

CITY OF CHATFIELD, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2011

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CITY OF CHATFIELD, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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CITY OF CHATFIELD, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Don Hainlen	Mayor
Paul Novotny	Vice-Mayor
Russ Smith	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, 2011

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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, 2011, 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 2010 financial statements and, in our report dated March 10, 2011, 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.

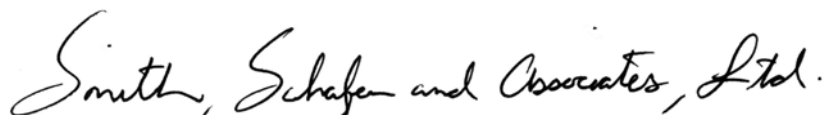
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2011, 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.

As discussed in the notes to the financial statements, City of Chatfield, Minnesota adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the City reporting nonspendable, restricted, committed, assigned and unassigned fund balances in its governmental funds.

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 inquires 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
February 27, 2012

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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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$15,893,601 (*net assets*). Of this amount, \$4,347,820 (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 decreased by \$106,525.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$2,707,575. Approximately \$2,068,725 of this total amount, or 76% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,025,759 or 62 percent of next year's total general fund property tax levy and local government aid.
- The City of Chatfield, Minnesota decreased total outstanding debt obligations by \$1,037,501 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-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 1999 improvement bond fund, the revolving loan fund, and the EDA fund, 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 24-28) and the special revenue funds (pages 29-30 and 67-71) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 18-22 of this report.

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

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

The proprietary fund financial statements can be found on pages 31-36 of this report.

The internal service fund financial statements can be found on pages 72-74 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 37-56 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 57-66 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 \$15,893,601 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net assets (\$10,391,101) 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	Business-Type	Totals	
	Activities	Activities	2011	2010
Current and other assets	\$ 4,438,948	\$ 2,125,633	\$ 6,564,581	\$ 7,702,637
Capital assets	10,754,903	9,963,005	20,717,908	21,015,076
Total assets	15,193,851	12,088,638	27,282,489	28,717,713
Long-term liabilities				
outstanding	4,068,642	6,934,997	11,003,639	12,108,793
Other liabilities	210,825	174,424	385,249	608,794
Total liabilities	4,279,467	7,109,421	11,388,888	12,717,587
Net assets:				
Invested in capital assets,				
net of related debt	6,686,261	3,704,840	10,391,101	9,573,777
Restricted	1,154,680		1,154,680	1,319,261
Unrestricted	3,073,443	1,274,377	4,347,820	5,107,088
Total net assets	\$ 10,914,384	\$ 4,979,217	\$ 15,893,601	\$ 16,000,126

The balance of *unrestricted net assets* (\$4,347,820) 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 \$36,656. This is not a significant amount of change but is primarily caused by the acquisition of a small parcel of property that will eventually be made ready for development by the private sector.

**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 \$143,181.

A condensed version of the Statement of Activities follows:

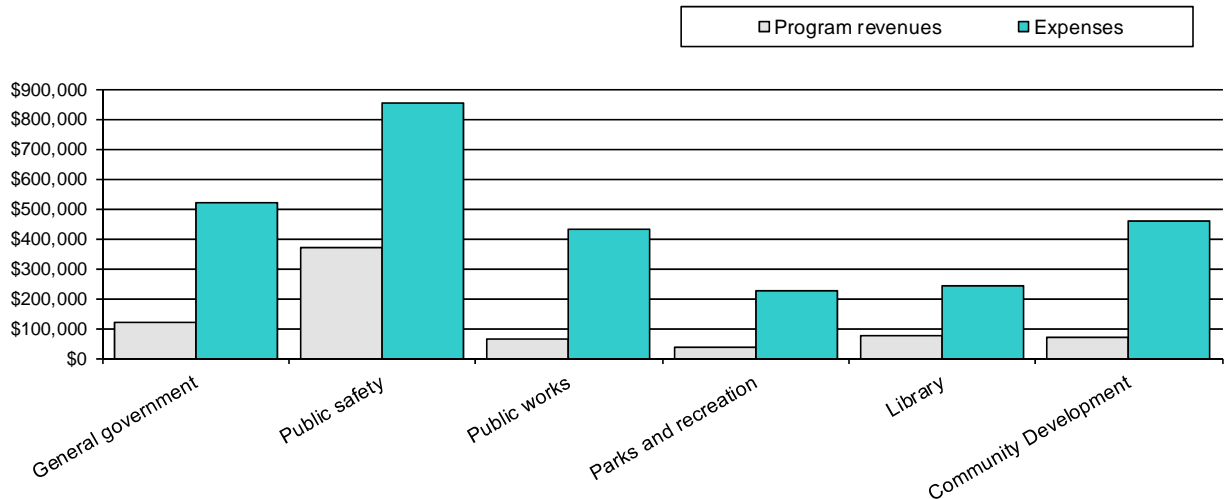
City of Chatfield, Minnesota Change in Net Assets

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
Revenue:				
Program revenues:				
Charges for services	\$ 369,845	\$ 1,113,773	\$ 1,483,618	\$ 1,372,428
Operating grants and contributions	274,124		274,124	3,287,812
Capital grants and contributions	91,977		91,977	93,774
General revenues:				
Property taxes	1,066,181		1,066,181	996,350
Tax increments	175,550		175,550	187,063
Grants and contributions not restricted to specific programs	687,525		687,525	688,179
Other	127,852	98,560	226,412	99,955
Total revenues	<u>2,793,054</u>	<u>1,212,333</u>	<u>4,005,387</u>	<u>6,725,561</u>
Expenses:				
General government	519,266		519,266	550,518
Public safety	851,672		851,672	812,227
Public works	429,094		429,094	448,032
Parks and recreation	225,024		225,024	213,630
Library	240,343		240,343	239,291
Community development	456,990		456,990	306,534
Interest on long-term debt	189,275		189,275	255,046
Water		200,377	200,377	183,906
Sewer		828,393	828,393	889,929
Garbage		171,478	171,478	165,749
Total expenses	<u>2,911,664</u>	<u>1,200,248</u>	<u>4,111,912</u>	<u>4,064,862</u>
Change in net assets before transfers	(118,610)	12,085	(106,525)	2,660,699
Transfers	155,266	(155,266)		
Change in net assets	36,656	(143,181)	(106,525)	2,660,699
Net assets, beginning of year	10,877,728	5,122,398	16,000,126	13,339,427
Net assets, end of year	<u>\$ 10,914,384</u>	<u>\$ 4,979,217</u>	<u>\$ 15,893,601</u>	<u>\$ 16,000,126</u>

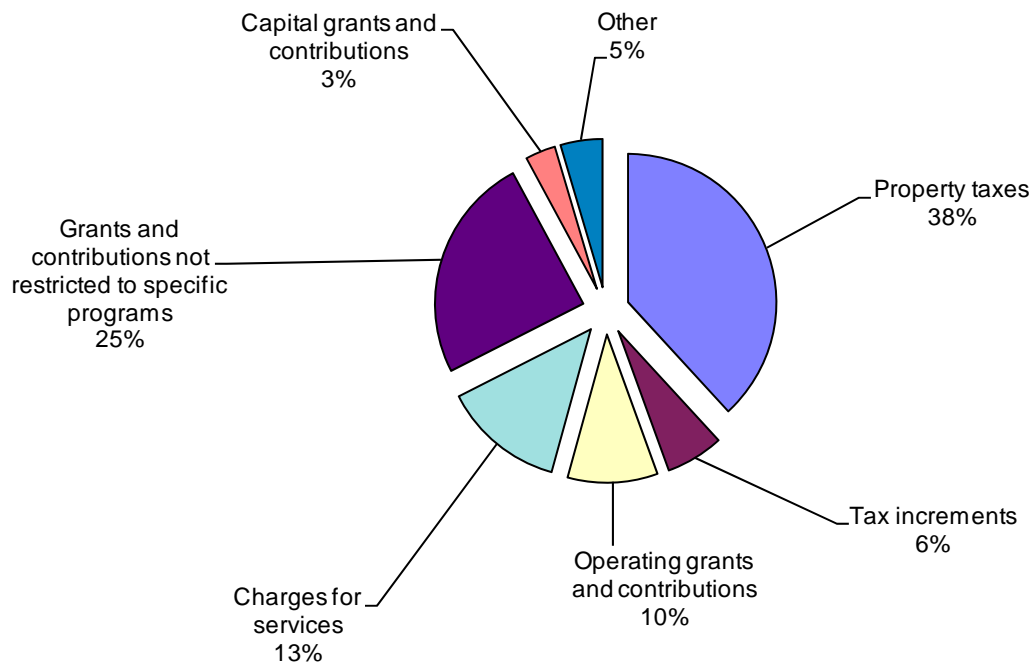
CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



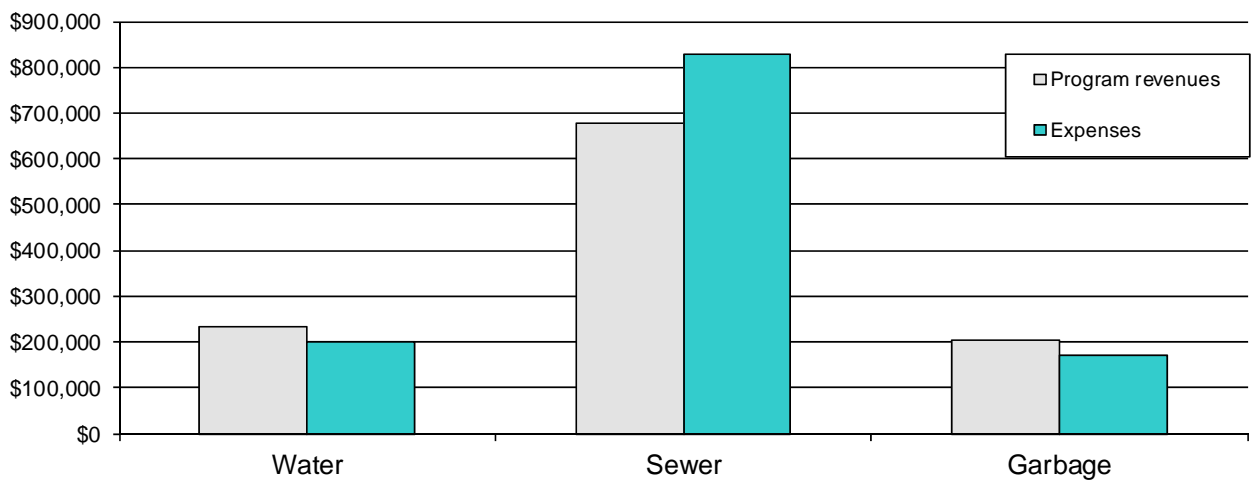
Revenues by Source - Governmental Activities



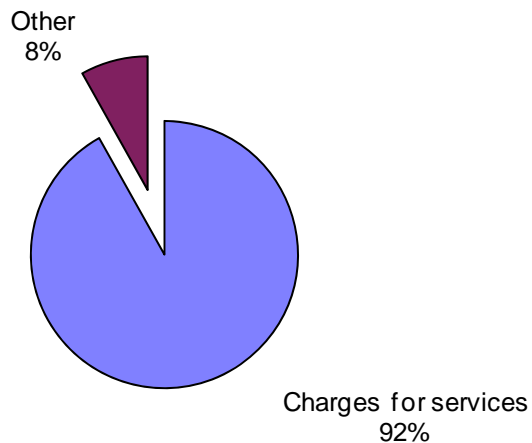
**CITY OF CHATFIELD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented this year have redefined the fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

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

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

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

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

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

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

At the end of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$2,707,575, a decrease of \$1,337,485. This decrease was caused, in part, by the transfer of assets to establish an Internal Service Fund and the acquisition of certain pieces of equipment that were included in the Capital Goods Replacement Plan. Approximately 76% of this total amount, or \$2,068,725, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The general fund is the chief operating fund of the City of Chatfield, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,025,759 . As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to next year's general fund tax and aid. Unreserved fund balance represents 62 percent of next year's total general fund property tax levy and local government aid.

The City of Chatfield, Minnesota has planned and implemented procedures to ensure that its general fund balance is at a level that meets its cash flow needs on a regular basis. That has been accomplished and a management tool is in place to ensure this into the future. In terms of the other governmental funds, similar management practices are in place and are designed to recognize the special nuances that might apply to funds that are more specific in nature than is the General Fund. Over the course of 2011, the fund balances of other governmental funds decreased in the amount of \$1,280,473, in comparison to the overall fund balances of \$2,707,575. Activity that contributed this decrease includes the early pay off of the 2002A Bonds, the demolition of one building, and the acquisition of a property.

Proprietary funds. The City of Chatfield, Minnesota's proprietary funds statements found on pages 31-36 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 - \$873,261, Sewer - \$361,469 and Garbage - \$39,647.

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 substantially 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 2011, \$90,000 was transferred from the General Fund to the wastewater treatment plant debt service fund and the City plans additional transfers in years 2012 – 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 2011. The current wastewater treatment plant is capable of accommodating significant growth in the community.

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

Proprietary funds. (Continued)

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

General Fund Budgetary Highlights

The City approved the 2011 general fund budget anticipating a decrease in general fund reserves of \$6,186. The actual change in the general fund balance was a decrease of \$78,702 which equates to \$72,516 more than anticipated in the budget.

Due to proactive management, steps taken in recent previous years, 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.

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

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, 2011, amounts to \$20,717,908 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, furniture and fixtures, wastewater treatment facility, park facilities, roads, and bridges. The total decrease in the City of Chatfield, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$297,168.

City of Chatfield, Minnesota Capital Assets

(net of depreciation)

	Governmental	Business-Type	Totals	
	Activities	Activities	2011	2010
Land	\$ 994,656	\$ 60,492	\$ 1,055,148	\$ 1,004,882
Buildings and improvements	4,561,549		4,561,549	4,735,605
Vehicles	639,517		639,517	432,515
Machinery and equipment	590,935	79,656	670,591	767,036
Furniture and fixtures	131,572		131,572	132,304
Wastewater treatment facility		9,822,857	9,822,857	10,209,340
Infrastructure	3,836,674		3,836,674	3,733,394
Total	<u>\$ 10,754,903</u>	<u>\$ 9,963,005</u>	<u>\$ 20,717,908</u>	<u>\$ 21,015,076</u>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 47-48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Chatfield, Minnesota had \$11,107,518 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	2011	2010
General obligation bonds	\$ 3,820,000	\$	\$ 3,820,000	\$ 4,766,984
Tax increment bonds	282,518		282,518	338,035
General obligation revenue bonds		7,005,000	7,005,000	7,040,000
Total	<u>\$ 4,102,518</u>	<u>\$ 7,005,000</u>	<u>\$ 11,107,518</u>	<u>\$ 12,145,019</u>

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

Capital Asset and Debt Administration (Continued)

The City of Chatfield, Minnesota's total bonds and notes payable decreased by \$1,037,501 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3, beginning on page 51.

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 2012 is slightly higher than historical rates and that increase was caused primarily by the State's implementation of the Market Value Exclusion program. This new program was designed to provide relief to residential homesteads and provides that relief by excluding a certain amount of the homestead's value from taxation. The exclusion of that property value caused the City's Tax Capacity to be reduced which had the impact of driving the tax rate up.

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

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

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 was recently constructed 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 well positioned to positively affect the growth of the community. From a very fundamental perspective, the community has residential lots available for new housing, lots which are offered in a variety of locations at a variety of price points. In addition, the Chatfield resident enjoys retail, professional and personal services of all kinds without needing to leave the city 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.

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CITY OF CHATFIELD, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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CITY OF CHATFIELD, MINNESOTA

STATEMENT OF NET ASSETS

December 31, 2011

With Comparative Totals for December 31, 2010

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
ASSETS				
Cash and investments	\$ 3,247,958	\$ 1,281,250	\$ 4,529,208	\$ 5,237,106
Restricted cash		676,832	676,832	667,494
Receivables	970,990	167,551	1,138,541	1,798,037
Prepaid items	220,000		220,000	
Capital assets:				
Nondepreciable	994,656	60,492	1,055,148	1,004,882
Depreciable, net	9,760,247	9,902,513	19,662,760	20,010,194
Total Assets	<u>15,193,851</u>	<u>12,088,638</u>	<u>27,282,489</u>	<u>28,717,713</u>
LIABILITIES				
Accounts payable	34,866	18,732	53,598	66,049
Deposits payable				140,100
Accrued interest payable	48,981	87,009	135,990	182,281
Accrued liabilities		12,678	12,678	20,265
Unearned revenue	2,002	26,246	28,248	66,758
Compensated absences	124,976	29,759	154,735	133,341
Noncurrent liabilities:				
Due within one year	326,966	340,000	666,966	511,201
Due in more than one year	<u>3,741,676</u>	<u>6,594,997</u>	<u>10,336,673</u>	<u>11,597,592</u>
Total Liabilities	<u>4,279,467</u>	<u>7,109,421</u>	<u>11,388,888</u>	<u>12,717,587</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,686,261	3,704,840	10,391,101	9,573,777
Restricted for:				
Revolving loans	641,985		641,985	633,947
Debt service	512,695		512,695	685,314
Unrestricted	<u>3,073,443</u>	<u>1,274,377</u>	<u>4,347,820</u>	<u>5,107,088</u>
Total Net Assets	<u>\$ 10,914,384</u>	<u>\$ 4,979,217</u>	<u>\$ 15,893,601</u>	<u>\$ 16,000,126</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011
 With Comparative Totals for the Fiscal Year Ending December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 519,266	\$ 90,928	\$ 30,928	\$
Public safety	851,672	224,632	143,123	
Public works	429,094		4,062	61,977
Parks and recreation	225,024	34,719		
Library	240,343	6,654	67,313	
Community development	456,990	12,912	28,698	30,000
Interest on long-term debt	189,275			
Total governmental activities	<u>2,911,664</u>	<u>369,845</u>	<u>274,124</u>	<u>91,977</u>
Business-Type activities:				
Water	200,377	234,182		
Sewer	828,393	676,147		
Garbage	171,478	203,444		
Total business-type activities	<u>1,200,248</u>	<u>1,113,773</u>		
Total	<u>\$ 4,111,912</u>	<u>\$ 1,483,618</u>	<u>\$ 274,124</u>	<u>\$ 91,977</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

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	
		2011	2010
\$ (397,410)		\$ (397,410)	\$ (438,775)
(483,917)		(483,917)	(425,989)
(363,055)		(363,055)	(372,200)
(190,305)		(190,305)	(181,193)
(166,376)		(166,376)	(183,237)
(385,380)		(385,380)	2,734,241
(189,275)		(189,275)	(255,046)
<u>(2,175,718)</u>		<u>(2,175,718)</u>	<u>877,801</u>
	\$ 33,805	33,805	41,708
	(152,246)	(152,246)	(247,682)
	31,966	31,966	17,325
	<u>(86,475)</u>	<u>(86,475)</u>	<u>(188,649)</u>
<u>(2,175,718)</u>	<u>(86,475)</u>	<u>(2,262,193)</u>	<u>689,152</u>
1,066,181		1,066,181	996,350
175,550		175,550	187,063
687,525		687,525	688,179
127,852	94,543	222,395	94,382
	4,017	4,017	5,573
155,266	(155,266)		
<u>2,212,374</u>	<u>(56,706)</u>	<u>2,155,668</u>	<u>1,971,547</u>
36,656	(143,181)	(106,525)	2,660,699
<u>10,877,728</u>	<u>5,122,398</u>	<u>16,000,126</u>	<u>13,339,427</u>
<u>\$ 10,914,384</u>	<u>\$ 4,979,217</u>	<u>\$ 15,893,601</u>	<u>\$ 16,000,126</u>

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CITY OF CHATFIELD, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

CITY OF CHATFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
With Comparative Totals for December 31, 2010

	100 General	360 Revolving Loan	240 EDA	317 1999 Improvement Bond
ASSETS				
Cash and investments	\$ 1,037,094	\$ 126,155	\$ 42,975	\$ 30,814
Accounts receivable	7,907			
Notes receivable		515,830		
Due from other governmental units	3,394			
Taxes receivable delinquent	18,010			
Special assessments receivable				
Due from other funds	2,316			
TOTAL ASSETS	<u>\$ 1,068,721</u>	<u>\$ 641,985</u>	<u>\$ 42,975</u>	<u>\$ 30,814</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 24,952	\$	\$ 2	\$
Due to other funds				
Deferred revenue	18,010	515,830		
Total Liabilities	<u>42,962</u>	<u>515,830</u>	<u>2</u>	
Fund Balance:				
Restricted:				
Creditors (debt covenants)				30,814
Regulations		126,155		
Committed:				
By Council action				
Assigned:				
Fund assignments			42,973	
Unassigned:	1,025,759			
Total Fund Balance	<u>1,025,759</u>	<u>126,155</u>	<u>42,973</u>	<u>30,814</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,068,721</u>	<u>\$ 641,985</u>	<u>\$ 42,975</u>	<u>\$ 30,814</u>

See Notes to the Financial Statements

FORM B-1

Other Governmental Funds	Totals	
	2011	2010
\$ 1,371,302	\$ 2,608,340	\$ 3,920,428
121,935	129,842	105,247
	515,830	519,823
800	4,194	62,703
2,093	20,103	36,770
299,019	299,019	841,669
	2,316	31,247
<u>\$ 1,795,149</u>	<u>\$ 3,579,644</u>	<u>\$ 5,517,887</u>
\$ 9,847	\$ 34,801	\$ 43,320
2,316	2,316	31,247
301,112	834,952	1,398,262
<u>313,275</u>	<u>872,069</u>	<u>1,472,829</u>
481,881	512,695	685,314
	126,155	114,124
440,240	440,240	410,235
559,753	602,726	1,760,169
	1,025,759	1,075,216
<u>1,481,874</u>	<u>2,707,575</u>	<u>4,045,058</u>
<u>\$ 1,795,149</u>	<u>\$ 3,579,644</u>	<u>\$ 5,517,887</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, 2011

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

Total governmental fund balances (page 17)	\$	2,707,575
--	----	-----------

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

Governmental funds - capital assets	\$	17,070,032	
Less: Accumulated depreciation		(6,315,129)	
			10,754,903

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Delinquent property taxes	\$	20,103	
Deferred special assessments		299,019	
Notes receivable		515,830	
			834,952

Internal service funds are used by management to charge the costs of capital acquisitions to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

859,597

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	\$	(4,102,518)	
Compensated absences		(124,976)	
Bond issuance costs net of amortization		33,876	
Accrued interest		(49,025)	
			(4,242,643)

Net assets of governmental activities (page 13)

\$ 10,914,384

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

For the Year Ended December 31, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	100 General	360 Revolving Loan	240 EDA	317 1999 Improvement Bond
REVENUES				
Property taxes	\$ 789,625	\$	\$	\$
Special assessments				531,122
Tax increments				
Licenses and permits	13,108			
Fines and forfeits	18,094			
Intergovernmental revenues	742,619			
Franchise fees				
Charges for services	9,893			
Investment income	43,342	8,010	3,277	
Contributions			500	
Miscellaneous revenues	86,261	4,020	12,557	
TOTAL REVENUES	<u>1,702,942</u>	<u>12,030</u>	<u>16,334</u>	<u>531,122</u>
EXPENDITURES				
Current				
General government	442,945			
Public safety	575,137			
Public works	503,329			
Parks and recreation	111,710			
Library				
Community development	3,968		40,270	
Capital Outlay			50,266	
Debt Service				474,910
TOTAL EXPENDITURES	<u>1,637,089</u>		<u>90,536</u>	<u>474,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,853</u>	<u>12,030</u>	<u>(74,202)</u>	<u>56,212</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				
Transfers in	99,147		39,650	
Transfers out	(243,702)		(12,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(144,555)</u>		<u>27,650</u>	
Net change in fund balances	(78,702)	12,030	(46,552)	56,212
FUND BALANCES, beginning	<u>1,104,461</u>	<u>114,125</u>	<u>89,525</u>	<u>(25,398)</u>
FUND BALANCES, ending	<u>\$ 1,025,759</u>	<u>\$ 126,155</u>	<u>\$ 42,973</u>	<u>\$ 30,814</u>

See Notes to the Financial Statements

FORM B-3

Other Governmental Funds	Totals	
	2011	2010
\$ 294,099	\$ 1,083,724	\$ 1,002,586
73,505	604,627	303,922
174,399	174,399	180,057
	13,108	17,538
3,068	21,162	19,485
114,282	856,901	856,638
25,169	25,169	24,727
263,138	273,031	235,217
73,241	127,870	67,826
66,048	66,548	3,079,852
18,829	121,667	124,013
<u>1,105,778</u>	<u>3,368,206</u>	<u>5,911,861</u>
38,164	481,109	484,894
339,640	914,777	665,120
	503,329	204,390
80,494	192,204	169,370
152,492	152,492	150,639
230,621	274,859	256,093
129,908	180,174	3,062,454
732,160	1,207,070	2,701,294
<u>1,703,479</u>	<u>3,906,014</u>	<u>7,694,254</u>
<u>(597,701)</u>	<u>(537,808)</u>	<u>(1,782,393)</u>
		1,455,000
439,736	578,533	1,396,821
<u>(1,122,508)</u>	<u>(1,378,210)</u>	<u>(1,091,202)</u>
<u>(682,772)</u>	<u>(799,677)</u>	<u>1,760,619</u>
<u>(1,280,473)</u>	<u>(1,337,485)</u>	<u>(21,774)</u>
<u>2,762,347</u>	<u>4,045,060</u>	<u>4,066,832</u>
<u>\$ 1,481,874</u>	<u>\$ 2,707,575</u>	<u>\$ 4,045,058</u>

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, 2011

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

Net change in fund balances - total governmental funds (page 20)	\$	(1,337,485)
--	----	-------------

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	\$	228,734	
Depreciation expense		(601,978)	(373,244)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

(13,324)

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, 2011	\$	834,952	
Deferred revenue, December 31, 2010		(1,398,262)	(563,310)

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		(13,807)
--------------------------------	--	----------

Internal service funds are used by management to charge the costs of equipment to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities

1,320,050

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal retirement on long-term debt	\$	1,002,501	
Amortization of bond issuance costs		(2,350)	
Change in accrued interest		17,625	1,017,776

Change in net assets of governmental activities (pages 15)	\$	36,656
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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, 2011

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

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy Collected	\$ 764,513	\$ 764,513	\$ 789,625	\$ 25,112	\$ 904,187
Licenses and permits	20,860	20,860	13,108	(7,752)	17,538
Intergovernmental Revenues					
Local government aid	780,545	780,545	666,960	(113,585)	666,960
Market value credit	73,853	73,853	15,168	(58,685)	16,518
State police aid	21,000	21,000	32,160	11,160	32,352
State fire aid	19,000	19,000	22,592	3,592	19,503
PERA aid	1,677	1,677	1,677		1,677
Highway	4,000	4,000	4,062	62	7,108
Other	3,000	3,000		(3,000)	17,000
Total Intergovernmental Revenues	903,075	903,075	742,619	(160,456)	761,118
Charges For Services					
Plan check fee	3,700	3,700	953	(2,747)	2,631
Fire protection fee	6,000	6,000	8,455	2,455	9,135
Franchise fees	1,000	1,000	485	(515)	1,295
Total Charges For Services	10,700	10,700	9,893	(807)	13,061
Fines and Forfeits					
Parking fines	2,100	2,100	3,425	1,325	2,358
Court fines and other	11,000	11,000	14,424	3,424	13,627
Animal fines	100	100	245	145	35
Total Fines and Forfeits	13,200	13,200	18,094	4,894	16,020
Investment Income	18,500	18,500	43,342	24,842	12,609
Miscellaneous Revenues					
Park and recreation	300	300	508	208	140
Sale of assets	75	75	11,650	11,575	2,389
Donations			4,082	4,082	8,615
Township contracts	35,771	35,771	36,997	1,226	35,678
Refunds/reimbursements	13,290	13,290	33,024	19,734	21,609
Total Miscellaneous Revenues	49,436	49,436	86,261	36,825	68,431
TOTAL REVENUES	\$ 1,780,284	\$ 1,780,284	\$ 1,702,942	\$ (77,342)	\$ 1,792,964

See Notes to the Financial Statements

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

For the Year Ended December 31, 2011
 With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,200	\$ 9,200	\$ 9,200	\$	\$ 9,200
Employee benefits and retirement	740	740	704	36	704
Workers compensation	45	45	53	(8)	44
Office supplies	400	400	609	(209)	326
Printing and publication	1,000	1,000	1,500	(500)	973
Insurance	350	350		350	
Travel	800	800	1,194	(394)	518
Legal fees	15,000	15,000	8,366	6,634	8,155
Dues and subscription	4,000	4,000	3,957	43	3,787
Departmental capital charge	750	750	253	497	
Other	7,850	7,850	1,400	6,450	1,576
Total Mayor and Council	40,135	40,135	27,236	12,899	25,283
Elections	3,910	3,910		3,910	2,973
Clerk's Office					
Salaries	205,500	205,500	203,637	1,863	199,620
Employee benefits and retirement	29,100	29,100	29,214	(114)	27,845
Workers compensation	4,000	4,000	3,362	638	2,807
Health insurance	45,800	45,800	39,822	5,978	38,951
Office supplies	4,000	4,000	2,152	1,848	2,568
Postage	1,400	1,400	688	712	835
Audit fees	7,350	7,350	7,850	(500)	7,350
Consulting fees	4,300	4,300	4,143	157	1,178
Licenses and dues	1,000	1,000	1,383	(383)	1,092
Insurance	3,800	3,800	3,524	276	3,070
Telephone	2,900	2,900	3,303	(403)	2,746
Printing and publication	900	900	402	498	727
Maintenance and repair	2,100	2,100	5,444	(3,344)	3,637
Conference expense	6,000	6,000	2,783	3,217	5,238
Departmental capital charge	5,900	5,900	5,653	247	
Other	16,225	16,225	13,946	2,279	12,715
Total Clerk's Office	340,275	340,275	327,306	12,969	310,379
Planning and Zoning					
Printing	500	500	511	(11)	34
Consulting fees	49,400	49,400	46,028	3,372	52,411
Departmental capital charge			6	(6)	
Other	2,675	2,675	1,161	1,514	1,666
Total Planning and Zoning	\$ 52,575	\$ 52,575	\$ 47,706	\$ 4,869	\$ 54,111

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, 2011
 With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget - Favorable (Unfavorable)	Actual
EXPENDITURES (continued)					
General Government (Continued)					
Municipal Building					
Operating supplies	\$ 4,000	\$ 4,000	\$ 5,028	\$ (1,028)	\$ 3,925
Small tools and minor equipment	500	500	119	381	569
Maintenance and repair	6,000	6,000	11,522	(5,522)	14,409
Insurance	9,000	9,000	8,086	914	7,999
Utilities	8,900	8,900	6,327	2,573	6,401
Departmental capital charge	9,000	9,000	9,000		
Other	12,200	12,200	615	11,585	606
Total Municipal Building	49,600	49,600	40,697	8,903	33,909
Total General Government	486,495	486,495	442,945	43,550	426,655
Public Safety					
Animal Control					
Operating supplies	300	300	119	181	117
Printing and publication	50	50		50	
Other	745	745	85	660	130
Total Animal Control	1,095	1,095	204	891	247
Civil Defense					
Contracted services	19,000	19,000	17,955	1,045	17,756
Departmental capital charge	3,000	3,000	13,000	(10,000)	
Total Civil Defense	22,000	22,000	30,955	(8,955)	17,756
Fire Department					
Salaries	12,000	12,000	10,520	1,480	11,170
Employee benefits and retirement	550	550	364	186	364
Fire pension contribution	23,100	23,100	45,456	(22,356)	23,071
Workers compensation	4,200	4,200	5,231	(1,031)	4,171
Innoculations	1,600	1,600	3,789	(2,189)	75
Vehicle operating supplies	2,000	2,000	1,548	452	1,283
Small tools and minor equipment	5,000	5,000	4,533	467	3,822
Telephone			44	(44)	140
Maintenance and repair	10,500	10,500	11,990	(1,490)	12,185
Insurance	5,500	5,500	4,792	708	5,348
Utilities	7,475	7,475	5,938	1,537	5,357
Printing and publishing	250	250	341	(91)	54
Training	3,500	3,500	7,243	(3,743)	3,277
Departmental capital charge	14,569	14,569	14,569		
Other	11,950	11,950	9,646	2,304	7,252
Total Fire Department	102,194	102,194	126,004	(23,810)	77,569
Building Code					
Consultant fee	10,300	10,300	9,398	902	13,199
Surcharge fee/sales tax	4,060	4,060	1,416	2,644	2,757
Total Building Code	\$ 14,360	\$ 14,360	\$ 10,814	\$ 3,546	\$ 15,956

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, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	<u>Budgeted Amounts</u>		<u>2011</u>	<u>Variance with</u>	<u>2010</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
EXPENDITURES (continued)					
Public Safety (Continued)					
Police Department					
Salaries	\$ 226,048	\$ 226,048	\$ 240,010	\$ (13,962)	\$ 227,804
Employee benefits and retirement	35,323	35,323	37,854	(2,531)	36,495
Workers compensation/unemployment	8,500	8,500	10,229	(1,729)	8,511
Health insurance	29,000	29,000	27,036	1,964	28,230
Operating supplies	2,500	2,500	2,303	197	684
Vehicle operating supplies	5,200	5,200	5,391	(191)	1,499
Small tools and minor equipment	4,800	4,800	2,466	2,334	1,044
Telephone	3,480	3,480	3,181	299	3,127
Legal fees	14,000	14,000	12,098	1,902	12,289
Vehicle lease	10,750	10,750	11,071	(321)	14,740
Towing and wrecker fees	2,000	2,000	2,273	(273)	2,286
Uniform allowance	3,375	3,375	2,554	821	2,782
Maintenance and repair	6,450	6,450	8,448	(1,998)	6,780
Clothing	2,000	2,000	1,007	993	667
Printing and publication	500	500		500	97
Postage	1,175	1,175	291	884	365
Training	6,000	6,000	1,730	4,270	3,377
Contracted services	750	750	300	450	408
Insurance	2,625	2,625	1,246	1,379	814
Utilities	8,625	8,625	6,327	2,298	6,369
Departmental capital charge	22,800	22,800	22,916	(116)	
Other	10,614	10,614	8,429	2,185	7,384
Total Police Department	<u>406,515</u>	<u>406,515</u>	<u>407,160</u>	<u>(645)</u>	<u>365,752</u>
Total Public Safety	<u>546,164</u>	<u>546,164</u>	<u>575,137</u>	<u>(28,973)</u>	<u>477,280</u>
Public Works					
Street Department					
Salaries	69,850	69,850	64,135	5,715	65,459
Employee benefits and retirement	9,000	9,000	9,310	(310)	9,213
Health insurance	12,400	12,400	12,353	47	11,558
Workers compensation	5,500	5,500	5,576	(76)	4,495
Operating supplies	8,000	8,000	9,212	(1,212)	7,324
Vehicle operating supplies	10,000	10,000	10,296	(296)	9,535
Maintenance and repair	21,500	21,500	59,907	(38,407)	37,794
Clothing	775	775	466	309	969
Snow removal	7,000	7,000	1,878	5,122	8,817
Insurance	9,000	9,000	9,189	(189)	7,811
Engineering fees	15,000	15,000	16,545	(1,545)	97
Small tools and minor equipment	4,000	4,000	1,402	2,598	2,662
Utilities	41,975	41,975	39,045	2,930	35,149
Travel					20
Departmental capital charge	174,070	174,070	254,883	(80,813)	
Other	4,560	4,560	9,132	(4,572)	3,487
Total Public Works	<u>\$ 392,630</u>	<u>\$ 392,630</u>	<u>\$ 503,329</u>	<u>\$ (110,699)</u>	<u>\$ 204,390</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, 2011
 With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES (continued)					
Parks and Recreation					
Parks					
Salaries	\$ 52,000	\$ 52,000	\$ 47,746	\$ 4,254	\$ 48,585
Employee benefits and retirement	6,450	6,450	6,478	(28)	6,278
Workers compensation	2,100	2,100	1,823	277	1,506
Small tools and minor equipment	1,000	1,000	2,323	(1,323)	54
Vehicle operating supplies			2,941	(2,941)	2,505
Maintenance and repair	5,000	5,000	5,683	(683)	5,112
Utilities	20,125	20,125	16,695	3,430	15,057
Insurance	7,000	7,000	5,967	1,033	6,890
Departmental capital charge	3,000	3,000	13,725	(10,725)	
Other	7,855	7,855	4,705	3,150	6,606
Total Parks	104,530	104,530	108,086	(3,556)	92,593
Recreation	10,500	10,500	2,024	8,476	7,122
Band					
School band concerts	480	480	480		480
Brass band concerts	1,120	1,120	1,120		1,120
Total Band	1,600	1,600	1,600		1,600
Total Parks and Recreation	116,630	116,630	111,710	4,920	101,315
Community Development					
Promotional expense	3,000	3,000	2,968	32	2,535
Donations			1,000	(1,000)	
Other	600	600		600	
Total Community Development	3,600	3,600	3,968	(368)	2,535
TOTAL EXPENDITURES	1,545,519	1,545,519	1,637,089	(91,570)	1,212,175
Excess (deficiency) of revenues over (under) expenditures	234,765	234,765	65,853	(168,912)	580,789
OTHER FINANCING SOURCES (USES)					
Transfers in	100,435	100,435	99,147	(1,288)	95,000
Transfers out	(341,386)	(341,386)	(243,702)	97,684	(743,533)
Total Other Financing Sources (Uses)	(240,951)	(240,951)	(144,555)	96,396	(648,533)
Net change in fund balances	(6,186)	(6,186)	(78,702)	(72,516)	(67,744)
FUND BALANCES, beginning	1,104,461	1,104,461	1,104,461		1,172,205
FUND BALANCES, ending	\$ 1,098,275	\$ 1,098,275	\$ 1,025,759	\$ (72,516)	\$ 1,104,461

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, 2011
 With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Investment Income	\$ 300	\$ 300	\$ 3,277	\$ 2,977	\$ 972
Contributions			500	500	2,710,000
Miscellaneous	4,500	4,500	12,557	8,057	11,453
TOTAL REVENUES	4,800	4,800	16,334	11,534	2,722,425
EXPENDITURES					
Community development	44,450	44,450	40,270	4,180	41,078
Capital outlay			50,266	(50,266)	2,709,000
TOTAL EXPENDITURES	44,450	44,450	90,536	(46,086)	2,750,078
Excess (deficiency) of revenues over (under) expenditures	(39,650)	(39,650)	(74,202)	(34,552)	(27,653)
OTHER FINANCING SOURCES (USES)					
Transfers in	39,650	39,650	39,650		39,650
Transfers out			(12,000)	(12,000)	(500)
Net change in fund balances			(46,552)	(46,552)	11,497
FUND BALANCES, beginning	89,525	89,525	89,525		78,028
FUND BALANCES, ending	\$ 89,525	\$ 89,525	\$ 42,973	\$ (46,552)	\$ 89,525

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, 2011

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

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Investment income	\$ 3,338	\$ 3,338	\$ 8,010	\$ 4,672	\$ 5,837
Miscellaneous	27,715	27,715	4,020	(23,695)	26,843
TOTAL REVENUES	31,053	31,053	12,030	(19,023)	32,680
EXPENDITURES					
Loan advances					12,712
Net change in fund balances	31,053	31,053	12,030	(19,023)	19,968
FUND BALANCES, beginning	114,125	114,125	114,125		94,156
FUND BALANCES, ending	<u>\$ 145,178</u>	<u>\$ 145,178</u>	<u>\$ 126,155</u>	<u>\$ (19,023)</u>	<u>\$ 114,124</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2011
With Comparative Totals for December 31, 2010

	Business-Type Activities - Enterprise Funds				
	601	611	602	612/328/428/331	
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
ASSETS					
Current Assets					
Cash and investments	\$ 537,271	\$ 324,704	\$ 861,975	\$ 331,368	\$ 45,806
Restricted cash					676,832
Accounts receivable, net	20,160		20,160	57,512	
Special assessments receivable	9,014		9,014	30,045	
Special assessments delinquent	4,724		4,724	15,748	
Prepaid items					
Total Current Assets	571,169	324,704	895,873	434,673	722,638
Noncurrent Assets					
Capital assets:					
Nondepreciable		30,246	30,246		30,246
Depreciable		2,897,713	2,897,713		11,768,604
Less: Accumulated depreciation		745,831	745,831		4,017,973
Net capital assets		2,182,128	2,182,128		7,780,877
Total Assets	571,169	2,506,832	3,078,001	434,673	8,503,515
LIABILITIES					
Current Liabilities					
Current maturities of bonds payable					340,000
Accounts payable	3,004		3,004	3,062	
Deposits payable					
Accrued interest payable					87,009
Deferred revenue	4,724		4,724	15,748	
Accrued liabilities	14,884		14,884	23,615	
Total Current Liabilities	22,612		22,612	42,425	427,009
Noncurrent Liabilities					
Bonds payable, net of current maturities					6,594,997
Total Liabilities	22,612		22,612	42,425	7,022,006
NET ASSETS					
Invested in capital assets, net of related debt		2,182,128	2,182,128		1,522,712
Unrestricted	548,557	324,704	873,261	392,248	(41,203)
Total Net Assets	\$ 548,557	\$ 2,506,832	\$ 3,055,389	\$ 392,248	\$ 1,481,509

FORM C-1

622		603		Totals		Governmental Activities- Internal Service Funds 801 Capital Goods 2011
Sewer - No Fault Back	Total Sewer	Garbage	2011	2010		
\$ 10,424	\$ 387,598	\$ 31,677	\$ 1,281,250	\$ 1,316,678	\$ 639,662	
	676,832		676,832	667,494		
	57,512	13,557	91,229	101,095		
	30,045	11,017	50,076	63,972		
	15,748	5,774	26,246	66,758		
					220,000	
10,424	1,167,735	62,025	2,125,633	2,215,997	859,662	
	30,246		60,492	60,492		
	11,768,604		14,666,317	14,633,988	2,997,678	
	4,017,973		4,763,804	4,360,424	1,639,086	
	7,780,877		9,963,005	10,334,056	1,358,592	
10,424	8,948,612	62,025	12,088,638	12,550,053	2,218,254	
	340,000		340,000	140,000		
	3,062	12,666	18,732	22,729	65	
				140,100		
	87,009		87,009	115,631		
	15,748	5,774	26,246	66,758		
	23,615	3,938	42,437	42,437		
	469,434	22,378	514,424	527,655	65	
	6,594,997		6,594,997	6,900,000		
	7,064,431	22,378	7,109,421	7,427,655	65	
	1,522,712		3,704,840	3,961,550	1,358,592	
10,424	361,469	39,647	1,274,377	1,160,848	859,597	
\$ 10,424	\$ 1,884,181	\$ 39,647	\$ 4,979,217	\$ 5,122,398	\$ 2,218,189	

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses
and Changes in Fund Net Assets

For the Year Ended December 31, 2011

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

	Business-Type Activities - Enterprise Funds				
	601	611	Total	602	612/328/428/331
	Water	Water Infrastructure	Water	Sewer	Sewer Infrastructure
Operating Revenues					
Service fees and charges	\$ 218,825	\$	\$ 218,825	\$ 623,903	\$
Departmental capital charge					
	<u>218,825</u>		<u>218,825</u>	<u>623,903</u>	
Operating Expenses					
Salaries	42,134		42,134	104,715	
Employee benefits and retirement	6,278		6,278	14,966	
Health insurance				12,737	
Workers compensation	1,770		1,770	3,990	
Garbage removal					
City clean up					
Supplies	14,769		14,769	5,625	
Utilities	13,472		13,472	38,201	
Maintenance and repairs	12,222		12,222	40,808	
Travel and training	350		350	1,389	
Professional fees	11,787		11,787	15,347	
Office expense	1,072		1,072	2,763	
Insurance	2,116		2,116	12,610	
Depreciation		82,288	82,288		321,092
Departmental capital charge	200	7,900	8,100	204	7,100
Other	4,019		4,019	25,472	
Total Operating Expenses	<u>110,189</u>	<u>90,188</u>	<u>200,377</u>	<u>278,827</u>	<u>328,192</u>
Operating Income (Loss)	<u>108,636</u>	<u>(90,188)</u>	<u>18,448</u>	<u>345,076</u>	<u>(328,192)</u>
Nonoperating Revenues (Expenses)					
Investment income	27,802	19,922	47,724	19,877	26,040
Refunds and reimbursements	433		433	2,577	
Penalties and discounts	229		229	778	
Special assessments	15,357		15,357	52,244	
Intergovernmental Contributions					
Miscellaneous					
Interest and fiscal charges					(221,374)
Total Nonoperating Revenues (Expenses)	<u>43,821</u>	<u>19,922</u>	<u>63,743</u>	<u>75,476</u>	<u>(195,334)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>152,457</u>	<u>(70,266)</u>	<u>82,191</u>	<u>420,552</u>	<u>(523,526)</u>
Capital contributions					
Transfers in		68,000	68,000		465,992
Transfers out	(104,050)	(121,955)	(226,005)	(390,150)	(65,703)
CHANGE IN NET ASSETS	<u>48,407</u>	<u>(124,221)</u>	<u>(75,814)</u>	<u>30,402</u>	<u>(123,237)</u>
NET ASSETS - BEGINNING OF YEAR	<u>500,150</u>	<u>2,631,053</u>	<u>3,131,203</u>	<u>361,846</u>	<u>1,604,746</u>
NET ASSETS - END OF YEAR	<u>\$ 548,557</u>	<u>\$ 2,506,832</u>	<u>\$ 3,055,389</u>	<u>\$ 392,248</u>	<u>\$ 1,481,509</u>

See Notes to the Financial Statements

FORM C-2

622		603	Totals		Governmental Activities-Internal Service Funds 801 Capital Goods
Sewer - No Fault Back	Total Sewer	Garbage	2011	2010	2011
\$	\$ 623,903	\$ 185,462	\$ 1,028,190	\$ 993,625	\$
	623,903	185,462	1,028,190	993,625	351,534
	104,715		146,849	147,869	
	14,966		21,244	21,074	
	12,737		12,737	11,912	
	3,990	3	5,763	4,620	
		144,320	144,320	139,524	
		12,529	12,529	10,963	
	5,625	546	20,940	19,923	
	38,201		51,673	50,383	
	40,808	1,437	54,467	52,672	27,752
	1,389		1,739	1,373	
	15,347		27,134	37,465	8,247
	2,763	899	4,734	4,753	
	12,610		14,726	14,234	
	321,092		403,380	400,514	37,433
	7,304	200	15,604		
	25,472	11,544	41,035	43,007	3,528
	607,019	171,478	978,874	960,286	76,960
	16,884	13,984	49,316	33,339	274,574
333	46,250	569	94,543	26,557	34,934
	2,577		3,010	2,136	
	778		1,007	332	
	52,244	17,982	85,583	57,310	
					3,500
					47,084
					5,015
	(221,374)		(221,374)	(279,298)	
333	(119,525)	18,551	(37,231)	(192,963)	90,533
333	(102,641)	32,535	12,085	(159,624)	365,107
					898,139
6,000	471,992		539,992	1,165,515	957,537
	(455,853)	(13,400)	(695,258)	(1,471,134)	(2,594)
6,333	(86,502)	19,135	(143,181)	(465,243)	2,218,189
4,091	1,970,683	20,512	5,122,398	5,587,641	
\$ 10,424	\$ 1,884,181	\$ 39,647	\$ 4,979,217	\$ 5,122,398	\$ 2,218,189

CITY OF CHATFIELD, MINNESOTA

PROPRIETARY FUNDS

Statement of Cash Flows

For the Year Ended December 31, 2011

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

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Cash Flows From Operating Activities					
Cash received from customers	\$ 239,069	\$	\$ 239,069	\$ 693,971	\$
Cash paid to employees	(50,182)		(50,182)	(136,408)	
Cash paid to suppliers	(60,149)	(7,900)	(68,049)	(146,194)	(7,100)
Net Cash Provided By (Used In) Operating Activities	128,738	(7,900)	120,838	411,369	(7,100)
Cash Flows From Noncapital Financing Activities					
Contributions					
Intergovernmental					
Miscellaneous					
Transfer in/out	(104,050)	(53,955)	(158,005)	(390,150)	400,289
Net Cash Provided By (Used In) Noncapital Financing Activities	(104,050)	(53,955)	(158,005)	(390,150)	400,289
Cash Flows From Capital and Related Financing Activities					
Capital asset acquisitions		(26,985)	(26,985)		(5,344)
Principal payments on bonds					(245,103)
Deposits					
Interest payments on bonds					(249,996)
Net Cash (Used In) Capital and Related Financing Activities		(26,985)	(26,985)		(500,443)
Cash Flows From Investing Activities					
Investment income received	27,802	19,922	47,724	19,877	26,040
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,490	(68,918)	(16,428)	41,096	(81,214)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	484,781	393,622	878,403	290,272	803,852
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 537,271	\$ 324,704	\$ 861,975	\$ 331,368	\$ 722,638
Classified as:					
Cash and cash equivalents	\$ 537,271	\$ 324,704	\$ 861,975	\$ 331,368	\$ 45,806
Restricted cash					676,832
Total Cash and Cash Equivalents, End of Year	\$ 537,271	\$ 324,704	\$ 861,975	\$ 331,368	\$ 722,638

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

Operating Income (Loss)	\$ 108,636	\$ (90,188)	\$ 18,448	\$ 345,076	\$ (328,192)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		82,288	82,288		321,092
Miscellaneous nonoperating income	16,019		16,019	55,599	
(Increase) Decrease In:					
Accounts receivable	4,225		4,225	14,469	
Increase (Decrease) In:					
Accounts payable	(142)		(142)	(3,775)	
Accrued liabilities					
Net Cash Provided By (Used In) Operating Activities	\$ 128,738	\$ (7,900)	\$ 120,838	\$ 411,369	\$ (7,100)

FORM C-3

					Governmental Activities- Internal Service Funds
Sewer - No Fault Back	Total Sewer	Garbage	Totals		2011
			2011	2010	
\$	\$ 693,971	\$ 208,512	\$ 1,141,552	\$ 1,029,801	\$ 351,534
	(136,408)	(3)	(186,593)	(185,475)	
	(153,294)	(171,555)	(392,898)	(371,889)	(39,462)
	404,269	36,954	562,061	472,437	312,072
					47,084
					3,500
					5,015
6,000	16,139	(13,400)	(155,266)	(311,619)	954,943
6,000	16,139	(13,400)	(155,266)	(311,619)	1,010,542
	(5,344)		(32,329)	(26,379)	(497,886)
	(245,103)		(245,103)	(95,000)	
				140,100	(220,000)
	(249,996)		(249,996)	(280,683)	
	(500,443)		(527,428)	(261,962)	(717,886)
333	46,250	569	94,543	26,547	34,934
6,333	(33,785)	24,123	(26,090)	(74,597)	639,662
4,091	1,098,215	7,554	1,984,172	2,058,769	
\$ 10,424	\$ 1,064,430	\$ 31,677	\$ 1,958,082	\$ 1,984,172	\$ 639,662
\$ 10,424	\$ 387,598	\$ 31,677	\$ 1,281,250	\$ 1,316,678	\$ 639,662
	676,832		676,832	667,494	
\$ 10,424	\$ 1,064,430	\$ 31,677	\$ 1,958,082	\$ 1,984,172	\$ 639,662
\$	\$ 16,884	\$ 13,984	\$ 49,316	\$ 35,258	\$ 274,574
	321,092		403,380	400,514	37,433
	55,599	17,982	89,600	59,778	
	14,469	5,068	23,762	(23,602)	
	(3,775)	(80)	(3,997)	489	65
\$	\$ 404,269	\$ 36,954	\$ 562,061	\$ 472,437	\$ 312,072

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CITY OF CHATFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

The *revolving loan fund* 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.

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

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

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)

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes (continued)

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.

Special assessments outstanding at December 31, 2011 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 <u>in Years</u>
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.

Net Assets / Fund Balance

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

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

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

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)

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

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

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

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

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

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

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2011, 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	1,075,551
Certificates of deposit	1,871,368
U.S. Government Bonds	1,132,519
Municipal Bonds	1,021,292
Money Market Funds	<u>105,160</u>
Total Cash and Investments	<u>\$ 5,206,040</u>

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

Cash and Investments	\$ 4,529,208
Restricted Cash	<u>676,832</u>
	<u>\$ 5,206,040</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, 2011:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/11
RFL#12	5/30/2006	\$ 40,245	5%	10 years	\$ 27,758
Bernard Bus	6/30/2008	511,088	2%	10 years	478,533
Country Craft & Gifts, LLC	7/12/2010	12,840	6%	5 years	9,539
		<u>\$ 564,173</u>			<u>\$ 515,830</u>

D. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 944,390	\$ 50,266	\$	\$ 994,656
Total capital assets, not being depreciated	<u>944,390</u>	<u>50,266</u>		<u>994,656</u>
Capital assets, being depreciated:				
Buildings	7,172,035			7,172,035
Infrastructure	5,487,989	289,330		5,777,319
Vehicles	1,126,913	312,391	93,668	1,345,636
Furniture and fixtures	239,207	13,344		252,551
Machinery and equipment	1,466,546	61,289		1,527,835
Total capital assets, being depreciated	<u>15,492,690</u>	<u>676,354</u>	<u>93,668</u>	<u>16,075,376</u>
Less accumulated depreciation for:				
Buildings	2,436,430	174,056		2,610,486
Infrastructure	1,754,595	186,050		1,940,645
Vehicles	694,398	92,063	80,342	706,119
Furniture and fixtures	106,903	14,076		120,979
Machinery and equipment	763,734	173,166		936,900
Total accumulated depreciation	<u>5,756,060</u>	<u>639,411</u>	<u>80,342</u>	<u>6,315,129</u>
Total capital assets, being depreciated, net	<u>9,736,630</u>	<u>36,943</u>	<u>13,326</u>	<u>9,760,247</u>
Governmental activities capital assets, net	<u>\$ 10,681,020</u>	<u>\$ 87,209</u>	<u>\$ 13,326</u>	<u>\$ 10,754,903</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 60,492	\$	\$	\$ 60,492
Total capital assets, not being depreciated	60,492			60,492
Capital assets, being depreciated:				
Wastewater Treatment Facility and Distribution	14,392,960			14,392,960
Machinery and equipment	241,028	32,329		273,357
Total capital assets, being depreciated	14,633,988	32,329		14,666,317
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	4,183,620	386,483		4,570,103
Machinery and equipment	176,803	16,898		193,701
Total accumulated depreciation	4,360,423	403,381		4,763,804
Total capital assets, being depreciated, net	10,273,565	(371,052)		9,902,513
Business-type activities capital assets, net	<u>\$ 10,334,057</u>	<u>\$ (371,052)</u>	<u>\$</u>	<u>\$ 9,963,005</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 56,844
Public safety	151,315
Public works	221,464
Parks and recreation	44,072
Library	101,116
EDA	64,600

Total depreciation expense - governmental activities

\$ 639,411

Business-Type Activities:

Water Infrastructure	\$ 82,288
Sewer Infrastructure	321,093

Total depreciation expense - business-type activities

\$ 403,381

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, 2011 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund - Other	\$ 99,147	\$ 243,702
Special Revenue:		
Pool	60,000	149,839
Ambulance	51,000	42,360
EDA	39,650	12,000
Library	17,673	15,079
Historical Society	900	15,773
Cable Access		1,288
Heritage Preservation	9,100	10,173
Chatfield Center for the Arts	32,736	
Tourism		1,140
Senior Citizen		6,115
Fit City		559
Debt Service:		
1997 GO Water Revenue	22,150	
2001 Refunding Bond		66,408
2002 Fingerson-Donahoe		39,837
2008A HL Tower/Hillside Drive	139,921	
2000B Improvement	2,316	
2004A GO Sewer Revenue	64,103	
2010A GO Refunding Bond		
Capital Project:		
Capital Project Reserve	39,837	6,529
Capital Goods		767,408
Internal Service	957,537	2,594
Enterprise:		
Water		104,050
Sewer		390,150
Garbage		13,400
Water Infrastructure	68,000	121,955
Sewer Infrastructure	465,992	65,703
Sewer - No Fault Back	6,000	
Total Transfers	\$ 2,076,062	\$ 2,076,062

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 2011 are as follows:

Special Revenue Funds	
General	\$ 91,570
Ambulance	19,638
EDA	46,086
Enterprise Funds	
Water	9,584
Water Infrastructure	90,188
Sewer Infrastructure	328,192
Garbage	19,603

All excess expenditures were the result of planned processes.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
1997 Water Revenue (4.45-5.55%)	\$ 40,000	\$	\$ 20,000	\$ 20,000	\$ 20,000
1999 Improvement (5.75%)	456,984		456,984		
2000B Improvement (5.75%)	40,000		40,000		
2002A Refunding (3.0-4.9%)	225,000		165,000	60,000	30,000
2002B Improvement Revolving (4.5%)	35,000		35,000		
2004A Sewer & Perm Improv Refunding (3.75%)	415,000		85,000	330,000	85,000
2008A Utility Revenue & Improv Bond (3.85-4.9%)	2,150,000		75,000	2,075,000	80,000
2010A Capital Improvement Refunding (2.0-3.9%)	1,405,000		70,000	1,335,000	75,000
Less: Unamortized Issuance Costs	(36,226)		(2,350)	(33,876)	
Tax Increment Bonds:					
1999 Tax Increment (5.75%)	338,035		55,517	282,518	36,966
Total Bonds and Notes Payable	5,068,793		1,000,151	4,068,642	326,966
Other Liabilities:					
Compensated Absences	111,169	13,807		124,976	
Governmental Activities Long-term Liabilities	5,179,962	13,807	1,000,151	4,193,618	326,966
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2005A Disposal System (3.5-4.15%)	7,040,000		7,040,000		
2011A Refunding Bonds (3.42%)		7,005,000		7,005,000	340,000
Less: Unamortized Issuance Costs		(27,815)	(1,636)	(26,179)	
Less: Bond discount		(46,563)	(2,739)	(43,824)	
Other Liabilities:					
Compensated Absences	22,172	7,587		29,759	
Business-type Activities Long-term Liabilities	7,062,172	6,938,209	7,035,625	6,964,756	340,000
Total	\$ 12,242,134	\$ 6,952,016	\$ 8,035,776	\$ 11,158,374	\$ 666,966

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, 2011, 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
<u>Governmental Activities</u>						
2012	\$ 290,000	\$ 146,419	\$ 36,966	\$ 8,946		
2013	275,000	135,865	32,082	13,829		
2014	250,000	126,957	33,977	11,935		
2015	265,000	118,514	35,983	9,929		
2016	200,000	110,496	38,107	7,805		
2017-2021	1,080,000	436,222	105,403	9,377		
2022-2026	1,200,000	204,010				
2027-2030	260,000	15,190				
Totals	<u>\$ 3,820,000</u>	<u>\$ 1,293,671</u>	<u>\$ 282,518</u>	<u>\$ 61,821</u>		

Business-Type Activities

2012	\$ 340,000	\$ 205,535
2013	355,000	198,585
2014	360,000	191,435
2015	365,000	184,185
2016	370,000	176,835
2017-2021	1,955,000	743,928
2022-2026	2,250,000	410,080
2027-2028	1,010,000	40,800
Totals	<u>\$ 7,005,000</u>	<u>\$ 2,110,583</u>

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, 2011, remaining notes outstanding totaled \$3,148,964.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

Conduit Debt Obligations (continued)

To provide financing for phase II improvements to Olmsted Medical Center, (a non-profit corporation), the City of Chatfield, Minnesota issued \$2,600,000 of Health Care Facilities Revenue Note dated April 1, 2006. These notes are special limited obligations of the City, payable solely from income sources of the non-profit corporation. The notes do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At December 31, 2011, remaining notes outstanding totaled \$1,868,558.

4. Other Information

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)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Plan Description (continued)

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members are required to contribute 9.6% of their annual covered salary in 2011. The City of Chatfield, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan PERF, 7.25% for Coordinated Plan PERF members, 14.4% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$39,062, \$40,567, and \$40,392, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2011, 2010, and 2009, were \$34,442, \$31,982, and \$32,352, 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 2011.

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 2011. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Fund Equity

Committed fund balances as of December 31, 2011 are as follows:

Committed fund balance:	
Library Fund	\$ 440,240

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CITY OF CHATFIELD, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2011

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue						
	616	211/212	225	230/231	200	614	270
	Pool	Library	Tourism	Ambulance	Historical Society	Cable Access	Heritage Preservation
ASSETS							
Cash and investments	\$	\$ 443,576	\$	\$ 182,607	\$	\$ 60,218	\$
Accounts receivable				115,622		6,313	
Due from other governmental units							
Taxes receivable - delinquent							
Special assessments receivable							
TOTAL ASSETS	\$	\$ 443,576	\$	\$ 298,229	\$	\$ 66,531	\$
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$	\$ 3,336	\$	\$ 1,847	\$	\$ 33	\$
Deferred revenue							
Due to other funds							
Total Liabilities		3,336		1,847		33	
Fund Balance							
Restricted:							
Creditors (debt covenants)							
Regulations							
Committed:							
By Council resolution		440,240					
Assigned:							
Fund assignments				296,382		66,498	
Unassigned:							
Total Fund Balance		440,240		296,382		66,498	
TOTAL LIABILITIES AND FUND BALANCE	\$	\$ 443,576	\$	\$ 298,229	\$	\$ 66,531	\$

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
\$	\$ 116,101	\$ 24,175	\$ 19,548	\$ 1	\$ 58	\$ 511	\$ 1,273	\$	\$ 848,068 121,935
\$	\$ 116,101	\$ 24,175	\$ 19,548	\$ 1	\$ 58	\$ 511	\$ 1,273	\$	\$ 970,003
\$	\$ 4,631	\$	\$	\$	\$	\$	\$	\$	\$ 9,847
	4,631								9,847
									440,240
	111,470	24,175	19,548	1	58	511	1,273		519,916
	111,470	24,175	19,548	1	58	511	1,273		960,156
\$	\$ 116,101	\$ 24,175	\$ 19,548	\$ 1	\$ 58	\$ 511	\$ 1,273	\$	\$ 970,003

**CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
December 31, 2011

	Debt Service			
	315	377	313	320
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2000B Improvement Bond	2001 Refunding Bond
ASSETS				
Cash and investments	\$ 60,514	\$ 1,203	\$ 2,316	\$
Accounts receivable				
Due from other governmental units				
Taxes receivable - delinquent				
Special assessment receivable				
TOTAL ASSETS	<u>\$ 60,514</u>	<u>\$ 1,203</u>	<u>\$ 2,316</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Deferred revenue				
Due to other funds			2,316	
Total Liabilities			<u>2,316</u>	
Fund Balance				
Restricted:				
Creditors (debt covenants)	60,514	1,203		
Regulations				
Committed:				
By Council resolution				
Assigned:				
Fund assignments				
Unassigned:				
Total Fund Balance	<u>60,514</u>	<u>1,203</u>		
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 60,514</u>	<u>\$ 1,203</u>	<u>\$ 2,316</u>	<u>\$</u>

323 2002A Refunding Bond	324 2002B Revenue Bond	325 2002C Fingerson- Donahoe Bond	326 2004A GO Sewer and Perm Improv Refunding Bond	329 2008A HL Tower/ Hillside Drive Bond	330 2010A Refunding Bond	Total
\$ 20,816	\$ 8,296	\$	\$ 93,200	\$ 189,393	\$ 107,659	\$ 483,397
9			151	231	409	800
50			806	1,237		2,093
45,776	2,574			250,669		299,019
<u>\$ 66,651</u>	<u>\$ 10,870</u>	<u>\$</u>	<u>\$ 94,157</u>	<u>\$ 441,530</u>	<u>\$ 108,068</u>	<u>\$ 785,309</u>

\$ 45,826	\$ 2,574	\$	\$ 806	\$ 251,906	\$	\$ 301,112
						2,316
<u>45,826</u>	<u>2,574</u>	<u></u>	<u>806</u>	<u>251,906</u>	<u></u>	<u>303,428</u>

20,825	8,296		93,351	189,624	108,068	481,881
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<u>20,825</u>	<u>8,296</u>	<u></u>	<u>93,351</u>	<u>189,624</u>	<u>108,068</u>	<u>481,881</u>
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<u>\$ 66,651</u>	<u>\$ 10,870</u>	<u>\$</u>	<u>\$ 94,157</u>	<u>\$ 441,530</u>	<u>\$ 108,068</u>	<u>\$ 785,309</u>
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CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Capital Projects				Total Nonmajor Governmental Funds 2011
	430 Construction	431 Industrial Drive Construction	801 Capital Goods	Total	
ASSETS					
Cash and investments	\$	\$ 39,837	\$	\$ 39,837	\$ 1,371,302
Accounts receivable					121,935
Due from other governmental units					800
Taxes receivable - delinquent					2,093
Special assessment receivable					299,019
TOTAL ASSETS	<u>\$</u>	<u>\$ 39,837</u>	<u>\$</u>	<u>\$ 39,837</u>	<u>\$ 1,795,149</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$	\$	\$	\$	\$ 9,847
Deferred revenue					301,112
Due to other funds					2,316
Total Liabilities					313,275
Fund Balance					
Restricted:					
Creditors (debt covenants)					481,881
Regulations					
Committed:					
By Council action					440,240
Assigned:					
Fund assignments		39,837		39,837	559,753
Unassigned:					
Total Fund Balance		39,837		39,837	1,481,874
TOTAL LIABILITIES AND FUND BALANCE	<u>\$</u>	<u>\$ 39,837</u>	<u>\$</u>	<u>\$ 39,837</u>	<u>\$ 1,795,149</u>

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue						
	616	211/212	225	230/231	200	614	270
	Pool	Library	Tourism	Ambulance	Historical Society	Cable Access	Heritage Preservation
REVENUES							
Property tax levy							
Property tax collected	\$	\$ 90,000	\$	\$	\$	\$	\$
Special assessments							
Tax increments							
Fines and forfeits		3,068					
Intergovernmental		48,039		46,224			1,800
Franchise fees						25,169	
Charges for services	34,209			202,475		14,300	
Investment income	7,053	15,936	59	10,816	787	2,955	246
Contributions		19,274		5,150			
Miscellaneous		3,586		4,063		8,953	
TOTAL REVENUES	41,262	179,903	59	268,728	787	51,377	2,046
EXPENDITURES							
Current:							
General government						38,164	
Public safety				339,640			
Park and recreation	80,494						
Library		152,492					
Community development							11,617
Debt service							
Principal retirement							
Interest and fiscal charges							
Capital outlay							
TOTAL EXPENDITURES	80,494	152,492		339,640		38,164	11,617
Excess (deficiency) of revenues over (under) expenditures	(39,232)	27,411	59	(70,912)	787	13,213	(9,571)
OTHER FINANCING SOURCES (USES)							
Transfer in	60,000	17,673		51,000	900		9,100
Transfer out	(149,839)	(15,079)	(1,140)	(42,360)	(15,773)	(1,288)	(10,173)
TOTAL OTHER FINANCING SOURCES (USES)	(89,839)	2,594	(1,140)	8,640	(14,873)	(1,288)	(1,073)
Net change in fund balances	(129,071)	30,005	(1,081)	(62,272)	(14,086)	11,925	(10,644)
FUND BALANCES, beginning	129,071	410,235	1,081	358,654	14,086	54,573	10,644
FUND BALANCES, ending	\$	\$ 440,240	\$	\$ 296,382	\$	\$ 66,498	\$

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
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 90,000
				12,236	13,895	8,097	62,135		96,363
	14,347						1,151		3,068
	12,154								111,561
317	10,536	653	435			27	329	29	25,169
	11,624	15,000	15,000						263,138
	2,227								50,178
									66,048
									18,829
317	50,888	15,653	15,435	12,236	13,895	8,124	63,615	29	724,354
									38,164
									339,640
									80,494
									152,492
	107,302	5,420	3,439	12,237	13,892	8,098	68,616		230,621
	129,908								129,908
	237,210	5,420	3,439	12,237	13,892	8,098	68,616		971,319
317	(186,322)	10,233	11,996	(1)	3	26	(5,001)	29	(246,965)
	32,736								171,409
(6,115)								(559)	(242,326)
(6,115)	32,736							(559)	(70,917)
(5,798)	(153,586)	10,233	11,996	(1)	3	26	(5,001)	(530)	(317,882)
5,798	265,056	13,942	7,552	2	55	485	6,274	530	1,278,038
\$	\$ 111,470	\$ 24,175	\$ 19,548	\$ 1	\$ 58	\$ 511	\$ 1,273	\$	\$ 960,156

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Debt Service			
	315	377	313	320
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2000B Improvement Bond	2001 Refunding Bond
REVENUES				
Property tax levy				
Property tax collected	\$	\$	\$	\$
Special assessments			42,300	
Tax increments		78,036		
Fines and forfeits				
Intergovernmental				
Franchise fees				
Charges for services				
Investment income	3,305	63		3,446
Contributions				
Miscellaneous				
TOTAL REVENUES	<u>3,305</u>	<u>78,099</u>	<u>42,300</u>	<u>3,446</u>
EXPENDITURES				
Current:				
General government				
Public safety				
Park and recreation				
Library				
Community development				
Debt service				
Principal retirement	20,000	55,517	40,000	
Interest and fiscal charges	2,200	22,518	769	
Capital outlay				
TOTAL EXPENDITURES	<u>22,200</u>	<u>78,035</u>	<u>40,769</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(18,895)</u>	<u>64</u>	<u>1,531</u>	<u>3,446</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	22,150		2,316	
Transfer out				(66,408)
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,150</u>		<u>2,316</u>	<u>(66,408)</u>
Net change in fund balances	3,255	64	3,847	(62,962)
FUND BALANCES, beginning	<u>57,259</u>	<u>1,139</u>	<u>(3,847)</u>	<u>62,962</u>
FUND BALANCES, ending	<u>\$ 60,514</u>	<u>\$ 1,203</u>	<u>\$</u>	<u>\$</u>

323	324	325	326	329	330	
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
\$ 2,453 12,451	\$ 2,908	\$	\$ 38,856	\$ 59,217 15,846	\$ 103,573	\$ 204,099 73,505 78,036
43			678	1,049	951	2,721
2,860	652	2,068	1,394	2,657	6,279	22,724
17,807	3,560	2,068	40,928	78,769	110,803	381,085
165,000 9,231	35,000 1,059		85,000 13,969	75,000 93,549	70,000 43,348	545,517 186,643
174,231	36,059		98,969	168,549	113,348	732,160
(156,424)	(32,499)	2,068	(58,041)	(89,780)	(2,545)	(351,075)
		(39,837)	64,103	139,921		228,490 (106,245)
		(39,837)	64,103	139,921		122,245
(156,424)	(32,499)	(37,769)	6,062	50,141	(2,545)	(228,830)
177,249	40,795	37,769	87,289	139,483	110,613	710,711
\$ 20,825	\$ 8,296	\$	\$ 93,351	\$ 189,624	\$ 108,068	\$ 481,881

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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, 2011

	Capital Projects				
	430	431	801		Total Nonmajor
	Construction	Industrial Drive Construction	Capital Goods	Total	Governmental Funds
					2011
REVENUES					
Property tax levy					
Property tax collected	\$	\$	\$	\$	\$ 294,099
Special assessments					73,505
Tax increments					174,399
Fines and forfeits					3,068
Intergovernmental					114,282
Franchise fees					25,169
Charges for services					263,138
Investment income	339			339	73,241
Contributions					66,048
Miscellaneous					18,829
TOTAL REVENUES	339			339	1,105,778
EXPENDITURES					
Current:					
General government					38,164
Public safety					339,640
Park and recreation					80,494
Library					152,492
Community development					230,621
Debt service					
Principal retirement					545,517
Interest and fiscal charges					186,643
Capital outlay					129,908
TOTAL EXPENDITURES					1,703,479
Excess (deficiency) of revenues over (under) expenditures	339			339	(597,701)
OTHER FINANCING SOURCES (USES)					
Transfer in		39,837		39,837	439,736
Transfer out	(6,529)		(767,408)	(773,937)	(1,122,508)
TOTAL OTHER FINANCING SOURCES (USES)	(6,529)	39,837	(767,408)	(734,100)	(682,772)
Net change in fund balances	(6,190)	39,837	(767,408)	(733,761)	(1,280,473)
FUND BALANCES, beginning	6,190		767,408	773,598	2,762,347
FUND BALANCES, ending	\$	\$ 39,837	\$	\$ 39,837	\$ 1,481,874

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

For the Year Ended December 31, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	<u>Budgeted Amounts</u>		<u>2011</u>	<u>Variance with</u>	<u>2010</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>	
REVENUES					
Charges for Services					
Memberships	\$ 16,500	\$ 16,500	\$ 13,310	\$ (3,190)	\$ 14,781
General admission	5,000	5,000	8,151	3,151	6,084
Lesson fees	8,000	8,000	8,600	600	8,840
Investment income	2,000	2,000	7,053	5,053	1,476
Miscellaneous	2,300	2,300	4,148	1,848	2,592
TOTAL REVENUES	<u>33,800</u>	<u>33,800</u>	<u>41,262</u>	<u>7,462</u>	<u>33,773</u>
EXPENDITURES					
Park and Recreation					
Salaries	44,500	44,500	42,678	1,822	36,390
Employee benefits and retirement	3,500	3,500	3,265	235	2,784
Workers compensation	2,100	2,100	2,326	(226)	1,919
Operating supplies	9,050	9,050	7,482	1,568	7,291
Small tools and minor equipment	3,000	3,000	906	2,094	735
Clothing	1,150	1,150	826	324	753
Telephone	650	650	643	7	546
Insurance	7,500	7,500	6,553	947	7,154
Utilities	14,260	14,260	9,597	4,663	5,863
Maintenance and repairs	6,000	6,000	3,421	2,579	1,934
Other	3,500	3,500	2,797	703	2,686
TOTAL EXPENDITURES	<u>95,210</u>	<u>95,210</u>	<u>80,494</u>	<u>14,716</u>	<u>68,055</u>
Excess (deficiency) of revenues over (under) expenditures	(61,410)	(61,410)	(39,232)	22,178	(34,282)
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	60,000	60,000		61,650
Transfers out			(149,839)	(149,839)	
Net change in fund balances	(1,410)	(1,410)	(129,071)	(127,661)	27,368
FUND BALANCES, beginning	<u>129,071</u>	<u>129,071</u>	<u>129,071</u>		<u>101,704</u>
FUND BALANCES, ending	<u>\$ 127,661</u>	<u>\$ 127,661</u>	<u>\$</u>	<u>\$ (127,661)</u>	<u>\$ 129,072</u>

CITY OF CHATFIELD, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		230	231	2011	Variance with	2010
	Original	Final	Ambulance	Ambulance Capital Reserve	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
REVENUES							
Intergovernmental Revenues							
County contract	\$ 4,500	\$ 4,500	\$ 4,500	\$	\$ 4,500	\$	\$ 4,500
Township contributions	24,095	24,095	16,569		16,569	(7,526)	16,583
Training reimbursement	18,600	18,600	23,155		23,155	4,555	14,690
Other State Aids			2,000		2,000		
Charges for services	200,000	200,000	202,475		202,475	2,475	173,161
Investment income	2,000	2,000	4,111	6,705	10,816	8,816	3,651
Donations	3,000	3,000	150	5,000	5,150	2,150	400
Miscellaneous	3,000	3,000	4,063		4,063	1,063	576
TOTAL REVENUES	255,195	255,195	257,023	11,705	268,728	11,533	213,561
EXPENDITURES							
Public Safety							
Salaries	102,007	102,007	98,048		98,048	3,959	100,650
Employee benefits and retirement	16,360	16,360	16,828		16,828	(468)	15,990
Workers compensation	5,200	5,200	2,012		2,012	3,188	1,343
Health insurance	19,960	19,960	16,741		16,741	3,219	19,925
Innoculations	400	400	368		368	32	95
Training	10,500	10,500	16,452		16,452	(5,952)	11,279
Small tools and minor equipment	4,000	4,000	1,257		1,257	2,743	689
Office supplies	1,000	1,000	1,459		1,459	(459)	1,110
Operating supplies	9,000	9,000	12,941		12,941	(3,941)	12,818
Vehicle operating supplies	4,000	4,000	5,865		5,865	(1,865)	3,954
Telephone	1,500	1,500	1,496		1,496	4	1,720
Travel	1,000	1,000	66		66	934	371
Printing and publications	200	200	529		529	(329)	178
Insurance	2,400	2,400	1,249		1,249	1,151	1,534
Utilities	7,475	7,475	6,327		6,327	1,148	6,369
Maintenance and repairs	8,000	8,000	14,096		14,096	(6,096)	13,494
Medical services	4,000	4,000	4,879		4,879	(879)	4,418
Laundry services	400	400	503		503	(103)	412
Clothing	1,400	1,400	267		267	1,133	3,120
License, permits, dues and subscription	900	900	719		719	181	871
Capital outlay	115,000	115,000		131,271	131,271	(16,271)	1,298
Refunds	1,000	1,000	1,275		1,275	(275)	1,067
Departmental capital charge	1,200	1,200	1,011		1,011	189	2,189
Other	3,100	3,100	3,981		3,981	(881)	2,856
TOTAL EXPENDITURES	320,002	320,002	208,369	131,271	339,640	(19,638)	207,750
Excess (deficiency) of revenues over (under) expenditures	<u>(64,807)</u>	<u>(64,807)</u>	<u>48,654</u>	<u>(119,566)</u>	<u>(70,912)</u>	<u>(8,105)</u>	<u>5,811</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	51,000	51,000	21,000	30,000	51,000		48,500
Transfers out	(42,360)	(42,360)	(42,360)		(42,360)		(42,000)
TOTAL OTHER FINANCING SOURCES (USES)	8,640	8,640	(21,360)	30,000	8,640		6,500
Net change in fund balances	(56,167)	(56,167)	27,294	(89,566)	(62,272)	(8,105)	12,311
FUND BALANCES, beginning	358,654	358,654	163,904	194,749	358,654		346,343
FUND BALANCES, ending	\$ 302,487	\$ 302,487	\$ 191,198	\$ 105,183	\$ 296,382	\$ (6,105)	\$ 358,654

**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, 2011

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

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Investment income	\$ 250	\$ 250	\$ 787	\$ 537	\$ 185
OTHER FINANCING SOURCES (USES)					
Transfers in	900	900	900		900
Transfers out			(15,773)	(15,773)	
Net change in fund balances	1,150	1,150	(14,086)	(15,236)	1,085
FUND BALANCES, beginning	14,086	14,086	14,086		13,001
FUND BALANCES, ending	<u>\$ 15,236</u>	<u>\$ 15,236</u>	<u>\$</u>	<u>\$ (15,236)</u>	<u>\$ 14,086</u>

**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, 2011

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

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Intergovernmental	\$	\$	\$ 14,347	\$ 14,347	\$ 6,750
Charges for services			12,154	12,154	2,748
Investment income			10,536	10,536	3,293
Donations			11,624	11,624	280,020
Miscellaneous			2,227	2,227	2,210
TOTAL REVENUES			50,888	50,888	295,021
EXPENDITURES					
Repairs and maintenance	5,940	5,940	18,297	(12,357)	13,174
Professional Services	15,400	15,400	45,124	(29,724)	46,185
Miscellaneous	57,400	57,400	43,851	13,549	30,606
Capital outlay			129,908	(129,908)	
TOTAL EXPENDITURES	78,740	78,740	237,180	(158,440)	89,965
Excess (deficiency of revenues over (under) expenditures	(78,740)	(78,740)	(186,292)	(107,552)	205,056
OTHER FINANCING SOURCES					
Transfers in	20,736	20,736	32,736	12,000	60,000
Net change in fund balances	(58,004)	(58,004)	(153,556)	(95,552)	265,056
FUND BALANCES, beginning	265,056	265,056	265,056		
FUND BALANCES, ending	\$ 207,052	\$ 207,052	\$ 111,500	\$ (95,552)	\$ 265,056

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	Budgeted Amounts		211	212	2011	Variance with	2010
	Original	Final	Library	Library	Actual	Final Budget -	Actual
				Endowment	Amounts	Positive	Amounts
						(Negative)	
REVENUES							
Property tax levy	\$ 90,000	\$ 90,000	\$ 90,000	\$	\$ 90,000	\$	\$
Intergovernmental revenues	48,039	48,039	48,039		48,039		48,040
Library fines	3,600	3,600	3,068		3,068	(532)	3,465
Investment income			3,024	12,912	15,936	15,936	12,932
Contributions			3,606	15,668	19,274	19,274	1,907
Miscellaneous	2,320	2,320	3,586		3,586	1,266	2,642
TOTAL REVENUES	143,959	143,959	151,323	28,580	179,903	35,944	68,986
EXPENDITURES							
Library							
Salaries	81,665	81,665	79,292		79,292	2,373	80,490
Employee benefits and retirement	12,040	12,040	10,886		10,886	1,154	10,863
Workers compensation	255	255	42		42	213	
Health insurance	18,088	18,088	16,488		16,488	1,600	15,196
Travel	500	500	269		269	231	349
Office supplies and postage	1,500	1,500	988		988	512	1,748
Operating supplies/small tools	1,550	1,550	3,453		3,453	(1,903)	1,666
Insurance	2,000	2,000	1,703		1,703	297	1,893
Utilities	6,000	6,000	5,212		5,212	788	4,993
Maintenance and repair	7,000	7,000	7,913		7,913	(913)	6,386
Telephone	1,200	1,200	1,330		1,330	(130)	1,198
Cleaning services	700	700	851		851	(151)	545
Capital outlay	14,900	14,900	13,853		13,853	1,047	15,265
Other	10,413	10,413	10,212		10,212	201	10,047
TOTAL EXPENDITURES	157,811	157,811	152,492		152,492	5,319	150,639
Excess (deficiency) of revenues over (under) expenditures	(13,852)	(13,852)	(1,169)	28,580	27,411	41,263	(81,653)
OTHER FINANCING SOURCES (USES)							
Transfers in	14,029	14,029	17,673		17,673	3,644	95,850
Transfers out	(14,029)	(14,029)		(15,079)	(15,079)	(1,050)	(12,800)
Net change in fund balances	(13,852)	(13,852)	16,504	13,501	30,005	43,857	1,397
FUND BALANCES, beginning	410,235	410,235	59,296	350,939	410,235		408,838
FUND BALANCES, ending	\$ 396,383	\$ 396,383	\$ 75,800	\$ 364,440	\$ 440,240	\$ 43,857	\$ 410,235

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statement of Net Assets
December 31, 2011

	<u>2011</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 639,662
Downpayment on equipment	<u>220,000</u>
Total Current Assets	<u>859,662</u>
Noncurrent Assets	
Capital assets:	
Depreciable	2,997,678
Less: Accumulated depreciation	<u>1,639,086</u>
Net capital assets	<u>1,358,592</u>
Total Assets	<u>2,218,254</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>65</u>
Total Current Liabilities	<u>65</u>
NET ASSETS	
Unrestricted	<u><u>\$ 2,218,189</u></u>

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statement of Revenues, Expenses
and Changes in Fund Net Assets
For the Year Ended December 31, 2011

	<u>2011</u>
Operating Revenues	
Departmental capital charge	<u>\$ 351,534</u>
Operating Expenses	
Depreciation	37,433
Repairs	27,752
Minor equipment	2,680
Printing	848
Engineering fees	<u>8,247</u>
Total Operating Expenses	<u>76,960</u>
Operating Income (Loss)	<u>274,574</u>
Nonoperating Revenues (Expenses)	
Interest income	34,934
Intergovernmental	3,500
Contributions	47,084
Miscellaneous	<u>5,015</u>
Total Nonoperating Revenues (Expenses)	<u>90,533</u>
INCOME (LOSS) BEFORE TRANSFERS	365,107
Capital contributions	898,139
Transfers in	957,537
Transfers out	<u>(2,594)</u>
CHANGE IN NET ASSETS	2,218,189
NET ASSETS - BEGINNING OF YEAR	<u> </u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,218,189</u></u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2011

FORM E-3

	<u>2011</u>
Cash Flows From Operating Activities	
Cash received from other departments	\$ 351,534
Cash paid to suppliers	<u>(39,462)</u>
	<u>312,072</u>
Cash Flows From Noncapital Financing Activities	
Contributions	47,084
Intergovernmental	3,500
Miscellaneous	5,015
Transfer in/out	<u>954,943</u>
Net Cash Provided by (Used in)	
Noncapital Financing Activities	<u>1,010,542</u>
Financing Activities	
Capital asset acquisitions	(497,886)
Deposits	<u>(220,000)</u>
Net Cash (Used In) Capital and Related	
Financing Activities	<u>(717,886)</u>
Cash Flows From Investing Activities	
Investment income received	<u>34,934</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	639,662
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u> </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 639,662</u></u>

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

Operating Income	\$ 274,574
Adjustments to Reconcile Operating	
Income to Net Cash Provided	
by Operating Activities	
Depreciation	37,433
Increase (Decrease in:	
Accounts payable	<u>65</u>
Net Cash Provided By Operating Activities	<u><u>\$ 312,072</u></u>

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CITY OF CHATFIELD, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 537,271	\$ 484,781
Accounts receivable, net	20,160	21,884
Special assessments receivable	9,014	11,515
Special assessments delinquent	4,724	12,016
Total Current Assets	<u>571,169</u>	<u>530,196</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,004	3,146
Accrued liabilities	14,884	14,884
Deferred revenue	4,724	12,016
Total Current Liabilities	<u>22,612</u>	<u>30,046</u>
NET ASSETS		
Unrestricted	<u><u>\$ 548,557</u></u>	<u><u>\$ 500,150</u></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, 2011

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

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Service fees	\$ 199,200	\$ 199,200	\$ 218,825	\$ 19,625	\$ 210,022
Operating Expenses					
Salaries	38,300	38,300	42,134	(3,834)	41,457
Employee benefits and retirement	5,675	5,675	6,278	(603)	6,115
Workers compensation	1,500	1,500	1,770	(270)	1,414
Supplies	11,200	11,200	14,769	(3,569)	13,241
Utilities	14,375	14,375	13,472	903	12,439
Maintenance and repairs	10,000	10,000	12,222	(2,222)	9,474
Travel and training	300	300	350	(50)	
Professional fees	10,950	10,950	11,787	(837)	12,903
Office expense	1,800	1,800	1,072	728	1,383
Insurance	2,900	2,900	2,116	784	1,687
Departmental capital charge	200	200	200		200
Other	3,405	3,405	4,019	(614)	3,303
Total Operating Expenses	100,605	100,605	110,189	(9,584)	103,616
Operating Income	98,595	98,595	108,636	10,041	106,406
Nonoperating Revenues (Expenses)					
Investment income	14,000	14,000	27,802	13,802	6,795
Refunds and reimbursements			433	433	259
Penalties and discounts	1,000	1,000	229	(771)	76
Special assessments	8,500	8,500	15,357	6,857	10,792
Total Nonoperating Revenues (Expenses)	23,500	23,500	43,821	20,321	17,922
INCOME BEFORE TRANSFERS	122,095	122,095	152,457	30,362	124,328
Transfers out	(104,050)	(104,050)	(104,050)		(103,000)
CHANGE IN NET ASSETS	18,045	18,045	48,407	30,362	21,328
NET ASSETS - BEGINNING OF YEAR	500,150	500,150	500,150		478,822
NET ASSETS - END OF YEAR	\$ 518,195	\$ 518,195	\$ 548,557	\$ 30,362	\$ 500,150

SCHEDULE 3

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 331,368	\$ 290,272
Accounts receivable, net	57,512	63,643
Special assessments receivable	30,045	38,383
Special assessments delinquent	15,748	40,055
Total Current Assets	<u>434,673</u>	<u>432,353</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	3,062	6,837
Accrued liabilities	23,615	23,615
Deferred revenue	15,748	40,055
Total Current Liabilities	<u>42,425</u>	<u>70,507</u>
 NET ASSETS		
Unrestricted	<u><u>\$ 392,248</u></u>	<u><u>\$ 361,846</u></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, 2011

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

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Service fees	\$ 583,000	\$ 582,900	\$ 623,903	\$ 41,003	\$ 600,015
Operating Expenses					
Salaries	103,950	103,950	104,715	(765)	106,028
Employee benefits and retirement	17,475	17,475	14,966	2,509	14,880
Health insurance	13,605	13,605	12,737	868	11,912
Workers compensation	3,500	3,500	3,990	(490)	3,206
Supplies	8,050	8,050	5,625	2,425	5,910
Utilities	41,750	41,750	38,201	3,549	37,944
Maintenance and repairs	35,000	35,000	40,808	(5,808)	25,214
Travel and training	1,700	1,700	1,389	311	1,373
Professional fees	17,300	17,300	15,347	1,953	16,562
Office expense	1,500	1,500	2,763	(1,263)	2,244
Insurance	13,000	13,000	12,610	390	12,547
Departmental capital charge	300	300	204	96	385
Other	28,350	28,250	25,472	2,778	26,382
Total Operating Expenses	285,480	285,380	278,827	6,553	264,587
Operating Income	297,520	297,520	345,076	47,556	335,428
Nonoperating Revenues (Expenses)					
Investment income	10,000	10,000	19,877	9,877	4,439
Refunds and reimbursements			2,577	2,577	1,877
Penalties and discounts	1,000	1,000	778	(222)	256
Special assessments	20,000	20,000	52,244	32,244	34,432
Total Nonoperating Revenues (Expenses)	31,000	31,000	75,476	44,476	41,004
INCOME BEFORE TRANSFERS	328,520	328,520	420,552	92,032	376,432
Transfers out	(342,050)	(342,050)	(390,150)	(48,100)	(311,000)
CHANGE IN NET ASSETS	(13,530)	(13,530)	30,402	43,932	65,432
NET ASSETS - BEGINNING OF YEAR	361,846	361,846	361,846		296,414
NET ASSETS - END OF YEAR	\$ 348,316	\$ 348,316	\$ 392,248	\$ 43,932	\$ 361,846

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statement of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	<u>\$ 324,704</u>	<u>\$ 393,622</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	2,897,713	2,870,728
Less: Accumulated depreciation	<u>745,831</u>	<u>663,543</u>
Property, Plant and Equipment, Net	<u>2,182,128</u>	<u>2,237,431</u>
Total Assets	<u>2,506,832</u>	<u>2,631,053</u>
NET ASSETS		
Invested in capital assets	2,182,128	2,237,431
Unrestricted	<u>324,704</u>	<u>393,622</u>
Total Net Assets	<u><u>\$ 2,506,832</u></u>	<u><u>\$ 2,631,053</u></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, 2011

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

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Connection charges	\$ 3,200	\$ 3,200	\$	\$ (3,200)	\$ 4,800
Operating Expenses					
Depreciation			82,288	(82,288)	80,490
Departmental capital charge			7,900	(7,900)	7,900
Total Operating Expenses			90,188	(90,188)	88,390
Operating Income	3,200	3,200	(90,188)	93,388	(83,590)
Nonoperating Revenues (Expenses)					
Investment income	20,000	20,000	19,922	(78)	6,213
INCOME (LOSS) BEFORE TRANSFERS	23,200	23,200	(70,266)	(93,466)	(77,377)
Transfer in	68,000	68,000	68,000		68,000
Transfers out	(121,955)	(121,955)	(121,955)		(135,717)
Total Other Financing Sources (Uses)	(53,955)	(53,955)	(53,955)		(67,717)
CHANGE IN NET ASSETS	(30,755)	(30,755)	(124,221)	(93,466)	(145,094)
NET ASSETS - BEGINNING OF YEAR	2,631,053	2,631,053	2,631,053		2,776,147
NET ASSETS - END OF YEAR	\$ 2,600,298	\$ 2,600,298	\$ 2,506,832	\$ (93,466)	\$ 2,631,053

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 45,806	\$ 136,358
Restricted cash	676,832	667,494
Total Current Assets	<u>722,638</u>	<u>803,852</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	11,768,604	11,763,260
Less: Accumulated depreciation	<u>4,017,973</u>	<u>3,696,881</u>
Property, Plant and Equipment, Net	<u>7,780,877</u>	<u>8,096,625</u>
Total Assets	<u>8,503,515</u>	<u>8,900,477</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	340,000	140,000
Deposits payable		140,100
Accrued interest payable	<u>87,009</u>	<u>115,631</u>
Total Current Liabilities	427,009	395,731
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>6,594,997</u>	<u>6,900,000</u>
Total Liabilities	<u>7,022,006</u>	<u>7,295,731</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,522,712	1,724,119
Unrestricted	<u>(41,203)</u>	<u>(119,373)</u>
Total Net Assets	<u>\$ 1,481,509</u>	<u>\$ 1,604,746</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, 2011

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

	Budgeted Amounts		2011	Variance with	2010
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Connection fees	\$ 5,200	\$ 5,200	\$	\$ (5,200)	\$ 7,800
Operating Expenses					
Maintenance and repairs					16,486
Professional fees					8,000
Departmental capital charge			7,100	(7,100)	
Depreciation			321,092	(321,092)	320,024
Total Operating Expenses			328,192	(328,192)	344,510
Operating Income (Loss)	5,200	5,200	(328,192)	(333,392)	(336,710)
Nonoperating Revenues (Expenses)					
Investment income			26,040	26,040	9,014
Interest expense	(275,643)	(275,643)	(221,374)	54,269	(279,298)
Total Nonoperating Revenue (Expense)	(275,643)	(275,643)	(195,334)	80,309	(270,284)
INCOME (LOSS) BEFORE TRANSFERS	(270,443)	(270,443)	(523,526)	(253,083)	(606,994)
Transfer in	300,000	300,000	465,992	165,992	1,091,515
Transfers out	(365,703)	(365,703)	(65,703)	300,000	(899,732)
Total Other Financing Sources (Uses)	(65,703)	(65,703)	400,289	465,992	191,783
CHANGE IN NET ASSETS	(336,146)	(336,146)	(123,237)	212,909	(415,211)
NET ASSETS - BEGINNING OF YEAR	1,604,746	1,604,746	1,604,746		2,019,957
NET ASSETS - END OF YEAR	\$ 1,268,600	\$ 1,268,600	\$ 1,481,509	\$ 212,909	\$ 1,604,746

SCHEDULE 9

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
GARBAGE FUND
Statement of Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 31,677	\$ 7,554
Accounts receivable, net	13,557	15,568
Special assessments receivable	11,017	14,074
Special assessments delinquent	<u>5,774</u>	<u>14,687</u>
Total Current Assets	<u>62,025</u>	<u>51,883</u>
LIABILITIES		
Current Liabilities		
Accounts payable	12,666	12,746
Accrued liabilities	3,938	3,938
Deferred revenue	<u>5,774</u>	<u>14,687</u>
Total Current Liabilities	<u>22,378</u>	<u>31,371</u>
NET ASSETS		
Unrestricted	<u>\$ 39,647</u>	<u>\$ 20,512</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, 2011
With Comparative Totals for the Fiscal Year Ending December 31, 2010

	<u>Budgeted Amounts</u>		<u>2011</u>	<u>Variance with</u>	<u>2010</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>	
Operating Revenue					
Charges for Services	\$ 163,500	\$ 163,500	\$ 185,462	\$ 21,962	\$ 170,988
Operating Expenses					
Waste Removal					
Salaries					384
Employee benefits and retirement					79
Workers compensation			3	(3)	
Garbage removal	125,000	125,000	144,320	(19,320)	139,524
City cleanup	13,000	13,000	12,529	471	10,963
Supplies	650	650	546	104	772
Maintenance and repairs	1,600	1,600	1,437	163	1,498
Office expense	1,550	1,550	899	651	1,126
Departmental capital charge	200	200	200		200
Other	9,875	9,875	11,544	(1,669)	11,403
Total Operating Expenses	151,875	151,875	171,478	(19,603)	165,949
Operating Income (Loss)	11,625	11,625	13,984	2,359	5,039
Nonoperating Revenue					
Investment income			569	569	86
Special assessments	6,000	6,000	17,982	11,982	12,086
Total Nonoperating Revenue	6,000	6,000	18,551	12,551	12,172
Income (loss) before transfers	17,625	17,625	32,535	14,910	17,211
Transfers out	(13,400)	(13,400)	(13,400)		(13,000)
CHANGE IN NET ASSETS	4,225	4,225	19,135	14,910	4,211
NET ASSETS - BEGINNING OF YEAR	20,512	20,512	20,512		16,301
NET ASSETS - END OF YEAR	\$ 24,737	\$ 24,737	\$ 39,647	\$ 14,910	\$ 20,512

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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, 2011 and have issued our report thereon dated February 27, 2012.

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
February 27, 2012