

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CITY OF CHATFIELD, MINNESOTA

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
List of Elected and Appointed Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan Federal Fund	28
Statement of Net Position - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	33
Notes to the Financial Statements	35
Required Supplementary Information	
Schedules of City Pension Contributions	
General Employees Retirement Fund	66
Public Employees Police and Fire Fund Pension Plan	66
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability	
General Employees Retirement Fund	67
Public Employees Police and Fire Fund Pension Plan	67
Combining and Individual Nonmajor Fund Statements and Schedules	
Combining Balance Sheet - Special Revenue Funds	68
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	72

CITY OF CHATFIELD, MINNESOTA

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Nonmajor Fund Statements and Schedules (Continued)	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Chatfield Center for the Arts	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	77
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Fire Fund	78
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - EDA Fund	79
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Ambulance Fund	80
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan State Fund	81
Statement of Net Position - Internal Service Funds	82
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual - Internal Service Funds	83
Statement of Cash Flows - Internal Service Funds	84
Supplementary Information	
Water Fund:	
Statement of Net Position	85
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual	86
Sewer Fund:	
Statement of Net Position	87
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual	88
Water Infrastructure Fund:	
Statement of Net Position	89
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual	90
Sewer Infrastructure Fund:	
Statement of Net Position	91
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual	92
Garbage Fund:	
Statement of Net Position	93
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual	94
Auditor's Report on Legal Compliance	95

CITY OF CHATFIELD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2017

(This Page Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017

Russ Smith	Mayor
Paul Novotny	Vice-Mayor
Mike Urban	Councilor
Josh Broadwater	Councilor
Pam Bluhm	Councilor
John McBroom	Councilor
Joel Young	City Clerk
Kay Coe	Finance Director

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2017

(This Page is Left Blank Intentionally)

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, 2017, 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, 2017, 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 fund 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 15 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 conjunctions with the City's financial statements for the year ended December 31, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report dated March 29, 2017, 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, 2016, 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, Schafn 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, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$20,018,030 (*net position*). Of this amount, \$3,700,051 (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 decreased by \$79,825.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$3,374,112. Approximately \$2,311,372 of this total amount, or 69% 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 \$1,079,484 or 54 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 16-18 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-three 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, and the 2010A Refunding Bond fund, which are considered to be major funds. Data from the other twenty 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 23-27) and the special revenue funds (pages 28 and 76-81) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 19 and 21 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 29-34 of this report.

The internal service fund financial statements can be found on pages 82-84 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 35-65 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 68-75 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 \$20,018,030 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net position (\$14,773,616) 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		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,437,712	\$ 5,897,363	\$ 5,871,845	\$ 6,043,951	\$ 11,309,557	\$ 11,941,314
Capital assets	15,041,967	15,448,289	9,606,518	9,710,408	24,648,485	25,158,697
Total assets	20,479,679	21,345,652	15,478,363	15,754,359	35,958,042	37,100,011
Deferred outflows of resources	107,679	1,174,944	17,092	74,311	124,771	1,249,255
Long-term liabilities						
outstanding	5,213,582	7,031,245	10,272,556	10,395,060	15,486,138	17,426,305
Other liabilities	219,045	407,941	151,775	182,184	370,820	590,125
Total liabilities	5,432,627	7,439,186	10,424,331	10,577,244	15,856,958	18,016,430
Deferred inflows of resources	197,304	219,042	10,521	15,939	207,825	234,981
Net position:						
Net investment in capital assets	10,819,638	10,399,575	3,953,978	4,715,274	14,773,616	15,114,849
Restricted	1,544,363	2,416,664			1,544,363	2,416,664
Unrestricted	2,593,426	2,046,129	1,106,625	520,213	3,700,051	2,566,342
Total net position	<u>\$ 14,957,427</u>	<u>\$ 14,862,368</u>	<u>\$ 5,060,603</u>	<u>\$ 5,235,487</u>	<u>\$ 20,018,030</u>	<u>\$ 20,097,855</u>

The balance of *unrestricted net position* (\$3,700,051) 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 \$95,059.

**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 \$174,884.

A condensed version of the Statement of Activities follows:

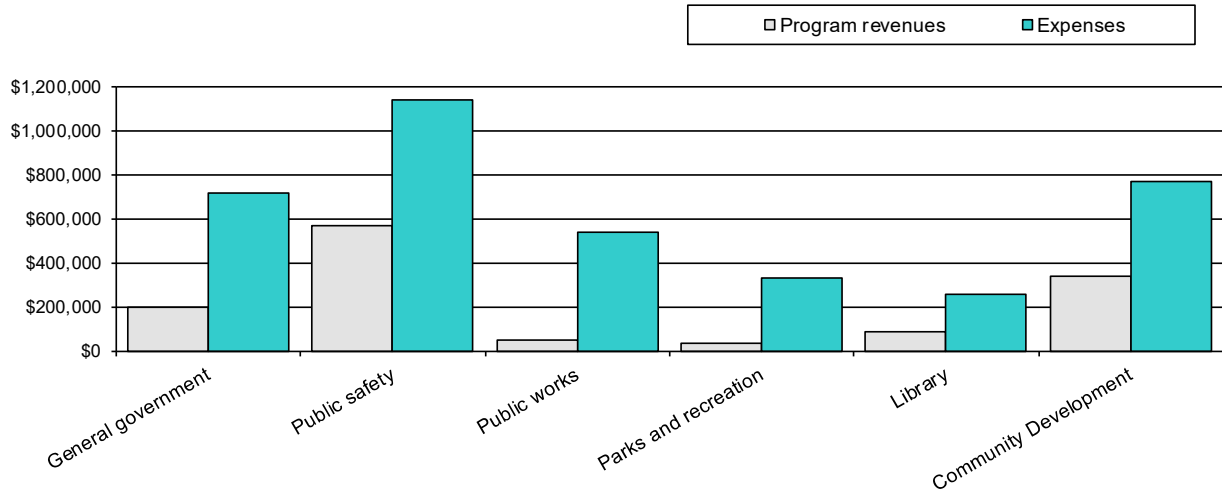
City of Chatfield, Minnesota Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	\$ 567,647	\$ 574,020	\$ 1,365,608	\$ 1,352,379	\$ 1,933,255	\$ 1,926,399
Operating grants and contributions	351,116	283,793			351,116	283,793
Capital grants and contributions	342,086	4,109,238			342,086	4,109,238
General revenues:						
Property taxes	1,552,042	1,469,750			1,552,042	1,469,750
Tax increments	128,853	88,564			128,853	88,564
Grants and contributions not restricted to specific programs						
Local government aid	766,687	765,094			766,687	765,094
Other	641	694			641	694
Miscellaneous	34,963	46,812	64,554	27,752	99,517	74,564
Total revenues	<u>3,744,035</u>	<u>7,337,965</u>	<u>1,430,162</u>	<u>1,380,131</u>	<u>5,174,197</u>	<u>8,718,096</u>
Expenses:						
General government	718,023	623,184			718,023	623,184
Public safety	1,139,177	1,285,461			1,139,177	1,285,461
Public works	539,633	408,231			539,633	408,231
Parks and recreation	329,864	309,257			329,864	309,257
Library	258,800	245,082			258,800	245,082
Community development	770,103	755,020			770,103	755,020
Interest on long-term debt	120,905	113,429			120,905	113,429
Water			295,454	259,797	295,454	259,797
Sewer			890,198	964,252	890,198	964,252
Garbage			191,865	178,480	191,865	178,480
Total expenses	<u>3,876,505</u>	<u>3,739,664</u>	<u>1,377,517</u>	<u>1,402,529</u>	<u>5,254,022</u>	<u>5,142,193</u>
Change in net position before transfers	(132,470)	3,598,301	52,645	(22,398)	(79,825)	3,575,903
Transfers	227,529	152,726	(227,529)	(152,726)		
Change in net position	95,059	3,751,027	(174,884)	(175,124)	(79,825)	3,575,903
Net position, beginning	14,862,368	11,111,341	5,235,487	5,410,611	20,097,855	16,521,952
Net position, end of year	<u>\$ 14,957,427</u>	<u>\$ 14,862,368</u>	<u>\$ 5,060,603</u>	<u>\$ 5,235,487</u>	<u>\$ 20,018,030</u>	<u>\$ 20,097,855</u>

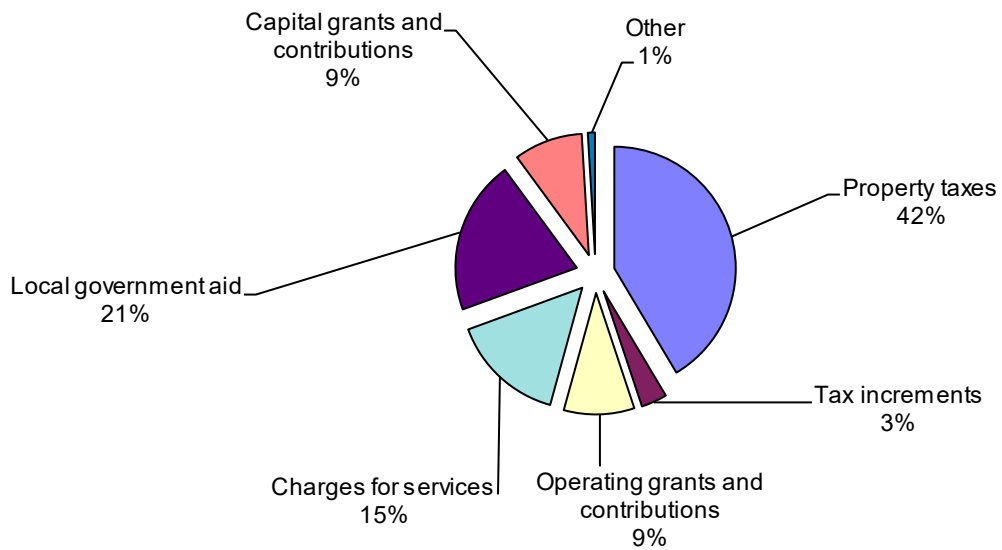
CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



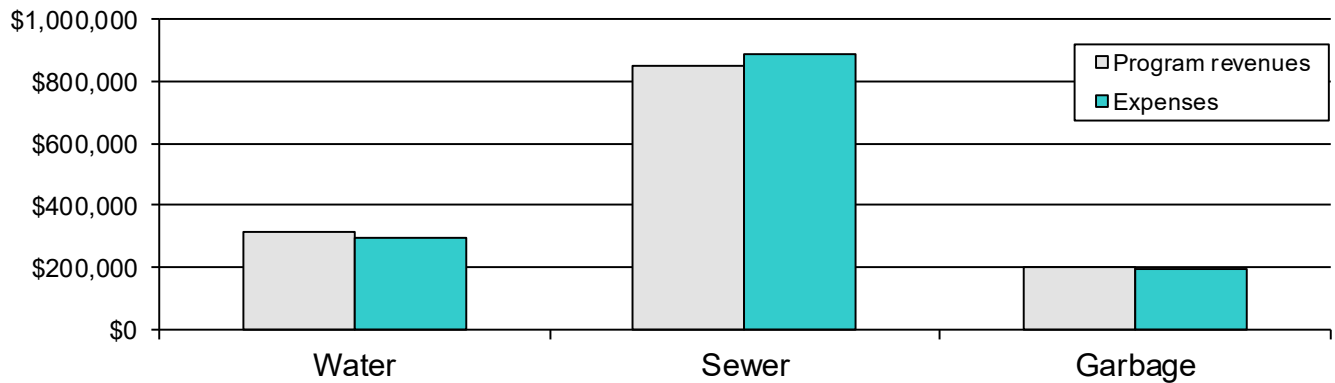
Revenues by Source - Governmental Activities



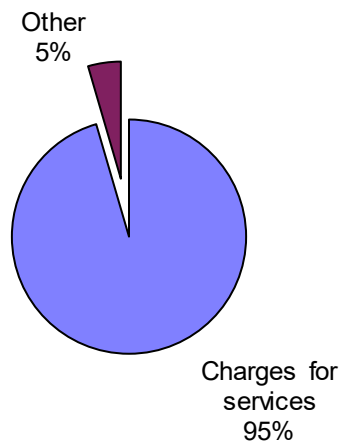
**CITY OF CHATFIELD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$3,374,112, a decrease of \$369,669. This decrease is the result of a variety of factors. The primary reason for this decrease is a transfer of \$870,000 from the 2016A Advanced Refunding Bond Fund to pay off the balance of the 2010A and 2011A debt service funds, completing a refunding process that has lowered the City's interest cost.

Approximately 69% of this total amount, or \$2,311,372, 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.

CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds (continued).

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 \$1,079,484. 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 54 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.

Proprietary funds. The City of Chatfield, Minnesota's proprietary funds statements found on pages 29-34 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 - \$475,437, Sewer - \$568,241, and Garbage - \$62,947.

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 and Sanitary Sewer rates were not increased in 2017, due to the installation of new water meters. Because the water meters are more efficient than the meters being replaced, it was anticipated that this efficiency would increase water and sewer revenues. While a great deal of efficiency was obtained by installing these new meters, revenues did not increase. In 2018, water and sewer rates will be increased on a pre-planned schedule that was implemented several years ago. 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.

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. Recycling fees increased in 2017, which was the first rate increase since 2010. The rate change was necessary to accommodate an increase in the frequency of collecting recycling materials from a twice a month schedule to a weekly pick up schedule.

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

General Fund Budgetary Highlights

The primary cause of the increase in the general fund balance was a payment from FEMA in the amount of \$53,897 for work that was completed previously.

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, 2017, amounts to \$24,648,485 (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 decrease in the City of Chatfield, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$510,212.

City of Chatfield, Minnesota Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,158,679	\$ 1,158,679	\$ 60,492	\$ 60,492	\$ 1,219,171	\$ 1,219,171
Construction in process	33,753			350,000	33,753	350,000
Buildings and improvements	7,703,272	8,134,229			7,703,272	8,134,229
Vehicles	1,158,702	1,303,406			1,158,702	1,303,406
Machinery and equipment	646,231	644,635	509,171	107,436	1,155,402	752,071
Furniture and fixtures	168,357	166,219			168,357	166,219
Wastewater treatment facility			9,036,855	9,192,480	9,036,855	9,192,480
Infrastructure	4,172,973	4,041,121			4,172,973	4,041,121
Total	<u>\$ 15,041,967</u>	<u>\$ 15,448,289</u>	<u>\$ 9,606,518</u>	<u>\$ 9,710,408</u>	<u>\$ 24,648,485</u>	<u>\$ 25,158,697</u>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 48-49 of this report.

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

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City of Chatfield, Minnesota had \$14,272,000 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of Chatfield, Minnesota Outstanding Debt

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 4,172,000	\$ 4,980,000	\$	\$	\$ 4,172,000	\$ 4,980,000
G.O. revenue bonds			10,100,000	10,175,000	10,100,000	10,175,000
Center for the arts loan		12,466				12,466
Unamortized premium	50,329	56,248	64,778	70,667	115,107	126,915
Unamortized discount			(27,390)	(30,129)	(27,390)	(30,129)
Net pension liability	991,253	1,982,531	135,168	179,522	1,126,421	2,162,053
Compensated absences	150,541	188,234	9,126	9,578	159,667	197,812
Total	<u>\$ 5,364,123</u>	<u>\$ 7,219,479</u>	<u>\$10,281,682</u>	<u>\$10,404,638</u>	<u>\$15,645,805</u>	<u>\$17,624,117</u>

The City of Chatfield, Minnesota's total long-term liabilities decreased by \$1,978,312 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 52.

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 over \$15.0 million dollars in construction activity, \$5.1 million of which was residential and \$10 million of commercial construction, most of which were public school buildings. This comes on the heels of \$5 million of construction in 2017, a strong showing after \$7 million in total construction in 2016. Permits for nineteen new homes were issued in Chatfield in 2017.

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.

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

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

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.

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.

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017
With Comparative Totals for December 31, 2016

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
ASSETS				
Cash and investments	\$ 4,097,530	\$ 1,170,408	\$ 5,267,938	\$ 4,465,443
Restricted cash		4,484,848	4,484,848	5,894,170
Receivables	1,223,784	216,589	1,440,373	1,490,020
Net pension asset	116,398		116,398	91,681
Capital assets:				
Nondepreciable	1,192,432	410,492	1,602,924	1,569,171
Depreciable, net	13,849,535	9,196,026	23,045,561	23,589,526
Total Assets	<u>20,479,679</u>	<u>15,478,363</u>	<u>35,958,042</u>	<u>37,100,011</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>107,679</u>	<u>17,092</u>	<u>124,771</u>	<u>1,249,255</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,587,358</u>	<u>\$ 15,495,455</u>	<u>\$ 36,082,813</u>	<u>\$ 38,349,266</u>
LIABILITIES				
Accounts payable	32,840	27,506	60,346	205,201
Accrued interest payable	35,600	115,143	150,743	183,814
Accrued liabilities	64		64	3,298
Compensated absences	150,541	9,126	159,667	197,812
Noncurrent liabilities:				
Due within one year	315,000	447,000	762,000	772,622
Due in more than one year	3,907,329	9,690,388	13,597,717	14,491,630
Net pension liability	<u>991,253</u>	<u>135,168</u>	<u>1,126,421</u>	<u>2,162,053</u>
Total Liabilities	<u>5,432,627</u>	<u>10,424,331</u>	<u>15,856,958</u>	<u>18,016,430</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	<u>197,304</u>	<u>10,521</u>	<u>207,825</u>	<u>234,981</u>
NET POSITION				
Net investment in capital assets	10,819,638	3,953,978	14,773,616	15,114,849
Restricted for:				
Revolving loans	705,875		705,875	700,816
Debt service	838,488		838,488	1,715,848
Unrestricted	<u>2,593,426</u>	<u>1,106,625</u>	<u>3,700,051</u>	<u>2,566,342</u>
Total Net Position	<u>14,957,427</u>	<u>5,060,603</u>	<u>20,018,030</u>	<u>20,097,855</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 20,587,358</u>	<u>\$ 15,495,455</u>	<u>\$ 36,082,813</u>	<u>\$ 38,349,266</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

With Comparative Totals for the Fiscal Year Ending December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 718,023	\$ 107,534	\$ 83,081	\$ 4,327
Public safety	1,139,177	367,799	196,359	
Public works	539,633		3,853	42,891
Parks and recreation	329,864	33,598	1,713	
Library	258,800	15,581	66,110	
Community development	770,103	43,135		294,868
Interest on long-term debt	120,905			
Total governmental activities	3,876,505	567,647	351,116	342,086
Business-Type activities:				
Water	295,454	314,746		
Sewer	890,198	848,482		
Garbage	191,865	202,380		
Total business-type activities	1,377,517	1,365,608		
Total	\$ 5,254,022	\$ 1,933,255	\$ 351,116	\$ 342,086

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	
		2017	2016
\$ (523,081)	\$	\$ (523,081)	\$ (485,360)
(575,019)		(575,019)	(766,173)
(492,889)		(492,889)	(362,582)
(294,553)		(294,553)	(270,677)
(177,109)		(177,109)	(166,474)
(432,100)		(432,100)	3,392,082
(120,905)		(120,905)	(113,429)
<u>(2,615,656)</u>		<u>(2,615,656)</u>	<u>1,227,387</u>
	19,292	19,292	20,684
	(41,716)	(41,716)	(93,451)
	<u>10,515</u>	<u>10,515</u>	<u>22,617</u>
	(11,909)	(11,909)	(50,150)
<u>(2,615,656)</u>	<u>(11,909)</u>	<u>(2,627,565)</u>	<u>1,177,237</u>
1,552,042		1,552,042	1,469,750
128,853		128,853	88,564
766,687		766,687	765,094
641		641	694
34,963	62,235	97,198	67,787
	2,319	2,319	6,777
<u>227,529</u>	<u>(227,529)</u>		
<u>2,710,715</u>	<u>(162,975)</u>	<u>2,547,740</u>	<u>2,398,666</u>
95,059	(174,884)	(79,825)	3,575,903
<u>14,862,368</u>	<u>5,235,487</u>	<u>20,097,855</u>	<u>16,521,952</u>
<u>\$ 14,957,427</u>	<u>\$ 5,060,603</u>	<u>\$ 20,018,030</u>	<u>\$ 20,097,855</u>

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2017

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017
With Comparative Totals for December 31, 2016

	100 General	360 Revolving Loan Federal	330 2010A Refunding Bond	Other Governmental Funds	Totals	
					2017	2016
ASSETS						
Cash and investments	\$ 1,078,302	\$ 91,593	\$	\$ 1,994,763	\$ 3,164,658	\$ 2,794,526
Restricted cash in escrow						886,266
Accounts receivable	640			233,504	234,144	222,161
Notes receivable		614,282		321,174	935,456	961,521
Due from other governmental units	6,158			1,526	7,684	9,442
Taxes receivable delinquent	8,567			4,780	13,347	18,597
Special assessments receivable				33,153	33,153	46,109
Due from other funds	15,212				15,212	103,543
TOTAL ASSETS	\$ 1,108,879	\$ 705,875	\$	\$ 2,588,900	\$ 4,403,654	\$ 5,042,165
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 20,828	\$	\$	\$ 11,546	\$ 32,374	\$ 168,614
Due to other funds				15,212	15,212	103,543
Total Liabilities	20,828			26,758	47,586	272,157
Deferred Inflows of Resources:						
Unavailable revenue:						
Property taxes	8,567			4,780	13,347	18,597
Special assessments				33,153	33,153	46,109
Notes receivable		614,282		321,174	935,456	961,521
Total Deferred Inflows of Resources	8,567	614,282		359,107	981,956	1,026,227
Fund Balance:						
Restricted:						
Creditors (debt covenants)				838,488	838,488	1,715,848
Regulations		91,593		132,659	224,252	215,796
Committed:						
By Council action				497,015	497,015	490,829
Assigned:						
Fund assignments				750,085	750,085	545,104
Unassigned:	1,079,484			(15,212)	1,064,272	776,204
Total Fund Balance	1,079,484	91,593		2,203,035	3,374,112	3,743,781
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,108,879	\$ 705,875	\$	\$ 2,588,900	\$ 4,403,654	\$ 5,042,165

See Notes to the Financial Statements

(This Page is Left Blank Intentionally)

**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, 2017**

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

Total governmental fund balances (page 19)	\$ 3,374,112
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 25,755,270	
Less: Accumulated depreciation	<u>(10,713,303)</u>	
		15,041,967

Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.

Delinquent property taxes	\$ 13,347	
Special assessments	33,153	
Notes receivable	<u>935,456</u>	
		981,956

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.

932,342

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	\$ (4,172,000)	
Net pension liability	(1,080,878)	
Net pension asset	116,398	
Compensated absences	(150,541)	
Bond premiums net of amortization	(50,329)	
Accrued interest	<u>(35,600)</u>	
		<u>(5,372,950)</u>

Net position of governmental activities (page 16)	<u><u>\$ 14,957,427</u></u>
---	-----------------------------

(This Page is Left Blank Intentionally)

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

For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	100 General	360 Revolving Loan Federal	330 2010A Refunding Bond	Other Governmental Funds	Totals	
					2017	2016
REVENUES						
Property taxes	\$ 1,122,930	\$	\$ 114,337	\$ 320,025	\$ 1,557,292	\$ 1,462,871
Special assessments	4,327			55,847	60,174	44,992
Tax increments				128,853	128,853	88,564
Licenses and permits	39,253				39,253	24,894
Fines and forfeits	6,370			2,629	8,999	11,473
Intergovernmental revenues	875,941			479,433	1,355,374	5,073,323
Franchise fees				24,348	24,348	24,395
Charges for services	40,879			214,002	254,881	244,254
Training revenue				43,126	43,126	41,615
Investment income	490	6,015	1,850	26,825	35,180	52,043
Contributions				138,737	138,737	105,203
Miscellaneous revenues	44,565	24,192		70,849	139,606	146,712
TOTAL REVENUES	2,134,755	30,207	116,187	1,504,674	3,785,823	7,320,339
EXPENDITURES						
Current						
General government	604,972			53,498	658,470	612,279
Public safety	581,812			435,021	1,016,833	926,311
Public works	379,434				379,434	383,674
Parks and recreation	304,558				304,558	301,260
Library				223,915	223,915	216,615
Community development	26,238	25,354		317,434	369,026	367,863
Capital Outlay				124,755	124,755	4,634,868
Debt Service			983,929	417,926	1,401,855	510,607
TOTAL EXPENDITURES	1,897,014	25,354	983,929	1,572,549	4,478,846	7,953,477
Excess (deficiency) of revenues over (under) expenditures	237,741	4,853	(867,742)	(67,875)	(693,023)	(633,138)
OTHER FINANCING SOURCES (USES)						
Bond proceeds				445,560	445,560	893,526
Transfers in	142,716		870,000	647,782	1,660,498	648,043
Transfers out	(302,215)		(122,193)	(1,358,296)	(1,782,704)	(497,317)
TOTAL OTHER FINANCING SOURCES (USES)	(159,499)		747,807	(264,954)	323,354	1,044,252
Net change in fund balances	78,242	4,853	(119,935)	(332,829)	(369,669)	411,114
FUND BALANCES, beginning	1,001,242	86,740	119,935	2,535,864	3,743,781	3,332,667
FUND BALANCES, ending	\$ 1,079,484	\$ 91,593	\$	\$ 2,203,035	\$ 3,374,112	\$ 3,743,781

See Notes to the Financial Statements

(This Page is Left Blank Intentionally)

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, 2017

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

Net change in fund balances - total governmental funds (page 21)	\$	(369,669)
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	\$	152,841
Depreciation expense		<u>(792,127)</u>
		(639,286)
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, 2017	\$	981,956
Unavailable revenue, December 31, 2016		<u>(1,026,227)</u>
		(44,271)
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		37,693
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		
		305,212
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	\$	1,277,466
Issuance of bonds		(457,000)
Amortization of bond premium		5,919
Change in net pension liability activity		(54,249)
Change in net pension asset		24,717
Change in accrued interest		<u>8,527</u>
		805,380
Change in net position of governmental activities (pages 17-18)	\$	<u>95,059</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017	Variance with	2016
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Property Tax Levy Collected	\$ 1,120,637	\$ 1,120,637	\$ 1,122,930	\$ 2,293	\$ 1,055,103
Special Assessments Collected	4,631	4,631	4,327	(304)	5,093
Licenses and permits	22,550	22,550	39,253	16,703	24,894
Intergovernmental Revenues					
Local government aid	766,690	766,690	766,687	(3)	765,094
Market value credit			641	641	694
State police aid	37,000	37,000	41,986	4,986	41,774
PERA aid	1,677	1,677	1,677		1,677
Highway	4,900	4,900	3,853	(1,047)	3,853
FEMA aid			53,897	53,897	14,823
Other			7,200	7,200	404
Total Intergovernmental Revenues	810,267	810,267	875,941	65,674	828,319
Charges For Services					
Plan check fee	4,500	4,500	9,456	4,956	6,368
Pool fees	33,400	33,400	30,644	(2,756)	31,444
Lodging tax	300	300	779	479	123
Total Charges For Services	38,200	38,200	40,879	2,679	37,935
Fines and Forfeits					
Parking fines	2,100	2,100	900	(1,200)	1,648
Court fines and other	11,000	11,000	5,355	(5,645)	5,997
Animal fines			115	115	45
Total Fines and Forfeits	13,100	13,100	6,370	(6,730)	7,690
Investment Income	20,000	20,000	490	(19,510)	9,431
Miscellaneous Revenues					
Sale of assets	50	50	489	439	64
Donations			3,162	3,162	235
Refunds/reimbursements	26,825	26,825	40,914	14,089	47,783
Total Miscellaneous Revenues	26,875	26,875	44,565	17,690	48,082
TOTAL REVENUES	\$ 2,056,260	\$ 2,056,260	\$ 2,134,755	\$ 78,495	\$ 2,016,547

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>2017</u>	<u>Variance with</u>	<u>2016</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>	
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 20,000	\$ 20,000	\$ 19,700	\$ 300	\$ 9,200
Employee benefits and retirement	765	765	1,435	(670)	689
Workers compensation	60	60	57	3	55
Office supplies	400	400	276	124	335
Printing and publication	1,500	1,500	2,294	(794)	3,004
Travel and conference	3,250	3,250	1,607	1,643	527
Legal fees	9,200	9,200	8,650	550	7,890
Dues and subscription	8,500	8,500	9,004	(504)	8,687
Departmental capital charge	1,900	1,900	1,900		1,650
Other	1,600	1,600	1,127	473	1,899
Total Mayor and Council	<u>47,175</u>	<u>47,175</u>	<u>46,050</u>	<u>1,125</u>	<u>33,936</u>
Elections	<u>4,100</u>	<u>4,100</u>	<u>1,060</u>	<u>3,040</u>	<u>3,759</u>
Clerk's Office					
Salaries	260,000	260,000	263,398	(3,398)	244,305
Employee benefits and retirement	34,200	34,200	38,711	(4,511)	35,738
Workers compensation	1,550	1,550	1,911	(361)	1,710
Health insurance	58,050	58,050	60,138	(2,088)	55,412
Office supplies	8,500	8,500	5,957	2,543	10,152
Postage	1,100	1,100	816	284	929
Audit fees	9,500	9,500	8,675	825	8,950
Consulting fees	5,000	5,000	5,056	(56)	5,822
Licenses and dues	1,750	1,750	1,730	20	1,933
Insurance	5,100	5,100	4,770	330	4,803
Internet and telephone	19,500	19,500	21,393	(1,893)	19,246
Maintenance and repair	6,000	6,000	4,995	1,005	3,807
Travel and conference	6,500	6,500	4,563	1,937	4,578
Departmental capital charge	6,400	6,400	6,400		6,100
Other	2,400	2,400	2,522	(122)	1,289
Total Clerk's Office	<u>425,550</u>	<u>425,550</u>	<u>431,035</u>	<u>(5,485)</u>	<u>404,774</u>
Planning and Zoning					
Printing and publication	450	450	176	274	221
Consulting fees	52,500	52,500	54,015	(1,515)	49,714
Insurance	5,000	5,000	4,362	638	4,641
Other	1,200	1,200	723	477	693
Total Planning and Zoning	<u>\$ 59,150</u>	<u>\$ 59,150</u>	<u>\$ 59,276</u>	<u>\$ (126)</u>	<u>\$ 55,269</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017	Variance with	2016
	Original	Final	Actual	Final Budget - Favorable (Unfavorable)	Actual
EXPENDITURES (continued)					
General Government (Continued)					
Municipal Building					
Operating supplies	\$ 6,500	\$ 6,500	\$ 4,373	\$ 2,127	\$ 5,563
Small tools and minor equipment	600	600	53	547	1,128
Maintenance and repair	14,000	14,000	12,292	1,708	18,612
Contracted services	24,700	24,700	24,755	(55)	23,519
Insurance	4,500	4,500	3,404	1,096	3,386
Utilities	6,800	6,800	7,133	(333)	5,314
Departmental capital charge	15,000	15,000	15,000		5,500
Other	700	700	541	159	355
Total Municipal Building	72,800	72,800	67,551	5,249	63,377
Total General Government	608,775	608,775	604,972	3,803	561,115
Public Safety					
Animal Control					
Operating supplies	300	300	116	184	
Printing and publication	100	100	256	(156)	217
Other	450	450	3	447	2
Total Animal Control	850	850	375	475	219
Civil Defense					
Contracted services	5,450	5,450	3,750	1,700	5,011
Departmental capital charge	4,000	4,000	4,000		4,000
Total Civil Defense	9,450	9,450	7,750	1,700	9,011
Building Code					
Consultant fee	15,000	15,000	22,140	(7,140)	13,358
Plan review	6,000	6,000	5,072	928	6,500
Surcharge fee/sales tax	2,200	2,200	8,676	(6,476)	2,283
Total Building Code	\$ 23,200	\$ 23,200	\$ 35,888	\$ (12,688)	\$ 22,141

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017	Variance with	2016
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES (continued)					
Public Safety (Continued)					
Police Department					
Salaries	\$ 318,835	\$ 318,835	\$ 316,620	\$ 2,215	\$ 296,459
Employee benefits and retirement	56,913	56,913	55,664	1,249	52,704
Workers compensation/unemployment	10,000	10,000	11,218	(1,218)	8,599
Health insurance	56,620	56,620	59,412	(2,792)	54,532
Operating supplies	3,000	3,000	2,562	438	3,085
Vehicle operating supplies	10,000	10,000	6,946	3,054	6,291
Small tools and minor equipment	3,000	3,000	3,881	(881)	1,283
Internet and telephone	5,100	5,100	5,558	(458)	5,259
Legal fees	12,000	12,000	5,674	6,326	5,570
Towing and wrecker fees	2,000	2,000	600	1,400	600
Uniform allowance	3,625	3,625	3,721	(96)	2,929
Maintenance and repair	9,500	9,500	9,769	(269)	9,800
Clothing	2,100	2,100	1,184	916	1,065
Printing and publication	300	300	141	159	192
Postage	600	600	213	387	264
Training	4,500	4,500	5,210	(710)	4,493
Contracted services	1,250	1,250	2,602	(1,352)	375
Insurance	15,000	15,000	14,063	937	13,647
Utilities	7,000	7,000	5,444	1,556	5,314
Departmental capital charge	22,900	22,900	22,900		22,800
Other	6,195	6,195	4,417	1,778	5,164
Total Police Department	550,438	550,438	537,799	12,639	500,425
Total Public Safety	583,938	583,938	581,812	2,126	531,796
Public Works					
Street Department					
Salaries	64,117	64,117	71,427	(7,310)	62,514
Employee benefits and retirement	12,000	12,000	10,325	1,675	9,204
Health insurance	25	25	5,250	(5,225)	
Workers compensation	5,000	5,000	708	4,292	4,005
Operating supplies	8,200	8,200	17,239	(9,039)	9,480
Vehicle operating supplies	10,000	10,000	14,450	(4,450)	9,566
Maintenance and repair	36,000	36,000	27,407	8,593	50,868
Clothing	700	700	620	80	973
Snow removal	5,000	5,000	3,555	1,445	3,026
Insurance	6,800	6,800	9,256	(2,456)	7,486
Internet and telephone	2,000	2,000	1,710	290	2,032
Other professional services	12,250	12,250	3,777	8,473	10,114
Small tools and minor equipment	5,000	5,000	2,032	2,968	5,948
Utilities	35,000	35,000	32,885	2,115	33,222
Departmental capital charge	175,600	175,600	175,600		174,350
Other	3,100	3,100	3,193	(93)	886
Total Public Works	\$ 380,792	\$ 380,792	\$ 379,434	\$ 1,358	\$ 383,674

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Parks					
Salaries	\$ 56,500	\$ 56,500	\$ 58,044	\$ (1,544)	\$ 57,818
Employee benefits and retirement	7,200	7,200	8,069	(869)	7,587
Workers compensation	1,900	1,900	2,215	(315)	2,156
Health insurance	24,325	24,325	15,240	9,085	22,983
Small tools and minor equipment	1,300	1,300	603	697	1,202
Vehicle operating supplies	2,000	2,000	2,752	(752)	2,622
Maintenance and repair	7,200	7,200	42,429	(35,229)	26,251
Other professional services	5,500	5,500	3,918	1,582	20,664
Utilities	10,000	10,000	12,257	(2,257)	13,461
Insurance	7,500	7,500	7,438	62	7,440
Departmental capital charge	37,600	37,600	37,600		36,500
Other	7,800	7,800	7,233	567	8,233
Total Parks	<u>168,825</u>	<u>168,825</u>	<u>197,798</u>	<u>(28,973)</u>	<u>206,917</u>
Pool					
Salaries	45,000	45,000	44,729	271	45,168
Employee benefits and retirement	3,600	3,600	3,422	178	3,455
Workers compensation	1,600	1,600	1,766	(166)	1,670
Operating supplies	8,100	8,100	6,263	1,837	6,556
Maintenance and repair	5,200	5,200	9,689	(4,489)	6,490
Other professional services	10,000	10,000	9,709	291	
Utilities	8,000	8,000	7,818	182	6,936
Insurance	9,500	9,500	8,924	576	8,921
Departmental capital charge	2,000	2,000	2,000		2,000
Other	8,400	8,400	6,840	1,560	6,521
Total Pool	<u>101,400</u>	<u>101,400</u>	<u>101,160</u>	<u>240</u>	<u>87,717</u>
Recreation	<u>6,000</u>	<u>6,000</u>	<u>4,000</u>	<u>2,000</u>	<u>5,026</u>
Band					
School band concerts	480	480	480		480
Brass band concerts	1,120	1,120	1,120		1,120
Total Band	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>		<u>1,600</u>
Total Parks and Recreation	<u>277,825</u>	<u>277,825</u>	<u>304,558</u>	<u>(26,733)</u>	<u>301,260</u>
Community Development					
Promotional expense	3,000	3,000	4,368	(1,368)	3,109
Heritage preservation	9,530	9,530	18,304	(8,774)	9,516
Other	4,800	4,800	3,566	1,234	3,461
Total Community Development	<u>17,330</u>	<u>17,330</u>	<u>26,238</u>	<u>(8,908)</u>	<u>16,086</u>
TOTAL EXPENDITURES	<u>1,868,660</u>	<u>1,868,660</u>	<u>1,897,014</u>	<u>(28,354)</u>	<u>1,793,931</u>
Excess of revenues over expenditures	<u>187,600</u>	<u>187,600</u>	<u>237,741</u>	<u>50,141</u>	<u>222,616</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	119,335	119,335	142,716	23,381	115,850
Transfers out	(302,215)	(302,215)	(302,215)		(292,537)
Total Other Financing Sources (Uses)	<u>(182,880)</u>	<u>(182,880)</u>	<u>(159,499)</u>	<u>23,381</u>	<u>(176,687)</u>
Net change in fund balances	4,720	4,720	78,242	73,522	45,929
FUND BALANCES, beginning	<u>1,001,242</u>	<u>1,001,242</u>	<u>1,001,242</u>		<u>955,313</u>
FUND BALANCES, ending	<u>\$ 1,005,962</u>	<u>\$ 1,005,962</u>	<u>\$ 1,079,484</u>	<u>\$ 73,522</u>	<u>\$ 1,001,242</u>

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 360 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Investment income	\$ 4,170	\$ 4,170	\$ 6,015	\$ 1,845	\$ 6,885
Miscellaneous	21,250	21,250	24,192	2,942	24,248
TOTAL REVENUES	25,420	25,420	30,207	4,787	31,133
EXPENDITURES					
Loan advances			25,354	(25,354)	75,000
Net change in fund balances	25,420	25,420	4,853	(20,567)	(43,867)
FUND BALANCES, beginning	86,740	86,740	86,740		130,607
FUND BALANCES, ending	<u>\$ 112,160</u>	<u>\$ 112,160</u>	<u>\$ 91,593</u>	<u>\$ (20,567)</u>	<u>\$ 86,740</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2017
With Comparative Totals for December 31, 2016

	Business-Type Activities - Enterprise Funds				
	601	611/336/ 436/339	602	612/437/337/ 333/331/341	
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash and investments	\$ 460,625	\$ 23,565	\$ 484,190	\$ 89,399	\$ 525,898
Restricted cash					4,484,848
Accounts receivable, net	42,757		42,757	96,992	
Special assessments receivable	8,835		8,835	29,438	
Special assessments delinquent	1,440		1,440	4,360	
Total Current Assets	513,657	23,565	537,222	220,189	5,010,746
Noncurrent Assets					
Capital assets:					
Nondepreciable		205,246	205,246		205,246
Depreciable		3,905,777	3,905,777		12,456,060
Less: Accumulated depreciation		1,318,786	1,318,786		5,847,025
Net capital assets		2,792,237	2,792,237		6,814,281
Deferred Outflows of Resources					
Deferred outflows from pension activity	6,342		6,342	10,750	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 519,999	\$ 2,815,802	\$ 3,335,801	\$ 230,939	\$ 11,825,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities					
Current maturities of bonds payable	\$	\$ 33,500	\$ 33,500	\$	\$ 413,500
Accounts payable	4,707		4,707	6,362	
Accrued interest payable		4,315	4,315		110,828
Accrued liabilities	4,160		4,160	4,966	
Total Current Liabilities	8,867	37,815	46,682	11,328	524,328
Noncurrent Liabilities					
Net pension liability	50,977		50,977	84,191	
Bonds payable, net of current maturities		329,000	329,000		9,361,388
Total Liabilities	59,844	366,815	426,659	95,519	9,885,716
Deferred Inflows of Resources					
Deferred inflows from pension activity	3,968		3,968	6,553	
NET POSITION					
Net investment in capital assets		2,429,737	2,429,737		1,524,241
Unrestricted	456,187	19,250	475,437	128,867	415,070
Total Net Position	456,187	2,448,987	2,905,174	128,867	1,939,311
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 519,999	\$ 2,815,802	\$ 3,335,801	\$ 230,939	\$ 11,825,027

See Notes to the Financial Statements

					Governmental Activities-Internal Service Funds 801	
622	603		Totals		Capital Goods	
Sewer - No Fault Back	Total Sewer	Garbage	2017	2016	2017	2016
\$ 24,304	\$ 639,601	\$ 46,617	\$ 1,170,408	\$ 819,015	\$ 932,808	\$ 851,902
	4,484,848		4,484,848	5,007,904		
	96,992	20,956	160,705	151,693		15,158
	29,438	10,794	49,067	58,324		
	4,360	1,017	6,817	7,015		
24,304	5,255,239	79,384	5,871,845	6,043,951	932,808	867,060
	205,246		410,492	410,492		
	12,456,060		16,361,837	16,175,520	4,586,513	4,131,642
	5,847,025		7,165,811	6,875,604	2,205,896	1,983,989
	6,814,281		9,606,518	9,710,408	2,380,617	2,147,653
	10,750		17,092	74,311		
\$ 24,304	\$ 12,080,270	\$ 79,384	\$ 15,495,455	\$ 15,828,670	\$ 3,313,425	\$ 3,014,713
\$	\$ 413,500	\$	\$ 447,000	\$ 375,000	\$	\$
	6,362	16,437	27,506	29,621	466	6,966
	110,828		115,143	139,687		
	4,966		9,126	12,876		
	535,656	16,437	598,775	557,184	466	6,966
	84,191		135,168	179,522		
	9,361,388		9,690,388	9,840,538		
	9,981,235	16,437	10,424,331	10,577,244	466	6,966
	6,553		10,521	15,939		
	1,524,241		3,953,978	4,502,774	2,380,617	2,147,653
24,304	568,241	62,947	1,106,625	732,713	932,342	860,094
24,304	2,092,482	62,947	5,060,603	5,235,487	3,312,959	3,007,747
\$ 24,304	\$ 12,080,270	\$ 79,384	\$ 15,495,455	\$ 15,828,670	\$ 3,313,425	\$ 3,014,713

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS**

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

For the Year Ended December 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				
	601	611/336/ 436/339		602	612/437/337/ 333/331/341
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Operating Revenues					
Service fees and charges	\$ 278,795	\$ 27,200	\$ 305,995	\$ 775,908	\$ 43,750
Departmental capital charge					
	<u>278,795</u>	<u>27,200</u>	<u>305,995</u>	<u>775,908</u>	<u>43,750</u>
Operating Expenses					
Salaries	50,485		50,485	91,572	
Employee benefits and retirement	10,670		10,670	18,544	
Health insurance	8,533		8,533	23,762	
Workers compensation	1,788		1,788	3,418	
Garbage removal					
City clean up					
Supplies	9,456		9,456	12,535	
Utilities	18,596		18,596	64,401	
Maintenance and repairs	15,469		15,469	44,112	480
Travel and training	722		722	1,646	
Professional fees	13,383		13,383	14,725	
Office expense	1,179		1,179	3,191	
Insurance	4,087		4,087	11,112	
Depreciation		115,062	115,062		339,968
Departmental capital charge	750	8,500	9,250	750	7,500
Other	7,584		7,584	20,373	
Total Operating Expenses	<u>142,702</u>	<u>123,562</u>	<u>266,264</u>	<u>310,141</u>	<u>347,948</u>
Operating Income (Loss)	<u>136,093</u>	<u>(96,362)</u>	<u>39,731</u>	<u>465,767</u>	<u>(304,198)</u>
Nonoperating Revenues (Expenses)					
Investment income	7,741	69	7,810	3,018	50,429
Refunds and reimbursements	683		683	1,043	
Special assessments	8,744	7	8,751	28,707	117
Intergovernmental					
Miscellaneous		3,536	3,536		(2,943)
Loss on disposal					
Interest and fiscal charges		(29,190)	(29,190)		(232,109)
Total Nonoperating Revenues (Expenses)	<u>17,168</u>	<u>(25,578)</u>	<u>(8,410)</u>	<u>32,768</u>	<u>(184,506)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>153,261</u>	<u>(121,940)</u>	<u>31,321</u>	<u>498,535</u>	<u>(488,704)</u>
Transfers in		227,701	227,701		653,522
Transfers out	<u>(206,790)</u>	<u>(199,805)</u>	<u>(406,595)</u>	<u>(542,790)</u>	<u>(144,917)</u>
CHANGE IN NET POSITION	<u>(53,529)</u>	<u>(94,044)</u>	<u>(147,573)</u>	<u>(44,255)</u>	<u>19,901</u>
NET POSITION - BEGINNING OF YEAR	<u>509,716</u>	<u>2,543,031</u>	<u>3,052,747</u>	<u>173,122</u>	<u>1,919,410</u>
NET POSITION - END OF YEAR	<u>\$ 456,187</u>	<u>\$ 2,448,987</u>	<u>\$ 2,905,174</u>	<u>\$ 128,867</u>	<u>\$ 1,939,311</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	2017	2016	2017	2016
\$	\$ 819,658	\$ 192,436	\$ 1,318,089	\$ 1,282,377	\$	\$
	819,658	192,436	1,318,089	1,282,377	286,750	271,935
					286,750	271,935
	91,572		142,057	148,073		
	18,544		29,214	35,113		
	23,762		32,295	26,931		
	3,418		5,206	4,968		
		162,534	162,534	151,113		
		13,141	13,141	12,445		
	12,535	191	22,182	15,902		
	64,401		82,997	55,199		
	44,592	1,133	61,194	50,261	126,867	4,573
	1,646		2,368	1,354		
	14,725		28,108	45,313		
	3,191	1,110	5,480	5,581		
	11,112		15,199	14,988		
	339,968		455,030	451,505	228,207	222,060
	8,250	250	17,750	16,150		
	20,373	13,506	41,463	36,427	14,918	11,475
	658,089	191,865	1,116,218	1,071,323	369,992	238,108
	161,569	571	201,871	211,054	(83,242)	33,827
337	53,784	641	62,235	20,975	12,374	13,531
	1,043		1,726	6,277		
	28,824	9,944	47,519	70,002		
	(2,943)		593	500	23,042	1,430
					3,303	38,839
						(102,095)
	(232,109)		(261,299)	(331,206)		
337	(151,401)	10,585	(149,226)	(233,452)	38,719	(48,295)
337	10,168	11,156	52,645	(22,398)	(44,523)	(14,468)
1,000	654,522		882,223	738,432	349,735	2,000
	(687,707)	(15,450)	(1,109,752)	(891,158)		
1,337	(23,017)	(4,294)	(174,884)	(175,124)	305,212	(12,468)
22,967	2,115,499	67,241	5,235,487	5,410,611	3,007,747	3,020,215
\$ 24,304	\$ 2,092,482	\$ 62,947	\$ 5,060,603	\$ 5,235,487	\$ 3,312,959	\$ 3,007,747

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS**

Statement of Cash Flows

For the Year Ended December 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Cash Flows From Operating Activities					
Cash received from customers	\$ 275,485	\$ 33,943	\$ 309,428	\$ 809,732	\$ 46,624
Cash paid to employees	(62,943)		(62,943)	(137,296)	
Cash paid to suppliers	(77,203)	(13,159)	(90,362)	(172,122)	(7,980)
Net Cash Provided By (Used In) Operating Activities	135,339	20,784	156,123	500,314	38,644
Cash Flows From Noncapital Financing Activities					
Intergovernmental	(177)		(177)	(151)	
Miscellaneous					
Transfer in/out	(206,790)	27,896	(178,894)	(542,790)	508,605
Net Cash Provided By (Used In) Noncapital Financing Activities	(206,967)	27,896	(179,071)	(542,941)	508,605
Cash Flows From Capital and Related Financing Activities					
Capital asset acquisitions		(204,304)	(204,304)		(146,836)
Proceeds from issuance of debt		150,000	150,000		150,000
Principal payments on bonds					(375,000)
Interest payments on bonds		(25,514)	(25,514)		(263,479)
Net Cash (Used In) Capital and Related Financing Activities		(79,818)	(79,818)		(635,315)
Cash Flows From Investing Activities					
Investment income received	7,741	69	7,810	3,018	50,429
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,887)	(31,069)	(94,956)	(39,609)	(37,637)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	524,512	54,634	579,146	129,008	5,048,383
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 460,625	\$ 23,565	\$ 484,190	\$ 89,399	\$ 5,010,746
Classified as:					
Cash and cash equivalents	\$ 460,625	\$ 23,565	\$ 484,190	\$ 89,399	\$ 525,898
Restricted cash					4,484,848
Total Cash and Cash Equivalents, End of Year	\$ 460,625	\$ 23,565	\$ 484,190	\$ 89,399	\$ 5,010,746

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

Operating Income (Loss)	\$ 136,093	\$ (96,362)	\$ 39,731	\$ 465,767	\$ (304,198)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		115,062	115,062		339,968
Change in net pension liability	2,759		2,759	4,688	
Miscellaneous nonoperating income	9,427	3,543	12,970	29,750	(2,826)
(Increase) Decrease In:					
Accounts receivable	(12,914)	3,200	(9,714)	3,923	5,700
Special assessments delinquent	177		177	151	
Increase (Decrease) In:					
Accounts payable	1,535	(4,659)	(3,124)	(1,953)	
Accrued liabilities	(1,738)		(1,738)	(2,012)	
Net Cash Provided By (Used In) Operating Activities	\$ 135,339	\$ 20,784	\$ 156,123	\$ 500,314	\$ 38,644

See Notes to the Financial Statements

Sewer - No Fault Back	Total Sewer	Garbage	Totals		Governmental Activities- Internal Service Funds 801 Capital Goods	
			2017	2016	2017	2016
\$	\$ 856,356	\$ 202,388	\$ 1,368,172	\$ 1,337,218	\$ 301,908	\$ 312,514
	(137,296)		(200,239)	(207,058)		
	(180,102)	(188,903)	(459,367)	(386,033)	(148,285)	(9,148)
	538,958	13,485	708,566	744,127	153,623	303,366
	(151)	526	198	(1,841)	23,042	1,430
					3,303	38,839
1,000	(33,185)	(15,450)	(227,529)	(152,726)	349,735	2,000
1,000	(33,336)	(14,924)	(227,331)	(154,567)	376,080	42,269
	(146,836)		(351,140)	(501,386)	(461,171)	(332,466)
	150,000		300,000	4,989,216		
	(375,000)		(375,000)	(370,000)		
	(263,479)		(288,993)	(222,511)		
	(635,315)		(715,133)	3,895,319	(461,171)	(332,466)
337	53,784	641	62,235	20,975	12,374	13,531
1,337	(75,909)	(798)	(171,663)	4,505,854	80,906	26,700
22,967	5,200,358	47,415	5,826,919	1,321,065	851,902	825,202
\$ 24,304	\$ 5,124,449	\$ 46,617	\$ 5,655,256	\$ 5,826,919	\$ 932,808	\$ 851,902
\$ 24,304	\$ 639,601	\$ 46,617	\$ 1,170,408	\$ 819,015	\$ 932,808	\$ 851,902
	4,484,848		4,484,848	5,007,904		
\$ 24,304	\$ 5,124,449	\$ 46,617	\$ 5,655,256	\$ 5,826,919	\$ 932,808	\$ 851,902
\$	\$ 161,569	\$ 571	\$ 201,871	\$ 211,054	\$ (83,242)	\$ 33,827
	339,968		455,030	451,505	228,207	222,060
	4,688		7,447	13,812		
	26,924	9,944	49,838	76,779		
	9,623	534	443	(23,779)	15,158	40,579
	151	(526)	(198)	1,841		
	(1,953)	2,962	(2,115)	7,901	(6,500)	6,900
	(2,012)		(3,750)	5,014		
\$	\$ 538,958	\$ 13,485	\$ 708,566	\$ 744,127	\$ 153,623	\$ 303,366

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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

The *2010A refunding bond fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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, 2017 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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due 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.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types of deferred inflows. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

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.

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2017, 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	1,583,795
Non-negotiable certificates of deposit	May 2018 - June 2022	N/A	2,136,661
U.S. government bonds	February 2021 - December 2023	AAA	859,586
Municipal bonds	February 2019 - February 2024	AA2	634,626
Money market funds	None	N/A	53,120
U.S. treasury note	January 2018	N/A	4,484,848
Total Cash and Investments			<u>\$ 9,752,786</u>
Cash and Investments			\$ 5,267,938
Restricted Cash			<u>4,484,848</u>
Cash and Investments per Statement of Net Position			<u>\$ 9,752,786</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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	7%
U.S. treasury note	N/A	46%

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, 2017 and 2016 were as follows:

At December 31, 2017				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. government bonds	\$ 859,586	\$	\$ 859,586	\$
Municipal bonds	634,626		634,626	
U.S. treasury note	4,484,848		4,484,848	
Total	<u>\$ 5,979,060</u>	<u>\$</u>	<u>\$ 5,979,060</u>	<u>\$</u>

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	
U.S. treasury note	5,413,980		5,413,980	
Total	<u>\$ 7,018,233</u>	<u>\$</u>	<u>\$ 7,018,233</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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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.

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, 2017:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/17
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
EZ Fab	7/1/2014	533,000	1%	15 years	419,600
MT Properties	10/1/2014	62,700	4%	10 years	44,967
Steve's Auto	8/1/2015	21,000	4%	5 years	12,458
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	22,578
Corner Cuts Salon	9/20/2017	25,354	4%	10 years	24,834
		<u>\$ 1,268,387</u>			<u>\$ 935,456</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, 2017 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,158,679	\$	\$	\$ 1,158,679
Construction in process		33,753		33,753
Total capital assets, not being depreciated	1,158,679	33,753		1,192,432
Capital assets, being depreciated:				
Buildings	12,546,143	68,268		12,614,411
Infrastructure	7,040,536	367,593		7,408,129
Vehicles	1,950,606			1,950,606
Furniture and fixtures	369,740	21,527		391,267
Machinery and equipment	2,081,854	122,871	6,300	2,198,425
Total capital assets, being depreciated	23,988,879	580,259	6,300	24,562,838
Less accumulated depreciation for:				
Buildings	4,411,914	499,225		4,911,139
Infrastructure	2,999,415	235,741		3,235,156
Vehicles	647,200	144,704		791,904
Furniture and fixtures	203,521	19,389		222,910
Machinery and equipment	1,437,219	121,275	6,300	1,552,194
Total accumulated depreciation	9,699,269	1,020,334	6,300	10,713,303
Total capital assets, being depreciated, net	14,289,610	(440,075)		13,849,535
 Governmental activities capital assets, net	 \$ 15,448,289	 \$ (406,322)	 \$	 \$ 15,041,967

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 60,492	\$	\$	\$ 60,492
Construction in process	350,000		350,000	
Total capital assets, not being depreciated	410,492		350,000	60,492
Capital assets, being depreciated:				
Wastewater Treatment Facility and Distribution	15,809,445	237,057		16,046,502
Machinery and equipment	366,075	470,029	170,769	665,335
Total capital assets, being depreciated	16,175,520	707,086	170,769	16,711,837
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	6,616,965	392,682		7,009,647
Machinery and equipment	258,639	62,348	164,823	156,164
Total accumulated depreciation	6,875,604	455,030	164,823	7,165,811
Total capital assets, being depreciated, net	9,299,916	252,056	5,946	9,546,026
Business-type activities capital assets, net	<u>\$ 9,710,408</u>	<u>\$ 252,056</u>	<u>\$ 355,946</u>	<u>\$ 9,606,518</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 49,317
Public safety	146,402
Public works	132,922
Parks and recreation	22,775
Library	48,208
Community development	392,503
Subtotal	<u>792,127</u>
Internal service fund	<u>228,207</u>
Total depreciation expense - governmental activities	<u>\$ 1,020,334</u>

Business-Type Activities:

Water Infrastructure	\$ 115,062
Sewer Infrastructure	<u>339,968</u>
Total depreciation expense - business-type activities	<u>\$ 455,030</u>

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

3. Detailed Notes on All Funds (Continued)

E. Interfund Balances and Transfers

Transfers during the year ended December 31, 2017 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund - Other	\$ 142,716	\$ 302,215
Special Revenue:		
Ambulance	92,650	54,420
Ambulance Capital Reserve	40,000	73,000
EDA	48,000	
Fire	57,565	45,400
Fire Capital	42,500	
Cable Access		2,990
Chatfield Center for the Arts	60,000	9,551
Capital Project:		
Industrial Drive Project		279,559
CCA Capital Projects	9,551	
Debt Service:		
2014A Bond	68,493	
2002A Refunding Bond		23,376
2010A Refunding Bond	870,000	122,193
2016A GO Refunding 2010A Bond	122,193	870,000
2012A Refunding Bond	106,830	
Subtotal Governmental Funds	<u>1,660,498</u>	<u>1,782,704</u>
Enterprise:		
Water		206,790
Sewer		542,790
Garbage		15,450
Water Infrastructure	227,701	199,805
Sewer Infrastructure	653,522	144,917
Sewer - No Fault Back	1,000	
Subtotal Enterprise Funds	<u>882,223</u>	<u>1,109,752</u>
Internal Service Fund	<u>349,735</u>	
 Total Transfers	 <u>\$ 2,892,456</u>	 <u>\$ 2,892,456</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. *Interfund Balances and Transfers (Continued)*

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

Governmental and Internal Service Funds:	
Transfers in	\$ 2,010,233
Transfers out	<u>(1,782,704)</u>
Government-wide Statement of Activities	
Transfers in/out	<u>\$ 227,529</u>

The amounts due to and from other funds at December 31, 2017, at the individual fund level are summarized below:

Funds	Due To Other Funds	Due From Other Funds
General Fund	\$	\$ 15,212
Twiford Street Redevelopment	14,835	
Cabin Coffee TIF	377	
	<u>\$ 15,212</u>	<u>\$ 15,212</u>

At December 31, 2017, the following funds have deficit balances:

Twiford Street Redevelopment	\$ 14,835
Cabin Coffee TIF Fund	377

Excess of expenditures over budgeted appropriations at the individual fund level during 2017 are as follows:

General Fund	\$ 28,354
Revolving Loan Federal Fund	25,354

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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2002A Refunding (3.0-4.9%)	\$ 10,000	\$	\$ 10,000	\$	\$
2010A Capital Improvement Refunding (2.0-3.9%)	950,000		950,000		
2012A GO Crossover Refunding Bonds (2.0-2.7%)	1,580,000		145,000	1,435,000	155,000
2014A GO Bonds (2.0-2.25%)	1,565,000		160,000	1,405,000	160,000
2016A GO Crossover Refunding Bonds (2.0%)	875,000			875,000	
2017A GO Tax Abatement Note (2.85%)		457,000		457,000	
2011 SCDP Center for the Arts Loan	12,466		12,466		
Plus: Unamortized premium	56,248		5,919	50,329	
Total Bonds and Notes Payable	5,048,714	457,000	1,283,385	4,222,329	315,000
Other Liabilities:					
Net Pension Liability	1,982,531		991,278	991,253	
Compensated Absences	188,234		37,693	150,541	
Governmental Activities Long-term Liabilities	7,219,479	457,000	2,312,356	5,364,123	315,000
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2011A Refunding Bonds (3.42%)	5,215,000		375,000	4,840,000	380,000
2016A GO Crossover Refunding Bonds (2.0%)	4,535,000			4,535,000	
2016B GO Water Revenue Note (2.825%)	425,000			425,000	37,000
2017B GO Utility Revenue Note (0%)		300,000		300,000	30,000
Plus: Unamortized premium	70,667		5,889	64,778	
Less: Bond discount	(30,129)		(2,739)	(27,390)	
Total Bonds and Notes Payable	10,215,538	300,000	378,150	10,137,388	447,000
Other Liabilities:					
Net Pension Liability	179,522		44,354	135,168	
Compensated Absences	9,578		452	9,126	
Business-type Activities Long-term Liabilities	10,404,638	300,000	422,956	10,281,682	447,000
Total	\$ 17,624,117	\$ 757,000	\$ 2,735,312	\$ 15,645,805	\$ 762,000

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

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.

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.

The 2017A GO Tax Abatement Notes were issued to fund the Industrial Drive project.

The 2017B GO Utility Revenue Notes were issued to fund improvements to the water and sewer system as part of the industrial drive project.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

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, 2017, 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>				
2018	\$ 315,000	\$ 87,975		
2019	441,000	81,819		
2020	452,000	72,448		
2021	458,000	62,769		
2022	459,000	52,792		
2023-2027	1,995,000	112,503		
2028	52,000	741		
Totals	<u>\$ 4,172,000</u>	<u>\$ 471,047</u>		
<u>Business-Type Activities</u>				
2018			\$ 447,000	\$ 262,319
2019			878,000	246,947
2020			895,000	226,033
2021			916,000	203,728
2022			932,000	180,316
2023-2027			5,032,000	510,869
2028			1,000,000	15,150
Totals			<u>\$ 10,100,000</u>	<u>\$ 1,645,361</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

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, 2017, remaining notes outstanding totaled \$2,437,589.

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, 2017, remaining notes outstanding totaled \$796,141.

4. Defined Benefit Pension Plans - Statewide

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

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)

4. Defined Benefit Pension Plans – Statewide (Continued)

Plan Description (Continued)

2. Public Employees Police and Fire Plan

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)

4. Defined Benefit Pension Plans – Statewide (Continued)

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 2017. 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 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$54,824. 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 2017. The City was required to contribute 16.20 percent of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$46,269. The City's contributions were equal to the required contributions as set by state statute.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$721,385 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,108. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0113 percent which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$19,441 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$263 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, 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	\$	\$ 24,335
Changes in actuarial assumptions	52,741	
Difference between projected and actual investment earnings	9,304	
Changes in proportion		31,826
Contributions paid to PERA subsequent to the measurement date	31,518	
Total	<u>\$ 93,563</u>	<u>\$ 56,161</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

\$31,518 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 18,589
2019	40,261
2020	(22,345)
2021	(30,621)

2. Police and Fire Fund Pension Costs

At December 31, 2017 the City reported a liability of \$405,036 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the City's proportion was 0.030 percent which did not change from its proportion measured as of June 30, 2016. The City also recognized \$2,700 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017 the City recognized pension expense of \$(52,067) for its proportionate share of the Police and Fire Plan's pension expense.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

At December 31, 2017 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	\$	\$ 97,131
Changes in actuarial assumptions		43,732
Difference between projected and actual investment earnings	5,562	
Changes in proportion		10,801
Contributions paid to PERA subsequent to the measurement date	25,646	
Total	<u>\$ 31,208</u>	<u>\$ 151,664</u>

\$25,646 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2018	\$ 3,436
2019	3,434
2020	(11,410)
2021	(31,557)
2022	(110,005)

Aggregate Pension Costs

Pension expense recognized by the City for the year ended December 31, 2017 is as follows:

GERF	\$19,441
PEPFF	<u>(52,067)</u>
Total	<u><u>\$(32,626)</u></u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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%

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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and the 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 2016. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

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

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
 - Assumed rates of retirement were changed, resulting in fewer retirements.
 - The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
 - The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
-

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Police and Fire Fund (continued)

- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

The 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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 and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF 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 (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the GERF net pension liability	\$ 1,118,921	\$ 721,385	\$ 395,929
City's proportionate share of the PEPFF net pension liability	<u>762,800</u>	<u>405,036</u>	<u>109,681</u>
Total Net Pension Liability	<u>\$ 1,881,721</u>	<u>\$ 1,126,421</u>	<u>\$ 505,610</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.

4. Defined Benefit Pension Plans – Statewide (Continued)

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 2017, 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, 2017 (most current information available) the Association funding status is as follows:

Total plan assets	\$	380,165
Total accrued liability		(263,767)
Excess (Deficiency) of Plan Assets over Accrued Liability	\$	<u>116,398</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 2017.

The computation of the pension contribution requirements for 2017 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.

5. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Risk Management (Continued)

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 2017.

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 2017. 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.

6. Fund Equity

Committed fund balances as of December 31, 2017 are as follows:

Committed fund balance:	
Library Fund	\$ 497,015

7. Tax Abatement – Pay-As-You-Go Tax Increment

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through a pay-as-you-go tax increment financing program. Any parcel of property in the City could qualify for tax abatement under this program. The City negotiates tax increment financing agreements on an individual basis generally with the purpose of promoting economic development within the City.

The City has made no commitments, other than tax abatement, under the agreements. Under the program, the City agrees to abate real estate taxes based on the increased property value from improvements on the subject property. Generally, the agreements require 95% of the property tax increments collected to be returned to the property owner as reimbursement of certain improvement costs. The remaining 5% is retained by the City for administrative costs.

The City has 4 pay-as-you-go tax increment financing districts. For the year ended December 31, 2017, the City paid tax increments totaling \$116,623 related to these agreements.

CITY OF CHATFIELD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

CITY OF CHATFIELD, MINNESOTA
Schedules of City Pension Contributions
December 31, 2017

PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

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	\$	\$ 596,428	7.25%
2015	67,009	67,009		893,453	7.50%
2016	54,923	54,923		732,307	7.50%
2017	54,824	54,824		730,987	7.50%
2018					
2019					
2020					
2021					
2022					
2023					

PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

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	\$	\$ 241,961	15.3%
2015	55,140	55,140		340,370	16.2%
2016	46,950	46,950		289,815	16.2%
2017	46,269	46,269		285,611	16.2%
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF CHATFIELD, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2017

PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

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	744,940	79%	78.2%
2016	0.0118%	958,101	812,880	118%	68.9%
2017	0.0113%	721,385	731,647	99%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

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	291,166	117%	86.6%
2016	0.030%	1,203,952	315,093	382%	63.9%
2017	0.030%	405,036	287,713	141%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

(This Page is Left Blank Intentionally)

CITY OF CHATFIELD, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2017

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
December 31, 2017

	Special Revenue						
	211/212	220/221	240	230/231	361	614	241
	Library	Fire	EDA	Ambulance	Revolving Loan State	Cable Access	Sales tax Development
ASSETS							
Cash and investments	\$ 499,307	\$ 189,011	\$ 76,803	\$ 5,869	\$ 22,461	\$ 35,284	\$ 110,198
Accounts receivable		970	500	225,718		6,316	
Notes receivable					321,174		
Taxes receivable - delinquent							
TOTAL ASSETS	\$ 499,307	\$ 189,981	\$ 77,303	\$ 231,587	\$ 343,635	\$ 41,600	\$ 110,198
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 2,292	\$ 1,055	\$	\$ 3,655	\$	\$ 710	\$
Due to other funds							
Total Liabilities	2,292	1,055		3,655		710	
Deferred Inflows of Resources							
Unavailable revenue:							
Property taxes							
Notes receivable					321,174		
Total Deferred Inflows of Resources					321,174		
Fund Balance							
Restricted:							
Regulations					22,461		110,198
Committed:							
By Council resolution	497,015						
Assigned:							
Fund assignments		188,926	77,303	227,932		40,890	
Unassigned:							
Total Fund Balance	497,015	188,926	77,303	227,932	22,461	40,890	110,198
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 499,307	\$ 189,981	\$ 77,303	\$ 231,587	\$ 343,635	\$ 41,600	\$ 110,198

250 Chatfield Center for the Arts	251 CCA - Schmidt Foundation	353 Pope & Young Tax Increment	358 Twiford Street Redevelopment	354 Lone Stone Tax Increment	357 EZ Fab Tax Increment	359 Cabin Coffee Tax Increment	Total Special Revenue Funds
\$ 42,502	\$ 4,084	\$ 18	\$	\$ 1,890	\$ 2	\$	\$ 987,429
				2,841			233,504
							321,174
							2,841
<u>\$ 42,502</u>	<u>\$ 4,084</u>	<u>\$ 18</u>	<u>\$</u>	<u>\$ 4,731</u>	<u>\$ 2</u>	<u>\$</u>	<u>\$ 1,544,948</u>
\$	\$	\$	\$	\$	\$	\$	\$ 7,712
			14,835			377	15,212
			14,835			377	22,924
				2,841			2,841
							321,174
				2,841			324,015
							132,659
							497,015
42,502	4,084	18		1,890	2		583,547
			(14,835)			(377)	(15,212)
<u>42,502</u>	<u>4,084</u>	<u>18</u>	<u>(14,835)</u>	<u>1,890</u>	<u>2</u>	<u>(377)</u>	<u>1,198,009</u>
<u>\$ 42,502</u>	<u>\$ 4,084</u>	<u>\$ 18</u>	<u>\$</u>	<u>\$ 4,731</u>	<u>\$ 2</u>	<u>\$</u>	<u>\$ 1,544,948</u>

**CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
December 31, 2017

	Debt Service			
	323	334	335	332
	2002A Refunding Bond	2014A Bond	2016A GO Refunding 2010A Bond	2012A Refunding Bond
ASSETS				
Cash and investments	\$	\$ 319,358	\$ 143,774	\$ 373,830
Due from other governmental units		675	620	231
Taxes receivable - delinquent		743	875	321
Special assessment receivable	33,153			
TOTAL ASSETS	<u>\$ 33,153</u>	<u>\$ 320,776</u>	<u>\$ 145,269</u>	<u>\$ 374,382</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Total Liabilities				
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes		743	875	321
Special assessments	33,153			
Total Deferred Inflows of Resources	<u>33,153</u>	<u>743</u>	<u>875</u>	<u>321</u>
Fund Balance				
Restricted:				
Creditors (debt covenants)		320,033	144,394	374,061
Assigned:				
Fund assignments				
Total Fund Balance		<u>320,033</u>	<u>144,394</u>	<u>374,061</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 33,153</u>	<u>\$ 320,776</u>	<u>\$ 145,269</u>	<u>\$ 374,382</u>

Capital Project		
452	438	
CCA Capital Projects	Industrial Drive Project	Total Nonmajor Governmental Funds
\$	\$ 170,372	\$ 1,007,334
		1,526
		1,939
		33,153
<u>\$</u>	<u>\$ 170,372</u>	<u>\$ 1,043,952</u>

<u>\$</u>	<u>\$ 3,834</u>	<u>\$ 3,834</u>
	3,834	3,834

		1,939
		33,153
		35,092

		838,488
	166,538	166,538
	166,538	1,005,026

<u>\$</u>	<u>\$ 170,372</u>	<u>\$ 1,043,952</u>
-----------	-------------------	---------------------

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2017

	Special Revenue						
	211/212	220/221	240	230/231	361	614	241
	Library	Fire	EDA	Ambulance	Revolving Loan State	Cable Access	Sales Tax Development
REVENUES							
Property tax levy							
Property tax collected	\$ 147,129	\$	\$	\$	\$	\$	\$
Tax increments							
Fines and forfeits	2,629						
Intergovernmental	58,645	108,411		40,891			
Franchise fees						24,348	
Charges for services		4,401		196,321		13,000	
Training revenue				43,126			
Investment income	1,281	1,917	823	528	3,596	628	1,588
Contributions	7,465	95,245	500	14,066			
Miscellaneous	12,952	1,742	17,401	1,714	26,271	8,292	
TOTAL REVENUES	230,101	211,716	18,724	296,646	29,867	46,268	1,588
EXPENDITURES							
Current:							
General government						51,398	2,100
Public safety		127,867		307,154			
Library	223,915						
Community development			69,805		23,670		2,082
Capital outlay		20,365		9,550			
Debt service							
Principal retirement							
Interest and fiscal charges							
TOTAL EXPENDITURES	223,915	148,232	69,805	316,704	23,670	51,398	4,182
Excess (deficiency) of revenues over (under) expenditures	6,186	63,484	(51,081)	(20,058)	6,197	(5,130)	(2,594)
OTHER FINANCING SOURCES (USES)							
Transfer in		100,065	48,000	132,650			
Transfer out		(45,400)		(127,420)		(2,990)	
TOTAL OTHER FINANCING SOURCES (USES)		54,665	48,000	5,230		(2,990)	
Net change in fund balances	6,186	118,149	(3,081)	(14,828)	6,197	(8,120)	(2,594)
FUND BALANCES, beginning	490,829	70,777	80,384	242,760	16,264	49,010	112,792
FUND BALANCES, ending	\$ 497,015	\$ 188,926	\$ 77,303	\$ 227,932	\$ 22,461	\$ 40,890	\$ 110,198

250 Chatfield Center for the Arts	251 CCA - Schmidt Foundation	353 Pope & Young Tax Increment	358 Twiford Street Redevelopment	354 Lone Stone Tax Increment	357 EZ Fab Tax Increment	359 Cabin Coffee Tax Increment	Total Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$	\$
		13,096		95,802	16,523	3,432	147,129
							128,853
							2,629
							207,947
280							24,348
							214,002
							43,126
681	83	15		27			11,167
333							117,609
2,477							70,849
3,771	83	13,111		95,829	16,523	3,432	967,659
							53,498
							435,021
							223,915
93,153		13,095	13	95,802	16,521	3,293	317,434
	2,375						32,290
12,466							12,466
31							31
105,650	2,375	13,095	13	95,802	16,521	3,293	1,074,655
(101,879)	(2,292)	16	(13)	27	2	139	(106,996)
60,000							340,715
(9,551)							(185,361)
50,449							155,354
(51,430)	(2,292)	16	(13)	27	2	139	48,358
93,932	6,376	2	(14,822)	1,863		(516)	1,149,651
\$ 42,502	\$ 4,084	\$ 18	\$ (14,835)	\$ 1,890	\$ 2	\$ (377)	\$ 1,198,009

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Debt Service			
	323	334	335	332
	2002A Refunding Bond	2014A Bond	2016A GO Refunding 2010A Bond	2012A Refunding Bond
REVENUES				
Property tax levy				
Property tax collected	\$ 39	\$ 109,840	\$ 15,354	\$ 47,663
Special assessments	1,356	23,568		30,923
Intergovernmental				
Investment income	323	3,735	1,407	4,496
Contributions				
TOTAL REVENUES	<u>1,718</u>	<u>137,143</u>	<u>16,761</u>	<u>83,082</u>
EXPENDITURES				
Current:				
Capital outlay				
Debt service				
Principal retirement	10,000	160,000		145,000
Interest and fiscal charges	245	32,936	17,979	34,109
TOTAL EXPENDITURES	<u>10,245</u>	<u>192,936</u>	<u>17,979</u>	<u>179,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,527)</u>	<u>(55,793)</u>	<u>(1,218)</u>	<u>(96,027)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				
Transfer in		68,493	122,193	106,830
Transfer out	(23,376)		(870,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,376)</u>	<u>68,493</u>	<u>(747,807)</u>	<u>106,830</u>
Net change in fund balances	(31,903)	12,700	(749,025)	10,803
FUND BALANCES, beginning	<u>31,903</u>	<u>307,333</u>	<u>893,419</u>	<u>363,258</u>
FUND BALANCES, ending	<u>\$</u>	<u>\$ 320,033</u>	<u>\$ 144,394</u>	<u>\$ 374,061</u>

Capital Project Funds		
452	438	
CCA Capital Projects	Industrial Drive Project	Total Nonmajor Governmental Funds
\$	\$	\$
		172,896
		55,847
271,486		271,486
	5,697	15,658
21,128		21,128
292,614	5,697	537,015
92,465		92,465
		315,000
	5,160	90,429
92,465	5,160	400,269
200,149	537	39,121
9,551	445,560	445,560
		307,067
	(279,559)	(1,172,935)
9,551	166,001	(420,308)
209,700	166,538	(381,187)
(209,700)		1,386,213
\$	\$ 166,538	\$ 1,005,026

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 250 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Charges for services	\$	\$	\$ 280	\$ 280	\$ 11,659
Investment income			681	681	1,244
Donations			333	333	11,720
Miscellaneous			2,477	2,477	4,692
TOTAL REVENUES			3,771	3,771	29,315
EXPENDITURES					
Repairs and maintenance			1,167	(1,167)	9,533
Professional Services	60,000	60,000	80,000	(20,000)	12,400
Utilities			(3,502)	3,502	33,552
Miscellaneous			15,488	(15,488)	22,828
Principal and interest			12,497	(12,497)	912
Capital outlay					7,917
TOTAL EXPENDITURES	60,000	60,000	105,650	(45,650)	87,142
Excess (deficiency) of revenues over (under) expenditures	(60,000)	(60,000)	(101,879)	(41,879)	(57,827)
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	60,000	60,000		60,000
Transfers out			(9,551)	(9,551)	
Total Other Financing Sources (Uses)	60,000	60,000	50,449	(9,551)	60,000
Net change in fund balances			(51,430)	(51,430)	2,173
FUND BALANCES, beginning	93,932	93,932	93,932		91,759
FUND BALANCES, ending	\$ 93,932	\$ 93,932	\$ 42,502	\$ (51,430)	\$ 93,932

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		211	212	2017	Variance with	2016
	Original	Final	Library	Library	Actual	Final Budget -	Actual
				Endowment	Amounts	Positive	Amounts
						(Negative)	
REVENUES							
Property tax levy	\$ 147,129	\$ 147,129	\$ 147,129	\$	\$ 147,129	\$	\$ 136,534
Intergovernmental revenues	58,604	58,604	58,645		58,645	41	57,038
Library fines	2,600	2,600	2,629		2,629	29	3,783
Investment income	10,000	10,000	1,281		1,281	(8,719)	2,505
Contributions			4,615	2,850	7,465	7,465	5,195
Sale of merchandise	600	600	12,775		12,775	12,175	8,889
Miscellaneous	3,330	3,330	177		177	(3,153)	3,703
TOTAL REVENUES	222,263	222,263	227,251	2,850	230,101	7,838	217,647
EXPENDITURES							
Library							
Salaries	107,747	107,747	106,971		106,971	776	100,612
Employee benefits and retirement	16,418	16,418	15,090		15,090	1,328	15,143
Workers compensation	500	500	575		575	(75)	505
Health insurance	26,791	26,791	30,583		30,583	(3,792)	23,483
Travel	645	645	395		395	250	260
Office supplies and postage	1,800	1,800	1,875		1,875	(75)	1,780
Operating supplies/small tools	500	500	22		22	478	1,527
Scrip purchases/program	2,000	2,000	13,959		13,959	(11,959)	10,160
Insurance	4,000	4,000	3,262		3,262	738	3,266
Utilities	6,000	6,000	6,031		6,031	(31)	5,554
Maintenance and repair	10,000	10,000	10,148		10,148	(148)	10,903
Telephone	1,850	1,850	2,587		2,587	(737)	1,923
Cleaning services	950	950	391		391	559	800
Capital outlay	20,300	20,300	18,502		18,502	1,798	27,803
Other	14,762	14,762	13,524		13,524	1,238	12,896
TOTAL EXPENDITURES	214,263	214,263	223,915		223,915	(9,652)	216,615
Net change in fund balances	8,000	8,000	3,336	2,850	6,186	(1,814)	1,032
FUND BALANCES, beginning	490,829	490,829	110,207	380,622	490,829		489,797
FUND BALANCES, ending	\$ 498,829	\$ 498,829	\$ 113,543	\$ 383,472	\$ 497,015	\$ (1,814)	\$ 490,829

CITY OF CHATFIELD, MINNESOTA
FIRE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		220	221	2017	Variance with	2016
	Original	Final	Fire	Fire Capital	Actual	Final Budget - Positive (Negative)	Actual
REVENUES							
Intergovernmental Revenues							
State Grants and Aids	\$ 49,000	\$ 49,000	\$ 37,390	\$	\$ 37,390	\$ (11,610)	\$ 36,676
Volunteer retention stipend			11,000		11,000	11,000	11,000
Township contributions	57,565	57,565	60,021		60,021	2,456	56,915
Charges for services	10,000	10,000	4,401		4,401	(5,599)	8,895
Investment income	2,000	2,000	1,376	541	1,917	(83)	2,591
Donations	62,000	62,000		95,245	95,245	33,245	81,488
Miscellaneous	950	950	1,742		1,742	792	11,434
TOTAL REVENUES	181,515	181,515	115,930	95,786	211,716	30,201	208,999
EXPENDITURES							
Public Safety							
Salaries	32,960	32,960	24,615		24,615	8,345	15,020
Employee benefits and retirement	3,364	3,364	2,763		2,763	601	1,914
Workers compensation	6,500	6,500	7,518		7,518	(1,018)	7,117
Operating supplies	3,000	3,000	2,019		2,019	981	4,054
Small tools and minor equipment	5,800	5,800	5,097		5,097	703	5,990
Vehicle operating supplies	1,500	1,500	1,306		1,306	194	1,081
Insurance	4,000	4,000	6,660		6,660	(2,660)	4,513
Utilities	7,000	7,000	6,225		6,225	775	5,941
Maintenance and repairs	8,000	8,000	7,933		7,933	67	9,921
Training	1,500	1,500	1,278		1,278	222	7,704
Fire pension contribution	55,000	55,000	43,395		43,395	11,605	41,367
Volunteer retention stipend			11,000		11,000	(11,000)	11,000
Capital Outlay	6,000	6,000		20,365	20,365	(14,365)	362,666
Other	11,300	11,300	6,148	1,910	8,058	3,242	6,853
TOTAL EXPENDITURES	145,924	145,924	125,957	22,275	148,232	(2,308)	485,141
Excess (deficiency) of revenues over (under) expenditures	35,591	35,591	(10,027)	73,511	63,484	27,893	(276,142)
OTHER FINANCING SOURCES (USES)							
Transfers in	100,065	100,065	57,565	42,500	100,065		135,888
Transfers out	(45,395)	(45,395)	(45,400)		(45,400)	(5)	(82,810)
Total Other Financing Sources (Uses)	54,670	54,670	12,165	42,500	54,665	(5)	53,078
Net change in fund balances	90,261	90,261	2,138	116,011	118,149	27,888	(223,064)
FUND BALANCES, beginning	70,777	70,777	68,847	1,930	70,777		293,841
FUND BALANCES, ending	\$ 161,038	\$ 161,038	\$ 70,985	\$ 117,941	\$ 188,926	\$ 27,888	\$ 70,777

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

For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 240 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Investment Income	\$	\$	\$ 823	\$ 823	\$ 701
Contributions			500	500	1,000
Miscellaneous	8,000	8,000	17,401	9,401	11,430
TOTAL REVENUES	8,000	8,000	18,724	10,724	13,131
EXPENDITURES					
Community development	54,200	54,200	69,805	(15,605)	46,184
TOTAL EXPENDITURES	54,200	54,200	69,805	(15,605)	46,184
Deficiency of revenues under expenditures	(46,200)	(46,200)	(51,081)	(4,881)	(33,053)
OTHER FINANCING SOURCES (USES)					
Transfers in	48,000	48,000	48,000		40,000
Transfers out	(17,500)	(17,500)		17,500	
Total Other Financing Sources (Uses)	30,500	30,500	48,000	17,500	40,000
Net change in fund balances	(15,700)	(15,700)	(3,081)	12,619	6,947
FUND BALANCES, beginning	80,384	80,384	80,384		73,437
FUND BALANCES, ending	\$ 64,684	\$ 64,684	\$ 77,303	\$ 12,619	\$ 80,384

CITY OF CHATFIELD, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		230	231	2017	Variance with	2016
	Original	Final	Ambulance	Ambulance Capital Reserve	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
REVENUES							
Intergovernmental Revenues							
County contract	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500	\$	\$ 4,500
Township contributions	19,500	19,500	19,536		19,536	36	19,448
Training reimbursement	6,000	6,000	6,300		6,300	300	2,750
Volunteer retention stipend	9,500	9,500	9,500		9,500		11,000
Other State Aids	5,000	5,000	1,055		1,055	(3,945)	740
Charges for services	248,000	248,000	196,321		196,321	(51,679)	172,967
Training revenue	24,000	24,000	43,126		43,126	19,126	41,615
Investment income	5,000	5,000	(203)	731	528	(4,472)	986
Donations	1,000	1,000	20	14,046	14,066	13,066	5,800
Miscellaneous	700	700	1,714		1,714	1,014	1,537
TOTAL REVENUES	323,200	323,200	281,869	14,777	296,646	(26,554)	261,343
EXPENDITURES							
Public Safety							
Salaries	154,000	154,000	148,462		148,462	5,538	140,834
Employee benefits and retirement	22,900	22,900	25,963		25,963	(3,063)	22,389
Workers compensation	2,000	2,000	2,310		2,310	(310)	2,340
Health insurance	23,550	23,550	24,765		24,765	(1,215)	21,057
Inoculations	100	100	119		119	(19)	146
Training	10,000	10,000	15,235		15,235	(5,235)	19,010
Small tools and minor equipment	2,000	2,000	1,879		1,879	121	2,461
Office supplies	1,600	1,600	3,194		3,194	(1,594)	1,868
Operating supplies	12,000	12,000	12,223		12,223	(223)	13,089
Vehicle operating supplies	3,600	3,600	3,091		3,091	509	2,593
Internet and telephone	1,700	1,700	3,724		3,724	(2,024)	2,418
Travel	1,000	1,000				1,000	
Printing and publications	1,050	1,050	1,566	998	2,564	(1,514)	1,124
Insurance	3,200	3,200	1,353		1,353	1,847	1,328
Utilities	5,000	5,000	5,444		5,444	(444)	5,314
Maintenance and repairs	9,000	9,000	11,106		11,106	(2,106)	10,202
Medical services	5,000	5,000	5,410		5,410	(410)	5,519
Laundry services	600	600	798		798	(198)	608
Clothing	300	300	434		434	(134)	676
License, permits, dues and subscription	4,500	4,500	4,658		4,658	(158)	2,879
Capital outlay	5,000	5,000		9,550	9,550	(4,550)	8,083
Refunds	100	100				100	891
Departmental capital charge	1,700	1,700	1,700		1,700		1,300
Volunteer retention stipend	11,500	11,500	9,500		9,500	2,000	11,000
Bad debt expense			19,468		19,468	(19,468)	
Other	2,165	2,165	3,329	425	3,754	(1,589)	2,994
TOTAL EXPENDITURES	283,565	283,565	305,731	10,973	316,704	(33,139)	280,123
Excess (deficiency) of revenues over (under) expenditures	39,635	39,635	(23,862)	3,804	(20,058)	(59,693)	(18,780)
OTHER FINANCING SOURCES (USES)							
Transfers in	49,650	49,650	92,650	40,000	132,650	83,000	49,649
Transfers out	(54,420)	(54,420)	(54,420)	(73,000)	(127,420)	(73,000)	(44,000)
Total Other Financing Sources (Uses)	(4,770)	(4,770)	38,230	(33,000)	5,230	10,000	5,649
Net change in fund balances	34,865	34,865	14,368	(29,196)	(14,828)	(49,693)	(13,131)
FUND BALANCES, beginning	242,760	242,760	208,434	34,326	242,760		255,891
FUND BALANCES, ending	\$ 277,625	\$ 277,625	\$ 222,802	\$ 5,130	\$ 227,932	\$ (49,693)	\$ 242,760

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 361 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Investment income	\$ 3,600	\$ 3,600	\$ 3,596	\$ (4)	\$ 3,756
Miscellaneous	26,000	26,000	26,271	271	26,035
TOTAL REVENUES	29,600	29,600	29,867	267	29,791
EXPENDITURES					
Loan repayments	23,680	23,680	23,670	10	23,670
Net change in fund balances	5,920	5,920	6,197	277	6,121
FUND BALANCES, beginning	16,264	16,264	16,264		10,143
FUND BALANCES, ending	\$ 22,184	\$ 22,184	\$ 22,461	\$ 277	\$ 16,264

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 932,808	\$ 851,902
Accounts receivable		15,158
Total Current Assets	<u>932,808</u>	<u>867,060</u>
Noncurrent Assets		
Capital assets:		
Depreciable	4,586,513	4,131,642
Less: Accumulated depreciation	<u>2,205,896</u>	<u>1,983,989</u>
Net capital assets	<u>2,380,617</u>	<u>2,147,653</u>
Total Assets	<u>3,313,425</u>	<u>3,014,713</u>
LIABILITIES		
Accounts payable	<u>466</u>	<u>6,966</u>
NET POSITION		
Invested in capital assets	2,380,617	2,147,653
Unrestricted	<u>932,342</u>	<u>860,094</u>
Total Net Position	<u>\$ 3,312,959</u>	<u>\$ 3,007,747</u>

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Departmental capital charge	\$ 286,750	\$ 271,935
Operating Expenses		
Depreciation	228,207	222,060
Repairs	126,867	4,573
Minor equipment	14,918	11,475
Total Operating Expenses	369,992	238,108
Operating Income (Loss)	(83,242)	33,827
Nonoperating Revenues		
Interest income	12,374	13,531
Intergovernmental - small cities assistance	23,042	1,430
Miscellaneous	3,303	38,839
Loss on disposal		(102,095)
Total Nonoperating Revenues	38,719	(48,295)
LOSS BEFORE TRANSFERS	(44,523)	(14,468)
Transfer in	349,735	2,000
CHANGE IN NET POSITION	305,212	(12,468)
NET POSITION - BEGINNING OF YEAR	3,007,747	3,020,215
NET POSITION - END OF YEAR	\$ 3,312,959	\$ 3,007,747

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from other departments	\$ 301,908	\$ 312,514
Cash paid to suppliers	(148,285)	(9,148)
Net Cash Provided by Operating Activities	153,623	303,366
Cash Flows From Noncapital Financing Activities		
Intergovernmental	23,042	1,430
Miscellaneous	3,303	38,839
Transfer in	349,735	2,000
Net Cash Provided by Noncapital Financing Activities	376,080	42,269
Capital and Related Financing Activities		
Capital asset acquisitions	(461,171)	(332,466)
Cash Flows From Investing Activities		
Investment income received	12,374	13,531
NET INCREASE IN CASH AND CASH EQUIVALENTS	80,906	26,700
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	851,902	825,202
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 932,808</u>	<u>\$ 851,902</u>

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

Operating Income (Loss)	\$ (83,242)	\$ 33,827
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	228,207	222,060
(Increase) Decrease in:		
Accounts receivable	15,158	40,579
Increase (Decrease) in:		
Accounts payable	(6,500)	6,900
Net Cash Provided By Operating Activities	<u>\$ 153,623</u>	<u>\$ 303,366</u>

CITY OF CHATFIELD, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statements of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 460,625	\$ 524,512
Accounts receivable, net	42,757	28,354
Special assessments receivable	8,835	10,501
Special assessments delinquent	1,440	1,263
Total Current Assets	<u>513,657</u>	<u>564,630</u>
Deferred Outflows of Resources		
Deferred outflows from pension activity	<u>6,342</u>	<u>27,871</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 519,999</u>	<u>\$ 592,501</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 4,707	\$ 3,172
Accrued liabilities	4,160	5,898
Total Current Liabilities	<u>8,867</u>	<u>9,070</u>
Noncurrent Liabilities		
Net pension liability	<u>50,977</u>	<u>67,704</u>
Deferred Inflows of Resources		
Deferred inflows from pension activity	<u>3,968</u>	<u>6,011</u>
NET POSITION		
Unrestricted	<u>456,187</u>	<u>509,716</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 519,999</u>	<u>\$ 592,501</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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 601 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
Operating Revenue					
Service fees	\$ 259,250	\$ 259,250	\$ 278,795	\$ 19,545	\$ 247,102
Operating Expenses					
Salaries	54,000	54,000	50,485	3,515	51,541
Employee benefits and retirement	10,650	10,650	10,670	(20)	12,914
Health insurance	8,525	8,525	8,533	(8)	8,027
Workers compensation	1,700	1,700	1,788	(88)	1,930
Supplies	10,150	10,150	9,456	694	7,693
Utilities	19,000	19,000	18,596	404	17,299
Maintenance and repairs	15,000	15,000	15,469	(469)	11,856
Travel and training	700	700	722	(22)	850
Professional fees	19,400	19,400	13,383	6,017	20,909
Office expense	1,500	1,500	1,179	321	1,196
Insurance	4,200	4,200	4,087	113	4,080
Departmental capital charge	500	500	750	(250)	400
Other	5,755	5,755	7,584	(1,829)	7,960
Total Operating Expenses	151,080	151,080	142,702	8,378	146,655
Operating Income	108,170	108,170	136,093	27,923	100,447
Nonoperating Revenues					
Investment income	5,000	5,000	7,741	2,741	8,620
Refunds and reimbursements			683	683	1,617
Special assessments	9,000	9,000	8,744	(256)	12,569
Total Nonoperating Revenues	14,000	14,000	17,168	3,168	22,806
INCOME BEFORE TRANSFERS	122,170	122,170	153,261	31,091	123,253
Transfers out	(156,790)	(156,790)	(206,790)	(50,000)	(150,570)
CHANGE IN NET POSITION	(34,620)	(34,620)	(53,529)	(18,909)	(27,317)
NET POSITION - BEGINNING OF YEAR	509,716	509,716	509,716		537,033
NET POSITION - END OF YEAR	\$ 475,096	\$ 475,096	\$ 456,187	\$ (18,909)	\$ 509,716

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 89,399	\$ 129,008
Accounts receivable, net	96,992	95,512
Special assessments receivable	29,438	34,992
Special assessments delinquent	4,360	4,209
Total Current Assets	<u>220,189</u>	<u>263,721</u>
Deferred Outflows of Resources		
Deferred outflows from pension activity	<u>10,750</u>	<u>46,440</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 230,939</u></u>	<u><u>\$ 310,161</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 6,362	\$ 8,315
Accrued liabilities	4,966	6,978
Total Current Liabilities	<u>11,328</u>	<u>15,293</u>
Noncurrent Liabilities		
Net pension liability	<u>84,191</u>	<u>111,818</u>
Deferred Inflows of Resources		
Deferred inflows from pension activity	<u>6,553</u>	<u>9,928</u>
NET POSITION		
Unrestricted	<u>128,867</u>	<u>173,122</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 230,939</u></u>	<u><u>\$ 310,161</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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 602 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
Operating Revenue					
Service fees	\$ 795,150	\$ 795,150	\$ 775,908	\$ (19,242)	\$ 795,386
Operating Expenses					
Salaries	94,500	94,500	91,572	2,928	96,532
Employee benefits and retirement	18,100	18,100	18,544	(444)	22,199
Health insurance	22,500	22,500	23,762	(1,262)	18,904
Workers compensation	3,000	3,000	3,418	(418)	3,038
Supplies	11,700	11,700	12,535	(835)	8,136
Utilities	40,400	40,400	64,401	(24,001)	37,900
Maintenance and repairs	38,500	38,500	44,112	(5,612)	35,381
Travel and training	3,550	3,550	1,646	1,904	504
Professional fees	15,000	15,000	14,725	275	24,404
Office expense	3,500	3,500	3,191	309	3,258
Insurance	12,000	12,000	11,112	888	10,908
Departmental capital charge	700	700	750	(50)	550
Other	16,800	16,800	20,373	(3,573)	13,866
Total Operating Expenses	280,250	280,250	310,141	(29,891)	275,580
Operating Income	514,900	514,900	465,767	(49,133)	519,806
Nonoperating Revenues					
Investment income	4,000	4,000	3,018	(982)	3,388
Refunds and reimbursements	3,000	3,000	1,043	(1,957)	4,660
Penalties and discounts	2,500	2,500		(2,500)	
Special assessments	30,000	30,000	28,707	(1,293)	41,877
Total Nonoperating Revenues	39,500	39,500	32,768	(6,732)	49,925
INCOME BEFORE TRANSFERS	554,400	554,400	498,535	(55,865)	569,731
Transfers out	(542,790)	(542,790)	(542,790)		(551,570)
CHANGE IN NET POSITION	11,610	11,610	(44,255)	(55,865)	18,161
NET POSITION - BEGINNING OF YEAR	173,122	173,122	173,122		154,961
NET POSITION - END OF YEAR	\$ 184,732	\$ 184,732	\$ 128,867	\$ (55,865)	\$ 173,122

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statements of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,565	\$ 54,634
Accounts receivable		3,200
Total Current Assets	<u>23,565</u>	<u>57,834</u>
Property and Equipment		
Nondepreciable	205,246	205,246
Depreciable	3,905,777	3,701,473
Less: Accumulated depreciation	<u>1,318,786</u>	<u>1,203,724</u>
Property, Plant and Equipment, Net	<u>2,792,237</u>	<u>2,702,995</u>
Total Assets	<u>2,815,802</u>	<u>2,760,829</u>
LIABILITIES		
Current Liabilities		
Accounts payable		4,659
Current maturities of bonds payable	33,500	
Accrued interest payable	<u>4,315</u>	<u>639</u>
Total Current Liabilities	<u>37,815</u>	<u>5,298</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>329,000</u>	<u>212,500</u>
Total Liabilities	<u>366,815</u>	<u>217,798</u>
NET POSITION		
Invested in capital assets	2,429,737	2,490,495
Unrestricted	<u>19,250</u>	<u>52,536</u>
Total Net Position	<u>\$ 2,448,987</u>	<u>\$ 2,543,031</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Fund 611</u>	<u>Variance with</u>	<u>2016</u>
	<u>Original</u>	<u>Final</u>	<u>2017</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Actual</u>	<u>Positive</u>	<u>Amounts</u>
			<u>Amounts</u>	<u>(Negative)</u>	
Operating Revenue					
Connection charges	\$ 8,000	\$ 8,000	\$ 27,200	\$ 19,200	\$ 20,800
Operating Expenses					
Repairs and maintenance					1,128
Depreciation			115,062	(115,062)	101,075
Departmental capital charge	8,500	8,500	8,500		7,900
Total Operating Expenses	8,500	8,500	123,562	(115,062)	110,103
Operating Loss	(500)	(500)	(96,362)	95,862	(89,303)
Nonoperating Revenues (Expenses)					
Investment income	1,000	1,000	69	(931)	1,009
Miscellaneous			3,536	3,536	
Special assessments			7	7	10
Interest expense			(29,190)	(29,190)	(3,039)
Total Nonoperating Revenues (Expenses)	1,000	1,000	(25,578)	(26,578)	(2,020)
LOSS BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	500	500	(121,940)	(122,440)	(91,323)
Transfer in	140,170	140,170	227,701	87,531	110,000
Transfers out	(144,402)	(144,402)	(199,805)	(55,403)	(143,018)
Total Other Financing Sources (Uses)	(4,232)	(4,232)	27,896	32,128	(33,018)
CHANGE IN NET POSITION	(3,732)	(3,732)	(94,044)	(90,312)	(124,341)
NET POSITION - BEGINNING OF YEAR	2,543,031	2,543,031	2,543,031		2,667,372
NET POSITION - END OF YEAR	\$ 2,539,299	\$ 2,539,299	\$ 2,448,987	\$ (90,312)	\$ 2,543,031

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 525,898	\$ 40,479
Restricted cash	4,484,848	5,007,904
Accounts receivable		5,700
Total Current Assets	<u>5,010,746</u>	<u>5,054,083</u>
Property and Equipment		
Nondepreciable	205,246	205,246
Depreciable	12,456,060	12,474,047
Less: Accumulated depreciation	<u>5,847,025</u>	<u>5,671,880</u>
Property, Plant and Equipment, Net	<u>6,814,281</u>	<u>7,007,413</u>
Total Assets	<u>11,825,027</u>	<u>12,061,496</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	413,500	375,000
Accrued interest payable	<u>110,828</u>	<u>139,048</u>
Total Current Liabilities	<u>524,328</u>	<u>514,048</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>9,361,388</u>	<u>9,628,038</u>
Total Liabilities	<u>9,885,716</u>	<u>10,142,086</u>
NET POSITION		
Net investment in capital assets	1,524,241	2,012,279
Unrestricted	<u>415,070</u>	<u>(92,869)</u>
Total Net Position	<u>\$ 1,939,311</u>	<u>\$ 1,919,410</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 612 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
Operating Revenue					
Connection fees	\$ 12,505	\$ 12,505	\$ 43,750	\$ 31,245	\$ 33,350
Operating Expenses					
Maintenance and repairs			480	(480)	782
Departmental capital charge	7,500	7,500	7,500		7,100
Depreciation			339,968	(339,968)	350,430
Total Operating Expenses	7,500	7,500	347,948	(340,448)	358,312
Operating Income (Loss)	5,005	5,005	(304,198)	(309,203)	(324,962)
Nonoperating Revenues (Expenses)					
Investment income			50,429	50,429	6,969
Special assessments			117	117	188
Miscellaneous			(2,943)	(2,943)	500
Bond principal	(375,000)	(375,000)		375,000	
Interest expense	(169,010)	(169,010)	(232,109)	(63,099)	(328,167)
Total Nonoperating Revenue (Expense)	(544,010)	(544,010)	(184,506)	359,504	(320,510)
LOSS BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	(539,005)	(539,005)	(488,704)	50,301	(645,472)
Transfer in	598,135	598,135	653,522	55,387	627,432
Transfers out	(55,911)	(55,911)	(144,917)	(89,006)	(31,000)
Total Other Financing Sources (Uses)	542,224	542,224	508,605	(33,619)	596,432
CHANGE IN NET POSITION	3,219	3,219	19,901	16,682	(49,040)
NET POSITION - BEGINNING OF YEAR	1,919,410	1,919,410	1,919,410		1,968,450
NET POSITION - END OF YEAR	\$ 1,922,629	\$ 1,922,629	\$ 1,939,311	\$ 16,682	\$ 1,919,410

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
GARBAGE FUND
Statement of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 46,617	\$ 47,415
Accounts receivable, net	20,956	18,927
Special assessments receivable	10,794	12,831
Special assessments delinquent	1,017	1,543
Total Current Assets	<u>79,384</u>	<u>80,716</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	<u>16,437</u>	<u>13,475</u>
Total Current Liabilities	<u>16,437</u>	<u>13,475</u>
 NET POSITION		
Unrestricted	<u>\$ 62,947</u>	<u>\$ 67,241</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		Fund 603 2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services	\$ 189,000	\$ 189,000	\$ 192,436	\$ 3,436	\$ 185,739
Operating Expenses					
Waste Removal					
Garbage removal	155,000	155,000	162,534	(7,534)	151,113
City cleanup	14,000	14,000	13,141	859	12,445
Supplies	650	650	191	459	73
Maintenance and repairs	1,800	1,800	1,133	667	1,114
Office expense	1,400	1,400	1,110	290	1,127
Departmental capital charge	250	250	250		200
Other	13,775	13,775	13,506	269	12,408
Total Operating Expenses	186,875	186,875	191,865	(4,990)	178,480
Operating Income	2,125	2,125	571	(1,554)	7,259
Nonoperating Revenue					
Investment income	500	500	641	141	645
Special assessments	13,000	13,000	9,944	(3,056)	15,358
Total Nonoperating Revenue	13,500	13,500	10,585	(2,915)	16,003
Income before transfers	15,625	15,625	11,156	(4,469)	23,262
Transfers out	(15,450)	(15,450)	(15,450)		(15,000)
CHANGE IN NET POSITION	175	175	(4,294)	(4,469)	8,262
NET POSITION - BEGINNING OF YEAR	67,241	67,241	67,241		58,979
NET POSITION - END OF YEAR	\$ 67,416	\$ 67,416	\$ 62,947	\$ (4,469)	\$ 67,241

(This Page Left Blank Intentionally)

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, 2017, 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 14, 2018.

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 14, 2018