

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



# CITY OF CHATFIELD, MINNESOTA

## FINANCIAL STATEMENTS For the Fiscal Year Ended December 31, 2010

### TABLE OF CONTENTS

	REFERENCE	PAGE
<b>INTRODUCTORY SECTION</b>		
List of Elected and Appointed Officials		i
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		1
Management's Discussion and Analysis		2
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	FORM A-1	14
Statement of Activities	FORM A-2	15
Fund Financial Statements		
Balance Sheet - Governmental Funds	FORM B-1	17
Reconciliation of Net Assets in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	FORM B-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	FORM B-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	FORM B-4	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	FORM B-5	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - EDA Fund	FORM B-6	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Revolving Loan Fund	FORM B-7	29
Statement of Net Assets - Proprietary Funds	FORM C-1	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	FORM C-2	32
Statement of Cash Flows - Proprietary Funds	FORM C-3	34
Notes to the Financial Statements		36
Combining and Individual Nonmajor Fund Statements and Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	FORM D-1	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	FORM D-2	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Pool Fund	FORM D-3	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Rural Fire Fund	FORM D-4	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Ambulance Fund	FORM D-5	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Historical Society Fund	FORM D-6	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Chatfield Center for the Arts	FORM D-7	69

**CITY OF CHATFIELD, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2010**

**TABLE OF CONTENTS (CONTINUED)**

	<u>REFERENCE</u>	<u>PAGE</u>
<b>FINANCIAL SECTION (CONTINUED)</b>		
Supplementary Information		
Water Fund:		
Statement of Net Assets	SCHEDULE 1	71
Statement of Revenues, Expenses, and Changes in Fund		
Net Assets - Budget and Actual	SCHEDULE 2	72
Sewer Fund:		
Statement of Net Assets	SCHEDULE 3	73
Statement of Revenues, Expenses, and Changes in Fund		
Net Assets - Budget and Actual	SCHEDULE 4	74
Water Infrastructure Fund:		
Statement of Net Assets	SCHEDULE 5	75
Statement of Revenues, Expenses, and Changes in Fund		
Net Assets - Budget and Actual	SCHEDULE 6	76
Sewer Infrastructure Fund:		
Statement of Net Assets	SCHEDULE 7	77
Statement of Revenues, Expenses, and Changes in Fund		
Net Assets - Budget and Actual	SCHEDULE 8	78
Garbage Fund:		
Statement of Net Assets	SCHEDULE 9	79
Statement of Revenues, Expenses, and Changes in Fund	SCHEDULE 10	80
Net Assets - Budget and Actual		
Combining Balance Sheet - Library Fund	SCHEDULE 11	81
Schedule of Revenues, Expenditures, and Changes in Fund		
Balances - Budget and Actual - Library Fund	SCHEDULE 12	82
Auditor's Report on Legal Compliance		83

**CITY OF CHATFIELD, MINNESOTA**  
**INTRODUCTORY SECTION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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**CITY OF CHATFIELD, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

Les Knutson	Mayor
Paul Novotny	Vice-Mayor
Ginny Engle	Councilor
Josh Thompson	Councilor
Ken Jacobson	Councilor
Dave Frank	Councilor
Joel Young	City Clerk
Mary Peterson	Deputy City Clerk
Kay Coe	Finance Director

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**CITY OF CHATFIELD, MINNESOTA**  
**FINANCIAL SECTION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chatfield, Minnesota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated March 8, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chatfield, Minnesota as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenues Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatfield, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Rochester, Minnesota  
March 10, 2011

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

As management of the City of Chatfield, Minnesota, we offer readers of the City of Chatfield, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Chatfield, Minnesota for the fiscal year ended December 31, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$16,000,126 (*net assets*). Of this amount, \$5,107,088 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$2,660,699.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$4,045,058. Approximately \$3,245,620 of this total amount, or 80% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,104,461 or 65 percent of next year's total general fund property tax levy, local government aid and market value credit.
- The City of Chatfield, Minnesota decreased total outstanding debt obligations by \$1,034,861 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Chatfield, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Chatfield, Minnesota include general government, public safety, public works, parks and recreation, library and community development. The business-type activities of the City of Chatfield, Minnesota include the water, sewer and garbage utilities. The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City of Chatfield, Minnesota maintains thirty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 1999 improvement bond fund, the revolving loan fund, the EDA, and the 2001 public project revenue bond which are considered to be major funds. Data from the other thirty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The City of Chatfield, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 23-27) and the special revenue funds (pages 28-29 and 65-70) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 17-21 of this report.

**Proprietary funds.** The City of Chatfield, Minnesota maintains one type of proprietary funds – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Chatfield, Minnesota uses enterprise funds to account for its water, sewer and garbage funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and garbage utilities, all of which are considered to be major funds of the City of Chatfield, Minnesota.

The proprietary fund financial statements can be found on pages 30-35 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-54 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 55-64 of this report.

### IMPORTANT REMINDERS

**Infrastructure Assets.** When the City of Chatfield, Minnesota implemented GASB Statement #34 for the year ended December 31, 2004, the City made extensive efforts to inventory all of its assets and to allocate them accordingly, to Public Safety, Public Works, Sewer, Water etc. The City does record assets as they are received, whether those assets are donated by individuals or constructed via private development agreements. The City of Chatfield, Minnesota has reserves in the respective capital project funds and has a long-standing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All 2004 and future acquisitions of infrastructure assets have and will be recorded under the new reporting model.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatfield, Minnesota, assets exceeded liabilities by \$16,000,126 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net assets (\$9,573,777) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Chatfield, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Chatfield, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Chatfield, Minnesota Net Assets**

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
Current and other assets	\$ 5,486,640	\$ 2,215,997	\$ 7,702,637	\$ 8,082,126
Capital assets	10,681,020	10,334,056	21,015,076	18,967,561
Total assets	16,167,660	12,550,053	28,717,713	27,049,687
Long-term liabilities				
outstanding	5,068,793	7,040,000	12,108,793	13,179,880
Other liabilities	221,139	387,655	608,794	637,354
Total liabilities	5,289,932	7,427,655	12,717,587	13,817,234
Net assets:				
Invested in capital assets,				
net of related debt	5,612,227	3,961,550	9,573,777	6,579,806
Restricted	1,319,261		1,319,261	1,730,639
Unrestricted	3,946,240	1,160,848	5,107,088	4,922,008
Total net assets	\$ 10,877,728	\$ 5,122,398	\$ 16,000,126	\$ 13,232,453

The balance of *unrestricted net assets* (\$5,107,088) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental activities.** Governmental activities increased the City of Chatfield, Minnesota's net assets by \$3,125,942. The most significant change in governmental net assets is the contribution received of the Chatfield Center for the Arts for \$2,709,000 along with the effect of accounting for net assets under full accrual accounting which will be expensed over its useful life, and capital assets constructed by developers and contributed to the City are recorded as increases in net assets.

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

**Business-type activities.** Business-type activities decreased the City of Chatfield, Minnesota's net assets by \$465,243.

A condensed version of the Statement of Activities follows:

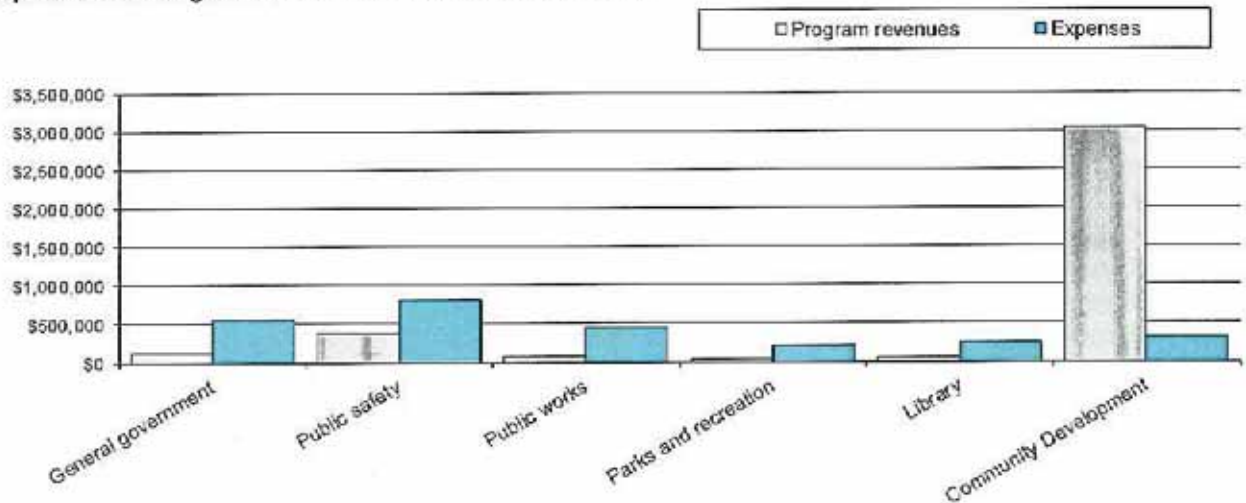
**City of Chatfield, Minnesota Change in Net Assets**

	Governmental Activities	Business-Type Activities	Totals 2010	2009
Revenue:				
Program revenues:				
Charges for services	\$ 321,493	\$ 1,050,935	\$ 1,372,428	\$ 1,329,466
Operating grants and contributions	3,287,812		3,287,812	269,502
Capital grants and contributions	93,774		93,774	345,881
General revenues:				
Property taxes	996,350		996,350	942,282
Tax increments	187,063		187,063	151,875
Grants and contributions not restricted to specific programs	688,179		688,179	846,124
Other	70,930	29,025	99,955	155,090
Total revenues	<u>5,645,601</u>	<u>1,079,960</u>	<u>6,725,561</u>	<u>4,040,220</u>
Expenses:				
General government	550,518		550,518	491,024
Public safety	812,227		812,227	838,178
Public works	448,032		448,032	495,130
Parks and recreation	213,630		213,630	214,471
Library	239,291		239,291	257,299
Community development	306,534		306,534	184,947
Interest on long-term debt	255,046		255,046	319,509
Water		183,906	183,906	209,991
Sewer		889,929	889,929	875,818
Garbage		165,749	165,749	173,527
Total expenses	<u>2,825,278</u>	<u>1,239,584</u>	<u>4,064,862</u>	<u>4,059,894</u>
Change in net assets before transfers	2,820,323	(159,624)	2,660,699	(19,674)
Transfers	305,619	(305,619)		
Change in net assets	3,125,942	(465,243)	2,660,699	(19,674)
Prior period adjustment				97,485
Net assets, beginning of year	7,751,786	5,587,641	13,339,427	13,261,616
Net assets, end of year	<u>\$ 10,877,728</u>	<u>\$ 5,122,398</u>	<u>\$ 16,000,126</u>	<u>\$ 13,339,427</u>

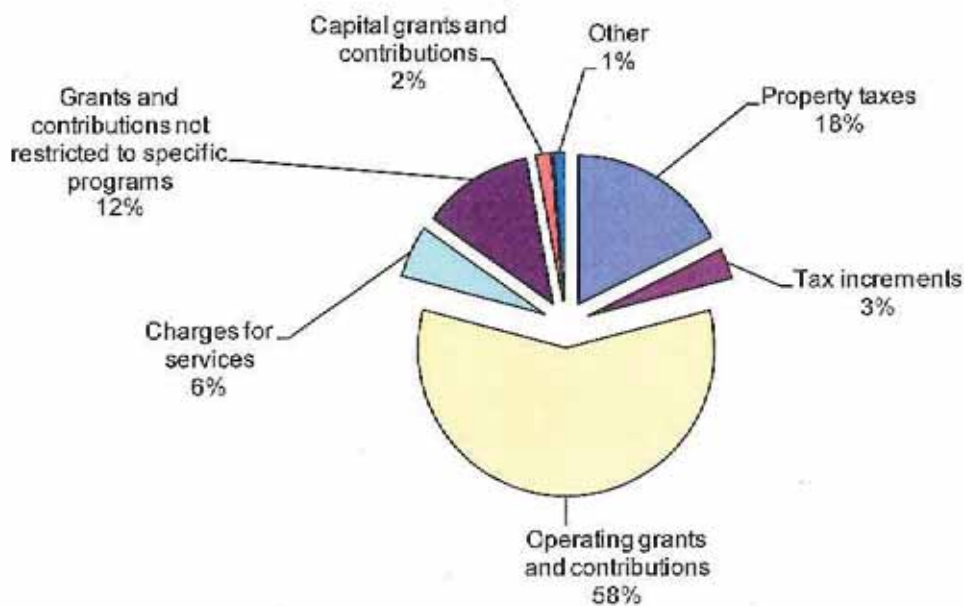
## CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Expenses and Program Revenues - Governmental Activities**



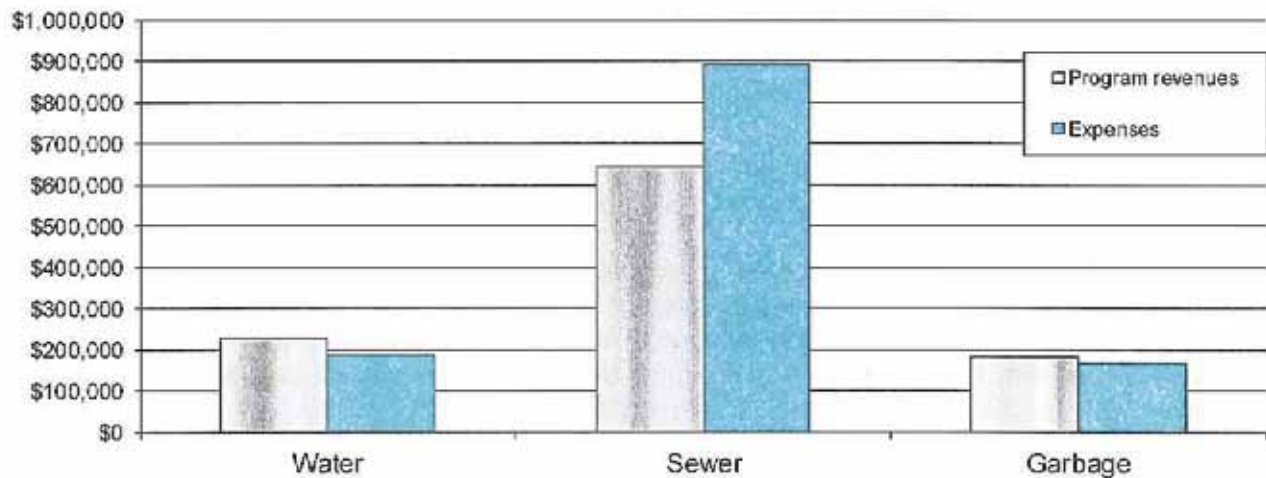
**Revenues by Source - Governmental Activities**



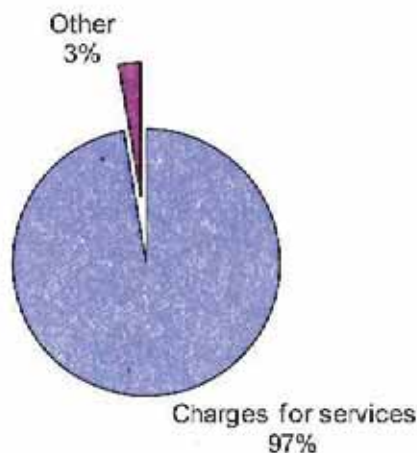
**CITY OF CHATFIELD, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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



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



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

**FUND BASIS FINANCIAL ANALYSIS**

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

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

As of the end of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$4,045,058, a decrease of \$21,774. Approximately 80% of this total amount, or \$3,245,620, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Chatfield, Minnesota. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,104,461. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to next years general fund tax and aid. Unreserved fund balance represents 65 percent of next year's total general fund property tax levy, local government aid and market value credit.

The City of Chatfield, Minnesota has taken overt, planned, steps to ensure that its general fund balance is at a level that meets its cash flow needs on a regular basis. That has been accomplished and a management tool is in place to ensure this into the future. In terms of the other governmental funds, similar management practices are in place but the nature of these funds is slightly different as funds are developed and eliminated to meet special needs from time to time. Over the course of 2010, the fund balances of other governmental funds decreased in the amount of \$21,774 , which is insignificant in relation to the overall fund balances of \$4,045,058.

**Proprietary funds.** The City of Chatfield, Minnesota's proprietary funds statements found on pages 30-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets in the respective proprietary funds are Water - \$893,772, Sewer - \$246,564 and Garbage - \$20,512.

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

**Proprietary funds. (Continued)**

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

Water user rates are not expected to increase due to any operational or debt service needs. Water rates will change, however, as the City implements a user charge system that complies with the conservation rate mandates.

Sanitary sewer rates have been increasing on a pre-planned schedule that was implemented several years ago. In order to stabilize the sewer user rates, the City Council has refunded the debt associated with the wastewater treatment plant and has pledged general fund support for the next several years. To that end, in 2010, \$105,000 was transferred from the General Fund to the wastewater treatment plant debt service fund and the City plans additional transfers in years 2011 – 2022. In addition to stabilizing sewer rates, this support will also avoid the consequence of having user rates in place at the time of debt retirement that would be higher than necessary. Transfers from the General Fund will require annual approval of the City Council and will be largely dependent on the continuance of Local Government Aid at a level similar to that which was received in 2010. The current wastewater treatment plant is capable of accommodating significant growth in the community.

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

**General Fund Budgetary Highlights**

The City approved the 2010 general fund budget anticipating an increase in general fund reserves of \$24,446. The purpose of the budgeted surplus was to position the City such that it could appropriately provide services to the public under the anticipated levy limits that were imposed by the State and to minimize the financial impact that would be caused if Local Government Aid is reduced. The actual change in the general fund balance was a decrease of \$67,744 which equates to \$92,190 less than anticipated in the budget, primarily due to transfers made at the end of the year.

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

**General Fund Budgetary Highlights (Continued)**

Due to proactive management steps taken in 2008 and early in 2009, the General Fund balance had grown beyond the City's Fund Balance policy standard of reserving cash in the amount of 40% - 60% of the next year's tax levy, local government aid and market value homestead aid. In accordance with that Fund Balance policy, the City Council approved an end of the year transfer of \$100,000 out of the General Fund to capital reserve funds, including the wastewater treatment plant debt service fund. Had the end of the year transfer not occurred, the General Fund balance would have been within 0.4% of the original budget, increasing the fund balance by \$32,256.

Differences between the original budget and the final budget can be briefly summarized as follows:

- Market Value Homestead Credit Aid was lower than expected
- Utility costs, Insurance, Training & Conferences, and Legal fees were lower than expected.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Chatfield, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$21,015,076 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, furniture and fixtures, wastewater treatment facility, park facilities, roads, and bridges. The total increase in the City of Chatfield, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$2,047,515.

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

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
Land	\$ 944,390	\$ 60,492	\$ 1,004,882	\$ 477,522
Buildings and improvements	4,735,605		4,735,605	2,709,661
Vehicles	432,515		432,515	507,339
Machinery and equipment	702,812	64,224	767,036	836,574
Furniture and fixtures	132,304		132,304	36,045
Wastewater treatment facility		10,209,340	10,209,340	10,574,524
Infrastructure	3,733,394		3,733,394	3,825,896
<b>Total</b>	<b>\$ 10,681,020</b>	<b>\$ 10,334,056</b>	<b>\$ 21,015,076</b>	<b>\$ 18,967,561</b>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 45-46 of this report.

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

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

**Long-term debt.** At the end of the current fiscal year, the City of Chatfield, Minnesota had \$12,145,019 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City with the exception of the tax increment bonds.

**City of Chatfield, Minnesota Outstanding Debt**

**General Obligation and Revenue Bonds**

	Governmental	Business-Type	Totals	
	Activities	Activities	2010	2009
General obligation bonds	\$ 4,766,984	\$	\$ 4,766,984	\$ 5,642,141
Tax increment bonds	338,035		338,035	402,739
General obligation				
revenue bonds		7,040,000	7,040,000	7,135,000
Total	<u>\$ 5,105,019</u>	<u>\$ 7,040,000</u>	<u>\$ 12,145,019</u>	<u>\$ 13,179,880</u>

The City of Chatfield, Minnesota's total bonds and notes payable decreased by \$1,034,861 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 49.

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

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

The City of Chatfield enjoys a diverse economy and is situated in one of the healthiest economic regions of Minnesota. Within the city of Chatfield are two of the larger employers in Fillmore County, one of them being a manufacturer in the wood products industry and the other being a manufacturer in the composites industry. These companies participate in markets that are completely different from each other and have been successful for forty to fifty years. The rest of the Chatfield economy is balanced between agriculture, tourism, retail, education and the services industries.

Outside of Chatfield but within a twenty minute drive is the strength of one of the few cities of the first class in Minnesota and all of the jobs and services that it provides. Dominating the regional landscape is the health care industry and the high technology industry. While there are several players within those markets, regionally, Mayo Clinic and IBM are the primary employers. Worth noting, too, is the emerging bio-technology industry within the area and the continued growth in the field of education which is underscored by the recent establishment of the University of Minnesota - Rochester.

The City's tax rate for 2011 is slightly higher than historical rates and was established to deal with an anticipated reduction in Local Government Aid (LGA) and to stabilize sewer user rates. Based on the size of the State budget deficit, together with the previous actions taken by the Governor and Legislature regarding LGA, it was evident that the City could not confidently depend on the

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

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

State's certification to the City as to how much LGA would be collected in 2011. With that in mind, the City increased the tax levy in anticipation of a slight decrease in LGA and dedicated a certain amount of LGA funds to the wastewater treatment plant debt service. While this did cause a tax increase on the one hand, on the other hand, it assured the City Council that it would not be necessary to raise water, sewer or garbage rates. Furthermore, it should be noted, that this occurred at a time when other taxing districts that have jurisdiction within the city were dropping their levies, making it easier for property owners to deal with the situation.

This city is well positioned to participate in the economic recovery that is beginning to occur. In addition to the well diversified economy of the region, Chatfield has a wastewater treatment facility that is only five years old and is capable of handling a much larger population than exists today. Similarly, the City's wells, and the aquifer itself, are capable of servicing a larger population and the City's water storage facilities hold three to four days- worth of water, more capability than standard. The newly constructed elementary school, along with remodeled high school, provides a solid educational element to the community and solidifies Chatfield's competitive place in the educational realm. At the same time, the private sector is also well positioned to positively affect the growth of the community. From a very fundamental perspective, the community has lots available for new housing, lots which are offered in a variety of locations at a variety of price points. In addition, the Chatfield resident enjoys retail, professional and personal services of all kinds without needing to leave the city limits. Whether the resident is looking for grocery, liquor, dining, banking, medical, pharmaceutical, legal or many other personal and professional services, those needs can be filled within the community and for those who are looking for a broader selection, it is within a twenty minute drive.

In addition to the jobs and economic factors that are enjoyed locally, residents have easy access to transportation services. U.S. Highway 52 and Minnesota Highways 30/74 provide the primary service to residents while the Interstate Highway system is just ten miles away. Passenger and freight rail is within a forty minute drive and an international airport is within twenty-five minutes. On a more personal level, three commuter buses take local residents to their workplace in Rochester each day. The City's proclivity to long term planning, together with the combination of economic health of the area, the beauty and all that is offered by the natural environment, and the full service nature of public and private sector services has this community well positioned to continue to thrive in the future.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Chatfield, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, City Hall, 21 Second Street SE, Chatfield, MN 55923 or [jyoung@ci.chatfield.mn.us](mailto:jyoung@ci.chatfield.mn.us).

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

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**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
<b>ASSETS</b>				
Cash and investments	\$ 3,920,428	\$ 1,316,678	\$ 5,237,106	\$ 5,278,977
Restricted cash		667,494	667,494	792,125
Receivables	1,566,212	231,825	1,798,037	2,011,024
Capital assets:				
Nondepreciable	944,390	60,492	1,004,882	477,522
Depreciable, net	9,736,630	10,273,564	20,010,194	18,490,039
Total Assets	<u>16,167,660</u>	<u>12,550,053</u>	<u>28,717,713</u>	<u>27,049,687</u>
<b>LIABILITIES</b>				
Accounts payable	43,320	22,729	66,049	123,448
Deposits payable		140,100	140,100	
Accrued interest payable	66,650	115,631	182,281	198,827
Accrued liabilities		20,265	20,265	8,004
Unearned revenue		66,758	66,758	65,497
Compensated absences	111,169	22,172	133,341	134,604
Noncurrent liabilities:				
Due within one year	371,201	140,000	511,201	527,649
Due in more than one year	4,697,592	6,900,000	11,597,592	12,652,231
Total Liabilities	<u>5,289,932</u>	<u>7,427,655</u>	<u>12,717,587</u>	<u>13,710,260</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,612,227	3,961,550	9,573,777	6,579,806
Restricted for:				
Revolving loans	633,947		633,947	626,729
Debt service	685,314		685,314	1,103,910
Unrestricted	<u>3,946,240</u>	<u>1,160,848</u>	<u>5,107,088</u>	<u>5,028,982</u>
Total Net Assets	<u>\$ 10,877,728</u>	<u>\$ 5,122,398</u>	<u>\$ 16,000,126</u>	<u>\$ 13,339,427</u>

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

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities:				
General government	\$ 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	16,468	2,999,257	25,050
Interest on long-term debt	255,046			
Total governmental activities	<u>2,825,278</u>	<u>321,493</u>	<u>3,287,812</u>	<u>93,774</u>
Business-Type activities:				
Water	183,906	225,614		
Sewer	889,929	642,247		
Garbage	165,749	183,074		
Total business-type activities	<u>1,239,584</u>	<u>1,050,935</u>		
Total	<u>\$ 4,064,862</u>	<u>\$ 1,372,428</u>	<u>\$ 3,287,812</u>	<u>\$ 93,774</u>
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**

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2010	2009
\$ (438,775)		\$ (438,775)	\$ (391,826)
(425,989)		(425,989)	(495,811)
(372,200)		(372,200)	(150,753)
(181,193)		(181,193)	(181,410)
(183,237)		(183,237)	(201,556)
2,734,241		2,734,241	(146,671)
(255,046)		(255,046)	(319,509)
<u>877,801</u>		<u>877,801</u>	<u>(1,887,536)</u>
	\$ 41,708	41,708	37,792
	(247,682)	(247,682)	(257,630)
	<u>17,325</u>	<u>17,325</u>	<u>(7,671)</u>
	(188,649)	(188,649)	(227,509)
<u>877,801</u>	<u>(188,649)</u>	<u>689,152</u>	<u>(2,115,045)</u>
996,350		996,350	942,282
187,063		187,063	151,875
688,179		688,179	846,124
67,825	26,557	94,382	150,404
3,105	2,468	5,573	4,686
305,619	(305,619)		
<u>2,248,141</u>	<u>(276,594)</u>	<u>1,971,547</u>	<u>2,095,371</u>
3,125,942	(465,243)	2,660,699	(19,674)
			97,485
<u>7,751,786</u>	<u>5,587,641</u>	<u>13,339,427</u>	<u>13,261,616</u>
<u>\$ 10,877,728</u>	<u>\$ 5,122,398</u>	<u>\$ 16,000,126</u>	<u>\$ 13,339,427</u>

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

**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
<b>ASSETS</b>				
Cash and investments	\$ 1,080,910	\$ 108,904	\$ 89,035	\$
Accounts receivable	968	5,220	500	
Notes receivable		519,823		
Due from other governmental units	21,420			
Taxes receivable delinquent	33,824			59
Special assessments receivable				490,809
Due from other funds	31,247			
<b>TOTAL ASSETS</b>	<b>\$ 1,168,369</b>	<b>\$ 633,947</b>	<b>\$ 89,535</b>	<b>\$ 490,868</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 30,084	\$	\$ 10	\$
Due to other funds				25,398
Deferred revenue	33,824	519,823		490,868
Total Liabilities	63,908	519,823	10	516,266
<b>Fund Balance:</b>				
Reserved for:				
Debt service				(25,398)
Revolving loans		114,124		
Unreserved, designated:			89,525	
Unreserved, undesignated,	1,104,461			
Total Fund Balance	1,104,461	114,124	89,525	(25,398)
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,168,369</b>	<b>\$ 633,947</b>	<b>\$ 89,535</b>	<b>\$ 490,868</b>

See Notes to the Financial Statements

## FORM B-1

321 2001 Public Project Rev Bond	Other Governmental Funds	Totals	
		2010	2009
\$	\$ 2,641,579	\$ 3,920,428	\$ 4,016,424
	98,559	105,247	136,756
		519,823	532,573
	41,283	62,703	14,860
	2,887	36,770	43,006
	350,860	841,669	1,076,867
		31,247	16,772
<u>\$</u>	<u>\$ 3,135,168</u>	<u>\$ 5,517,887</u>	<u>\$ 5,837,258</u>
\$	\$ 13,226	\$ 43,320	\$ 101,208
	5,849	31,247	16,772
	353,747	1,398,262	1,652,446
	372,822	1,472,829	1,770,426
	710,712	685,314	1,103,910
		114,124	94,156
	1,124,537	1,214,062	1,021,020
	927,097	2,031,558	1,847,746
	2,762,346	4,045,058	4,066,832
<u>\$</u>	<u>\$ 3,135,168</u>	<u>\$ 5,517,887</u>	<u>\$ 5,837,258</u>

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CITY OF CHATFIELD, 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)		\$ 4,045,058
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>(5,756,060)</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>(66,650)</u>	
		<u>(5,246,612)</u>
Net assets of governmental activities (page 13)		<u>\$ 10,877,728</u>

**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
<b>REVENUES</b>				
Property taxes	\$ 904,187	\$	\$	\$
Special assessments				52,000
Tax increments				
Licenses and permits	17,538			
Fines and forfeits	16,020			
Intergovernmental revenues	761,118			
Franchise fees				
Charges for services	13,061			
Interest income	12,609	5,837	972	
Contributions			2,710,000	
Miscellaneous revenues	68,431	26,843	11,453	
<b>TOTAL REVENUES</b>	<u>1,792,964</u>	<u>32,680</u>	<u>2,722,425</u>	<u>52,000</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
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	
<b>Capital Outlay</b>			2,709,000	
<b>Debt Service</b>				64,485
<b>TOTAL EXPENDITURES</b>	<u>1,212,175</u>	<u>12,712</u>	<u>2,750,078</u>	<u>64,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>580,789</u>	<u>19,968</u>	<u>(27,653)</u>	<u>(12,485)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds				
Transfers in	95,000		39,650	
Transfers out	(743,533)		(500)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(648,533)</u>		<u>39,150</u>	
Net change in fund balances	(67,744)	19,968	11,497	(12,485)
<b>FUND BALANCES, beginning</b>	<u>1,172,205</u>	<u>94,156</u>	<u>78,028</u>	<u>(12,913)</u>
<b>FUND BALANCES, ending</b>	<u>\$ 1,104,461</u>	<u>\$ 114,124</u>	<u>\$ 89,525</u>	<u>\$ (25,398)</u>

**See Notes to the Financial Statements**

## FORM B-3

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	682,196
		204,390	189,964
	68,055	169,370	172,395
	150,639	150,639	154,626
	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	1,965,251	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	706,622	1,760,619	56,735
(26,173)	53,163	(21,774)	27,130
26,173	2,709,183	4,066,832	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
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**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	Actual	Final Budget - Positive (Negative)	Actual
<b>REVENUES</b>					
<b>Property Tax Levy Collected</b>	\$ 900,000	\$ 900,000	\$ 904,187	\$ 4,187	\$ 839,376
<b>Licenses and permits</b>	25,540	25,540	17,538	(8,002)	20,237
<b>Intergovernmental Revenues</b>					
Local government aid	667,000	667,000	666,960	(40)	762,476
Market value credit	66,502	66,502	16,518	(49,984)	69,333
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	996
Other	3,000	3,000	17,000	14,000	
Total Intergovernmental Revenues	781,179	781,179	761,118	(20,061)	876,364
<b>Charges For Services</b>					
Plan check fee	4,500	4,500	2,631	(1,869)	3,254
Animal shelter fee					33
Fire protection fee	6,000	6,000	9,135	3,135	2,500
Franchise fees	1,000	1,000	1,295	295	1,362
Total Charges For Services	11,500	11,500	13,061	1,561	7,149
<b>Fines and Forfeits</b>					
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
<b>Interest Income</b>	18,500	18,500	12,609	(5,891)	16,266
<b>Miscellaneous Revenues</b>					
Park and recreation	300	300	140	(160)	861
Sale of assets			2,389	2,389	1,149
Donations			8,615	8,615	925
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	68,431	18,289	20,614
<b>TOTAL REVENUES</b>	\$ 1,799,861	\$ 1,799,861	\$ 1,792,964	\$ (6,897)	\$ 1,792,588

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**

	<u>Budgeted Amounts</u>		<u>2010</u>	<u>Variance with</u>	<u>2009</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
				<u>Positive</u>	
				<u>(Negative)</u>	
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 9,200	\$ 9,200	\$ 9,200	\$	\$ 9,200
Employee benefits and retirement	740	740	704	36	662
Workers compensation	45	45	44	1	33
Office supplies	400	400	326	74	494
Printing and publication	1,000	1,000	973	27	667
Insurance	380	380		380	257
Travel	1,000	1,000	518	482	320
Legal fees	15,550	15,550	8,155	7,395	13,364
Dues and subscription	3,900	3,900	3,787	113	3,697
Other	7,950	7,950	1,576	6,374	4,365
Total Mayor and Council	40,165	40,165	25,283	14,882	33,059
<b>Elections</b>	3,880	3,880	2,973	907	42
<b>Clerk's Office</b>					
Salaries	204,000	204,000	199,620	4,380	150,846
Employee benefits and retirement	28,365	28,365	27,845	520	20,668
Workers compensation	4,700	4,700	2,807	1,893	3,648
Health insurance	31,550	31,550	38,951	(7,401)	26,992
Office supplies	5,000	5,000	2,568	2,432	1,598
Postage	1,350	1,350	835	515	1,132
Audit fees	6,000	6,000	7,350	(1,350)	5,900
Consulting fees	4,200	4,200	1,178	3,022	4,286
Licenses and dues	725	725	1,092	(367)	661
Insurance	4,250	4,250	3,070	1,180	3,587
Telephone	2,800	2,800	2,746	54	2,825
Printing and publication	825	825	727	98	672
Maintenance and repair	2,100	2,100	3,637	(1,537)	4,403
Conference expense	6,000	6,000	5,238	762	4,602
Other	16,340	16,340	12,715	3,625	12,097
Total Clerk's Office	318,205	318,205	310,379	7,826	243,917
<b>Planning and Zoning</b>					
Printing	1,030	1,030	34	996	187
Consulting fees	49,400	49,400	52,411	(3,011)	39,752
Other	3,800	3,800	1,666	2,134	7,754
Total Planning and Zoning	\$ 54,230	\$ 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**

	<u>Budgeted Amounts</u>		<u>2010</u>	<u>Variance with</u>	<u>2009</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Favorable</u>	<u>Amounts</u>
				<u>(Unfavorable)</u>	
<b>EXPENDITURES (continued)</b>					
<b>General Government (Continued)</b>					
<b>Municipal Building</b>					
Operating supplies	\$ 3,700	\$ 3,700	\$ 3,925	\$ (225)	\$ 4,459
Small tools and minor equipment	515	515	569	(54)	13
Maintenance and repair	10,550	10,550	14,409	(3,859)	13,690
Contracted services	18,900	18,900	17,756	1,144	17,780
Insurance	12,800	12,800	7,999	4,801	12,747
Utilities	7,800	7,800	6,401	1,399	6,260
Other	1,200	1,200	606	594	497
Total Municipal Building	55,465	55,465	51,665	3,800	55,446
Total General Government	471,945	471,945	444,411	27,534	380,157
<b>Public Safety</b>					
<b>Animal Control</b>					
Operating supplies	300	300	117	183	111
Printing and publication	50	50		50	311
Other	740	740	130	610	65
Total Animal Control	1,090	1,090	247	843	487
<b>Fire Department</b>					
Salaries	12,000	12,000	11,170	830	5,258
Employee benefits and retirement	538	538	364	174	173
Fire pension contribution	29,650	29,650	23,071	6,579	17,936
Workers compensation	4,000	4,000	4,171	(171)	1,634
Innoculations	1,600	1,600	75	1,525	1,094
Vehicle operating supplies	2,000	2,000	1,283	717	433
Small tools and minor equipment	5,000	5,000	3,822	1,178	2,607
Telephone			140	(140)	
Maintenance and repair	12,000	12,000	12,185	(185)	6,840
Insurance	7,000	7,000	5,348	1,652	3,492
Utilities	6,800	6,800	5,357	1,443	2,798
Printing and publishing	280	280	54	226	13
Training	4,000	4,000	3,277	723	1,140
Other	11,550	11,550	7,252	4,298	4,907
Total Fire Department	96,418	96,418	77,569	18,849	48,325
<b>Building Code</b>					
Consultant fee	10,300	10,300	13,199	(2,899)	15,753
Surcharge fee/sales tax	6,695	6,695	2,757	3,938	2,769
Total Building Code	\$ 16,995	\$ 16,995	\$ 15,956	\$ 1,039	\$ 18,522

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

	<u>Budgeted Amounts</u>		<u>2010</u>	<u>Variance with</u>	<u>2009</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
<b>EXPENDITURES (continued)</b>					
<b>Public Safety (Continued)</b>					
<b>Police Department</b>					
Salaries	\$ 226,048	\$ 226,048	\$ 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	28,230	(5,030)	22,694
Operating supplies	3,200	3,200	684	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	9,699
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	1,599
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	2,090
Contracted services	750	750	408	342	300
Insurance	2,625	2,625	814	1,811	1,366
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	<u>390,427</u>	<u>390,427</u>	<u>365,752</u>	<u>24,675</u>	<u>362,698</u>
Total Public Safety	<u>504,930</u>	<u>504,930</u>	<u>459,524</u>	<u>45,406</u>	<u>430,032</u>
<b>Public Works</b>					
<b>Street Department</b>					
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	<u>\$ 204,440</u>	<u>\$ 204,440</u>	<u>\$ 204,390</u>	<u>\$ 50</u>	<u>\$ 189,964</u>

**See Notes to the Financial Statements**

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

	Budgeted Amounts		2010	Variance with	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Parks</b>					
Salaries	\$ 50,400	\$ 50,400	\$ 48,585	\$ 1,815	\$ 51,587
Employee benefits and retirement	6,175	6,175	6,278	(103)	6,126
Workers compensation	1,950	1,950	1,506	444	2,114
Small tools and minor equipment	1,030	1,030	54	976	3,586
Vehicle operating supplies			2,505	(2,505)	1,644
Maintenance and repair	5,150	5,150	5,112	38	3,532
Utilities	16,500	16,500	15,057	1,443	14,080
Insurance	7,900	7,900	6,890	1,010	6,920
Other	8,275	8,275	6,606	1,669	4,280
Total Parks	97,380	97,380	92,593	4,787	93,869
Recreation	10,500	10,500	7,122	3,378	6,199
<b>Band</b>					
School band concerts	480	480	480		480
Brass band concerts	1,120	1,120	1,120		1,120
Total Band	1,600	1,600	1,600		1,600
Total Parks and Recreation	109,480	109,480	101,315	8,165	101,668
<b>Community Development</b>					
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	7,294
<b>TOTAL EXPENDITURES</b>	<b>1,294,695</b>	<b>1,294,695</b>	<b>1,212,175</b>	<b>82,520</b>	<b>1,109,115</b>
Excess (deficiency) of revenues over (under) expenditures	505,166	505,166	580,789	75,623	683,473
<b>OTHER FINANCING SOURCES (USES)</b>					
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
<b>FUND BALANCES, beginning</b>	<b>1,172,205</b>	<b>1,172,205</b>	<b>1,172,205</b>		<b>1,070,151</b>
<b>FUND BALANCES, ending</b>	<b>\$ 1,196,651</b>	<b>\$ 1,196,651</b>	<b>\$ 1,104,461</b>	<b>\$ (92,190)</b>	<b>\$ 1,172,205</b>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA  
**EDA FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 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			
<b>REVENUES</b>					
Interest income	300	300	972	\$ 672	1,264
Contributions			2,710,000	2,710,000	
Miscellaneous	4,500	4,500	11,453	6,953	13,930
<b>TOTAL REVENUES</b>	<b>4,800</b>	<b>4,800</b>	<b>2,722,425</b>	<b>2,717,625</b>	<b>15,194</b>
<b>EXPENDITURES</b>					
<b>Library</b>					
Community development	43,950	43,950	41,078	2,872	39,172
Capital outlay			2,709,000	(2,709,000)	
<b>TOTAL EXPENDITURES</b>	<b>43,950</b>	<b>43,950</b>	<b>2,750,078</b>	<b>(2,706,128)</b>	<b>39,172</b>
Excess (deficiency) of revenues over (under) expenditures	(39,150)	(39,150)	(27,653)	11,497	(23,978)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	39,650	39,650	39,650		43,490
Transfers out	(500)	(500)	(500)		(500)
Net change in fund balances			11,497	11,497	19,012
<b>FUND BALANCES, beginning</b>	<b>78,028</b>	<b>78,028</b>	<b>78,028</b>		<b>59,016</b>
<b>FUND BALANCES, ending</b>	<b>\$ 78,028</b>	<b>\$ 78,028</b>	<b>\$ 89,525</b>	<b>\$ 11,497</b>	<b>\$ 78,028</b>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA  
 REVOLVING LOAN  
 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	2009
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>REVENUES</b>					
Interest income	\$ 3,338	\$ 3,338	\$ 5,837	\$ 2,499	\$ 5,965
Miscellaneous	27,715	27,715	26,843	(872)	15,346
<b>TOTAL REVENUES</b>	<u>31,053</u>	<u>31,053</u>	<u>32,680</u>	<u>1,627</u>	<u>21,311</u>
<b>EXPENDITURES</b>					
Loan advances			12,712	(12,712)	
Net change in fund balances	31,053	31,053	19,968	(11,085)	21,311
<b>FUND BALANCES, beginning</b>	<u>94,156</u>	<u>94,156</u>	<u>94,156</u>		<u>72,845</u>
<b>FUND BALANCES, ending</b>	<u>\$ 125,209</u>	<u>\$ 125,209</u>	<u>\$ 114,124</u>	<u>\$ (11,085)</u>	<u>\$ 94,156</u>

See Notes to the Financial Statements

**CITY OF CHATFIELD, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Assets**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	Business-Type Activities - Enterprise Funds				
	601	611		602	612/328/428/331
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 484,781	\$ 393,622	\$ 878,403	\$ 290,272	\$ 136,358
Restricted cash					667,494
Accounts receivable, net	21,884		21,884	63,643	
Special assessments receivable	11,515		11,515	38,383	
Special assessments delinquent	12,016		12,016	40,055	
Total Current Assets	530,196	393,622	923,818	432,353	803,852
<b>Noncurrent Assets</b>					
Capital assets:					
Nondepreciable		30,246	30,246		30,246
Depreciable		2,870,728	2,870,728		11,763,260
Less: Accumulated depreciation		663,543	663,543		3,696,881
Net capital assets		2,237,431	2,237,431		8,096,625
Total Assets	530,196	2,631,053	3,161,249	432,353	8,900,477
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Current maturities of bonds payable					140,000
Accounts payable	3,146		3,146	6,837	
Deposits payable					140,100
Accrued interest payable					115,631
Deferred revenue	12,016		12,016	40,055	
Accrued liabilities	14,884		14,884	23,615	
Total Current Liabilities	30,046		30,046	70,507	395,731
<b>Noncurrent Liabilities</b>					
Bonds payable, net of current maturities					6,900,000
Total Liabilities	30,046		30,046	70,507	7,295,731
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt		2,237,431	2,237,431		1,724,119
Unrestricted	500,150	393,622	893,772	361,846	(119,373)
Total Net Assets	\$ 500,150	\$ 2,631,053	\$ 3,131,203	\$ 361,846	\$ 1,604,746

## FORM C-1

622 Sewer - No Fault Back	Total Sewer	603 Garbage	Totals	
			2010	2009
\$ 4,091	\$ 430,721	\$ 7,554	\$ 1,316,678	\$ 1,262,553
	667,494		667,494	792,125
	63,643	15,568	101,095	88,185
	38,383	14,074	63,972	53,280
	40,055	14,687	66,758	65,497
4,091	1,240,296	51,883	2,215,997	2,261,640
	30,246		60,492	60,492
	11,763,260		14,633,988	14,607,609
	3,696,881		4,360,424	3,959,910
	8,096,625		10,334,056	10,708,191
4,091	9,336,921	51,883	12,550,053	12,969,831
	140,000		140,000	95,000
	6,837	12,746	22,729	22,240
	140,100		140,100	
	115,631		115,631	117,016
	40,055	14,687	66,758	65,497
	23,615	3,938	42,437	42,437
	466,238	31,371	527,655	342,190
	6,900,000		6,900,000	7,040,000
	7,366,238	31,371	7,427,655	7,382,190
	1,724,119		3,961,550	4,365,316
4,091	246,564	20,512	1,160,848	1,222,325
\$ 4,091	\$ 1,970,683	\$ 20,512	\$ 5,122,398	\$ 5,587,641

**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

	Business-Type Activities - Enterprise Funds				
	601 Water	611 Water Infrastructure	Total Water	602 Sewer	612/328/428/331 Sewer Infrastructure
<b>Operating Revenues</b>					
Service fees and charges	\$ 210,022	\$ 4,800	\$ 214,822	\$ 600,015	\$ 7,800
<b>Operating Expenses</b>					
Salaries	41,457		41,457	106,028	
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	16,486
Travel and training				1,373	
Professional fees	12,903		12,903	16,562	8,000
Office expense	1,383		1,383	2,244	
Insurance	1,687		1,687	12,547	
Depreciation		80,490	80,490		320,024
Other	3,303		3,303	26,382	
Total Operating Expenses	103,416	80,490	183,906	264,202	344,510
Operating Income (Loss)	106,606	(75,690)	30,916	335,813	(336,710)
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	6,795	6,213	13,008	4,439	9,014
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					(279,298)
Total Nonoperating Revenues (Expenses)	17,922	6,213	24,135	41,004	(270,284)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	124,528	(69,477)	55,051	376,817	(606,994)
Transfers in		68,000	68,000		1,091,515
Transfers out	(103,200)	(143,617)	(246,817)	(311,385)	(899,732)
<b>CHANGE IN NET ASSETS</b>	21,328	(145,094)	(123,766)	65,432	(415,211)
<b>NET ASSETS - BEGINNING OF YEAR</b>	478,822	2,776,147	3,254,969	296,414	2,019,957
<b>NET ASSETS - END OF YEAR</b>	\$ 500,150	\$ 2,631,053	\$ 3,131,203	\$ 361,846	\$ 1,604,746

See Notes to the Financial Statements

622 Sewer - No Fault Back	Total Sewer	603 Garbage	Totals	
			2010	2009
\$	\$ 607,815	\$ 170,988	\$ 993,625	\$ 984,084
	106,028	384	147,869	193,434
	14,880	79	21,074	28,026
	11,912		11,912	16,880
	3,206		4,620	4,859
		139,524	139,524	132,720
		10,963	10,963	12,533
	5,910	772	19,923	16,401
	37,944		50,383	49,602
	41,700	1,498	52,672	33,936
	1,373		1,373	396
	24,562		37,465	27,667
	2,244	1,126	4,753	4,657
	12,547		14,234	13,815
	320,024		400,514	397,991
1,919	28,301	11,403	43,007	43,223
1,919	610,631	165,749	960,286	976,140
(1,919)	(2,816)	5,239	33,339	7,944
10	13,463	86	26,557	49,776
	1,877		2,136	2,236
	256		332	2,450
	34,432	12,086	57,310	47,743
	(279,298)		(279,298)	(283,196)
10	(229,270)	12,172	(192,963)	(180,991)
(1,909)	(232,086)	17,411	(159,624)	(173,047)
6,000	1,097,515		1,165,515	770,509
	(1,211,117)	(13,200)	(1,471,134)	(827,244)
4,091	(345,688)	4,211	(465,243)	(229,782)
	2,316,371	16,301	5,587,641	5,817,423
\$ 4,091	\$ 1,970,683	\$ 20,512	\$ 5,122,398	\$ 5,587,641

## CITY OF CHATFIELD, MINNESOTA

## PROPRIETARY FUNDS

## Statement of Cash Flows

For the Year Ended December 31, 2010

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

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 217,258	\$ 4,800	\$ 222,058	\$ 621,516	\$ 7,800
Cash paid to employees	(48,986)		(48,986)	(136,026)	
Cash paid to suppliers	(55,971)		(55,971)	(126,439)	(24,486)
Net Cash Provided By (Used In) Operating Activities	112,301	4,800	117,101	359,051	(16,686)
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfer in/out	(103,200)	(75,617)	(178,817)	(311,385)	191,783
<b>Cash Flows From Capital and Related Financing Activities</b>					
Capital asset acquisitions		(26,099)	(26,099)		(280)
Principal payments on bonds					(95,000)
Deposits					140,100
Interest payments on bonds					(280,683)
Net Cash (Used In) Capital and Related Financing Activities		(26,099)	(26,099)		(235,863)
<b>Cash Flows From Investing Activities</b>					
Investment income received	6,795	6,213	13,008	4,439	9,014
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15,896	(90,703)	(74,807)	52,105	(51,752)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	468,885	484,325	953,210	238,167	855,604
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 484,781	\$ 393,622	\$ 878,403	\$ 290,272	\$ 803,852
Classified as:					
Cash and cash equivalents	\$ 484,781	\$ 393,622	\$ 878,403	\$ 290,272	\$ 136,358
Restricted cash					667,494
Total Cash and Cash Equivalents, End of Year	\$ 484,781	\$ 393,622	\$ 878,403	\$ 290,272	\$ 803,852

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

<b>Operating Income (Loss)</b>	\$ 106,806	\$ (75,690)	\$ 30,916	\$ 335,813	\$ (336,710)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		80,490	80,490		320,024
Miscellaneous nonoperating income	11,127		11,127	36,565	
(Increase) Decrease In:					
Accounts receivable	(3,891)		(3,891)	(15,064)	
Prepaid items					
Increase (Decrease) In:					
Accounts payable	(1,541)		(1,541)	1,737	
Accrued liabilities					
Net Cash Provided By (Used In) Operating Activities	\$ 112,301	\$ 4,800	\$ 117,101	\$ 359,051	\$ (16,686)

See Notes to the Financial Statements

## FORM C-3

Sewer - No Fault Back	Total Sewer	Garbage	Totals	
			2010	2009
\$	\$ 629,316	\$ 178,427	\$ 1,029,801	\$ 1,035,550
	(136,026)	(463)	(185,475)	(243,199)
(1,919)	(150,925)	(184,993)	(371,889)	(330,115)
(1,919)	342,365	12,971	472,437	462,236
6,000	(119,602)	(13,200)	(311,619)	(56,735)
	(280)		(26,379)	(366,982)
	(95,000)		(95,000)	
	140,100		140,100	
	(280,683)		(280,683)	(283,196)
	(235,863)		(261,962)	(650,178)
10	13,453	86	26,547	49,778
4,091	353	(143)	(74,597)	(194,901)
	1,093,771	7,697	2,054,678	2,249,579
\$ 4,091	\$ 1,094,124	\$ 7,554	\$ 1,980,081	\$ 2,054,678
\$ 4,091	\$ 426,630	\$ 7,554	\$ 1,312,587	\$ 1,262,553
	667,494		667,494	792,125
\$ 4,091	\$ 1,094,124	\$ 7,554	\$ 1,980,081	\$ 2,054,678
\$ (1,919)	\$ (897)	\$ 5,239	\$ 35,258	\$ 7,944
	320,024		400,514	397,991
	36,565	12,086	59,778	52,429
	(15,064)	(4,647)	(23,602)	(963)
				1,569
	1,737	293	489	(755)
				4,021
\$ (1,919)	\$ 342,365	\$ 12,971	\$ 472,437	\$ 462,236

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

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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

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

##### A. Reporting Entity

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

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

*Component Units* - Component units are legally separate organizations for which the elected officials of the City of Chatfield, Minnesota are financially accountable or for which the nature or significance of their relationship with the City of Chatfield, Minnesota would cause the general purpose financial statements to be misleading or incomplete. 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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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)

---

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)

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

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##### 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)

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2. Stewardship, Compliance, and Accountability

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A. Budgetary Information

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

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

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3. Detailed Notes on All Funds

---

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	<u>24,638</u>
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:

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

Collateralization of Cash Deposits

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

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

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

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
		<u>\$ 564,173</u>			<u>\$ 519,823</u>

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	<u>417,030</u>	<u>527,360</u>		<u>944,390</u>
Capital assets, being depreciated:				
Buildings	4,972,035	2,200,000		7,172,035
Infrastructure	5,403,303	84,666		5,487,969
Vehicles	1,183,925		57,012	1,126,913
Furniture and fixtures	130,207	109,000		239,207
Machinery and equipment	1,383,827	111,465	28,746	1,466,546
Total capital assets, being depreciated	<u>13,073,297</u>	<u>2,505,151</u>	<u>85,758</u>	<u>15,492,690</u>
Less accumulated depreciation for:				
Buildings	2,262,374	174,056		2,436,430
Infrastructure	1,577,407	177,188		1,754,595
Vehicles	676,566	74,824	57,012	694,398
Furniture and fixtures	94,162	12,741		106,903
Machinery and equipment	620,428	172,052	28,746	763,734
Total accumulated depreciation	<u>5,230,957</u>	<u>610,861</u>	<u>85,758</u>	<u>5,756,060</u>
Total capital assets, being depreciated, net	<u>7,842,340</u>	<u>1,894,290</u>		<u>9,736,630</u>
Governmental activities capital assets, net	<u>\$ 8,259,370</u>	<u>\$ 2,421,650</u>	<u>\$</u>	<u>\$ 10,681,020</u>

## CITY OF CHATFIELD, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

D. *Capital Assets (continued)*

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 60,492	\$	\$	\$ 60,492
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	<u>\$ 753,223</u>

**Business-Type Activities:**

Water Infrastructure	\$ 80,490
Sewer Infrastructure	320,024
Total depreciation expense - business-type activities	<u>\$ 400,514</u>

## CITY OF CHATFIELD, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

E. *Interfund Balances and Transfers*

Transfers during the year ended December 31, 2010 were as follows:

Funds	Transfers	
	In	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	743,533
Special Revenue:		
Pool	61,650	
Ambulance	48,500	44,189
EDA	39,650	500
Library	95,850	12,800
Historical Society	900	
Cable Access		385
Heritage Preservation	9,100	
Chatfield 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 Fingerson-Donahoe		87,319
2008A HL Tower/Hillside Drive	102,618	
2004A GO Sewer Revenue	65,284	
2010A GO Refunding Bond	186,259	
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	899,732
Sewer - No Fault Back	6,000	
Total Transfers	\$ 2,562,336	\$ 2,562,336

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

All excess expenditures were the result of planned processes.

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

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

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	
	<u>\$ 31,247</u>	<u>\$ 31,247</u>

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
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
1997 Water Revenue (4.45-5.55%)	\$ 60,000	\$	\$ 20,000	\$ 40,000	\$ 20,000
1999 Improvement (5.75%)	499,141		36,157	456,984	38,266
2000B Improvement (5.75%)	44,000		4,000	40,000	4,000
2001 Refunding (2.65-4.35%)	15,000		15,000		
2001 Public Project Revenue (3.1-5.4%)	1,610,000		1,610,000		
2002A Refunding (3.0-4.9%)	255,000		30,000	225,000	35,000
2002B Improvement Revolving (4.5%)	45,000		10,000	35,000	10,000
2002C Improvement Revolving (3.0-4.15%)	410,000		410,000		
2004A Sewer & Perm Improv Refunding (3.75%)	500,000		85,000	415,000	85,000
2006A Utility Revenue & Improv Bond (3.85-4.9%)	2,210,000		60,000	2,150,000	75,000
2010A Capital Improvement Refunding (2.0-3.9%)		1,455,000	50,000	1,405,000	70,000
Less: Unamortized Issuance Costs		(36,226)		(36,226)	
Tax Increment Bonds:					
1999 Tax Increment (5.75%)	402,739		64,704	338,035	33,935
Total Bonds and Notes Payable	6,044,880	1,418,774	2,394,861	5,068,793	371,201
Other Liabilities:					
Compensated Absences	100,171	10,958		111,169	
Governmental Activities Long-term Liabilities	6,145,051	1,429,772	2,394,861	5,179,962	371,201
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds:					
General Obligation Revenue Bonds:					
2005A Disposal System (3.5-4.15%)	7,135,000		95,000	7,040,000	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	\$ 1,429,772	\$ 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
<b>Governmental Activities</b>						
2011	\$ 337,266	\$ 203,631	\$ 33,935	\$ 20,532		
2012	381,497	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		
<b>Business-Type Activities</b>						
2011					\$ 140,000	\$ 275,217
2012					175,000	269,705
2013					200,000	263,142
2014					260,000	254,767
2015					340,000	
2016-2020					2,985,000	1,038,035
2021-2023					2,940,000	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)

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3. Detailed Notes on All Funds (Continued)

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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.

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4. Other Information

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A. Defined Benefit Pension Plans - Statewide

Plan 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.

## CITY OF CHATFIELD, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Other Information (Continued)

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##### 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](http://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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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4. Other Information (Continued)

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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. GERF 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)**

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**5. Prior Period Adjustments**

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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
<b>ASSETS</b>								
Cash and investments	\$ 129,116	\$ 412,686	\$	\$ 1,080	\$ 276,108	\$ 14,086	\$ 48,641	\$ 10,644
Accounts receivable					87,456		6,103	
Due from other governmental units								
Taxes receivable - delinquent								
Special assessments receivable								
<b>TOTAL ASSETS</b>	<u>\$ 129,116</u>	<u>\$ 412,686</u>	<u>\$</u>	<u>\$ 1,080</u>	<u>\$ 363,564</u>	<u>\$ 14,086</u>	<u>\$ 54,744</u>	<u>\$ 10,644</u>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable	\$ 44	\$ 2,451	\$	\$	\$ 4,910	\$	\$ 171	\$
Deferred revenue								
Due to other funds								
<b>Total Liabilities</b>	<u>44</u>	<u>2,451</u>	<u></u>	<u></u>	<u>4,910</u>	<u></u>	<u>171</u>	<u></u>
<b>Fund Balance</b>								
Reserved								
Unreserved								
Designated		350,939						
Undesignated	129,072	59,296		1,080	358,654	14,086	54,573	10,644
<b>Total Fund Balance</b>	<u>129,072</u>	<u>410,235</u>	<u></u>	<u>1,080</u>	<u>358,654</u>	<u>14,086</u>	<u>54,573</u>	<u>10,644</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 129,116</u>	<u>\$ 412,686</u>	<u>\$</u>	<u>\$ 1,080</u>	<u>\$ 363,564</u>	<u>\$ 14,086</u>	<u>\$ 54,744</u>	<u>\$ 10,644</u>

Special Revenue

213 Senior Citizen	250 Chatfield Center for the Arts	251 CCA - Schmidt Foundation	252 CCA - Falk Foundation	353 Pope & Young Tax Increment	340 Mill Pond Townhomes Tax Increment	352 Val-A Expansion Tax Increment	354 Lone Stone Tax Increment	804 Fit City	Total
\$ 5,798	\$ 270,706	\$ 13,942	\$ 7,552	\$ 2	\$ 54	\$ 485	\$ 6,274	\$ 529	\$ 1,197,703 93,559
<u>\$ 5,798</u>	<u>\$ 270,706</u>	<u>\$ 13,942</u>	<u>\$ 7,552</u>	<u>\$ 2</u>	<u>\$ 54</u>	<u>\$ 485</u>	<u>\$ 6,274</u>	<u>\$ 529</u>	<u>\$ 1,291,262</u>
\$	\$ 5,650	\$	\$	\$	\$	\$	\$	\$	\$ 13,226
	<u>5,650</u>								<u>13,226</u>
5,798	285,056	13,942	7,552	2	54	485	6,274	529	350,939
5,798	285,056	13,942	7,552	2	54	485	6,274	529	927,097
<u>\$ 5,798</u>	<u>\$ 270,706</u>	<u>\$ 13,942</u>	<u>\$ 7,552</u>	<u>\$ 2</u>	<u>\$ 54</u>	<u>\$ 485</u>	<u>\$ 6,274</u>	<u>\$ 529</u>	<u>\$ 1,291,262</u>

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

	Debt Service			
	315	377	313	320
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2000B Improvement Bond	2001 Refunding Bond
<b>ASSETS</b>				
Cash and investments	\$ 57,259	\$ 1,139	\$	\$ 62,962
Accounts receivable				
Due from other governmental units				
Taxes receivable - delinquent				
Special assessment receivable			40,000	
<b>TOTAL ASSETS</b>	<u>\$ 57,259</u>	<u>\$ 1,139</u>	<u>\$ 40,000</u>	<u>\$ 62,962</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$	\$	\$
Deferred revenue			40,000	
Due to other funds			3,847	
Total Liabilities			<u>43,847</u>	
<b>Fund Balance</b>				
Reserved	57,259	1,139	(3,847)	62,962
Unreserved				
Designated				
Undesignated				
Total Fund Balance	<u>57,259</u>	<u>1,139</u>	<u>(3,847)</u>	<u>62,962</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 57,259</u>	<u>\$ 1,139</u>	<u>\$ 40,000</u>	<u>\$ 62,962</u>

Debt Service							
322	323	324	325	326	329	330	
2001 Public Project Rev Bond Reserve	2002A Refunding Bond	2002B Revenue Bond	2002C Fingerson- Donahoe Bond	2004A GO Sewer and Perm Improv Refunding Bond	2008A HL Tower/ Hillside Drive Bond	2010A Refunding Bond	Total
\$	\$ 177,194	\$ 40,795	\$	\$ 86,556	\$ 138,760	\$ 110,613	\$ 675,278
	55		39,771	733	724		41,283
	95			1,492	1,300		2,887
	54,931	5,148			250,781		350,860
<u>\$</u>	<u>\$ 232,275</u>	<u>\$ 45,943</u>	<u>\$ 39,771</u>	<u>\$ 88,781</u>	<u>\$ 391,565</u>	<u>\$ 110,613</u>	<u>\$ 1,070,308</u>

\$	\$	\$	\$	\$	\$	\$	\$
	55,026	5,148		1,492	252,081		353,747
			2,002				5,849
	55,026	5,148	2,002	1,492	252,081		359,596
	177,249	40,795	37,769	87,289	139,484	110,613	710,712
	177,249	40,795	37,769	87,289	139,484	110,613	710,712
<u>\$</u>	<u>\$ 232,275</u>	<u>\$ 45,943</u>	<u>\$ 39,771</u>	<u>\$ 88,781</u>	<u>\$ 391,565</u>	<u>\$ 110,613</u>	<u>\$ 1,070,308</u>

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

FORM D-1

	Capital Projects			Total Nonmajor Governmental Funds 2010
	430	801		
	Construction	Capital Goods	Total	
<b>ASSETS</b>				
Cash and investments	\$ 6,190	\$ 762,408	\$ 768,598	\$ 2,641,579
Accounts receivable		5,000	5,000	98,559
Due from other governmental units				41,283
Taxes receivable - delinquent				2,887
Special assessment receivable				350,660
<b>TOTAL ASSETS</b>	<u>\$ 6,190</u>	<u>\$ 767,408</u>	<u>\$ 773,598</u>	<u>\$ 3,135,168</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$	\$	\$ 13,226
Deferred revenue				353,747
Due to other funds				5,849
Total Liabilities				<u>372,822</u>
<b>Fund Balance</b>				
Reserved				710,712
Unreserved				
Designated	6,190	767,408	773,598	1,124,537
Undesignated				927,097
Total Fund Balance	<u>6,190</u>	<u>767,408</u>	<u>773,598</u>	<u>2,762,346</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 6,190</u>	<u>\$ 767,408</u>	<u>\$ 773,598</u>	<u>\$ 3,135,168</u>

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

	Special Revenue								
	616	211/212	220	225	230/231	200	614	270	213
	Pool	Library	Rural Fire	Tourism	Ambulance	Historical Society	Cable Access	Heritage Preservation	Senior Citizen
<b>REVENUES</b>									
Property tax levy									
Property tax collected	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special assessments									
Tax increments									
Fines and forfeits		3,465							
Intergovernmental		48,040			35,773			2,850	
Franchise fees							24,727		
Charges for services	32,297				173,161		13,950		
Interest income	1,476	12,932			3,651	185	690	97	80
Contributions		1,907			400				
Miscellaneous		2,642			576		9,002		
<b>TOTAL REVENUES</b>	<b>33,773</b>	<b>68,988</b>			<b>213,561</b>	<b>185</b>	<b>48,369</b>	<b>2,947</b>	<b>80</b>
<b>EXPENDITURES</b>									
<b>Current:</b>									
General government							40,483		
Public safety			35		205,561				
Park and recreation	68,055								
Library		150,639							
Community development								15,438	
Debt service									
Principal retirement									
Interest and fiscal charges									
Capital outlay							8,079		
<b>TOTAL EXPENDITURES</b>	<b>68,055</b>	<b>150,639</b>	<b>35</b>		<b>205,561</b>		<b>48,562</b>	<b>15,438</b>	
Excess (deficiency) of revenues over (under) expenditures	(34,282)	(81,653)	(35)		8,000	185	(193)	(12,489)	80
<b>OTHER FINANCING SOURCES (USES)</b>									
Bond proceeds									
Transfer in	61,650	96,650	35		48,500	900		9,100	
Transfer out		(12,600)			(44,189)		(385)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>61,650</b>	<b>83,050</b>	<b>35</b>		<b>4,311</b>	<b>900</b>	<b>(385)</b>	<b>9,100</b>	
Net change in fund balances	27,368	1,397			12,311	1,085	(578)	(3,389)	80
<b>FUND BALANCES, beginning</b>	<b>101,704</b>	<b>408,638</b>		<b>1,080</b>	<b>346,343</b>	<b>13,001</b>	<b>55,151</b>	<b>14,033</b>	<b>5,718</b>
<b>FUND BALANCES, ending</b>	<b>\$ 129,072</b>	<b>\$ 410,235</b>	<b>\$</b>	<b>\$ 1,080</b>	<b>\$ 358,654</b>	<b>\$ 14,086</b>	<b>\$ 54,573</b>	<b>\$ 10,644</b>	<b>\$ 5,798</b>

Special Revenue

213 Senior Citizen	250 Chatfield Center for the Arts	251 CCA - Schmidt Foundation	252 CCA - Falk Foundation	353 Pope & Young Tax Increment	340 Mill Pond Townhomes Tax Increment	352 Val-A Expansion Tax Increment	354 Lone Stone Tax Increment	804 Fit City	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
				12,297	12,614	8,141	57,599		90,551
							5,923		3,465
									92,586
									24,727
	2,748								222,156
80	3,293	157	52		1	7	45	7	22,673
	286,770	17,500	7,500						314,077
	2,210								14,430
80	295,021	17,657	7,552	12,297	12,615	8,148	63,567	7	784,765
									40,483
									205,596
									68,055
	89,965	3,715		12,297	12,615	8,141	57,599		150,839
									199,768
									8,079
	89,965	3,715		12,297	12,615	8,141	57,599		672,620
80	205,056	13,942	7,552			7	5,968	7	112,145
	60,000								276,035
									(57,374)
	60,000								218,661
80	265,056	13,942	7,552			7	5,968	7	330,806
5,718				2	54	478	306	522	947,230
\$ 5,798	\$ 265,056	\$ 13,942	\$ 7,552	\$ 2	\$ 54	\$ 485	\$ 6,274	\$ 529	\$ 1,278,036

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

	Debt Service			
	315	377	313	320
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2000B Improvement Bond	2001 Refunding Bond
<b>REVENUES</b>				
Property tax levy				
Property tax collected	\$	\$	\$	\$
Special assessments			6,530	
Tax increments		89,406		
Fines and forfeits		1,083		
Intergovernmental				
Franchise fees				
Charges for services				
Interest income	827	25	12	897
Contributions				
Miscellaneous				
<b>TOTAL REVENUES</b>	<u>827</u>	<u>90,514</u>	<u>6,542</u>	<u>897</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government				
Public safety				
Park and recreation				
Library				
Community development				
Debt service				
Principal retirement	20,000	64,704	4,000	15,000
Interest and fiscal charges	3,280	26,503	2,530	653
Capital outlay				
<b>TOTAL EXPENDITURES</b>	<u>23,280</u>	<u>91,207</u>	<u>6,530</u>	<u>15,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,453)</u>	<u>(693)</u>	<u>12</u>	<u>(14,756)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds				
Transfer in	23,280			15,652
Transfer out				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>23,280</u>			<u>15,652</u>
Net change in fund balances	827	(693)	12	896
<b>FUND BALANCES, beginning</b>	<u>56,432</u>	<u>1,832</u>	<u>(3,859)</u>	<u>62,066</u>
<b>FUND BALANCES, ending</b>	<u>\$ 57,259</u>	<u>\$ 1,139</u>	<u>\$ (3,847)</u>	<u>\$ 62,962</u>

Debt Service							
322	323	324	325	326	329	330	
2001 Public Project Rev Bond Reserve	2002A Refunding Bond	2002B Revenue Bond	2002C Fingerson- Donahoe Bond	2004A GO Sewer and Perm Improv Refunding Bond	2008A HL Tower/Hillside Drive Bond	2010A Refunding Bond	Total
\$	\$ 2,433 72,274	\$ 3,051	\$ 127,090	\$ 40,567	\$ 55,399 42,947		\$ 98,399 251,922 89,405
	45			757	1,049		2,934
10,088	1,606	534	1,708	200	319	223	16,439
10,088	76,358	3,515	128,798	41,524	99,714	223	459,100
	30,000 11,678	10,000 1,800	410,000 12,935	85,000 17,156	60,000 96,148	50,000 25,869	748,704 198,552
	41,678	11,800	422,935	102,156	156,148	75,869	947,256
10,088	34,680	(8,185)	(294,137)	(60,632)	(56,434)	(75,646)	(488,156)
(197,556)			(87,319)	65,284	102,618	186,259	393,093 (284,875)
(197,556)			(87,319)	65,284	102,618	186,259	108,218
(187,468)	34,680	(8,185)	(381,456)	4,852	46,184	110,613	(379,938)
187,468	142,569	48,980	419,225	82,537	93,300		1,090,650
\$	\$ 177,249	\$ 40,795	\$ 37,769	\$ 87,289	\$ 139,484	\$ 110,613	\$ 710,712

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

	Capital Projects			Total Nonmajor Governmental Funds 2010
	430 Construction	801 Capital Goods	Total	
<b>REVENUES</b>				
Property tax levy				
Property tax collected	\$	\$	\$	\$ 98,399
Special assessments				251,922
Tax increments				180,057
Fines and forfeits				3,465
Intergovernmental				95,520
Franchise fees				24,727
Charges for services				222,156
Interest income	85	9,211	9,296	48,408
Contributions		55,775	55,775	369,852
Miscellaneous		2,856	2,856	17,286
<b>TOTAL REVENUES</b>	<u>85</u>	<u>67,842</u>	<u>67,927</u>	<u>1,311,792</u>
<b>EXPENDITURES</b>				
Current:				
General government				40,483
Public safety				205,596
Park and recreation				68,055
Library				150,639
Community development				199,768
Debt service				
Principal retirement				748,704
Interest and fiscal charges				198,552
Capital outlay		345,375	345,375	353,454
<b>TOTAL EXPENDITURES</b>		<u>345,375</u>	<u>345,375</u>	<u>1,965,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85</u>	<u>(277,533)</u>	<u>(277,448)</u>	<u>(653,459)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds				
Transfer in		379,778	379,778	1,048,906
Transfer out		(35)	(35)	(342,284)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>379,743</u>	<u>379,743</u>	<u>706,622</u>
Net change in fund balances	85	102,210	102,295	53,163
<b>FUND BALANCES, beginning</b>	<u>6,105</u>	<u>665,198</u>	<u>671,303</u>	<u>2,709,183</u>
<b>FUND BALANCES, ending</b>	<u>\$ 6,190</u>	<u>\$ 767,408</u>	<u>\$ 773,598</u>	<u>\$ 2,762,346</u>

**CITY OF CHATFIELD, MINNESOTA**  
**POOL 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	Variance with	2009
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>REVENUES</b>					
Charges for Services					
Memberships	\$ 16,900	\$ 16,900	\$ 14,781	\$ (2,119)	\$ 15,240
General admission	6,000	6,000	6,084	84	4,738
Lesson fees	9,500	9,500	8,840	(660)	7,985
Interest income	2,000	2,000	1,476	(524)	1,891
Miscellaneous	2,100	2,100	2,592	492	4,014
<b>TOTAL REVENUES</b>	<u>36,500</u>	<u>36,500</u>	<u>33,773</u>	<u>(2,727)</u>	<u>33,868</u>
<b>EXPENDITURES</b>					
<b>Park and Recreation</b>					
Salaries	44,400	44,400	36,390	8,010	36,157
Employee benefits and retirement	3,500	3,500	2,784	716	2,766
Workers compensation	2,100	2,100	1,919	181	2,444
Operating supplies	10,000	10,000	7,291	2,709	7,294
Small tools and minor equipment	5,150	5,150	735	4,415	
Clothing	1,100	1,100	753	347	1,000
Telephone	620	620	546	74	543
Insurance	8,000	8,000	7,154	846	7,704
Utilities	12,400	12,400	5,863	6,537	6,772
Maintenance and repairs	6,695	6,695	1,934	4,761	3,710
Other	4,185	4,185	2,686	1,499	2,337
<b>TOTAL EXPENDITURES</b>	<u>98,150</u>	<u>98,150</u>	<u>68,055</u>	<u>30,095</u>	<u>70,727</u>
Excess (deficiency) of revenues over (under) expenditures	(61,650)	(61,650)	(34,282)	27,368	(36,859)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	61,650	61,650	61,650		56,225
Net change in fund balances			27,368	27,368	19,366
<b>FUND BALANCES, beginning</b>	<u>101,704</u>	<u>101,704</u>	<u>101,704</u>		<u>82,338</u>
<b>FUND BALANCES, ending</b>	<u>\$ 101,704</u>	<u>\$ 101,704</u>	<u>\$ 129,072</u>	<u>\$ 27,368</u>	<u>\$ 101,704</u>

**CITY OF CHATFIELD, MINNESOTA**  
**RURAL FIRE 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	Variance with	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>REVENUES</b>					
Intergovernmental Revenues					
Township contributions	\$	\$	\$	\$	\$ 35,382
DNR contract					
State aid					250
Charges for services					5,375
Interest income					1,062
Miscellaneous					422
<b>TOTAL REVENUES</b>					42,491
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
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
<b>TOTAL EXPENDITURES</b>			35	(35)	33,065
Excess (deficiency) of revenues over (under) expenditures			(35)	(35)	9,426
<b>OTHER FINANCING (USES)</b>					
Transfers in			35	35	
Transfers out					(32,470)
Net change in fund balances					(23,044)
<b>FUND BALANCES, beginning</b>					23,044
<b>FUND BALANCES, ending</b>	\$	\$	\$	\$	\$

**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**

	230		231			Variance with	
	Budgeted Amounts		Ambulance	Ambulance	2010	Final Budget -	2009
	Original	Final		Capital Reserve	Actual Amounts	Positive (Negative)	Actual Amounts
<b>REVENUES</b>							
Intergovernmental Revenues							
County contract	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500	\$	\$ 4,500
Township contributions	21,095	21,095	16,583		16,583	(4,512)	16,464
Training reimbursement	18,000	18,000	14,690		14,690	(3,310)	20,594
Charges for services	200,000	200,000	173,161		173,161	(26,839)	137,619
Interest income	1,500	1,500	1,247	2,404	3,651	2,151	5,370
Donations	5,000	5,000	400		400	(4,600)	5,600
Miscellaneous	3,000	3,000	576		576	(2,424)	1,461
<b>TOTAL REVENUES</b>	<b>253,095</b>	<b>253,095</b>	<b>211,157</b>	<b>2,404</b>	<b>213,561</b>	<b>(39,534)</b>	<b>191,608</b>
<b>EXPENDITURES</b>							
Public Safety							
Salaries	100,725	100,725	100,650		100,650	75	95,966
Employee benefits and retirement	16,360	16,360	15,990		15,990	370	15,626
Workers compensation	4,500	4,500	1,343		1,343	3,157	5,146
Health insurance	20,460	20,460	19,925		19,925	535	20,689
Innoculations	500	500	95		95	405	155
Training	9,500	9,500	11,279		11,279	(1,779)	9,563
Small tools and minor equipment	5,000	5,000	689		689	4,311	4,824
Office supplies	500	500	1,110		1,110	(610)	1,066
Operating supplies	9,000	9,000	12,818		12,818	(3,818)	10,774
Vehicle operating supplies	5,500	5,500	3,954		3,954	1,546	2,776
Telephone	1,800	1,800	1,720		1,720	80	1,782
Travel	1,000	1,000	371		371	629	
Printing and publications	500	500	178		178	322	185
Insurance	2,400	2,400	1,534		1,534	866	2,320
Utilities	6,500	6,500	6,369		6,369	131	6,260
Maintenance and repairs	9,000	9,000	13,494		13,494	(4,494)	14,282
Medical services	4,000	4,000	4,418		4,418	(418)	4,730
Laundry services	400	400	412		412	(12)	400
Clothing	1,500	1,500	3,120		3,120	(1,620)	1,371
Collections fees/bad debt							14,134
License, permits, dues and subscription	1,300	1,300	871		871	429	400
Capital outlay	120,000	120,000		1,298	1,298	116,702	2,267
Refunds	750	750	1,067		1,067	(317)	1,337
Other	3,645	3,645	2,856		2,856	789	3,046
<b>TOTAL EXPENDITURES</b>	<b>324,840</b>	<b>324,840</b>	<b>204,263</b>	<b>1,298</b>	<b>205,561</b>	<b>119,279</b>	<b>219,099</b>
Excess (deficiency) of revenues over (under) expenditures	(71,745)	(71,745)	6,894	1,106	8,000	79,745	(27,491)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	48,500	48,500	18,500	30,000	48,500		48,500
Transfers out	(43,600)	(43,600)	(44,189)		(44,189)	(589)	(31,163)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,900</b>	<b>4,900</b>	<b>(25,689)</b>	<b>30,000</b>	<b>4,311</b>	<b>(589)</b>	<b>17,337</b>
Net change in fund balances	(66,845)	(66,845)	(18,795)	31,106	12,311	79,156	(10,154)
<b>FUND BALANCES, beginning</b>	<b>346,343</b>	<b>346,343</b>	<b>182,700</b>	<b>163,643</b>	<b>346,343</b>		<b>356,497</b>
<b>FUND BALANCES, ending</b>	<b>\$ 279,498</b>	<b>\$ 279,498</b>	<b>\$ 163,905</b>	<b>\$ 194,749</b>	<b>\$ 358,654</b>	<b>\$ 79,156</b>	<b>\$ 346,343</b>

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	Variance with	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Interest Income	\$ 250	\$ 250	\$ 185	\$ (65)	\$ 280
EXPENDITURES					
Repairs and maintenance					
Small tools and minor equipment					
Capital outlay					
Miscellaneous					
TOTAL EXPENDITURES					
Excess (deficiency of revenues over (under) expenditures	250	250	185	(65)	280
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	\$ 14,086	\$ (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	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Charges for services	\$	\$	\$ 2,748	\$ 2,748	\$
Interest income			3,293	3,293	
Donations			280,020	280,020	
Miscellaneous			2,210	2,210	
<b>TOTAL REVENUES</b>			<b>288,271</b>	<b>288,271</b>	
EXPENDITURES					
Repairs and maintenance			13,174	(13,174)	
Professional Services			46,185	(46,185)	
Miscellaneous			30,606	(30,606)	
<b>TOTAL EXPENDITURES</b>			<b>89,965</b>	<b>(89,965)</b>	
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	
<b>FUND BALANCES, beginning</b>					
<b>FUND BALANCES, ending</b>	<b>\$</b>	<b>\$</b>	<b>\$ 258,306</b>	<b>\$ 368,857</b>	<b>\$</b>

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 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenues	\$ 49,544	\$ 49,544	\$ 48,040	\$ (1,504)	\$ 48,102
Library fines	3,600	3,600	3,465	(135)	3,462
Interest income	6,638	6,638	12,932	6,294	12,758
Miscellaneous	2,220	2,220	2,642	422	4,179
<b>TOTAL REVENUES</b>	<b>62,002</b>	<b>62,002</b>	<b>67,079</b>	<b>5,077</b>	<b>68,501</b>
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	81,842	81,842	80,490	1,352	81,791
Employee benefits and retirement	12,040	12,040	10,863	1,177	10,611
Workers compensation	255	255		255	323
Health insurance	11,256	11,256	15,196	(3,940)	11,625
Travel	500	500	349	151	470
Office supplies and postage	1,500	1,500	1,748	(248)	2,014
Operating supplies/small tools	2,000	2,000	1,666	334	2,390
Insurance	2,570	2,570	1,893	677	1,862
Utilities	5,500	5,500	4,993	507	5,138
Maintenance and repair	6,100	6,100	6,386	(286)	8,795
Telephone	1,200	1,200	1,198	2	1,209
Cleaning services	700	700	545	155	984
Capital outlay	14,900	14,900	15,265	(365)	15,242
Other	10,851	10,851	10,047	804	12,172
<b>TOTAL EXPENDITURES</b>	<b>151,214</b>	<b>151,214</b>	<b>150,839</b>	<b>575</b>	<b>154,626</b>
Excess (deficiency) of revenues over (under) expenditures	(89,212)	(89,212)	(83,560)	5,652	(86,125)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	95,850	95,850	95,850		103,557
Transfers out	(12,800)	(12,800)	(12,800)		(13,863)
Net change in fund balances	(6,162)	(6,162)	(510)	5,652	3,569
<b>FUND BALANCES, beginning</b>	<b>408,838</b>	<b>408,838</b>	<b>408,838</b>		<b>405,269</b>
<b>FUND BALANCES, ending</b>	<b>\$ 402,676</b>	<b>\$ 402,676</b>	<b>\$ 408,328</b>	<b>\$ 5,652</b>	<b>\$ 408,838</b>

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**CITY OF CHATFIELD, MINNESOTA**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2010**

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

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
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	<u>12,016</u>	<u>11,789</u>
Total Current Assets	<u>530,196</u>	<u>510,182</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	3,146	4,687
Accrued liabilities	14,884	14,884
Deferred revenue	<u>12,016</u>	<u>11,789</u>
Total Current Liabilities	<u>30,046</u>	<u>31,360</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>\$ 500,150</u>	<u>\$ 478,822</u>

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		2010	Variance with	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>Operating Revenue</b>					
Service fees	\$ 240,400	\$ 240,400	\$ 210,022	\$ (30,378)	\$ 222,858
<b>Operating Expenses</b>					
Salaries	37,200	37,200	41,457	(4,257)	60,151
Employee benefits and retirement	5,170	5,170	6,115	(945)	8,459
Health insurance	3,000	3,000		3,000	3,099
Workers compensation	1,400	1,400	1,414	(14)	1,453
Supplies	9,900	9,900	13,241	(3,341)	8,934
Utilities	12,500	12,500	12,439	61	12,227
Maintenance and repairs	5,000	5,000	9,474	(4,474)	15,761
Travel and training	900	900		900	60
Professional fees	10,700	10,700	12,903	(2,203)	10,615
Office expense	1,750	1,750	1,383	367	1,607
Insurance	2,900	2,900	1,687	1,213	2,797
Other	6,335	6,335	3,303	3,032	6,098
Total Operating Expenses	96,755	96,755	103,416	(6,661)	131,261
Operating Income	143,645	143,645	106,606	(37,039)	91,597
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	14,000	14,000	6,795	(7,205)	10,784
Refunds and reimbursements			259	259	426
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
<b>INCOME BEFORE TRANSFERS</b>	166,645	166,645	124,528	(42,117)	103,398
Transfers out	(103,200)	(103,200)	(103,200)		(68,289)
<b>CHANGE IN NET ASSETS</b>	63,445	63,445	21,328	(42,117)	35,109
<b>NET ASSETS - BEGINNING OF YEAR</b>	478,822	478,822	478,822		443,713
<b>NET ASSETS - END OF YEAR</b>	\$ 542,267	\$ 542,267	\$ 500,150	\$ (42,117)	\$ 478,822

**SCHEDULE 3**

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

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
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	<u>432,353</u>	<u>364,428</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	6,837	5,100
Accrued liabilities	23,615	23,615
Deferred revenue	40,055	39,299
Total Current Liabilities	<u>70,507</u>	<u>68,014</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>\$ 361,846</u>	<u>\$ 296,414</u>

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		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Service fees	\$ 713,000	\$ 712,900	\$ 600,015	\$ (112,885)	\$ 556,991
<b>Operating Expenses</b>					
Salaries	99,000	99,000	106,028	(7,028)	123,188
Employee benefits and retirement	13,725	13,725	14,880	(1,155)	16,645
Health insurance	10,825	10,825	11,912	(1,087)	13,781
Workers compensation	2,410	2,410	3,206	(796)	3,316
Supplies	7,850	7,850	5,910	1,940	6,654
Utilities	36,350	36,350	37,944	(1,594)	37,375
Maintenance and repairs	13,500	13,500	25,214	(11,714)	16,092
Travel and training	2,000	2,000	1,373	627	336
Professional fees	19,000	19,000	16,562	2,438	17,052
Office expense	1,500	1,500	2,244	(744)	1,649
Insurance	12,500	12,500	12,547	(47)	11,018
Other	30,200	30,100	26,382	3,718	26,255
Total Operating Expenses	248,860	248,760	264,202	(15,442)	273,361
Operating Income	464,140	464,140	335,813	(128,327)	283,630
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	10,000	10,000	4,439	(5,561)	7,397
Refunds and reimbursements			1,877	1,877	1,810
Penalties and discounts	1,000	1,000	256	(744)	1,859
Special assessments	9,000	9,000	34,432	25,432	36,737
Total Nonoperating Revenues (Expenses)	20,000	20,000	41,004	21,004	47,803
<b>INCOME BEFORE TRANSFERS</b>	484,140	484,140	376,817	(107,323)	331,433
Transfers out	(305,200)	(305,200)	(311,385)	(6,185)	(270,279)
<b>CHANGE IN NET ASSETS</b>	178,940	178,940	65,432	(113,508)	61,154
<b>NET ASSETS - BEGINNING OF YEAR</b>	296,414	296,414	296,414		235,260
<b>NET ASSETS - END OF YEAR</b>	\$ 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

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

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			
<b>Operating Revenue</b>					
Connection charges	\$ 8,000	\$ 8,000	\$ 4,800	\$ (3,200)	\$ 24,925
<b>Operating Expenses</b>					
Depreciation			80,490	(80,490)	78,730
Total Operating Expenses			80,490	(80,490)	78,730
Operating Income	8,000	8,000	(75,690)	83,690	(53,805)
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	20,000	20,000	6,213	13,787	14,832
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	28,000	28,000	(69,477)	97,477	(38,973)
Transfer in	68,000	68,000	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
<b>CHANGE IN NET ASSETS</b>	(47,617)	(47,617)	(145,094)	97,477	49,955
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,776,147	2,776,147	2,776,147		2,726,192
<b>NET ASSETS - END OF YEAR</b>	\$ 2,728,530	\$ 2,728,530	\$ 2,631,053	\$ 97,477	\$ 2,776,147

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

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 136,358	\$ 63,479
Restricted cash	667,494	792,125
Total Current Assets	<u>803,852</u>	<u>855,604</u>
<b>Property and Equipment</b>		
Nondepreciable	30,246	30,246
Depreciable	11,763,260	11,762,980
Less: Accumulated depreciation	<u>3,696,881</u>	<u>3,376,857</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>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	140,000	95,000
Deposits payable	140,100	
Accrued interest payable	<u>115,631</u>	<u>117,016</u>
Total Current Liabilities	395,731	212,016
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	<u>6,900,000</u>	<u>7,040,000</u>
Total Liabilities	<u>7,295,731</u>	<u>7,252,016</u>
<b>NET ASSETS</b>		
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>

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

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Connection fees	\$ 13,000	\$ 13,000	\$ 7,800	\$ (5,200)	\$ 24,460
<b>Operating Expenses</b>					
Maintenance and repairs			16,486		
Professional fees	10,700	10,700	8,000	2,700	
Depreciation			320,024	(320,024)	319,261
Total Operating Expenses	10,700	10,700	344,510	(333,810)	319,261
Operating Income (Loss)	2,300	2,300	(336,710)	339,010	(294,801)
<b>Nonoperating Revenues (Expenses)</b>					
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)
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(277,475)	(277,475)	(606,994)	329,519	(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
<b>CHANGE IN NET ASSETS</b>	(55,692)	(55,692)	(415,211)	299,519	(368,315)
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,019,957	2,019,957	2,019,957		2,388,272
<b>NET ASSETS - END OF YEAR</b>	\$ 1,964,265	\$ 1,964,265	\$ 1,604,746	\$ 299,519	\$ 2,019,957

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

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
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>51,883</u>	<u>47,101</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
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>
 <b>NET ASSETS</b>		
Unrestricted	<u>\$ 20,512</u>	<u>\$ 16,301</u>

## 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	Variance with	2009
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
<b>Operating Revenue</b>					
Charges for Services	\$ 162,000	\$ 162,000	\$ 170,988	\$ 8,988	\$ 154,850
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
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)
<b>Nonoperating Revenue</b>					
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

CITY OF CHATFIELD, MINNESOTA  
 LIBRARY FUND  
 Combining Balance Sheet  
 December 31, 2010  
 With Comparative Totals for December 31, 2009

	211	212	Totals	
	Library	Library Endowment	2010	2009
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 61,747	\$ 350,939	\$ 412,686	\$ 411,686
<b>LIABILITIES</b>				
Accounts payable	2,451		2,451	2,848
<b>NET ASSETS</b>				
Designated		350,939	350,939	349,717
Unrestricted	59,296		59,296	59,121
<b>Total Net Assets</b>	<b>\$ 59,296</b>	<b>\$ 350,939</b>	<b>\$ 410,235</b>	<b>\$ 408,838</b>

**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		211	212	2010	Variance with	2009
	Original	Final	Library	Library Endowment	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
<b>REVENUES</b>							
Intergovernmental revenues	\$ 49,544	\$ 49,544	\$ 48,040	\$	\$ 48,040	\$ (1,504)	\$ 48,102
Library fines	3,600	3,600	3,465		3,465	(135)	3,462
Interest income	6,638	6,638		12,932	12,932	6,294	12,758
Contributions			817	1,090	1,907		
Miscellaneous	2,220	2,220	2,642		2,642	422	4,179
<b>TOTAL REVENUES</b>	<b>62,002</b>	<b>62,002</b>	<b>54,964</b>	<b>14,022</b>	<b>68,986</b>	<b>5,077</b>	<b>68,501</b>
<b>EXPENDITURES</b>							
<b>Library</b>							
Salaries	81,842	81,842	80,490		80,490	1,352	81,791
Employee benefits and retirement	12,040	12,040	10,863		10,863	1,177	10,611
Workers compensation	255	255				255	323
Health insurance	11,256	11,256	15,196		15,196	(3,940)	11,625
Travel	500	500	349		349	151	470
Office supplies and postage	1,500	1,500	1,748		1,748	(248)	2,014
Operating supplies/small tools	2,000	2,000	1,666		1,666	334	2,390
Insurance	2,570	2,570	1,893		1,893	677	1,862
Utilities	5,500	5,500	4,993		4,993	507	5,138
Maintenance and repair	6,100	6,100	6,386		6,386	(286)	8,795
Telephone	1,200	1,200	1,198		1,198	2	1,209
Cleaning services	700	700	545		545	155	984
Capital outlay	14,900	14,900	15,265		15,265	(365)	15,242
Other	10,651	10,651	10,047		10,047	604	12,172
<b>TOTAL EXPENDITURES</b>	<b>151,214</b>	<b>151,214</b>	<b>150,639</b>		<b>150,639</b>	<b>575</b>	<b>154,626</b>
Excess (deficiency) of revenues over (under) expenditures	(89,212)	(89,212)	(95,675)	14,022	(81,653)	5,652	(86,125)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	95,850	95,850	95,850		95,850		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	5,652	3,569
<b>FUND BALANCES, beginning</b>	<b>408,838</b>	<b>408,838</b>	<b>59,121</b>	<b>349,717</b>	<b>408,838</b>		<b>405,269</b>
<b>FUND BALANCES, ending</b>	<b>\$ 402,676</b>	<b>\$ 402,676</b>	<b>\$ 59,296</b>	<b>\$ 350,939</b>	<b>\$ 410,235</b>	<b>\$ 5,652</b>	<b>\$ 408,838</b>

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## AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

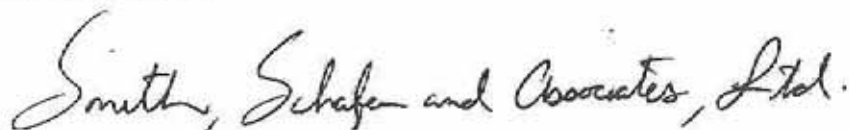
We have audited the general purpose financial statements of the City of Chatfield, Minnesota as of and for the year ended December 31, 2010 and have issued our report thereon dated March 10, 2011.

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.



Rochester, Minnesota  
March 10, 2011

