

**CITY OF CHATFIELD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**



# CITY OF CHATFIELD, MINNESOTA

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
List of Elected and Appointed Officials	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	20
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - EDA Fund	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Ambulance Fund	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan Federal Fund	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan State Fund	35
Statement of Net Position - Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	38
Statement of Cash Flows - Proprietary Funds	40
Notes to the Financial Statements	42
Required Supplementary Information	
Schedule of Pension Contributions	
General Employees Retirement Fund	71
Public Employees Police and Fire Fund Pension Plan	71
Schedule of Proportionate Share of Net Pension Liability	
General Employees Retirement Fund	72
Public Employees Police and Fire Fund Pension Plan	72

## CITY OF CHATFIELD, MINNESOTA

### TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
<b>FINANCIAL SECTION (CONTINUED)</b>	
Combining and Individual Nonmajor Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	73
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Nonmajor Governmental Funds	77
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Chatfield Center for the Arts	81
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Library Fund	82
Statement of Net Position - Internal Service Funds	83
Schedule of Revenues, Expenditures, and Changes in Net	
Position - Budget and Actual - Internal Service Funds	84
Statement of Cash Flows - Internal Service Funds	85
Supplementary Information	
Water Fund:	
Statement of Net Position	86
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	87
Sewer Fund:	
Statement of Net Position	88
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	89
Water Infrastructure Fund:	
Statement of Net Position	90
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	91
Sewer Infrastructure Fund:	
Statement of Net Position	92
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	93
Garbage Fund:	
Statement of Net Position	94
Statement of Revenues, Expenses, and Changes in Fund	95
Net Position - Budget and Actual	
Auditor's Report on Legal Compliance	96

**CITY OF CHATFIELD, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2016**

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**CITY OF CHATFIELD, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2016**

Russ Smith	Mayor
Ken Jacobson	Vice-Mayor
Robert Pederson	Councilor
Mike Urban	Councilor
Paul Novotny	Councilor
Dave Frank	Councilor
Joel Young	City Clerk
Kay Coe	Finance Director

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**CITY OF CHATFIELD, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
**City of Chatfield, Minnesota**

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chatfield, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chatfield, Minnesota, as of December 31, 2016, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2015, from which such partial information was derived.

We have previously audited the City's 2015 financial statements and our report dated March 14, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatfield, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Smith, Schaff and Associates, Ltd.*

## **CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Chatfield, Minnesota, we offer readers of the City of Chatfield, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Chatfield, Minnesota for the fiscal year ended December 31, 2016.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$20,098,494 (*net position*). Of this amount, \$2,566,981 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's designations and fiscal policies.
- The City's total net position increased by \$3,576,542.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$3,743,781. Approximately \$1,812,137 of this total amount, or 48% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,001,242 or 53 percent of next year's total general fund property tax levy and local government aid.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Chatfield, Minnesota's basic financial statements. The City of Chatfield, Minnesota's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

## CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

The *statement of net position* presents information on all of the City of Chatfield, Minnesota's assets and liabilities, with the difference between the two 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 of Chatfield, Minnesota 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 the 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 not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Chatfield, Minnesota that are principally supported by taxes and intergovernmental revenues (*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 of Chatfield, Minnesota include general government, public safety, public works, parks and recreation, library and community development. The business-type activities of the City of Chatfield, Minnesota include the water, sewer and garbage utilities. The government-wide financial statements can be found on pages 17-19 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 of Chatfield, Minnesota, 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 of Chatfield, Minnesota 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 financial 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 of 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*.

## **CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Chatfield, Minnesota maintains twenty-four individual governmental funds. 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 fund, the revolving loan federal fund, the fire fund, the EDA fund, the ambulance fund, the revolving loan state fund, and the CCA capital projects fund, which are considered to be major funds. Data from the other seventeen 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* elsewhere in this report.

The City of Chatfield, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 26-30) and the special revenue funds (pages 31-35 and 81-82) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 20-21 and 23-24 of this report.

***Proprietary funds.*** The City of Chatfield, Minnesota maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Chatfield, Minnesota uses enterprise funds to account for its water, sewer and garbage funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Chatfield, Minnesota's various functions. The City of Chatfield, Minnesota uses internal service funds to account for certain capital acquisition activities. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 the water, sewer and garbage utilities, all of which are considered to be major funds of the City of Chatfield, Minnesota.

The proprietary fund financial statements can be found on pages 36-41 of this report.

The internal service fund financial statements can be found on pages 83-85 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-70 of this report.

***Other information.*** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 73-80 of this report.

**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 of Chatfield, Minnesota, assets exceeded liabilities by \$20,098,494 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net position (\$15,114,849) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Chatfield, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Chatfield, Minnesota'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 Chatfield, Minnesota Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,897,363	\$ 5,619,485	\$ 6,043,951	\$ 1,514,318	\$ 11,941,314	\$ 7,133,803
Capital assets	15,448,289	11,328,509	9,710,408	9,660,527	25,158,697	20,989,036
Total assets	21,345,652	16,947,994	15,754,359	11,174,845	37,100,011	28,122,839
Deferred outflows of resources	1,174,944	148,881	74,311	15,544	1,249,255	164,425
Long-term liabilities						
outstanding	7,031,245	5,364,618	10,395,060	5,662,833	17,426,305	11,027,451
Other liabilities	407,941	494,801	181,545	104,764	589,486	599,565
Total liabilities	7,439,186	5,859,419	10,576,605	5,767,597	18,015,791	11,627,016
Deferred inflows of resources	219,042	126,115	15,939	12,181	234,981	138,296
Net position:						
Net investment in capital assets	10,399,575	6,784,867	4,715,274	4,578,718	15,114,849	11,363,585
Restricted	2,416,664	1,517,577			2,416,664	1,517,577
Unrestricted	2,046,129	2,808,897	520,852	831,893	2,566,981	3,640,790
Total net position	\$ 14,862,368	\$ 11,111,341	\$ 5,236,126	\$ 5,410,611	\$ 20,098,494	\$ 16,521,952

The balance of *unrestricted net position* (\$2,566,981) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental activities.** Governmental activities increased the City of Chatfield, Minnesota's net position by \$3,751,027.



# CITY OF CHATFIELD, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Business-type activities.** Business-type activities decreased the City of Chatfield, Minnesota's net position by \$174,485.

A condensed version of the Statement of Activities follows:

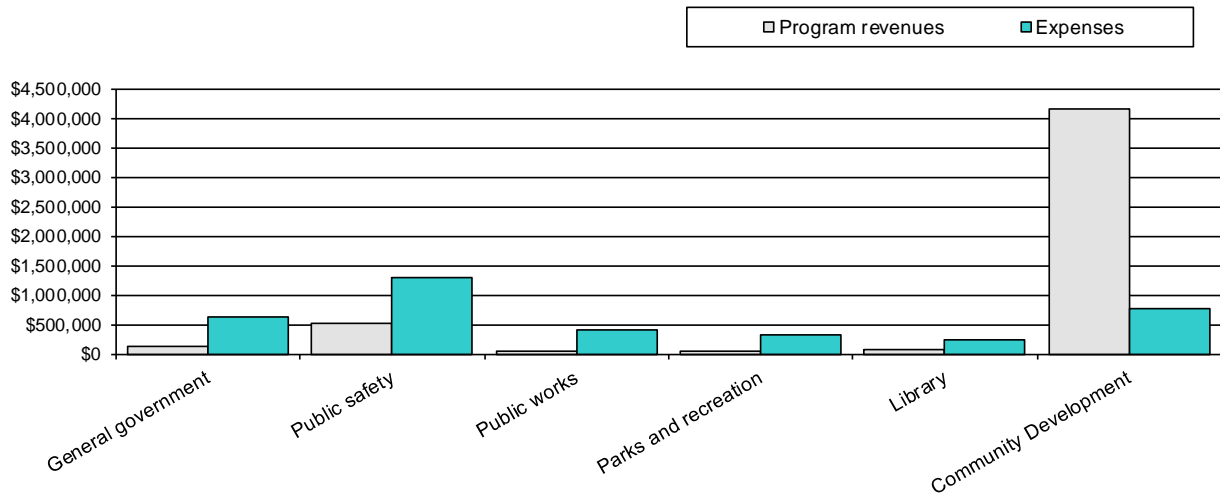
### City of Chatfield, Minnesota Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenues:						
Charges for services	\$ 574,020	\$ 580,960	\$ 1,352,379	\$ 1,277,308	\$ 1,926,399	\$ 1,858,268
Operating grants and contributions	283,793	1,690,685			283,793	1,690,685
Capital grants and contributions	4,109,238	20,922			4,109,238	20,922
General revenues:						
Property taxes	1,469,750	1,383,268			1,469,750	1,383,268
Tax increments	88,564	171,440			88,564	171,440
Grants and contributions not restricted to specific programs						
Local government aid	765,094	761,554			765,094	761,554
Other	694	1,626			694	1,626
Miscellaneous	46,812	78,857	27,752	28,903	74,564	107,760
Total revenues	<u>7,337,965</u>	<u>4,689,312</u>	<u>1,380,131</u>	<u>1,306,211</u>	<u>8,718,096</u>	<u>5,995,523</u>
Expenses:						
General government	623,184	636,823			623,184	636,823
Public safety	1,285,461	1,061,209			1,285,461	1,061,209
Public works	408,231	582,195			408,231	582,195
Parks and recreation	309,257	273,781			309,257	273,781
Library	245,082	224,574			245,082	224,574
Community development	755,020	520,992			755,020	520,992
Interest on long-term debt	113,429	116,608			113,429	116,608
Water			259,158	236,734	259,158	236,734
Sewer			964,252	824,980	964,252	824,980
Garbage			178,480	179,633	178,480	179,633
Total expenses	<u>3,739,664</u>	<u>3,416,182</u>	<u>1,401,890</u>	<u>1,241,347</u>	<u>5,141,554</u>	<u>4,657,529</u>
Change in net position before transfers	3,598,301	1,273,130	(21,759)	64,864	3,576,542	1,337,994
Transfers	152,726	(94,499)	(152,726)	94,499		
Change in net position	<u>3,751,027</u>	<u>1,178,631</u>	<u>(174,485)</u>	<u>159,363</u>	<u>3,576,542</u>	<u>1,337,994</u>
Net position, beginning	11,111,341	9,932,710	5,410,611	5,251,248	16,521,952	15,183,958
Net position, end of year	<u>\$ 14,862,368</u>	<u>\$ 11,111,341</u>	<u>\$ 5,236,126</u>	<u>\$ 5,410,611</u>	<u>\$ 20,098,494</u>	<u>\$ 16,521,952</u>

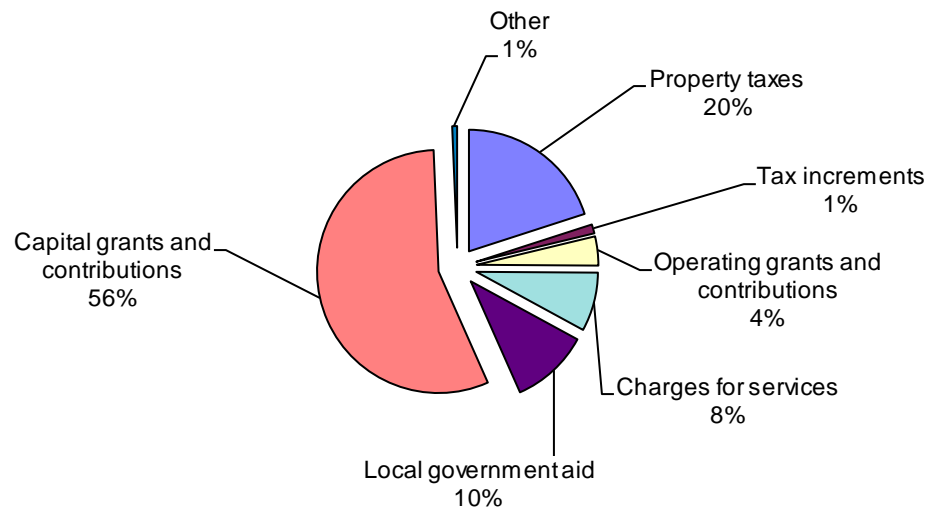
## CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues - Governmental Activities**



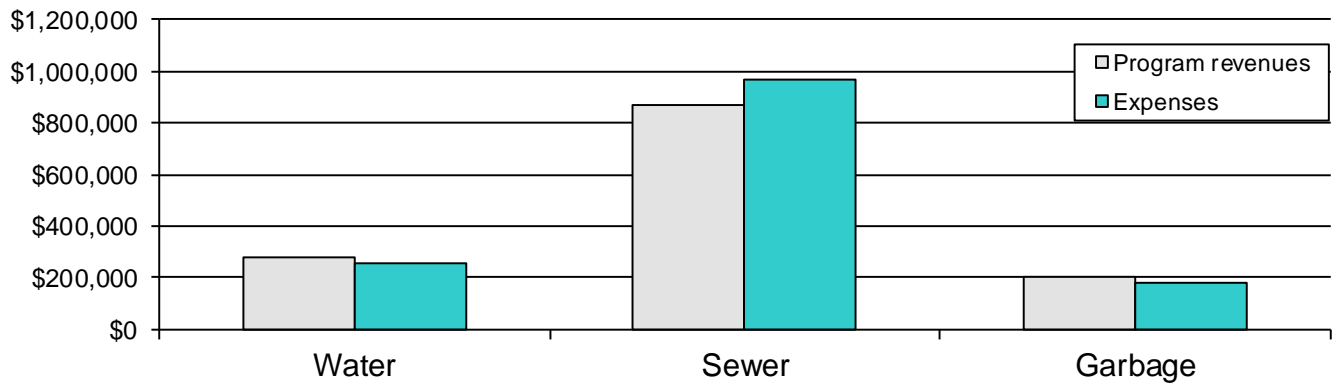
**Revenues by Source - Governmental Activities**



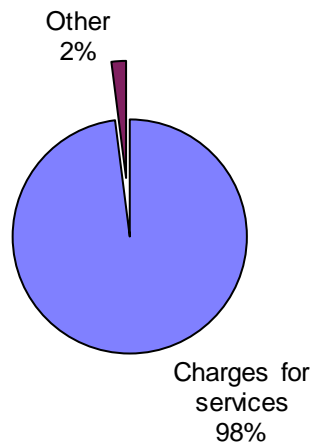
**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FUND BASIS FINANCIAL ANALYSIS**

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

**Governmental funds.** The focus of the City of Chatfield, Minnesota'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 of Chatfield, Minnesota's financing requirements. In particular, *unassigned* and *assigned* fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 5 in the Notes to Financial Statements.

At the end of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$3,743,781, an increase of \$411,114. This increase is the result of a variety of factors. The primary reason for this increase is the issuance of an advanced refunding bond, which represented an increase in \$893,419. These proceeds will be used to pay off an existing bond in the future, lowering the City's interest costs. The General Fund also experienced an increased fund balance, primarily due to larger than expected collections in property taxes, donations, and grants. Those increases were offset, in part, by a decrease of \$223,064 in the Fire Fund, a decrease of \$209,000 in the CCA Capital Project Fund, a \$43,867 decrease in the Revolving Loan Fund, a \$19,489 decrease in the 2012A Refunding Bond Fund, and a decrease of just over \$13,000 in the Ambulance Fund. The Fire Fund decrease was due to the acquisition of a new fire truck, which was planned in the preceding years, the decrease in the CCA Capital Project Fund will be eliminated when the State of Minnesota releases grant funds that have been approved by the Legislature, the Revolving Loan Fund decrease reflects the impact of granting a loan to a new automobile sales business, while the decrease in the 2012A Bond Fund reflects the impact of prepaid assessments that were collected in previous years, and the Ambulance Fund decrease reflects a year in which the Ambulance Department experienced less revenue collections than was anticipated.

## CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Governmental funds (continued).**

Approximately 48% of this total amount, or \$1,812,137, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Chatfield, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,001,242. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to next year's general fund tax and aid.

Unassigned fund balance represents 53 percent of next year's total general fund property tax levy and local government aid.

The City of Chatfield, Minnesota has planned and implemented procedures to ensure that its general fund balance is at a level that meets its cash flow needs on a regular basis. That has been accomplished and a management tool is in place to ensure this into the future. In terms of the other governmental funds, similar management practices are in place and are designed to recognize the special nuances that might apply to funds that are more specific in nature than is the General Fund. Over the course of 2016, the fund balances of other governmental funds increased in the amount of \$879,870, in comparison to the overall fund balances of \$3,743,781.

**Proprietary funds.** The City of Chatfield, Minnesota's proprietary funds statements found on pages 36-41 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Water - \$509,716, Sewer - \$173,122, and Garbage - \$67,241.

The City's Water Fund had been building cash for a number of years, in anticipation of substantial improvements. In 2008 – 2009, the City constructed a water tower, a booster station and new water main. Since those improvements were made in conjunction with a tax abatement project with Fillmore County, debt was issued and the cash balance in the Water Fund will be used to help service that debt.

Water user rates were increased by 4.5% at the beginning of 2016. This was primarily due to the water improvements that were made in the Bench-Twiford Street area of the community in 2014 and to meet the overall needs of that enterprise.

Sanitary sewer rates have been increasing on a pre-planned schedule that was implemented several years ago. Accordingly, sewer user rates were increased by 3.0% in 2016. The long term outlook of the sanitary sewer fund was stabilized when the City refunded the debt associated with the wastewater treatment plant in 2011. In order to minimize sewer rate increases and avoid the prospect of rates that are higher than necessary at the time this debt is retired, the City has pledged general fund support for the next several years. To that end, in 2016, \$115,000 was transferred from the General Fund to the wastewater treatment plant debt service fund and the City plans additional transfers in years 2017-2022, which are already included in its long term budget. The wastewater treatment plant is capable of accommodating significant growth in the community.

**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Proprietary funds (continued).**

The City's Garbage Fund is very different from the other Enterprise Funds in that the City does not physically deliver the services associated with that Fund. The City has administered an "organized collection" system for approximately twenty years and, as part of that administration, performs the billing, collecting and other administration of the service. In return for those services, the City receives payments that are meant to cover the cost of billing, collecting and general administration. Additionally, the City uses those funds to pay for the spring clean-up that it annually sponsors and the household hazardous waste collection that it sponsors each September. Rates increased in 2010, which was the first rate increase in a number of years. The rate change recognized the increasing costs of providing the Household Hazardous Waste Collection and the annual city-wide clean-up service. It is not likely that rates will increase anytime in the near future.

**General Fund Budgetary Highlights**

The primary cause of the increase in the general fund balance was the amount of property taxes, grants and donations collected exceeded expectations by \$83,724. Partially off-setting that additional revenue was larger than normal engineering fees, along with unexpected labor and legal fees in the Parks Department.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Chatfield, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$25,158,697 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, furniture and fixtures, wastewater treatment facility, park facilities, roads, and bridges. The total increase in the City of Chatfield, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$4,169,661.

**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration (Continued)**

**City of Chatfield, Minnesota Capital Assets**

(net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 1,158,679	\$ 1,158,679	\$ 60,492	\$ 60,492	\$ 1,219,171	\$ 1,219,171
Construction in process		54,024	350,000		350,000	54,024
Buildings and improvements	8,134,229	4,287,726			8,134,229	4,287,726
Vehicles	1,303,406	874,266			1,303,406	874,266
Machinery and equipment	644,635	633,503	107,436	79,590	752,071	713,093
Furniture and fixtures	166,219	165,296			166,219	165,296
Wastewater treatment facility			9,192,480	9,520,445	9,192,480	9,520,445
Infrastructure	4,041,121	4,155,015			4,041,121	4,155,015
Total	<u>\$ 15,448,289</u>	<u>\$ 11,328,509</u>	<u>\$ 9,710,408</u>	<u>\$ 9,660,527</u>	<u>\$ 25,158,697</u>	<u>\$ 20,989,036</u>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 55-56 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Chatfield, Minnesota had \$15,155,000 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City with the exception of the tax increment bonds.

**City of Chatfield, Minnesota Outstanding Debt**

General Obligation and Revenue Bonds

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 4,980,000	\$ 4,500,000	\$	\$	\$ 4,980,000	\$ 4,500,000
General obligation revenue bonds			10,175,000	5,585,000	10,175,000	5,585,000
Total	<u>\$ 4,980,000</u>	<u>\$ 4,500,000</u>	<u>\$ 10,175,000</u>	<u>\$ 5,585,000</u>	<u>\$ 15,155,000</u>	<u>\$ 10,085,000</u>

The City of Chatfield, Minnesota's total bonds and notes payable increased by \$5,070,000 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 59.

The City of Chatfield, Minnesota maintains an AA Stable bond rating on its general obligation bonds from Standard & Poors.

**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates**

The City of Chatfield enjoys a diverse economy and is situated in one of the healthiest economic regions of Minnesota. Within the City of Chatfield are two of the larger employers in Fillmore County, one of them being a manufacturer in the wood products industry and the other being a manufacturer in the composites industry. A steel fabrication company has also grown to over 70 employees. These companies, along with the strong employment base at the Chosen Valley Care Center, the Chatfield Public Schools, and the many other employers in Chatfield accommodate a strong financial base for the community. In fact, according to census data, there is an almost equal number of people who travel into Chatfield for work each day compared to those who leave Chatfield for work elsewhere. According to the statistics, while 1,102 people leave Chatfield for work each day, there is another 1,008 people who come into Chatfield to work every day, which is a strong sign of health for a community the size of Chatfield. The rest of the Chatfield economy is balanced between the health care, agriculture, tourism, retail, education, and the services industries.

A recent announcement made by the largest private employer in Minnesota, Mayo Clinic, is setting the stage for long term growth for all of southeast Minnesota, including Chatfield. Located just twenty minutes away, Mayo announced plans to invest \$6.5 billion dollars in physical improvements and to create 30,000 new employee positions within the next fifteen to twenty years. To leverage these opportunities, a regional "Journey To Growth" plan has been developed, in which Chatfield will participate.

In addition to the robust health care industry, the high-technology industry is well established in the area while the bio-technology industry and the education field both represent emerging industries that are attracting new employees and residents to the area.

Chatfield is well positioned to participate in the economic recovery that has taken root. According to building permit records, the City issued permits for a total of just under \$5.0 million dollars in construction activity, \$3.3 million of which was residential and \$1.4 million of commercial construction. This comes on the heels of \$7,000,000 of construction in 2016, a marked increase from \$2.5 million in total construction in 2014, \$2.9 million in 2013, and \$1.8 million in 2012. Fourteen new homes were constructed in Chatfield in 2016.



**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates (Continued)**

Tax rates, garbage fees, and water rates should remain stable for the foreseeable future. Increases in those rates are expected to be incremental and consistent with the projections that have been made in previous years.

In addition to the well diversified economy of the region, Chatfield has public infrastructure that is capable of serving a larger residential base. The wastewater treatment facility is relatively new and is capable of handling a much larger population than exists today. Similarly, the City's wells, and the aquifer itself, are capable of servicing a larger population and the City's water storage facilities hold three to four days- worth of water, more capability than standard. The recently constructed elementary school, along with remodeled high school, provides a solid educational element to the community and solidifies Chatfield's competitive place in the educational realm.

At the same time, the private sector is well positioned to positively affect the growth of the community. From a very fundamental perspective, the community has residential lots available for new housing, lots which are offered in a variety of locations at a variety of price points. In addition, the Chatfield resident enjoys retail, professional and personal services of all kinds without needing to leave the city boundaries. Whether the resident is looking for grocery, liquor, dining, banking, medical, pharmaceutical, legal or many other personal and professional services, those needs can be filled within the community and for those who are looking for a broader selection, it is within a short twenty minute drive.

In addition to the jobs and economic factors that are enjoyed locally, residents have easy access to transportation services. U.S. Highway 52 and Minnesota Highways 30/74 provide the primary service to residents while the Interstate Highway system is just ten miles away. Passenger and freight rail is within a forty minute drive and an international airport is within twenty-five minutes. On a more personal level, four commuter buses take local residents to their workplace in Rochester each day, making Chatfield a convenient place to live.

The vibrant nature of the city is reflected in the results of the Inflow-Outflow Analysis of workers. This reports that, while approximately 1,102 residents leave Chatfield for work on a routine basis, almost 1,008 other people travel to Chatfield for work on a daily basis. Of the nineteen cities closest to Rochester, including Rochester, Chatfield ranks fifth among them in terms of jobs per capita.

The City's proclivity to long term planning, together with the economic health of the area, the beauty and all that is offered by the natural environment, and the full service nature of public and private sector services that are available, has this community well positioned to continue to thrive in the future.

**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Requests for Information**

This financial report is designed to provide a general overview of the City of Chatfield, Minnesota'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 information should be addressed to the City Clerk, City Hall, 21 Second Street SE, Chatfield, MN 55923 or [jyoung@ci.chatfield.mn.us](mailto:jyoung@ci.chatfield.mn.us).

**CITY OF CHATFIELD, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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**CITY OF CHATFIELD, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2016  
With Comparative Totals for December 31, 2015

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
<b>ASSETS</b>				
Cash and investments	\$ 3,646,428	\$ 819,015	\$ 4,465,443	\$ 4,621,963
Restricted cash	886,266	5,007,904	5,894,170	470,323
Receivables	1,272,988	217,032	1,490,020	1,933,873
Net pension asset	91,681		91,681	107,644
Capital assets:				
Nondepreciable	1,158,679	410,492	1,569,171	1,273,195
Depreciable, net	14,289,610	9,299,916	23,589,526	19,715,841
Total Assets	<u>21,345,652</u>	<u>15,754,359</u>	<u>37,100,011</u>	<u>28,122,839</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	<u>1,174,944</u>	<u>74,311</u>	<u>1,249,255</u>	<u>164,425</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 22,520,596</u>	<u>\$ 15,828,670</u>	<u>\$ 38,349,266</u>	<u>\$ 28,287,264</u>
<b>LIABILITIES</b>				
Accounts payable	175,580	29,621	205,201	327,285
Accrued interest payable	44,127	139,048	183,175	109,425
Accrued liabilities		3,298	3,298	2,272
Compensated absences	188,234	9,578	197,812	160,583
Noncurrent liabilities:				
Due within one year	397,622	375,000	772,622	765,000
Due in more than one year	4,651,092	9,840,538	14,491,630	9,330,774
Net pension liability	<u>1,982,531</u>	<u>179,522</u>	<u>2,162,053</u>	<u>931,677</u>
Total Liabilities	<u>7,439,186</u>	<u>10,576,605</u>	<u>18,015,791</u>	<u>11,627,016</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	<u>219,042</u>	<u>15,939</u>	<u>234,981</u>	<u>138,296</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,399,575	4,715,274	15,114,849	11,363,585
Restricted for:				
Revolving loans	700,816		700,816	693,932
Debt service	1,715,848		1,715,848	823,645
Unrestricted	<u>2,046,129</u>	<u>520,852</u>	<u>2,566,981</u>	<u>3,640,790</u>
Total Net Position	<u>14,862,368</u>	<u>5,236,126</u>	<u>20,098,494</u>	<u>16,521,952</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 22,520,596</u>	<u>\$ 15,828,670</u>	<u>\$ 38,349,266</u>	<u>\$ 28,287,264</u>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

With Comparative Totals for the Fiscal Year Ending December 31, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities:				
General government	\$ 623,184	\$ 91,601	\$ 41,130	\$ 5,093
Public safety	1,285,461	341,881	177,407	
Public works	408,231		3,853	41,796
Parks and recreation	309,257	38,580		
Library	245,082	17,205	61,403	
Community development	755,020	84,753		4,062,349
Interest on long-term debt	113,429			
Total governmental activities	<u>3,739,664</u>	<u>574,020</u>	<u>283,793</u>	<u>4,109,238</u>
Business-Type activities:				
Water	259,158	280,481		
Sewer	964,252	870,801		
Garbage	178,480	201,097		
Total business-type activities	<u>1,401,890</u>	<u>1,352,379</u>		
Total	<u>\$ 5,141,554</u>	<u>\$ 1,926,399</u>	<u>\$ 283,793</u>	<u>\$ 4,109,238</u>

General revenues:

    General property taxes

    Tax increments

    Grants and contributions not restricted to specific programs

        Local government aid

        Other

    Interest earnings

    Miscellaneous

Transfers

    Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2016	2015
\$ (485,360)	\$	\$ (485,360)	\$ (451,452)
(766,173)		(766,173)	(582,246)
(362,582)		(362,582)	(222,582)
(270,677)		(270,677)	(234,329)
(166,474)		(166,474)	(103,568)
3,392,082		3,392,082	587,170
(113,429)		(113,429)	(116,608)
<u>1,227,387</u>		<u>1,227,387</u>	<u>(1,123,615)</u>
	21,323	21,323	25,969
	(93,451)	(93,451)	(13,154)
	<u>22,617</u>	<u>22,617</u>	<u>23,146</u>
	(49,511)	(49,511)	35,961
<u>1,227,387</u>	<u>(49,511)</u>	<u>1,177,876</u>	<u>(1,087,654)</u>
1,469,750		1,469,750	1,383,268
88,564		88,564	171,440
765,094		765,094	761,554
694		694	1,626
46,812	20,975	67,787	82,504
	6,777	6,777	25,256
<u>152,726</u>	<u>(152,726)</u>		
<u>2,523,640</u>	<u>(124,974)</u>	<u>2,398,666</u>	<u>2,425,648</u>
3,751,027	(174,485)	3,576,542	1,337,994
<u>11,111,341</u>	<u>5,410,611</u>	<u>16,521,952</u>	<u>15,183,958</u>
<u>\$ 14,862,368</u>	<u>\$ 5,236,126</u>	<u>\$ 20,098,494</u>	<u>\$ 16,521,952</u>

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**CITY OF CHATFIELD, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**CITY OF CHATFIELD, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2016  
With Comparative Totals for December 31, 2015

	100 General	220/221 Fire	240 EDA	230/231 Ambulance
<b>ASSETS</b>				
Cash and investments	\$ 899,285	\$ 70,823	\$ 79,884	\$ 51,750
Restricted cash in escrow				
Accounts receivable	21,785	1,200	500	192,620
Notes receivable				
Due from other governmental units	8,299			
Taxes receivable delinquent	13,494			
Special assessments receivable				
Due from other funds	103,543			
<b>TOTAL ASSETS</b>	<b>\$ 1,046,406</b>	<b>\$ 72,023</b>	<b>\$ 80,384</b>	<b>\$ 244,370</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 31,670	\$ 1,246	\$	\$ 1,610
Due to other funds				
Total Liabilities	31,670	1,246		1,610
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue:				
Property taxes	13,494			
Special assessments				
Notes receivable				
Total Deferred Inflows of Resources	13,494			
<b>Fund Balance:</b>				
Restricted:				
Creditors (debt covenants)				
Regulations				
Committed:				
By Council action				
Assigned:				
Fund assignments		70,777	80,384	242,760
Unassigned:	1,001,242			
Total Fund Balance	1,001,242	70,777	80,384	242,760
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 1,046,406</b>	<b>\$ 72,023</b>	<b>\$ 80,384</b>	<b>\$ 244,370</b>

**See Notes to the Financial Statements**

360 Revolving Loan Federal	361 Revolving Loan State	452 CCA Capital Projects	Other Governmental Funds	Totals	
				2016	2015
\$ 86,740	\$ 16,264	\$	\$ 1,589,780	\$ 2,794,526	\$ 2,946,027
			886,266	886,266	
			6,056	222,161	661,825
614,076	347,445			961,521	936,805
			1,143	9,442	30,323
			5,103	18,597	11,718
			46,109	46,109	44,212
				103,543	175,886
<u>\$ 700,816</u>	<u>\$ 363,709</u>	<u>\$</u>	<u>\$ 2,534,457</u>	<u>\$ 5,042,165</u>	<u>\$ 4,806,796</u>
\$	\$	\$ 121,495	\$ 12,593	\$ 168,614	\$ 305,508
		88,205	15,338	103,543	175,886
		209,700	27,931	272,157	481,394
			5,103	18,597	11,718
			46,109	46,109	44,212
614,076	347,445			961,521	936,805
<u>614,076</u>	<u>347,445</u>		<u>51,212</u>	<u>1,026,227</u>	<u>992,735</u>
86,740	16,264		1,715,848	1,715,848	749,583
			112,792	215,796	297,901
			490,829	490,829	489,797
			151,183	545,104	855,880
		(209,700)	(15,338)	776,204	939,506
<u>86,740</u>	<u>16,264</u>	<u>(209,700)</u>	<u>2,455,314</u>	<u>3,743,781</u>	<u>3,332,667</u>
<u>\$ 700,816</u>	<u>\$ 363,709</u>	<u>\$</u>	<u>\$ 2,534,457</u>	<u>\$ 5,042,165</u>	<u>\$ 4,806,796</u>

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**CITY OF CHATFIELD, MINNESOTA**  
**RECONCILIATION OF NET POSITION IN THE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES**  
**IN THE FUND BASIS FINANCIAL STATEMENTS**  
**December 31, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 20-21)		\$ 3,743,781
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 25,147,558	
Less: Accumulated depreciation	<u>(9,699,269)</u>	
		15,448,289
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 18,597	
Special assessments	46,109	
Notes receivable	<u>961,521</u>	
		1,026,227
Internal service funds are used by management to charge the costs of capital acquisitions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		860,094
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (4,992,466)	
Net pension liability	(1,026,629)	
Net pension asset	91,681	
Compensated absences	(188,234)	
Bond premiums net of amortization	(56,248)	
Accrued interest	<u>(44,127)</u>	
		<u>(6,216,023)</u>
Net position of governmental activities (page 17)		<u><u>\$ 14,862,368</u></u>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	100 General	220/221 Fire	240 EDA	230/231 Ambulance
<b>REVENUES</b>				
Property taxes	\$ 1,055,103	\$	\$	\$
Special assessments	5,093			
Tax increments				
Licenses and permits	24,894			
Fines and forfeits	7,690			
Intergovernmental revenues	828,319	104,591		80,053
Franchise fees				
Charges for services	37,935	8,895		172,967
Investment income	9,431	2,591	701	986
Contributions		81,488	1,000	5,800
Miscellaneous revenues	48,082	11,434	11,430	1,537
<b>TOTAL REVENUES</b>	<u>2,016,547</u>	<u>208,999</u>	<u>13,131</u>	<u>261,343</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	561,115			
Public safety	531,796	122,475		272,040
Public works	383,674			
Parks and recreation	301,260			
Library				
Community development	16,086		46,184	
<b>Capital Outlay</b>		362,666		8,083
<b>Debt Service</b>				
<b>TOTAL EXPENDITURES</b>	<u>1,793,931</u>	<u>485,141</u>	<u>46,184</u>	<u>280,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>222,616</u>	<u>(276,142)</u>	<u>(33,053)</u>	<u>(18,780)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds				
Transfers in	115,850	135,888	40,000	49,649
Transfers out	(292,537)	(82,810)		(44,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(176,687)</u>	<u>53,078</u>	<u>40,000</u>	<u>5,649</u>
Net change in fund balances	45,929	(223,064)	6,947	(13,131)
<b>FUND BALANCES, beginning</b>	<u>955,313</u>	<u>293,841</u>	<u>73,437</u>	<u>255,891</u>
<b>FUND BALANCES, ending</b>	<u>\$ 1,001,242</u>	<u>\$ 70,777</u>	<u>\$ 80,384</u>	<u>\$ 242,760</u>

**See Notes to the Financial Statements**

360 Revolving Loan Federal	361 Revolving Loan State	452 CCA Capital Projects	Other Governmental Funds	Totals	
				2016	2015
\$	\$	\$	\$ 407,768	\$ 1,462,871	\$ 1,380,800
			39,899	44,992	35,176
			88,564	88,564	171,440
				24,894	27,182
			3,783	11,473	11,639
		4,044,937	57,038	5,114,938	2,392,088
			24,395	24,395	23,837
			24,457	244,254	319,217
6,885	3,756		27,693	52,043	61,555
			16,915	105,203	132,629
24,248	26,035		23,946	146,712	151,954
31,133	29,791	4,044,937	714,458	7,320,339	4,707,517
			51,164	612,279	575,768
				926,311	912,853
				383,674	419,978
				301,260	246,546
			216,615	216,615	252,876
75,000	23,670		206,923	367,863	684,258
		4,253,736	10,383	4,634,868	1,204,099
			510,607	510,607	507,007
75,000	23,670	4,253,736	995,692	7,953,477	4,803,385
(43,867)	6,121	(208,799)	(281,234)	(633,138)	(95,868)
			893,526	893,526	
			306,656	648,043	607,329
			(77,970)	(497,317)	(465,809)
			1,122,212	1,044,252	141,520
(43,867)	6,121	(208,799)	840,978	411,114	45,652
130,607	10,143	(901)	1,614,336	3,332,667	3,287,015
\$ 86,740	\$ 16,264	\$ (209,700)	\$ 2,455,314	\$ 3,743,781	\$ 3,332,667

See Notes to the Financial Statements

**CITY OF CHATFIELD, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (pages 23-24)	\$	411,114	
Governmental funds reported capital outlays as expenditures.			
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	4,997,649	
Depreciation expense		<u>(784,085)</u>	
			4,213,564
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.			
			(102,095)
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.			
Unavailable revenue, December 31, 2016	\$	1,026,227	
Unavailable revenue, December 31, 2015		<u>(992,735)</u>	
			33,492
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.			
Change in compensated absences			(33,241)
Internal service funds are used by management to charge the costs of equipment to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities			
			(12,468)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Principal retirement on long-term debt	\$	395,869	
Issuance of bonds		(888,335)	
Amortization of bond premium		(12,607)	
Change in net pension activity		(244,382)	
Change in accrued interest		<u>(9,884)</u>	
			<u>(759,339)</u>
Change in net position of governmental activities (pages 18-19)	\$		<u><u>3,751,027</u></u>

**See Notes to the Financial Statements**



**CITY OF CHATFIELD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016	Variance with	2015
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>REVENUES</b>					
<b>Property Tax Levy Collected</b>	\$ 1,016,514	\$ 1,016,514	\$ 1,055,103	\$ 38,589	\$ 944,438
<b>Special Assessments Collected</b>	4,000	4,000	5,093	1,093	5,256
<b>Licenses and permits</b>	21,625	21,625	24,894	3,269	27,182
<b>Intergovernmental Revenues</b>					
Local government aid	765,094	765,094	765,094		761,554
Market value credit			694	694	686
State police aid	37,000	37,000	41,774	4,774	37,220
PERA aid	1,677	1,677	1,677		1,677
Highway	4,800	4,800	3,853	(947)	4,816
Other			15,227	15,227	
Total Intergovernmental Revenues	808,571	808,571	828,319	19,748	805,953
<b>Charges For Services</b>					
Plan check fee	4,000	4,000	6,368	2,368	7,121
Pool fees	32,800	32,800	31,444	(1,356)	33,699
Lodging tax	250	250	123	(127)	350
Total Charges For Services	37,050	37,050	37,935	885	41,170
<b>Fines and Forfeits</b>					
Parking fines	2,100	2,100	1,648	(452)	1,940
Court fines and other	11,000	11,000	5,997	(5,003)	6,710
Animal fines			45	45	
Total Fines and Forfeits	13,100	13,100	7,690	(5,410)	8,650
<b>Investment Income</b>	20,000	20,000	9,431	(10,569)	11,114
<b>Miscellaneous Revenues</b>					
Sale of assets	75	75	64	(11)	63
Donations			235	235	4,798
Refunds/reimbursements	17,875	17,875	47,783	29,908	33,943
Total Miscellaneous Revenues	17,950	17,950	48,082	30,132	38,804
<b>TOTAL REVENUES</b>	<b>\$ 1,938,810</b>	<b>\$ 1,938,810</b>	<b>\$ 2,016,547</b>	<b>\$ 77,737</b>	<b>\$ 1,882,567</b>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>2016</u>	<u>Variance with</u>	<u>2015</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 9,200	\$ 9,200	\$ 9,200	\$	\$ 9,200
Employee benefits and retirement	715	715	689	26	679
Workers compensation	65	65	55	10	52
Office supplies	400	400	335	65	228
Printing and publication	1,400	1,400	3,004	(1,604)	819
Travel	600	600	377	223	405
Legal fees	9,200	9,200	7,890	1,310	7,280
Dues and subscription	8,500	8,500	8,687	(187)	7,568
Departmental capital charge	1,650	1,650	1,650		1,650
Other	4,250	4,250	2,049	2,201	1,706
Total Mayor and Council	<u>35,980</u>	<u>35,980</u>	<u>33,936</u>	<u>2,044</u>	<u>29,587</u>
<b>Elections</b>	<u>4,100</u>	<u>4,100</u>	<u>3,759</u>	<u>341</u>	<u>724</u>
<b>Clerk's Office</b>					
Salaries	248,600	248,600	244,305	4,295	218,241
Employee benefits and retirement	33,500	33,500	35,738	(2,238)	31,957
Workers compensation	1,500	1,500	1,710	(210)	1,286
Health insurance	53,000	53,000	55,339	(2,339)	47,630
Office supplies	3,000	3,000	6,765	(3,765)	5,463
Postage	1,100	1,100	929	171	1,000
Audit fees	9,300	9,300	8,950	350	10,925
Consulting fees	4,600	4,600	5,822	(1,222)	4,796
Licenses and dues	1,700	1,700	1,933	(233)	1,469
Insurance	5,100	5,100	4,803	297	4,874
Internet	15,000	15,000	15,184	(184)	14,280
Telephone	3,800	3,800	4,062	(262)	3,901
Printing and publication	500	500		500	56
Maintenance and repair	5,300	5,300	3,807	1,493	6,009
Conference expense	6,100	6,100	4,359	1,741	4,658
Departmental capital charge	6,100	6,100	6,100		6,100
Other	4,000	4,000	4,968	(968)	7,894
Total Clerk's Office	<u>402,200</u>	<u>402,200</u>	<u>404,774</u>	<u>(2,574)</u>	<u>370,539</u>
<b>Planning and Zoning</b>					
Printing	450	450	221	229	488
Consulting fees	51,000	51,000	49,714	1,286	50,042
Insurance	10,000	10,000	4,641	5,359	8,442
Other	1,200	1,200	693	507	1,192
Total Planning and Zoning	<u>\$ 62,650</u>	<u>\$ 62,650</u>	<u>\$ 55,269</u>	<u>\$ 7,381</u>	<u>\$ 60,164</u>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>2016</u>	<u>Variance with</u>	<u>2015</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Favorable</u>	<u>Amounts</u>
				<u>(Unfavorable)</u>	
<b>EXPENDITURES (continued)</b>					
<b>General Government (Continued)</b>					
<b>Municipal Building</b>					
Operating supplies	\$ 4,500	\$ 4,500	\$ 5,563	\$ (1,063)	\$ 6,402
Small tools and minor equipment	500	500	1,128	(628)	602
Maintenance and repair	10,000	10,000	18,612	(8,612)	13,857
Insurance	4,100	4,100	3,386	714	3,932
Utilities	6,800	6,800	5,314	1,486	5,164
Departmental capital charge	5,500	5,500	5,500		5,200
Other	21,900	21,900	23,874	(1,974)	18,476
Total Municipal Building	<u>53,300</u>	<u>53,300</u>	<u>63,377</u>	<u>(10,077)</u>	<u>53,633</u>
Total General Government	<u>558,230</u>	<u>558,230</u>	<u>561,115</u>	<u>(2,885)</u>	<u>514,647</u>
<b>Public Safety</b>					
<b>Animal Control</b>					
Operating supplies	300	300		300	164
Printing and publication	50	50	217	(167)	
Other	450	450	2	448	26
Total Animal Control	<u>800</u>	<u>800</u>	<u>219</u>	<u>581</u>	<u>190</u>
<b>Civil Defense</b>					
Contracted services	5,450	5,450	5,011	439	5,000
Departmental capital charge	4,000	4,000	4,000		4,000
Total Civil Defense	<u>9,450</u>	<u>9,450</u>	<u>9,011</u>	<u>439</u>	<u>9,000</u>
<b>Building Code</b>					
Consultant fee	12,000	12,000	13,358	(1,358)	14,802
Plan review	3,000	3,000	6,500	(3,500)	6,216
Surcharge fee/sales tax	2,000	2,000	2,283	(283)	1,177
Total Building Code	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 22,141</u>	<u>\$ (5,141)</u>	<u>\$ 22,195</u>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016	Variance with	2015
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>EXPENDITURES (continued)</b>					
<b>Public Safety (Continued)</b>					
<b>Police Department</b>					
Salaries	\$ 296,308	\$ 296,308	\$ 296,459	\$ (151)	\$ 288,645
Employee benefits and retirement	46,450	46,450	52,704	(6,254)	49,225
Workers compensation/unemployment	10,000	10,000	8,599	1,401	8,899
Health insurance	55,000	55,000	54,442	558	49,897
Operating supplies	2,000	2,000	2,939	(939)	1,971
Vehicle operating supplies	12,500	12,500	6,291	6,209	6,726
Small tools and minor equipment	3,000	3,000	1,283	1,717	3,575
Telephone	4,500	4,500	4,476	24	4,453
Legal fees	12,000	12,000	5,570	6,430	13,192
Towing and wrecker fees	2,000	2,000	600	1,400	1,540
Uniform allowance	3,375	3,375	2,929	446	1,734
Maintenance and repair	9,500	9,500	9,800	(300)	12,452
Clothing	2,000	2,000	1,065	935	2,212
Printing and publication	300	300	192	108	120
Postage	600	600	264	336	349
Training	4,500	4,500	4,493	7	3,715
Contracted services	500	500	300	200	300
Insurance	15,000	15,000	13,647	1,353	13,520
Utilities	7,000	7,000	5,314	1,686	5,137
Departmental capital charge	22,800	22,800	22,800		22,800
Other	8,615	8,615	6,258	2,357	4,481
Total Police Department	517,948	517,948	500,425	17,523	494,943
Total Public Safety	545,198	545,198	531,796	13,402	526,328
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	57,000	57,000	62,514	(5,514)	88,559
Employee benefits and retirement	9,700	9,700	9,204	496	11,506
Health insurance					13,237
Workers compensation	4,200	4,200	4,005	195	4,818
Operating supplies	8,000	8,000	9,480	(1,480)	16,041
Vehicle operating supplies	16,000	16,000	9,566	6,434	9,755
Maintenance and repair	40,600	40,600	50,868	(10,268)	56,200
Clothing	800	800	973	(173)	433
Snow removal	5,500	5,500	3,026	2,474	3,034
Insurance	6,800	6,800	7,486	(686)	6,545
Engineering fees	12,000	12,000	10,114	1,886	26,909
Small tools and minor equipment	4,000	4,000	5,948	(1,948)	6,602
Utilities	33,000	33,000	33,222	(222)	32,937
Departmental capital charge	174,350	174,350	174,350		94,350
Other	5,150	5,150	2,918	2,232	4,835
Total Public Works	\$ 377,100	\$ 377,100	\$ 383,674	\$ (6,574)	\$ 375,761

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016	Variance with	2015
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Parks</b>					
Salaries	\$ 56,500	\$ 56,500	\$ 57,818	\$ (1,318)	\$ 55,946
Employee benefits and retirement			7,587	(7,587)	7,086
Workers compensation	1,700	1,700	2,156	(456)	1,760
Health insurance	24,000	24,000	22,960	1,040	20,307
Small tools and minor equipment	1,300	1,300	1,202	98	1,467
Vehicle operating supplies	3,000	3,000	2,622	378	2,210
Maintenance and repair	7,200	7,200	26,251	(19,051)	26,321
Utilities	15,000	15,000	13,461	1,539	12,077
Insurance	6,700	6,700	7,440	(740)	6,528
Departmental capital charge	36,500	36,500	36,500		6,500
Other	7,000	7,000	28,920	(21,920)	9,102
Total Parks	158,900	158,900	206,917	(48,017)	149,304
<b>Pool</b>					
Salaries	43,000	43,000	45,168	(2,168)	45,884
Employee benefits and retirement	3,400	3,400	3,455	(55)	3,510
Workers compensation	1,600	1,600	1,670	(70)	1,782
Small tools and minor equipment	12,175	12,175	9,962	2,213	13,334
Maintenance and repair	5,000	5,000	6,490	(1,490)	3,931
Utilities	7,000	7,000	6,936	64	9,321
Insurance	10,700	10,700	8,921	1,779	10,248
Departmental capital charge	2,000	2,000	2,000		2,000
Other	3,600	3,600	3,115	485	3,427
Total Pool	88,475	88,475	87,717	758	93,437
<b>Recreation</b>	6,000	6,000	5,026	974	2,205
<b>Band</b>					
School band concerts	480	480	480		480
Brass band concerts	1,120	1,120	1,120		1,120
Total Band	1,600	1,600	1,600		1,600
Total Parks and Recreation	254,975	254,975	301,260	(46,285)	246,546
<b>Community Development</b>					
Promotional expense	3,000	3,000	3,109	(109)	2,381
Heritage preservation	9,330	9,330	9,516	(186)	8,082
Other	4,500	4,500	3,461	1,039	4,367
Total Community Development	16,830	16,830	16,086	744	14,830
<b>TOTAL EXPENDITURES</b>	1,752,333	1,752,333	1,793,931	(41,598)	1,678,112
Excess of revenues over expenditures	186,477	186,477	222,616	36,139	204,455
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	115,810	115,810	115,850	40	150,416
Transfers out	(292,537)	(292,537)	(292,537)		(292,099)
Total Other Financing Sources (Uses)	(176,727)	(176,727)	(176,687)	40	(141,683)
Net change in fund balances	9,750	9,750	45,929	36,179	62,772
<b>FUND BALANCES, beginning</b>	955,313	955,313	955,313		892,541
<b>FUND BALANCES, ending</b>	\$ 965,063	\$ 965,063	\$ 1,001,242	\$ 36,179	\$ 955,313

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**EDA FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		Fund 240 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Investment Income	\$	\$	\$ 701	\$ 701	\$ 1,095
Contributions			1,000	1,000	
Miscellaneous	8,000	8,000	11,430	3,430	19,010
<b>TOTAL REVENUES</b>	<u>8,000</u>	<u>8,000</u>	<u>13,131</u>	<u>5,131</u>	<u>20,105</u>
<b>EXPENDITURES</b>					
Community development	49,800	49,800	46,184	3,616	60,700
<b>TOTAL EXPENDITURES</b>	<u>49,800</u>	<u>49,800</u>	<u>46,184</u>	<u>3,616</u>	<u>60,700</u>
Deficiency of revenues under expenditures	<u>(41,800)</u>	<u>(41,800)</u>	<u>(33,053)</u>	<u>8,747</u>	<u>(40,595)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	40,000	40,000	40,000		37,000
Transfers out	<u>(17,500)</u>	<u>(17,500)</u>		17,500	
Total Other Financing Sources (Uses)	<u>22,500</u>	<u>22,500</u>	<u>40,000</u>	<u>17,500</u>	<u>37,000</u>
Net change in fund balances	(19,300)	(19,300)	6,947	26,247	(3,595)
<b>FUND BALANCES, beginning</b>	<u>73,437</u>	<u>73,437</u>	<u>73,437</u>		<u>77,032</u>
<b>FUND BALANCES, ending</b>	<u>\$ 54,137</u>	<u>\$ 54,137</u>	<u>\$ 80,384</u>	<u>\$ 26,247</u>	<u>\$ 73,437</u>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**FIRE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		220	221	2016	Variance with	2015
	Original	Final	Fire	Fire Capital	Actual	Final Budget - Positive (Negative)	Actual
<b>REVENUES</b>							
Intergovernmental Revenues							
State Grants and Aids	\$ 40,000	\$ 40,000	\$ 36,676	\$	\$ 36,676	\$ (3,324)	\$ 36,999
Volunteer retention stipend			11,000		11,000	11,000	10,000
Township contributions	55,888	55,888	56,915		56,915	1,027	56,715
Charges for services			8,895		8,895	8,895	10,970
Investment income			1,829	762	2,591	2,591	5,165
Donations	62,000	62,000		81,488	81,488	19,488	66,802
Miscellaneous			8,301	3,133	11,434	11,434	2,239
<b>TOTAL REVENUES</b>	<b>157,888</b>	<b>157,888</b>	<b>123,616</b>	<b>85,383</b>	<b>208,999</b>	<b>51,111</b>	<b>188,890</b>
<b>EXPENDITURES</b>							
<b>Public Safety</b>							
Salaries	23,000	23,000	15,020		15,020	7,980	14,145
Employee benefits and retirement	550	550	1,914		1,914	(1,364)	823
Workers compensation	7,000	7,000	7,117		7,117	(117)	6,406
Operating supplies	3,000	3,000	4,054		4,054	(1,054)	3,178
Small tools and minor equipment	5,000	5,000	5,990		5,990	(990)	5,100
Vehicle operating supplies	2,000	2,000	1,081		1,081	919	1,607
Insurance	4,600	4,600	4,513		4,513	87	4,075
Utilities	8,000	8,000	5,941		5,941	2,059	6,191
Maintenance and repairs	8,000	8,000	9,921		9,921	(1,921)	6,925
Training	1,500	1,500	7,704		7,704	(6,204)	1,363
Fire pension contribution	40,000	40,000	41,367		41,367	(1,367)	42,671
Volunteer retention stipend			11,000		11,000	(11,000)	10,000
Capital Outlay				362,666	362,666	(362,666)	16,601
Other	7,750	7,750	5,077	1,776	6,853	897	7,947
<b>TOTAL EXPENDITURES</b>	<b>110,400</b>	<b>110,400</b>	<b>120,699</b>	<b>364,442</b>	<b>485,141</b>	<b>(374,741)</b>	<b>127,032</b>
Excess (deficiency) of revenues over (under) expenditures	47,488	47,488	2,917	(279,059)	(276,142)	(323,630)	61,858
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	95,888	95,888	55,888	80,000	135,888	40,000	95,888
Transfers out	(42,810)	(42,810)	(82,810)		(82,810)	(40,000)	(42,810)
Total Other Financing Sources (Uses)	53,078	53,078	(26,922)	80,000	53,078		53,078
Net change in fund balances	100,566	100,566	(24,005)	(199,059)	(223,064)	(323,630)	114,936
<b>FUND BALANCES, beginning</b>	<b>293,841</b>	<b>293,841</b>	<b>92,852</b>	<b>200,989</b>	<b>293,841</b>		<b>178,905</b>
<b>FUND BALANCES, ending</b>	<b>\$ 394,407</b>	<b>\$ 394,407</b>	<b>\$ 68,847</b>	<b>\$ 1,930</b>	<b>\$ 70,777</b>	<b>\$ (323,630)</b>	<b>\$ 293,841</b>

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		230	231	2016	Variance with	2015
	Original	Final	Ambulance	Ambulance Capital Reserve	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
<b>REVENUES</b>							
Intergovernmental Revenues							
County contract	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500	\$	\$ 4,500
Township contributions	16,500	16,500	19,448		19,448	2,948	19,482
Training reimbursement	28,000	28,000	44,365		44,365	16,365	36,835
Volunteer retention stipend			11,000		11,000	11,000	11,000
Other State Aids	4,000	4,000	740		740	(3,260)	2,000
Charges for services	200,000	200,000	172,967		172,967	(27,033)	236,772
Investment income	4,000	4,000	764	222	986	(3,014)	4,467
Donations	1,000	1,000	300	5,500	5,800	4,800	602
Miscellaneous	1,350	1,350	1,537		1,537	187	2,279
<b>TOTAL REVENUES</b>	<b>259,350</b>	<b>259,350</b>	<b>255,621</b>	<b>5,722</b>	<b>261,343</b>	<b>1,993</b>	<b>317,937</b>
<b>EXPENDITURES</b>							
<b>Public Safety</b>							
Salaries	130,500	130,500	140,834		140,834	(10,334)	139,573
Employee benefits and retirement	20,000	20,000	22,389		22,389	(2,389)	22,665
Workers compensation	2,000	2,000	2,340		2,340	(340)	1,862
Health insurance	18,500	18,500	21,015		21,015	(2,515)	23,690
Inoculations	200	200	146		146	54	68
Training	9,300	9,300	19,010		19,010	(9,710)	15,319
Small tools and minor equipment	1,500	1,500	2,461		2,461	(961)	4,630
Office supplies	1,500	1,500	1,868		1,868	(368)	1,334
Operating supplies	13,000	13,000	13,089		13,089	(89)	13,816
Vehicle operating supplies	3,000	3,000	2,593		2,593	407	3,426
Telephone	1,500	1,500	1,635		1,635	(135)	1,602
Travel	1,000	1,000				1,000	313
Printing and publications	900	900	1,124		1,124	(224)	1,219
Insurance	1,500	1,500	1,328		1,328	172	2,654
Utilities	6,000	6,000	5,314		5,314	686	5,137
Maintenance and repairs	9,000	9,000	10,202		10,202	(1,202)	10,108
Medical services	6,000	6,000	5,519		5,519	481	8,495
Laundry services	500	500	608		608	(108)	607
Clothing	1,000	1,000	676		676	324	116
License, permits, dues and subscription	2,200	2,200	2,879		2,879	(679)	2,985
Capital outlay				8,083	8,083	(8,083)	206,115
Refunds	1,500	1,500	891		891	609	71
Departmental capital charge	1,300	1,300	1,300		1,300		1,300
Volunteer retention stipend			11,000		11,000	(11,000)	11,000
Other	8,450	8,450	3,819		3,819	4,631	4,104
<b>TOTAL EXPENDITURES</b>	<b>240,350</b>	<b>240,350</b>	<b>272,040</b>	<b>8,083</b>	<b>280,123</b>	<b>(39,773)</b>	<b>482,209</b>
Excess (deficiency) of revenues over (under) expenditures	19,000	19,000	(16,419)	(2,361)	(18,780)	(37,780)	(164,272)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	49,649	49,649	19,649	30,000	49,649		49,649
Transfers out	(44,000)	(44,000)	(44,000)		(44,000)		(44,000)
Total Other Financing Sources (Uses)	5,649	5,649	(24,351)	30,000	5,649		5,649
Net change in fund balances	24,649	24,649	(40,770)	27,639	(13,131)	(37,780)	(158,623)
<b>FUND BALANCES, beginning</b>	<b>255,891</b>	<b>255,891</b>	<b>249,204</b>	<b>6,687</b>	<b>255,891</b>		<b>414,514</b>
<b>FUND BALANCES, ending</b>	<b>\$ 280,540</b>	<b>\$ 280,540</b>	<b>\$ 208,434</b>	<b>\$ 34,326</b>	<b>\$ 242,760</b>	<b>\$ (37,780)</b>	<b>\$ 255,891</b>

**See Notes to the Financial Statements**



**CITY OF CHATFIELD, MINNESOTA**  
**REVOLVING LOAN FEDERAL**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 360 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Investment income	\$ 4,170	\$ 4,170	\$ 6,885	\$ 2,715	\$ 6,988
Miscellaneous	21,250	21,250	24,248	2,998	17,573
<b>TOTAL REVENUES</b>	25,420	25,420	31,133	5,713	24,561
<b>EXPENDITURES</b>					
Loan advances			75,000	(75,000)	21,094
Net change in fund balances	25,420	25,420	(43,867)	(69,287)	3,467
<b>FUND BALANCES, beginning</b>	130,607	130,607	130,607		127,140
<b>FUND BALANCES, ending</b>	\$ 156,027	\$ 156,027	\$ 86,740	\$ (69,287)	\$ 130,607

**See Notes to the Financial Statements**

**CITY OF CHATFIELD, MINNESOTA**  
**REVOLVING LOAN STATE**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 361 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Investment income	\$ 3,600	\$ 3,600	\$ 3,756	\$ 156	\$ 3,938
Miscellaneous	<u>26,000</u>	<u>26,000</u>	<u>26,035</u>	<u>35</u>	<u>25,117</u>
<b>TOTAL REVENUES</b>	<u>29,600</u>	<u>29,600</u>	<u>29,791</u>	<u>191</u>	<u>29,055</u>
<b>EXPENDITURES</b>					
Loan repayments	<u>23,680</u>	<u>23,680</u>	<u>23,670</u>	<u>10</u>	<u>22,597</u>
Net change in fund balances	5,920	5,920	6,121	201	6,458
<b>FUND BALANCES, beginning</b>	<u>10,143</u>	<u>10,143</u>	<u>10,143</u>		<u>3,685</u>
<b>FUND BALANCES, ending</b>	<u><u>\$ 16,063</u></u>	<u><u>\$ 16,063</u></u>	<u><u>\$ 16,264</u></u>	<u><u>\$ 201</u></u>	<u><u>\$ 10,143</u></u>

**See Notes to the Financial Statements**

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**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
December 31, 2016  
With Comparative Totals for December 31, 2015

	Business-Type Activities - Enterprise Funds				
	601	611/336/436	602	612/437/337/	
	Water	Water Infrastructure	Total Water	Sewer	333/331 Sewer Infrastructure
<b>ASSETS AND DEFERRED</b>					
<b>OUTFLOWS OF RESOURCES</b>					
<b>Current Assets</b>					
Cash and investments	\$ 524,512	\$ 54,634	\$ 579,146	\$ 129,008	\$ 40,479
Restricted cash					5,007,904
Accounts receivable, net	28,354	3,200	31,554	95,512	5,700
Special assessments receivable	10,501		10,501	34,992	
Special assessments delinquent	1,263		1,263	4,209	
Total Current Assets	564,630	57,834	622,464	263,721	5,054,083
<b>Noncurrent Assets</b>					
Capital assets:					
Nondepreciable		205,246	205,246		205,246
Depreciable		3,701,473	3,701,473		12,474,047
Less: Accumulated depreciation		1,203,724	1,203,724		5,671,880
Net capital assets		2,702,995	2,702,995		7,007,413
<b>Deferred Outflows of Resources</b>					
Deferred outflows from pension activity	27,871		27,871	46,440	
<b>TOTAL ASSETS AND DEFERRED</b>					
<b>OUTFLOWS OF RESOURCES</b>					
	<u>\$ 592,501</u>	<u>\$ 2,760,829</u>	<u>\$ 3,353,330</u>	<u>\$ 310,161</u>	<u>\$ 12,061,496</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
<b>OF RESOURCES, AND NET POSITION</b>					
<b>Current Liabilities</b>					
Current maturities of bonds payable	\$	\$	\$	\$	\$ 375,000
Accounts payable	3,172	4,659	7,831	8,315	
Accrued interest payable					139,048
Accrued liabilities	5,898		5,898	6,978	
Total Current Liabilities	9,070	4,659	13,729	15,293	514,048
<b>Noncurrent Liabilities</b>					
Net pension liability	67,704		67,704	111,818	
Bonds payable, net of current maturities		212,500	212,500		9,628,038
Total Liabilities	76,774	217,159	293,933	127,111	10,142,086
<b>Deferred Inflows of Resources</b>					
Deferred inflows from pension activity	6,011		6,011	9,928	
<b>NET POSITION</b>					
Net investment in capital assets		2,702,995	2,702,995		2,012,279
Unrestricted	509,716	(159,325)	350,391	173,122	(92,869)
Total Net Position	509,716	2,543,670	3,053,386	173,122	1,919,410
<b>TOTAL LIABILITIES, DEFERRED INFLOWS</b>					
<b>OF RESOURCES AND NET POSITION</b>					
	<u>\$ 592,501</u>	<u>\$ 2,760,829</u>	<u>\$ 3,353,330</u>	<u>\$ 310,161</u>	<u>\$ 12,061,496</u>

**See Notes to the Financial Statements**

					Governmental Activities-Internal Service Funds 801	
622	603		Totals		Capital Goods	
Sewer - No Fault Back	Total Sewer	Garbage	2016	2015	2016	2015
\$ 22,967	\$ 192,454	\$ 47,415	\$ 819,015	\$ 850,742	\$ 851,902	\$ 825,202
	5,007,904		5,007,904	470,323		
	101,212	18,927	151,693	135,614	15,158	55,737
	34,992	12,831	58,324	52,465		
	4,209	1,543	7,015	5,174		
22,967	5,340,771	80,716	6,043,951	1,514,318	867,060	880,939
	205,246		410,492	60,492		
	12,474,047		16,175,520	16,029,478	4,131,642	4,169,049
	5,671,880		6,875,604	6,429,443	1,983,989	2,029,707
	7,007,413		9,710,408	9,660,527	2,147,653	2,139,342
	46,440		74,311	15,544		
\$ 22,967	\$ 12,394,624	\$ 80,716	\$ 15,828,670	\$ 11,190,389	\$ 3,014,713	\$ 3,020,281
\$	\$ 375,000	\$	\$ 375,000	\$ 370,000	\$	\$
	8,315	13,475	29,621	21,720	6,966	66
	139,048		139,048	75,182		
	6,978		12,876	7,862		
	529,341	13,475	556,545	474,764	6,966	66
	111,818		179,522	110,701		
	9,628,038		9,840,538	5,182,132		
	10,269,197	13,475	10,576,605	5,767,597	6,966	66
	9,928		15,939	12,181		
	2,012,279		4,715,274	4,578,718	2,147,653	2,139,342
22,967	103,220	67,241	520,852	831,893	860,094	880,873
22,967	2,115,499	67,241	5,236,126	5,410,611	3,007,747	3,020,215
\$ 22,967	\$ 12,394,624	\$ 80,716	\$ 15,828,670	\$ 11,190,389	\$ 3,014,713	\$ 3,020,281

**CITY OF CHATFIELD, MINNESOTA  
PROPRIETARY FUNDS**

**Statement of Revenues, Expenses  
and Changes in Fund Net Position**

For the Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds				
	601	611/336/436	602	612/437/337/ 333/331	
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
<b>Operating Revenues</b>					
Service fees and charges	\$ 247,102	\$ 20,800	\$ 267,902	\$ 795,386	\$ 33,350
Departmental capital charge					
	<u>247,102</u>	<u>20,800</u>	<u>267,902</u>	<u>795,386</u>	<u>33,350</u>
<b>Operating Expenses</b>					
Salaries	51,541		51,541	96,532	
Employee benefits and retirement	12,914		12,914	22,199	
Health insurance	8,004		8,004	18,904	
Workers compensation	1,930		1,930	3,038	
Garbage removal					
City clean up					
Supplies	7,693		7,693	8,136	
Utilities	17,299		17,299	37,900	
Maintenance and repairs	11,856	1,128	12,984	35,381	782
Travel and training	850		850	504	
Professional fees	20,909		20,909	24,404	
Office expense	1,196		1,196	3,258	
Insurance	4,080		4,080	10,908	
Depreciation		101,075	101,075		350,430
Departmental capital charge	400	7,900	8,300	550	7,100
Other	7,983		7,983	13,866	
Total Operating Expenses	<u>146,655</u>	<u>110,103</u>	<u>256,758</u>	<u>275,580</u>	<u>358,312</u>
Operating Income (Loss)	<u>100,447</u>	<u>(89,303)</u>	<u>11,144</u>	<u>519,806</u>	<u>(324,962)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	8,620	1,009	9,629	3,388	6,969
Refunds and reimbursements	1,617		1,617	4,660	
Penalties and discounts					
Special assessments	12,569	10	12,579	41,877	188
Intergovernmental					
Miscellaneous					500
Loss on disposal					
Interest and fiscal charges		(2,400)	(2,400)		(328,167)
Total Nonoperating Revenues (Expenses)	<u>22,806</u>	<u>(1,381)</u>	<u>21,425</u>	<u>49,925</u>	<u>(320,510)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>123,253</u>	<u>(90,684)</u>	<u>32,569</u>	<u>569,731</u>	<u>(645,472)</u>
Capital contributions					
Transfers in		110,000	110,000		627,432
Transfers out	<u>(150,570)</u>	<u>(143,018)</u>	<u>(293,588)</u>	<u>(551,570)</u>	<u>(31,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>(27,317)</u>	<u>(123,702)</u>	<u>(151,019)</u>	<u>18,161</u>	<u>(49,040)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>537,033</u>	<u>2,667,372</u>	<u>3,204,405</u>	<u>154,961</u>	<u>1,968,450</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 509,716</u>	<u>\$ 2,543,670</u>	<u>\$ 3,053,386</u>	<u>\$ 173,122</u>	<u>\$ 1,919,410</u>

**See Notes to the Financial Statements**

					Governmental Activities-Internal Service Funds 801	
622	603		Totals		Capital Goods	
Sewer - No Fault Back	Total Sewer	Garbage	2016	2015	2016	2015
\$	\$ 828,736	\$ 185,739	\$ 1,282,377	\$ 1,217,167	\$	\$
	828,736	185,739	1,282,377	1,217,167	271,935	161,635
					271,935	161,635
	96,532		148,073	142,435		
	22,199		35,113	27,677		
	18,904		26,908	21,366		
	3,038		4,968	4,985		
		151,113	151,113	152,241		
		12,445	12,445	11,650		
	8,136	73	15,902	24,294		
	37,900		55,199	51,363		
	36,163	1,114	50,261	51,727	4,573	23,995
	504		1,354	1,233		
	24,404		45,313	54,745		
	3,258	1,127	5,581	5,604		
	10,908		14,988	14,699		
	350,430		451,505	440,176	222,060	231,694
	7,650	200	16,150	16,150		
2,193	16,059	12,408	36,450	37,118	11,475	19,059
2,193	636,085	178,480	1,071,323	1,057,463	238,108	274,748
(2,193)	192,651	7,259	211,054	159,704	33,827	(113,113)
344	10,701	645	20,975	23,439	13,531	16,306
	4,660		6,277	4,895		
				569		
	42,065	15,358	70,002	60,141		
	500		500		1,430	36,003
					38,839	118,271
					(102,095)	(18,932)
	(328,167)		(330,567)	(183,884)		
344	(270,241)	16,003	(232,813)	(94,840)	(48,295)	151,648
(1,849)	(77,590)	23,262	(21,759)	64,864	(14,468)	38,535
				238,019		179,558
1,000	628,432		738,432	775,434	2,000	2,000
	(582,570)	(15,000)	(891,158)	(918,954)		
(849)	(31,728)	8,262	(174,485)	159,363	(12,468)	220,093
23,816	2,147,227	58,979	5,410,611	5,251,248	3,020,215	2,800,122
\$ 22,967	\$ 2,115,499	\$ 67,241	\$ 5,236,126	\$ 5,410,611	\$ 3,007,747	\$ 3,020,215

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**

For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 260,229	\$ 19,210	\$ 279,439	\$ 827,651	\$ 30,938
Cash paid to employees	(66,385)		(66,385)	(140,673)	
Cash paid to suppliers	(73,187)	(4,876)	(78,063)	(119,399)	(7,882)
Net Cash Provided By (Used In) Operating Activities	120,657	14,334	134,991	567,579	23,056
<b>Cash Flows From Noncapital Financing Activities</b>					
Intergovernmental	(332)		(332)	(1,104)	
Miscellaneous					
Transfer in/out	(150,570)	(33,018)	(183,588)	(551,570)	596,432
Net Cash Provided By (Used In) Noncapital Financing Activities	(150,902)	(33,018)	(183,920)	(552,674)	596,432
<b>Cash Flows From Capital and Related Financing Activities</b>					
Capital asset acquisitions		(217,989)	(217,989)		(283,397)
Proceeds from issuance of debt		212,500	212,500		4,776,716
Principal payments on bonds					(370,000)
Interest payments on bonds		(2,400)	(2,400)		(220,111)
Net Cash (Used In) Capital and Related Financing Activities		(7,889)	(7,889)		3,903,208
<b>Cash Flows From Investing Activities</b>					
Investment income received	8,620	1,009	9,629	3,388	6,969
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(21,625)	(25,564)	(47,189)	18,293	4,529,665
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	546,137	80,198	626,335	110,715	518,718
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 524,512	\$ 54,634	\$ 579,146	\$ 129,008	\$ 5,048,383
Classified as:					
Cash and cash equivalents	\$ 524,512	\$ 54,634	\$ 579,146	\$ 129,008	\$ 40,479
Restricted cash					5,007,904
Total Cash and Cash Equivalents, End of Year	\$ 524,512	\$ 54,634	\$ 579,146	\$ 129,008	\$ 5,048,383

**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

<b>Operating Income (Loss)</b>	\$ 100,447	\$ (89,303)	\$ 11,144	\$ 519,806	\$ (324,962)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		101,075	101,075		350,430
Change in net pension liability	5,363		5,363	8,449	
Miscellaneous nonoperating income	14,186	10	14,196	46,537	688
(Increase) Decrease In:					
Accounts receivable	(1,391)	(1,600)	(2,991)	(15,376)	(3,100)
Special assessments delinquent	332		332	1,104	
Increase (Decrease) In:					
Accounts payable	25	4,152	4,177	3,740	
Accrued liabilities	1,695		1,695	3,319	
Net Cash Provided By (Used In) Operating Activities	\$ 120,657	\$ 14,334	\$ 134,991	\$ 567,579	\$ 23,056

**See Notes to the Financial Statements**



Sewer - No Fault Back	Total Sewer	Garbage	Totals		Governmental Activities- Internal Service Funds 801 Capital Goods	
			2016	2015	2016	2015
\$	\$ 858,589	\$ 199,190	\$ 1,337,218	\$ 1,222,909	\$ 312,514	\$ 105,898
	(140,673)		(207,058)	(196,048)		
(2,193)	(129,474)	(178,496)	(386,033)	(415,929)	(9,148)	(43,053)
(2,193)	588,442	20,694	744,127	610,932	303,366	62,845
	(1,104)	(405)	(1,841)	308	1,430	36,003
					38,839	118,271
1,000	45,862	(15,000)	(152,726)	(143,520)	2,000	2,000
1,000	44,758	(15,405)	(154,567)	(143,212)	42,269	156,274
	(283,397)		(501,386)	(12,373)	(332,466)	(121,164)
	4,776,716		4,989,216			
	(370,000)		(370,000)	(365,000)		
	(220,111)		(222,511)	(184,185)		
	3,903,208		3,895,319	(561,558)	(332,466)	(121,164)
344	10,701	645	20,975	23,439	13,531	16,306
(849)	4,547,109	5,934	4,505,854	(70,399)	26,700	114,261
23,816	653,249	41,481	1,321,065	1,391,464	825,202	710,941
\$ 22,967	\$ 5,200,358	\$ 47,415	\$ 5,826,919	\$ 1,321,065	\$ 851,902	\$ 825,202
\$ 22,967	\$ 192,454	\$ 47,415	\$ 819,015	\$ 850,742	\$ 851,902	\$ 825,202
	5,007,904		5,007,904	470,323		
\$ 22,967	\$ 5,200,358	\$ 47,415	\$ 5,826,919	\$ 1,321,065	\$ 851,902	\$ 825,202
\$ (2,193)	\$ 192,651	\$ 7,259	\$ 211,054	\$ 159,704	\$ 33,827	\$ (113,113)
	350,430		451,505	440,176	222,060	231,694
	8,449		13,812	7,436		
	47,225	15,358	76,779	65,605		
	(18,476)	(2,312)	(23,779)	(59,555)	40,579	(55,737)
	1,104	405	1,841	(308)		
	3,740	(16)	7,901	(1,929)	6,900	1
	3,319		5,014	(197)		
\$ (2,193)	\$ 588,442	\$ 20,694	\$ 744,127	\$ 610,932	\$ 303,366	\$ 62,845

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**CITY OF CHATFIELD, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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The City of Chatfield, Minnesota was incorporated in 1857 and operates under a Mayor-Council form of government. The governing body is the City Council which consists of five elected Council Members and a Mayor.

The accounting policies of the City of Chatfield, Minnesota, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

##### A. Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Chatfield, Minnesota, defined as follows:

*Primary Government* - Includes all funds, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Chatfield, Minnesota.

*Component Units* - Component units are legally separate organizations for which the elected officials of the City of Chatfield, Minnesota are financially accountable or for which the nature or significance of their relationship with the City of Chatfield, Minnesota would cause the general purpose financial statements to be misleading or incomplete. Because its sole purpose is to encourage future development within the City, the City of Chatfield Economic Development Authority (EDA), has been reported as a blended component unit in the financial statements of the City of Chatfield, Minnesota.

*Excluded* – Fire Relief Association – This association is organized as a nonprofit organization by their members to provide pension and other benefits to such members in accordance with Minnesota statutes. Their board of directors are appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the associations pay benefits directly to their members.

##### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. 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.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### B. Government-wide and Fund Financial Statements (Continued)

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. *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 all enterprise funds are reported as separate columns in the fund financial statements.

##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, licenses and permits, 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.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which 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 specific 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 is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

The City reports the following major governmental funds:

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

The *EDA fund* accounts for the City's economic development activities.

The *revolving loan fund federal* account for the disbursements and collection of federal funds under the City's revolving loan program.

The *revolving loan fund state* account for the disbursements and collection of state funds under the City's revolving loan program.

The *fire fund* accounts for the City's fire operations and capital asset purchases of fire equipment.

The *ambulance fund* accounts for the City's ambulance operations and capital asset purchases of ambulance equipment.

The *CCA Capital Projects fund* accounts for the accumulation of resources for payment of the CCA capital project.

The major proprietary funds are the water, sewer, water infrastructure, sewer infrastructure, and garbage funds.

The *Capital Goods fund* is an internal service fund that accounts for capital asset purchases provided to other departments on a cost reimbursement basis.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

##### D. Assets, Liabilities, Deferred Inflows of Resources and Net Position

###### Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

###### Interfund Transactions

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).

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### D. *Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)*

###### Property Taxes

Property tax levies are set by the City Council in December each year and are certified to Fillmore and Olmsted Counties for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The counties provide tax settlements to cities and other taxing districts four times a year in January, June, November, and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, and are fully offset by deferred inflow of resources in the fund financial statements because they are not known to be available to finance current expenditures. These offsetting balances are not reflected in the financial statements because of their non-effect on current year operations.

Special assessments outstanding at December 31, 2016 are recognized as revenue only when received. The receivable balances in the fund financial statements are offset entirely by deferred inflow of resources until collected by the county. These offsetting balances are also not reflected in the financial statements.

###### 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 are defined by the government as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.



CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Capital Assets (Continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	10 - 30
Infrastructure	20 - 40
Wastewater Treatment Facility	20 - 40
Vehicles	5 - 10
Furniture and Fixtures	5 - 12
Machinery and Equipment	10 - 25

Compensated Absences

Vacation and sick pay are accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, vacation and sick pay are recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in those funds.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and notes receivable. The City's accounts and notes receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Chatfield, Minnesota.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

###### Net position / Fund Balance

In the government-wide and proprietary financial statements, net position are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the city administrator.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### D. Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

###### 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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due payable in accordance with the benefit terms. Investments are reported at fair value.

###### Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

###### Implementation of New Accounting Principles

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investments to be measured at fair value and requires disclosures to be made about fair value measurements including the level of fair value hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No.67, No.68 and No.73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementation of the three standards listed above. One of the significant changes included in this statement clarifies the presentation of covered payroll in the required supplementary information to reflect the amount of payroll on which contributions made to the pension plan are based.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Stewardship, Compliance, and Accountability

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##### A. Budgetary Information

Each fall, the City Council adopts an annual budget for the following year. The budgets are, in all material respects, prepared on the same basis of accounting used to prepare the financial statements. Budgeted amounts for the General and Major Special Revenue Funds have been presented in the financial statements.

Spending control for City monies is at the fund level, but management control is exercised at budgetary line item level within each fund. The City Council may amend the budget after it is approved using the same procedures necessary to approve the original budget. The budgetary data presented represents the approved budget as amended. All annual appropriations lapse at year-end.

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#### 3. Detailed Notes on All Funds

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##### A. Summary of Cash and Investments

As of December 31, 2016, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 150
Deposits	None	N/A	2,004,590
Non-negotiable certificates of deposit	February 2017 - December 2020	N/A	1,276,018
U.S. government bonds	February 2021 - February 2024	AAA	968,725
Municipal bonds	February 2019 - March 2020	AA2	635,528
Money market funds	None	N/A	60,622
Escrow	January 2017 - January 2018	N/A	<u>5,413,980</u>
Total Cash and Investments			<u>\$ 10,359,613</u>
Cash and Investments			\$ 4,465,443
Restricted Cash			<u>5,894,170</u>
Cash and Investments per Statement of Net Position			<u>\$ 10,359,613</u>

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds (Continued)

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##### Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

##### Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

##### Interest Rate Risk

The City has a formal investment policy that limits investment maturities to ten years unless the investments can be matched with anticipated cash flow requirements.

##### Credit Risk

The City has a formal investment policy that aims to minimize credit risk by limiting its investment choices to specific types of investments, pre-qualifying financial institutions, and diversifying the investment portfolio.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 3. Detailed Notes on All Funds (Continued)

---

##### A. Summary of Cash and Investments (Continued)

###### Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>of Total</u>
U.S. government bonds	AAA	9%
Municipal bonds	AA2	6%
Escrow	N/A	52%

###### Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CITY OF CHATFIELD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2016 and 2015 were as follows:

At December 31, 2016				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. government bonds	\$ 968,725	\$	\$ 968,725	\$
Municipal bonds	635,528		635,528	
Escrow	5,413,980		5,413,980	
Total	<u>\$ 7,018,233</u>	<u>\$</u>	<u>\$ 7,018,233</u>	<u>\$</u>

At December 31, 2015				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. government bonds	\$ 1,254,962	\$	\$ 1,254,962	\$
Municipal bonds	635,528		635,528	
Total	<u>\$ 1,890,490</u>	<u>\$</u>	<u>\$ 1,890,490</u>	<u>\$</u>

**B. Deferred Special Assessments Receivable**

Deferred assessments receivable represent levies made on the property of owners benefited by public improvement projects. Assessments are payable over various periods.

**C. Notes Receivable**

The City of Chatfield, Minnesota entered into a Grant Agreement with the Minnesota Department of Trade and Economic Development dated October 7, 1996, for which \$115,000 in Economic Recovery Funds (ERF Funds) were received in 1997 and loaned to an enterprise within the City to help finance a recovery/expansion project.

The City of Chatfield, Minnesota entered into a Grant Agreement with the Minnesota Department of Employment and Economic Development dated June 30, 2008, for which \$511,088 in Flood Recovery Funds were received and loaned to an enterprise within the City. During 2008, the City loaned Bernard Bus \$511,088 at 2% interest to help with flood recovery costs. The amount forgiven will be \$339,223 if the company continues to maintain operations in the City of Chatfield until June 30, 2018.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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C. Notes Receivable (Continued)

The City of Chatfield, Minnesota entered into a Grant Agreement with the Minnesota Department of Employment and Economic Development dated December 20, 2013, for which \$408,000 in Minnesota Investment Fund (MIF) funds were received in 2014 and loaned to an enterprise within the City to help finance an expansion project. The loan is repayable at 1% interest over a period of 15 years and is subject to job creation and wage requirements as documented by the loan agreement.

Repayment of the notes, together with interest is to be used to establish and maintain a Revolving Loan Fund to further future economic development in the City of Chatfield, Minnesota.

The City of Chatfield, Minnesota has the following notes receivable outstanding as of December 31, 2016:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/16
S&K Custom Furniture	5/30/2006	\$ 40,245	5%	10 years	\$ 27,758
Bernard Bus	6/30/2008	511,088	2%	10 years	339,223
Adourn	9/18/2012	8,490	6%	5 years	1,681
EZ Fab	7/1/2014	533,000	1%	15 years	454,848
MT Properties	10/1/2014	62,700	4%	10 years	50,665
Steve's Auto	8/1/2015	21,000	4%	5 years	15,126
Ries Auto Stores LLC	6/1/2016	45,000	4%	10 years	44,038
Bick & Berry Boutique	8/1/2016	30,000	4%	5 years	28,182
		<u>\$ 1,251,523</u>			<u>\$ 961,521</u>



**CITY OF CHATFIELD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**D. Capital Assets**

Capital asset activity, including internal service fund capital assets, for the year ended December 31, 2016 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,158,679	\$	\$	\$ 1,158,679
Construction in process	54,024		54,024	
Total capital assets, not being depreciated	1,212,703		54,024	1,158,679
Capital assets, being depreciated:				
Buildings	8,204,492	4,341,651		12,546,143
Infrastructure	6,922,000	118,536		7,040,536
Vehicles	1,629,518	675,581	354,493	1,950,606
Furniture and fixtures	350,362	19,378		369,740
Machinery and equipment	1,970,336	126,898	15,380	2,081,854
Total capital assets, being depreciated	19,076,708	5,282,044	369,873	23,988,879
Less accumulated depreciation for:				
Buildings	3,916,766	495,148		4,411,914
Infrastructure	2,766,985	232,430		2,999,415
Vehicles	755,252	144,347	252,399	647,200
Furniture and fixtures	185,066	18,455		203,521
Machinery and equipment	1,336,833	115,765	15,379	1,437,219
Total accumulated depreciation	8,960,902	1,006,145	267,778	9,699,269
Total capital assets, being depreciated, net	10,115,806	4,275,899	102,095	14,289,610
 Governmental activities capital assets, net	 \$ 11,328,509	 \$ 4,275,899	 \$ 156,119	 \$ 15,448,289

**CITY OF CHATFIELD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**D. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 60,492	\$	\$	\$ 60,492
Construction in process		350,000		350,000
Total capital assets, not being depreciated	60,492	350,000		410,492
Capital assets, being depreciated:				
Wastewater Treatment Facility and Distribution	15,709,980	99,465		15,809,445
Machinery and equipment	319,498	51,921	5,344	366,075
Total capital assets, being depreciated	16,029,478	151,386	5,344	16,175,520
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	6,189,535	427,430		6,616,965
Machinery and equipment	239,908	24,075	5,344	258,639
Total accumulated depreciation	6,429,443	451,505	5,344	6,875,604
Total capital assets, being depreciated, net	9,600,035	(300,119)		9,299,916
 Business-type activities capital assets, net	 \$ 9,660,527	 \$ 49,881	 \$	 \$ 9,710,408

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 49,172
Public safety	136,314
Public works	140,775
Parks and recreation	23,918
Library	47,632
Community development	386,274
Subtotal	784,085
Internal service fund	222,060

Total depreciation expense - governmental activities \$ 1,006,145

**Business-Type Activities:**

Water Infrastructure	\$ 101,075
Sewer Infrastructure	350,430
Total depreciation expense - business-type activities	<u>\$ 451,505</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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E. Interfund Balances and Transfers

Transfers during the year ended December 31, 2016 were as follows:

Funds	Transfers In	Transfers Out
General Fund - Other	\$ 115,850	\$ 292,537
Special Revenue:		
Ambulance	49,649	44,000
EDA	40,000	
Fire Capital	135,888	82,810
Cable Access		2,900
Chatfield Center for the Arts	60,000	
Capital Project:		
2014 Public Improvements		75,070
Debt Service:		
2014A Bond	144,070	
2012A Refunding Bond	102,586	
Subtotal Governmental Funds	<u>648,043</u>	<u>497,317</u>
Enterprise:		
Water		150,570
Sewer		551,570
Garbage		15,000
Water Infrastructure	110,000	143,018
Sewer Infrastructure	627,432	31,000
Sewer - No Fault Back	1,000	
Subtotal Enterprise Funds	<u>738,432</u>	<u>891,158</u>
Internal Service Fund	<u>2,000</u>	
Total Transfers	<u>\$ 1,388,475</u>	<u>\$ 1,388,475</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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3. Detailed Notes on All Funds (Continued)

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E. *Interfund Balances and Transfers (Continued)*

In the government-wide statement of net position, transfers in/out are comprised of:

Governmental Funds:	
Transfers in	\$ 650,043
Transfers out	<u>(497,317)</u>
Government-wide Statement of Activities	
Transfers in/out	<u>\$ 152,726</u>

The amounts due to and from other funds at December 31, 2016, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$	\$ 103,543
Twiford Street Redevelopment	14,822	
Cabin Coffee TIF	516	
CCA Capital Projects Fund	<u>88,205</u>	
	<u>\$ 103,543</u>	<u>\$ 103,543</u>

At December 31, 2016, the following funds have deficit balances:

Twiford Street Redevelopment	\$ 14,822
Cabin Coffee TIF Fund	516
CCA Capital Projects Fund	209,700

Excess of expenditures over budgeted appropriations at the individual fund level during 2016 are as follows:

General Fund	\$ 41,598
Special Revenue Funds	
Fire	374,741
Ambulance	39,773
Revolving Loan Federal	75,000

All excess expenditures were the result of planned processes.

**CITY OF CHATFIELD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

**F. Long-term debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2002A Refunding (3.0-4.9%)	\$ 20,000	\$	\$ 10,000	\$ 10,000	\$ 10,000
2010A Capital Improvement Refunding (2.0-3.9%)	1,030,000		80,000	950,000	80,000
2012A GO Crossover Refunding Bonds (2.0-2.7%)	1,725,000		145,000	1,580,000	145,000
2014A GO Bonds (2.0-2.25%)	1,725,000		160,000	1,565,000	160,000
2016A GO Crossover Refunding Bonds (2.0%)		875,000		875,000	
2011 SCDP Center for the Arts Loan		13,335	869	12,466	2,622
Plus: Unamortized premium	43,641	18,526	5,919	56,248	
Total Bonds and Notes Payable	4,543,641	906,861	401,788	5,048,714	397,622
Other Liabilities:					
Compensated Absences	154,993	33,241		188,234	
Governmental Activities					
Long-term Liabilities	4,698,634	940,102	401,788	5,236,948	397,622
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2011A Refunding Bonds (3.42%)	5,585,000		370,000	5,215,000	375,000
2016A GO Crossover Refunding Bonds (2.0%)		4,535,000		4,535,000	
2016B GO Water Revenue Note (2.825%)		425,000		425,000	
Plus: Unamortized premium		76,556	5,889	70,667	
Less: Bond discount	(32,868)		(2,739)	(30,129)	
Other Liabilities:					
Compensated Absences	5,590	3,988		9,578	
Business-type Activities					
Long-term Liabilities	5,557,722	5,040,544	373,150	10,225,116	375,000
Total	\$ 10,256,356	\$ 5,980,646	\$ 774,938	\$ 15,462,064	\$ 772,622

The 2002A Refunding Bonds were issued to refund the 2000 General Obligation Temporary Improvement Bond and to fund improvements along Mill Creek Road. The 2004A Sewer and Permanent Improvement Refunding Bonds were issued to refund the 1998B and 1999A bonds and provide funding for a sewer project. The 2010A Capital Improvement Refunding Bonds were issued to refund the 2001 EDA Public Project Revenue Bonds. The 2012 GO Crossover Refunding Bonds were issued to refund the 2008A General Obligation Improvement Bonds.

The 2011A Refunding Bonds were issued to refund the City the 2005 General Obligation Disposal System Bonds.

The 2014A GO Bonds were issued to fund the 2014 street improvement project.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The 2016A GO Crossover Refunding Bonds were issued to refund the City the 2010A and 2011A GO Bonds.

The 2016B GO Water Revenue Notes were issued to fund the 2016 water meter project.

2012 GO Crossover Refunding Bond

Fillmore County and Independent School District #227 have agreed to a tax abatement plan that provides funding to assist in the repayment of the 2012 GO Crossover Refunding Bond. The county has agreed to abate \$1,100,000 and the school district will abate \$454,000 of future property tax revenues generated by the project.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2016, over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>				
2017	\$ 395,000	\$ 116,188		
2018	400,000	107,446		
2019	490,000	96,906		
2020	500,000	85,841		
2021	510,000	74,353		
2022-2026	2,445,000	184,081		
2027-2028	240,000	1,823		
Totals	<u>\$ 4,980,000</u>	<u>\$ 666,635</u>		
<u>Business-Type Activities</u>				
2017			\$ 375,000	\$ 267,247
2018			417,000	262,319
2019			848,000	242,747
2020			865,000	221,783
2021			886,000	199,378
2022-2026			4,761,000	622,607
2027-2028			2,023,000	51,178
Totals			<u>\$ 10,175,000</u>	<u>\$ 1,867,259</u>

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds (Continued)

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##### F. Long-term debt (Continued)

##### Conduit Debt Obligations

To provide for previous bond refunding and construction of improvements and the acquisition and installation of equipment by Chosen Valley Care Center, Inc. (a non-profit corporation), the City of Chatfield, Minnesota issued \$3,640,806 of Healthcare and Housing Facilities Revenue Loan Participation Notes dated August 1, 2005. These notes are special limited obligations of the City, payable solely from income sources of the non-profit corporation. The notes do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At December 31, 2016, remaining notes outstanding totaled \$2,570,633.

To provide financing for phase II improvements to Olmsted Medical Center, (a non-profit corporation), the City of Chatfield, Minnesota issued \$2,600,000 of Health Care Facilities Revenue Note dated April 1, 2006. These notes are special limited obligations of the City, payable solely from income sources of the non-profit corporation. The notes do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At December 31, 2016, remaining notes outstanding totaled \$998,560.

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#### 4. Defined Benefit Pension Plans - Statewide

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##### Plan Description

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

1. General Employees Retirement Fund (General Employees Plan (accounted for in the General Employees Fund)) All full-time and certain part-time employees of the City of Chatfield, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Defined Benefit Pension Plans – Statewide (Continued)

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##### Plan Description (Continued)

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

##### Benefits Provided

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

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

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

##### 1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.



## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Defined Benefit Pension Plans – Statewide (Continued)

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##### 2. Police and Fire Plan Benefits

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

##### Contributions

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

##### 1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, were \$54,923. The City's contributions were equal to the required contributions as set by state statute.

##### 2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$46,950. The City's contributions were equal to the required contributions as set by state statute.

##### Pension Costs

##### 1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$958,101 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was 0.0118 percent which was an increase of 0.0004 percent from its proportion measured as of June 30, 2015.

**CITY OF CHATFIELD, MINNESOTA****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**4. Defined Benefit Pension Plans – Statewide (Continued)**

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For the year ended December 31, 2016, the City recognized pension expense of \$137,978 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2016, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 77,135
Changes in actuarial assumptions	187,597	
Difference between projected and actual investment earnings	180,377	
Changes in proportion		7,937
Contributions paid to PERA subsequent to the measurement date	29,174	
Total	<u>\$ 397,148</u>	<u>\$ 85,072</u>

\$29,174 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 75,540
2018	75,541
2019	97,213
2020	34,608

**2. Police and Fire Fund Pension Costs**

At December 31, 2016 the City reported a liability of \$1,203,952 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016 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, 2015, through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the City's proportion was 0.030 percent which did not change from its proportion measured as of June 30, 2015.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Defined Benefit Pension Plans – Statewide (Continued)

For the year ended December 31, 2016 the City recognized pension expense of \$204,719 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$2,700 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016 the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 135,508
Changes in actuarial assumptions	644,182	
Difference between projected and actual investment earnings	183,731	
Changes in proportion		14,401
Contributions paid to PERA subsequent to the measurement date	24,194	
Total	<u>\$ 852,107</u>	<u>\$ 149,909</u>

\$24,194 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 145,569
2018	145,569
2019	145,566
2020	130,723
2021	110,577

#### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	Per year
Active Member Payroll Growth	3.25%	Per year
Investment Rate of Return	7.50%	

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Defined Benefit Pension Plans – Statewide (Continued)

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##### Actuarial Assumptions (continued)

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

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

There following changes in actuarial assumptions occurred in 2016:

##### General Employees Fund

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

##### Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Defined Benefit Pension Plans – Statewide (Continued)

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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 Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Defined Benefit Pension Plans – Statewide (Continued)

##### 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% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 1,360,788	\$ 958,101	\$ 626,397
	4.60%	5.60%	6.60%
City's proportionate share of the PEPFF net pension liability	1,685,373	1,203,952	810,595
Total Net Pension Liability	<u>\$ 3,046,161</u>	<u>\$ 2,162,053</u>	<u>\$ 1,436,992</u>

##### 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](http://www.mnpera.org).

##### Defined Benefit Pension Plan – Fire Department Relief Association

The Chatfield Fire Department Relief Association has not had an actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB No. 68, *Accounting and Financial Reporting for Pensions*.

##### Plan Description

The City contributes to the Chatfield Fire Department Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Plan Description (Continued)

Volunteer firefighters of the City are members of the Chatfield Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,600 per person per year of service after reaching a minimum retirement age of 50 and at least 20 years of service with 5 years of membership in the association. Association members are eligible to receive partial pension benefits for service of 5 years with 5 years of membership in the association. These benefit provisions are consistent with enabling State statutes. Volunteers of the department are not required to contribute to the relief association. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes. During 2016, at the Association direction, the City did not levy any property taxes to be paid to the Association.

Funding Status and Progress

At December 31, 2016 (most current information available) the Association funding status is as follows:

Total plan assets	\$ 431,745
Total accrued liability	<u>(340,064)</u>
Excess (Deficiency) of Plan Assets over Accrued Liability	<u>\$ 91,681</u>

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2016.

The computation of the pension contribution requirements for 2016 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 5. Risk Management

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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. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2016.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2016. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

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#### 6. Fund Equity

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Committed fund balances as of December 31, 2016 are as follows:

Committed fund balance:	
Library Fund	\$ 490,829



**CITY OF CHATFIELD, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**CITY OF CHATFIELD, MINNESOTA**  
**Schedules of Pension Contributions**  
**December 31, 2016**

**PERA General Employees Retirement Fund**

Year Ended December 31	Contributions in Relation to			Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2014	\$ 43,241	\$ 43,241	\$	\$ 728,259	5.9%
2015	67,009	67,009		750,282	8.9%
2016	54,923	54,923		780,522	7.0%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of Pension Contributions**  
**PERA Public Employees Police and Fire Fund Pension Plan**

Year Ended December 31	Contributions in Relation to			Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2014	\$ 37,020	\$ 37,020	\$	\$ 296,393	12.5%
2015	55,140	55,140		289,705	19.0%
2016	46,950	46,950		296,459	15.8%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF CHATFIELD, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2016**

**PERA General Employees Retirement Fund**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0124%	\$ 582,490	\$ 728,259	80%	78.7%
2015	0.0114%	590,807	750,282	79%	78.2%
2016	0.0118%	958,101	780,522	123%	68.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Fund Pension Plan**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.032%	\$ 345,613	\$ 296,393	117%	87.1%
2015	0.030%	340,870	289,705	118%	86.6%
2016	0.030%	1,203,952	296,459	406%	63.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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**CITY OF CHATFIELD, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2016**

**CITY OF CHATFIELD, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2016**

	Special Revenue				
	211/212	614	241	250	251
	Library	Cable Access	Sales tax Development	Chatfield Center for the Arts	CCA - Schmidt Foundation
<b>ASSETS</b>					
Cash and investments	\$ 495,243	\$ 42,954	\$ 112,792	\$ 102,111	\$ 6,376
Restricted cash in escrow					
Accounts receivable		6,056			
Due from other governmental units					
Taxes receivable - delinquent					
Special assessments receivable					
<b>TOTAL ASSETS</b>	<u>\$ 495,243</u>	<u>\$ 49,010</u>	<u>\$ 112,792</u>	<u>\$ 102,111</u>	<u>\$ 6,376</u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,414	\$	\$	\$ 8,179	\$
Due to other funds					
Total Liabilities	<u>4,414</u>			<u>8,179</u>	
<b>Deferred Inflows of Resources</b>					
Unavailable revenue:					
Property taxes					
Special assessments					
Total Deferred Inflows of Resources					
<b>Fund Balance</b>					
Restricted:					
Creditors (debt covenants)					
Regulations			112,792		
Committed:					
By Council resolution	490,829				
Assigned:					
Fund assignments		49,010		93,932	6,376
Unassigned:					
Total Fund Balance	<u>490,829</u>	<u>49,010</u>	<u>112,792</u>	<u>93,932</u>	<u>6,376</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 495,243</u>	<u>\$ 49,010</u>	<u>\$ 112,792</u>	<u>\$ 102,111</u>	<u>\$ 6,376</u>

353 Pope & Young Tax Increment	358 Twiford Street Redevelopment	354 Lone Stone Tax Increment	357 EZ Fab Tax Increment	359 Cabin Coffee Tax Increment
\$ 2	\$	\$ 1,863	\$	\$
		2,202		
<u>\$ 2</u>	<u>\$</u>	<u>\$ 4,065</u>	<u>\$</u>	<u>\$</u>
\$	\$ 14,822	\$	\$	\$ 516
	14,822			516
		2,202		
		<u>2,202</u>		
2	(14,822)	1,863		(516)
<u>2</u>	<u>(14,822)</u>	<u>1,863</u>		<u>(516)</u>
<u>\$ 2</u>	<u>\$</u>	<u>\$ 4,065</u>	<u>\$</u>	<u>\$</u>

**CITY OF CHATFIELD, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2016**

	Debt Service			
	377	323	334	335
	1999 Tax Increment Bond	2002A Refunding Bond	2014A Bond	2016A GO Refunding 2010A Bond
<b>ASSETS</b>				
Cash and investments	\$	\$ 31,892	\$ 306,866	\$ 7,153
Restricted cash in escrow				886,266
Accounts receivable				
Due from other governmental units		11	467	
Taxes receivable - delinquent		32	950	
Special assessment receivable		16,109		
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 48,044</b>	<b>\$ 308,283</b>	<b>\$ 893,419</b>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$	\$	\$
Due to other funds				
<b>Total Liabilities</b>				
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue:				
Property taxes		32	950	
Special assessments		16,109		
<b>Total Deferred Inflows of Resources</b>		<b>16,141</b>	<b>950</b>	
<b>Fund Balance</b>				
Restricted:				
Creditors (debt covenants)		31,903	307,333	893,419
Regulations				
Committed:				
By Council resolution				
Assigned:				
Fund assignments				
Unassigned:				
<b>Total Fund Balance</b>		<b>31,903</b>	<b>307,333</b>	<b>893,419</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$</b>	<b>\$ 48,044</b>	<b>\$ 308,283</b>	<b>\$ 893,419</b>



		Capital Project	
330	332	450	
2010A Refunding Bond	2012A Refunding Bond	2014 Public Improvements	Total Nonmajor Governmental Funds 2016
\$ 119,451	\$ 363,077	\$	\$ 1,589,780
			886,266
			6,056
484	181		1,143
1,381	538		5,103
	30,000		46,109
<u>\$ 121,316</u>	<u>\$ 393,796</u>	<u>\$</u>	<u>\$ 2,534,457</u>
\$	\$	\$	\$ 12,593
			15,338
			27,931
1,381	538		5,103
	30,000		46,109
<u>1,381</u>	<u>30,538</u>		<u>51,212</u>
119,935	363,258		1,715,848
			112,792
			490,829
			151,183
			(15,338)
<u>119,935</u>	<u>363,258</u>		<u>2,455,314</u>
<u>\$ 121,316</u>	<u>\$ 393,796</u>	<u>\$</u>	<u>\$ 2,534,457</u>

**CITY OF CHATFIELD, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	Special Revenue				
	211/212	614	241	250	251
	Library	Cable Access	Sales Tax Development	Chatfield Center for the Arts	CCA - Schmidt Foundation
<b>REVENUES</b>					
Property tax levy					
Property tax collected	\$ 136,534	\$	\$	\$	\$
Special assessments					
Tax increments					
Fines and forfeits	3,783				
Intergovernmental	57,038				
Franchise fees		24,395			
Charges for services		12,798		11,659	
Investment income	2,505	748	2,282	1,244	113
Contributions	5,195			11,720	
Miscellaneous	12,592	6,662		4,692	
<b>TOTAL REVENUES</b>	<b>217,647</b>	<b>44,603</b>	<b>2,282</b>	<b>29,315</b>	<b>113</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government		49,064	2,100		
Library	216,615				
Community development			44,541	78,313	
Capital outlay				7,917	2,466
Debt service					
Principal retirement				869	
Interest and fiscal charges				43	
<b>TOTAL EXPENDITURES</b>	<b>216,615</b>	<b>49,064</b>	<b>46,641</b>	<b>87,142</b>	<b>2,466</b>
Excess (deficiency) of revenues over (under) expenditures	1,032	(4,461)	(44,359)	(57,827)	(2,353)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds					
Transfer in				60,000	
Transfer out		(2,900)			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>(2,900)</b>		<b>60,000</b>	
Net change in fund balances	1,032	(7,361)	(44,359)	2,173	(2,353)
<b>FUND BALANCES, beginning</b>	<b>489,797</b>	<b>56,371</b>	<b>157,151</b>	<b>91,759</b>	<b>8,729</b>
<b>FUND BALANCES, ending</b>	<b>\$ 490,829</b>	<b>\$ 49,010</b>	<b>\$ 112,792</b>	<b>\$ 93,932</b>	<b>\$ 6,376</b>

<u>353 Pope &amp; Young Tax Increment</u>	<u>358 Twiford Street Redevelopment</u>	<u>354 Lone Stone Tax Increment</u>	<u>357 EZ Fab Tax Increment</u>	<u>359 Cabin Coffee Tax Increment</u>
\$	\$	\$	\$	\$
12,542		68,823	2,124	
		75		
<u>12,542</u>	<u></u>	<u>68,898</u>	<u>2,124</u>	<u></u>
12,542	424	68,823	2,124	8
<u>12,542</u>	<u>424</u>	<u>68,823</u>	<u>2,124</u>	<u>8</u>
	<u>(424)</u>	<u>75</u>		<u>(8)</u>
	(424)	75		(8)
<u>2</u>	<u>(14,398)</u>	<u>1,788</u>		<u>(508)</u>
<u>\$ 2</u>	<u>\$ (14,822)</u>	<u>\$ 1,863</u>	<u>\$</u>	<u>\$ (516)</u>

**CITY OF CHATFIELD, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	Debt Service			
	377	323	334	335
	1999 Tax Increment Bond	2002A Refunding Bond	2014A Bond	2016A GO Refunding 2010A Bond
<b>REVENUES</b>				
Property tax levy				
Property tax collected	\$	\$ 2,633	\$ 110,585	\$
Special assessments		10,269	19,630	
Tax increments	5,075			
Fines and forfeits				
Intergovernmental				
Franchise fees				
Charges for services				
Investment income		320	10,738	93
Contributions				
Miscellaneous				
<b>TOTAL REVENUES</b>	<u>5,075</u>	<u>13,222</u>	<u>140,953</u>	<u>93</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government				
Library				
Community development				
Capital outlay				
Debt service				
Principal retirement		10,000	160,000	
Interest and fiscal charges	5,075	1,185	35,857	200
<b>TOTAL EXPENDITURES</b>	<u>5,075</u>	<u>11,185</u>	<u>195,857</u>	<u>200</u>
Excess (deficiency) of revenues over (under) expenditures		2,037	(54,904)	(107)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds				893,526
Transfer in			144,070	
Transfer out				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<u>144,070</u>	<u>893,526</u>
Net change in fund balances		2,037	89,166	893,419
<b>FUND BALANCES, beginning</b>		<u>29,866</u>	<u>218,167</u>	
<b>FUND BALANCES, ending</b>	<u>\$</u>	<u>\$ 31,903</u>	<u>\$ 307,333</u>	<u>\$ 893,419</u>

330	332	Capital Project	Total Nonmajor Governmental Funds 2016
		450	
2010A Refunding Bond	2012A Refunding Bond	2014 Public Improvements	
\$ 114,905	\$ 43,111 10,000	\$	\$ 407,768
			39,899
			88,564
			3,783
			57,038
			24,395
			24,457
1,875	6,544	1,156	27,693
			16,915
			23,946
116,780	59,655	1,156	714,458
		148	51,164
			216,615
			206,923
			10,383
80,000	145,000		395,869
35,648	36,730		114,738
115,648	181,730	148	995,692
1,132	(122,075)	1,008	(281,234)
	102,586	(75,070)	893,526
			306,656
			(77,970)
	102,586	(75,070)	1,122,212
1,132	(19,489)	(74,062)	840,978
118,803	382,747	74,062	1,614,336
\$ 119,935	\$ 363,258	\$	\$ 2,455,314

**CITY OF CHATFIELD, MINNESOTA  
CHATFIELD CENTER FOR THE ARTS  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2016

*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		Fund 250 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Charges for services	\$ 19,000	\$ 19,000	\$ 11,659	\$ (7,341)	\$ 16,805
Investment income	(1,000)	(1,000)	1,244	2,244	1,314
Donations			11,720	11,720	5,470
Miscellaneous	1,700	1,700	4,692	2,992	3,030
<b>TOTAL REVENUES</b>	<u>19,700</u>	<u>19,700</u>	<u>29,315</u>	<u>9,615</u>	<u>26,619</u>
<b>EXPENDITURES</b>					
Repairs and maintenance	7,000	7,000	9,533	(2,533)	3,541
Professional Services	12,000	12,000	12,400	(400)	4,250
Utilities	42,000	42,000	33,552	8,448	30,441
Miscellaneous	17,050	17,050	22,828	(5,778)	17,871
Principal and interest			912	(912)	
Capital outlay			7,917	(7,917)	
<b>TOTAL EXPENDITURES</b>	<u>78,050</u>	<u>78,050</u>	<u>87,142</u>	<u>(9,092)</u>	<u>56,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,350)</u>	<u>(58,350)</u>	<u>(57,827)</u>	<u>523</u>	<u>(29,484)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	60,000	60,000	60,000		57,845
Net change in fund balances	1,650	1,650	2,173	523	28,361
<b>FUND BALANCES, beginning</b>	<u>91,759</u>	<u>91,759</u>	<u>91,759</u>		<u>63,398</u>
<b>FUND BALANCES, ending</b>	<u>\$ 93,409</u>	<u>\$ 93,409</u>	<u>\$ 93,932</u>	<u>\$ 523</u>	<u>\$ 91,759</u>

**CITY OF CHATFIELD, MINNESOTA**  
**LIBRARY FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		211	212	2016	Variance with	2015
	Original	Final	Library	Library	Actual	Final Budget -	Actual
				Endowment	Amounts	Positive	Amounts
						(Negative)	
<b>REVENUES</b>							
Property tax levy	\$ 136,534	\$ 136,534	\$ 136,534	\$	\$ 136,534	\$	\$ 130,322
Intergovernmental revenues	52,955	52,955	57,038		57,038	4,083	52,955
Library fines	2,200	2,200	3,783		3,783	1,583	2,989
Investment income	11,500	11,500	1,348	1,157	2,505	(8,995)	1,922
Contributions			3,365	1,830	5,195	5,195	53,755
Miscellaneous	3,380	3,380	12,592		12,592	9,212	11,307
<b>TOTAL REVENUES</b>	<b>206,569</b>	<b>206,569</b>	<b>214,660</b>	<b>2,987</b>	<b>217,647</b>	<b>11,078</b>	<b>253,250</b>
<b>EXPENDITURES</b>							
<b>Library</b>							
Salaries	101,752	101,752	100,612		100,612	1,140	94,500
Employee benefits and retirement	14,958	14,958	15,143		15,143	(185)	12,548
Workers compensation	250	250	505		505	(255)	523
Health insurance	20,692	20,692	23,483		23,483	(2,791)	20,093
Travel	645	645	260		260	385	320
Office supplies and postage	1,800	1,800	1,780		1,780	20	1,825
Operating supplies/small tools	2,500	2,500	11,687		11,687	(9,187)	8,914
Insurance	4,000	4,000	3,266		3,266	734	3,765
Utilities	5,800	5,800	5,554		5,554	246	5,206
Maintenance and repair	9,500	9,500	10,903		10,903	(1,403)	10,106
Telephone	1,750	1,750	1,923		1,923	(173)	1,876
Cleaning services	950	950	800		800	150	708
Capital outlay	19,400	19,400	26,035	1,768	27,803	(8,403)	80,428
Other	14,572	14,572	12,896		12,896	1,676	12,064
<b>TOTAL EXPENDITURES</b>	<b>198,569</b>	<b>198,569</b>	<b>214,847</b>	<b>1,768</b>	<b>216,615</b>	<b>(18,046)</b>	<b>252,876</b>
Net change in fund balances	8,000	8,000	(187)	1,219	1,032	(6,968)	374
<b>FUND BALANCES, beginning</b>	<b>489,797</b>	<b>489,797</b>	<b>110,394</b>	<b>379,403</b>	<b>489,797</b>		<b>489,423</b>
<b>FUND BALANCES, ending</b>	<b>\$ 497,797</b>	<b>\$ 497,797</b>	<b>\$ 110,207</b>	<b>\$ 380,622</b>	<b>\$ 490,829</b>	<b>\$ (6,968)</b>	<b>\$ 489,797</b>

**CITY OF CHATFIELD, MINNESOTA**  
**INTERNAL SERVICE FUND**  
**Statements of Net Position**  
December 31, 2015 and 2014

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 851,902	\$ 825,202
Accounts receivable	15,158	55,737
Total Current Assets	<u>867,060</u>	<u>880,939</u>
<b>Noncurrent Assets</b>		
Capital assets:		
Depreciable	4,131,642	4,169,049
Less: Accumulated depreciation	<u>1,983,989</u>	<u>2,029,707</u>
Net capital assets	<u>2,147,653</u>	<u>2,139,342</u>
Total Assets	<u>3,014,713</u>	<u>3,020,281</u>
<b>LIABILITIES</b>		
Accounts payable	<u>6,966</u>	<u>66</u>
<b>NET POSITION</b>		
Invested in capital assets	2,147,653	2,139,342
Unrestricted	<u>860,094</u>	<u>880,873</u>
Total Net Position	<u><u>\$ 3,007,747</u></u>	<u><u>\$ 3,020,215</u></u>



**CITY OF CHATFIELD, MINNESOTA**  
**INTERNAL SERVICE FUND**  
**Statements of Revenues, Expenses**  
**and Changes in Fund Net Position**  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Operating Revenues</b>		
Departmental capital charge	\$ 271,935	\$ 161,635
<b>Operating Expenses</b>		
Depreciation	222,060	231,694
Repairs	4,573	23,995
Minor equipment	11,475	19,059
Total Operating Expenses	238,108	274,748
Operating Income (Loss)	33,827	(113,113)
<b>Nonoperating Revenues</b>		
Interest income	13,531	16,306
Intergovernmental - small cities assistance	1,430	36,003
Miscellaneous	38,839	118,271
Loss on disposal	(102,095)	(18,932)
Total Nonoperating Revenues	(48,295)	151,648
<b>INCOME BEFORE TRANSFERS</b>	(14,468)	38,535
Capital contributions		179,558
Transfer in	2,000	2,000
<b>CHANGE IN NET POSITION</b>	(12,468)	220,093
<b>NET POSITION - BEGINNING OF YEAR</b>	3,020,215	2,800,122
<b>NET POSITION - END OF YEAR</b>	\$ 3,007,747	\$ 3,020,215

**CITY OF CHATFIELD, MINNESOTA**  
**INTERNAL SERVICE FUND**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2015 and 2014

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Cash received from other departments	\$ 312,514	\$ 105,898
Cash paid to suppliers	(9,148)	(43,053)
Net Cash Provided by Operating Activities	<u>303,366</u>	<u>62,845</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Intergovernmental	1,430	36,003
Miscellaneous	38,839	118,271
Transfer in	<u>2,000</u>	<u>2,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>42,269</u>	<u>156,274</u>
<b>Capital and Related Financing Activities</b>		
Capital asset acquisitions	<u>(332,466)</u>	<u>(121,164)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income received	<u>13,531</u>	<u>16,306</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	26,700	114,261
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>825,202</u>	<u>710,941</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 851,902</u></u>	<u><u>\$ 825,202</u></u>

**RECONCILIATION OF OPERATING INCOME**  
**TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 33,827	\$ (113,113)
Adjustments to Reconcile Operating		
Income to Net Cash Provided		
by Operating Activities		
Depreciation	222,060	231,694
(Increase) Decrease in:		
Accounts receivable	40,579	(55,737)
Increase (Decrease) in:		
Accounts payable	<u>6,900</u>	<u>1</u>
Net Cash Provided By Operating Activities	<u><u>\$ 303,366</u></u>	<u><u>\$ 62,845</u></u>

**CITY OF CHATFIELD, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER FUND**  
**Statements of Net Position**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 524,512	\$ 546,137
Accounts receivable, net	28,354	28,352
Special assessments receivable	10,501	9,444
Special assessments delinquent	1,263	931
Total Current Assets	<u>564,630</u>	<u>584,864</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pension activity	<u>27,871</u>	<u>5,862</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 592,501</u></u>	<u><u>\$ 590,726</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,172	\$ 3,147
Accrued liabilities	5,898	4,203
Total Current Liabilities	<u>9,070</u>	<u>7,350</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	<u>67,704</u>	<u>41,749</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pension activity	<u>6,011</u>	<u>4,594</u>
<b>NET POSITION</b>		
Unrestricted	<u>509,716</u>	<u>537,033</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 592,501</u></u>	<u><u>\$ 590,726</u></u>

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 601 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Service fees	\$ 238,900	\$ 238,900	\$ 247,102	\$ 8,202	\$ 239,108
<b>Operating Expenses</b>					
Salaries	52,000	52,000	51,541	459	51,109
Employee benefits and retirement	8,725	8,725	12,914	(4,189)	10,520
Health insurance	7,790	7,790	8,004	(214)	415
Workers compensation	1,700	1,700	1,930	(230)	1,806
Supplies	9,525	9,525	7,693	1,832	9,037
Utilities	19,000	19,000	17,299	1,701	17,459
Maintenance and repairs	15,000	15,000	11,856	3,144	16,883
Travel and training	350	350	850	(500)	400
Professional fees	13,400	13,400	20,909	(7,509)	15,081
Office expense	1,500	1,500	1,196	304	1,171
Insurance	3,300	3,300	4,080	(780)	3,033
Departmental capital charge			400	(400)	400
Other	5,855	5,855	7,983	(2,128)	5,577
Total Operating Expenses	138,145	138,145	146,655	(8,510)	132,891
Operating Income	100,755	100,755	100,447	(308)	106,217
<b>Nonoperating Revenues</b>					
Investment income	5,000	5,000	8,620	3,620	11,935
Refunds and reimbursements			1,617	1,617	798
Penalties and discounts					131
Special assessments	9,000	9,000	12,569	3,569	10,795
Total Nonoperating Revenues	14,000	14,000	22,806	8,806	23,659
<b>INCOME BEFORE TRANSFERS</b>	114,755	114,755	123,253	8,498	129,876
Transfers out	(150,570)	(150,570)	(150,570)		(150,570)
<b>CHANGE IN NET POSITION</b>	(35,815)	(35,815)	(27,317)	8,498	(20,694)
<b>NET POSITION - BEGINNING OF YEAR</b>	537,033	537,033	537,033		557,727
<b>NET POSITION - END OF YEAR</b>	\$ 501,218	\$ 501,218	\$ 509,716	\$ 8,498	\$ 537,033

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER FUND**  
**Statements of Net Position**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 129,008	\$ 110,715
Accounts receivable, net	95,512	84,753
Special assessments receivable	34,992	31,479
Special assessments delinquent	4,209	3,105
Total Current Assets	<u>263,721</u>	<u>230,052</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows from pension activity	<u>46,440</u>	<u>9,682</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 310,161</u></u>	<u><u>\$ 239,734</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,315	\$ 4,575
Accrued liabilities	6,978	3,659
Total Current Liabilities	<u>15,293</u>	<u>8,234</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	<u>111,818</u>	<u>68,952</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pension activity	<u>9,928</u>	<u>7,587</u>
<b>NET POSITION</b>		
Unrestricted	<u>173,122</u>	<u>154,961</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 310,161</u></u>	<u><u>\$ 239,734</u></u>

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 602 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Service fees	\$ 754,900	\$ 754,900	\$ 795,386	\$ 40,486	\$ 755,486
<b>Operating Expenses</b>					
Salaries	90,000	90,000	96,532	(6,532)	91,326
Employee benefits and retirement	14,300	14,300	22,199	(7,899)	17,157
Health insurance	16,000	16,000	18,904	(2,904)	20,951
Workers compensation	3,000	3,000	3,038	(38)	3,179
Supplies	11,400	11,400	8,136	3,264	14,938
Utilities	39,300	39,300	37,900	1,400	33,904
Maintenance and repairs	38,500	38,500	35,381	3,119	32,094
Travel and training	3,550	3,550	504	3,046	833
Professional fees	18,700	18,700	24,404	(5,704)	39,664
Office expense	3,300	3,300	3,258	42	3,304
Insurance	12,000	12,000	10,908	1,092	11,666
Departmental capital charge	550	550	550		550
Other	16,000	16,000	13,866	2,134	18,817
Total Operating Expenses	266,600	266,600	275,580	(8,980)	288,383
Operating Income	488,300	488,300	519,806	31,506	467,103
<b>Nonoperating Revenues</b>					
Investment income	4,000	4,000	3,388	(612)	5,084
Refunds and reimbursements			4,660	4,660	4,097
Penalties and discounts	2,500	2,500		(2,500)	438
Special assessments	30,000	30,000	41,877	11,877	35,990
Total Nonoperating Revenues	36,500	36,500	49,925	13,425	45,609
<b>INCOME BEFORE TRANSFERS</b>	524,800	524,800	569,731	44,931	512,712
Transfers out	(541,570)	(541,570)	(551,570)	(10,000)	(541,570)
<b>CHANGE IN NET POSITION</b>	(16,770)	(16,770)	18,161	34,931	(28,858)
<b>NET POSITION - BEGINNING OF YEAR</b>	154,961	154,961	154,961		183,819
<b>NET POSITION - END OF YEAR</b>	\$ 138,191	\$ 138,191	\$ 173,122	\$ 34,931	\$ 154,961

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER INFRASTRUCTURE FUND**  
**Statements of Net Position**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 54,634	\$ 80,198
Accounts receivable	<u>3,200</u>	<u>1,600</u>
Total Current Assets	<u>57,834</u>	<u>81,798</u>
<b>Property and Equipment</b>		
Nondepreciable	205,246	30,246
Depreciable	3,701,473	3,658,484
Less: Accumulated depreciation	<u>1,203,724</u>	<u>1,102,649</u>
Property, Plant and Equipment, Net	<u>2,702,995</u>	<u>2,586,081</u>
Total Assets	<u>2,760,829</u>	<u>2,667,879</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	<u>4,659</u>	<u>507</u>
Total Current Liabilities	<u>4,659</u>	<u>507</u>
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	<u>212,500</u>	
Total Liabilities	<u>217,159</u>	<u>507</u>
<b>NET POSITION</b>		
Invested in capital assets	2,702,995	2,586,081
Unrestricted	<u>(159,325)</u>	<u>81,291</u>
Total Net Position	<u>\$ 2,543,670</u>	<u>\$ 2,667,372</u>



**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER INFRASTRUCTURE FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 611 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Connection charges	\$ 8,000	\$ 8,000	\$ 20,800	\$ 12,800	\$ 12,800
<b>Operating Expenses</b>					
Repairs and maintenance			1,128	(1,128)	506
Depreciation			101,075	(101,075)	95,437
Departmental capital charge	7,900	7,900	7,900		7,900
Total Operating Expenses	7,900	7,900	110,103	(102,203)	103,843
Operating Loss	100	100	(89,303)	89,403	(91,043)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income			1,009	1,009	2,108
Special assessments			10	10	
Interest expense			(2,400)	(2,400)	
Total Nonoperating Revenues (Expenses)			(1,381)	(1,381)	2,108
<b>LOSS BEFORE CONTRIBUTED CAPITAL AND TRANSFERS</b>	100	100	(90,684)	(90,784)	(88,935)
Contributed capital					125,273
Transfer in	110,000	110,000	110,000		112,513
Transfers out	(140,586)	(140,586)	(143,018)	(2,432)	(141,686)
Total Other Financing Sources (Uses)	(30,586)	(30,586)	(33,018)	(2,432)	96,100
<b>CHANGE IN NET POSITION</b>	(30,486)	(30,486)	(123,702)	(93,216)	7,165
<b>NET POSITION - BEGINNING OF YEAR</b>	2,667,372	2,667,372	2,667,372		2,660,207
<b>NET POSITION - END OF YEAR</b>	\$ 2,636,886	\$ 2,636,886	\$ 2,543,670	\$ (93,216)	\$ 2,667,372

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER INFRASTRUCTURE FUND**  
**Statement of Net Position**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 40,479	\$ 48,395
Restricted cash	5,007,904	470,323
Accounts receivable	5,700	2,600
Total Current Assets	<u>5,054,083</u>	<u>521,318</u>
<b>Property and Equipment</b>		
Nondepreciable	205,246	30,246
Depreciable	12,474,047	12,370,994
Less: Accumulated depreciation	<u>5,671,880</u>	<u>5,326,794</u>
Property, Plant and Equipment, Net	<u>7,007,413</u>	<u>7,074,446</u>
Total Assets	<u>12,061,496</u>	<u>7,595,764</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	375,000	370,000
Accrued interest payable	<u>139,048</u>	<u>75,182</u>
Total Current Liabilities	514,048	445,182
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	<u>9,628,038</u>	<u>5,182,132</u>
Total Liabilities	<u>10,142,086</u>	<u>5,627,314</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,012,279	1,992,637
Unrestricted	<u>(92,869)</u>	<u>(24,187)</u>
Total Net Position	<u>\$ 1,919,410</u>	<u>\$ 1,968,450</u>

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER INFRASTRUCTURE FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 612 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Connection fees	\$ 12,550	\$ 12,550	\$ 33,350	\$ 20,800	\$ 20,350
<b>Operating Expenses</b>					
Maintenance and repairs			782	(782)	476
Departmental capital charge	7,100	7,100	7,100		7,100
Depreciation			350,430	(350,430)	344,739
Total Operating Expenses	7,100	7,100	358,312	(351,212)	352,315
Operating Income (Loss)	5,450	5,450	(324,962)	(330,412)	(331,965)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	1,000	1,000	6,969	5,969	3,017
Special assessments			188	188	
Miscellaneous			500	500	
Bond principal	(370,000)	(370,000)		370,000	
Interest expense	(176,835)	(176,835)	(328,167)	(151,332)	(183,884)
Total Nonoperating Revenue (Expense)	(545,835)	(545,835)	(320,510)	225,325	(180,867)
<b>LOSS BEFORE CONTRIBUTED CAPITAL AND TRANSFERS</b>	(540,385)	(540,385)	(645,472)	(105,087)	(512,832)
Contributed capital					112,746
Transfer in	610,535	610,535	627,432	16,897	661,921
Transfers out	(31,000)	(31,000)	(31,000)		(70,128)
Total Other Financing Sources (Uses)	579,535	579,535	596,432	16,897	704,539
<b>CHANGE IN NET POSITION</b>	39,150	39,150	(49,040)	(88,190)	191,707
<b>NET POSITION - BEGINNING OF YEAR</b>	1,968,450	1,968,450	1,968,450		1,776,743
<b>NET POSITION - END OF YEAR</b>	\$ 2,007,600	\$ 2,007,600	\$ 1,919,410	\$ (88,190)	\$ 1,968,450

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**GARBAGE FUND**  
**Statement of Net Position**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 47,415	\$ 41,481
Accounts receivable, net	18,927	18,309
Special assessments receivable	12,831	11,542
Special assessments delinquent	1,543	1,138
Total Current Assets	<u>80,716</u>	<u>72,470</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	13,475	13,491
Total Current Liabilities	<u>13,475</u>	<u>13,491</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 67,241</u>	<u>\$ 58,979</u>

**CITY OF CHATFIELD, MINNESOTA**  
**GARBAGE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Net Position - Budget and Actual**  
For the Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Fund 603 2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Charges for Services	\$ 191,000	\$ 191,000	185,739	\$ (5,261)	\$ 189,423
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
Garbage removal	155,000	155,000	151,113	3,887	152,241
City cleanup	13,000	13,000	12,445	555	11,650
Supplies	650	650	73	577	319
Maintenance and repairs	1,800	1,800	1,114	686	1,768
Office expense	1,400	1,400	1,127	273	1,129
Departmental capital charge	200	200	200		200
Other	13,575	13,575	12,408	1,167	12,326
Total Operating Expenses	185,625	185,625	178,480	7,145	179,633
Operating Income	5,375	5,375	7,259	1,884	9,790
<b>Nonoperating Revenue</b>					
Investment income			645	645	820
Special assessments	12,000	12,000	15,358	3,358	13,356
Total Nonoperating Revenue	12,000	12,000	16,003	4,003	14,176
<b>Income before transfers</b>	17,375	17,375	23,262	5,887	23,966
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
<b>CHANGE IN NET POSITION</b>	2,375	2,375	8,262	5,887	8,966
<b>NET POSITION - BEGINNING OF YEAR</b>	58,979	58,979	58,979		50,013
<b>NET POSITION - END OF YEAR</b>	\$ 61,354	\$ 61,354	\$ 67,241	\$ 5,887	\$ 58,979

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
**City of Chatfield, Minnesota**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Chatfield, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Chatfield, Minnesota's basic financial statements, and have issued our report thereon dated March 29, 2017.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Chatfield, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Chatfield, Minnesota's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City of Chatfield, Minnesota, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
March 29, 2017