

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF CHATFIELD, MINNESOTA

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CITY OF CHATFIELD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2012

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CITY OF CHATFIELD, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2012

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

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Chatfield, Minnesota, 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, 2012, which collectively comprise the City of Chatfield, Minnesota's basic financial statements as listed in the table of contents and the related notes to the financial statements. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated February 27, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chatfield, Minnesota, as of December 31, 2012, 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 revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members
of the City Council
Page 2

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatfield, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Smith, Schaff and Associates, Ltd.

Rochester, Minnesota
March 04, 2013

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, 2012.

New Accounting Pronouncement. The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2012. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will notice a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$15,740,813 (*net position*). Of this amount, \$4,015,371 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's designations and fiscal policies.
- The City's total net position decreased by \$152,788.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$4,853,786. Approximately \$2,194,254 of this total amount, or 45% 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 \$1,045,821 or 62 percent of next year's total general fund property tax levy and local government aid.
- The City of Chatfield, Minnesota increased total outstanding debt obligations by \$1,314,942 during the current fiscal year as a result of an advance crossover refunding.

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.

CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Both of the government-wide financial statements distinguish functions of the City of Chatfield, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Chatfield, Minnesota include general government, public safety, public works, parks and recreation, library and community development. The business-type activities of the City of Chatfield, Minnesota include the water, sewer and garbage utilities. The government-wide financial statements can be found on pages 15-17 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 twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 1999 improvement bond fund, the revolving loan fund, the fire fund, the ambulance fund, the 2012A refunding bond fund, and the EDA fund, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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 29-32 and 67-68) 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 certain capital acquisition activities. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The proprietary fund financial statements can be found on pages 33-38 of this report.

The internal service fund financial statements can be found on pages 69-71 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 39-58 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 59-66 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatfield, Minnesota, assets exceeded liabilities by \$15,740,813 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net position (\$10,552,757) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Chatfield, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Chatfield, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Chatfield, Minnesota Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
Current and other assets	\$ 6,413,678	\$ 1,798,203	\$ 8,211,881	\$ 6,564,581
Capital assets	10,587,982	9,709,507	20,297,489	20,717,908
Total assets	<u>17,001,660</u>	<u>11,507,710</u>	<u>28,509,370</u>	<u>27,282,489</u>
Long-term liabilities				
outstanding	5,733,010	6,599,372	12,332,382	11,003,639
Other liabilities	260,689	175,486	436,175	385,249
Total liabilities	<u>5,993,699</u>	<u>6,774,858</u>	<u>12,768,557</u>	<u>11,388,888</u>
Net position:				
Invested in capital assets,				
net of related debt	6,850,964	3,701,793	10,552,757	10,391,101
Restricted	1,172,685		1,172,685	1,154,680
Unrestricted	2,984,312	1,031,059	4,015,371	4,347,820
Total net position	<u>\$ 11,007,961</u>	<u>\$ 4,732,852</u>	<u>\$ 15,740,813</u>	<u>\$ 15,893,601</u>

The balance of *unrestricted net position* (\$4,015,371) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased the City of Chatfield, Minnesota's net position by \$93,577.

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

Business-type activities. Business-type activities decreased the City of Chatfield, Minnesota's net position by \$246,365.

A condensed version of the Statement of Activities follows:

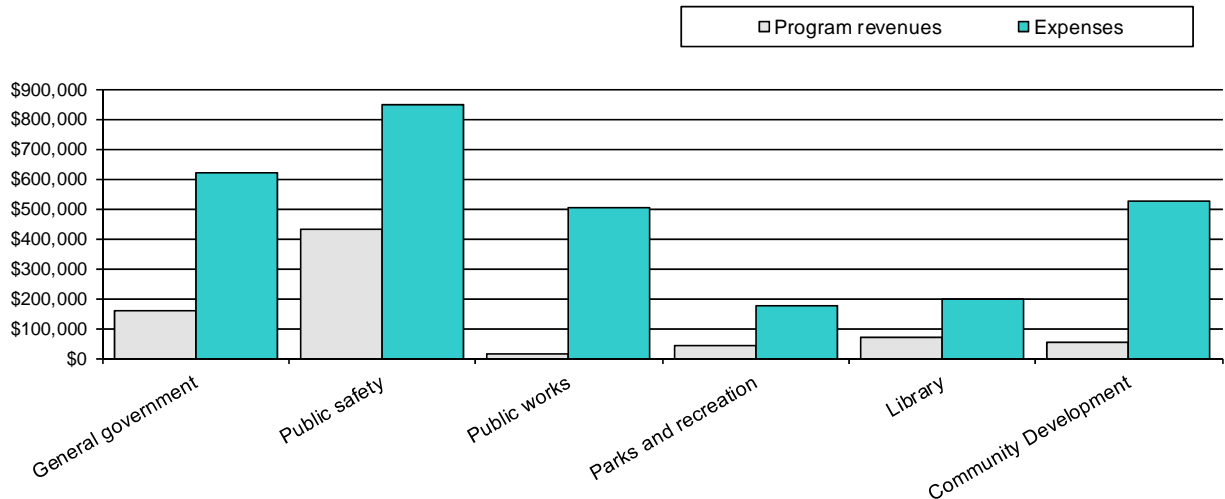
City of Chatfield, Minnesota Change in Net Position

	Governmental Activities	Business-Type Activities	Totals 2012	2011
Revenue:				
Program revenues:				
Charges for services	\$ 557,147	\$ 1,037,772	\$ 1,594,919	\$ 1,483,618
Operating grants and contributions	182,593		182,593	274,124
Capital grants and contributions	23,653		23,653	91,977
General revenues:				
Property taxes	1,211,304		1,211,304	1,066,181
Tax increments	176,353		176,353	175,550
Grants and contributions not restricted to specific programs	668,122		668,122	687,525
Other	127,979	117,997	245,976	226,412
Total revenues	<u>2,947,151</u>	<u>1,155,769</u>	<u>4,102,920</u>	<u>4,005,387</u>
Expenses:				
General government	621,823		621,823	519,266
Public safety	847,500		847,500	851,672
Public works	504,129		504,129	429,094
Parks and recreation	177,713		177,713	225,024
Library	195,424		195,424	240,343
Community development	525,732		525,732	456,990
Interest on long-term debt	163,542		163,542	189,275
Water		209,714	209,714	200,377
Sewer		841,185	841,185	828,393
Garbage		168,946	168,946	171,478
Total expenses	<u>3,035,863</u>	<u>1,219,845</u>	<u>4,255,708</u>	<u>4,111,912</u>
Change in net position before transfers	(88,712)	(64,076)	(152,788)	(106,525)
Transfers	182,289	(182,289)		
Change in net position	93,577	(246,365)	(152,788)	(106,525)
Net position, beginning of year	10,914,384	4,979,217	15,893,601	16,000,126
Net position, end of year	<u>\$ 11,007,961</u>	<u>\$ 4,732,852</u>	<u>\$ 15,740,813</u>	<u>\$ 15,893,601</u>

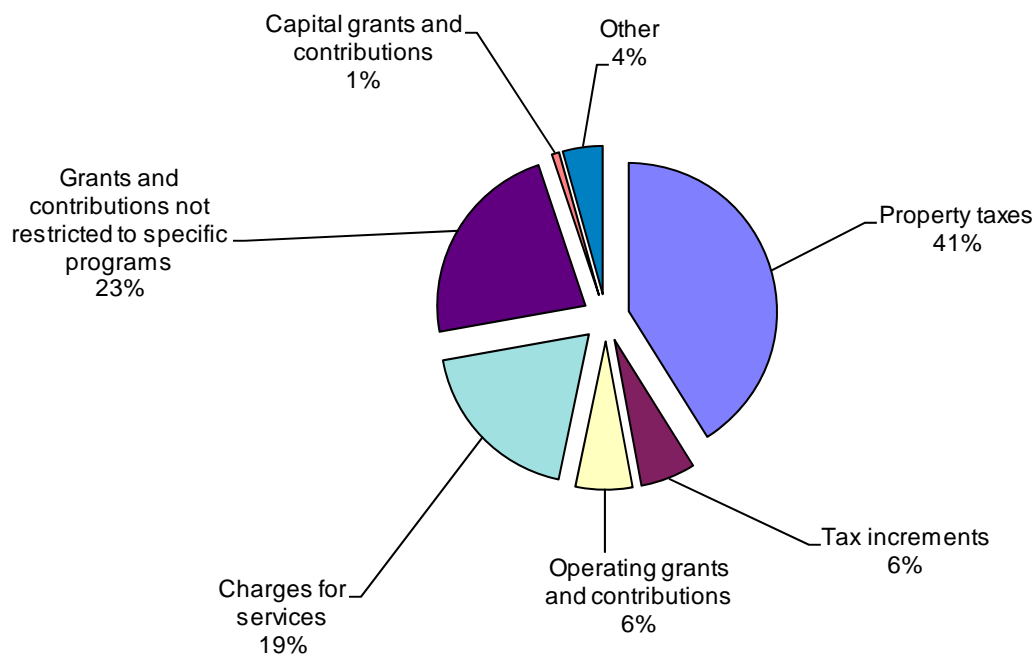
CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



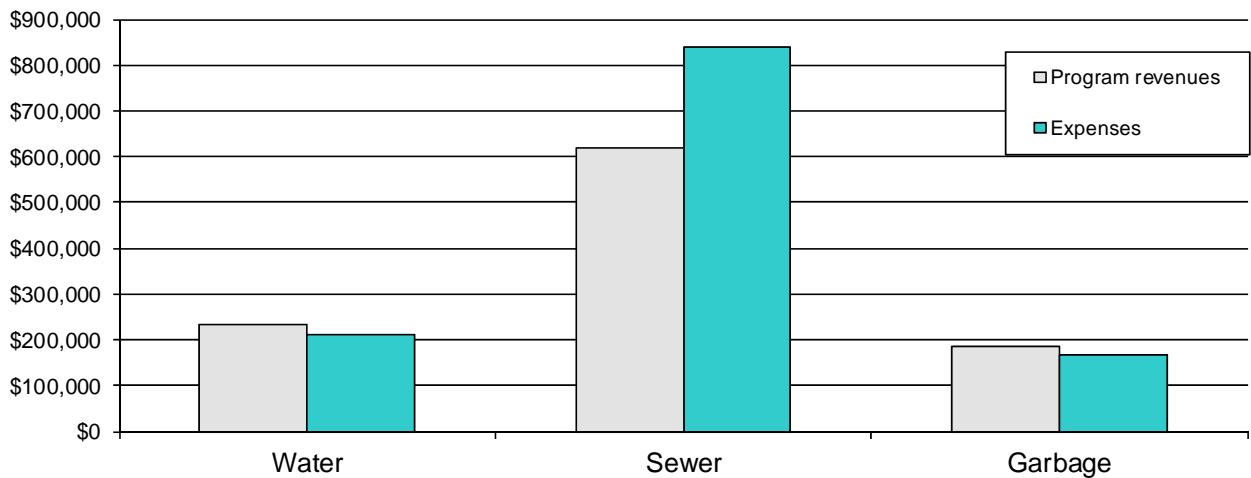
Revenues by Source - Governmental Activities



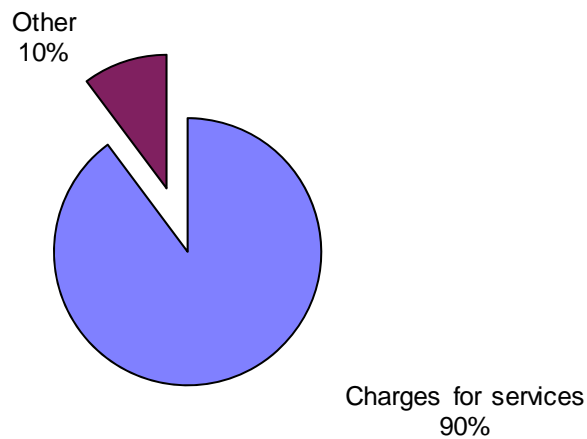
**CITY OF CHATFIELD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 last 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 \$4,853,786, an increase of \$2,146,211. This increase is temporary, and was caused by the advanced refunding of a bond issue, which allowed the City to take advantage of favorable interest rates. The refunding process required the deposit of \$1,999,572 in escrow to a fiscal agent to be used to retire the bonds in February, 2013. Approximately 45% of this total amount, or \$2,194,254, constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Chatfield, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,045,821. 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.

CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2012, the fund balances of other governmental funds increased in the amount of \$4,835, in comparison to the overall fund balances of \$4,853,786.

Proprietary funds. The City of Chatfield, Minnesota's proprietary funds statements found on pages 33-38 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Water - \$2,980,819, Sewer - \$1,707,605 and Garbage - \$44,428.

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 2012, \$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 2012. The current wastewater treatment plant is capable of accommodating significant growth in the community.

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

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

General Fund Budgetary Highlights

The City approved the 2012 general fund budget anticipating a decrease in general fund reserves of \$11,650. The actual change in the general fund balance was an increase of \$20,062 which equates to \$31,712 more than anticipated in the budget. The primary cause of this difference was Investment Income, which was \$29,589 more than anticipated in the budget.

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, 2012, amounts to \$20,297,489 (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 \$420,419.

City of Chatfield, Minnesota Capital Assets

(net of depreciation)

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
Land	\$ 1,002,069	\$ 60,492	\$ 1,062,561	\$ 1,055,148
Buildings and improvements	4,245,131		4,245,131	4,561,549
Vehicles	933,947		933,947	639,517
Machinery and equipment	578,596	70,663	649,259	670,591
Furniture and fixtures	154,493		154,493	131,572
Wastewater treatment facility		9,578,352	9,578,352	9,822,857
Infrastructure	3,673,746		3,673,746	3,836,674
Total	<u>\$ 10,587,982</u>	<u>\$ 9,709,507</u>	<u>\$ 20,297,489</u>	<u>\$ 20,717,908</u>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 49-50 of this report.

Long-term debt. At the end of the current fiscal year, the City of Chatfield, Minnesota had \$12,422,460 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 MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Chatfield, Minnesota Outstanding Debt

General Obligation and Revenue Bonds

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
General obligation bonds	\$ 5,540,000	\$	\$ 5,540,000	\$ 3,820,000
Tax increment bonds	217,460		217,460	282,518
General obligation revenue bonds		6,665,000	6,665,000	7,005,000
Total	<u>\$ 5,757,460</u>	<u>\$ 6,665,000</u>	<u>\$ 12,422,460</u>	<u>\$ 11,107,518</u>

Capital Asset and Debt Administration (Continued)

The City of Chatfield, Minnesota's total bonds and notes payable increased by \$1,314,942 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3, beginning on page 53.

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. Solidifying the local job base is a metal fabrication company that has grown from two to thirty-five employees in the past ten years, and an information services firm that moved to Chatfield in 2012. The rest of the Chatfield economy is balanced between agriculture, tourism, retail, education and the services industries.

A recent announcement made by the largest private employer in Minnesota, Mayo Clinic, is setting the stage for long term growth for all of southeast Minnesota, including Chatfield. Located just twenty minutes away, Mayo announced plans to invest \$6.5 billion dollars in physical improvements and to create 30,000 new employee positions within the next fifteen to twenty years.

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

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

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

Chatfield is well positioned to participate in the economic recovery that is beginning to occur. Already in 2013, the City has issued three new home building permits and a building permit application has been received for a convenience store that is valued at just under \$1,000,000. A national variety store chain is attempting to secure land so it can erect an 8,000 square foot store in the community, and a proposal has been received that would result in a 40+ unit hotel.

Tax rates, garbage fees, and water rates should remain stable for the foreseeable future. Sanitary sewer rates are more likely to increase if new housing starts remain slow but those increases should be incremental. The only other pressure that might present itself is if it is determined that the County Road 10 Industrial Park should be developed. Such a decision would only occur if a large development were to be proposed. This possibility is mentioned here because a manufacturing company is currently considering the site for a possible 50,000 square foot facility.

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 recently constructed elementary school, along with remodeled high school, provides a solid educational element to the community and solidifies Chatfield's competitive place in the educational realm.

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

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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CITY OF CHATFIELD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012
With Comparative Totals for December 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 3,470,936	\$ 1,043,185	\$ 4,514,121	\$ 4,529,208
Cash with fiscal agent	1,995,992		1,995,992	
Restricted cash		591,658	591,658	676,832
Receivables	946,750	163,360	1,110,110	1,138,541
Prepaid items				220,000
Capital assets:				
Nondepreciable	1,002,069	60,492	1,062,561	1,055,148
Depreciable, net	9,585,913	9,649,015	19,234,928	19,662,760
Total Assets	<u>17,001,660</u>	<u>11,507,710</u>	<u>28,509,370</u>	<u>27,282,489</u>
LIABILITIES				
Accounts payable	72,222	22,089	94,311	53,598
Accrued interest payable	45,492	84,177	129,669	135,990
Accrued liabilities		30,853	30,853	12,678
Unearned revenue		26,782	26,782	28,248
Compensated absences	142,975	11,585	154,560	154,735
Noncurrent liabilities:				
Due within one year	307,877	355,000	662,877	666,966
Due in more than one year	5,425,133	6,244,372	11,669,505	10,336,673
Total Liabilities	<u>5,993,699</u>	<u>6,774,858</u>	<u>12,768,557</u>	<u>11,388,888</u>
NET POSITION				
Invested in capital assets, net of related debt	6,850,964	3,701,793	10,552,757	10,391,101
Restricted for:				
Revolving loans	657,405		657,405	641,985
Debt service	515,280		515,280	512,695
Unrestricted	<u>2,984,312</u>	<u>1,031,059</u>	<u>4,015,371</u>	<u>4,347,820</u>
Total Net Position	<u>\$ 11,007,961</u>	<u>\$ 4,732,852</u>	<u>\$ 15,740,813</u>	<u>\$ 15,893,601</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 621,823	\$ 131,885	\$ 26,638	\$
Public safety	847,500	334,449	95,476	
Public works	504,129		3,905	8,653
Parks and recreation	177,713	39,955		
Library	195,424	19,655	51,633	
Community development	525,732	31,203	4,941	15,000
Interest on long-term debt	163,542			
Total governmental activities	<u>3,035,863</u>	<u>557,147</u>	<u>182,593</u>	<u>23,653</u>
Business-Type activities:				
Water	209,714	232,518		
Sewer	841,185	620,062		
Garbage	168,946	185,192		
Total business-type activities	<u>1,219,845</u>	<u>1,037,772</u>		
Total	<u>\$ 4,255,708</u>	<u>\$ 1,594,919</u>	<u>\$ 182,593</u>	<u>\$ 23,653</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 position				
Net position - beginning				
Net position - ending				

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2012	2011
\$ (463,300)		\$ (463,300)	\$ (397,410)
(417,575)		(417,575)	(483,917)
(491,571)		(491,571)	(363,055)
(137,758)		(137,758)	(190,305)
(124,136)		(124,136)	(166,376)
(474,588)		(474,588)	(385,380)
(163,542)		(163,542)	(189,275)
<u>(2,272,470)</u>		<u>(2,272,470)</u>	<u>(2,175,718)</u>
	\$ 22,804	22,804	33,805
	(221,123)	(221,123)	(152,246)
	16,246	16,246	31,966
	<u>(182,073)</u>	<u>(182,073)</u>	<u>(86,475)</u>
<u>(2,272,470)</u>	<u>(182,073)</u>	<u>(2,454,543)</u>	<u>(2,262,193)</u>
1,211,304		1,211,304	1,066,181
176,353		176,353	175,550
668,122		668,122	687,525
127,979	111,492	239,471	222,395
	6,505	6,505	4,017
182,289	(182,289)		
<u>2,366,047</u>	<u>(64,292)</u>	<u>2,301,755</u>	<u>2,155,668</u>
93,577	(246,365)	(152,788)	(106,525)
<u>10,914,384</u>	<u>4,979,217</u>	<u>15,893,601</u>	<u>16,000,126</u>
<u>\$ 11,007,961</u>	<u>\$ 4,732,852</u>	<u>\$ 15,740,813</u>	<u>\$ 15,893,601</u>

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CITY OF CHATFIELD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF CHATFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals for December 31, 2011

	100 General	360 Revolving Loan	220/221 Fire	240 EDA
ASSETS				
Cash and investments	\$ 1,063,166	\$ 148,260	\$ 26,085	\$ 86,473
Cash with fiscal agent				
Accounts receivable	2,272			
Notes receivable		509,145		
Due from other governmental units	12,749			
Taxes receivable delinquent	16,504			
Special assessments receivable				
Due from other funds				
TOTAL ASSETS	\$ 1,094,691	\$ 657,405	\$ 26,085	\$ 86,473
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 32,366		10,248	\$ 9,624
Due to other funds				
Deferred revenue	16,504	509,145		
Total Liabilities	48,870	509,145	10,248	9,624
Fund Balance:				
Restricted:				
Creditors (debt covenants)				
Regulations		148,260		
Committed:				
By Council action				
Assigned:				
Fund assignments			15,837	76,849
Unassigned:	1,045,821			
Total Fund Balance	1,045,821	148,260	15,837	76,849
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,094,691	\$ 657,405	\$ 26,085	\$ 86,473

See Notes to the Financial Statements

230/231 Ambulance	317 1999 Improvement Bond	332 2012A Refunding Bond	Other Governmental Funds	Totals	
				2012	2011
\$ 230,334	\$	\$ 3,777	\$ 1,187,791	\$ 2,745,886	\$ 2,608,340
		1,995,992		1,995,992	
149,501			6,228	158,001	129,842
				509,145	515,830
			4,689	17,438	4,194
			3,705	20,209	20,103
			227,397	227,397	299,019
					2,316
<u>\$ 379,835</u>	<u>\$</u>	<u>\$ 1,999,769</u>	<u>\$ 1,429,810</u>	<u>\$ 5,674,068</u>	<u>\$ 3,579,644</u>
\$ 2,912	\$	\$	\$ 8,381	\$ 63,531	\$ 34,801
					2,316
			231,102	756,751	834,952
<u>2,912</u>			<u>239,483</u>	<u>820,282</u>	<u>872,069</u>
		1,999,769	511,503	2,511,272	512,695
				148,260	126,155
			447,290	447,290	440,240
376,923			231,534	701,143	602,726
				1,045,821	1,025,759
<u>376,923</u>		<u>1,999,769</u>	<u>1,190,327</u>	<u>4,853,786</u>	<u>2,707,575</u>
<u>\$ 379,835</u>	<u>\$</u>	<u>\$ 1,999,769</u>	<u>\$ 1,429,810</u>	<u>\$ 5,674,068</u>	<u>\$ 3,579,644</u>

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**CITY OF CHATFIELD, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2012**

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

Total governmental fund balances (page 19)	\$	4,853,786
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$	17,423,745	
Less: Accumulated depreciation		(6,835,763)	
			10,587,982

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

Delinquent property taxes	\$	20,209	
Deferred special assessments		227,397	
Notes receivable		509,145	
			756,751

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

730,919

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

Bonds and notes payable	\$	(5,757,460)	
Compensated absences		(142,975)	
Bond issuance costs net of amortization		24,450	
Accrued interest		(45,492)	
			(5,921,477)

Net position of governmental activities (page 15)

\$ 11,007,961

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

For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	100 General	360 Revolving Loan	220/221 Fire	240 EDA
REVENUES				
Property taxes	\$ 884,165	\$	\$	\$
Special assessments				2,741
Tax increments				
Licenses and permits	17,651			
Fines and forfeits	12,666			
Intergovernmental revenues	710,070		72,373	
Franchise fees				
Charges for services	38,474		9,408	
Investment income	41,589	15,447	3,296	4,268
Contributions			64,954	450
Miscellaneous revenues	28,209	15,175	6,947	12,135
TOTAL REVENUES	<u>1,732,824</u>	<u>30,622</u>	<u>156,978</u>	<u>19,594</u>
EXPENDITURES				
Current				
General government	468,251			
Public safety	491,420		89,184	
Public works	413,668			
Parks and recreation	200,976			
Library				
Community development	41,243	8,517		54,899
Capital Outlay			355,769	7,413
Debt Service				
TOTAL EXPENDITURES	<u>1,615,558</u>	<u>8,517</u>	<u>444,953</u>	<u>62,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>117,266</u>	<u>22,105</u>	<u>(287,975)</u>	<u>(42,718)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				
Transfers in	113,590		346,835	76,594
Transfers out	(210,794)		(43,023)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(97,204)</u>		<u>303,812</u>	<u>76,594</u>
Net change in fund balances	20,062	22,105	15,837	33,876
FUND BALANCES, beginning	<u>1,025,759</u>	<u>126,155</u>		<u>42,973</u>
FUND BALANCES, ending	<u>\$ 1,045,821</u>	<u>\$ 148,260</u>	<u>\$ 15,837</u>	<u>\$ 76,849</u>

See Notes to the Financial Statements

230/231 Ambulance	317 1999 Improvement Bond	332 2012A Refunding Bond	Other Governmental Funds	Totals	
				2012	2011
\$	\$	\$	\$ 327,033	\$ 1,211,198	\$ 1,083,724
			80,273	83,014	604,627
			175,202	175,202	174,399
				17,651	13,108
			4,727	17,393	21,162
56,142			49,707	888,292	856,901
			24,690	24,690	25,169
234,008			22,089	303,979	273,031
14,287		197	50,831	129,915	127,870
546			19,620	85,570	66,548
1,484			26,434	90,384	121,667
306,467		197	780,606	3,027,288	3,368,206
			49,150	517,401	481,109
232,649				813,253	914,777
				413,668	503,329
				200,976	192,204
			173,476	173,476	152,492
			181,357	286,016	274,859
			23,544	386,726	180,174
			502,279	502,279	1,207,070
232,649			929,806	3,293,795	3,906,014
73,818		197	(149,200)	(266,507)	(537,808)
		1,999,572		1,999,572	
56,525			212,361	805,905	578,533
(49,802)	(30,814)		(58,326)	(392,759)	(1,378,210)
6,723	(30,814)	1,999,572	154,035	2,412,718	(799,677)
80,541	(30,814)	1,999,769	4,835	2,146,211	(1,337,485)
296,382	30,814		1,185,492	2,707,575	4,045,060
\$ 376,923	\$	\$ 1,999,769	\$ 1,190,327	\$ 4,853,786	\$ 2,707,575

**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, 2012**

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

Net change in fund balances - total governmental funds (pages 21-22)	\$	2,146,211
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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	\$	416,387	
Depreciation expense		(541,337)	(124,950)

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, 2012	\$	756,751	
Deferred revenue, December 31, 2011		(834,952)	(78,201)

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	(17,999)
--------------------------------	----------

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

(170,649)

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	\$	335,058	
Proceeds from debt issuance		(1,997,076)	
Amortization of bond issuance costs		(2,350)	
Change in accrued interest		3,533	(1,660,835)

Change in net position of governmental activities (pages 16-17)	\$	93,577
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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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy Collected	\$ 878,076	\$ 878,076	\$ 884,165	\$ 6,089	\$ 789,625
Licenses and permits	20,660	20,660	17,651	(3,009)	13,108
Intergovernmental Revenues					
Local government aid	667,000	667,000	667,349	349	666,960
Market value credit			773	773	15,168
State police aid	35,000	35,000	35,733	733	32,160
State fire aid					22,592
PERA aid	1,677	1,677	1,677		1,677
Highway	4,000	4,000	3,905	(95)	4,062
Township contracts					36,997
Other			633	633	
Total Intergovernmental Revenues	707,677	707,677	710,070	2,393	779,616
Charges For Services					
Plan check fee	3,700	3,700	2,824	(876)	953
Pool fees	28,500	28,500	35,287	6,787	
Fire protection fee					8,455
Franchise fees	1,000	1,000	363	(637)	485
Total Charges For Services	33,200	33,200	38,474	5,274	9,893
Fines and Forfeits					
Parking fines	2,100	2,100	2,526	426	3,425
Court fines and other	11,000	11,000	10,016	(984)	14,424
Animal fines	1,900	1,900	124	(1,776)	245
Total Fines and Forfeits	15,000	15,000	12,666	(2,334)	18,094
Investment Income	12,000	12,000	41,589	29,589	43,342
Miscellaneous Revenues					
Sale of assets	75	75	126	51	11,650
Donations			271	271	4,082
Refunds/reimbursements	13,590	13,590	27,812	14,222	33,534
Total Miscellaneous Revenues	13,665	13,665	28,209	14,544	49,266
TOTAL REVENUES	\$ 1,680,278	\$ 1,680,278	\$ 1,732,824	\$ 52,546	\$ 1,702,944

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>Variance with</u>	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 9,200	\$ 9,200	\$ 9,200	\$	\$ 9,200
Employee benefits and retirement	740	740	704	36	704
Workers compensation	50	50	58	(8)	53
Office supplies	400	400	209	191	609
Printing and publication	1,000	1,000	1,042	(42)	1,500
Travel	600	600	466	134	1,194
Legal fees	10,000	10,000	7,970	2,030	8,366
Dues and subscription	4,000	4,000	4,173	(173)	3,957
Departmental capital charge	750	750	570	180	253
Other	4,250	4,250	1,555	2,695	1,400
Total Mayor and Council	<u>30,990</u>	<u>30,990</u>	<u>25,947</u>	<u>5,043</u>	<u>27,236</u>
Elections	<u>3,910</u>	<u>3,910</u>	<u>3,454</u>	<u>456</u>	
Clerk's Office					
Salaries	213,000	213,000	213,504	(504)	203,637
Employee benefits and retirement	30,750	30,750	30,547	203	29,214
Workers compensation	3,500	3,500	3,701	(201)	3,362
Health insurance	43,000	43,000	41,945	1,055	39,822
Office supplies	3,000	3,000	1,592	1,408	2,152
Postage	1,000	1,000	755	245	688
Audit fees	8,000	8,000	8,350	(350)	7,850
Consulting fees	4,100	4,100	3,988	112	4,143
Licenses and dues	1,400	1,400	1,361	39	1,383
Insurance	3,800	3,800	3,795	5	3,524
Telephone	3,000	3,000	3,249	(249)	3,303
Printing and publication	900	900	122	778	402
Maintenance and repair	4,000	4,000	5,681	(1,681)	5,444
Conference expense	5,800	5,800	5,418	382	2,783
Departmental capital charge	5,900	5,900	6,327	(427)	5,653
Other	16,725	16,725	17,553	(828)	13,946
Total Clerk's Office	<u>347,875</u>	<u>347,875</u>	<u>347,888</u>	<u>(13)</u>	<u>327,306</u>
Planning and Zoning					
Printing	400	400	150	250	511
Consulting fees	48,732	48,732	51,535	(2,803)	46,028
Departmental capital charge					6
Other	2,400	2,400	1,562	838	1,161
Total Planning and Zoning	<u>\$ 51,532</u>	<u>\$ 51,532</u>	<u>\$ 53,247</u>	<u>\$ (1,715)</u>	<u>\$ 47,706</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget - Favorable (Unfavorable)	Actual
EXPENDITURES (continued)					
General Government (Continued)					
Municipal Building					
Operating supplies	\$ 4,000	\$ 4,000	\$ 5,411	\$ (1,411)	\$ 5,028
Small tools and minor equipment	500	500		500	119
Maintenance and repair	6,400	6,400	12,603	(6,203)	11,522
Insurance	8,200	8,200	8,484	(284)	8,086
Utilities	6,600	6,600	5,652	948	6,327
Departmental capital charge	5,000	5,000	5,000		9,000
Other	650	650	565	85	615
Total Municipal Building	<u>31,350</u>	<u>31,350</u>	<u>37,715</u>	<u>(6,365)</u>	<u>40,697</u>
Total General Government	<u>465,657</u>	<u>465,657</u>	<u>468,251</u>	<u>(2,594)</u>	<u>442,945</u>
Public Safety					
Animal Control					
Operating supplies	300	300	100	200	119
Printing and publication	50	50		50	
Other	500	500	75	425	85
Total Animal Control	<u>850</u>	<u>850</u>	<u>175</u>	<u>675</u>	<u>204</u>
Civil Defense					
Contracted services	19,000	19,000	19,214	(214)	17,955
Departmental capital charge	10,500	10,500	33,000	(22,500)	13,000
Total Civil Defense	<u>29,500</u>	<u>29,500</u>	<u>52,214</u>	<u>(22,714)</u>	<u>30,955</u>
Fire Department					
Salaries					10,520
Employee benefits and retirement					364
Fire pension contribution					45,456
Workers compensation					5,231
Innoculations					3,789
Vehicle operating supplies					1,548
Small tools and minor equipment					4,533
Telephone					44
Maintenance and repair					11,990
Insurance					4,792
Utilities					5,938
Printing and publishing					341
Training					7,243
Departmental capital charge					14,569
Other					9,646
Total Fire Department	<u></u>	<u></u>	<u></u>	<u></u>	<u>126,004</u>
Building Code					
Consultant fee	10,000	10,000	11,799	(1,799)	9,398
Surcharge fee/sales tax	4,000	4,000	2,288	1,712	1,416
Total Building Code	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,087</u>	<u>\$ (87)</u>	<u>\$ 10,814</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>Variance with</u>	<u>2011</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	\$ 241,882	\$ 241,882	\$ 256,756	\$ (14,874)	\$ 240,010
Employee benefits and retirement	36,450	36,450	40,546	(4,096)	37,854
Workers compensation/unemployment	10,000	10,000	11,221	(1,221)	10,229
Health insurance	28,500	28,500	24,296	4,204	27,036
Operating supplies	2,000	2,000	1,255	745	2,303
Vehicle operating supplies	7,500	7,500	10,127	(2,627)	5,391
Small tools and minor equipment	3,000	3,000	1,618	1,382	2,466
Telephone	3,300	3,300	4,453	(1,153)	3,181
Legal fees	12,000	12,000	11,098	902	12,098
Vehicle lease	8,650	8,650	4,634	4,016	11,071
Towing and wrecker fees	2,000	2,000	1,890	110	2,273
Uniform allowance	3,375	3,375	1,681	1,694	2,554
Maintenance and repair	6,450	6,450	9,712	(3,262)	8,448
Clothing	2,000	2,000	4,309	(2,309)	1,007
Printing and publication	300	300	104	196	
Postage	850	850	293	557	291
Training	3,500	3,500	3,471	29	1,730
Contracted services	750	750	300	450	300
Insurance	1,500	1,500	1,193	307	1,246
Utilities	7,000	7,000	5,652	1,348	6,327
Departmental capital charge	22,800	22,800	22,800		22,916
Other	9,064	9,064	7,535	1,529	8,429
Total Police Department	<u>412,871</u>	<u>412,871</u>	<u>424,944</u>	<u>(12,073)</u>	<u>407,160</u>
Total Public Safety	<u>457,221</u>	<u>457,221</u>	<u>491,420</u>	<u>(34,199)</u>	<u>575,137</u>
Public Works					
Street Department					
Salaries	70,000	70,000	65,716	4,284	64,135
Employee benefits and retirement	9,600	9,600	9,544	56	9,310
Health insurance	13,400	13,400	13,830	(430)	12,353
Workers compensation	5,700	5,700	6,265	(565)	5,576
Operating supplies	7,600	7,600	4,412	3,188	9,212
Vehicle operating supplies	10,000	10,000	9,588	412	10,296
Maintenance and repair	36,000	36,000	39,068	(3,068)	59,907
Clothing	775	775	326	449	466
Snow removal	7,500	7,500	1,606	5,894	1,878
Insurance	9,200	9,200	10,646	(1,446)	9,189
Engineering fees	10,000	10,000	6,031	3,969	16,545
Small tools and minor equipment	3,500	3,500	1,491	2,009	1,402
Utilities	43,000	43,000	30,775	12,225	39,045
Departmental capital charge	203,070	203,070	211,737	(8,667)	254,883
Other	19,245	19,245	2,633	16,612	9,132
Total Public Works	<u>\$ 448,590</u>	<u>\$ 448,590</u>	<u>\$ 413,668</u>	<u>\$ 34,922</u>	<u>\$ 503,329</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES (continued)					
Parks and Recreation					
Parks					
Salaries	53,000	53,000	51,830	\$ 1,170	\$ 47,746
Employee benefits and retirement	6,950	6,950	6,950		6,478
Workers compensation	1,950	1,950	2,008	(58)	1,823
Small tools and minor equipment	1,200	1,200	811	389	2,323
Vehicle operating supplies	3,000	3,000	3,071	(71)	2,941
Maintenance and repair	5,000	5,000	9,118	(4,118)	5,683
Utilities	17,000	17,000	17,012	(12)	16,695
Insurance	6,500	6,500	6,588	(88)	5,967
Departmental capital charge	6,500	6,500	6,500		13,725
Other	6,425	6,425	5,086	1,339	4,705
Total Parks	107,525	107,525	108,974	(1,449)	108,086
Pool					
Salaries	45,000	45,000	38,390	6,610	
Employee benefits and retirement	3,500	3,500	2,937	563	
Workers compensation	2,400	2,400	2,639	(239)	
Small tools and minor equipment	14,450	14,450	9,791	4,659	
Maintenance and repair	6,000	6,000	6,577	(577)	
Utilities	14,000	14,000	5,387	8,613	
Insurance	6,800	6,800	10,671	(3,871)	
Departmental capital charge	6,500	6,500	6,500		
Other	2,050	2,050	3,283	(1,233)	
Total Pool	100,700	100,700	86,175	14,525	
Recreation	6,000	6,000	4,227	1,773	2,024
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	215,825	215,825	200,976	14,849	111,710
Community Development					
Promotional expense	3,000	3,000	2,719	281	2,968
Heritage preservation	9,350	9,350	8,002	1,348	
Donations					1,000
Other	1,300	1,300	30,522	(29,222)	
Total Community Development	13,650	13,650	41,243	(27,593)	3,968
TOTAL EXPENDITURES	1,600,943	1,600,943	1,615,558	(14,615)	1,637,089
Excess (deficiency) of revenues over (under) expenditures	79,335	79,335	117,266	37,931	65,855
OTHER FINANCING SOURCES (USES)					
Transfers in	121,090	121,090	113,590	(7,500)	99,147
Transfers out	(212,075)	(212,075)	(210,794)	1,281	(243,704)
Total Other Financing Sources (Uses)	(90,985)	(90,985)	(97,204)	(6,219)	(144,557)
Net change in fund balances	(11,650)	(11,650)	20,062	31,712	(78,702)
FUND BALANCES, beginning	1,025,759	1,025,759	1,025,759		1,104,461
FUND BALANCES, ending	\$ 1,014,109	\$ 1,014,109	\$ 1,045,821	\$ 31,712	\$ 1,025,759

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>2012 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2011 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Special Assessments	\$	\$	\$ 2,741	\$ 2,741	\$
Investment Income	300	300	4,268	3,968	3,277
Contributions			450	450	500
Miscellaneous	4,500	4,500	12,135	7,635	12,557
TOTAL REVENUES	<u>4,800</u>	<u>4,800</u>	<u>19,594</u>	<u>14,794</u>	<u>16,334</u>
EXPENDITURES					
Community development	44,587	44,587	54,899	(10,312)	40,270
Capital outlay			7,413	(7,413)	50,266
TOTAL EXPENDITURES	<u>44,587</u>	<u>44,587</u>	<u>62,312</u>	<u>(17,725)</u>	<u>90,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,787)</u>	<u>(39,787)</u>	<u>(42,718)</u>	<u>(2,931)</u>	<u>(74,202)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	39,800	39,800	76,594	36,794	39,650
Transfers out					(12,000)
Net change in fund balances	13	13	33,876	33,863	(46,552)
FUND BALANCES, beginning	<u>42,973</u>	<u>42,973</u>	<u>42,973</u>		<u>89,525</u>
FUND BALANCES, ending	<u>\$ 42,986</u>	<u>\$ 42,986</u>	<u>\$ 76,849</u>	<u>\$ 33,863</u>	<u>\$ 42,973</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
FIRE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Intergovernmental Revenues					
State Grants and Aids	\$ 19,000	\$ 19,000	\$ 26,820	\$ 7,820	
Township contributions	40,590	40,590	45,553	4,963	
Charges for services	6,000	6,000	9,408	3,408	
Investment income			3,296	3,296	
Donations	57,720	57,720	64,954	7,234	
Miscellaneous			6,947	6,947	
TOTAL REVENUES	123,310	123,310	156,978	33,668	
EXPENDITURES					
Public Safety					
Salaries	12,000	12,000	11,975	25	
Employee benefits and retirement	550	550	364	186	
Workers compensation	4,200	4,200	7,239	(3,039)	
Operating supplies	3,000	3,000	4,517	(1,517)	
Small tools and minor equipment	4,500	4,500	4,514	(14)	
Vehicle operating supplies	1,700	1,700	1,523	177	
Insurance	5,500	5,500	4,585	915	
Utilities	7,475	7,475	5,160	2,315	
Maintenance and repairs	10,500	10,500	9,817	683	
Training	2,500	2,500	667	1,833	
Fire pension contribution	27,059	27,059	28,953	(1,894)	
Capital Outlay			355,769	(355,769)	
Other	7,250	7,250	9,870	(2,620)	
TOTAL EXPENDITURES	86,234	86,234	444,953	(358,719)	
Excess (deficiency) of revenues over (under) expenditures	37,076	37,076	(287,975)	(325,051)	
OTHER FINANCING SOURCES					
(USES)					
Transfers in	55,963	55,963	346,835	290,872	
Transfers out	(18,023)	(18,023)	(43,023)	(25,000)	
Net change in fund balances	75,016	75,016	15,837	(59,179)	
FUND BALANCES, beginning					
FUND BALANCES, ending	\$ 75,016	\$ 75,016	\$ 15,837	\$ (59,179)	\$

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		230	231	2012	Variance with	2011
	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	14,500	14,500	16,506		16,506	2,006	16,569
Training reimbursement	15,500	15,500	28,064		28,064	12,564	23,155
Other State Aids			7,072		7,072	7,072	2,000
Charges for services	200,000	200,000	234,008		234,008	34,008	202,475
Investment income	1,200	1,200	6,154	8,133	14,287	13,087	10,816
Donations	2,000	2,000	546		546	(1,454)	5,150
Miscellaneous	2,000	2,000	1,484		1,484	(516)	4,063
TOTAL REVENUES	239,700	239,700	298,334	8,133	306,467	66,767	268,728
EXPENDITURES							
Public Safety							
Salaries	102,000	102,000	106,099		106,099	(4,099)	98,048
Employee benefits and retirement	16,560	16,560	17,762		17,762	(1,202)	16,828
Workers compensation	3,000	3,000	2,335		2,335	665	2,012
Health insurance	19,400	19,400	15,760		15,760	3,640	16,741
Innoculations	400	400	449		449	(49)	368
Training	10,000	10,000	14,162		14,162	(4,162)	16,452
Small tools and minor equipment	3,000	3,000	2,556		2,556	444	1,257
Office supplies	1,000	1,000	1,305		1,305	(305)	1,459
Operating supplies	12,000	12,000	13,489		13,489	(1,489)	12,941
Vehicle operating supplies	4,000	4,000	6,297		6,297	(2,297)	5,865
Telephone	1,300	1,300	1,550		1,550	(250)	1,496
Travel	1,000	1,000	601		601	399	66
Printing and publications	200	200	907		907	(707)	529
Insurance	1,800	1,800	1,572		1,572	228	1,249
Utilities	7,000	7,000	5,652		5,652	1,348	6,327
Maintenance and repairs	10,000	10,000	13,221		13,221	(3,221)	14,096
Medical services	4,000	4,000	4,905		4,905	(905)	4,879
Laundry services	400	400	523		523	(123)	503
Clothing	1,500	1,500	575		575	925	267
License, permits, dues and subscription	900	900	1,410		1,410	(510)	719
Capital outlay				11,931	11,931	(11,931)	131,271
Refunds	500	500	4,080		4,080	(3,580)	1,275
Departmental capital charge	1,100	1,100	1,513		1,513	(413)	1,011
Other	4,295	4,295	3,995		3,995	300	3,980
TOTAL EXPENDITURES	205,355	205,355	220,718	11,931	232,649	(27,294)	339,639
Excess (deficiency) of revenues over (under) expenditures	34,345	34,345	77,616	(3,798)	73,818	39,473	(70,911)
OTHER FINANCING SOURCES (USES)							
Transfers in	49,453	49,453	19,453	37,072	56,525	7,072	51,000
Transfers out	(42,730)	(42,730)	(49,802)		(49,802)	(7,072)	(42,360)
TOTAL OTHER FINANCING SOURCES (USES)	6,723	6,723	(30,349)	37,072	6,723		8,640
Net change in fund balances	41,068	41,068	47,267	33,274	80,541	39,473	(62,271)
FUND BALANCES, beginning	296,382	296,382	191,199	105,183	296,382		358,653
FUND BALANCES, ending	\$ 337,450	\$ 337,450	\$ 238,466	\$ 138,457	\$ 376,923	\$ 39,473	\$ 296,382

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Investment income	\$ 2,984	\$ 2,984	\$ 15,447	\$ 12,463	\$ 8,010
Miscellaneous	29,153	29,153	15,175	(13,978)	4,020
TOTAL REVENUES	32,137	32,137	30,622	(1,515)	12,030
EXPENDITURES					
Loan advances			8,517	(8,517)	
Net change in fund balances	32,137	32,137	22,105	(10,032)	12,030
FUND BALANCES, beginning	126,155	126,155	126,155		114,125
FUND BALANCES, ending	\$ 158,292	\$ 158,292	\$ 148,260	\$ (10,032)	\$ 126,155

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2012
With Comparative Totals for December 31, 2011

	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	\$ 590,852	\$ 130,554	\$ 721,406	\$ 265,193	\$ 2,016
Restricted cash					591,658
Accounts receivable, net	20,295		20,295	56,276	
Special assessments receivable	8,333		8,333	27,775	
Special assessments delinquent	4,821		4,821	16,069	
Prepaid items					
Total Current Assets	624,301	130,554	754,855	365,313	593,674
Noncurrent Assets					
Capital assets:					
Nondepreciable		30,246	30,246		30,246
Depreciable		3,051,972	3,051,972		11,768,604
Less: Accumulated depreciation		832,496	832,496		4,339,065
Net capital assets		2,249,722	2,249,722		7,459,785
Total Assets	624,301	2,380,276	3,004,577	365,313	8,053,459
LIABILITIES					
Current Liabilities					
Current maturities of bonds payable					355,000
Accounts payable	4,053		4,053	5,237	
Accrued interest payable					84,177
Deferred revenue	4,821		4,821	16,069	
Accrued liabilities	14,884		14,884	23,615	
Total Current Liabilities	23,758		23,758	44,921	439,177
Noncurrent Liabilities					
Bonds payable, net of current maturities					6,244,372
Total Liabilities	23,758		23,758	44,921	6,683,549
NET POSITION					
Invested in capital assets, net of related debt		2,249,722	2,249,722		1,452,071
Unrestricted	600,543	130,554	731,097	320,392	(82,161)
Total Net Position	\$ 600,543	\$ 2,380,276	\$ 2,980,819	\$ 320,392	\$ 1,369,910

					Governmental Activities-Internal Service Funds	
					801	
					Capital Goods	
622		603	Totals		2012	2011
Sewer - No Fault Back	Total Sewer	Garbage	2012	2011		
\$ 17,303	\$ 284,512	\$ 37,267	\$ 1,043,185	\$ 1,281,250	\$ 725,132	\$ 639,662
	591,658		591,658	676,832		
	56,276	13,715	90,286	91,229	14,560	
	27,775	10,184	46,292	50,076		
	16,069	5,892	26,782	26,246		
						220,000
17,303	976,290	67,058	1,798,203	2,125,633	739,692	859,662
	30,246		60,492	60,492		
	11,768,604		14,820,576	14,666,317	2,935,004	2,997,678
	4,339,065		5,171,561	4,763,804	1,618,383	1,639,086
	7,459,785		9,709,507	9,963,005	1,316,621	1,358,592
17,303	8,436,075	67,058	11,507,710	12,088,638	2,056,313	2,218,254
	355,000		355,000	340,000		
	5,237	12,799	22,089	18,732	8,773	65
	84,177		84,177	87,009		
	16,069	5,892	26,782	26,246		
	23,615	3,939	42,438	42,437		
	484,098	22,630	530,486	514,424	8,773	65
	6,244,372		6,244,372	6,594,997		
	6,728,470	22,630	6,774,858	7,109,421	8,773	65
	1,452,071		3,701,793	3,704,840	1,316,621	1,358,592
17,303	255,534	44,428	1,031,059	1,274,377	730,919	859,597
\$ 17,303	\$ 1,707,605	\$ 44,428	\$ 4,732,852	\$ 4,979,217	\$ 2,047,540	\$ 2,218,189

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

For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	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	\$ 225,164	\$	\$ 225,164	\$ 595,098	\$
Departmental capital charge					
	<u>225,164</u>		<u>225,164</u>	<u>595,098</u>	
Operating Expenses					
Salaries	44,215		44,215	111,542	
Employee benefits and retirement	6,588		6,588	15,871	
Health insurance				14,186	
Workers compensation	1,981		1,981	4,467	
Garbage removal					
City clean up					
Supplies	17,739		17,739	9,441	
Utilities	12,114		12,114	33,196	
Maintenance and repairs	11,923		11,923	40,638	589
Travel and training	268		268	2,294	
Professional fees	11,636		11,636	47,759	
Office expense	1,083		1,083	2,774	
Insurance	2,739		2,739	11,597	
Depreciation		86,665	86,665		321,092
Departmental capital charge	235	7,900	8,135	546	7,100
Other	4,628		4,628	11,014	
Total Operating Expenses	<u>115,149</u>	<u>94,565</u>	<u>209,714</u>	<u>305,325</u>	<u>328,781</u>
Operating Income (Loss)	<u>110,015</u>	<u>(94,565)</u>	<u>15,450</u>	<u>289,773</u>	<u>(328,781)</u>
Nonoperating Revenues (Expenses)					
Investment income	39,458	17,936	57,394	27,321	23,563
Refunds and reimbursements	2,090		2,090	3,542	
Penalties and discounts	199		199	674	
Special assessments	7,354		7,354	24,964	
Intergovernmental					
Contributions					
Miscellaneous					
Interest and fiscal charges					(207,079)
Total Nonoperating					
Revenues (Expenses)	<u>49,101</u>	<u>17,936</u>	<u>67,037</u>	<u>56,501</u>	<u>(183,516)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>159,116</u>	<u>(76,629)</u>	<u>82,487</u>	<u>346,274</u>	<u>(512,297)</u>
Capital contributions					
Transfers in		70,000	70,000		465,000
Transfers out	(107,130)	(119,927)	(227,057)	(418,130)	(64,302)
CHANGE IN NET POSITION	<u>51,986</u>	<u>(126,556)</u>	<u>(74,570)</u>	<u>(71,856)</u>	<u>(111,599)</u>
NET POSITION - BEGINNING 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>
NET POSITION - END OF YEAR	<u>\$ 600,543</u>	<u>\$ 2,380,276</u>	<u>\$ 2,980,819</u>	<u>\$ 320,392</u>	<u>\$ 1,369,910</u>

See Notes to the Financial Statements

					Governmental Activities-Internal Service Funds 801	
622		603	Totals		Capital Goods	
Sewer - No Fault Back	Total Sewer	Garbage	2012	2011	2012	2011
\$	\$ 595,098	\$ 176,424	\$ 996,686	\$ 1,028,190	\$	\$
	595,098	176,424	996,686	1,028,190	325,329	351,534
					325,329	351,534
	111,542		155,757	146,849		
	15,871		22,459	21,244		
	14,186		14,186	12,737		
	4,467		6,448	5,760		
		143,434	143,434	144,320		
		10,710	10,710	12,529		
	9,441	642	27,822	20,940		
	33,196		45,310	51,673		
	41,227	1,502	54,652	54,467	30,329	27,752
	2,294		2,562	1,739		
	47,759		59,395	27,134		8,247
	2,774	988	4,845	4,734		
	11,597		14,336	14,726		
	321,092		407,757	403,380	251,072	37,433
	7,646	200	15,981	15,604		
	11,014	11,470	27,112	41,038	15,707	3,528
	634,106	168,946	1,012,766	978,874	297,108	76,960
	(39,008)	7,478	(16,080)	49,316	28,221	274,574
879	51,763	2,335	111,492	94,543	41,740	34,934
	3,542		5,632	3,010		
	674		873	1,007		
	24,964	8,768	41,086	85,583		
						3,500
						47,084
					(9,753)	5,015
	(207,079)		(207,079)	(221,374)		
879	(126,136)	11,103	(47,996)	(37,231)	31,987	90,533
879	(165,144)	18,581	(64,076)	12,085	60,208	365,107
						898,139
6,000	471,000		541,000	539,992	42,515	957,537
	(482,432)	(13,800)	(723,289)	(695,258)	(273,372)	(2,594)
6,879	(176,576)	4,781	(246,365)	(143,181)	(170,649)	2,218,189
10,424	1,884,181	39,647	4,979,217	5,122,398	2,218,189	
\$ 17,303	\$ 1,707,605	\$ 44,428	\$ 4,732,852	\$ 4,979,217	\$ 2,047,540	\$ 2,218,189

CITY OF CHATFIELD, MINNESOTA

PROPRIETARY FUNDS

Statement of Cash Flows

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Cash Flows From Operating Activities					
Cash received from customers	\$ 235,353	\$	\$ 235,353	\$ 627,784	\$
Cash paid to employees	(52,784)		(52,784)	(146,066)	
Cash paid to suppliers	(61,316)	(7,900)	(69,216)	(157,084)	(7,689)
Net Cash Provided By (Used In) Operating Activities	121,253	(7,900)	113,353	324,634	(7,689)
Cash Flows From Noncapital Financing Activities					
Contributions					
Intergovernmental					
Miscellaneous					
Transfer in/out	(107,130)	(49,927)	(157,057)	(418,130)	400,698
Net Cash Provided By (Used In) Noncapital Financing Activities	(107,130)	(49,927)	(157,057)	(418,130)	400,698
Cash Flows From Capital and Related Financing Activities					
Capital asset acquisitions		(154,259)	(154,259)		
Principal payments on bonds					(340,000)
Proceeds from sale of equipment					
Deposits					
Interest payments on bonds					(205,536)
Net Cash (Used In) Capital and Related Financing Activities		(154,259)	(154,259)		(545,536)
Cash Flows From Investing Activities					
Investment income received	39,458	17,936	57,394	27,321	23,563
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,581	(194,150)	(140,569)	(66,175)	(128,964)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	537,271	324,704	861,975	331,368	722,638
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 590,852	\$ 130,554	\$ 721,406	\$ 265,193	\$ 593,674
Classified as:					
Cash and cash equivalents	\$ 590,852	\$ 130,554	\$ 721,406	\$ 265,193	\$ 2,016
Restricted cash					591,658
Total Cash and Cash Equivalents, End of Year	\$ 590,852	\$ 130,554	\$ 721,406	\$ 265,193	\$ 593,674

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

Operating Income (Loss)	\$ 110,015	\$ (94,565)	\$ 15,450	\$ 289,773	\$ (328,781)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		86,665	86,665		321,092
Miscellaneous nonoperating income	9,643		9,643	29,180	
(Increase) Decrease In:					
Accounts receivable	546		546	3,506	
Increase (Decrease) In:					
Accounts payable	1,049		1,049	2,175	
Accrued liabilities					
Net Cash Provided By (Used In) Operating Activities	\$ 121,253	\$ (7,900)	\$ 113,353	\$ 324,634	\$ (7,689)

Sewer - No Fault Back	Total Sewer	Garbage	Totals		Governmental Activities- Internal Service Funds	
			2012	2011	2012	2011
\$	\$ 627,784 (146,066) (164,773)	\$ 185,867 (168,812)	\$ 1,049,004 (198,850) (402,801)	\$ 1,141,552 (186,593) (392,898)	\$ 310,769 (37,328)	\$ 351,534 (39,462)
	316,945	17,055	447,353	562,061	273,441	312,072
						47,085
						3,500
6,000	(11,432)	(13,800)	(182,289)	(155,266)	1,495 (10,857)	5,014 954,943
6,000	(11,432)	(13,800)	(182,289)	(155,266)	(9,362)	1,010,542
			(154,259) (340,000)	(32,329) (245,103)	(229,849)	(497,886)
					9,500	(220,000)
	(205,536)		(205,536)	(249,996)		
	(545,536)		(699,795)	(527,428)	(220,349)	(717,886)
879	51,763	2,335	111,492	94,543	41,740	34,934
6,879	(188,260)	5,590	(323,239)	(26,090)	85,470	639,662
10,424	1,064,430	31,677	1,958,082	1,984,172	639,662	
\$ 17,303	\$ 876,170	\$ 37,267	\$ 1,634,843	\$ 1,958,082	\$ 725,132	\$ 639,662
\$ 17,303	\$ 284,512 591,658	\$ 37,267	\$ 1,043,185 591,658	\$ 1,281,250 676,832	\$ 725,132	\$ 639,662
\$ 17,303	\$ 876,170	\$ 37,267	\$ 1,634,843	\$ 1,958,082	\$ 725,132	\$ 639,662
\$	\$ (39,008)	\$ 7,478	\$ (16,080)	\$ 49,316	\$ 28,221	\$ 274,574
	321,092 29,180	8,768	407,757 47,591	403,380 89,600	251,072	37,433
	3,506	675	4,727	23,762	(14,560)	
	2,175	133 1	3,357 1	(3,997)	8,708	65
\$	\$ 316,945	\$ 17,055	\$ 447,353	\$ 562,061	\$ 273,441	\$ 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 position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

The *2012A refunding 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.

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

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)

and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net position 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. Temporary cash investments are stated at cost, which approximates market.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes (continued)

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

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

Special assessments outstanding at December 31, 2012 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (continued)

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

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

Compensated Absences

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

Long-Term Obligations

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

Concentration of Credit Risk

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

Net position / Fund Balance

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the 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, 2012, 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	1,032,890
Certificates of deposit	1,860,045
U.S. Government Bonds	1,010,021
Municipal Bonds	963,640
Money Market Funds	<u>239,033</u>
Total Cash and Investments	<u>\$ 5,105,779</u>

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

Cash and Investments	\$ 4,514,121
Restricted Cash	<u>591,658</u>
	<u>\$ 5,105,779</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 will be forgiven for 5 years. The maximum amount forgiven will be \$306,653. Payments of \$2,610 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 (continued)

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, 2012:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/12
S&K Custom Furniture	5/30/2006	\$ 40,245	5%	10 years	\$ 27,758
Bernard Bus	6/30/2008	511,088	2%	10 years	465,587
Country Craft & Gifts, LLC	7/12/2010	12,840	6%	5 years	7,318
Adourn	9/18/2012	8,490	6%	5 years	8,482
		<u>\$ 572,663</u>			<u>\$ 509,145</u>

D. Capital Assets

Capital asset activity, including internal service fund capital assets, for the year ended December 31, 2012 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 994,656	\$ 7,413	\$	\$ 1,002,069
Total capital assets, not being depreciated	<u>994,656</u>	<u>7,413</u>		<u>1,002,069</u>
Capital assets, being depreciated:				
Buildings	7,172,035			7,172,035
Infrastructure	5,777,319	19,050		5,796,369
Vehicles	1,345,636	419,279	292,524	1,472,391
Furniture and fixtures	252,551	37,688		290,239
Machinery and equipment	1,527,835	162,807		1,690,642
Total capital assets, being depreciated	<u>16,075,376</u>	<u>638,824</u>	<u>292,524</u>	<u>16,421,676</u>
Less accumulated depreciation for:				
Buildings	2,610,486	316,418		2,926,904
Infrastructure	1,940,645	181,978		2,122,623
Vehicles	706,119	104,100	271,775	538,444
Furniture and fixtures	120,979	14,767		135,746
Machinery and equipment	936,900	175,146		1,112,046
Total accumulated depreciation	<u>6,315,129</u>	<u>792,409</u>	<u>271,775</u>	<u>6,835,763</u>
Total capital assets, being depreciated, net	<u>9,760,247</u>	<u>(153,585)</u>	<u>20,749</u>	<u>9,585,913</u>
Governmental activities capital assets, net	<u>\$ 10,754,903</u>	<u>\$ (146,172)</u>	<u>\$ 20,749</u>	<u>\$ 10,587,982</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	145,798		14,538,758
Machinery and equipment	273,357	8,461		281,818
Total capital assets, being depreciated	14,666,317	154,259		14,820,576
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	4,570,103	390,303		4,960,406
Machinery and equipment	193,701	17,454		211,155
Total accumulated depreciation	4,763,804	407,757		5,171,561
Total capital assets, being depreciated, net	9,902,513	(253,498)		9,649,015
Business-type activities capital assets, net	\$ 9,963,005	\$ (253,498)	\$	\$ 9,709,507

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 49,613
Public safety	79,645
Public works	148,675
Parks and recreation	23,817
Library	30,739
Community development	208,848
Subtotal	541,337
Internal service fund	251,072

Total depreciation expense - governmental activities \$ 792,409

Business-Type Activities:

Water Infrastructure	\$ 86,665
Sewer Infrastructure	321,092

Total depreciation expense - business-type activities \$ 407,757

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, 2012 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund - Other	\$ 113,590	\$ 210,794
Special Revenue:		
Rural Fire		
Ambulance	56,525	49,802
EDA	76,594	
Library	5,900	5,900
Fire capital	346,835	43,023
Cable Access		2,650
Chatfield Center for the Arts	22,232	
Debt Service:		
1997 GO Water Revenue	21,115	
1999 Improvement Bond		30,814
2002 Revenue Bond		8,296
2008A HL Tower/Hillside Drive Bond	100,192	
2004A GO Sewer Revenue and PIR Refunding Bond	62,922	
Capital Project:		
Industrial Drive Construction		41,480
Internal Service	42,515	273,372
Enterprise:		
Water		107,130
Sewer		418,130
Garbage		13,800
Water Infrastructure	70,000	119,927
Sewer Infrastructure	465,000	64,302
Sewer - No Fault Back	6,000	
Total Transfers	<u>\$ 1,389,420</u>	<u>\$ 1,389,420</u>

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 2012 are as follows:

Special Revenue Funds	
General	\$ 14,615
Ambulance	27,294
EDA	17,725
Library	10,672
Revolving Loan	8,517
Chatfield Center for the Arts	1,611
Fire	358,719
Enterprise Funds	
Sewer	6,861
Water Infrastructure	56,665
Sewer Infrastructure	321,681
Garbage	471

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

On May 22, 2012, the City of Chatfield, Minnesota issued \$1,990,000 of General Obligation Crossover Refunding Bonds, Series 2012A. The proceeds of this issue will be used to refund the outstanding principal and interest of the City's 2008A General Obligation Improvement Bonds on February 1, 2013. This type of refunding is considered an advance or crossover refunding. The proceeds have been placed into an escrow account pending the call date of the old bonds (February 1, 2013). After the call date the bonds will no longer be shown on the financial statements of the City and the City will assume the debt service payments for the refunding issue.

The difference in cash flows required to service the old debt and the new debt will be \$328,475. The economic gain, reflected as the difference between the present value of the refunded debt requirements and the refunding debt requirements will be \$265,196.

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2012:

	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%)	\$ 20,000	\$	\$ 20,000	\$	\$
2002A Refunding (3.0-4.9%)	60,000		10,000	50,000	30,000
2004A Sewer & Perm Improv Refunding (3.75%)	330,000		85,000	245,000	90,000
2008A Utility Revenue & Improv Bond (3.85-4.9%)	2,075,000		80,000	1,995,000	80,000
2010A Capital Improvement Refunding (2.0-3.9%)	1,335,000		75,000	1,260,000	75,000
2012 GO Crossover Refunding Bonds (2.0-2.7%)		1,990,000		1,990,000	
Less: Unamortized premium, discount, and issuance costs	(33,876)	7,076	(2,350)	(24,450)	
Tax Increment Bonds:					
1999 Tax Increment (5.75%)	282,518		65,058	217,460	32,877
Total Bonds and Notes Payable	4,068,642	1,997,076	332,708	5,733,010	307,877
Other Liabilities:					
Compensated Absences	124,976	17,999		142,975	
Governmental Activities Long-term Liabilities	4,193,618	2,015,075	332,708	5,875,985	307,877
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2011A Refunding Bonds (3.42%)	7,005,000		340,000	6,665,000	355,000
Less: Unamortized Issuance Costs	(26,179)		(1,636)	(24,543)	
Less: Bond discount	(43,824)		(2,739)	(41,085)	
Other Liabilities:					
Compensated Absences	29,759		18,174	11,585	
Business-type Activities Long-term Liabilities	6,964,756		353,799	6,610,957	355,000
Total	\$ 11,158,374	\$ 2,015,075	\$ 686,507	\$ 12,486,942	\$ 662,877

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

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.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2012, 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>						
2013	\$ 295,000	\$ 189,347	\$ 32,877	\$ 6,822		
2014	365,000	168,593	29,379	10,320		
2015	415,000	157,500	31,113	8,586		
2016	345,000	146,532	32,950	6,749		
2017	345,000	136,682	34,896	4,803		
2018-2022	1,850,000	514,579	56,245	3,304		
2023-2027	1,805,000	195,432				
2028-2030	120,000	5,880				
Totals	<u>\$ 5,540,000</u>	<u>\$ 1,514,543</u>	<u>\$ 217,460</u>	<u>\$ 40,584</u>		

Business-Type Activities

2013	\$ 355,000	\$ 198,585
2014	360,000	191,435
2015	365,000	184,185
2016	370,000	176,835
2017	375,000	169,010
2018-2022	2,000,000	687,528
2023-2027	2,325,000	327,970
2028	515,000	10,300
Totals	<u>\$ 6,665,000</u>	<u>\$ 1,935,548</u>

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

Conduit Debt Obligations (continued)

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, 2012, remaining notes outstanding totaled \$3,148,964.

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, 2012, 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Plan Description (continued)

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.

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 2012. PEPFF members are required to contribute 9.6% of their annual covered salary in 2012. 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, 2012, 2011, and 2010 were \$40,635, \$39,062, and \$40,567, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2012, 2011, and 2010, were \$36,813, \$34,442, and \$31,982, 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 2012.

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 2012. 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, 2012 are as follows:

Committed fund balance:	
Library Fund	\$ 447,290

6. Subsequent Events

In preparing these financial statements, the City of Chatfield, Minnesota has evaluated events and transactions for potential recognition of disclosures through March 04, 2013, the date the financial statement were available to be issued.

7. New Accounting Pronouncements

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred outflows or inflows as defined by this standard.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows resources, deferred inflows of resources, or current-period outflows and inflows.

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CITY OF CHATFIELD, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2012

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue			
	211/212	614	250	251
	Library	Cable Access	Chatfield Center for the Arts	CCA - Schmidt Foundation
ASSETS				
Cash and investments	\$ 450,425	\$ 60,516	\$ 85,011	\$ 9,881
Accounts receivable		6,228		
Due from other governmental units				
Taxes receivable - delinquent				
Special assessments receivable				
TOTAL ASSETS	<u>\$ 450,425</u>	<u>\$ 66,744</u>	<u>\$ 85,011</u>	<u>\$ 9,881</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 3,135	\$ 208	\$ 5,038	\$
Deferred revenue				
Total Liabilities	<u>3,135</u>	<u>208</u>	<u>5,038</u>	
Fund Balance				
Restricted:				
Creditors (debt covenants)				
Committed:				
By Council resolution	447,290			
Assigned:				
Fund assignments		66,536	79,973	9,881
Unassigned:				
Total Fund Balance	<u>447,290</u>	<u>66,536</u>	<u>79,973</u>	<u>9,881</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 450,425</u>	<u>\$ 66,744</u>	<u>\$ 85,011</u>	<u>\$ 9,881</u>

Special Revenue

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	Total
\$ 7,971	\$ 2	\$ 65	\$ 547	\$ 1,532	\$ 615,950 6,228
<u>\$ 7,971</u>	<u>\$ 2</u>	<u>\$ 65</u>	<u>\$ 547</u>	<u>\$ 1,532</u>	<u>\$ 622,178</u>
\$	\$	\$	\$	\$	\$ 8,381
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>8,381</u>
					447,290
7,971	2	65	547	1,532	166,507
<u>7,971</u>	<u>2</u>	<u>65</u>	<u>547</u>	<u>1,532</u>	<u>613,797</u>
<u>\$ 7,971</u>	<u>\$ 2</u>	<u>\$ 65</u>	<u>\$ 547</u>	<u>\$ 1,532</u>	<u>\$ 622,178</u>

**CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
December 31, 2012

	Debt Service			
	315	377	323	324
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2002A Refunding Bond	2002B Revenue Bond
ASSETS				
Cash and investments	\$ 65,027	\$ 1,386	\$ 23,167	\$
Accounts receivable				
Due from other governmental units		1,809	34	
Taxes receivable - delinquent			45	
Special assessment receivable			36,621	
TOTAL ASSETS	<u>\$ 65,027</u>	<u>\$ 3,195</u>	<u>\$ 59,867</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Deferred revenue			36,666	
Total Liabilities			<u>36,666</u>	
Fund Balance				
Restricted:				
Creditors (debt covenants)		3,195	23,201	
Committed:				
By Council resolution				
Assigned:				
Fund assignments	65,027			
Unassigned:				
Total Fund Balance	<u>65,027</u>	<u>3,195</u>	<u>23,201</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 65,027</u>	<u>\$ 3,195</u>	<u>\$ 59,867</u>	<u>\$</u>

Debt Service			Capital Projects		
326	329	330	431		Total Nonmajor Governmental Funds
2004A GO	2008A HL	2010A	Industrial		
Sewer and Perm	Tower/ Hillside	Refunding	Drive		
Improv Refunding	Drive	Bond	Construction	Total	2012
Bond	Bond				
\$ 104,154	\$ 265,928	\$ 112,179	\$	\$ 571,841	\$ 1,187,791
					6,228
537	833	1,476		4,689	4,689
719	1,106	1,835		3,705	3,705
	190,776			227,397	227,397
<u>\$ 105,410</u>	<u>\$ 458,643</u>	<u>\$ 115,490</u>	<u>\$</u>	<u>\$ 807,632</u>	<u>\$ 1,429,810</u>
\$	\$	\$	\$	\$	\$ 8,381
719	191,882	1,835		231,102	231,102
<u>719</u>	<u>191,882</u>	<u>1,835</u>	<u></u>	<u>231,102</u>	<u>239,483</u>
104,691	266,761	113,655		511,503	511,503
					447,290
				65,027	231,534
<u>104,691</u>	<u>266,761</u>	<u>113,655</u>	<u></u>	<u>576,530</u>	<u>1,190,327</u>
<u>\$ 105,410</u>	<u>\$ 458,643</u>	<u>\$ 115,490</u>	<u>\$</u>	<u>\$ 807,632</u>	<u>\$ 1,429,810</u>

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue			
	211/212	614	250	251
	Library	Cable Access	Chatfield Center for the Arts	CCA - Schmidt Foundation
REVENUES				
Property tax levy				
Property tax collected	\$ 103,354	\$	\$	\$
Special assessments				
Tax increments				
Fines and forfeits	4,727			
Intergovernmental	48,556			
Franchise fees		24,690		
Charges for services		14,250	7,839	
Investment income	5,884	4,340	6,202	1,277
Contributions	3,077		1,543	9,000
Miscellaneous	14,928	8,558	2,948	
TOTAL REVENUES	<u>180,526</u>	<u>51,838</u>	<u>18,532</u>	<u>10,277</u>
EXPENDITURES				
Current:				
General government		49,150		
Public safety				
Library	173,476			
Community development			68,354	4,934
Debt service				
Principal retirement				
Interest and fiscal charges				
Capital outlay			3,907	19,637
TOTAL EXPENDITURES	<u>173,476</u>	<u>49,150</u>	<u>72,261</u>	<u>24,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,050</u>	<u>2,688</u>	<u>(53,729)</u>	<u>(14,294)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	5,900		22,232	
Transfer out	(5,900)	(2,650)		
TOTAL OTHER FINANCING SOURCES (USES)		<u>(2,650)</u>	<u>22,232</u>	
Net change in fund balances	7,050	38	(31,497)	(14,294)
FUND BALANCES, beginning	<u>440,240</u>	<u>66,498</u>	<u>111,470</u>	<u>24,175</u>
FUND BALANCES, ending	<u>\$ 447,290</u>	<u>\$ 66,536</u>	<u>\$ 79,973</u>	<u>\$ 9,881</u>

Special Revenue					
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	Total
\$	\$	\$	\$	\$	\$ 103,354
	14,118	13,889	4,551	56,327	88,885
					4,727
				1,151	49,707
					24,690
					22,089
457	1	6	36	259	18,462
6,000					19,620
					26,434
6,457	14,119	13,895	4,587	57,737	357,968
					49,150
					173,476
18,034	14,118	13,888	4,551	57,478	181,357
					23,544
18,034	14,118	13,888	4,551	57,478	427,527
(11,577)	1	7	36	259	(69,559)
					28,132
					(8,550)
					19,582
(11,577)	1	7	36	259	(49,977)
19,548	1	58	511	1,273	663,774
\$ 7,971	\$ 2	\$ 65	\$ 547	\$ 1,532	\$ 613,797

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Debt Service			
	315	377	323	324
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2002A Refunding Bond	2002B Revenue Bond
REVENUES				
Property tax levy				
Property tax collected	\$	\$	\$ 2,635	\$
Special assessments			11,902	
Tax increments		86,317		
Fines and forfeits				
Intergovernmental				
Franchise fees				
Charges for services				
Investment income	4,508	86	903	
Contributions				
Miscellaneous				
TOTAL REVENUES	<u>4,508</u>	<u>86,403</u>	<u>15,440</u>	
EXPENDITURES				
Current:				
General government				
Public safety				
Library				
Community development				
Debt service				
Principal retirement	20,000	65,058	10,000	
Interest and fiscal charges	1,110	19,353	3,064	
Capital outlay				
TOTAL EXPENDITURES	<u>21,110</u>	<u>84,411</u>	<u>13,064</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(16,602)</u>	<u>1,992</u>	<u>2,376</u>	
OTHER FINANCING SOURCES (USES)				
Transfer in	21,115			
Transfer out				(8,296)
TOTAL OTHER FINANCING SOURCES (USES)	<u>21,115</u>			<u>(8,296)</u>
Net change in fund balances	4,513	1,992	2,376	(8,296)
FUND BALANCES, beginning	<u>60,514</u>	<u>1,203</u>	<u>20,825</u>	<u>8,296</u>
FUND BALANCES, ending	<u>\$ 65,027</u>	<u>\$ 3,195</u>	<u>\$ 23,201</u>	<u>\$</u>

Debt Service			Capital Projects		
326	329	330	431		Total Nonmajor Governmental Funds
2004A GO Sewer and Perm Improv Refunding Bond	2008A HL Tower/Hillside Drive Bond	2010A Refunding Bond	Industrial Drive Construction	Total	2012
\$ 41,757	\$ 64,720 68,371	\$ 114,567	\$	\$ 223,679 80,273 86,317	\$ 327,033 80,273 175,202 4,727 49,707 24,690 22,089 50,831 19,620 26,434
2,442	14,619	8,168	1,643	32,369	
44,199	147,710	122,735	1,643	422,638	780,606
					49,150
					173,476 181,357
85,000 10,781	80,000 90,765	75,000 42,148		335,058 167,221	335,058 167,221 23,544
95,781	170,765	117,148		502,279	929,806
(51,582)	(23,055)	5,587	1,643	(79,641)	(149,200)
62,922	100,192		(41,480)	184,229 (49,776)	212,361 (58,326)
62,922	100,192		(41,480)	134,453	154,035
11,340	77,137	5,587	(39,837)	54,812	4,835
93,351	189,624	108,068	39,837	521,718	1,185,492
\$ 104,691	\$ 266,761	\$ 113,655	\$	\$ 576,530	\$ 1,190,327

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Intergovernmental	\$	\$	\$	\$	\$ 14,347
Charges for services	7,000	7,000	7,839	839	12,154
Investment income	1,500	1,500	6,202	4,702	10,536
Donations			1,543	1,543	11,624
Miscellaneous	1,000	1,000	2,948	1,948	2,227
TOTAL REVENUES	<u>9,500</u>	<u>9,500</u>	<u>18,532</u>	<u>9,032</u>	<u>50,888</u>
EXPENDITURES					
Repairs and maintenance	5,000	5,000	3,695	1,305	18,297
Professional Services	12,000	12,000	22,165	(10,165)	45,124
Miscellaneous	53,650	53,650	42,494	11,156	43,881
Capital outlay			3,907	(3,907)	129,908
TOTAL EXPENDITURES	<u>70,650</u>	<u>70,650</u>	<u>72,261</u>	<u>(1,611)</u>	<u>237,210</u>
Excess (deficiency of revenues over (under) expenditures	<u>(61,150)</u>	<u>(61,150)</u>	<u>(53,729)</u>	<u>7,421</u>	<u>(186,322)</u>
OTHER FINANCING SOURCES					
Transfers in	22,232	22,232	22,232		32,736
Net change in fund balances	(38,918)	(38,918)	(31,497)	7,421	(153,586)
FUND BALANCES, beginning	<u>111,470</u>	<u>111,470</u>	<u>111,470</u>		<u>265,056</u>
FUND BALANCES, ending	<u>\$ 72,552</u>	<u>\$ 72,552</u>	<u>\$ 79,973</u>	<u>\$ 7,421</u>	<u>\$ 111,470</u>

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		211	212	2012	Variance with	2011
	Original	Final	Library	Library	Actual	Final Budget -	Actual
				Endowment	Amounts	Positive	Amounts
						(Negative)	
REVENUES							
Property tax levy	\$ 103,354	\$ 103,354	\$ 103,354	\$	\$ 103,354	\$	\$ 90,000
Intergovernmental revenues	47,830	47,830	48,556		48,556		48,039
Library fines	3,000	3,000	4,727		4,727	1,727	3,068
Investment income	8,700	8,700	4,054	1,830	5,884	(2,816)	15,936
Contributions			3,077		3,077		19,274
Miscellaneous	2,320	2,320	14,928		14,928	12,608	3,586
TOTAL REVENUES	165,204	165,204	178,696	1,830	180,526	14,596	179,903
EXPENDITURES							
Library							
Salaries	82,780	82,780	86,553		86,553	(3,773)	79,292
Employee benefits and retirement	12,169	12,169	12,169		12,169		10,886
Workers compensation	250	250	64		64	186	42
Health insurance	17,880	17,880	14,835		14,835	3,045	16,488
Travel	500	500	352		352	148	269
Office supplies and postage	1,800	1,800	1,230		1,230	570	988
Operating supplies/small tools	1,550	1,550	12,241		12,241	(10,691)	3,453
Insurance	2,000	2,000	3,817		3,817	(1,817)	1,703
Utilities	6,000	6,000	4,482		4,482	1,518	5,212
Maintenance and repair	7,500	7,500	7,325		7,325	175	7,913
Telephone	1,200	1,200	1,453		1,453	(253)	1,330
Cleaning services	1,000	1,000	571		571	429	851
Capital outlay	17,300	17,300	16,533		16,533	767	13,853
Other	10,875	10,875	11,851		11,851	(976)	10,212
TOTAL EXPENDITURES	162,804	162,804	173,476		173,476	(10,672)	152,492
Excess (deficiency) of revenues over (under) expenditures	2,400	2,400	5,220	1,830	7,050	3,924	27,411
OTHER FINANCING SOURCES (USES)							
Transfers in	5,300	5,300	5,900		5,900	600	17,673
Transfers out	(5,300)	(5,300)		(5,900)	(5,900)	(600)	(15,079)
Net change in fund balances	2,400	2,400	11,120	(4,070)	7,050	3,924	30,005
FUND BALANCES, beginning	440,240	440,240	75,800	364,440	440,240		410,235
FUND BALANCES, ending	\$ 442,640	\$ 442,640	\$ 86,920	\$ 360,370	\$ 447,290	\$ 3,924	\$ 440,240

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 725,132	\$ 639,662
Accounts receivable	14,560	
Downpayment on equipment		220,000
Total Current Assets	<u>739,692</u>	<u>859,662</u>
Noncurrent Assets		
Capital assets:		
Depreciable	2,935,004	2,997,678
Less: Accumulated depreciation	<u>1,618,383</u>	<u>1,639,086</u>
Net capital assets	<u>1,316,621</u>	<u>1,358,592</u>
Total Assets	<u>2,056,313</u>	<u>2,218,254</u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>8,773</u>	<u>65</u>
NET POSITION		
Unrestricted	<u>\$ 2,047,540</u>	<u>\$ 2,218,189</u>

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Departmental capital charge	\$ 325,329	\$ 351,534
Operating Expenses		
Depreciation	251,072	37,433
Repairs	30,329	27,752
Minor equipment	15,707	2,680
Printing		848
Engineering fees		8,247
Total Operating Expenses	<u>297,108</u>	<u>76,960</u>
Operating Income	<u>28,221</u>	<u>274,574</u>
Nonoperating Revenues (Expenses)		
Interest income	41,740	34,934
Intergovernmental		3,500
Contributions		47,084
Miscellaneous	<u>(9,753)</u>	<u>5,015</u>
Total Nonoperating Revenues (Expenses)	<u>31,987</u>	<u>90,533</u>
INCOME BEFORE TRANSFERS	60,208	365,107
Capital contributions		898,139
Transfers in	42,515	957,537
Transfers out	<u>(273,372)</u>	<u>(2,594)</u>
CHANGE IN NET POSITION	(170,649)	2,218,189
NET POSITION - BEGINNING OF YEAR	<u>2,218,189</u>	
NET POSITION - END OF YEAR	<u><u>\$ 2,047,540</u></u>	<u><u>\$ 2,218,189</u></u>

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2012
Cash Flows From Operating Activities		
Cash received from other departments	\$ 310,769	\$ 351,534
Cash paid to suppliers	(37,328)	(39,462)
Net Cash Provided by Operating Activities	<u>273,441</u>	<u>312,072</u>
Cash Flows From Noncapital Financing Activities		
Contributions		47,085
Intergovernmental		3,500
Miscellaneous	1,495	5,014
Transfer in/out	(10,857)	954,943
Net Cash Provided by (Used in)		
Noncapital Financing Activities	<u>(9,362)</u>	<u>1,010,542</u>
Capital and Related Financing Activities		
Capital asset acquisitions	(229,849)	(497,886)
Proceeds from sale of equipment	9,500	
Deposits		(220,000)
Net Cash (Used In) Capital and Related		
Financing Activities	<u>(220,349)</u>	<u>(717,886)</u>
Cash Flows From Investing Activities		
Investment income received	<u>41,740</u>	<u>34,934</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,470	639,662
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>639,662</u>	
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 725,132</u></u>	<u><u>\$ 639,662</u></u>
Non-Cash Transactions		
Transfer of equipment downpayment		
to Fire Capital Fund	\$ 220,000	

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 28,221	\$ 274,574
Adjustments to Reconcile Operating		
Income to Net Cash Provided		
by Operating Activities		
Depreciation	251,072	37,433
(Increase) Decrease in:		
Accounts receivable	(14,560)	
Increase (Decrease) in:		
Accounts payable	<u>8,708</u>	<u>65</u>
Net Cash Provided By Operating Activities	<u><u>\$ 273,441</u></u>	<u><u>\$ 312,072</u></u>

CITY OF CHATFIELD, MINNESOTA

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2012

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statements of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 590,852	\$ 537,271
Accounts receivable, net	20,295	20,160
Special assessments receivable	8,333	9,014
Special assessments delinquent	4,821	4,724
Total Current Assets	<u>624,301</u>	<u>571,169</u>
LIABILITIES		
Current Liabilities		
Accounts payable	4,053	3,004
Accrued liabilities	14,884	14,884
Deferred revenue	4,821	4,724
Total Current Liabilities	<u>23,758</u>	<u>22,612</u>
NET POSITION		
Unrestricted	<u><u>\$ 600,543</u></u>	<u><u>\$ 548,557</u></u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Service fees	\$ 199,200	\$ 199,200	\$ 225,164	\$ 25,964	\$ 218,825
Operating Expenses					
Salaries	41,000	41,000	44,215	(3,215)	42,134
Employee benefits and retirement	6,220	6,220	6,588	(368)	6,278
Workers compensation	1,800	1,800	1,981	(181)	1,770
Supplies	11,300	11,300	17,739	(6,439)	14,769
Utilities	14,700	14,700	12,114	2,586	13,472
Maintenance and repairs	25,000	25,000	11,923	13,077	12,222
Travel and training	350	350	268	82	350
Professional fees	11,100	11,100	11,636	(536)	11,787
Office expense	1,800	1,800	1,083	717	1,072
Insurance	2,300	2,300	2,739	(439)	2,116
Departmental capital charge			235	(235)	200
Other	2,205	2,205	4,628	(2,423)	4,019
Total Operating Expenses	117,775	117,775	115,149	2,626	110,189
Operating Income	81,425	81,425	110,015	28,590	108,636
Nonoperating Revenues (Expenses)					
Investment income	7,000	7,000	39,458	32,458	27,802
Refunds and reimbursements			2,090	2,090	433
Penalties and discounts	400	400	199	(201)	229
Special assessments	8,500	8,500	7,354	(1,146)	15,357
Total Nonoperating Revenues (Expenses)	15,900	15,900	49,101	33,201	43,821
INCOME BEFORE TRANSFERS	97,325	97,325	159,116	61,791	152,457
Transfers out	(107,130)	(107,130)	(107,130)		(104,050)
CHANGE IN NET POSITION	(9,805)	(9,805)	51,986	61,791	48,407
NET POSITION - BEGINNING OF YEAR	548,557	548,557	548,557		500,150
NET POSITION - END OF YEAR	\$ 538,752	\$ 538,752	\$ 600,543	\$ 61,791	\$ 548,557

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statements of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 265,193	\$ 331,368
Accounts receivable, net	56,276	57,512
Special assessments receivable	27,775	30,045
Special assessments delinquent	16,069	15,748
Total Current Assets	<u>365,313</u>	<u>434,673</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	5,237	3,062
Accrued liabilities	23,615	23,615
Deferred revenue	16,069	15,748
Total Current Liabilities	<u>44,921</u>	<u>42,425</u>
 NET POSITION		
Unrestricted	<u>\$ 320,392</u>	<u>\$ 392,248</u>

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

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Service fees	\$ 623,000	\$ 623,000	\$ 595,098	\$ (27,902)	\$ 623,903
Operating Expenses					
Salaries	107,069	107,069	111,542	(4,473)	104,715
Employee benefits and retirement	17,955	17,955	15,871	2,084	14,966
Health insurance	13,775	13,775	14,186	(411)	12,737
Workers compensation	4,120	4,120	4,467	(347)	3,990
Supplies	8,850	8,850	9,441	(591)	5,625
Utilities	43,045	43,045	33,196	9,849	38,201
Maintenance and repairs	37,500	37,500	40,638	(3,138)	40,808
Travel and training	2,000	2,000	2,294	(294)	1,389
Professional fees	17,500	17,500	47,759	(30,259)	15,347
Office expense	2,400	2,400	2,774	(374)	2,763
Insurance	13,500	13,500	11,597	1,903	12,610
Departmental capital charge	300	300	546	(246)	204
Other	30,450	30,450	11,014	19,436	25,472
Total Operating Expenses	298,464	298,464	305,325	(6,861)	278,827
Operating Income	324,536	324,536	289,773	(34,763)	345,076
Nonoperating Revenues (Expenses)					
Investment income	5,000	5,000	27,321	22,321	19,877
Refunds and reimbursements			3,542	3,542	2,577
Penalties and discounts	1,000	1,000	674	(326)	778
Special assessments	30,000	30,000	24,964	(5,036)	52,244
Total Nonoperating Revenues (Expenses)	36,000	36,000	56,501	20,501	75,476
INCOME BEFORE TRANSFERS	360,536	360,536	346,274	(14,262)	420,552
Transfers out	(343,130)	(343,130)	(418,130)	(75,000)	(390,150)
CHANGE IN NET POSITION	17,406	17,406	(71,856)	(89,262)	30,402
NET POSITION - BEGINNING OF YEAR	392,248	392,248	392,248		361,846
NET POSITION - END OF YEAR	\$ 409,654	\$ 409,654	\$ 320,392	\$ (89,262)	\$ 392,248

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statements of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 130,554	\$ 324,704
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	3,051,972	2,897,713
Less: Accumulated depreciation	<u>832,496</u>	<u>745,831</u>
Property, Plant and Equipment, Net	<u>2,249,722</u>	<u>2,182,128</u>
Total Assets	<u>2,380,276</u>	<u>2,506,832</u>
NET POSITION		
Invested in capital assets	2,249,722	2,182,128
Unrestricted	<u>130,554</u>	<u>324,704</u>
Total Net Postion	<u><u>\$ 2,380,276</u></u>	<u><u>\$ 2,506,832</u></u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Connection charges	\$ 3,200	\$ 3,200	\$	\$ (3,200)	
Operating Expenses					
Depreciation	30,000	30,000	86,665	(56,665)	82,288
Departmental capital charge	7,900	7,900	7,900		7,900
Total Operating Expenses	37,900	37,900	94,565	(56,665)	90,188
Operating Income	(34,700)	(34,700)	(94,565)	59,865	(90,188)
Nonoperating Revenues (Expenses)					
Investment income	5,000	5,000	17,936	12,936	19,921
INCOME (LOSS) BEFORE TRANSFERS	(29,700)	(29,700)	(76,629)	(46,929)	(70,267)
Transfer in	70,000	70,000	70,000		68,000
Transfers out	(119,927)	(119,927)	(119,927)		(121,955)
Total Other Financing Sources (Uses)	(49,927)	(49,927)	(49,927)		(53,955)
CHANGE IN NET POSITION	(79,627)	(79,627)	(126,556)	(46,929)	(124,222)
NET POSITION - BEGINNING OF YEAR	2,506,832	2,506,832	2,506,832		2,631,054
NET POSITION - END OF YEAR	\$ 2,427,205	\$ 2,427,205	\$ 2,380,276	\$ (46,929)	\$ 2,506,832

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,016	\$ 45,806
Restricted cash	591,658	676,832
Total Current Assets	<u>593,674</u>	<u>722,638</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	11,768,604	11,768,604
Less: Accumulated depreciation	<u>4,339,065</u>	<u>4,017,973</u>
Property, Plant and Equipment, Net	<u>7,459,785</u>	<u>7,780,877</u>
Total Assets	<u>8,053,459</u>	<u>8,503,515</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	355,000	340,000
Accrued interest payable	<u>84,177</u>	<u>87,009</u>
Total Current Liabilities	<u>439,177</u>	<u>427,009</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>6,244,372</u>	<u>6,594,997</u>
Total Liabilities	<u>6,683,549</u>	<u>7,022,006</u>
NET POSITION		
Invested in capital assets, net of related debt	1,452,071	1,522,712
Unrestricted	<u>(82,161)</u>	<u>(41,203)</u>
Total Net Position	<u>\$ 1,369,910</u>	<u>\$ 1,481,509</u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
Operating Revenue					
Connection fees	\$ 5,200	\$ 5,200	\$	\$ (5,200)	\$
Operating Expenses					
Maintenance and repairs			589	(589)	
Departmental capital charge	7,100	7,100	7,100		7,100
Depreciation			321,092	(321,092)	321,092
Total Operating Expenses	7,100	7,100	328,781	(321,681)	328,192
Operating Income (Loss)	(1,900)	(1,900)	(328,781)	(326,881)	(328,192)
Nonoperating Revenues (Expenses)					
Investment income			23,563	23,563	26,040
Interest expense			(207,079)	(207,079)	(221,374)
Total Nonoperating Revenue (Expense)			(183,516)	(183,516)	(195,334)
INCOME (LOSS) BEFORE TRANSFERS	(1,900)	(1,900)	(512,297)	(510,397)	(523,526)
Transfer in			465,000	465,000	465,992
Transfers out	(64,302)	(64,302)	(64,302)		(65,703)
Total Other Financing Sources (Uses)	(64,302)	(64,302)	400,698	465,000	400,289
CHANGE IN NET POSITION	(66,202)	(66,202)	(111,599)	(45,397)	(123,237)
NET POSITION - BEGINNING OF YEAR	1,481,509	1,481,509	1,481,509		1,604,746
NET POSITION - END OF YEAR	\$ 1,415,307	\$ 1,415,307	\$ 1,369,910	\$ (45,397)	\$ 1,481,509

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
GARBAGE FUND
Statement of Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37,267	\$ 31,677
Accounts receivable, net	13,715	13,557
Special assessments receivable	10,184	11,017
Special assessments delinquent	<u>5,892</u>	<u>5,774</u>
Total Current Assets	<u>67,058</u>	<u>62,025</u>
LIABILITIES		
Current Liabilities		
Accounts payable	12,799	12,666
Accrued liabilities	3,939	3,938
Deferred revenue	<u>5,892</u>	<u>5,774</u>
Total Current Liabilities	<u>22,630</u>	<u>22,378</u>
NET POSITION		
Unrestricted	<u><u>\$ 44,428</u></u>	<u><u>\$ 39,647</u></u>

CITY OF CHATFIELD, MINNESOTA
GARBAGE FUND
Schedule of Revenues, Expenditures
and Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012	Variance with	2011
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Charges for Services	\$ 158,000	\$ 158,000	\$ 176,424	\$ 18,424	\$ 185,462
Operating Expenses					
Waste Removal					
Garbage removal	140,000	140,000	143,434	(3,434)	144,320
City cleanup	13,000	13,000	10,710	2,290	12,529
Supplies	650	650	642	8	546
Maintenance and repairs	1,600	1,600	1,502	98	1,437
Office expense	1,550	1,550	988	562	899
Departmental capital charge	200	200	200		200
Other	11,475	11,475	11,470	5	11,547
Total Operating Expenses	168,475	168,475	168,946	(471)	171,478
Operating Income (Loss)	(10,475)	(10,475)	7,478	17,953	13,984
Nonoperating Revenue					
Investment income			2,335	2,335	570
Special assessments	6,000	6,000	8,768	2,768	17,982
Total Nonoperating Revenue	6,000	6,000	11,103	5,103	18,552
Income (loss) before transfers	(4,475)	(4,475)	18,581	23,056	32,536
Transfers out	(13,800)	(13,800)	(13,800)		(13,400)
CHANGE IN NET POSITION	(18,275)	(18,275)	4,781	23,056	19,136
NET POSITION - BEGINNING OF YEAR	39,647	39,647	39,647		20,511
NET POSITION - END OF YEAR	\$ 21,372	\$ 21,372	\$ 44,428	\$ 23,056	\$ 39,647

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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, 2012 and have issued our report thereon dated March 04, 2013.

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

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

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

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

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
March 04, 2013