

OFFICIAL STATEMENT DATED APRIL 17, 2012

Crossover Refunding Issue

Standard & Poor's Rating: AA/Stable

City of Chatfield, Minnesota

\$1,990,000

General Obligation Crossover Refunding Bonds, Series 2012A

Schedule of Maturity Dates, Principal Amounts, and Interest Rates:

The bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP</u>
2014	\$ 115,000	2.000%	102.437	161807 PM8
2015	150,000	2.000	103.459	161807 PN6
2016	145,000	2.000	103.984	161807 PP1
2017	145,000	2.000	104.103	161807 PQ9
2018	155,000	2.000	103.827	161807 PR7
2019	145,000	2.000	103.171	161807 PS5
2020	150,000	2.000	101.888	161807 PT3
2021	145,000	2.000	100.938	161807 PU0
2022	145,000	2.000	Par	161807 PV8
2023	150,000	2.150	Par	161807 PW6
2024	150,000	2.300	Par	161807 PX4
2025	130,000	2.450	Par	161807 PY2
2026	130,000	2.600	Par	161807 PZ9
2027	135,000	2.700	Par	161807 QA3

Optional Redemption

Bonds maturing on or after February 1, 2020 are callable at the option of the Issuer in whole or in part on February 1, 2019 or on any date thereafter, at a price of par plus accrued interest.

Underwriter

Northland Securities, Inc. has agreed to purchase the Bonds from the City for an aggregate price of \$1,997,076.60 plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about 22 May, 2012. Northland Trust Services, Minneapolis, Minnesota, will act as pay agent/registrar for this issue.

THIS OFFICIAL STATEMENT SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BOND AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.



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

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

OFFICIAL STATEMENT

This Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Official Statement is to disclose information regarding the Obligations to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Financial Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Obligations, the legislative body will authorize the preparation of an addendum to the Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Official Statement. This Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Financial Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF CHATFIELD, MINNESOTA

City of Chatfield City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Don Hainlen	Mayor	2012
Paul Novotny	Vice Mayor	2014
David D. Frank	Council Member	2012
Ken Jacobson	Council Member	2012
Russ Smith	Council Member	2014
Josh Thompson	Council Member`	2012

Administration

Joel Young	City Clerk	Appointed
Kay Coe	City Finance Director	Appointed

Bond Counsel

Briggs & Morgan, P.A.
St. Paul, MN

Financial Advisor

David Drown Associates, Inc.
Minneapolis, MN

INTRODUCTORY SUMMARY OF THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the \$1,990,000 General Obligation Crossover Refunding Bonds, Series 2012A, of the City of Chatfield, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer: City of Chatfield, Minnesota

Pricing Date: April 17, 2012

Award Date & Time: April 17, 2012; 2:30 P.M.

Dated Date: May 1, 2012

Interest Payments: February 1, 2013 and each August 1 and February 1 thereafter

Principal Payments: February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$ 115,000	2021	\$ 145,000
2015	150,000	2022	145,000
2016	145,000	2023	150,000
2017	145,000	2024	150,000
2018	155,000	2025	130,000
2019	145,000	2026	130,000
2020	150,000	2027	135,000

Rating: The City has requested a Standard & Poor's rating on this Issue.

Continuing Disclosure: Full continuing disclosure

Security: General Obligation pledge of the City and pledge of utility revenues and special assessments against benefitted properties.

Purpose: Proceeds will crossover refinance the 2014 – 2029 maturities of the City's G.O. Bonds, Series 2008A. The 2008A Bonds will be called on February 1, 2013.

Authority: Minnesota Statutes, Chapters 429, 444 and 475

Optional Redemption: Bonds maturing on or after February 1, 2020 are callable on February 1, 2019

Tax Status: Tax-exempt, Bank Qualified

Legal Opinion: Briggs & Morgan, P.A., St. Paul, Minnesota

Financial Advisor: David Drown Associates, Inc., Minneapolis, Minnesota

Closing/Delivery: On or about May 22, 2012.

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement and the City's audited financial reports can be obtained from the City's financial advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612)-920-3320.

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OFFICIAL STATEMENT

CITY OF CHATFIELD, MINNESOTA

\$1,990,000 General Obligation Crossover Refunding Bonds, Series 2012A

INTRODUCTION

This Official Statement provides information relating to the issuance of, \$1,990,000 General Obligation Crossover Refunding Bonds, Series 2012A (the "Bonds") by City of Chatfield, Minnesota (the "City"). This Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Mr. Joel Young, City Clerk or Ms. Kay Coe, Finance Director, City of Chatfield, 21 East Second Street, Chatfield, MN 55923-12004 or by telephoning (507) 867-3810.

Full Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial information and operating data about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix B. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The City has complied in all material respects with any previous undertaking under the Rule.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475 for the purpose of crossover refinancing the 2014 – 2029 maturities of the City's G.O. Bonds, Series 2008A. The 2008A Bonds will be called on February 1, 2013.

Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ 1,990,000	Cost of Escrow/Prepayment Penalty	\$ 1,964,317
Accrued Interest	2,496	Reoffering Premium	(34,439)
Excess Proceeds	<u>(3,580)</u>	Underwriter's Discount (98.625%)	27,363
		Issuance & Legal	<u>31,675</u>
Totals	\$ 1,988,916		\$ 1,988,916

Payment and Security

The Bonds are a general obligation of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. In addition, the City pledges revenues from the City's utilities and special assessments against benefitted properties.

Optional Redemption

At the option of the City, Bonds of this issue maturing on February 1, 2020 and thereafter are subject to redemption, in whole or in part, on February 1, 2019, or any date thereafter, at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by registered mail to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Rating

The City *has* requested a rating on this issue from Standard & Poor's. Such a rating, when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Standard & Poor's. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Taxability of Interest

At closing, Briggs & Morgan, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. Gross Income: the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax;
2. Alternative Minimum Tax: interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; but for purposes of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings; and
3. Compliance: the above opinions are subject to the condition that the Issuer comply with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix A.

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance

company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits.

The Issuer will covenant to comply with requirements necessary under the Internal Revenue Code to establish and maintain the interest on the Bonds as excluded from gross income under Section 103 thereof, including without limitation requirements relating to temporary periods for investments, limitations on amounts invested at a yield greater than the yield on the Bonds, and, if necessary, the rebate of excess investment earnings to the United States. AS IS TYPICAL FOR OBLIGATIONS SUCH AS THE BONDS, NO PROVISION HAS BEEN MADE FOR REDEEMING THE BONDS OR INCREASING THE INTEREST RATE ON THE BONDS IN THE EVENT THAT INTEREST ON THE BONDS BECOMES INCLUDABLE IN GROSS INCOME OR TAXABLE NET INCOME.

Other Federal Tax Considerations

Federal Alternative Minimum Tax Interest on the Bonds is not subject to the federal individual alternative minimum tax because interest on the Bonds is not a preference item; the interest is, however, included in adjusted current earnings of a corporation for purposes of calculating the federal alternative minimum tax. Federal alternative minimum taxable income is calculated by adding preference items and making other adjustments to income subject to the regular income tax. After all other adjustments and additions are made, a final adjustment will increase the alternative minimum taxable income otherwise calculated. For taxable years beginning after December 31, 1989, as the final step 75 percent of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income as calculated prior this final step will be added to such alternative minimum taxable income.

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after December 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the

inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

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

Bank-qualified Tax Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a "banking organization" within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York State Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. . DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Obligations, except in the event that use of the book entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principle and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or redeemed through its Direct Participant to the nominee holding the Obligations, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Direct Participant's interest in the Obligations, on DTC's records, to the nominee holding the Obligations. The requirement for physical delivery of the Obligations in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Obligations are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Obligations to the nominee holding the Obligations.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

Future Financing

During the next six (6) months, the City anticipates no further issuance of General Obligation Debt.

Legality

The Bonds are subject to approval as to certain matters by Briggs & Morgan, P.A. of St. Paul, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. Legal opinions in substantially the form set out in Appendix A herein will be delivered at closing.

Financial Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Official Statement. The Financial Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

VALUATIONS *

2010/11 Market Value and Tax Capacity

	Assessor's Market Value	Net Tax Capacity
Real Estate	\$ 169,520,100	\$ 1,832,727
Personal Property	<u>1,721,000</u>	<u>34,420</u>
TOTAL	\$ 171,241,100	\$ 1,867,147
Less Captured Tax Capacity		<u>(212,782)</u>
Adjusted Net Tax Capacity		\$ 1,654,365
Indicated Market Value	\$ 171,994,744	

The 2010/11 Indicated Market Value is calculated by dividing the county assessor's market value by the most recent average sales ratio of 99.1% for Fillmore County and 100.1% for Olmsted County, as provided by the MN Dept. of Revenue.

2010/11 Tax Capacity by Classification

	Net Tax Capacity	Percent
Residential	\$ 1,291,446	69.17%
Commercial Industrial	302,571	16.20%
Non-Homestead Residential	218,187	11.69%
Agriculture & Other	<u>54,943</u>	<u>2.94%</u>
TOTAL	\$ 1,867,147	100.00%

Trends in Valuations

Year	Assessor's Market Value	Percent Change	Adjusted Net Tax Capacity	Percent Change
2009/10	\$ 171,079,000	0.62%	\$ 1,655,082	0.49%
2008/09	170,029,900	3.41%	1,647,061	2.91%
2007/08	164,430,800	5.87%	1,600,428	5.73%
2006/07	155,314,500	8.43%	1,513,711	10.57%
2005/06	143,238,500	10.37%	1,368,967	7.71%

Ten Largest Taxpayers

Taxpayer	Type of Business	2010/11
Strongwell Corporation	Industrial	\$ 37,576
Tuohy Real Estate	Industrial	35,373
Sunshine Real Estate, LLC	Commercial	23,468
Val-A-Lodge, Inc.	Commercial	16,363
Minnesota Energy Resources	Utility	15,720
Individual	Residential	13,713
Root River State Bank	Commercial	13,494
Individual	Residential ~ 1-3 Units	13,199
Individual	Industrial	12,250
Lone Stone, LLC	Residential ~ 1-3 Units	<u>10,746</u>

\$ 191,902

The Net Tax Capacity of the City's ten largest taxpayers equals 11.60% of the City's total 2010/11 adjusted net tax capacity.

*** The City of Chatfield is situated in both Fillmore and Olmsted Counties in Minnesota. Unless otherwise indicated, all valuations and calculations are based upon the combined totals.**

TAX RATES, LEVIES & COLLECTIONS

Tax Capacity Rates

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	Debt Only <u>2010/11</u>
City of Chatfield	57.547%	58.209%	59.149%	61.804%	66.333%	n/a
Fillmore County	39.031%	37.564%	36.100%	33.268%	33.471%	n/a
ISD # 227 *	<u>13.366%</u>	<u>37.682%</u>	<u>36.900%</u>	<u>33.682%</u>	<u>27.826%</u>	<u>n/a</u>
FILLMORE TOTAL	109.944%	133.455%	132.149%	128.754%	127.630%	n/a
	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	Debt Only <u>2010/11</u>
City of Chatfield	57.547%	58.209%	59.149%	61.804%	66.333%	n/a
Olmsted County	52.295%	52.842%	52.775%	53.185%	54.011%	1.835%
ISD # 227 *	<u>13.382%</u>	<u>37.697%</u>	<u>36.915%</u>	<u>33.696%</u>	<u>27.841%</u>	<u>21.984%</u>
OLMSTED TOTAL	65.677%	90.539%	89.690%	86.881%	81.852%	23.819%

* ISD # 227 Tax Rates determined by Olmsted County.

Tax Levies and Collections

Year	Net	Collected During		Collected	
<u>Levy/Collect</u>	<u>Levy</u>	<u>Collection Year</u>	<u>Percent</u>	<u>as of 12/31/2011</u>	
		<u>Amount</u>		<u>Amount</u>	<u>Percent</u>
2010/11	\$ 1,062,082	\$ 1,031,959	97.16%	\$ 1,032,996	97.26%
2009/10	990,571	966,028	97.52%	987,073	99.65%
2008/09	942,083	914,859	97.11%	941,018	99.89%
2007/08	899,964	875,586	97.29%	899,344	99.93%
2006/07	819,710	798,722	97.44%	819,644	99.99%

Funds on Hand (as of 2/29/2012)

<u>Fund</u>	<u>Cash & Investments</u>
General	\$ 686,012
Special Revenue	832,783
Debt Service	-
GO Property Taxes	106,917
GO Assessment	253,836
GO Revenue	340,207

Revenue	3,047
Capital/Construction Funds	39,837
Enterprise Funds	1,364,820
Reserve Fund	<u>594,634</u>

Total \$ 4,222,093

INDEBTEDNESS

(as of 3/1/2012)

(current issue included)

Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	\$ 5,137,233
Less: Outstanding Debt Subject to Limit	<u>(1,335,000)</u>
Legal Debt Margin as of 3/1/2012	\$ 3,802,233

General Obligation Debt Supported by Tax Levies

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
5/1/2010	\$ 1,455,000	CIP Refunding	12/1/2026	\$ <u>1,335,000</u>
Total				\$ 1,335,000

General Obligation Debt Supported by Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
8/1/2008	\$ 1,365,000	Improvements Portion of 2008 *	2/1/2027	\$ 1,240,000
11/1/2004	260,000	Improvements Refunding	2/1/2015	90,000
6/1/2002	110,000	Improvements	2/1/2013	10,000
3/1/2002	490,000	Improvements Refunding	2/1/2017	160,000
10/1/2000	80,000	Improvements	12/15/2012	<u>36,000</u>
Total				\$ 1,536,000

General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
1/1/2011	\$ 7,005,000	Crossover Refunding	2/1/2028	\$ 6,665,000
8/1/2008	845,000	Water Revenue Portion of 2008 *	2/1/2027	755,000
11/1/2004	525,000	Revenue & Revenue Refunding	2/1/2015	155,000
9/1/1997	280,000	Water Revenue	12/1/2012	<u>20,000</u>
Total				\$ 7,595,000

Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
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6/1/1999	\$625,000	Improvements	8/1/2020	\$ 464,748
7/22/1999	525,000	Tax Increment Revenue Note	2/1/2019	<u>337,401</u>
Total				\$ 802,149

* Bonds listed above in italics are being crossover refinanced by the proceeds of This Issue. The amount of G.O. debt outstanding will increase slightly when final pricing of This Issue is completed.

Summary of Direct Debt Including This Issue

	<u>Gross Debt</u>	Less: Debt <u>Funds</u>	Net <u>Direct Debt</u>
GO Debt Supported by Tax Levies	\$ 1,335,000	\$ 106,917	\$ 1,228,083
GO Debt Supported by Assessments	1,536,000	253,836	1,282,164
GO Debt Supported by Revenues	7,595,000	340,207	7,254,793
Revenue Bonds	<u>802,149</u>	<u>3,047</u>	<u>799,102</u>
Total	\$ 11,268,149	\$ 704,007	\$ 10,564,142

Overlapping Debt

<u>Taxing Unit</u>	2010/11 <u>Tax Capacity</u>	% in <u>City</u>	Total <u>G.O. Debt</u>	City <u>Share</u>
Fillmore County	\$ 23,900,415	4.38%	\$ 3,250,000	\$ 142,424
Olmsted County	147,451,939	0.50%	166,365,000	834,041
ISD #227	5,608,137	31.86%	20,555,000	<u>6,548,297</u>
Total				\$ 7,524,763

Debt Ratios

	Net <u>G.O. Debt</u>	Debt/Indicated Market Value <u>\$ 171,994,744</u>	Debt per Capita <u>2,779</u>
Net Direct G.O. Debt*	\$ 2,510,247	1.46%	\$ 903
Net Direct and Overlapping GO Debt	10,035,010	5.83%	3,611

* Excludes general obligations debt supported by revenues

Annual Debt Service Payments

GO Debt Supported by Taxes				GO Debt Supported by Assessments		
<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2012	\$ 75,000	\$ 116,948	6%	\$ 36,000	\$ 71,125	2%
2013	75,000	115,448	11%	120,000	183,663	10%
2014	75,000	113,948	17%	115,000	173,876	18%
2015	80,000	117,448	23%	145,000	198,540	27%
2016	80,000	115,448	29%	115,000	163,108	35%
2017	80,000	113,448	35%	120,000	163,009	42%
2018	85,000	116,048	41%	90,000	128,433	48%
2019	85,000	113,498	48%	90,000	124,540	54%
2020	90,000	115,693	54%	95,000	125,470	60%
2021	95,000	117,723	61%	85,000	111,468	66%
2022	95,000	114,398	69%	90,000	112,530	72%
2023	100,000	116,073	76%	95,000	113,320	78%

2024	105,000	117,323	84%	95,000	108,950	84%
2025	105,000	113,385	92%	80,000	89,865	89%
2026	110,000	114,290	100%	80,000	86,065	94%
2027	-	-		85,000	87,083	100%
	\$ 1,335,000	\$ 1,731,113		\$ 1,536,000	\$ 2,041,043	

Revenue Debt	GO Debt Supported by Revenues
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<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2012	\$ 40,207	\$ 71,056	5%	\$ 20,000	\$ 131,138	0%
2013	75,307	109,500	15%	445,000	661,775	6%
2014	79,699	109,500	26%	455,000	664,606	12%
2015	84,348	109,500	37%	435,000	636,644	18%
2016	89,267	109,500	48%	405,000	598,705	23%
2017	94,474	109,500	61%	410,000	595,554	29%
2018	99,984	109,500	74%	420,000	596,218	34%
2019	169,681	173,953	96%	430,000	595,433	40%
2020	31,191	32,000	100%	440,000	593,398	46%
2021	-	-		455,000	595,160	52%
2022	-	-		465,000	590,785	58%
2023	-	-		480,000	590,373	64%
2024	-	-		500,000	593,690	71%
2025	-	-		515,000	590,678	77%
2026	-	-		535,000	591,406	84%
2027	-	-		550,000	585,955	92%
2028	-	-		575,000	589,195	99%
2029	-	-		60,000	61,470	100%
	\$ 764,158	\$ 934,009		- \$ 7,595,000	\$ 9,862,180	

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GENERAL INFORMATION

The City of Chatfield is located in Fillmore and Olmsted Counties approximately 100 miles southeast of the City of Minneapolis and 20 miles south of the City of Rochester. Interstate 90 runs with nine (9) miles of the City. U.S. Highway 14 runs within 13 miles of the City and MN Highway 74 runs with five (5) miles of the City. Minnesota Highway 30 runs through the City. The City's 1990 U.S. Census population count was 2,226, the 2000 US Census population was 2,394 and the 2010 US Census population is 2,779.

Organization

The City was organized in 1857 as a Home Rule Charter City and currently operates under the Mayor-Council form of government. The City Council is composed of a mayor and five (5) Council members. The Mayor is elected at large and serves a two-year term. Five (5) Council members are elected to serve overlapping four-year terms. The present Council is comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Don Hainlen	Mayor	2012
Paul Novotny	Vice Mayor	2014
David D. Frank	Council Member	2012
Ken Jacobson	Council Member	2012
Russ Smith	Council Member	2014
Josh Thompson	Council Member	2012

The City Clerk, Joel Young, is appointed by the City Council. Mr. Young is responsible for administering the various City departments, implementing Council policies and coordinating the preparation of the annual City budget.

The City currently employs 15 full-time and eight (8) part-time persons in the following departments: administration, public works, library, police and ambulance services and community television. The City's police department includes five (5) full-time and three (3) part-time officers. The volunteer fire department has 24 firefighters. The City has an Insurance Class Rating of 6.

The City has several parks with a total of 89 acres as well as a municipal swimming pool. 12.5-percent (208 acres) of the total land use of the City is designated recreation open space. Mill Creek runs for 2.1 miles within the City as does one-half mile of the Root River corridor. The City also operates a summer recreation program.

City Services

The City operates a municipal water and sewer utility. The water utility is supplied from two (2) City wells with an average demand of 193,000 gallons per day and a peak demand 377,000,000 gallons per day. The City maintains a 1,000,000 gallon elevated storage facility. There are 1,064 connections to the municipal water system.

The sewer utility features a mechanical treatment plant treating an average of 263,000 gallons per day. The utility is designed to treat an average of 487,000 gallons per day (wet weather design flow) and an average of 357,000 gallons per day (dry weather design flow), a peak demand of 1,036,000 gallons per day (the peak handled by the plant on 8/19/2007). In 2005 the City completed a major upgrade to the wastewater treatment facility within the City. There are 1,076 connections to the sewer utility.

The City has a 2.25-acre industrial park that is served by both municipal water and sewer. Approximately 33-percent of the industrial park is already developed.

Employee Pensions

The full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA.) PERA administers the Public Employers Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers that qualify for membership by statute are covered by the PEPFF. The City contribution to PERA for the year ended December 31, 2011 was \$ 73,504.

Census Data

Population Trends

	<u>Population</u>
1970 U.S. Census	1,885
1980 U.S. Census	2,055
1990 U.S. Census	2,226
2000 U.S. Census	2,394
2010 U.S. Census	2,779

Source: U.S. Census Bureau

Income and Housing Statistics

	<u>City of Chatfield</u>	<u>Fillmore County</u>	<u>Olmsted County</u>	<u>State of Minnesota</u>
2009 per Capita Income	\$ 24,379	\$ 23,758	\$ 32,704	\$ 29,592
2009 Median Household Income	56,036	43,267	64,096	55,616
Median Value of Owner Occupied Housing	\$ 136,988	\$ 128,469	\$ 176,200	\$ 200,400
Median Gross Rent	611	381	681	683

Source: U.S. Census

The City of Chatfield has approximately 1,066 single-family homes and 26 multiple family homes. During the past three years, the City has planned or constructed the following:

<u>Subdivision Name</u>	<u>Total Number of Lots / Units</u>	<u>Number of Lots / Units Completed</u>	<u>Remaining Lots / Units Available</u>
Lone Stone Court	59	27	32
Orchard Ridge Subdivision	24	18	6
Hilltop Estates 1 st Addition	17	2	15
Hilltop Estates 2 nd Addition	6	2	4
Fingerson Donahoe Dev 1 st Phase.	31	19	12
Fingerson Donahoe Dev 2 nd Phase	8	2	6

Source: City Records

Employment Data

	<u>Labor Force</u>		<u>Unemployment Rate</u>		
	<u>Fillmore County</u>	<u>Olmsted County</u>	<u>Fillmore County</u>	<u>Olmsted County</u>	<u>Statewide</u>
January, 2012	11,099	79,797	6.9%	5.0%	6.4%
January, 2011	11,490	81,981	8.1%	5.9%	7.6%

Source: Minnesota Department of Employment and Economic Development, year-end averages, not seasonally adjusted.

Financial Services

The Root River State Bank in Chatfield reported total deposits of \$52,845,000 as of December 31, 2009. The F & M Community Bank, National Association (a branch of Preston) reported deposits of \$71,307,000 as of December 31, 2009.

Source: Thompson Financial Publishing

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u># of Employees</u>
Strongwell Corp.	Fiberglass Poltrusion & Precast Polymer	200
Chosen Valley Care Center	Skilled Nursing Care Facility	150
Tuohy Furniture Corp.	Wood Office Furniture	150
Chosen Valley Public Schools	Public Education	120
Sunshine Foods	Grocery Store	65
Bernard Busing	Transportation	50
Ta Cades Sports Bar	Food Service/recreation	30
Dairy Queen	Food service (spring/summer)	25
City of Chatfield	City Government	23
Root River State Bank	Banking	20

Source: City Records

Building Permits

<u>Year</u>	<u># of Commercial Industrial Permits</u>	<u># of Residential Permits</u>	<u># of Other Permits</u>	<u>Total Value of Permits</u>
2011	2	50	5	<u>462,500</u>
2010	10	60	2	<u>1,723,120</u>
2009	3	48	1	<u>2,088,000</u>
2008	4	60	0	<u>18,372,500</u>
2007	6	51	0	<u>2,492,816</u>
2006	7	52	0	<u>1,711,500</u>
2005	<u>10</u>	<u>61</u>	<u>0</u>	<u>9,142,890</u>
2004	<u>9</u>	<u>72</u>	<u>0</u>	<u>8,086,000</u>
2003	<u>3</u>	<u>68</u>	<u>0</u>	<u>2,901,100</u>
2002	<u>4</u>	<u>67</u>	<u>0</u>	<u>2,772,500</u>
2001	<u>8</u>	<u>48</u>	<u>0</u>	<u>6,027,500</u>
2000	<u>2</u>	<u>38</u>	<u>0</u>	<u>1,934,885</u>

Source: City Records *As December 31, 2011

New Development

The following businesses/organizations have completed new constructions or expansion/renovation projects during the past three (3) years:

<u>Name of Business</u>	<u>Product / Service</u>	<u>Description of Construction</u>
<u>2009</u>		
ISD No 227, Chatfield	Public Education	High School Remodel
Strongwell	Industrial – Poltrusion	Replace Roof
Larabee/Essig Insurance	Insurance	Install Sign & Awning
ISD No. 227, Chatfield	Public Education	Remodel 4 Restrooms
<u>2010</u>		
Country Crafts & Gifts	Retail – Craft & Gift	Remodel
ISD No 227, Chatfield	Public Education	Baseball Fence
Pope & Young Club	Archery Museum	Cold Storage
Strongwell	Industrial – Poltrusion	Freezer / Cooler
Chatfield Trucking	Transportation	Install Bathroom
VFW Club	VFW Establishment	Expand Bar
ISD 227, Chatfield	Public Education	2 Baseball Dugouts
Shari's Sports Saloon	Sports Bar	Replace Ansul System
<u>2011</u>		
Chatfield Center for the Arts	Culture & Entertainment	Restroom Renovation
Chatfield Center for the Arts	Culture & Entertainment	In-fill Window openings
Tuohy Furniture	Furniture Manufacturer	Shed Addition
Alliant Energy	Utility	Addition / Remodel

Source: City Records

Healthcare

There is one medical clinic and one 86-bed nursing home located within the City of Chatfield. Hospital services are available at the Mayo Medical Center located in Rochester, 20 miles north of the City.

Transportation

The City of Chatfield is located in Fillmore and Olmstead Counties approximately 100 miles southeast of the City of Minneapolis and 20 miles south of the City of Rochester. Interstate 90 runs with nine (9) miles of the City. U.S. Highway 14 runs within 13 miles of the City and MN Highway 74 runs with five (5) miles of the City. Minnesota Highway 30 runs through the City.

The Rochester Express provides inter-city bus services to the City and Care Van provides transportation for the disabled.

The Fillmore County Airport, located in Preston, Minnesota 15 miles to the south, provides air transportation with a 4,000 paved runway. 20 miles to the north is the Rochester International Airport, providing charter and commercial flights.

Source: MN Department of Employment and Economic Development

Education

There is one elementary school with an enrollment of 460 and a pupil/teacher ratio of 22:1 and one senior high with an enrollment of 446 and a pupil/teacher ratio of 24:1 located within the city. Telecommunications use is available at all grade levels. 75 percent of the high-school graduates attend post-secondary education facilities compared with a statewide average of 65 percent.

The Rochester Technical College and Rochester Community College provide technical and specialty post-secondary education and are located within 20 miles of the City. The nearest public university is the University of Minnesota ~ Rochester campus and the nearest private college is St. Mary's University located in Winona.

Source: MN Department of Employment and Economic Development

Utilities

The City of Chatfield is supplied natural gas by People's Natural Gas and electrical service by Alliant Energy.

Communications

The City of Chatfield is provided local telephone service by Centurytel. The City also has cable television and local internet access available. The Chatfield News and the Fillmore County Journal provide weekly newspaper coverage and the Rochester Post Bulletin provides daily service. The Chatfield News serves as the City's official newspaper and is published each Monday.

The City has an on-line presence at www.ci.chatfield.mn.us. The City of Chatfield has been an active user of their website to keep in touch with their citizens. This includes the use of streaming video to air and archive live footage of City Council meetings and other City/School events throughout the City.

APPENDIX A

PROPOSED FORM OF LEGAL OPINION

\$2,020,000
GENERAL OBLIGATION CROSSOVER REFUNDING BONDS, SERIES 2012A
CITY OF CHATFIELD
OLMSTED AND FILLMORE COUNTIES
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Chatfield, Olmsted and Fillmore Counties, Minnesota (the "Issuer"), of its \$2,020,000 General Obligation Crossover Refunding Bonds, Series 2012A, bearing a date of original issue of May 1, 2012 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

BRIGGS AND MORGAN
Professional Association

[Appendix B to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Chatfield, Minnesota (the "Issuer"), in connection with the issuance of \$2,020,000 General Obligation Crossover Refunding Bonds, Series 2012A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on _____ (the "Resolution"). Pursuant to the Resolution and this Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2012, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 20__, the Issuer shall, or shall cause the Dissemination Agent to, as soon as available, but in any event not later than December 31, 20__, and by December 31 of each year thereafter, provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Valuations; Tax Rates, Levies & Collections; Indebtedness; and General Information.

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

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

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of

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

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

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

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

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

Date: _____, 2012.

CITY OF CHATFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its Clerk

APPENDIX C

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS & VALUATIONS

Following is a summary of certain statutory provisions effective through taxes payable 2010 relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

PROPERTY VALUATIONS

(Minnesota Statutes: Chapter 273)

Assessor's Estimated Market Value Each parcel of real property subject to taxation must, by statute, be appraised at least once every four years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value."

Limitation of Market Value Increases MN Statutes, Section 273.11, Subdivision 1a, was amended in 2005. For assessment years 2005 and 2006, the amount of the increase shall not exceed the greater of (1) 15% of the value in the preceding assessment, or (2) 25% of the difference between the current assessment and the preceding assessment. For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15% of the value in the preceding assessment, or (2) 33% of the difference between the current assessment and the preceding assessment. For assessment year 2008, the amount of increase shall not exceed the greater of (1) 15% of the value in the preceding assessment, or (2) 50% of the difference between the current assessment and the preceding assessment.

Taxable Market Value The Taxable Market Value is the value that property taxes are based on, after all reductions, limitations, exemptions and deferrals. It is also the value used to calculate a municipality's legal debt limit.

Indicated Market Value The Indicated Market Value is determined by dividing the Taxable Market Value of a given year by the same year's sales ratio determined by the State Department of Revenue. The Indicated Market Value serves to eliminate disparities between individual assessors and equalize property values statewide.

Net Tax Capacity The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature.

Property taxes are determined by multiplying the Net Tax Capacity by the tax capacity rate, expressed as a percentage.

PROPERTY TAX PAYMENTS AND DELINQUENCIES

(Minnesota Statutes: Chapters 276, 279-282 and 549)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty which, depending on the type of property, increases from 2% to

4% on the day after the due date. In the case of the first installment of real property taxes due May 15, the penalty increases to 4% or 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, the penalty increases to 6% or 8% on November 1 and increases again to 8% or 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property owned by a tax-exempt entity, but which is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the clerk of court files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks, but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have five years (5) in the case of all property located outside of cities or in the case of residential homestead, agricultural homestead and seasonal residential recreational property located within cities or three (3) years with respect to other types of property to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis- county - 40%; town or city - 20%; and school district - 40%.

PROPERTY TAX CREDITS

(Minnesota Statutes: Chapter 273)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the circuit breaker credit, which relates property taxes to income and provides relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The circuit breaker credit and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

LEVY LIMITATIONS FOR COUNTIES AND CITIES (Chapter 275)

The 2008 Legislature enacted provisions to establish levy limitations for taxes levied for collection in 2009, 2010 and 2011. Basically, levy increases for cities over 2,500 population and for counties are limited to its levy aid base or levy limit base for collection in the prior year, (1) plus the less of 3.9 percent or the percentage growth in the implicit price deflator, (2) plus an adjustment for population increases and (3) plus increases in taxable market value due to new construction of certain class 3 property (commercial industrial).

Certain property tax levies are authorized outside of the new overall levy limitations ("special levies"). Special levies can be made outside of levy limits for multiple purposes including, but not limited to, bonded indebtedness, certificates of indebtedness, tax or aid anticipation certificates of indebtedness, and to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota. In order to receive approval for any special levy claims outside of the overall levy limitation, requests for such special levies must be submitted to the Commissioner of Revenue by the date specified in the year in which the levy is to be made for collection in the following year. The Commissioner of Revenue has the authority to approve, reduce, or deny a special levy request. Final adjustments to all levies must be made by the Department of Revenue on or before December 10 (275.74).

DEBT LIMITATIONS

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregation of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.
6. Certain debt service loans and capital loans made to school districts
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.

LEVIES FOR GENERAL OBLIGATION DEBT

(Minnesota Statutes: Sections 475.61 and 475.74)

Any municipality which issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

METROPOLITAN REVENUE DISTRIBUTION – “FISCAL DISPARITIES”

(Minnesota Statutes: Chapter 473F)

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as “Fiscal Disparities,” was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota (excluding the City of Northfield), Hennepin, Ramsey, Scott (excluding the City of New Prague) and Washing Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

CLASSIFICATION RATES

Conversion of Estimated Market Value to Tax Capacity

The assessors classify all property subject to the general property tax and apply statutory percentages to the Estimated Market Value to determine the tax capacity upon which tax capacity rates are computed. Significant major classification and the percentages by which tax capacity are determined can be found on the following page.

Minnesota Property Class Rate Schedule
(current through taxes payable 2010)

Property Type	2006	2007	2008	2009	2010
Residential Homestead:					
up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
single unit up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
single unit over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4b1)	1.25% *	1.25% *	1.25% *	1.25% *	1.25% *
Low-income (4d)	0.75%	0.75%	0.75%	0.75%	0.75%
Commercial, Industrial, Public Utility					
up to \$150,000	1.50%	1.50%	1.50%	1.50%	1.50%
over \$150,000	2.00%	2.00%	2.00%	2.00%	2.00%
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Seasonal Rec - Commercial					
Homestead resorts (1c)					
up to \$600,000 ***	0.55%	0.55%	0.55%	0.50%	0.50%
over \$600,000 ***	1.00%	1.00%	1.00%	1.00%	1.00%
over \$2,300,000 ***	1.25%	1.25%	1.25%	1.25%	1.25%
Seasonal resorts (4c)					
up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Seasonal Rec - Residential					
up to \$500,000	1.00%	1.00% *	1.00% *	1.00% *	1.00% *
over \$500,000	1.25%	1.25% *	1.25% *	1.25% *	1.25% *
Disabled Homestead					
up to \$50,000 ***	0.45%	0.45%	0.45%	0.45%	0.45%
\$50,001 - \$500,000 ***	1.00%	1.00%	1.00%	1.00%	1.00%
over \$500,000 ***	1.25%	1.25%	1.25%	1.25%	1.25%
Agricultural Land & Buildings					
Homestead up to \$500,000					
Homestead over \$500,000					
Balance of farm up to \$1,010,000 ****	0.55%	0.55% *	0.55% *	0.50% *	0.50% *
Balance of farm over \$1,010,000 ****	1.00%	1% *	1% *	1% *	1% *
Non-homestead	1.00%	1% *	1% *	1% *	1% *

* Exempt from referendum market value

*** 2008 Legislative changes

**** Increased from \$860,000 in 2009 Legislation

**APPENDIX D:
EXCERPTS FROM FINANCIAL STATEMENTS**

The City's financial statements are audited annually. Information on the following pages has been extracted from the City's audited financial reports for fiscal years ended December 31, 2010

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF NET ASSETS

December 31, 2010
 With Comparative Totals for December 31, 2009

	Governmental Activities	Business-Type Activities	Totals
	2010	2009	2009
ASSETS			
Cash and investments	\$ 3,520,428	\$ 1,316,378	\$ 5,237,106
Restricted cash		667,494	792,125
Receivables	1,566,212	231,325	1,798,037
Capital assets:			
Nondepreciable	944,390	60,492	1,004,882
Depreciable, net	9,735,630	10,273,564	20,010,194
Total Assets	16,167,660	12,550,053	28,717,713
LIABILITIES			
Accounts payable	43,320	22,729	66,049
Deposits payable		140,100	140,100
Accrued interest payable		115,631	182,281
Accrued liabilities	66,650	20,265	198,827
Unearned revenue		66,758	8,004
Compensated absences	111,169	22,172	66,758
Noncurrent liabilities:			
Due within one year	371,201	140,000	133,341
Due in more than one year	4,597,592	6,900,000	511,201
Total Liabilities	5,289,932	7,427,855	11,597,592
NET ASSETS			
Invested in capital assets, net of related debt	5,612,227	3,391,550	9,573,777
Restricted for:			
Revolving loans	633,947		633,947
Debt service	695,314		628,729
Unrestricted	3,946,240	1,160,848	1,103,910
Total Net Assets	\$ 10,877,728	\$ 5,122,398	\$ 16,000,126
			\$ 13,339,427

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010
 With Comparative Totals for the Fiscal Year Ending December 31, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 550,518	\$ 76,724	\$ 35,019	\$
Public safety	812,227	189,757	196,481	
Public works	448,032		7,108	68,724
Parks and recreation	213,630	32,437		
Library	239,291	6,107	49,947	
Community development	306,534	16,488	2,999,257	25,050
Interest on long-term debt	255,046			
Total governmental activities	2,825,279	321,493	3,287,812	93,774
Business-Type activities:				
Water	183,906	225,614		
Sewer	889,929	642,247		
Garbage	185,749	183,074		
Total business-type activities	1,239,584	1,050,935		
Total	\$ 4,064,862	\$ 1,372,428	\$ 3,287,812	\$ 93,774
General revenues:				
General property taxes				
Tax increments				
Grants and contributions not restricted to specific programs				
Interest earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Prior period adjustment - Note 5				
Net assets - beginning				
Net assets - ending				

See Notes to the Financial Statements

FORM A-2

Net (Expense) Revenue and Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Totals
2010			
2009			
\$	\$	\$	\$
(436,775)	(436,775)	(436,775)	(436,775)
(425,989)	(425,989)	(425,989)	(425,989)
(372,200)	(372,200)	(372,200)	(372,200)
(181,193)	(181,193)	(181,193)	(181,193)
(183,237)	(183,237)	(183,237)	(183,237)
2,734,241	2,734,241	2,734,241	2,734,241
(255,046)	(255,046)	(255,046)	(255,046)
877,801	877,801	877,801	877,801
(1,887,536)	(1,887,536)	(1,887,536)	(1,887,536)
\$	\$	\$	\$
41,708	41,708	41,708	41,708
(247,682)	(247,682)	(247,682)	(247,682)
17,325	17,325	17,325	17,325
(188,649)	(188,649)	(188,649)	(188,649)
689,152	689,152	689,152	689,152
(2,115,045)	(2,115,045)	(2,115,045)	(2,115,045)
996,350	996,350	996,350	996,350
187,063	187,063	187,063	187,063
688,179	688,179	688,179	688,179
846,124	846,124	846,124	846,124
150,404	150,404	150,404	150,404
4,686	4,686	4,686	4,686
(305,619)	(305,619)	(305,619)	(305,619)
(276,594)	(276,594)	(276,594)	(276,594)
1,971,547	1,971,547	1,971,547	1,971,547
2,095,371	2,095,371	2,095,371	2,095,371
(19,674)	(19,674)	(19,674)	(19,674)
97,485	97,485	97,485	97,485
13,339,427	13,339,427	13,339,427	13,339,427
\$ 13,339,427	\$ 13,339,427	\$ 13,339,427	\$ 13,339,427
10,877,728	10,877,728	10,877,728	10,877,728
5,122,398	5,122,398	5,122,398	5,122,398
\$ 16,000,126	\$ 16,000,126	\$ 16,000,126	\$ 16,000,126
\$ 13,339,427	\$ 13,339,427	\$ 13,339,427	\$ 13,339,427

CITY OF CHATFIELD, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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CITY OF CHATFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2010

With Comparative Totals for December 31, 2009

	100 General	360 Revolving Loan	240 EDA	317 1999 Improvement Bond
ASSETS				
Cash and investments	\$ 1,080,910	\$ 108,904	\$ 89,035	\$
Accounts receivable	988	5,220	500	
Notes receivable		519,823		
Due from other governmental units	21,420			59
Taxes receivable delinquent	33,824			490,809
Special assessments receivable				
Due from other funds	31,247			
TOTAL ASSETS	\$ 1,168,369	\$ 633,947	\$ 89,535	\$ 490,868

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable	\$ 30,084	\$	10	\$ 25,388
Due to other funds	33,824	519,823		490,868
Deferred revenue	63,908	519,823	10	516,266
Total Liabilities				

Fund Balance:

Reserved for:				
Debt service				(25,388)
Revolving loans		114,124		
Unreserved, designated:			89,525	
Unreserved, undesignated:	1,104,461	114,124	89,525	(25,388)
Total Fund Balance	1,104,461	633,947	\$ 89,535	\$ 490,868

TOTAL LIABILITIES AND FUND BALANCE

\$ 1,168,369	\$ 633,947	\$ 89,535	\$ 490,868
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See Notes to the Financial Statements

FORM B-1

	321 2001 Public Project Rev Bond	Other Governmental Funds	Totals	2009
\$	\$	\$	\$	\$
		2,641,579	3,920,428	4,015,424
		98,559	105,247	136,756
			519,823	532,573
		41,283	62,703	14,860
		2,887	36,770	43,005
		350,860	841,669	1,076,867
			31,247	16,772
\$	\$	\$ 3,135,168	\$ 5,517,887	\$ 5,837,258

\$	\$	\$	\$	\$
		13,226	43,320	101,208
		5,848	31,247	16,772
		353,747	1,398,262	1,652,446
		372,822	1,472,839	1,770,426

		710,712	685,314	1,103,910
			114,124	94,156
		1,124,537	1,214,092	1,021,020
		927,097	2,031,558	1,847,746
		2,762,345	4,045,058	4,066,832
\$	\$	\$ 3,135,168	\$ 5,517,887	\$ 5,837,258

CITY OF CHIATFIELD, MINNESOTA
 RECONCILIATION OF NET ASSETS IN THE
 GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
 IN THE FUND BASIS FINANCIAL STATEMENTS
 December 31, 2010

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

Total governmental fund balances (page 17)	\$ 4,045,068
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental funds - capital assets	\$ 16,437,080
Less: Accumulated depreciation	<u>(5,755,060)</u>
	10,681,020
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes	\$ 36,770
Deferred special assessments	841,669
Notes receivable	<u>519,823</u>
	1,398,262
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	\$ (5,105,019)
Compensated absences	(111,169)
Bond issuance costs net of amortization	36,226
Accrued interest	<u>(66,850)</u>
	(5,246,612)
Net assets of governmental activities (page 13)	<u>\$ 10,877,728</u>

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

For the Year Ended December 31, 2010
 With Comparative Totals for the Fiscal Year Ending December 31, 2009

	100 General	360 Revolving Loan	240 EDA	317 1999 Improvement Bond
REVENUES				
Property taxes	\$ 904,187	\$	\$	\$ 52,000
Special assessments				
Tax increments	17,538			
Licenses and permits	16,020			
Fines and forfeits	781,118			
Intergovernmental revenues				
Franchise fees	13,081	5,837	972	
Charges for services	12,609		2,710,000	
Interest income			11,453	
Contributions	88,431	26,843		
Miscellaneous revenues		32,680	2,722,425	52,000
TOTAL REVENUES	1,792,964	32,680	2,722,425	52,000
EXPENDITURES				
Current				
General government	444,411			
Public safety	459,524			
Public works	204,390			
Parks and recreation	101,315			
Library				
Community development	2,535	12,712	41,078	
Capital Outlay			2,708,000	
Debt Service				64,485
TOTAL EXPENDITURES	1,212,175	12,712	2,750,078	64,485
Excess (deficiency) of revenues over (under) expenditures	580,789	19,968	(27,653)	(12,485)
OTHER FINANCING SOURCES (USES)				
Bond proceeds			39,650	
Transfers in	95,000		(500)	
Transfers out	(743,533)			
TOTAL OTHER FINANCING SOURCES (USES)	(648,533)		39,150	
Net change in fund balances	(67,744)	19,968	11,497	(12,485)
FUND BALANCES, beginning	1,172,205	94,156	78,028	(12,913)
FUND BALANCES, ending	\$ 1,104,461	\$ 114,124	\$ 89,525	\$ (25,398)

See Notes to the Financial Statements

	321 2001 Public Project Rev Bond	Other Governmental Funds	Totals	2010	2009
	\$	\$	\$	\$	\$
		98,399	1,002,586	933,543	
		251,922	303,922	178,817	
		180,057	180,057	151,875	
			17,538	20,237	
		3,465	19,485	16,044	
		95,520	856,638	1,018,471	
		24,727	24,727	24,545	
		222,156	235,217	195,320	
		48,408	67,826	100,628	
		369,852	3,079,852	57,736	
		17,286	124,013	83,412	
		1,311,792	5,911,861	2,780,628	
		40,483	484,894	432,432	
		205,596	665,120	582,195	
			204,390	189,964	
		68,055	169,370	172,395	
		150,639	150,639	154,628	
		199,768	256,093	168,171	
		353,454	3,062,454	346,278	
	1,689,553	947,256	2,701,294	664,171	
	1,689,553	1,963,251	7,694,254	2,810,233	
	(1,689,553)	(653,459)	(1,782,393)	(29,605)	
	1,455,000		1,455,000		
	213,265	1,048,906	1,396,821	1,142,941	
	(4,885)	(342,284)	(1,091,202)	(1,086,206)	
	1,663,380	708,622	1,760,619	56,735	
	(26,173)	53,163	(21,774)	27,130	
	26,173	2,709,183	4,096,832	4,039,702	
	\$	\$	\$	\$	\$
		2,762,346	4,045,058	4,066,832	

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, 2010

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

Net change in fund balances - total governmental funds (page 20) \$ (21,774)

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	\$ 3,032,511
Depreciation expense	(610,861)

2,421,650

Revenues in the statement of activities that do not provide current
 financial resources are not reported as revenues in the funds.

Deferred revenue, December 31, 2010	\$ 1,398,262
Deferred revenue, December 31, 2009	(1,652,446)

(254,184)

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

(10,998)

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	\$ 2,394,861
Bond proceeds	(1,455,000)
Bond issuance costs net of amortization	36,226
Change in accrued interest	15,161

991,248

Change in net assets of governmental activities (pages 15)

\$ 3,125,942

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, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts		2010 Actual Amounts		Variance with Final Budget - Positive (Negative)		2009 Actual Amounts	
	Original	Final						
REVENUES								
Property Tax Levy Collected	\$ 900,000	\$ 900,000	\$ 904,187	\$ 4,187	\$ 839,376			
Licenses and permits	25,540	25,540	17,538	(8,002)	20,237			
Intergovernmental Revenues								
Local government aid	667,000	667,000	666,960	(40)	762,476			
Market value credit	66,502	66,502	16,518	(49,984)	68,333			
State police aid	21,000	21,000	32,352	11,352	23,066			
State fire aid	19,000	19,000	19,503	503	18,816			
PERA aid	1,677	1,677	1,677		1,677			
Highway	3,000	3,000	7,108	4,108	995			
Other	3,000	3,000	17,000	14,000	876,384			
Total Intergovernmental Revenues	781,179	781,179	761,118	(20,061)				
Charges For Services								
Plan check fee	4,500	4,500	2,631	(1,869)	3,254			
Animal shelter fee					33			
Fire protection fee	6,060	6,060	9,135	3,135	2,560			
Franchise fees	1,000	1,000	1,295	295	1,362			
Total Charges For Services	11,560	11,560	13,061	1,561	7,149			
Fines and Forfeits								
Parking fines	1,900	1,900	2,358	458	2,675			
Court fines and other	11,000	11,000	13,627	2,627	9,767			
Animal fines	100	100	35	(65)	140			
Total Fines and Forfeits	13,000	13,000	16,020	3,020	12,582			
Interest Income	18,500	18,500	12,509	(5,991)	16,268			
Miscellaneous Revenues								
Park and recreation	300	300	140	(160)	881			
Sale of assets			2,389	2,389	1,149			
Donations			8,615	8,615	825			
Township contracts	35,771	35,771	35,678	(93)				
Refunds/reimbursements	14,071	14,071	21,609	7,538	17,679			
Total Miscellaneous Revenues	50,142	50,142	66,431	16,289	20,614			
TOTAL REVENUES	\$ 1,798,861	\$ 1,798,861	\$ 1,792,964	\$ (6,897)	\$ 1,792,568			

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, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Positive (Negative)	Actual
EXPENDITURES				Amounts
General Government				
Mayor and Council				
Salaries	\$ 9,200	\$ 9,200	\$ 36	\$ 9,200
Employee benefits and retirement	740	704	1	662
Workers compensation	45	44	1	33
Office supplies	400	326	74	484
Printing and publication	1,000	973	27	667
Insurance	380	380	380	257
Travel	1,000	518	482	320
Legal fees	15,550	8,155	7,395	13,364
Dues and subscription	3,900	3,787	113	3,697
Other	7,950	7,950	6,374	4,385
Total Mayor and Council	40,165	25,283	14,882	33,059
Elections	3,880	2,973	907	42
Clerk's Office				
Salaries	204,000	199,620	4,380	150,846
Employee benefits and retirement	28,365	27,845	520	20,668
Workers compensation	4,700	2,807	1,893	3,648
Health insurance	31,550	38,951	(7,401)	26,982
Office supplies	5,000	2,568	2,432	1,598
Postage	1,350	835	515	1,132
Audit fees	6,000	7,350	(1,350)	5,900
Consulting fees	4,200	1,178	3,022	4,286
Licenses and dues	725	1,092	(367)	661
Insurance	4,250	3,070	1,180	3,587
Telephone	2,800	2,746	54	2,825
Printing and publication	825	727	98	672
Maintenance and repair	2,100	3,637	(1,537)	4,403
Conference expense	6,000	5,238	762	4,602
Other	16,340	12,715	3,625	12,087
Total Clerk's Office	318,205	310,379	7,826	243,917
Planning and Zoning				
Printing	1,030	1,030	986	187
Consulting fees	49,400	52,411	(3,011)	39,752
Other	3,800	1,866	2,134	7,754
Total Planning and Zoning	\$ 54,230	\$ 54,111	\$ 119	\$ 47,693

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, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Favorable (Unfavorable)	Actual
EXPENDITURES (continued)				Amounts
General Government (Continued)				
Municipal Building				
Operating supplies	\$ 3,700	\$ 3,700	\$ (225)	\$ 4,459
Small tools and minor equipment	515	569	(54)	13
Maintenance and repair	10,550	14,409	(3,859)	13,690
Contracted services	18,900	17,756	1,144	17,780
Insurance	12,800	12,800	4,801	12,747
Utilities	7,800	6,401	1,399	6,260
Other	1,200	1,200	594	497
Total Municipal Building	55,465	51,865	3,600	55,446
Total General Government	471,945	444,411	27,534	380,157
Public Safety				
Animal Control				
Operating supplies	300	300	117	111
Printing and publication	50	50	50	311
Other	740	740	610	65
Total Animal Control	1,090	247	843	487
Fire Department				
Salaries	12,000	11,170	830	5,258
Employee benefits and retirement	538	364	174	173
Fire pension contribution	29,650	23,071	6,579	17,936
Workers compensation	4,000	4,171	(171)	1,634
Innoculations	1,800	1,800	1,525	1,084
Vehicle operating supplies	2,000	1,283	717	433
Small tools and minor equipment	5,000	3,822	1,178	2,607
Telephone	140	140	(140)	6,840
Maintenance and repair	12,000	12,185	(185)	3,492
Insurance	7,000	5,348	1,652	2,798
Utilities	6,800	5,357	1,443	13
Printing and publishing	280	54	226	1,140
Training	4,000	3,277	723	4,907
Other	11,550	7,252	4,298	48,325
Total Fire Department	96,418	77,569	18,849	15,753
Building Code				
Consultant fee	10,300	10,300	(2,898)	2,769
Surcharge fee/sales tax	6,695	2,757	3,938	18,522
Total Building Code	\$ 16,995	\$ 15,956	\$ 1,039	\$

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, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety (Continued)					
Police Department					
Salaries	\$ 228,048	\$ 228,048	\$ 227,804	\$ (1,756)	230,539
Employee benefits and retirement	35,300	35,300	36,495	(1,195)	35,762
Workers compensation/unemployment	8,050	8,050	8,511	(461)	9,067
Health insurance	23,200	23,200	28,320	(5,030)	22,694
Operating supplies	3,200	3,200	694	2,516	864
Vehicle operating supplies	4,200	4,200	1,499	2,701	1,017
Small tools and minor equipment	6,950	6,950	1,044	5,906	2,357
Telephone	4,400	4,400	3,127	1,273	3,421
Legal fees	14,000	14,000	12,289	1,711	9,669
Vehicle lease	17,200	17,200	14,740	2,460	15,888
Towing and wrecker fees	2,600	2,600	2,286	314	1,156
Uniform allowance	3,375	3,375	2,782	593	1,569
Maintenance and repair	6,450	6,450	6,780	(330)	10,485
Clothing	2,000	2,000	667	1,333	2,509
Printing and publication	500	500	97	403	101
Postage	1,175	1,175	365	810	400
Training	7,580	7,580	3,377	4,203	2,060
Contracted services	750	750	408	342	300
Insurance	2,625	2,625	814	1,811	1,396
Utilities	8,600	8,600	6,369	2,231	6,260
Other	12,224	12,224	7,384	4,840	5,124
Total Police Department	390,427	390,427	365,752	24,675	362,668
Total Public Safety	504,930	504,930	459,624	45,406	430,032
Public Works					
Street Department					
Salaries	65,000	65,000	65,459	(459)	62,834
Employee benefits and retirement	8,375	8,375	9,213	(838)	8,723
Health insurance	10,665	10,665	11,558	(893)	10,344
Workers compensation	5,475	5,475	4,495	980	2,985
Operating supplies	8,250	8,250	7,324	926	9,239
Vehicle operating supplies	12,670	12,670	9,535	3,135	6,654
Maintenance and repair	14,420	14,420	37,794	(23,374)	33,900
Clothing	775	775	969	(194)	681
Snow removal	7,725	7,725	8,817	(1,092)	5,628
Insurance	9,700	9,700	7,811	1,889	7,948
Engineering fees	17,280	17,280	97	17,183	4,037
Small tools and minor equipment	2,370	2,370	2,662	(292)	1,839
Utilities	36,500	36,500	35,149	1,351	32,301
Travel			20	(20)	
Other	5,235	5,235	3,487	1,748	2,851
Total Public Works	\$ 204,440	\$ 204,440	\$ 204,350	\$ 50	\$ 189,964

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, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Parks					
Salaries	\$ 50,400	\$ 50,400	\$ 48,585	\$ 1,815	\$ 51,537
Employee benefits and retirement	6,175	6,175	6,278	(103)	6,126
Workers compensation	1,950	1,950	1,536	414	2,114
Small tools and minor equipment	1,030	1,030	54	976	3,588
Vehicle operating supplies	5,150	5,150	2,905	(2,505)	1,644
Maintenance and repair	16,500	16,500	5,112	38	3,532
Utilities	7,900	7,900	15,057	1,443	14,080
Insurance	8,275	8,275	6,806	1,010	6,920
Other	97,380	97,380	92,593	4,787	93,869
Total Parks	10,500	10,500	7,122	3,378	6,199
Recreation					
Band					
School band concerts	480	480	480		480
Brass band concerts	1,120	1,120	1,120		1,120
Total Band	1,600	1,600	1,600		1,600
Total Parks and Recreation	109,480	109,480	101,315	8,165	101,668
Community Development					
Promotional expense	3,000	3,000	2,535	465	2,610
Donations	300	300	300		500
Other	600	600	600		4,184
Total Community Development	3,900	3,900	2,535	1,365	7,284
TOTAL EXPENDITURES	1,294,695	1,294,695	1,212,175	82,520	1,109,115
Excess (deficiency) of revenues over (under) expenditures	505,166	505,166	580,789	75,623	683,473
OTHER FINANCING SOURCES (USES)					
Transfers in	85,000	85,000	95,000	10,000	
Transfers out	(565,720)	(565,720)	(743,533)	(177,813)	(581,419)
Total Other Financing Sources (Uses)	(480,720)	(480,720)	(648,533)	(167,813)	(581,419)
Net change in fund balances	24,446	24,446	(67,744)	(92,190)	102,054
FUND BALANCES, beginning	1,172,205	1,172,205	1,172,205		1,070,151
FUND BALANCES, ending	\$ 1,196,651	\$ 1,196,651	\$ 1,104,461	\$ (92,190)	\$ 1,172,205

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA

EDA FUND

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and ActualFor the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Positive (Negative)	Actual Amounts
REVENUES				
Interest Income	300	300	\$ 672	1,264
Contributions			2,710,000	
Miscellaneous	4,500	4,500	6,953	13,930
TOTAL REVENUES	4,800	4,800	2,717,625	15,194
EXPENDITURES				
Library				
Community development	43,950	43,950	2,872	39,172
Capital outlay			(2,709,000)	
TOTAL EXPENDITURES	43,950	43,950	(2,706,128)	39,172
Excess (deficiency) of revenues over (under) expenditures	(39,150)	(39,150)	11,497	(23,978)
OTHER FINANCING SOURCES (USES)				
Transfers in	39,650	39,650		43,490
Transfers out	(500)	(500)		(500)
Net change in fund balances			11,497	13,012
FUND BALANCES, beginning	78,028	78,028		59,016
FUND BALANCES, ending	\$ 78,028	\$ 78,028	\$ 11,497	\$ 78,028

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA

REVOLVING LOAN

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and ActualFor the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Positive (Negative)	Actual Amounts
REVENUES				
Interest income	\$ 3,338	\$ 3,338	\$ 5,837	\$ 5,965
Miscellaneous	27,715	27,715	28,943	15,346
TOTAL REVENUES	31,053	31,053	32,680	21,311
EXPENDITURES				
Loan advances			12,712	
Net change in fund balances			(12,712)	
FUND BALANCES, beginning	31,053	31,053	19,968	21,311
FUND BALANCES, ending	94,156	94,156	94,156	72,845
FUND BALANCES, ending	\$ 125,209	\$ 125,209	\$ 114,124	\$ 94,156

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS

Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	801	611	602	612/328/426/331
	Water	Infrastructure	Water	Sewer
Operating Revenues				
Service fees and charges	\$ 210,022	\$ 4,800	\$ 214,822	\$ 600,015
				\$ 7,800
Operating Expenses				
Salaries	41,457		41,457	105,028
Employee benefits and retirement	6,115		6,115	14,880
Health insurance				11,912
Workers compensation	1,414		1,414	3,206
Garbage removal				
City clean up				
Supplies	13,241		13,241	5,910
Utilities	12,439		12,439	37,944
Maintenance and repairs	9,474		9,474	25,214
Travel and training				1,373
Professional fees	12,903		12,903	16,552
Office expense	1,383		1,383	2,244
Insurance	1,687		1,687	12,547
Depreciation		80,490	80,490	
Other	3,303		3,303	26,382
Total Operating Expenses	103,416	80,490	183,906	284,202
				344,510
Operating Income (Loss)	105,606	(75,690)	30,916	335,813
				(338,710)
Nonoperating Revenues (Expenses)				
Interest income	6,795	6,213	13,008	4,439
Refunds and reimbursements	259		259	1,877
Penalties and discounts	76		76	256
Special assessments	10,792		10,792	34,432
Interest and fiscal charges				
Total Nonoperating Revenues (Expenses)	17,922	6,213	24,135	41,004
				(270,284)
INCOME (LOSS) BEFORE TRANSFERS	124,528	(69,477)	55,051	376,817
Transfers in		68,000	68,000	1,091,515
Transfers out	(103,200)	(143,817)	(246,817)	(311,385)
CHANGE IN NET ASSETS	21,328	(145,094)	(123,766)	65,432
				(415,211)
NET ASSETS - BEGINNING OF YEAR	478,822	2,778,147	3,254,969	296,414
				2,019,957
NET ASSETS - END OF YEAR	\$ 500,150	\$ 2,633,053	\$ 3,131,203	\$ 361,846
				\$ 1,604,745

See Notes to the Financial Statements

FORM C-2

	622	Total	603	Totals
	Sewer - No	Sewer	Garbage	2010
	Fault Back			2009
\$	\$ 507,815	\$ 170,988	\$ 993,625	\$ 984,084
	105,028	384	147,869	153,434
	14,880	79		28,028
	11,912		11,912	16,880
	3,206		4,620	4,558
			139,524	132,720
			10,963	12,533
			772	16,401
	5,910		19,923	49,602
	37,944		50,383	33,936
	41,700	1,488	52,672	396
	24,562		37,455	27,667
	2,244	1,126	4,753	4,657
	12,547		14,234	13,816
	320,024		400,514	397,991
	1,919	28,301	11,403	43,223
	1,919	610,631	165,749	976,140
	(1,919)	(2,816)	5,239	7,944
	10	13,463	86	26,557
		1,877		2,136
		256		332
		34,432	12,086	57,310
		(279,298)		(283,156)
	10	(229,270)	12,172	(192,963)
				(180,931)
	(1,909)	(232,086)	17,411	(159,524)
				(173,047)
	8,000	1,087,515		1,165,515
		(1,211,117)	(13,200)	(1,471,134)
				770,509
				(827,244)
	4,091	(345,858)	4,211	(465,243)
				(229,782)
		2,316,371	16,301	5,687,641
				5,817,423
	4,091	\$ 1,970,883	\$ 20,512	\$ 5,122,398
				\$ 5,587,641

\$	(1,919)	\$	342,365	\$	12,971	\$	472,437	\$	462,236
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CITY OF CHATFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

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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. Based on these criteria, there are no component units 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 assets and the statement of activities) report information on all of the nonfundary 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.

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)

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, and Net Assets or Equity

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. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market value.

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).

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 revenue 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.

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)

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

The *1999 improvement bond fund* accounts for the accumulation of resources for payment of improvement bonds and interest.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

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

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Property Taxes (continued)

Special assessments outstanding at December 31, 2010 are recognized as revenue only when received. The receivable balances in the fund financial statements are offset entirely by deferred revenue until collected by the county. These offsetting balances are also not reflected in the combined 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.

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

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

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The intergovernmental revenue is recognized as revenue by the City at the time of reclassification.

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.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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, 2010, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$ 150
Deposits	1,564,133
Certificates of deposit	1,945,195
U.S. Government Bonds	1,445,184
Municipal Bonds	925,300
Money Market Funds	24,638
Total Cash and Investments	<u>\$ 5,904,600</u>

Total Cash and Investments as presented in the statement of net assets:

Cash and Investments	\$ 5,237,106
Restricted Cash	<u>667,494</u>
	<u>\$ 5,904,600</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- General obligations of the State of Minnesota or its municipalities.
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- 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.
- 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.

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

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing or decreasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices beyond the limits of state statutes.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

B. Deferred Special Assessments Receivable

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

C. Notes Receivable

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

The City of Chatfield, Minnesota entered into a Grant Agreement with the Minnesota Department of Employment and Economic Development dated June 30, 2008, for which \$511,088 in Flood Recovery Funds were received and loaned to an enterprise within the City. During 2008, the City loaned Bernard Bus \$511,088 at 2% interest to help with flood recovery costs. Five years after the date of the loan, \$100,000 of the loan will be forgiven and each subsequent year \$41,330.60 will be forgiven for 5 years. The maximum amount forgiven will be \$306,653. Payments of \$2,610.11 will commence on August 1, 2009, and continue each month until July 1, 2016.

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

3. Detailed Notes on All Funds (Continued)

C. Notes Receivable

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, 2010:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/10
RFL#12	5/30/2006	\$ 40,245	5%	10 years	\$ 27,757
Bernard Bus	6/30/2008	511,088	2%	10 years	480,240
Country Craft & Gifts, LLC	7/12/2010	12,840	6%	5 years	11,826
		\$ 564,173			\$ 519,823

D. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 417,030	\$ 527,360	\$	\$ 944,390
Total capital assets, not being depreciated	417,030	527,360		944,390
Capital assets, being depreciated:				
Buildings	4,972,035	2,220,000		7,192,035
Infrastructure	5,403,333	84,865		5,488,198
Vehicles	1,193,925		57,012	1,136,913
Furniture and fixtures	130,227	109,000		239,227
Machinery and equipment	1,383,827	111,465	28,746	1,466,546
Total capital assets, being depreciated	13,073,297	2,505,331	85,758	15,492,870
Less accumulated depreciation for:				
Buildings	2,262,374	174,056		2,436,430
Infrastructure	1,577,407	177,188		1,754,595
Vehicles	576,595	74,324	57,012	694,398
Furniture and fixtures	94,162	12,741		106,903
Machinery and equipment	620,428	172,062	28,746	763,734
Total accumulated depreciation	5,230,967	610,361	85,758	5,756,060
Total capital assets, being depreciated, net	7,842,330	1,894,970		9,736,830
Governmental activities capital assets, net	\$ 8,259,370	\$ 2,421,550	\$	\$ 10,680,920

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
Total capital assets, not being depreciated	60,492	—	—	60,492
Capital assets, being depreciated:				
Wastewater Treatment Facility and Distribution	14,371,660	21,300	—	14,392,960
Machinery and equipment	235,949	5,079	—	241,028
Total capital assets, being depreciated	14,607,609	26,379	—	14,633,988
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	3,797,136	386,484	—	4,183,620
Machinery and equipment	162,774	14,030	—	176,804
Total accumulated depreciation	3,959,910	400,514	—	4,360,424
Total capital assets, being depreciated, net	10,647,699	(374,135)	—	10,273,564
Business-type activities capital assets, net	\$ 10,708,191	\$ (374,135)	\$ —	\$ 10,334,056

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 57,007
Public safety	146,802
Public works	201,957
Parks and recreation	43,422
Library	99,406
EDA	204,629
Total depreciation expense - governmental activities	\$ 753,223
Business-Type Activities:	
Water Infrastructure	\$ 80,490
Sewer Infrastructure	320,024
Total depreciation expense - business-type activities	\$ 400,514

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, 2010 were as follows:

Funds	Transfers In	Transfers Out
General Fund - Other	\$ 95,000	\$ 376,244
General Fund to Capital Project Reserves:		
City Clerk		5,400
Municipal Building		9,000
Police		21,000
Fire		13,500
Civil Defense		3,000
Street Maintenance		308,889
Parks		6,500
Total General Fund	95,000	743,633
Special Revenue:		
Pool	61,650	44,189
Ambulance	48,500	500
EDA	39,650	12,800
Library	96,850	—
Historical Society	900	365
Cable Access	—	—
Heritage Preservation	9,100	—
Charfield Center for the Arts	60,000	—
Fire	35	—
Debt Service:		
1997 GO Water Revenue	23,280	—
2001 Refunding Bond	15,652	—
2001 Public Project Revenue Bond	213,265	4,885
2001 Public Project Revenue Reserve	—	197,556
2002 Ferguson-Danahoe	—	87,319
2008A H.L. Tower/Hillside Drive	102,618	—
2004A GO Sewer Revenue	65,284	—
2010A GO Refunding Bond	185,259	—
Capital Project:		
Capital Project Reserve	379,778	35
Enterprise:		
Water	—	103,200
Sewer	—	311,385
Garbage	—	13,200
Water Infrastructure	68,000	143,617
Sewer Infrastructure	1,091,515	889,732
Sewer - No Fault Back	6,000	—
Total Transfers	\$ 2,562,336	\$ 2,562,335

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. *Interfund Balances and Transfers (continued)*

Excess of expenditures over budgeted appropriations at the individual fund level during 2010 are as follows:

Special Revenue Funds	\$	12,712
Revolving Loan		6,661
Enterprise Funds		80,490
Water		15,442
Water Infrastructure		333,810
Sewer		14,774
Sewer Infrastructure		
Garbage		

All excess expenditures were the result of planned processes.

At December 31, 2010 the following funds have deficit fund balances:

Debt Service Funds	\$	25,398
1999 Improvement Bond		3,847
2000B Improvement Bond		

The City intends to fund accumulated deficits through additional revenue sources.

Balances of interfund receivables and payables as of December 31, 2010 at the individual fund level are as follows:

Funds	Due To Other Funds	Due From Other Funds
General Fund		\$ 31,247
1999 Improvement Bond Fund	\$ 25,398	
2002C Improvement Bond Fund	2,002	
2000B Improvement Bond Fund	3,847	
	\$ 31,247	\$ 31,247

These balances are primarily a result of current year cash shortages and are expected to be repaid in the next year.

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, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:	\$	\$	\$	\$	\$
1997 Water Revenue (4.45-5.65%)	60,000		20,000	40,000	20,000
1998 Improvement (5.75%)	480,141		38,157	441,984	38,266
2000B Improvement (3.75%)	44,000		4,000	40,000	4,000
2001 Refunding (2.65-4.35%)	15,000		15,000		
2001 Public Project Revenue (3.15-4.4%)	1,810,000		1,810,000		
2002A Refunding (3.0-4.8%)	255,000		30,000	225,000	35,000
2002B Improvement Refunding (4.5%)	45,000		10,000	35,000	10,000
2002C Improvement Refunding (3.0-4.15%)	410,000		410,000		
2004A Sewer & Permit Improv Refunding (3.75%)	80,000		80,000		
2008A Utility Revenue & Improv Bond (3.85-4.8%)	2,270,000		50,000	2,190,000	85,000
2010A Capital Improvement Refunding (2.0-3.9%)		1,455,000	50,000	1,405,000	75,000
Less: Unamortized Issuance Costs		(36,225)		(36,225)	
Tax Incremental Bonds:					
1988 Tax Increment (5.75%)	407,739		64,704	338,035	33,935
Total Bonds and Notes Payable	6,044,880	1,418,774	2,354,861	5,068,793	371,201
Other Liabilities					
Compensated Absences	100,171	10,932		111,103	
Governmental Activities					
Long-term Liabilities	6,145,051	1,429,706	2,354,861	5,179,896	371,201
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2005A Disposal System (3.5-4.15%)	7,135,000		55,000	7,080,000	140,000
Other Liabilities					
Compensated Absences	34,433		12,261	22,172	
Business-Type Activities					
Long-term Liabilities	7,169,433		107,261	7,062,172	140,000
Total	\$ 13,314,484	\$ 1,429,706	\$ 2,502,122	\$ 12,242,134	\$ 511,201

2008A Utility Revenue and Improvement 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 2008A Utility Revenue and Improvement Bond. The counties have agreed to abate \$1,100,000 and the school district will abate \$454,000 of future property tax revenues generated by the project.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2010, over the life of the debt, are summarized below:

Years	General Obligation Bonds		Tax Increment Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities						
2011	\$ 337,266	\$ 203,631	\$ 33,935	\$ 20,532		
2012	381,487	187,407	35,939	18,528		
2013	327,859	168,787	38,061	16,406		
2014	330,360	152,934	40,308	14,159		
2015	343,005	138,429	42,688	11,780		
2016-2020	1,361,997	514,743	147,104	20,383		
2021-2025	1,180,000	253,931				
2026-2029	505,000	35,426				
Totals	\$ 4,766,984	\$ 1,655,288	\$ 338,035	\$ 101,788		

Business-Type Activities

2011	\$ 140,000	\$ 275,217
2012	175,000	289,705
2013	200,000	263,142
2014	260,000	254,767
2015	340,000	
2016-2020	2,985,000	1,038,035
2021-2023	2,840,000	326,367
Totals	\$ 7,040,000	\$ 2,427,233

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, 2010, remaining notes outstanding totaled \$3,249,071.

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 (continued)

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, 2010, remaining notes outstanding totaled \$2,017,342.

4. Other Information

A. Defined Benefit Pension Plans - StatewidePlan Description

All full-time and certain part-time employees of the City of Chatfield, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF 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. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement 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.

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)Plan Description (continued)

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of 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 10 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 10 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members are required to contribute 9.4% of their annual covered salary in 2010. The City of Chatfield, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan PERF, 7.0% for Coordinated Plan PERF members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$40,567, \$40,392, and \$41,966, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2010, 2009, and 2008, were \$31,982, \$32,352, and \$23,993, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

B. 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.

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 2010.

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 2010. 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Prior Period Adjustments

During the year ended December 31, 2010, the City determined that long-term liabilities were overstated and net assets were understated relative to the amount recorded as accrued compensated absences. As a result, beginning net assets in the government-wide financial statements as of January 1, 2009 were increased by \$106,974.

CITY OF CHATFIELD, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2010

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

Special Revenue									
	616	211/212	220	225	230/231	200	614	270	
	Pool	Library	Rural Fire	Tourism	Ambulance	Historical Society	Cable Access	Heritage Preservation	
ASSETS									
Cash and Investments	\$ 129,116	\$ 412,696	\$	\$ 1,060	\$ 276,103	\$ 14,096	\$ 48,641	\$ 10,644	
Accounts receivable					87,455		6,103		
Due from other governmental units									
Taxes receivable - delinquent									
Special assessments receivable									
TOTAL ASSETS	\$ 129,116	\$ 412,696	\$	\$ 1,060	\$ 363,554	\$ 14,096	\$ 54,744	\$ 10,644	
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 44	\$ 2,451	\$	\$	\$ 4,910	\$	\$ 171	\$	
Deferred revenue									
Due to other funds									
Total Liabilities	44	2,451			4,910		171		
Fund Balance									
Reserved									
Unreserved									
Designated		350,939							
Undesignated	129,072	59,296		1,060	359,654	14,096	54,573	10,644	
Total Fund Balance	129,072	410,235		1,060	359,654	14,096	54,573	10,644	
TOTAL LIABILITIES AND FUND BALANCE	\$ 129,116	\$ 412,696	\$	\$ 1,060	\$ 363,564	\$ 14,096	\$ 54,744	\$ 10,644	

		Special Revenue										
		213	250	251	252	353	340	353	354	864		
			Charfield Center for the Arts	CCA - Schmidt Foundation	CCA - Falk Foundation	Police & Young Tax Incentive	Mill Pond Townhomes Tax Incentive	V&A Expansion Tax Incentive	State Tax Incentive	City		Total
	\$ 5,789	\$ 270,706	\$ 13,942	\$ 7,552	\$ 2	\$ 54	\$ 485	\$ 6,274	\$ 529	\$ 1,157,703		53,559
TOTAL	\$ 5,789	\$ 270,706	\$ 13,942	\$ 7,552	\$ 2	\$ 54	\$ 485	\$ 6,274	\$ 529	\$ 1,291,262		
LIABILITIES AND FUND BALANCE												
Liabilities												
Accounts payable	\$	\$ 5,650	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 13,226
Total Liabilities		5,650										13,226
Fund Balance												
Reserved												
Unreserved												
Designated												
Undesignated	5,789	235,056	13,942	7,552	2	54	485	6,274	529	1,238,096		350,939
Total Fund Balance	5,789	235,056	13,942	7,552	2	54	485	6,274	529	1,238,096		
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,789	\$ 270,706	\$ 13,942	\$ 7,552	\$ 2	\$ 54	\$ 485	\$ 6,274	\$ 529	\$ 1,291,262		

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Debt Service			
	315	377	313	320
1987 GO Water Rev Bond				
1988 Tax Increment Bond				
2000B Improvement Bond				
2001 Refunding Bond				
ASSETS				
Cash and investments	\$ 57,259	\$ 1,139	\$	\$ 62,952
Accounts receivable				
Due from other governmental units				
Taxes receivable - delinquent				
Special assessment receivable			40,000	
TOTAL ASSETS	\$ 57,259	\$ 1,139	\$ 40,000	\$ 62,952

ASSETS

Cash and investments
Accounts receivable
Due from other governmental units
Taxes receivable - delinquent
Special assessment receivable

TOTAL ASSETS

LIABILITIES AND
FUND BALANCE

Liabilities	
Accounts payable	
Deferred revenue	
Due to other funds	
Total Liabilities	

Fund Balance

Reserved
Unreserved
Designated
Undesignated
Total Fund Balance

TOTAL LIABILITIES AND
FUND BALANCE[illegible]

FORM D-1

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Capital Projects			Total Nonmajor Governmental Funds 2010
	430	801		
	Construction	Capital Goods	Total	
ASSETS				
Cash and investments	\$ 6,190	\$ 767,408	\$ 773,598	\$ 2,941,579
Accounts receivable		5,000	5,000	96,559
Due from other governmental units				41,283
Taxes receivable - delinquent				2,887
Special assessment receivable				350,660
TOTAL ASSETS	\$ 6,190	\$ 767,408	\$ 773,598	\$ 3,135,168
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$ 13,226
Deferred revenue				353,747
Due to other funds				5,846
Total Liabilities				372,822
Fund Balance				710,712
Reserved				
Unreserved				
Designated	6,190	767,408	773,598	1,124,537
Undesignated				907,937
Total Fund Balance	6,190	767,408	773,598	2,762,345
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,190	\$ 767,408	\$ 773,598	\$ 3,135,168

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CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Debt Service			
	315	377	313	320
	1997 GO Water Rev Bond	1998 Tax Increment Bond	2000B Improvement Bond	2001 Refunding Bond
REVENUES				
Property tax rev	\$	\$	\$	\$
Property tax collected			6,530	
Special assessments		89,406		
Tax increments		1,083		
Fines and forfeits				
Intergovernmental				
Franchise fees				
Charges for services	827	25	12	887
Interest income				
Contributions				
Miscellaneous				
TOTAL REVENUES	827	90,514	6,542	887
EXPENDITURES				
Current:				
General government				
Public safety				
Park and recreation				
Library				
Community development				
Debt service				
Principal retirement	20,000	84,704	4,000	15,000
Interest and fiscal charges	3,280	28,893	2,530	663
Capital outlay				
TOTAL EXPENDITURES	23,280	97,207	6,530	15,663
Excess (deficiency) of revenues over (under) expenditures	(22,453)	(693)	12	(14,776)
OTHER FINANCING SOURCES (USES)				
Bond proceeds				13,682
Transfer in	23,280			
Transfer out				
TOTAL OTHER FINANCING SOURCES (USES)	23,280			13,682
Net change in fund balances	827	(693)	12	886
FUND BALANCES, beginning	96,432	1,832	(3,669)	62,066
FUND BALANCES, ending	\$ 97,259	\$ 1,139	\$ (3,647)	\$ 62,952

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

		Debt Service				Debt Service				Debt Service			
		322	323	324	325	326	327	328	329	330			
		2001 Public Project Rev Bond Reserve	2002A Refunding Bond	2002B Revenue Bond	2002C Frigerson-Donahoe Bond	2004A GO Sewer and Improv Refunding Bond	2004B Refunding Bond	2008A HL Towel-Hills Drive Refunding Bond	2010A Refunding Bond				
\$	\$	2,433	72,274	3,061	127,060	40,567	55,369	42,917		\$	98,399	251,922	89,405
			45			757	1,019				2,534		
	10,068	1,608	534	1,708		319	223				15,439		
	10,068	76,358	3,615	128,768	41,624	59,714	223				459,100		
		30,000	10,000	1,800	410,000	85,000	60,000				746,704		
		11,678	1,800		12,935	17,163	95,148				198,552		
		41,678	11,800		422,935	102,155	155,148				947,255		
10,055	34,880	(8,185)	(254,137)	(90,832)	(56,484)	(75,640)	(468,155)						
(197,555)			(87,319)										
(197,555)			(87,319)										
(167,455)	24,580	(8,185)	(381,458)	4,952	46,484	110,613	(376,339)						
167,455	142,569	46,980	412,225	82,637	93,300						1,060,650		
\$	\$	177,249	\$ 40,785	\$ 37,769	\$ 87,289	\$ 139,484	\$ 110,613	\$ 710,712					

CITY OF CHATFIELD, MINNESOTA
FORM D-2
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Capital Projects			Total	Total Nonmajor Governmental Funds 2010
	430	801	Capital Goods		
REVENUES					
Property tax levy		\$	\$	\$	\$ 98,399
Special assessments					251,822
Tax increments					180,067
Fines and forfeits					3,466
Intergovernmental					95,520
Franchise fees					24,727
Charges for services					222,156
Interest income	85	9,211	9,295		48,408
Contributions		55,775	55,775		369,862
Miscellaneous		2,856	2,856		17,285
TOTAL REVENUES	85	67,842	67,927		1,311,792
EXPENDITURES					
Current:					
General government					40,483
Public safety					205,596
Park and recreation					68,066
Library					150,639
Community development					195,788
Debt service					745,704
Principal retirement					198,562
Interest and fiscal charges					353,454
Capital outlay		345,375	345,375		
TOTAL EXPENDITURES		345,375	345,375		1,965,251
Excess (deficiency) of revenues over (under) expenditures	85	(277,533)	(277,448)		(653,459)
OTHER FINANCING SOURCES (USES)					
Bond proceeds		379,778	379,778		1,046,908
Transfer in		(35)	(35)		(342,284)
Transfer out					
TOTAL OTHER FINANCING SOURCES (USES)		379,743	379,743		706,622
Net change in fund balances	85	102,210	102,295		53,163
FUND BALANCES, beginning	6,105	665,198	671,303		2,709,183
FUND BALANCES, ending	\$ 6,190	\$ 767,408	\$ 773,598		\$ 2,762,346

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CITY OF CHATFIELD, MINNESOTA
POOL FUNDSchedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Positive (Negative)	Actual Amounts
REVENUES				
Charges for Services	\$ 16,900	\$ 16,900	\$ (2,119)	\$ 15,240
Memberships	6,000	6,084	84	4,738
General admission	9,500	9,500	(660)	7,985
Lesson fees	2,000	2,000	(524)	1,891
Interest income	2,100	2,592	492	4,014
Miscellaneous	36,500	33,773	(2,727)	33,868
TOTAL REVENUES				
EXPENDITURES				
Park and Recreation				
Salaries	44,400	36,390	8,010	36,157
Employee benefits and retirement	3,500	2,784	716	2,766
Workers compensation	2,100	1,919	181	2,444
Operating supplies	10,000	7,291	2,709	7,294
Small tools and minor equipment	5,150	735	4,415	1,000
Clothing	1,100	753	347	543
Telephone	820	546	274	770
Insurance	8,000	7,154	846	7,704
Utilities	12,400	5,863	6,537	6,772
Maintenance and repairs	6,895	1,934	4,961	3,710
Other	4,185	2,686	1,499	2,337
TOTAL EXPENDITURES	98,150	68,055	30,095	70,727
Excess (deficiency) of revenues over (under) expenditures	(61,650)	(34,282)	27,368	(36,859)
OTHER FINANCING SOURCES				
Transfers in	61,650	61,650		56,225
Net change in fund balances	101,704	101,704	27,368	19,366
FUND BALANCES, beginning	101,704	101,704		82,338
FUND BALANCES, ending	\$ 101,704	\$ 129,072	\$ 27,368	\$ 101,704

CITY OF CHATFIELD, MINNESOTA
RURAL FIRE FUNDSchedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with	2009
	Original	Final	Final Budget - Positive (Negative)	Actual Amounts
REVENUES				
Intergovernmental Revenues				
Township contributions	\$	\$	\$	\$ 35,382
DNR contract				250
State aid				5,375
Charges for services				1,062
Interest income				422
Miscellaneous				42,491
TOTAL REVENUES				
EXPENDITURES				
Public Safety				
Salaries				5,258
Employee benefits and retirement				173
Workers compensation				1,969
Operating supplies				1,089
Small tools and minor equipment				2,607
Vehicle operating supplies				403
Insurance				4,173
Utilities				2,798
Maintenance and repairs				5,998
Training				1,140
Fire pension contribution				3,538
Capital outlay				
Other		35	(35)	3,919
TOTAL EXPENDITURES		35	(35)	33,065
Excess (deficiency) of revenues over (under) expenditures		(35)	(35)	9,426
OTHER FINANCING (USES)				
Transfers in		35	35	
Transfers out				(32,470)
Net change in fund balances				(23,044)
FUND BALANCES, beginning				23,044
FUND BALANCES, ending	\$	\$	\$	\$

CITY OF CHATFIELD, MINNESOTA

AMBULANCE FUND

Schedule of Revenues, Expenditures

and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	2009	Variance with	
	Original	Final	Actual	Final Budget -	
				Positive	
				(Negative)	
REVENUES					
Intergovernmental Revenues					
County contract	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500
Township contributions	21,065	16,583	16,583	(4,482)	16,583
Training reimbursement	15,000	14,890	14,890	(110)	14,890
Charges for services	200,000	173,161	173,161	(26,839)	173,161
Interest income	1,500	1,247	1,247	(253)	1,247
Donations	5,000	4,000	4,000	(1,000)	4,000
Miscellaneous	3,000	3,000	3,000		3,000
TOTAL REVENUES	253,065	211,157	211,157	(41,908)	211,157
EXPENDITURES					
Public Safety					
Salaries	100,725	100,725	100,650	75	95,566
Employee benefits and retirement	16,360	13,950	13,950	2,410	15,526
Workers compensation	4,500	4,500	4,500		5,145
Health insurance	20,460	19,525	19,525	935	20,589
Indemnifications	500	95	95	405	155
Training	9,500	11,279	11,279	(1,779)	9,553
Small tools and minor equipment	5,000	5,000	5,000		4,824
Office supplies	500	1,110	1,110	(610)	1,055
Operating supplies	9,000	12,818	12,818	(3,818)	10,774
Vehicle operating supplies	5,500	3,954	3,954	1,546	2,775
Telephone	1,800	1,720	1,720	80	1,782
Travel	1,000	371	371	629	185
Printing and publications	500	175	175	322	2,320
Insurance	2,400	1,534	1,534	866	1,311
Utilities	6,500	6,389	6,389	111	6,250
Maintenance and repairs	9,000	13,494	13,494	(4,494)	14,282
Medical services	4,000	4,418	4,418	(418)	4,730
Laundry services	400	412	412	(12)	400
Clothing	1,500	3,120	3,120	(1,620)	1,371
Collections fees/due debt	1,300	871	871	429	1,434
License, permits, dues and subscription	120,000	120,000	120,000		116,702
Capital outlay	750	1,067	1,067	(317)	2,267
Refunds	3,645	3,645	3,645		1,337
Other	324,840	204,263	205,561	788	3,045
TOTAL EXPENDITURES	(71,745)	(71,745)	(71,745)	79,745	(27,491)
Excess (deficiency) of revenues over (under) expenditures					
OTHER FINANCING SOURCES (USES)					
Transfers in	48,500	18,500	48,500		48,500
Transfers out	(43,600)	(44,189)	(44,189)	(589)	(31,163)
TOTAL OTHER FINANCING SOURCES (USES)	4,900	(5,689)	4,311	(588)	17,337
Net change in fund balances	(68,645)	(18,755)	12,311	79,155	(10,154)
FUND BALANCES, beginning	346,343	346,343	346,343		356,497
FUND BALANCES, ending	\$ 279,498	\$ 163,525	\$ 194,749	\$ 79,155	\$ 346,343

FORM D-6

CITY OF CHATFIELD, MINNESOTA

HISTORICAL SOCIETY FUND

Schedule of Revenues, Expenditures

and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	2009	Variance with	
	Original	Final	Actual	Final Budget -	
				Positive	
				(Negative)	
REVENUES					
Interest income	\$ 250	\$ 250	\$ 185	\$ (65)	\$ 280
EXPENDITURES					
Repairs and maintenance					
Small tools and minor equipment					
Capital outlay					
Miscellaneous					
TOTAL EXPENDITURES	250	250	185	(65)	280
Excess (deficiency) of revenues over (under) expenditures					
OTHER FINANCING SOURCES					
Transfers in	900	900	900		900
Net change in fund balances	1,150	1,150	1,085	(130)	1,180
FUND BALANCES, beginning	13,001	13,001	13,001		11,821
FUND BALANCES, ending	\$ 14,151	\$ 14,151	\$ 14,095	\$ (130)	\$ 13,001

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, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with
	Original	Final	Final Budget -
		Actual	Positive
		Amounts	(Negative)
		2009	
		Actual	
		Amounts	
REVENUES			
Charges for services	\$	\$ 2,748	\$ 2,748
Interest income		3,293	3,293
Donations		280,020	280,020
Miscellaneous		2,210	2,210
TOTAL REVENUES		288,271	288,271
EXPENDITURES			
Repairs and maintenance		13,174	(13,174)
Professional Services		46,185	(46,185)
Miscellaneous		30,605	(30,605)
TOTAL EXPENDITURES		89,965	(89,965)
Excess (deficiency) of revenues over (under) expenditures		198,306	198,306
OTHER FINANCING SOURCES			
Transfers in		60,000	60,000
Net change in fund balances		258,306	368,857
FUND BALANCES, beginning		\$ 258,306	\$ 368,857
FUND BALANCES, ending		\$	\$

CITY OF CHATFIELD, MINNESOTA

LIBRARY FUND

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2010

With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts	2010	Variance with
	Original	Final	Final Budget -
		Actual	Positive
		Amounts	(Negative)
		2009	
		Actual	
		Amounts	
REVENUES			
Intergovernmental revenues	\$ 49,544	\$ 49,544	\$ (1,504)
Library fines	3,600	3,465	(135)
Interest income	6,638	12,932	6,294
Miscellaneous	2,220	2,642	422
TOTAL REVENUES	62,002	62,002	5,077
EXPENDITURES			
Library			
Salaries	81,842	81,842	1,352
Employee benefits and retirement	12,040	12,040	1,177
Workers compensation	255	255	255
Health insurance	11,256	11,256	(3,940)
Travel	500	500	151
Office supplies and postage	1,500	1,500	(248)
Operating supplies/small tools	2,000	2,000	334
Insurance	2,570	2,570	677
Utilities	5,500	5,500	507
Maintenance and repair	6,100	6,100	5,133
Telephone	1,200	1,200	8,795
Cleaning services	700	700	2
Capital outlay	14,900	14,900	(155)
Other	10,851	10,851	984
TOTAL EXPENDITURES	151,214	151,214	15,242
Excess (deficiency) of revenues over (under) expenditures		(89,212)	804
OTHER FINANCING SOURCES (USES)			
Transfers in		95,850	575
Transfers out		(12,800)	(86,125)
Net change in fund balances		(6,162)	5,652
FUND BALANCES, beginning		408,838	408,838
FUND BALANCES, ending		\$ 402,676	\$ 403,328

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CITY OF CHATFIELD, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

SCHEDULE 1

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 484,781	\$ 468,885
Accounts receivable, net	21,884	19,917
Special assessments receivable	11,515	9,591
Special assessments delinquent	12,016	11,789
Total Current Assets	<u>530,196</u>	<u>510,182</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,146	4,687
Accrued liabilities	14,884	14,884
Deferred revenue	12,016	11,789
Total Current Liabilities	<u>30,046</u>	<u>31,360</u>
NET ASSETS		
Unrestricted	<u>\$ 500,150</u>	<u>\$ 478,822</u>

SCHEDULE 2

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts Original	Final	2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
Operating Revenue	\$ 240,400	\$ 240,400	\$ 210,022	\$ (30,378)	\$ 222,858
Service fees					
Operating Expenses	37,200	37,200	41,467	(4,267)	60,151
Salaries	5,170	5,170	8,115	(945)	8,469
Employee benefits and retirement	3,000	3,000		3,000	3,089
Health insurance	1,400	1,400	1,414	(14)	1,453
Workers compensation	9,900	9,900	13,241	(3,341)	8,984
Supplies	12,500	12,500	12,439	61	12,227
Utilities	5,000	5,000	9,474	(4,474)	15,761
Maintenance and repairs	900	900		900	60
Travel and training	10,700	10,700	12,903	(2,203)	10,615
Professional fees	1,750	1,750	1,383	367	1,807
Office expense	2,900	2,900	1,887	1,213	2,787
Insurance	6,335	6,335	3,303	3,032	6,068
Other	96,755	96,755	103,416	(6,661)	131,261
Total Operating Expenses					
	143,645	143,645	106,606	(37,039)	91,597
Operating income					
Nonoperating Revenues (Expenses)					
Interest income	14,000	14,000	6,795	(7,205)	10,784
Refunds and reimbursements			259	259	425
Penalties and discounts	1,000	1,000	76	(924)	591
Special assessments	8,000	8,000	10,792	2,792	
Total Nonoperating Revenues (Expenses)	23,000	23,000	17,922	(5,078)	11,801
INCOME BEFORE TRANSFERS	166,645	166,645	124,528	(42,117)	103,398
Transfers out	(103,200)	(103,200)	(103,200)		(65,289)
CHANGE IN NET ASSETS	63,445	63,445	21,328	(42,117)	35,109
NET ASSETS - BEGINNING OF YEAR	478,822	478,822	478,822		443,713
NET ASSETS - END OF YEAR	<u>\$ 542,267</u>	<u>\$ 542,267</u>	<u>\$ 500,150</u>	<u>\$ (42,117)</u>	<u>\$ 478,822</u>

SCHEDULE 3

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Assets
December 31, 2010 and 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 290,272	\$ 238,167
Accounts receivable, net	63,643	54,995
Special assessments receivable	38,383	31,967
Special assessments delinquent	40,055	39,299
Total Current Assets	432,353	364,428
LIABILITIES		
Current Liabilities		
Accounts payable	6,837	5,100
Accrued liabilities	23,615	23,615
Deferred revenue	40,055	39,299
Total Current Liabilities	70,507	68,014
NET ASSETS		
Unrestricted	\$ 361,846	\$ 296,414

SCHEDULE 4

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND**

**Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009**

	Budgeted Amounts Original	Final	2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
Operating Revenue	\$ 713,000	\$ 712,900	\$ 600,015	\$ (112,885)	\$ 596,991
Service fees					
Operating Expenses	99,000	99,000	106,028	(7,028)	123,188
Salaries	13,725	13,725	14,880	(1,155)	16,845
Employee benefits and retirement	10,825	10,825	11,912	(1,087)	13,781
Health insurance	2,410	2,410	3,206	(796)	3,316
Workers compensation	7,850	7,850	5,910	1,940	6,654
Supplies	36,350	36,350	37,944	(1,594)	37,375
Utilities	13,500	13,500	25,214	(11,714)	16,092
Maintenance and repairs	2,000	2,000	1,373	627	336
Travel and training	19,000	19,000	16,562	2,438	17,052
Professional fees	1,500	1,500	2,244	(744)	1,649
Office expense	12,500	12,500	12,547	(47)	11,018
Insurance	30,100	30,100	28,352	1,748	26,256
Other	248,860	248,760	264,202	(15,442)	273,351
Total Operating Expenses	464,140	464,140	335,813	(128,327)	288,630
Operating Income			266,197		308,361
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	4,439	(5,561)	7,397
Refunds and reimbursements	1,000	1,000	1,877	1,877	1,810
Penalties and discounts	9,000	9,000	256	(744)	1,859
Special assessments			34,432	25,432	36,737
Total Nonoperating Revenues (Expenses)	20,000	20,000	41,004	21,004	47,803
INCOME BEFORE TRANSFERS	484,140	484,140	376,817	(107,323)	331,433
Transfers out	(305,200)	(305,200)	(311,395)	(6,185)	(270,279)
CHANGE IN NET ASSETS	178,940	178,940	65,432	(113,508)	61,154
NET ASSETS - BEGINNING OF YEAR	298,414	298,414	298,414		235,260
NET ASSETS - END OF YEAR	\$ 475,354	\$ 475,354	\$ 361,846	\$ (113,508)	\$ 296,414

SCHEDULE 5

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statement of Net Assets
December 31, 2010 and 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 393,622	\$ 484,325
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	2,870,728	2,844,629
Less: Accumulated depreciation	663,543	583,053
Property, Plant and Equipment, Net	2,237,431	2,291,822
Total Assets	2,631,053	2,776,147
NET ASSETS		
Invested in capital assets	2,237,431	2,291,822
Unrestricted	393,622	484,325
Total Net Assets	\$ 2,631,053	\$ 2,776,147

SCHEDULE 6

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts		Variance with Final Budget - Positive (Negative)		2009 Actual Amounts	
	Original	Final	Original	Final				
Operating Revenue								
Connection charges	\$ 8,000	\$ 8,000	\$ 4,800	\$ 4,800	\$ (3,200)	\$ (3,200)	\$ 24,925	
Operating Expenses								
Depreciation				80,490	(80,490)	(80,490)	78,730	
Total Operating Expenses				80,490	(80,490)	(80,490)	78,730	
Operating Income	8,000	8,000	(75,690)		83,690	83,690	(53,805)	
Nonoperating Revenues (Expenses)								
Interest income	20,000	20,000	5,213		13,787	13,787	14,832	
INCOME (LOSS) BEFORE TRANSFERS	28,000	28,000	(69,477)		97,477	97,477	(38,973)	
Transfer in	88,000	88,000	68,000				352,390	
Transfers out	(143,617)	(143,617)	(143,617)				(263,462)	
Total Other Financing Sources (Uses)	(75,617)	(75,617)	(75,617)				88,928	
CHANGE IN NET ASSETS	(47,617)	(47,617)	(145,094)		97,477	97,477	49,555	
NET ASSETS - BEGINNING OF YEAR	2,776,147	2,776,147	2,776,147				2,726,192	
NET ASSETS - END OF YEAR	\$ 2,728,530	\$ 2,728,530	\$ 2,631,053		\$ 97,477	\$ 97,477	\$ 2,776,147	

SCHEDULE 7

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Net Assets
December 31, 2010 and 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 136,358	\$ 63,479
Restricted cash	867,494	792,125
Total Current Assets	<u>803,852</u>	<u>855,604</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	11,763,260	11,762,980
Less: Accumulated depreciation	<u>3,696,881</u>	<u>3,376,887</u>
Property, Plant and Equipment, Net	<u>8,096,625</u>	<u>8,416,369</u>
Total Assets	<u>8,900,477</u>	<u>9,271,973</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	140,000	95,000
Deposits payable	140,100	
Accrued interest payable	115,631	117,016
Total Current Liabilities	<u>395,731</u>	<u>212,016</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	6,900,000	7,040,000
Total Liabilities	<u>7,295,731</u>	<u>7,252,016</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,724,119	2,073,494
Unrestricted	<u>(119,373)</u>	<u>(53,537)</u>
Total Net Assets	<u>\$ 1,604,746</u>	<u>\$ 2,019,957</u>

SCHEDULE 8

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009**

	Original	Final	2010 Actual Amounts	2009 Final Budget - Positive (Negative)	2009 Actual Amounts
Operating Revenue					
Connection fees	\$ 13,000	\$ 13,000	\$ 7,800	\$ (5,200)	\$ 24,480
Operating Expenses					
Maintenance and repairs			16,486		
Professional fees	10,700	10,700	8,000	2,700	319,261
Depreciation			320,024	(320,024)	
Total Operating Expenses	10,700	10,700	344,510	(333,810)	319,261
Operating Income (Loss)	2,300	2,300	(336,710)	336,010	(294,801)
Nonoperating Revenues (Expenses)					
Interest income			9,014	9,014	16,577
Interest expense	(279,775)	(279,775)	(279,298)	477	(283,196)
Total Nonoperating Revenue (Expense)	(279,775)	(279,775)	(270,284)	9,491	(266,619)
INCOME (LOSS) BEFORE TRANSFERS	(277,475)	(277,475)	(606,994)	326,519	(561,420)
Transfer in	801,506	801,506	1,091,515	290,009	418,119
Transfers out	(579,723)	(579,723)	(899,732)	(320,009)	(225,014)
Total Other Financing Sources (Uses)	221,783	221,783	191,783	(30,000)	193,105
CHANGE IN NET ASSETS	(55,692)	(55,692)	(415,211)	296,519	(368,315)
NET ASSETS - BEGINNING OF YEAR	2,019,957	2,019,957	2,019,957		2,388,272
NET ASSETS - END OF YEAR	\$ 1,964,265	\$ 1,964,265	\$ 1,604,746	\$ 299,519	\$ 2,019,957

SCHEDULE 9

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
GARBAGE FUND
Statement of Net Assets
December 31, 2010 and 2009**

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,554	\$ 7,697
Accounts receivable, net	15,568	13,273
Special assessments receivable	14,074	11,722
Special assessments delinquent	14,687	14,409
Total Current Assets	<u>51,863</u>	<u>47,101</u>
LIABILITIES		
Current Liabilities		
Accounts payable	12,746	12,453
Accrued liabilities	3,938	3,938
Deferred revenue	14,687	14,409
Total Current Liabilities	<u>31,371</u>	<u>30,800</u>
NET ASSETS		
Unrestricted	<u>\$ 20,512</u>	<u>\$ 16,301</u>

SCHEDULE 10

**CITY OF CHATFIELD, MINNESOTA
GARBAGE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts		Variance with Final Budget - Positive (Negative)		2009 Actual Amounts	
	Original	Final						
Operating Revenue								
Charges for Services	\$ 162,000	\$ 162,000	\$ 170,988	\$ 8,988	\$ 154,850			
Operating Expenses								
Waste Removal								
Salaries			384	(384)	10,095			
Employee benefits and retirement			79	(79)	2,922			
Workers compensation					90			
Garbage removal	125,000	125,000	139,524	(14,524)	132,720			
City cleanup	13,000	13,000	10,963	2,037	12,533			
Supplies	650	650	772	(122)	813			
Maintenance and repairs	1,000	1,000	1,498	(498)	2,083			
Office expense	1,500	1,500	1,126	374	1,401			
Other	9,825	9,825	11,403	(1,578)	10,870			
Total Operating Expenses	150,975	150,975	165,749	(14,774)	173,527			
Operating Income (Loss)	11,025	11,025	5,239	(5,786)	(18,677)			
Nonoperating Revenue								
Interest income			86	86	186			
Special assessments	6,000	6,000	12,086	6,086	11,006			
Total Nonoperating Revenue	6,000	6,000	12,172	6,172	11,192			
Income (loss) before transfers	17,025	17,025	17,411	386	(7,485)			
Transfers out	(13,200)	(13,200)	(13,200)		(200)			
CHANGE IN NET ASSETS	3,825	3,825	4,211	386	(7,685)			
NET ASSETS - BEGINNING OF YEAR	16,301	16,301	16,301		23,986			
NET ASSETS - END OF YEAR	\$ 20,126	\$ 20,126	\$ 20,512	\$ 386	\$ 16,301			

SCHEDULE 11

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND

Combining Balance Sheet
December 31, 2010

December 31, 2010
With Comparative Totals for December 31, 2009

	211	212	Totals	
	Library	Library Endowment	2010	2009
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 61,747	\$ 350,939	\$ 412,686	\$ 411,686
LIABILITIES				
Accounts payable	2,451		2,451	2,848
NET ASSETS				
Designated		350,939	350,939	349,717
Unrestricted	59,296		59,296	59,121
Total Net Assets	\$ 59,296	\$ 350,939	\$ 410,235	\$ 406,838

SCHEDULE 12

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND

**Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2010
With Comparative Totals for the Fiscal Year Ending December 31, 2009

	Budgeted Amounts		2011	2012	2010	Variance with Final Budget - Actual Positive (Negative)	2009
	Original	Final					
REVENUES							
Intergovernmental revenues	\$ 49,544	\$ 49,564	\$ 49,040	\$	\$ 48,040	\$ ('1,504)	\$ 48,102
Library fines	3,600	3,600	3,465		3,466	(136)	3,462
Interest income	6,638	6,638	817	12,932	12,932	6,294	12,758
Contributions				1,907	1,907		
Miscellaneous	2,220	2,220		2,642		422	4,171
TOTAL REVENUES	62,002	62,002	54,864	14,022	69,986	5,077	68,501
EXPENDITURES							
Library							
Salaries	81,842	81,842	80,450		80,480	1,362	81,791
Employee benefits and retirement	12,646	12,646	13,663		12,863	(1,743)	10,743
Employee compensation	245	245				255	
Health insurance	11,256	11,256	15,196		15,196	(3,940)	11,825
Travel	500	500	349		349	151	470
Office supplies	1,500	1,500	1,748		1,748	(248)	2,014
Office supplies and postage	2,000	2,000	1,868		1,868	334	2,390
Printing	2,570	2,570	1,893		1,893	677	1,862
Insurance	5,560	5,560	4,993		4,993	507	5,138
Utilities	6,100	6,100	6,368		6,368	(268)	6,795
Maintenance and repair	1,200	1,200	1,198		1,198	2	1,209
Telephone	700	700	545		545	155	984
Cleaning services	14,900	14,900	15,265		15,265	(365)	15,242
Capital outlay	10,651	10,651	10,047		10,047	604	12,172
Other							
TOTAL EXPENDITURES	151,214	151,214	150,639		150,639	575	154,628
Excess (deficiency) of revenues over (under) expenditures	(89,212)	(89,212)	(96,075)	14,022	(81,653)	5,662	(86,125)
OTHER FINANCING SOURCES (USES)							
Transfers in	95,650	95,650	95,650		95,650		103,557
Transfers out	(12,800)	(12,800)		(12,800)	(12,800)		(13,963)
Net change in fund balances	(6,162)	(6,162)	175	1,222	1,397	5,632	3,569
FUND BALANCES, beginning	408,636	408,636	59,121	349,717	408,636		405,269
FUND BALANCES, ending	\$ 402,676	\$ 402,676	\$ 59,296	\$ 350,939	\$ 410,035	\$ 6,632	\$ 408,838



AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the general purpose financial statements of the City of Chatfield, Minnesota as of and for the year ended December 31, 2010 and have issued our report thereon dated March 10, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers seven main 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 study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Chatfield, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schaefer and Associates, Ltd.

Rochester, Minnesota
March 10, 2011

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