	<u>-</u>	<u>297,444</u>
Net Position					
Net investment in capital assets	3,005,936	4,500,893	1,400,790	191,567	9,099,186
Unrestricted	<u>483,524</u>	<u>1,323,845</u>	<u>1,235,479</u>	<u>290,300</u>	<u>3,333,148</u>
Total Net Position	<u>\$ 3,489,460</u>	<u>\$ 5,824,738</u>	<u>\$ 2,636,269</u>	<u>\$ 481,867</u>	<u>\$ 12,432,334</u>

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

City of Arlington, Minnesota
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	605	
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues					
Sales	<u>\$ 445,220</u>	<u>\$ 752,734</u>	<u>\$ 2,789,651</u>	<u>\$ 159,170</u>	<u>\$ 4,146,775</u>
Operating Expenses					
Personal services	45,866	45,866	46,148	-	137,880
Supplies	1,045	1,026	3,578	-	5,649
Other services and charges	200,962	208,910	2,232,120	10,670	2,652,662
Insurance	7,292	19,536	5,132	-	31,960
Utilities	38,814	48,871	245	-	87,930
Depreciation	154,281	263,551	137,748	57,714	613,294
Total Operating Expenses	<u>448,260</u>	<u>587,760</u>	<u>2,424,971</u>	<u>68,384</u>	<u>3,529,375</u>
Operating Income (Loss)	<u>(3,040)</u>	<u>164,974</u>	<u>364,680</u>	<u>90,786</u>	<u>617,400</u>
Nonoperating Revenues (Expenses)					
Investment earnings	19,989	32,072	24,122	9,516	85,699
Lease revenue	33,764	-	-	-	33,764
Miscellaneous income	1,951	932	1,816	70	4,769
Interest expense	(65,225)	(45,639)	(13,060)	(57,109)	(181,033)
Amortization of bond premiums	351	1,026	-	334	1,711
Bond issuance costs	<u>(33,039)</u>	<u>(20,867)</u>	<u>-</u>	<u>(33,039)</u>	<u>(86,945)</u>
Total Nonoperating Revenues (Expenses)	<u>(42,209)</u>	<u>(32,476)</u>	<u>12,878</u>	<u>(80,228)</u>	<u>(142,035)</u>
Change in Net Position	(45,249)	132,498	377,558	10,558	475,365
Net Position, January 1	<u>3,534,709</u>	<u>5,692,240</u>	<u>2,258,711</u>	<u>471,309</u>	<u>11,956,969</u>
Net Position, December 31	<u>\$ 3,489,460</u>	<u>\$ 5,824,738</u>	<u>\$ 2,636,269</u>	<u>\$ 481,867</u>	<u>\$ 12,432,334</u>

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

City of Arlington, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	605	
	Water Utility	Sewer Utility	Electric Utility	Storm Water	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 438,438	\$ 748,955	\$ 2,793,233	\$ 155,751	\$ 4,136,377
Payments to suppliers and vendors	(241,650)	(285,640)	(2,255,799)	3,507	(2,779,582)
Payments to and on behalf of employees	(28,605)	(28,605)	(75,997)	-	(133,207)
Other receipts	1,951	932	1,816	70	4,769
Net Cash Provided (Used) by Operating Activities	170,134	435,642	463,253	159,328	1,228,357
Cash Flows from Noncapital Financing Activities					
Lease receipts	28,697	-	-	-	28,697
Cash Flows from Capital And Related Financing Activities					
Acquisition of capital assets	(553,870)	(426,432)	(7,139)	(392,516)	(1,379,957)
Bond proceeds	1,205,290	759,131	-	1,205,290	3,169,711
Principal paid on bonds	(108,118)	(290,325)	(45,000)	(89,957)	(533,400)
Interest paid on bonds	(40,266)	(30,809)	(13,810)	(32,040)	(116,925)
Bond issuance costs	(33,039)	(20,867)	-	(33,039)	(86,945)
Net Cash Provided (Used) by Capital and Related Financing Activities	469,997	(9,302)	(65,949)	657,738	1,052,484
Cash Flows from Investing Activities					
Investment market value gain	19,984	31,376	23,321	9,222	83,903
Net Increase (Decrease) In Cash and Cash Equivalents	688,812	457,716	420,625	826,288	2,393,441
Cash and Cash Equivalents, January 1	554,113	795,981	458,822	270,596	2,079,512
Cash and Cash Equivalents, December 31	<u>\$ 1,242,925</u>	<u>\$ 1,253,697</u>	<u>\$ 879,447</u>	<u>\$ 1,096,884</u>	<u>\$ 4,472,953</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (3,040)	\$ 164,974	\$ 364,680	\$ 90,786	\$ 617,400
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income (expenses) related to operations	1,951	932	1,816	70	4,769
Depreciation	154,281	263,551	137,748	57,714	613,294
(Increase) decrease in assets					
Accounts receivable	(9,259)	(8,328)	(5,238)	(4,241)	(27,066)
Special assessments	2,477	4,549	8,820	822	16,668
Inventories	-	-	4,182	-	4,182
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	(2,927)	(2,927)	14,850	-	8,996
Increase (decrease) in liabilities					
Accounts payable	6,463	(7,297)	(18,906)	14,177	(5,563)
Compensated absences payable	3,169	3,169	(7,933)	-	(1,595)
Net pension liability	9,839	9,839	(36,270)	-	(16,592)
Accrued salaries payable	914	914	396	-	2,224
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	6,266	6,266	(892)	-	11,640
Net Cash Provided (Used) by Operating Activities	<u>\$ 170,134</u>	<u>\$ 435,642</u>	<u>\$ 463,253</u>	<u>\$ 159,328</u>	<u>\$ 1,228,357</u>
Schedule of Noncash Investing, Capital and Financing Activities					
Amortization of bond premium (discount)	<u>\$ (351)</u>	<u>\$ (1,026)</u>	<u>\$ -</u>	<u>\$ (334)</u>	<u>\$ (1,711)</u>

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Discretely Presented Component Unit. The Arlington Economic Development Authority (EDA) was established under Minnesota statutes, 469.090 through 469.108 for the purpose of promoting economic development within the City. The governing body of the EDA consists of the Mayor, the Economic Development Director, two council members and five council appointed members of the community. The EDA has a December 31 year end. Separate financial statements are not issued for the EDA. The EDA is presented as a discretely presented component unit as the City has significant influence over activities of the EDA.

B. Government-wide and Fund Financial Statements

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

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

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

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.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Medical Center fund* accounts for the revenues and costs associated with the City's Medical Center.

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

The *2024 Capital Project fund* accounts for the 2024 street project costs.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Electric Utility fund* accounts for the costs associated with the City's electric power and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the operation, maintenance, and capital improvements of the City's storm water system.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits and Investments

The City's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 60.

The City has the following recurring fair value measurements as of December 31, 2024:

- Negotiable certificates of deposit of \$2,705,562 are valued using quoted market prices (Level 2 inputs).

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2024 are shown in the table below.

	Ambulance Fund	Nonmajor Governmental	Primary Government
Allowance for Uncollectable Accounts	\$ 429,341	\$ 53,815	\$ 483,156

Notes Receivable

Notes receivable are stated at principal amounts plus accrued interest and are uncollateralized. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management reviews all notes receivable periodically and estimates a portion, if any, of the balance that will not be collected. The allowance for uncollectible accounts at December 31, 2024 are shown in the table below.

	Discretely Presented Component Unit
Allowance for Uncollectable Accounts	\$ 202,085

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

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

Inventories and Prepaid Items

Inventories of materials and supplies are recorded at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The City uses the consumption method to account for all prepaid items.

Assets Held for Resale

The EDA purchased land to be used as an industrial park in 2012. The current value of the assets held for resale as of December 31, 2024 is \$83,660.

Lease Receivable

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

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

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

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy, adopted in December 18, 2017, to permit employees to accumulate earned but unused paid time off (PTO) benefits. Existing sick leave balances from the previous policy were frozen, to be used for extended sick time of more than three days, or a percentage paid out at termination based the length of service with the City. All PTO pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences liability at year end is shown in the chart below for governmental and business-type activities.

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 43,716	\$ 16,154	\$ 59,870

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP) and Arlington Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total
	GERP	PEPFP		
City's Proportionate Share	\$ 67,521	\$ 76,690	\$ 26,928	\$ 171,139
Proportionate Share of State's Contribution	219	998	-	1,217
Total	<u>\$ 67,740</u>	<u>\$ 77,688</u>	<u>\$ 26,928</u>	<u>\$ 172,356</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has additional items which qualify for reporting in this category. The items, deferred pension resources and deferred lease resources, are reported only in the statements of net position and results from actuarial calculations and lease amortization calculations.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and negative residual amounts in other funds.

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that does not meet the definition of "restricted" or "Net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the following special revenue funds: Fire, Ambulance, Community Hall, Medical Center, Cemetery Perpetual and the Cemetery fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The Council heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no amendments during the year.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2024 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 1,971,114	\$ 2,257,017	\$ 285,903
Ambulance	545,343	611,829	66,486
Nonmajor			
Special Revenue			
Fire	165,227	178,424	13,197
Cemetery	17,200	22,153	4,953

The expenditures were funded by revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2024:

Fund	Amount
Nonmajor	
Capital Projects	
Tax Abatement	\$ 33,710
Special Revenue	
TIF District 1-4	11,051

The deficits will be funded through future collection of future tax increments.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage, and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$ 1,101,812</u>
Bank balance	\$ 1,117,667
Covered by FDIC	268,355
Collateralized with securities pledged in the City's name	<u>\$ 665,888</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

Investments

As of December 31, 2024, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
4M Fund	N/A	less than 6 months	\$ 6,957,503		
4MP Fund	N/A	less than 6 months	376,493		
Broker Money Market Funds	N/A	less than 6 months	11,489		
Non-Pooled Investments at Fair Value					
Negotiable Certificates of Deposit	N/A	less than 1 year	197,228	\$ -	\$ 197,228
Negotiable Certificates of Deposit	N/A	1 to 5 years	2,408,666	-	2,408,666
Negotiable Certificates of Deposit	N/A	Over 5 years	99,668	-	99,668
Total Investments			\$ 10,051,047	\$ -	\$ 2,705,562

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The City has not adopted a formal investment policy but follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2024 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City does not further limit the ratings of their investments.
- *Concentration Risk* - The City does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

Cash and Investments Summary

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

	Primary Government	Component Unit	Total Reporting Entity
Deposits	\$ 563,343	\$ 538,469	\$ 1,101,812
Investments	10,051,047	-	10,051,047
	<u>\$ 10,614,390</u>	<u>\$ 538,469</u>	<u>\$ 11,152,859</u>
Cash and Temporary Investments			

Notes Receivable

The City has issued notes to renovate and remodel business properties and also to finance the startup costs for operating a daycare. A portion of these notes are unearned for 3 years, at which time the note is forgiven if the original property owner is still in business. The remaining balance is eligible to be forgiven after 5 years if the original property owner remains in business.

The City has also issued notes to local businesses with promissory notes. The notes will be paid back to the City with monthly payments and interest at 4.75 percent on all unpaid balances. These notes are secured by mortgages on the property.

In 2014, the City issued a note for building improvements at a 0 percent interest rate and due in full on July 16, 2044.

The loans balances and allowances for doubtful accounts are shown below.

	12/31/2023	12/31/2024	Increase (Decrease)	Allowance for Uncollectable
Forgiveable small business loans	\$ 180,308	\$ 179,043	\$ (1,265)	\$ 202,085
Mortgage-backed small business loans	42,606	60,001	17,395	-
Building improvement loan	228,000	228,000	-	-
Total	<u>\$ 450,914</u>	<u>\$ 467,044</u>	<u>\$ 16,130</u>	<u>\$ 202,085</u>
Component Unit	222,914	239,044	16,130	202,085
Primary Government	228,000	228,000	-	-
Total	<u>\$ 450,914</u>	<u>\$ 467,044</u>	<u>\$ 16,130</u>	<u>\$ 202,085</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

Leases Receivable

Effective January 1, 2014, the City has entered into a lease agreement with Ridgeview Sibley Medical Center (RSMC). The lease term is 30 years with annual payments equal to the Series 2010B Bonds' debt service plus an additional fixed amount per year. RSMC is required to pay additional rent at annual rate equal to 1 percent of the Hospital System's net book value, as calculated based on the Hospital Financial Statements, due June 30 of every year. Lease payments related to the debt service are due 20 days prior to the applicable debt service payments on June 1 and December 1. Additionally, the City has a lease arrangement with Verizon for placement of an antenna on the City's water tower. The balances of these leases receivable are shown in the table below.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Verizon Water Tower Antenna Lease	10/01/20	1.19	29,547	\$ 286,667
Hospital System Lease - Debt Service	01/01/14	0.74	272,765	535,222
Hospital System Lease - Additional	01/01/14	1.73	117,997	<u>1,690,773</u>
Total				<u><u>\$ 2,512,662</u></u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

C. Capital Assets

Capital asset activity for the City for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 328,700	\$ -	\$ -	\$ 328,700
Construction in progress	246,656	1,666,877	-	1,913,533
Total Capital Assets Not Being Depreciated	575,356	1,666,877	-	2,242,233
Capital Assets being Depreciated				
Buildings and improvements	7,805,021	213,515	-	8,018,536
Infrastructure and other improvements	7,182,842	-	-	7,182,842
Machinery and equipment	1,222,614	172,083	-	1,394,697
Motor vehicles	3,124,576	226,237	(152,336)	3,198,477
Total Capital Assets Being Depreciated	19,335,053	611,835	(152,336)	19,794,552
Less Accumulated Depreciation for				
Buildings and improvements	(5,747,080)	(115,400)	-	(5,862,480)
Infrastructure and other improvements	(2,970,410)	(251,277)	-	(3,221,687)
Machinery and equipment	(578,615)	(110,026)	-	(688,641)
Motor vehicles	(2,193,177)	(163,661)	152,336	(2,204,502)
Total Accumulated Depreciation	(11,489,282)	(640,364)	152,336	(11,977,310)
Total Capital Assets Being Depreciated, Net	7,845,771	(28,529)	-	7,817,242
Governmental Activities Capital Assets, Net	<u>\$ 8,421,127</u>	<u>\$ 1,638,348</u>	<u>\$ -</u>	<u>\$ 10,059,475</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 27,500	\$ -	\$ -	\$ 27,500
Construction in progress	1,945,726	1,161,218	(2,074,007)	1,032,937
Total Capital Assets Not Being Depreciated	1,973,226	1,161,218	(2,074,007)	1,060,437
Capital Assets being Depreciated				
Buildings and improvements	24,186,104	2,129,506	-	26,315,610
Machinery and equipment	669,325	59,260	-	728,585
Total Capital Assets Being Depreciated	24,855,429	2,188,766	-	27,044,195
Less Accumulated Depreciation for				
Buildings and improvements	(11,323,675)	(561,197)	-	(11,884,872)
Machinery and equipment	(317,936)	(52,097)	-	(370,033)
Total Accumulated Depreciation	(11,641,611)	(613,294)	-	(12,254,905)
Total Capital Assets Being Depreciated, Net	13,213,818	1,575,472	-	14,789,290
Business-type Activities Capital Assets, Net	<u>\$ 15,187,044</u>	<u>\$ 2,736,690</u>	<u>\$ (2,074,007)</u>	<u>\$ 15,849,727</u>

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

Governmental Activities	
General government	\$ 105,054
Public safety	166,658
Streets and highways	326,660
Culture and recreation	38,408
Cemetery	3,584
Total Depreciation Expense - Governmental Activities	<u>\$ 640,364</u>
Business-type Activities	
Water	\$ 154,281
Sewer	263,551
Electric	137,748
Storm Water Drainage	57,714
Total Depreciation Expense - Business-type Activities	<u>\$ 613,294</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2024. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2024 Street Project	<u>\$ 2,017,755</u>	<u>\$ 3,931,799</u>

D. Interfund Receivables, Payables and Transfers

Due to/from funds represent reclassifications of temporary cash deficits in individual fund and other short term loans expected to be repaid within one year. The amount owing between funds represents reclassification of temporary cash deficits between. At year end, the balances related to TIF cash deficits were as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	<u>\$ 11,051</u>

Interfund transfers for the year ended December 31, 2024 are as follows:

	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out				
Medical Center fund	<u>\$ 97,500</u>	<u>\$ 3,000</u>	<u>\$ 1,000</u>	<u>\$ 101,500</u>

All interfund transfers in the current year were budgeted for during December 31, 2024.

E. Long-term Debt

General Obligation Equipment Certificates

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

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MN Valley Electric Cooperative Loan	\$ 100,000	- %	11/18/19	08/01/29	\$ 50,000
G.O. Equipment Certificates of 2019A	185,000	2.00 - 2.50	08/01/19	02/01/29	105,000
Total Equipment Certificates					<u>\$ 155,000</u>

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

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 30,000	\$ 2,225	\$ 32,225
2026	30,000	1,825	31,825
2027	30,000	1,425	31,425
2028	30,000	1,025	31,025
2029	35,000	625	35,625
Total	<u>\$ 155,000</u>	<u>\$ 7,125</u>	<u>\$ 162,125</u>

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement Projects 2012	\$ 795,000	1.00 - 2.70 %	09/12/12	02/01/28	\$ 160,000
Improvement Projects 2015	2,005,000	2.00 - 3.00	06/01/15	02/01/31	1,015,000
Improvement Projects 2017	1,830,000	2.00 - 2.88	06/20/17	02/01/33	1,175,000
Improvement Projects 2019	2,810,000	2.00 - 3.00	08/01/19	02/01/40	2,345,000
Improvement Projects 2024	7,345,000	4.00	06/12/24	02/01/45	7,345,000
Total G.O. Special Assessment Bonds					<u>\$ 12,040,000</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 223,600	\$ 173,850	\$ 397,450	\$ 191,400	\$ 136,310	\$ 327,710
2026	376,534	230,646	607,180	303,466	176,907	480,373
2027	387,569	219,085	606,654	307,431	167,850	475,281
2028	393,269	207,120	600,389	321,731	158,526	480,257
2029	399,304	193,551	592,855	300,696	149,003	449,699
2030 - 2034	1,790,892	773,840	2,564,732	1,399,108	598,304	1,997,412
2035 - 2039	1,485,000	495,875	1,980,875	1,225,000	376,725	1,601,725
2040 - 2044	1,390,000	219,476	1,609,476	1,045,000	160,226	1,205,226
2045	290,000	11,600	301,600	210,000	8,400	218,400
Total	<u>\$ 6,736,168</u>	<u>\$ 2,525,043</u>	<u>\$ 9,261,211</u>	<u>\$ 5,303,832</u>	<u>\$ 1,932,251</u>	<u>\$ 7,236,083</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise and debt service funds and are backed by the taxing power of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Clean Water Revolving Fund Notes of 2011	\$ 4,141,932	1.00 %	06/23/11	08/20/31	\$ 1,578,000
G.O. Hospital Revenue Refunding Bonds of 2010B	3,345,000	2.00 - 4.00	12/01/10	12/01/26	510,000
G.O. Water Revenue Bonds of 2022A	1,105,000	2.00 - 2.50	03/08/22	02/01/42	<u>1,005,000</u>
Total G.O. Revenue Bonds					<u>\$ 3,093,000</u>

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

	Water	Sewer	Electric	Storm Water
Revenues	\$ 445,220	\$ 752,734	\$ 2,789,651	\$ 159,170
Principal and Interest	148,384	321,134	58,810	121,997
Percentage of Revenues	33.3%	42.7%	2.1%	76.6%

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 250,000	\$ 20,400	\$ 270,400	\$ 269,000	\$ 37,200	\$ 306,200
2026	260,000	10,400	270,400	271,000	34,010	305,010
2027	-	-	-	273,000	30,800	303,800
2028	-	-	-	275,000	27,570	302,570
2029	-	-	-	278,000	24,320	302,320
2030 - 2034	-	-	-	737,000	77,680	814,680
2035 - 2039	-	-	-	290,000	40,630	330,630
2040 - 2042	-	-	-	190,000	7,220	197,220
Total	<u>\$ 510,000</u>	<u>\$ 30,800</u>	<u>\$ 540,800</u>	<u>\$ 2,583,000</u>	<u>\$ 279,430</u>	<u>\$ 2,862,430</u>

Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility Revenue Bonds of 2014B	\$ 690,000	1.15 - 4.00 %	06/01/14	02/01/30	<u>\$ 320,000</u>

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

Year Ending December 31	Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2025	\$ 50,000	\$ 11,360	\$ 61,360
2026	50,000	9,360	59,360
2027	50,000	7,410	57,410
2028	55,000	5,415	60,415
2029	55,000	3,325	58,325
2030	60,000	1,140	61,140
Total	<u>\$ 320,000</u>	<u>\$ 38,010</u>	<u>\$ 358,010</u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Equipment certificates	\$ 185,000	\$ -	\$ (30,000)	\$ 155,000	\$ 30,000
General obligation special assessment bonds	2,693,768	4,255,000	(212,600)	6,736,168	223,600
General obligation revenue bonds	750,000	-	(240,000)	510,000	250,000
Bond premium	35,896	109,771	(3,037)	142,630	-
Total Bonds Payable	3,664,664	4,364,771	(485,637)	7,543,798	503,600
Compensated Absences	25,744	17,972 *	-	43,716	43,716
Governmental Activity Long-term Liabilities	<u>\$ 3,690,408</u>	<u>\$ 4,382,743</u>	<u>\$ (485,637)</u>	<u>\$ 7,587,514</u>	<u>\$ 547,316</u>
Business-type Activities					
Bonds Payable					
Revenue bonds	\$ 399,000	\$ -	\$ (79,000)	\$ 320,000	\$ 50,000
General obligation revenue bonds	2,850,000	-	(267,000)	2,583,000	269,000
General obligation special assessment bonds	2,401,232	3,090,000	(187,400)	5,303,832	191,400
Bond premium	29,077	79,711	(1,711)	107,077	-
Total Bonds Payable	5,679,309	3,169,711	(535,111)	8,313,909	510,400
Compensated Absences	17,749	-	(1,595) *	16,154	16,154
Business-type Activity Long-term Liabilities	<u>\$ 5,697,058</u>	<u>\$ 3,169,711</u>	<u>\$ (536,706)</u>	<u>\$ 8,330,063</u>	<u>\$ 526,554</u>

* Shown as net change with GASB 101.

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. The 2024 annual increase was 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. 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 prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$54,921, \$51,026 and \$46,216, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2024, 2023 and, 2022 were \$51,339, \$38,850 and \$21,831, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$315,820 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,166.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

City's Proportionate Share of the Net Pension Liability	\$ 315,820
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>8,166</u>
Total	<u><u>\$ 323,986</u></u>

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0085 percent at the end of the measurement period and 0.0083 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$67,521 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$219 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$14,531 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 29,086	\$ -
Changes in Actuarial Assumptions	1,227	117,051
Net Difference Between Projected and Actual Investment Earnings	-	84,091
Changes in Proportion	36,487	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>27,155</u>	<u>-</u>
Total	<u><u>\$ 93,955</u></u>	<u><u>\$ 201,142</u></u>

The \$27,155 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (46,891)
2026	(24,845)
2027	(38,400)
2028	(24,206)

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$234,073 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0178 percent at the end of the measurement period and 0.0132 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,923.

City's Proportionate Share of the Net Pension Liability	\$ 234,073
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>8,923</u>
Total	<u><u>\$ 242,996</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$76,690 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$998 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$5,052 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 75,826	\$ -
Changes in Actuarial Assumptions	199,011	256,062
Net Difference Between Projected and Actual Investment Earnings	-	93,120
Changes in Proportion	72,987	20,944
Contributions Paid to PERA Subsequent to the Measurement Date	<u>28,794</u>	<u>-</u>
Total	<u><u>\$ 376,618</u></u>	<u><u>\$ 370,126</u></u>

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

The \$28,794 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$	(12,376)
2026		57,280
2027		(14,547)
2028		(58,053)
2029		5,394

E. Long-term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Return on Investment</u>
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	<u>25.0</u>	5.90
Total	<u><u>100.0 %</u></u>	

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

Police and Fire Fund

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.
- The additional \$9 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans 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.

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 689,801	\$ 315,820	\$ 8,186
Police and Fire Fund	553,161	234,073	(27,964)

I. 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 Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plan - Fire Relief Association

A. Plan Description

All members of the Arlington Fire Department (the Department) are covered by a defined benefit plan administered by the Arlington Fire Department Relief Association (the Association). As of December 31, 2024, the plan covered 27 active firefighters and 13 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$38,103 in fire state aid to the plan on behalf of the Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2023 were \$34,002. The City's contributions were equal to the required contributions as set by state statute. In addition, the City made voluntary contributions of \$3,684 to the plan.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

D. Pension Costs

At December 31, 2024, the City reported a net pension liability (asset) of (\$188,919) for the Volunteer Firefighter Fund. The net pension liability (asset) was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2024	\$ 1,013,636	\$ 1,084,494	\$ (70,858)
Changes for the Year			
Service cost	20,080	-	20,080
Interest cost	57,012	-	57,012
Assmption changes	(15,427)	-	(15,427)
Plan changes	33,093	-	33,093
Actuarial experience (gains)/losses	-	-	-
Projected investment return	-	-	-
Contributions (employer)	-	3,684	(3,684)
Nonemployer contributions	-	34,002	(34,002)
Projected investment return	-	61,015	(61,015)
(Gain)/loss	3,923	118,041	(114,118)
Benefit payments	(84,416)	(84,416)	-
Administrative expenses	-	-	-
Total Net Changes	14,265	132,326	(118,061)
Ending Balance December 31, 2024	\$ 1,027,901	\$ 1,216,820	\$ (188,919)

For the year ended December 31, 2024, the City recognized pension expense of \$26,928.

At December 31, 2024, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,432	\$ 19,425
Changes in Actuarial Assumptions	2,105	13,498
Net Difference Between Projected and Actual Earnings on Plan Investments	50,147	-
Contributions to Plan Subsequent to the Measurement Date	43,895	-
Total	\$ 99,579	\$ 32,923

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Deferred outflows of resources totaling \$43,859 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$ 838
2026	20,410
2027	33,922
2028	(28,095)
2029	(1,438)
Thereafter	(2,876)

E. Actuarial Assumptions

The total pension liability at December 31, 2024 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-56 and 100 Percent thereafter	
Salary Increases	2.50% per year
Investment Rate of Return	6.50%
20 Year Municipal Bond Yield	N/A

There were no changes in actuarial assumptions in 2024. There were no changes to the benefit level.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
Defined Benefit Plan	\$ (167,440)	\$ (188,919)	\$ (208,950)

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

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

H. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	24.0 %	2.00 %
Domestic Equity	74.0	8.10
Fixed Income	2.0	3.90
Total	<u>100.0 %</u>	

I. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Arlington Fire Department Relief Association, 312 West Alden St, Arlington, MN 55307.

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of 3 percent of the market value of taxable property within the City. The taxable market value was \$182,234,900 at December 31, 2024 for a limit of \$5,467,047. The City currently has general obligation debt outstanding subject to this limit of \$155,000, which is significantly less than the limit. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments.

City of Arlington, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 6: Other Information (Continued)

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2024 was \$899,401 for LGA. This accounted for 40.5 percent of General fund revenues.

E. Ridgeview Sibley Medical Center

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

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

Note 7: Adjustments to and Restatements of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2024, the Capital Equipment fund was determined to be nonmajor. The 2024 Capital Project fund was determined to be major. The effects of the changes within the financial reporting entity are shown in the financial statements.

Change in Accounting Principle

During fiscal year 2024, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, and Statements No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statement results in significant change to the classifications of the components of the financial statements. There were adjustments or restatements of beginning balances needed for the adoption of these statements as shown in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Arlington, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2024

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0085 %	\$ 315,820	\$ 8,166	\$ 323,986	\$ 723,016	43.7 %	86.7 %
6/30/2023	0.0083	464,127	12,901	477,028	662,431	70.1	83.1
6/30/2022	0.0068	538,562	15,790	554,352	490,782	109.7	76.7
6/30/2021	0.0054	230,604	7,087	237,691	405,014	56.9	87.0
6/30/2020	0.0047	281,786	8,609	290,395	334,101	84.3	79.0
6/30/2019	0.0046	254,324	7,833	262,157	323,974	78.5	80.2
6/30/2018	0.0037	205,261	6,871	212,132	251,938	81.5	79.5
6/30/2017	0.0041	261,741	3,285	265,026	263,653	99.3	75.9
6/30/2016	0.0043	349,139	34,543	383,682	269,466	129.6	68.9
6/30/2015	0.0047	243,578	-	243,578	272,088	89.5	78.2

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 54,921	\$ 54,921	\$ -	\$ 732,276	7.50 %
12/31/2023	51,026	51,026	-	680,353	7.50
12/31/2022	46,216	46,216	-	616,215	7.50
12/31/2021	30,041	30,041	-	400,545	7.50
12/31/2020	28,705	28,705	-	382,739	7.50
12/31/2019	24,802	24,802	-	330,690	7.50
12/31/2018	22,926	22,926	-	305,681	7.50
12/31/2017	17,330	17,330	-	231,065	7.50
12/31/2016	20,623	20,623	-	274,979	7.50
12/31/2015	20,007	20,007	-	266,754	7.50

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

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

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0178 %	\$ 234,073	\$ 8,923	\$ 242,996	\$ 246,373	95.0 %	87.0 %
6/30/2023	0.0132	227,947	9,161	237,108	173,454	131.4	86.5
6/30/2022	0.0126	548,302	24,043	572,345	146,374	374.6	70.5
6/30/2021	0.0163	125,819	5,679	131,498	200,024	62.9	93.7
6/30/2020	0.0215	283,393	6,674	290,067	242,900	116.7	87.2
6/30/2019	0.0190	202,274	-	202,274	200,598	100.8	89.3
6/30/2018	0.0119	126,842	-	126,842	125,254	101.3	88.8
6/30/2017	0.0100	135,012	-	135,012	105,197	128.3	85.4
6/30/2016	0.0160	642,108	-	642,108	153,512	418.3	63.9
6/30/2015	0.0110	124,986	-	124,986	97,401	128.3	86.6

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	\$ 51,339	\$ 51,339	\$ -	\$ 290,051	17.70 %
12/31/2023	38,850	38,850	-	219,492	17.70
12/31/2022	21,831	21,831	-	123,341	17.70
12/31/2021	32,642	32,642	-	184,419	17.70
12/31/2020	41,212	41,212	-	232,838	17.70
12/31/2019	38,450	38,450	-	226,842	16.95
12/31/2018	27,883	27,883	-	172,117	16.20
12/31/2017	13,557	13,557	-	83,685	16.20
12/31/2016	23,909	23,909	-	147,587	16.20
12/31/2015	22,046	22,046	-	136,087	16.20

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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

Changes in Plan Provisions

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.0 percent to 60.0 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

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

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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

	2024 (Fire Relief Report Date 2023)	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)
Total Pension Liability							
Service cost	\$ 20,080	\$ 19,590	\$ 23,102	\$ 21,895	\$ 19,878	\$ 18,805	\$ 18,346
Interest cost	57,012	55,115	51,638	47,776	44,279	40,394	37,175
Assumption changes	(15,427)	-	-	-	5,615	-	-
Plan changes	33,093	-	31,544	17,215	15,635	14,713	-
Gain or loss	3,923	-	(21,394)	-	(19,212)	-	-
Benefit payments	(84,416)	-	(41,833)	-	(14,814)	-	-
Net Change in Total Pension Liability	14,265	74,705	43,057	86,886	51,381	73,912	55,521
Total Pension Liability - January 1	1,013,636	938,931	895,874	808,988	757,607	683,695	628,174
Total Pension Liability - December 31 (a)	<u>\$ 1,027,901</u>	<u>\$ 1,013,636</u>	<u>\$ 938,931</u>	<u>\$ 895,874</u>	<u>\$ 808,988</u>	<u>\$ 757,607</u>	<u>\$ 683,695</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 3,684	\$ 3,874	\$ 3,909	\$ 4,075	\$ 3,959	\$ 3,445	\$ 3,347
Nonemployer contributions	34,002	28,390	28,766	27,399	26,263	25,468	25,917
Projected investment return	61,015	75,415	67,013	57,442	47,312	50,049	41,527
Gain or loss	118,041	(318,619)	67,558	97,850	105,416	(119,799)	78,030
Benefit payments	(84,416)	-	(41,833)	-	(14,814)	-	-
Administrative expenses	-	-	-	-	-	-	(900)
Net Change in Plan Fiduciary Net Position	132,326	(210,940)	125,413	186,766	168,136	(40,837)	147,921
Plan Fiduciary Net Position - January 1	1,084,494	1,295,434	1,170,021	983,255	815,119	855,956	708,035
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 1,216,820</u>	<u>\$ 1,084,494</u>	<u>\$ 1,295,434</u>	<u>\$ 1,170,021</u>	<u>\$ 983,255</u>	<u>\$ 815,119</u>	<u>\$ 855,956</u>
Fire Relief's Net Pension Liability (asset) - December 31 (a-b)	<u>\$ (188,919)</u>	<u>\$ (70,858)</u>	<u>\$ (356,503)</u>	<u>\$ (274,147)</u>	<u>\$ (174,267)</u>	<u>\$ (57,512)</u>	<u>\$ (172,261)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	145.44%	106.99%	137.97%	130.60%	121.54%	107.59%	125.20%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (asset) as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Arlington, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Actuarial Assumptions

2024 - The discount rate was changed from 5.75 percent to 6.50 percent.

2023 - No changes in assumptions.

2022 - No changes in assumptions.

2021 - No changes in assumptions.

2020 - The assumed future deferred interest rate changed from 4.0 percent to 5.0 percent to reflect that most deferred members receive the current board-set rate of 5.0 percent.

2019 - The discount decreased from 6.0 percent to 5.75 percent to better reflect the split interest rate based on the estimated investment return on the pension fund for the funded portion of liabilities and the estimated yield of the 20-year AA-rated municipal bonds for the unfunded portion of liabilities.

Changes in Plan Provisions

2024 - The benefit level changed from \$1,850 to \$2,000.

2023 - There were no changes to the benefit level in the current year.

2022 - The benefit level changed from \$1,750 to \$1,850.

2021 - The benefit level changed from \$1,700 to \$1,750.

2020 - The benefit level changed from \$1,650 to \$1,700.

2019 - A benefit level increase from \$1,600 to \$1,650 was reflected in the active liability.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2024	\$ 38,103	\$ 43,895	\$ (5,792)
12/31/2023	32,002	35,686	(3,684)
12/31/2022	28,390	33,264	(4,874)
12/31/2021	27,766	31,675	(3,909)
12/31/2020	27,399	31,474	(4,075)
12/31/2019	25,565	29,524	(3,959)
12/31/2018	25,468	28,913	(3,445)
12/31/2017	25,737	29,084	(3,347)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Arlington, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2024

	Special Revenue	Capital Projects	Total
Assets			
Cash and temporary investments	\$ 435,137	\$ 250,456	\$ 685,593
Receivables			
Interest	1,160	696	1,856
Delinquent taxes	1,605	3,021	4,626
Accounts, net of allowance for uncollectibles	27,309	-	27,309
Notes, net of allowance for uncollectibles	228,000	-	228,000
Due from other governments	600	804	1,404
	<u>600</u>	<u>804</u>	<u>1,404</u>
Total Assets	<u>\$ 693,811</u>	<u>\$ 254,977</u>	<u>\$ 948,788</u>
Liabilities			
Accounts payable	\$ 8,116	\$ 45,577	\$ 53,693
Due to other funds	11,051	-	11,051
Accrued salaries payable	1,122	-	1,122
Total Liabilities	<u>20,289</u>	<u>45,577</u>	<u>65,866</u>
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	1,605	3,021	4,626
	<u>1,605</u>	<u>3,021</u>	<u>4,626</u>
Fund Balances			
Restricted			
Current loans	228,000	-	228,000
Cemetery operations	116,452	-	116,452
Park dedication	41,664	-	41,664
Committed			
Cemetery operations	31,879	-	31,879
Assigned			
Fire department operations	255,182	-	255,182
Community center operations	9,422	-	9,422
Capital projects	-	240,089	240,089
Future COVID projects	369	-	369
Unassigned	(11,051)	(33,710)	(44,761)
Total Fund Balances	<u>671,917</u>	<u>206,379</u>	<u>878,296</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 693,811</u>	<u>\$ 254,977</u>	<u>\$ 948,788</u>

City of Arlington, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 119,644	\$ 169,523	\$ 289,167
Special assessments	-	24,508	24,508
Intergovernmental	242,020	12,112	254,132
Charges for services	137,222	-	137,222
Investment earnings	24,864	10,982	35,846
Miscellaneous	15,163	61	15,224
Total Revenues	<u>538,913</u>	<u>217,186</u>	<u>756,099</u>
Expenditures			
Current			
Public safety	155,228	-	155,228
Culture and recreation	103,341	-	103,341
Miscellaneous	22,153	-	22,153
Capital outlay			
Public safety	267,696	36,148	303,844
Streets and highways	-	170,264	170,264
Housing and economic development	-	45,577	45,577
Debt service			
Principal	-	10,000	10,000
Total Expenditures	<u>548,418</u>	<u>261,989</u>	<u>810,407</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,505)	(44,803)	(54,308)
Other Financing Sources (Uses)			
Transfers in	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balances	<u>(8,505)</u>	<u>(44,803)</u>	<u>(53,308)</u>
Fund Balances, January 1 as previously reported	680,422	(226,490)	453,932
Change to the financial reporting entity (Note 7)			
Change from nonmajor to major fund	-	246,656	246,656
Change from major to nonmajor fund	<u>-</u>	<u>231,016</u>	<u>231,016</u>
Fund Balances, January 1 as restated	<u>680,422</u>	<u>251,182</u>	<u>931,604</u>
Fund Balances, December 31	<u>\$ 671,917</u>	<u>\$ 206,379</u>	<u>\$ 878,296</u>

City of Arlington, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2024

	200	201	203	206
	ARPA	Fire	Community Hall	Small Cities Program
Assets				
Cash and temporary investments	\$ 369	\$ 229,911	\$ 13,662	\$ -
Receivables				
Interest	-	633	40	-
Delinquent taxes	-	1,022	535	-
Accounts, net of allowance for uncollectibles	-	26,506	800	-
Notes	-	-	-	228,000
Due from other governments	-	375	200	-
Total Assets	<u>\$ 369</u>	<u>\$ 258,447</u>	<u>\$ 15,237</u>	<u>\$ 228,000</u>
Liabilities				
Accounts payable	\$ -	\$ 2,243	\$ 4,158	\$ -
Due to other funds	-	-	-	-
Accrued salaries payable	-	-	1,122	-
Total Liabilities	<u>-</u>	<u>2,243</u>	<u>5,280</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	-	1,022	535	-
Fund Balances				
Restricted				
Current loans	-	-	-	228,000
Cemetery operations	-	-	-	-
Park dedication	-	-	-	-
Committed				
Cemetery operations	-	-	-	-
Assigned				
Fire department operations	-	255,182	-	-
Community center operations	-	-	9,422	-
Future COVID projects	369	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>369</u>	<u>255,182</u>	<u>9,422</u>	<u>228,000</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balance	<u>\$ 369</u>	<u>\$ 258,447</u>	<u>\$ 15,237</u>	<u>\$ 228,000</u>

207	208	215	301	
Cemetery	Cemetery Perpetual Care	Park Dedication	TIF District 1-4	Total
\$ 33,186	\$ 116,452	\$ 41,557	\$ -	\$ 435,137
380	-	107	-	1,160
48	-	-	-	1,605
3	-	-	-	27,309
-	-	-	-	228,000
25	-	-	-	600
<u>\$ 33,642</u>	<u>\$ 116,452</u>	<u>\$ 41,664</u>	<u>\$ -</u>	<u>\$ 693,811</u>
\$ 1,715	\$ -	\$ -	\$ -	\$ 8,116
-	-	-	11,051	11,051
-	-	-	-	1,122
<u>1,715</u>	<u>-</u>	<u>-</u>	<u>11,051</u>	<u>20,289</u>
48	-	-	-	1,605
-	-	-	-	228,000
-	116,452	-	-	116,452
-	-	41,664	-	41,664
31,879	-	-	-	31,879
-	-	-	-	255,182
-	-	-	-	9,422
-	-	-	-	369
-	-	-	(11,051)	(11,051)
<u>31,879</u>	<u>116,452</u>	<u>41,664</u>	<u>(11,051)</u>	<u>671,917</u>
<u>\$ 33,642</u>	<u>\$ 116,452</u>	<u>\$ 41,664</u>	<u>\$ -</u>	<u>\$ 693,811</u>

City of Arlington, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	200	201	203	206
	ARPA	Fire	Community Hall	Small Cities Program
Revenues				
Taxes				
General property taxes	\$ -	\$ 74,802	\$ 39,876	\$ -
Intergovernmental				
Federal - ARPA	234,520	-	-	-
State	-	7,500	-	-
Charges for services				
Public safety	-	76,566	-	-
Culture and recreation	-	-	41,161	-
Other	-	-	-	-
Investment earnings	6,239	10,165	836	-
Miscellaneous				
Contributions and donations	-	10,925	-	-
Other	-	1,364	2,774	-
Total Revenues	<u>240,759</u>	<u>181,322</u>	<u>84,647</u>	<u>-</u>
Expenditures				
Current				
Public safety	-	155,228	-	-
Culture and recreation	-	-	103,341	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	<u>244,500</u>	<u>23,196</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>244,500</u>	<u>178,424</u>	<u>103,341</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,741)	2,898	(18,694)	-
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Net Change in Fund Balances	(3,741)	2,898	(17,694)	-
Fund Balances, January 1	<u>4,110</u>	<u>252,284</u>	<u>27,116</u>	<u>228,000</u>
Fund Balances, December 31	<u>\$ 369</u>	<u>\$ 255,182</u>	<u>\$ 9,422</u>	<u>\$ 228,000</u>

207	208	215	301	
Cemetery	Cemetery Perpetual Care	Park Dedication	TIF District 1-4	Total
\$ 4,966	\$ -	\$ -	\$ -	\$ 119,644
-	-	-	-	234,520
-	-	-	-	7,500
-	-	-	-	76,566
-	-	-	-	41,161
19,235	260	-	-	19,495
5,941	-	1,683	-	24,864
100	-	-	-	11,025
-	-	-	-	4,138
<u>30,242</u>	<u>260</u>	<u>1,683</u>	<u>-</u>	<u>538,913</u>
-	-	-	-	155,228
-	-	-	-	103,341
22,153	-	-	-	22,153
-	-	-	-	267,696
<u>22,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,418</u>
8,089	260	1,683	-	(9,505)
-	-	-	-	1,000
8,089	260	1,683	-	(8,505)
<u>23,790</u>	<u>116,192</u>	<u>39,981</u>	<u>(11,051)</u>	<u>680,422</u>
<u>\$ 31,879</u>	<u>\$ 116,452</u>	<u>\$ 41,664</u>	<u>\$ (11,051)</u>	<u>\$ 671,917</u>

City of Arlington, Minnesota
Fire Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	Final Budget	2024 Actual Amounts	Variance with Final Budget	2023 Actual Amounts
Revenues				
Taxes				
General property taxes	\$ 75,000	\$ 74,802	\$ (198)	\$ 73,607
Federal	1,000	-	(1,000)	-
Intergovernmental	8,000	7,500	(500)	9,100
Charges for services	72,605	76,566	3,961	57,730
Investment earnings	2,000	10,165	8,165	7,726
Miscellaneous				
Contributions and donations	2,000	10,925	8,925	9,550
Other	1,000	1,364	364	917
Total Revenues	<u>161,605</u>	<u>181,322</u>	<u>19,717</u>	<u>158,630</u>
Expenditures				
Current				
Public safety				
Fire				
Personal services	64,590	55,756	8,834	42,934
Supplies	4,500	730	3,770	1,024
Other services and charges	96,137	98,742	(2,605)	81,312
Capital outlay				
Public safety	-	23,196	(23,196)	7,160
Total Expenditures	<u>165,227</u>	<u>178,424</u>	<u>(13,197)</u>	<u>132,430</u>
Net Change in Fund Balances	(3,622)	2,898	6,520	26,200
Fund Balances, January 1	<u>252,284</u>	<u>252,284</u>	-	<u>226,084</u>
Fund Balances, December 31	<u>\$ 248,662</u>	<u>\$ 255,182</u>	<u>\$ 6,520</u>	<u>\$ 252,284</u>

City of Arlington, Minnesota
Community Hall Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	Final Budget	2024 Actual Amounts	Variance with Final Budget	2023 Actual Amounts
Revenues				
Taxes				
General property taxes	\$ 40,000	\$ 39,876	\$ (124)	\$ 34,862
Charges for services	35,750	41,161	5,411	42,354
Investment earnings	-	836	836	869
Miscellaneous				
Other	3,500	2,774	(726)	2,230
Total Revenues	<u>79,250</u>	<u>84,647</u>	<u>5,397</u>	<u>80,315</u>
Expenditures				
Current				
Culture and recreation				
Personal services	49,897	48,927	970	13,362
Supplies	5,000	3,982	1,018	3,646
Other services and charges	66,300	50,432	15,868	65,035
Total Expenditures	<u>121,197</u>	<u>103,341</u>	<u>17,856</u>	<u>82,043</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,947)	(18,694)	23,253	(1,728)
Other Financing Sources (Uses)				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balances	(40,947)	(17,694)	23,253	(728)
Fund Balances, January 1	<u>27,116</u>	<u>27,116</u>	<u>-</u>	<u>27,844</u>
Fund Balances, December 31	<u>\$ (13,831)</u>	<u>\$ 9,422</u>	<u>\$ 23,253</u>	<u>\$ 27,116</u>

City of Arlington, Minnesota
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	Final Budget	2024 Actual Amounts	Variance with Final Budget	2023 Actual Amounts
Revenues				
Taxes				
General property taxes	\$ 5,000	\$ 4,966	\$ (34)	\$ 10
Charges for services	16,200	19,235	3,035	21,655
Investment earnings	1,500	5,941	4,441	4,351
Miscellaneous				
Contributions and donations	-	100	100	100
Total Revenues	<u>22,700</u>	<u>30,242</u>	<u>7,542</u>	<u>26,116</u>
Expenditures				
Current				
Miscellaneous				
Cemetery				
Personal services	6,000	5,308	692	5,871
Other services and charges	11,200	16,845	(5,645)	11,306
Total Expenditures	<u>17,200</u>	<u>22,153</u>	<u>(4,953)</u>	<u>17,177</u>
Net Change in Fund Balances	5,500	8,089	2,589	8,939
Fund Balances, January 1	<u>23,790</u>	<u>23,790</u>	-	<u>14,851</u>
Fund Balances, December 31	<u>\$ 29,290</u>	<u>\$ 31,879</u>	<u>\$ 2,589</u>	<u>\$ 23,790</u>

City of Arlington, Minnesota
Cemetery Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	Final Budget	2024 Actual Amounts	Variance with Final Budget	2023 Actual Amounts
Revenues				
Charges for services	\$ 342	\$ 260	\$ (82)	\$ 470
Fund Balances, January 1	116,192	116,192	-	115,722
Fund Balances, December 31	<u>\$ 116,534</u>	<u>\$ 116,452</u>	<u>\$ (82)</u>	<u>\$ 116,192</u>

City of Arlington, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2024

	102 Tax Abatement	419 Circle Drive Improvements	Formerly Major 401 Capital Equipment	Total
Assets				
Cash and temporary investments	\$ 11,855	\$ 40,784	\$ 197,817	\$ 250,456
Receivables				
Interest	12	-	684	696
Taxes				
Delinquent	-	-	3,021	3,021
Due from other governments	-	-	804	804
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 11,867</u></u>	<u><u>\$ 40,784</u></u>	<u><u>\$ 202,326</u></u>	<u><u>\$ 254,977</u></u>
Liabilities				
Accounts payable	<u>\$ 45,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,577</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>3,021</u>	<u>3,021</u>
Fund Balances				
Assigned				
Capital projects	-	40,784	199,305	240,089
Unassigned	<u>(33,710)</u>	<u>-</u>	<u>-</u>	<u>(33,710)</u>
Total Fund Balances	<u><u>(33,710)</u></u>	<u><u>40,784</u></u>	<u><u>199,305</u></u>	<u><u>206,379</u></u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u><u>\$ 11,867</u></u>	<u><u>\$ 40,784</u></u>	<u><u>\$ 202,326</u></u>	<u><u>\$ 254,977</u></u>

City of Arlington, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	102 Tax Abatement	419 Circle Drive Improvements	Formerly Major 401 Capital Equipment	Formerly Nonmajor 424 2024 Project	Total
Revenues					
Taxes	\$ 7,825	\$ -	\$ 161,698		\$ 169,523
Special assessments	-	24,508	-		24,508
Intergovernmental	-	-	12,112		12,112
Investment earnings	152	-	10,830		10,982
Miscellaneous	-	-	61		61
Total Revenues	<u>7,977</u>	<u>24,508</u>	<u>184,701</u>		<u>217,186</u>
Expenditures					
Capital outlay					
Public safety	-	-	36,148		36,148
Streets and highways	-	-	170,264		170,264
Housing and economic development	45,577	-	-		45,577
Debt service					
Principal	-	-	10,000		10,000
Total Expenditures	<u>45,577</u>	<u>-</u>	<u>216,412</u>		<u>261,989</u>
Net Change in Fund Balances	(37,600)	24,508	(31,711)		(44,803)
Fund Balances, January 1 as previously reported	<u>3,890</u>	<u>16,276</u>	<u>-</u>	<u>(246,656)</u>	<u>(226,490)</u>
Change to the financial reporting entity (Note 7)					
Change from nonmajor to major fund	-	-	-	246,656	246,656
Change from major to nonmajor fund	-	-	231,016	-	231,016
Fund Balances, January 1 as adjusted	<u>3,890</u>	<u>16,276</u>	<u>231,016</u>	<u>-</u>	<u>251,182</u>
Fund Balances, December 31	<u>\$ (33,710)</u>	<u>\$ 40,784</u>	<u>\$ 199,305</u>	<u>\$ -</u>	<u>\$ 206,379</u>

City of Arlington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
General Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 657,083	\$ 657,083	\$ 653,897	\$ (3,186)	\$ 406,957
Franchise taxes	15,000	15,000	13,676	(1,324)	13,803
Total taxes	<u>672,083</u>	<u>672,083</u>	<u>667,573</u>	<u>(4,510)</u>	<u>420,760</u>
Licenses and permits					
Business and non-business	<u>71,600</u>	<u>71,600</u>	<u>143,780</u>	<u>72,180</u>	<u>62,800</u>
Intergovernmental					
Federal					
Other grants	<u>-</u>	<u>-</u>	<u>26,454</u>	<u>26,454</u>	<u>-</u>
State					
Local government aid	899,000	899,000	899,401	401	813,723
Property tax credits	150	150	127	(23)	122
Fire aid	28,000	28,000	38,103	10,103	32,002
Police aid	20,000	20,000	26,734	6,734	3,704
Other grants	20,500	20,500	65,506	45,006	134,341
Total state aid	<u>967,650</u>	<u>967,650</u>	<u>1,029,871</u>	<u>62,221</u>	<u>983,892</u>
County					
Other grants	<u>80,000</u>	<u>80,000</u>	<u>79,822</u>	<u>(178)</u>	<u>77,497</u>
Total intergovernmental	<u>1,047,650</u>	<u>1,047,650</u>	<u>1,136,147</u>	<u>88,497</u>	<u>1,061,389</u>
Charges for services					
General government	18,181	18,181	13,489	(4,692)	6,491
Public safety	-	-	260	260	-
Streets and highways	20,200	20,200	327	(19,873)	11,993
Culture and recreation	3,000	3,000	3,750	750	3,750
Total charges for services	<u>41,381</u>	<u>41,381</u>	<u>17,826</u>	<u>(23,555)</u>	<u>22,234</u>
Fines and forfeits	<u>11,000</u>	<u>11,000</u>	<u>10,618</u>	<u>(382)</u>	<u>9,934</u>
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>38,787</u>	<u>28,787</u>	<u>31,531</u>
Miscellaneous					
Contributions and donations	6,000	6,000	11,104	5,104	2,154
Other	13,900	13,900	27,674	13,774	27,287
Total miscellaneous	<u>19,900</u>	<u>19,900</u>	<u>38,778</u>	<u>18,878</u>	<u>29,441</u>
Total revenues	<u>1,873,614</u>	<u>1,873,614</u>	<u>2,053,509</u>	<u>179,895</u>	<u>1,638,089</u>

City of Arlington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 38,799	\$ 38,799	\$ 30,334	\$ 8,465	\$ 32,275
Administration/clerk					
Personal services	129,973	129,973	121,990	7,983	110,297
Supplies	23,000	23,000	6,763	16,237	15,861
Other services and charges	178,525	178,525	175,220	3,305	236,300
Total administration/clerk	331,498	331,498	303,973	27,525	362,458
Elections					
Personal services	6,000	6,000	5,194	806	-
Supplies	1,500	1,500	-	1,500	-
Other services and charges	2,000	2,000	1,495	505	-
Total elections	9,500	9,500	6,689	2,811	-
Assessor					
Other services and charges	10,940	10,940	10,940	-	10,940
Legal					
Other services and charges	13,000	13,000	5,380	7,620	12,630
Planning and zoning					
Personal services	1,600	1,600	520	1,080	240
Supplies	100	100	82	18	56
Other services and charges	94,400	94,400	164,227	(69,827)	75,290
Total planning and zoning	96,100	96,100	164,829	(68,729)	75,586
Municipal building					
Supplies	3,000	3,000	4,405	(1,405)	2,637
Other services and charges	17,055	17,055	16,883	172	19,594
Total municipal building	20,055	20,055	21,288	(1,233)	22,231
Total general government	519,892	519,892	543,433	(23,541)	516,120

City of Arlington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public safety					
Police					
Personal services	\$ 426,420	\$ 426,420	\$ 411,942	\$ 14,478	\$ 332,986
Supplies	20,000	20,000	23,245	(3,245)	21,681
Other services and charges	110,320	110,320	79,940	30,380	75,851
Total police	556,740	556,740	515,127	41,613	430,518
Fire					
Personal services	40,000	40,000	43,895	(3,895)	35,686
Civil defense					
Personal services	1,077	1,077	1,077	-	1,077
Supplies	-	-	-	-	4,507
Total civil defense	1,077	1,077	1,077	-	5,584
Animal control					
Other services and charges	1,100	1,100	174	926	1,029
Total public safety	598,917	598,917	560,273	38,644	472,817
Streets and highways					
Public works					
Personal services	152,907	152,907	120,374	32,533	146,855
Supplies	12,800	12,800	13,130	(330)	5,043
Other services and charges	91,600	91,600	107,588	(15,988)	102,946
Total public works	257,307	257,307	241,092	16,215	254,844
Street maintenance					
Supplies	205,000	205,000	166,923	38,077	53,020
Other services and charges	61,545	61,545	28,168	33,377	112,406
Total street maintenance	266,545	266,545	195,091	71,454	165,426
Street lighting					
Other services and charges	9,000	9,000	7,876	1,124	6,973
Total streets and highways	532,852	532,852	444,059	88,793	427,243

City of Arlington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Culture and recreation					
Parks and recreation					
Personal services	\$ 28,820	\$ 28,820	\$ 35,059	\$ (6,239)	\$ 15,299
Supplies	8,500	8,500	22,982	(14,482)	14,422
Other services and charges	32,536	32,536	44,755	(12,219)	51,889
Total parks and recreation	69,856	69,856	102,796	(32,940)	81,610
Library					
Personal services	112,856	112,856	110,528	2,328	97,803
Supplies	23,300	23,300	20,427	2,873	16,193
Other services and charges	13,568	13,568	11,470	2,098	12,459
Total library	149,724	149,724	142,425	7,299	126,455
Total culture and recreation	219,580	219,580	245,221	(25,641)	208,065
Housing and economic development					
Personal services	35,773	35,773	27,380	8,393	1,100
Supplies	-	-	48	(48)	-
Other services and charges	12,600	12,600	11,295	1,305	5,803
Total housing and economic development	48,373	48,373	38,723	9,650	6,903
Miscellaneous					
Other services and charges	-	-	-	-	25
Total current	1,919,614	1,919,614	1,831,709	87,905	1,631,173
Capital outlay					
General government	-	-	209,537	(209,537)	-
Public safety	-	-	135,682	(135,682)	8,700
Streets and highways	30,000	30,000	39,754	(9,754)	7,627
Culture and recreation	21,500	21,500	40,335	(18,835)	2,420
Total capital outlay	51,500	51,500	425,308	(373,808)	18,747
Total expenditures	1,971,114	1,971,114	2,257,017	(285,903)	1,649,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,500)	(97,500)	(203,508)	(106,008)	(11,831)
Other Financing Sources (Uses)					
Transfers in	97,500	97,500	97,500	-	26,500
Sales of capital assets	-	-	35,000	35,000	795
Insurance reimbursement	-	-	166,503	166,503	-
Total other financing sources (uses)	97,500	97,500	299,003	201,503	27,295
Net Change in Fund Balances	-	-	95,495	95,495	15,464
Fund Balances, January 1	1,149,872	1,149,872	1,149,872	-	1,134,408
Fund Balances, December 31	\$ 1,149,872	\$ 1,149,872	\$ 1,245,367	\$ 95,495	\$ 1,149,872

City of Arlington, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2024

	315 2012 Sinking Improvement	317 2015 Sinking Improvement	318 2017 Sinking Improvement	321 2019 Sinking Improvement
Assets				
Cash and temporary investments	\$ 28,282	\$ 242,113	\$ 362,360	\$ 340,286
Receivables				
Interest	53	478	838	762
Delinquent taxes	77	1,106	768	776
Accounts, net of allowance for uncollectibles	-	-	-	-
Special assessments	13,456	58,388	81,989	219,061
Lease	-	-	-	-
Due from other governments	27	385	246	265
	<u>27</u>	<u>385</u>	<u>246</u>	<u>265</u>
Total Assets	<u>\$ 41,895</u>	<u>\$ 302,470</u>	<u>\$ 446,201</u>	<u>\$ 561,150</u>
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	\$ 77	\$ 1,106	\$ 768	\$ 776
Special assessments	13,456	58,388	81,989	219,061
Deferred lease revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>13,533</u>	<u>59,494</u>	<u>82,757</u>	<u>219,837</u>
Fund Balances				
Restricted				
Debt service	<u>28,362</u>	<u>242,976</u>	<u>363,444</u>	<u>341,313</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 41,895</u>	<u>\$ 302,470</u>	<u>\$ 446,201</u>	<u>\$ 561,150</u>

324 2024 Sinking Improvement	351 2020 Fire Truck	360 Hospital Bond Fund	Total
\$ 252,906	\$ 38,383	\$ -	\$ 1,264,330
-	61	-	2,192
-	348	-	3,075
15,660	-	-	15,660
1,377,100	-	-	1,749,994
-	-	535,222	535,222
-	119	-	1,042
<u>\$ 1,645,666</u>	<u>\$ 38,911</u>	<u>\$ 535,222</u>	<u>\$ 3,571,515</u>
\$ -	\$ 348	\$ -	\$ 3,075
1,377,100	-	-	1,749,994
-	-	530,203	530,203
<u>1,377,100</u>	<u>348</u>	<u>530,203</u>	<u>2,283,272</u>
<u>268,566</u>	<u>38,563</u>	<u>5,019</u>	<u>1,288,243</u>
<u>\$ 1,645,666</u>	<u>\$ 38,911</u>	<u>\$ 535,222</u>	<u>\$ 3,571,515</u>

City of Arlington, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	315 2012 Sinking Improvement	317 2015 Sinking Improvement	318 2017 Sinking Improvement	321 2019 Sinking Improvement
Revenues				
Taxes	\$ 5,438	\$ 76,822	\$ 49,182	\$ 52,923
Special assessments	6,971	13,137	14,841	26,309
Investment earnings	819	7,658	13,371	12,063
Miscellaneous	-	-	-	-
Total Revenues	<u>13,228</u>	<u>97,617</u>	<u>77,394</u>	<u>91,295</u>
Expenditures				
Debt service				
Principal	9,500	80,600	67,500	55,000
Interest and other charges	1,811	19,963	18,291	31,500
Total Expenditures	<u>11,311</u>	<u>100,563</u>	<u>85,791</u>	<u>86,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,917</u>	<u>(2,946)</u>	<u>(8,397)</u>	<u>4,795</u>
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Transfers in	-	3,000	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,917	54	(8,397)	4,795
Fund Balances, January 1	<u>26,445</u>	<u>242,922</u>	<u>371,841</u>	<u>336,518</u>
Fund Balances, December 31	<u>\$ 28,362</u>	<u>\$ 242,976</u>	<u>\$ 363,444</u>	<u>\$ 341,313</u>

324 2024 Sinking Improvement	351 2020 Fire Truck	360 Hospital Bond Fund	Total
\$ -	\$ 23,691	\$ -	\$ 208,056
155,990	-	-	217,248
4,310	945	-	39,166
-	-	271,362	271,362
<u>160,300</u>	<u>24,636</u>	<u>271,362</u>	<u>735,832</u>
-	20,000	240,000	472,600
-	2,425	29,950	103,940
-	<u>22,425</u>	<u>269,950</u>	<u>576,540</u>
<u>160,300</u>	<u>2,211</u>	<u>1,412</u>	<u>159,292</u>
108,266	-	-	108,266
-	-	-	3,000
<u>108,266</u>	<u>-</u>	<u>-</u>	<u>111,266</u>
268,566	2,211	1,412	270,558
-	<u>36,352</u>	<u>3,607</u>	<u>1,017,685</u>
<u>\$ 268,566</u>	<u>\$ 38,563</u>	<u>\$ 5,019</u>	<u>\$ 1,288,243</u>

City of Arlington, Minnesota
Discretely Presented Component Unit - Economic Development Authority
Combining Balance Sheet and Statement of Net Position
December 31, 2024

	204 EDA Loan Programs Fund	205 Revolving Loan	410 EDA	Total
Assets				
Cash and temporary investments	\$ 452,591	\$ 81,121	\$ 4,757	\$ 538,469
Receivables				
Interest	994	224	12	1,230
Notes, net of allowance for uncollectibles	-	36,959	-	36,959
Assets held for resale	83,660	-	-	83,660
	<u>\$ 537,245</u>	<u>\$ 118,304</u>	<u>\$ 4,769</u>	<u>\$ 660,318</u>
Liabilities				
Accounts payable	\$ 247	\$ -	\$ -	\$ 247
Fund Balances/New Position				
Restricted				
Future loans	536,998	81,345	-	618,343
Current loans	-	36,959	-	36,959
Committed				
Economic development	-	-	4,769	4,769
Total Fund Balances/Net Position	<u>536,998</u>	<u>118,304</u>	<u>4,769</u>	<u>660,071</u>
Total Liabilities, Deferred Inflows and Fund Balance/Net Position	<u>\$ 537,245</u>	<u>\$ 118,304</u>	<u>\$ 4,769</u>	<u>\$ 660,318</u>

City of Arlington, Minnesota
Discretely Presented Component Unit - Economic Development Authority
Combining Statement of Revenues, Expenditures/Expenses
and Changes in Fund Balances/Net Position
For the Year Ended December 31, 2024

	204 EDA Loan Programs Fund	205 Revolving Loan	410 EDA	Total
Revenues				
Intergovernmental				
State	\$ 10,488	\$ -	\$ -	\$ 10,488
Charges for services				
Other	66,200	-	-	66,200
Investment earnings	11,630	3,427	192	15,249
Miscellaneous				
Loan payments received	-	1,902	-	1,902
Total Revenues	<u>88,318</u>	<u>5,329</u>	<u>192</u>	<u>93,839</u>
Expenditures/Expenses				
Current				
Housing and economic development	<u>27,642</u>	<u>9,194</u>	<u>-</u>	<u>36,836</u>
Net Change in Fund Balances/Net Position	60,676	(3,865)	192	57,003
Fund Balances/Net Position, January 1	<u>476,322</u>	<u>122,169</u>	<u>4,577</u>	<u>603,068</u>
Fund Balances/Net Position, December 31	<u><u>\$ 536,998</u></u>	<u><u>\$ 118,304</u></u>	<u><u>\$ 4,769</u></u>	<u><u>\$ 660,071</u></u>

City of Arlington, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the Years Ended December 31, 2024 and 2023

	Total 2024	Total 2023	Percent Increase (Decrease)
Revenues			
Taxes	\$ 1,164,818	\$ 1,089,348	6.9 %
Special assessments	241,756	107,160	125.6
Licenses and permits	143,780	62,800	129.0
Intergovernmental	1,493,311	1,086,847	37.4
Charges for services	725,806	855,988	(15.2)
Fines and forfeits	10,618	9,934	6.9
Investment earnings	312,367	102,372	(205.1)
Miscellaneous	358,032	366,178	(2.2)
Total Revenues	<u>\$ 4,450,488</u>	<u>\$ 3,680,627</u>	20.9 %
Per Capita	<u>\$ 1,924</u>	<u>\$ 1,580</u>	21.8 %
Expenditures			
Current			
General government	\$ 543,433	\$ 516,120	5.3 %
Public safety	1,325,330	1,375,373	(3.6)
Streets and highways	464,278	427,243	8.7
Health and welfare	42,254	45,966	(8.1)
Culture and recreation	348,562	290,108	20.2
Housing and economic development	38,723	6,903	461.0
Miscellaneous	22,153	17,202	28.8
Capital outlay			
General government	209,537	-	N/A
Public safety	441,526	29,935	1,375.0
Streets and highways	1,613,838	906,015	78.1
Culture and recreation	40,335	56,718	(28.9)
Housing and economic development	45,577	5,664	704.7
Miscellaneous	-	12,150	(100.0)
Debt service			
Principal	482,600	477,600	1.1
Interest and other charges	103,940	117,632	(11.6)
Bond issuance costs	117,623	-	N/A
Total Expenditures	<u>\$ 5,839,709</u>	<u>\$ 4,284,629</u>	36.3 %
Per Capita	<u>\$ 2,525</u>	<u>\$ 1,840</u>	37.2 %
Total Long-term Indebtedness	\$ 7,401,168	\$ 3,628,768	104.0 %
Per Capita	3,200	1,558	105.4
General Fund Balance - December 31	\$ 1,245,367	\$ 1,149,872	8.3 %
Per Capita	538	494	8.9

The purpose of this report is to provide a summary of financial information concerning the City of Arlington to interested citizens. The complete financial statements may be examined at City Hall, 204 Shamrock Drive, Arlington, Minnesota 55307. Questions about this report should be directed to the City Administrator at (507) 964-2378.

OTHER REQUIRED REPORTS

CITY OF ARLINGTON
ARLINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Arlington, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Arlington, Minnesota (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions, sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2024-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

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



Abdo
Mankato, Minnesota
July 29, 2025

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

Honorable Mayor and City Council
City of Arlington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Minnesota (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal controls, described in the accompanying Schedule of Findings and Responses as item 2024-001 that was considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance as item 2024-002 and identified no other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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.



Abdo
Mankato, Minnesota
July 29, 2025



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City of Arlington, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Segregation of Duties
<i>Condition:</i>	During our audit we reviewed procedures over journal entries, disbursements, payroll, and utility billing and found the City to have limited segregation of duties over those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.

Internal Control Over Journal Entries

<i>Cause:</i>	As a result of the small number of staff, the Clerk/Treasurer in conjunction with an administrative assistant prepares and posts all journal entries to the accounting system.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend the Council review manual journal entries monthly. It is important that the Council be aware of this condition and monitors all financial information.

Management response:

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

Internal Control Over Disbursements

<i>Cause:</i>	The Deputy Clerk sets up and maintains vendors, prepares checks, mails checks to vendors and initiates wire transfers.
<i>Recommendation:</i>	We recommend that an employee other than the Deputy Clerk mail checks to vendors and initiates wire transfer.

Management Response:

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited and there has been a lot of turnover in the past year.

City of Arlington, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

Finding

Description

2024-001

Segregation of Duties (Continued)

Internal Control Over Payroll

Cause: The Deputy Clerk sets up employee/payroll records, runs payroll, initiates payroll transfers for direct deposit, and prepares the payroll tax returns. The Accountant/Clerk maintains/controls the check stock, maintains and posts payroll to the general ledger and reconciles the bank accounts.

Recommendation: We recommend that an employee other than the Deputy Clerk initiates payroll transfers for direct deposit.

Management Response:

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited and there has been a lot of turnover in the past year.

Internal Control Over Utility Billing

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

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

Management Response:

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

Updated Progress Since Prior Year:

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

City of Arlington, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-002	Long Outstanding Checks
<i>Condition:</i>	The City had 21 outstanding checks dated prior to December 31, 2021. This has been a consistent finding for several years.
<i>Criteria:</i>	In accordance with Minnesota statute, section 345.41, if the City's records show unclaimed or uncashed checks or intangible property held for more than three years; the property must be reported and paid or delivered to the state Commissioner of Commerce.
<i>Effect:</i>	City staff was unaware that these checks were still outstanding.
<i>Recommendation:</i>	We recommend that the City review their list of outstanding checks each month for any being uncashed over the required time period. If a long outstanding check is found, have it delivered to the state Commissioner of Commerce.
<i>Management Response:</i>	
Management will send out follow-up inquires to the payees to remedy the finding in 2025.	
2024-003	Inventory Count
<i>Condition:</i>	During the audit, we observed the inventory count was incomplete. The client did not provide the necessary inventory count data, which was requested to perform a comprehensive audit of the inventory records.
<i>Criteria:</i>	According to the audit plan and industry best practices, a complete and accurate inventory count is essential to ensure the reliability of financial statements and to assess the accuracy of inventory valuation.
<i>Effect:</i>	The client did not provide the inventory count data as requested, resulted in an inability to verify the accuracy of the inventory records. Due to the lack of inventory count data, there is an increased risk of misstatement in the inventory valuation on the financial statements. This may impact the auditor's ability to issue an unqualified opinion regarding the accuracy of the inventory records.
<i>Recommendation:</i>	We recommend that the client establish procedures of to ensure timely and accurate submission of inventory count data for audit procedures. This should include clear communication of channels and deadlines for data submission to prevent future occurrences of incomplete inventory counts.
<i>Management Response:</i>	
Management will work to develop a comprehensive process with city staff and contractors for maintaining inventory and obtaining satisfactory year-end counts.	