

CITY OF CHATFIELD, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF CHATFIELD, MINNESOTA

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CITY OF CHATFIELD, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2013

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CITY OF CHATFIELD, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2013

Russ Smith	Mayor
Paul Novotny	Vice-Mayor
Robert Pederson	Councilor
Mike Urban	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, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chatfield, Minnesota, as of and for the year ended December 31, 2013, 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.

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, 2013, 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.

Emphasis of Matter

As described in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. Also, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunctions with the City's financial statements for the year ended December 31, 2012, from which such partial information was derived.

We have previously audited the City's 2012 financial statements and our report dated March 4, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

Supplementary Information in Relation to the Financial Statements as a Whole

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.



Rochester, Minnesota
March 03, 2014

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, 2013.

New Accounting Pronouncement. As described in Note 6 to the financial statements, The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. This Statement established accounting and financial reporting standards that retroactively reclassify, as deferred inflows of resources, certain items previously reported as liabilities. In addition, debt issuance costs are no longer reported in the Statement of Net Position under the new Standard.

FINANCIAL HIGHLIGHTS

- The assets of the City of Chatfield, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$15,409,326 (*net position*). Of this amount, \$3,744,701 (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 \$119,525.
- As of the close of the current fiscal year, the City of Chatfield, Minnesota's governmental funds reported combined ending fund balances of \$2,928,911. Approximately \$2,124,659 of this total amount, or 73% 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 \$991,973 or 56 percent of next year's total general fund property tax levy and local government aid.
- The City of Chatfield, Minnesota decreased total outstanding debt obligations by \$2,617,250 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-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the revolving loan 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 69-70) 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 71-73 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 39-60 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 61-68 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 \$15,409,326 at the close of the most recent fiscal year.

The largest portion of the City of Chatfield, Minnesota's net position (\$10,481,641) 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			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,196,337	\$ 6,413,678	\$ 1,568,364	\$ 1,798,203	\$ 5,764,701	\$ 8,211,881
Capital assets	10,479,484	10,587,982	9,329,357	9,709,507	19,808,841	20,297,489
Total assets	14,675,821	17,001,660	10,897,721	11,507,710	25,573,542	28,509,370
Long-term liabilities						
outstanding	3,505,202	5,733,010	6,271,654	6,599,372	9,776,856	12,392,209
Other liabilities	234,955	260,689	152,405	175,486	387,360	436,175
Total liabilities	3,740,157	5,993,699	6,424,059	6,774,858	10,164,216	12,828,384
Net position:						
Net investment in						
capital assets	6,974,282	6,815,680	3,507,359	3,677,250	10,481,641	10,492,930
Restricted	1,182,984	1,172,685			1,182,984	1,172,685
Unrestricted	2,778,398	2,984,312	966,303	1,031,059	3,744,701	4,015,371
Total net position	<u>\$ 10,935,664</u>	<u>\$ 10,972,677</u>	<u>\$ 4,473,662</u>	<u>\$ 4,708,309</u>	<u>\$ 15,409,326</u>	<u>\$ 15,680,986</u>

The balance of *unrestricted net position* (\$3,744,701) 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 \$59,314.

**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 \$178,839.

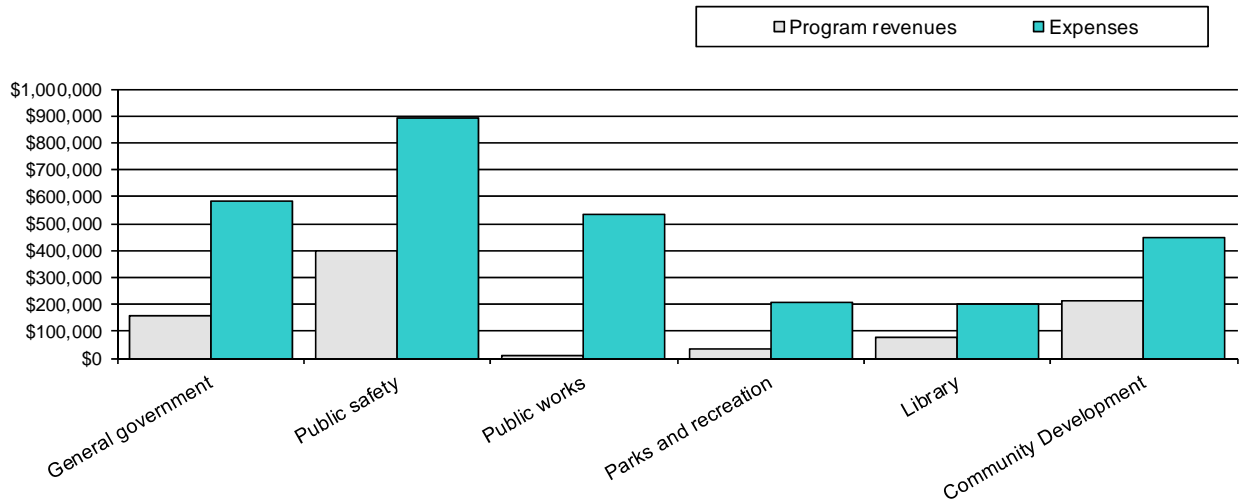
A condensed version of the Statement of Activities follows:

City of Chatfield, Minnesota Change in Net Position							
	Governmental Activities		Business-Type Activities		Totals		
	2013	2012	2013	2012	2013	2012	
Revenue:							
Program revenues:							
Charges for services	\$ 512,074	\$ 557,147	\$ 1,137,179	\$ 1,037,772	\$ 1,649,253	\$ 1,594,919	
Operating grants and contributions	203,565	182,593			203,565	182,593	
Capital grants and contributions	168,904	23,653			168,904	23,653	
General revenues:							
Property taxes	1,254,780	1,211,304			1,254,780	1,211,304	
Tax increments	207,237	176,353			207,237	176,353	
Grants and contributions not restricted to specific programs	667,324	668,122			667,324	668,122	
Other	18,089	127,979	(31,510)	117,997	(13,421)	245,976	
Total revenues	<u>3,031,973</u>	<u>2,947,151</u>	<u>1,105,669</u>	<u>1,155,769</u>	<u>4,137,642</u>	<u>4,102,920</u>	
Expenses:							
General government	585,630	621,823			585,630	621,823	
Public safety	891,465	847,500			891,465	847,500	
Public works	535,813	504,129			535,813	504,129	
Parks and recreation	206,443	177,713			206,443	177,713	
Library	203,397	195,424			203,397	195,424	
Community development	449,864	525,732			449,864	525,732	
Interest on long-term debt	196,333	153,274			196,333	153,274	
Water			210,056	209,714	210,056	209,714	
Sewer			797,067	839,549	797,067	839,549	
Garbage			181,099	168,946	181,099	168,946	
Total expenses	<u>3,068,945</u>	<u>3,025,595</u>	<u>1,188,222</u>	<u>1,218,209</u>	<u>4,257,167</u>	<u>4,243,804</u>	
Change in net position before transfers	(36,972)	(78,444)	(82,553)	(62,440)	(119,525)	(140,884)	
Transfers	96,286	182,289	(96,286)	(182,289)			
Change in net position	59,314	103,845	(178,839)	(244,729)	(119,525)	(140,884)	
Net position as restated, beginning	10,876,350	10,868,832	4,652,501	4,953,038	15,528,851	15,821,870	
Net position, end of year	<u>\$ 10,935,664</u>	<u>\$ 10,972,677</u>	<u>\$ 4,473,662</u>	<u>\$ 4,708,309</u>	<u>\$ 15,409,326</u>	<u>\$ 15,680,986</u>	

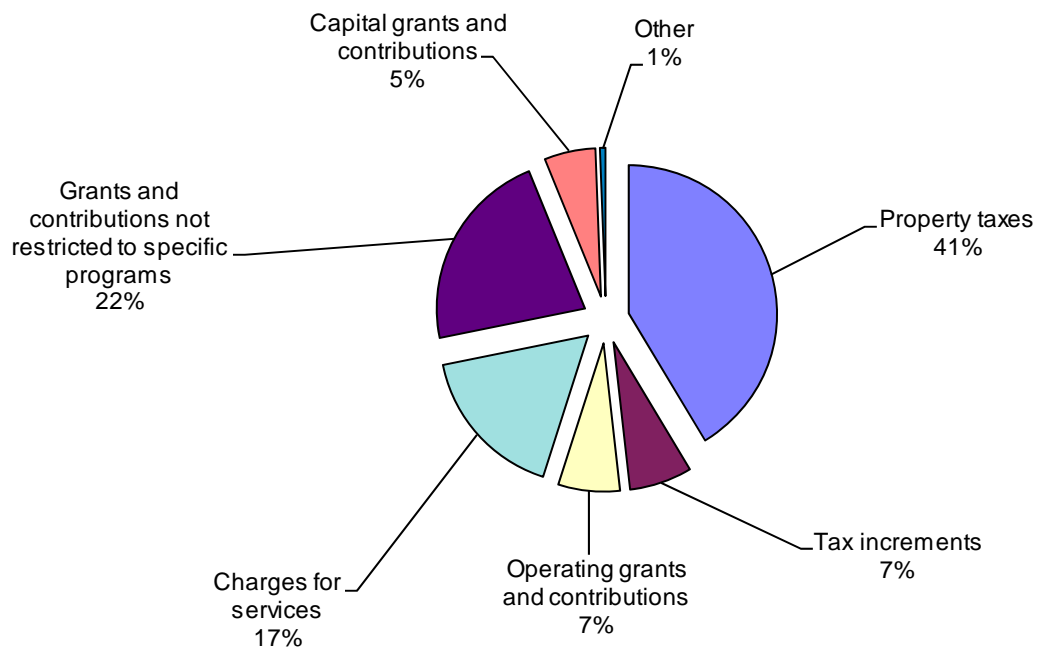
CITY OF CHATFIELD, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



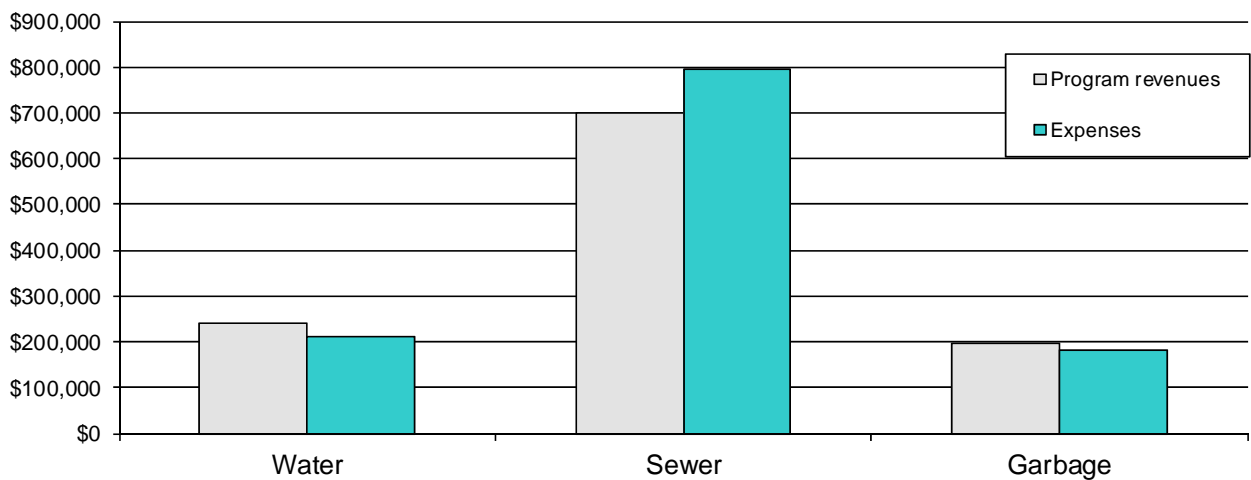
Revenues by Source - Governmental Activities



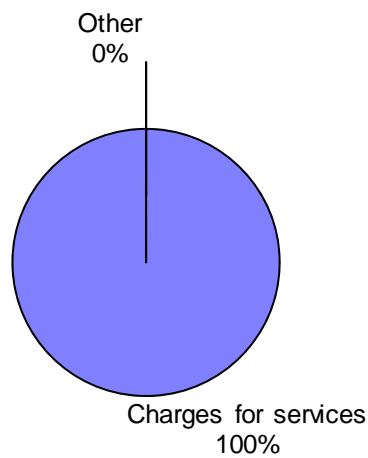
**CITY OF CHATFIELD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$2,928,911, a decrease of \$1,856,345. This decrease is a one-time event and was anticipated. In order to take advantage of favorable interest rates, the City conducted advanced refunding of a bond issue in late 2012. The refunding process caused a temporary increase in fund balances at the end of 2012 due to the deposit of \$1,999,572 in escrow to a fiscal agent. Those funds were used to retire the bonds in February, 2013. Approximately 73% of this total amount, or \$2,124,659, 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 \$991,973. 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

Unassigned fund balance represents 56 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 2013, the fund balances of other governmental funds decreased in the amount of \$268,817, in comparison to the overall fund balances of \$2,928,911.

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 - \$2,863,935, Sewer - \$1,566,219, and Garbage - \$43,508.

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 incrementally, however, to keep up with inflation. Water user rates were increased by 3.0% at the beginning of 2014.

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 2013, \$95,000 was transferred from the General Fund to the wastewater treatment plant debt service fund and the City plans additional transfers in years 2014 – 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 2013. 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 2013 general fund budget anticipating an increase in general fund reserves of \$315. The actual change in the general fund balance was an decrease of \$27,025 which equates to \$27,340 less than anticipated in the budget. The primary cause of this difference was in the Investment Income category, which was \$16,884 less than anticipated in the budget. To be more specific, within the Investment Income category, there are two discreet entries, one for interest income and another to account for the change in the market value of securities held by the City on December 31st relative to the book value of those same securities. While interest income did not disappoint in 2013, the market value of the securities held on December 31st was \$35,253 less than the City's book value. While reporting that market value loss is necessary to reflect an accurate assessment of the City's holdings at the end of the year, it should be noted that this is an unrealized, and therefore, a phantom, loss. The City does not budget for market value gains or losses and has a practice of holding securities until maturity, or call, which minimizes the City's risks associated with trading and market value fluctuations over time. But for this unrealized loss, the general fund would have actually increased by \$8,228.

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, 2013, amounts to \$19,808,841 (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 \$488,648.

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

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,158,679	\$ 1,002,069	\$ 60,492	\$ 60,492	\$ 1,219,171	\$ 1,062,561
Buildings and improvements	3,979,322	4,245,131			3,979,322	4,245,131
Vehicles	894,485	933,947			894,485	933,947
Machinery and equipment	560,194	578,596	65,929	70,663	626,123	649,259
Furniture and fixtures	164,203	154,493			164,203	154,493
Wastewater treatment facility			9,202,936	9,578,352	9,202,936	9,578,352
Infrastructure	3,722,601	3,673,746			3,722,601	3,673,746
Total	<u>\$ 10,479,484</u>	<u>\$ 10,587,982</u>	<u>\$ 9,329,357</u>	<u>\$ 9,709,507</u>	<u>\$ 19,808,841</u>	<u>\$ 20,297,489</u>

Additional information on the City of Chatfield, Minnesota's capital assets can be found in Note 3D on pages 50-51 of this report.

Long-term debt. At the end of the current fiscal year, the City of Chatfield, Minnesota had \$9,805,210 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		2013	2012
General obligation bonds	\$ 3,370,000	\$ 5,540,000	\$	\$	\$ 3,370,000	\$ 5,540,000
Tax increment bonds	125,210	217,460			125,210	217,460
General obligation revenue bonds			6,310,000	6,665,000	6,310,000	6,665,000
Total	<u>\$ 3,495,210</u>	<u>\$ 5,757,460</u>	<u>\$ 6,310,000</u>	<u>\$ 6,665,000</u>	<u>\$ 9,805,210</u>	<u>\$ 12,422,460</u>

Capital Asset and Debt Administration (Continued)

The City of Chatfield, Minnesota's total bonds and notes payable decreased by \$2,617,250 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3, beginning on page 54.

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

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. According to building permit records, the City issued permits for a total of \$2.9 million dollars in construction activity, \$1.7 million of which was residential and \$1.2 million of commercial construction. This is an increase from \$1.8 million in total construction activity in 2012 and just less than \$500,000 of activity in 2011. As for 2014, it is expected that a national variety store chain will construct an 8,000 square foot store in the community, and the metal fabrication company will construct its new home facility.

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.

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, four 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, 2013

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CITY OF CHATFIELD, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013
With Comparative Totals for December 31, 2012

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 3,337,312	\$ 979,902	\$ 4,317,214	\$ 4,361,986
Cash with fiscal agent				1,995,992
Restricted cash		449,656	449,656	591,658
Receivables	859,025	138,806	997,831	1,110,110
Capital assets:				
Nondepreciable	1,158,679	60,492	1,219,171	1,062,561
Depreciable, net	9,320,805	9,268,865	18,589,670	19,234,928
Total Assets	<u>14,675,821</u>	<u>10,897,721</u>	<u>25,573,542</u>	<u>28,357,235</u>
LIABILITIES				
Accounts payable	60,903	22,265	83,168	94,311
Accrued interest payable	24,624	81,220	105,844	129,669
Accrued liabilities		42,906	42,906	57,635
Compensated absences	149,428	6,014	155,442	154,560
Noncurrent liabilities:				
Due within one year	376,931	360,000	736,931	662,877
Due in more than one year	3,128,271	5,911,654	9,039,925	11,729,332
Total Liabilities	<u>3,740,157</u>	<u>6,424,059</u>	<u>10,164,216</u>	<u>12,828,384</u>
NET POSITION				
Net investment in capital assets	6,974,282	3,507,359	10,481,641	10,492,930
Restricted for:				
Revolving loans	650,419		650,419	651,020
Debt service	532,565		532,565	500,354
Unrestricted	<u>2,778,398</u>	<u>966,303</u>	<u>3,744,701</u>	<u>3,884,547</u>
Total Net Position	<u>\$ 10,935,664</u>	<u>\$ 4,473,662</u>	<u>\$ 15,409,326</u>	<u>\$ 15,528,851</u>

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

With Comparative Totals for the Fiscal Year Ending December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 585,630	\$ 122,129	\$ 28,549	\$ 4,204
Public safety	891,465	292,097	104,720	
Public works	535,813		4,816	7,428
Parks and recreation	206,443	36,124		
Library	203,397	18,584	55,495	
Community development	449,864	43,140	9,985	157,272
Interest on long-term debt	196,333			
Total governmental activities	<u>3,068,945</u>	<u>512,074</u>	<u>203,565</u>	<u>168,904</u>
Business-Type activities:				
Water	210,056	241,978		
Sewer	797,067	698,205		
Garbage	181,099	196,996		
Total business-type activities	<u>1,188,222</u>	<u>1,137,179</u>		
Total	<u>\$ 4,257,167</u>	<u>\$ 1,649,253</u>	<u>\$ 203,565</u>	<u>\$ 168,904</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 as restated - beginning (Note 6)

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2013	2012
\$ (430,748)		\$ (430,748)	\$ (465,644)
(494,648)		(494,648)	(420,795)
(523,569)		(523,569)	(513,067)
(170,319)		(170,319)	(138,452)
(129,318)		(129,318)	(124,136)
(239,467)		(239,467)	(474,630)
(196,333)		(196,333)	(153,274)
<u>(2,184,402)</u>		<u>(2,184,402)</u>	<u>(2,289,998)</u>
	\$ 31,922	31,922	22,804
	(98,862)	(98,862)	(219,487)
	15,897	15,897	16,246
	<u>(51,043)</u>	<u>(51,043)</u>	<u>(180,437)</u>
<u>(2,184,402)</u>	<u>(51,043)</u>	<u>(2,235,445)</u>	<u>(2,470,435)</u>
1,254,780		1,254,780	1,211,304
207,237		207,237	176,353
667,324		667,324	668,122
18,089	(37,947)	(19,858)	115,132
	6,437	6,437	6,505
96,286	(96,286)		
<u>2,243,716</u>	<u>(127,796)</u>	<u>2,115,920</u>	<u>2,177,416</u>
59,314	(178,839)	(119,525)	(293,019)
<u>10,876,350</u>	<u>4,652,501</u>	<u>15,528,851</u>	<u>15,821,870</u>
<u>\$ 10,935,664</u>	<u>\$ 4,473,662</u>	<u>\$ 15,409,326</u>	<u>\$ 15,528,851</u>

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CITY OF CHATFIELD, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF CHATFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
With Comparative Totals for December 31, 2012

	100 General	360 Revolving Loan	220/221 Fire	240 EDA
ASSETS				
Cash and investments	\$ 977,969	\$ 218,375	\$ 95,835	\$ 44,900
Cash with fiscal agent				
Accounts receivable	2,205		2,061	
Notes receivable		432,044		
Due from other governmental units	31,454			
Taxes receivable delinquent	9,262			
Special assessments receivable				
TOTAL ASSETS	<u>\$ 1,020,890</u>	<u>\$ 650,419</u>	<u>\$ 97,896</u>	<u>\$ 44,900</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 19,655	\$	\$ 2,415	\$ 41
Total Liabilities	<u>19,655</u>		<u>2,415</u>	<u>41</u>
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes	9,262			
Special assessments				
Notes receivable		432,044		
Total Deferred Inflows of Resources	<u>9,262</u>	<u>432,044</u>		
Fund Balance:				
Restricted:				
Creditors (debt covenants)				
Regulations		218,375		
Committed:				
By Council action				
Assigned:				
Fund assignments			95,481	44,859
Unassigned:	991,973			
Total Fund Balance	<u>991,973</u>	<u>218,375</u>	<u>95,481</u>	<u>44,859</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,020,890</u>	<u>\$ 650,419</u>	<u>\$ 97,896</u>	<u>\$ 44,900</u>

See Notes to the Financial Statements

230/231 Ambulance	332 2012A Refunding Bond	Other Governmental Funds	Totals	
			2013	2012
\$ 251,065	\$ 281,487	\$ 920,964	\$ 2,790,595	\$ 2,677,356
147,921		7,248	159,435	1,995,992
			432,044	158,001
	138	3,099	34,691	509,145
	461	1,459	11,182	17,438
	188,204	25,269	213,473	20,209
				227,397
<u>\$ 398,986</u>	<u>\$ 470,290</u>	<u>\$ 958,039</u>	<u>\$ 3,641,420</u>	<u>\$ 5,605,538</u>
\$ 2,542	\$	\$ 31,157	\$ 55,810	\$ 63,531
<u>2,542</u>		<u>31,157</u>	<u>55,810</u>	<u>63,531</u>
	461	1,459	11,182	20,209
	188,204	25,269	213,473	227,397
			432,044	509,145
	<u>188,665</u>	<u>26,728</u>	<u>656,699</u>	<u>756,751</u>
	281,625	250,940	532,565	2,496,346
		53,312	271,687	141,875
		471,934	471,934	444,377
396,444		138,650	675,434	683,659
		(14,682)	977,291	1,018,999
<u>396,444</u>	<u>281,625</u>	<u>900,154</u>	<u>2,928,911</u>	<u>4,785,256</u>
<u>\$ 398,986</u>	<u>\$ 470,290</u>	<u>\$ 958,039</u>	<u>\$ 3,641,420</u>	<u>\$ 5,605,538</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, 2013**

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

Total governmental fund balances (pages 18-19)		\$ 2,928,911
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 17,945,861	
Less: Accumulated depreciation	<u>(7,466,377)</u>	
		10,479,484
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 11,182	
Special assessments	213,473	
Notes receivable	<u>432,044</u>	
		656,699
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.		
		549,824
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	\$ (3,495,210)	
Compensated absences	(149,428)	
Bond premiums net of amortization	(9,992)	
Accrued interest	<u>(24,624)</u>	
		<u>(3,679,254)</u>
Net position of governmental activities (page 15)		<u>\$ 10,935,664</u>

See Notes to the Financial Statements

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

For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	100 General	360 Revolving Loan	220/221 Fire	240 EDA
REVENUES				
Property taxes	\$ 939,112	\$	\$	\$
Special assessments	4,204			
Tax increments				
Licenses and permits	18,545			
Fines and forfeits	10,498			
Intergovernmental revenues	710,509		82,916	
Franchise fees				
Charges for services	36,737		10,871	100
Investment income	(15,884)	(602)	(1,296)	(68)
Contributions			50,881	600
Miscellaneous revenues	31,134	77,102	1,659	15,159
TOTAL REVENUES	<u>1,734,855</u>	<u>76,500</u>	<u>145,031</u>	<u>15,791</u>
EXPENDITURES				
Current				
General government	461,165			
Public safety	508,984		96,251	
Public works	456,809			
Parks and recreation	187,583			
Library				
Community development	12,744			50,718
Capital Outlay			15,412	56,770
Debt Service				
TOTAL EXPENDITURES	<u>1,627,285</u>	<u></u>	<u>111,663</u>	<u>107,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,570</u>	<u>76,500</u>	<u>33,368</u>	<u>(91,697)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				
Transfers in	113,265		83,335	59,800
Transfers out	(247,860)		(34,730)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(134,595)</u>	<u></u>	<u>48,605</u>	<u>59,800</u>
Net change in fund balances	(27,025)	76,500	81,973	(31,897)
FUND BALANCES AS RESTATED, beginning (Note 6)	<u>1,018,998</u>	<u>141,875</u>	<u>13,508</u>	<u>76,756</u>
FUND BALANCES, ending	<u>\$ 991,973</u>	<u>\$ 218,375</u>	<u>\$ 95,481</u>	<u>\$ 44,859</u>

See Notes to the Financial Statements

230/231 Ambulance	332 2012A Refunding Bond	Other Governmental Funds	Totals	
			2013	2012
\$	\$ 46,364	\$ 278,331	\$ 1,263,807	\$ 1,211,198
	10,000	11,352	25,556	83,014
		207,237	207,237	175,202
			18,545	17,651
		3,522	14,020	17,393
34,992		198,101	1,026,518	888,292
		24,680	24,680	24,690
215,434		36,073	299,215	303,979
(7,111)	1,571	41,891	18,501	61,385
1,125		22,346	74,952	85,570
2,595		26,007	153,656	90,384
247,035	57,935	849,540	3,126,687	2,958,758
		45,600	506,765	517,401
224,165			829,400	813,253
			456,809	413,668
			187,583	200,976
		183,575	183,575	173,476
		174,513	237,975	286,016
		128,736	200,918	386,726
	2,020,365	459,928	2,480,293	502,279
224,165	2,020,365	992,352	5,083,318	3,293,795
22,870	(1,962,430)	(142,812)	(1,956,631)	(335,037)
				1,999,572
49,453	246,138	88,313	640,304	805,905
(43,110)		(214,318)	(540,018)	(392,759)
6,343	246,138	(126,005)	100,286	2,412,718
29,213	(1,716,292)	(268,817)	(1,856,345)	2,077,681
367,231	1,997,917	1,168,971	4,785,256	2,707,575
\$ 396,444	\$ 281,625	\$ 900,154	\$ 2,928,911	\$ 4,785,256

**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, 2013**

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

Net change in fund balances - total governmental funds (pages 21-22)	\$	(1,856,345)
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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	\$	200,564	
Depreciation expense		(544,503)	
			(343,939)

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

Unavailable revenue, December 31, 2013	\$	656,699	
Unavailable revenue, December 31, 2012		(756,751)	
			(100,052)

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	(6,453)
--------------------------------	---------

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

82,143

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

Principal retirement on long-term debt	\$	2,262,250	
Amortization of bond issuance costs		842	
Change in accrued interest		20,868	
			2,283,960

Change in net position of governmental activities (pages 16-17)	\$	59,314
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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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Property Tax Levy Collected	\$ 904,950	\$ 904,950	\$ 939,112	\$ 34,162	\$ 884,165
Special Assessments Collected	4,000	4,000	4,204	204	
Licenses and permits	20,660	20,660	18,545	(2,115)	17,651
Intergovernmental Revenues					
Local government aid	667,000	667,000	666,960	(40)	667,349
Market value credit			364	364	773
State police aid	37,000	37,000	36,192	(808)	35,733
PERA aid	1,677	1,677	1,677		1,677
Highway	4,000	4,000	4,816	816	3,905
Other			500	500	633
Total Intergovernmental Revenues	709,677	709,677	710,509	832	710,070
Charges For Services					
Plan check fee	3,700	3,700	4,203	503	2,824
Pool fees	33,800	33,800	32,210	(1,590)	35,287
Franchise fees	1,000	1,000	324	(676)	363
Total Charges For Services	38,500	38,500	36,737	(1,763)	38,474
Fines and Forfeits					
Parking fines	2,100	2,100	1,640	(460)	2,526
Court fines and other	11,000	11,000	8,713	(2,287)	10,016
Animal fines	100	100	145	45	124
Total Fines and Forfeits	13,200	13,200	10,498	(2,702)	12,666
Investment Income	1,000	1,000	(15,884)	(16,884)	14,766
Miscellaneous Revenues					
Sale of assets	75	75	342	267	126
Donations			2,192	2,192	271
Refunds/reimbursements	15,065	15,065	28,600	13,535	27,812
Total Miscellaneous Revenues	15,140	15,140	31,134	15,994	28,209
TOTAL REVENUES	\$ 1,707,127	\$ 1,707,127	\$ 1,734,855	\$ 27,728	\$ 1,706,001

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>2013</u>	<u>Variance with</u>	<u>2012</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	\$ 9,150	\$ 50	\$ 9,200
Employee benefits and retirement	715	715	700	15	704
Workers compensation	55	55	72	(17)	58
Office supplies	400	400	172	228	209
Printing and publication	1,000	1,000	1,506	(506)	1,042
Insurance			5,167	(5,167)	
Travel	600	600	409	191	466
Legal fees	10,000	10,000	8,749	1,251	7,970
Dues and subscription	4,100	4,100	7,222	(3,122)	4,173
Departmental capital charge	1,650	1,650	1,650		570
Other	4,250	4,250	2,966	1,284	1,555
Total Mayor and Council	<u>31,970</u>	<u>31,970</u>	<u>37,763</u>	<u>(5,793)</u>	<u>25,947</u>
Elections	<u>3,910</u>	<u>3,910</u>	<u>4</u>	<u>3,906</u>	<u>3,454</u>
Clerk's Office					
Salaries	208,000	208,000	206,560	1,440	213,504
Employee benefits and retirement	31,450	31,450	29,650	1,800	30,547
Workers compensation	3,500	3,500	2,560	940	3,701
Health insurance	43,000	43,000	42,515	485	41,945
Office supplies	2,900	2,900	2,307	593	1,592
Postage	900	900	1,011	(111)	755
Audit fees	8,500	8,500	8,575	(75)	8,350
Consulting fees	4,200	4,200	4,411	(211)	3,988
Licenses and dues	1,500	1,500	1,346	154	1,361
Insurance	3,800	3,800	4,146	(346)	3,795
Telephone	3,400	3,400	3,414	(14)	3,249
Printing and publication	900	900	165	735	122
Maintenance and repair	4,000	4,000	5,436	(1,436)	5,681
Conference expense	5,500	5,500	4,661	839	5,418
Departmental capital charge	5,900	5,900	5,900		6,327
Other	14,975	14,975	17,403	(2,428)	17,553
Total Clerk's Office	<u>342,425</u>	<u>342,425</u>	<u>340,060</u>	<u>2,365</u>	<u>347,888</u>
Planning and Zoning					
Printing	400	400	626	(226)	150
Consulting fees	48,732	48,732	46,537	2,195	51,535
Other	6,900	6,900	4,772	2,128	1,562
Total Planning and Zoning	<u>\$ 56,032</u>	<u>\$ 56,032</u>	<u>\$ 51,935</u>	<u>\$ 4,097</u>	<u>\$ 53,247</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget - Favorable (Unfavorable)	Actual
EXPENDITURES (continued)					
General Government (Continued)					
Municipal Building					
Operating supplies	\$ 4,000	\$ 4,000	\$ 2,975	\$ 1,025	\$ 5,411
Small tools and minor equipment	500	500	57	443	
Maintenance and repair	6,000	6,000	11,357	(5,357)	12,603
Insurance	8,500	8,500	3,958	4,542	8,484
Utilities	6,600	6,600	6,702	(102)	5,652
Departmental capital charge	5,000	5,000	5,000		5,000
Other	650	650	1,354	(704)	565
Total Municipal Building	<u>31,250</u>	<u>31,250</u>	<u>31,403</u>	<u>(153)</u>	<u>37,715</u>
Total General Government	<u>465,587</u>	<u>465,587</u>	<u>461,165</u>	<u>4,422</u>	<u>468,251</u>
Public Safety					
Animal Control					
Operating supplies	300	300	110	190	100
Printing and publication	50	50		50	
Other	500	500	2	498	75
Total Animal Control	<u>850</u>	<u>850</u>	<u>112</u>	<u>738</u>	<u>175</u>
Civil Defense					
Contracted services	19,600	19,600	19,017	583	19,214
Departmental capital charge	4,000	4,000	4,000		33,000
Total Civil Defense	<u>23,600</u>	<u>23,600</u>	<u>23,017</u>	<u>583</u>	<u>52,214</u>
Building Code					
Consultant fee	10,000	10,000	13,492	(3,492)	11,799
Surcharge fee/sales tax	4,000	4,000	3,134	866	2,288
Total Building Code	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 16,626</u>	<u>\$ (2,626)</u>	<u>\$ 14,087</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>2013</u>	<u>Variance with</u>	<u>2012</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	\$ 250,000	\$ 250,000	\$ 276,844	\$ (26,844)	\$ 256,756
Employee benefits and retirement	36,450	36,450	43,759	(7,309)	40,546
Workers compensation/unemployment	10,000	10,000	11,707	(1,707)	11,221
Health insurance	28,500	28,500	31,444	(2,944)	24,296
Operating supplies	2,000	2,000	2,991	(991)	1,255
Vehicle operating supplies	12,500	12,500	11,962	538	10,127
Small tools and minor equipment	3,000	3,000	2,043	957	1,618
Telephone	4,200	4,200	3,971	229	4,453
Legal fees	12,000	12,000	14,203	(2,203)	11,098
Vehicle lease					4,634
Towing and wrecker fees	2,000	2,000	2,043	(43)	1,890
Uniform allowance	3,375	3,375	3,718	(343)	1,681
Maintenance and repair	6,450	6,450	13,372	(6,922)	9,712
Clothing	2,000	2,000	1,240	760	4,309
Printing and publication	300	300	116	184	104
Postage	850	850	241	609	293
Training	3,500	3,500	3,769	(269)	3,471
Contracted services	750	750	300	450	300
Insurance	1,300	1,300	9,718	(8,418)	1,193
Utilities	7,000	7,000	6,702	298	5,652
Departmental capital charge	22,800	22,800	22,800		22,800
Other	9,070	9,070	6,286	2,784	7,535
Total Police Department	<u>418,045</u>	<u>418,045</u>	<u>469,229</u>	<u>(51,184)</u>	<u>424,944</u>
Total Public Safety	<u>456,495</u>	<u>456,495</u>	<u>508,984</u>	<u>(52,489)</u>	<u>491,420</u>
Public Works					
Street Department					
Salaries	64,000	64,000	71,422	(7,422)	65,716
Employee benefits and retirement	9,700	9,700	10,387	(687)	9,544
Health insurance	13,400	13,400	15,923	(2,523)	13,830
Workers compensation	5,700	5,700	6,715	(1,015)	6,265
Operating supplies	8,000	8,000	10,507	(2,507)	4,412
Vehicle operating supplies	10,500	10,500	17,303	(6,803)	9,588
Maintenance and repair	36,000	36,000	54,033	(18,033)	39,068
Clothing	700	700	764	(64)	326
Snow removal	7,500	7,500	3,626	3,874	1,606
Insurance	11,000	11,000	6,713	4,287	10,646
Engineering fees	10,000	10,000	14,541	(4,541)	6,031
Small tools and minor equipment	3,000	3,000	4,638	(1,638)	1,491
Utilities	39,000	39,000	31,630	7,370	30,775
Departmental capital charge	203,070	203,070	203,070		211,737
Other	14,710	14,710	5,537	9,173	2,633
Total Public Works	<u>\$ 436,280</u>	<u>\$ 436,280</u>	<u>\$ 456,809</u>	<u>\$ (20,529)</u>	<u>\$ 413,668</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES (continued)					
Parks and Recreation					
Parks					
Salaries	\$ 52,000	\$ 52,000	\$ 44,932	\$ 7,068	\$ 51,830
Employee benefits and retirement	6,950	6,950	5,824	1,126	6,950
Workers compensation	2,100	2,100	2,762	(662)	2,008
Small tools and minor equipment	1,400	1,400	607	793	811
Vehicle operating supplies	3,200	3,200	2,351	849	3,071
Maintenance and repair	5,500	5,500	8,407	(2,907)	9,118
Utilities	16,000	16,000	12,258	3,742	17,012
Insurance	6,600	6,600	9,305	(2,705)	6,588
Departmental capital charge	6,500	6,500	6,500		6,500
Other	5,250	5,250	4,781	469	5,086
Total Parks	105,500	105,500	97,727	7,773	108,974
Pool					
Salaries	41,000	41,000	39,434	1,566	38,390
Employee benefits and retirement	2,500	2,500	3,017	(517)	2,937
Workers compensation	2,600	2,600	2,599	1	2,639
Small tools and minor equipment	12,625	12,625	10,650	1,975	9,791
Maintenance and repair	4,000	4,000	3,822	178	6,577
Utilities	7,000	7,000	10,268	(3,268)	5,387
Insurance	10,500	10,500	10,336	164	10,671
Departmental capital charge	1,000	1,000	1,000		6,500
Other	3,000	3,000	2,575	425	3,283
Total Pool	84,225	84,225	83,701	524	86,175
Recreation	6,000	6,000	4,555	1,445	4,227
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	197,325	197,325	187,583	9,742	200,976
Community Development					
Promotional expense	3,000	3,000	3,916	(916)	2,719
Heritage preservation	9,130	9,130	7,918	1,212	8,002
Other	400	400	910	(510)	30,522
Total Community Development	12,530	12,530	12,744	(214)	41,243
TOTAL EXPENDITURES	1,568,217	1,568,217	1,627,285	(59,068)	1,615,558
Excess (deficiency) of revenues over (under) expenditures	138,910	138,910	107,570	(31,340)	90,443
OTHER FINANCING SOURCES (USES)					
Transfers in	109,265	109,265	113,265	4,000	113,590
Transfers out	(247,860)	(247,860)	(247,860)		(210,794)
Total Other Financing Sources (Uses)	(138,595)	(138,595)	(134,595)	4,000	(97,204)
Net change in fund balances	315	315	(27,025)	(27,340)	(6,761)
FUND BALANCES AS RESTATED, beginning (Note 6)	1,018,998	1,018,998	1,018,998		1,025,759
FUND BALANCES, ending	\$ 1,019,313	\$ 1,019,313	\$ 991,973	\$ (27,340)	\$ 1,018,998

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>2013</u>	<u>Variance with</u>	<u>2012</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget -</u>	<u>Actual</u>
			<u>Amounts</u>	<u>Positive</u>	<u>Amounts</u>
				<u>(Negative)</u>	
REVENUES					
Special Assessments	\$	\$	\$	\$	\$ 2,741
Investment Income	300	300	(68)	(368)	4,175
Contributions			600	600	450
Miscellaneous	4,500	4,500	15,259	10,759	12,135
TOTAL REVENUES	<u>4,800</u>	<u>4,800</u>	<u>15,791</u>	<u>10,991</u>	<u>19,501</u>
EXPENDITURES					
Community development	44,600	44,600	50,718	(6,118)	54,899
Capital outlay	20,000	20,000	56,770	(36,770)	7,413
TOTAL EXPENDITURES	<u>64,600</u>	<u>64,600</u>	<u>107,488</u>	<u>(42,888)</u>	<u>62,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,800)</u>	<u>(59,800)</u>	<u>(91,697)</u>	<u>(31,897)</u>	<u>(42,811)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	59,800	59,800	59,800		76,594
Net change in fund balances			(31,897)	(31,897)	33,783
FUND BALANCES AS RESTATED, beginning (Note 6)	<u>76,756</u>	<u>76,756</u>	<u>76,756</u>		<u>42,973</u>
FUND BALANCES, ending	<u>\$ 76,756</u>	<u>\$ 76,756</u>	<u>\$ 44,859</u>	<u>\$ (31,897)</u>	<u>\$ 76,756</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Intergovernmental Revenues					
State Grants and Aids	\$ 20,000	\$ 20,000	\$ 31,911	\$ 11,911	\$ 26,820
Township contributions	51,335	51,335	51,005	(330)	45,553
Charges for services			10,871	10,871	9,408
Investment income			(1,296)	(1,296)	967
Donations			50,881	50,881	64,954
Miscellaneous			1,659	1,659	6,947
TOTAL REVENUES	71,335	71,335	145,031	73,696	154,649
EXPENDITURES					
Public Safety					
Salaries	12,000	12,000	10,725	1,275	11,975
Employee benefits and retirement	550	550	364	186	364
Workers compensation	6,500	6,500	8,774	(2,274)	7,239
Operating supplies	3,000	3,000	3,056	(56)	4,517
Small tools and minor equipment	5,000	5,000	3,655	1,345	4,514
Vehicle operating supplies	1,000	1,000	1,713	(713)	1,523
Insurance	5,500	5,500	4,440	1,060	4,585
Utilities	7,475	7,475	6,885	590	5,160
Maintenance and repairs	8,500	8,500	8,083	417	9,817
Training	2,000	2,000	877	1,123	667
Fire pension contribution	27,059	27,059	37,911	(10,852)	28,953
Capital Outlay	23,000	23,000	15,412	7,588	355,769
Other	11,980	11,980	9,768	2,212	9,870
TOTAL EXPENDITURES	113,564	113,564	111,663	1,901	444,953
Excess (deficiency) of revenues over (under) expenditures	(42,229)	(42,229)	33,368	75,597	(290,304)
OTHER FINANCING SOURCES					
(USES)					
Transfers in	83,335	83,335	83,335		346,835
Transfers out	(32,000)	(32,000)	(34,730)	(2,730)	(43,023)
Net change in fund balances	9,106	9,106	81,973	72,867	13,508
FUND BALANCES AS RESTATED, beginning (Note 6)	13,508	13,508	13,508		
FUND BALANCES, ending	\$ 22,614	\$ 22,614	\$ 95,481	\$ 72,867	\$ 13,508

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		230	231	2013	Variance with	2012
	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	16,500	16,500	16,814		16,814	314	16,506
Training reimbursement	17,500	17,500	13,678		13,678	(3,822)	28,064
Other State Aids							7,072
Charges for services	200,000	200,000	215,434		215,434	15,434	234,008
Investment income	1,200	1,200	(2,751)	(4,360)	(7,111)	(8,311)	4,595
Donations	2,000	2,000	1,125		1,125	(875)	546
Miscellaneous	4,275	4,275	2,595		2,595	(1,680)	1,484
TOTAL REVENUES	245,975	245,975	251,395	(4,360)	247,035	1,060	296,775
EXPENDITURES							
Public Safety							
Salaries	115,500	115,500	108,736		108,736	6,764	106,099
Employee benefits and retirement	17,700	17,700	17,835		17,835	(135)	17,762
Workers compensation	2,500	2,500	2,545		2,545	(45)	2,335
Health insurance	18,000	18,000	14,734		14,734	3,266	15,760
Innoculations	400	400	111		111	289	449
Training	17,000	17,000	14,936		14,936	2,064	14,162
Small tools and minor equipment	1,500	1,500	1,519		1,519	(19)	2,556
Office supplies	1,300	1,300	3,562		3,562	(2,262)	1,305
Operating supplies	13,000	13,000	13,409		13,409	(409)	13,489
Vehicle operating supplies	6,000	6,000	5,619		5,619	381	6,297
Telephone	1,500	1,500	1,428		1,428	72	1,550
Travel	1,000	1,000	1,039		1,039	(39)	601
Printing and publications	400	400	875		875	(475)	907
Insurance	1,500	1,500	1,273		1,273	227	1,572
Utilities	6,500	6,500	6,702		6,702	(202)	5,652
Maintenance and repairs	14,000	14,000	11,054		11,054	2,946	13,221
Medical services	4,500	4,500	7,119		7,119	(2,619)	4,905
Laundry services	500	500	552		552	(52)	523
Clothing	1,200	1,200	1,184		1,184	16	575
License, permits, dues and subscription	825	825	830		830	(5)	1,410
Capital outlay	10,000	10,000		2,326	2,326	7,674	11,931
Refunds	1,200	1,200	556		556	644	4,080
Departmental capital charge	1,100	1,100	1,100		1,100		1,513
Other	7,825	7,825	5,121		5,121	2,704	3,995
TOTAL EXPENDITURES	244,950	244,950	221,839	2,326	224,165	20,785	232,649
Excess (deficiency) of revenues over (under) expenditures	1,025	1,025	29,556	(6,686)	22,870	21,845	64,126
OTHER FINANCING SOURCES (USES)							
Transfers in	49,453	49,453	19,453	30,000	49,453		56,525
Transfers out	(43,110)	(43,110)	(43,110)		(43,110)		(49,802)
TOTAL OTHER FINANCING SOURCES (USES)	6,343	6,343	(23,657)	30,000	6,343		6,723
Net change in fund balances	7,368	7,368	5,899	23,314	29,213	21,845	70,849
FUND BALANCES AS RESTATED, beginning (Note 6)	367,231	367,231	234,717	132,514	367,231		296,382
FUND BALANCES, ending	\$ 374,599	\$ 374,599	\$ 240,616	\$ 155,828	\$ 396,444	\$ 21,845	\$ 367,231

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Investment income	\$ 3,175	\$ 3,175	\$ (602)	\$ (3,777)	\$ 9,062
Miscellaneous	31,124	31,124	77,102	45,978	15,175
TOTAL REVENUES	34,299	34,299	76,500	42,201	24,237
EXPENDITURES					
Loan advances					8,517
Net change in fund balances	34,299	34,299	76,500	42,201	15,720
FUND BALANCES AS RESTATED, beginning (Note 6)	141,875	141,875	141,875		126,155
FUND BALANCES, ending	\$ 176,174	\$ 176,174	\$ 218,375	\$ 42,201	\$ 141,875

See Notes to the Financial Statements

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2013
With Comparative Totals for December 31, 2012

	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	\$ 559,890	\$ 124,924	\$ 684,814	\$ 233,331	\$ 1,266
Restricted cash					449,656
Accounts receivable, net	19,776	1,600	21,376	54,517	2,600
Special assessments receivable	7,330		7,330	24,433	
Special assessments delinquent	1,167		1,167	3,889	
Total Current Assets	588,163	126,524	714,687	316,170	453,522
Noncurrent Assets					
Capital assets:					
Nondepreciable		30,246	30,246		30,246
Depreciable		3,053,183	3,053,183		11,790,999
Less: Accumulated depreciation		915,267	915,267		4,660,050
Net capital assets		2,168,162	2,168,162		7,161,195
Total Assets	588,163	2,294,686	2,882,849	316,170	7,614,717
LIABILITIES					
Current Liabilities					
Current maturities of bonds payable					360,000
Accounts payable	2,863		2,863	4,859	776
Accrued interest payable					81,220
Accrued liabilities	16,051		16,051	27,504	
Total Current Liabilities	18,914		18,914	32,363	441,996
Noncurrent Liabilities					
Bonds payable, net of current maturities					5,911,654
Total Liabilities	18,914		18,914	32,363	6,353,650
NET POSITION					
Net investment in capital assets		2,168,162	2,168,162		1,339,197
Unrestricted	569,249	126,524	695,773	283,807	(78,130)
Total Net Position	\$ 569,249	\$ 2,294,686	\$ 2,863,935	\$ 283,807	\$ 1,261,067

See Notes to the Financial Statements

					Governmental Activities-Internal Service Funds	
					801	
622		603	Totals		Capital Goods	
Sewer - No Fault Back	Total Sewer	Garbage	2013	2012	2013	2012
\$ 21,345	\$ 255,942	\$ 39,146	\$ 979,902	\$ 996,485	\$ 546,834	\$ 697,335
	449,656		449,656	582,550		
	57,117	13,109	91,602	90,286	8,200	14,560
	24,433	8,959	40,722	46,292		
	3,889	1,426	6,482	26,782		
21,345	791,037	62,640	1,568,364	1,742,395	555,034	711,895
	30,246		60,492	60,492		
	11,790,999		14,844,182	14,820,576	3,256,556	2,935,004
	4,660,050		5,575,317	5,171,561	1,704,494	1,618,383
	7,161,195		9,329,357	9,709,507	1,552,062	1,316,621
21,345	7,952,232	62,640	10,897,721	11,451,902	2,107,096	2,028,516
	360,000		360,000	355,000		
	5,635	13,767	22,265	22,089	5,210	8,773
	81,220		81,220	84,177		
	27,504	5,365	48,920	69,220		
	474,359	19,132	512,405	530,486	5,210	8,773
	5,911,654		5,911,654	6,268,915		
	6,386,013	19,132	6,424,059	6,799,401	5,210	8,773
	1,339,197		3,507,359	3,677,250	1,552,062	1,316,621
21,345	227,022	43,508	966,303	975,251	549,824	703,122
\$ 21,345	\$ 1,566,219	\$ 43,508	\$ 4,473,662	\$ 4,652,501	\$ 2,101,886	\$ 2,019,743

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

For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				
	601	611		602	612/328/428/331
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Operating Revenues					
Service fees and charges	\$ 227,637	\$ 5,032	\$ 232,669	\$ 659,225	\$ 7,375
Departmental capital charge					
	<u>227,637</u>	<u>5,032</u>	<u>232,669</u>	<u>659,225</u>	<u>7,375</u>
Operating Expenses					
Salaries	46,659		46,659	111,938	
Employee benefits and retirement	6,953		6,953	15,596	
Health insurance				14,674	
Workers compensation	2,255		2,255	5,797	
Garbage removal					
City clean up					
Supplies	8,626		8,626	6,713	
Utilities	17,648		17,648	33,359	
Maintenance and repairs	13,838		13,838	33,009	834
Travel and training	410		410	1,906	
Professional fees	12,010		12,010	14,797	
Office expense	1,393		1,393	3,819	
Insurance	3,487		3,487	10,566	
Depreciation		82,771	82,771		320,985
Departmental capital charge	400	7,900	8,300	400	7,100
Other	5,706		5,706	16,571	
Total Operating Expenses	<u>119,385</u>	<u>90,671</u>	<u>210,056</u>	<u>269,145</u>	<u>328,919</u>
Operating Income (Loss)	<u>108,252</u>	<u>(85,639)</u>	<u>22,613</u>	<u>390,080</u>	<u>(321,544)</u>
Nonoperating Revenues (Expenses)					
Investment income	(17,843)	(4,631)	(22,474)	(10,116)	(3,696)
Refunds and reimbursements	765		765	2,215	
Penalties and discounts	792		792	2,665	
Special assessments	9,309		9,309	31,605	
Intergovernmental					
Miscellaneous					
Interest and fiscal charges					(198,367)
Total Nonoperating					
Revenues (Expenses)	<u>(6,977)</u>	<u>(4,631)</u>	<u>(11,608)</u>	<u>26,369</u>	<u>(202,063)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>101,275</u>	<u>(90,270)</u>	<u>11,005</u>	<u>416,449</u>	<u>(523,607)</u>
Transfers in		118,770	118,770		506,257
Transfers out	<u>(108,240)</u>	<u>(107,777)</u>	<u>(216,017)</u>	<u>(439,240)</u>	<u>(57,841)</u>
CHANGE IN NET POSITION	<u>(6,965)</u>	<u>(79,277)</u>	<u>(86,242)</u>	<u>(22,791)</u>	<u>(75,191)</u>
NET POSITION AS RESTATED					
BEGINNING OF YEAR (Note 6)	<u>576,214</u>	<u>2,373,963</u>	<u>2,950,177</u>	<u>306,598</u>	<u>1,336,258</u>
NET POSITION - END OF YEAR	<u>\$ 569,249</u>	<u>\$ 2,294,686</u>	<u>\$ 2,863,935</u>	<u>\$ 283,807</u>	<u>\$ 1,261,067</u>

See Notes to the Financial Statements

					Governmental Activities-Internal Service Funds	
					801 Capital Goods	
622 Sewer - No Fault Back	Total Sewer	603 Garbage	Totals		2013	2012
			2013	2012		
\$	\$ 666,600	\$ 185,272	\$ 1,084,541	\$ 996,686	\$	\$
	666,600	185,272	1,084,541	996,686	268,505	325,329
					268,505	325,329
	111,938		158,597	155,757		
	15,596		22,549	22,459		
	14,674		14,674	14,186		
	5,797		8,052	6,448		
		153,557	153,557	143,434		
		11,667	11,667	10,710		
	6,713	454	15,793	27,822		
	33,359		51,007	45,310		
	33,843	1,295	48,976	54,652	13,413	30,329
	1,906		2,316	2,562		
	14,797		26,807	59,395	2,360	
	3,819	1,269	6,481	4,845		
	10,566		14,053	14,336		
	320,985		403,756	407,757	207,873	251,072
	7,500	200	16,000	15,981		
636	17,207	12,657	35,570	27,112	7,625	15,707
636	598,700	181,099	989,855	1,012,766	231,271	297,108
(636)	67,900	4,173	94,686	(16,080)	37,234	28,221
(560)	(14,372)	(1,101)	(37,947)	55,684	(10,885)	13,943
	2,215		2,980	5,632		
	2,665		3,457	873		
	31,605	11,724	52,638	41,086		
					41,512	
					18,282	(9,753)
	(198,367)		(198,367)	(205,443)		
(560)	(176,254)	10,623	(177,239)	(102,168)	48,909	4,190
(1,196)	(108,354)	14,796	(82,553)	(118,248)	86,143	32,411
6,000	512,257		631,027	541,000		42,515
	(497,081)	(14,215)	(727,313)	(723,289)	(4,000)	(273,372)
4,804	(93,178)	581	(178,839)	(300,537)	82,143	(198,446)
16,541	1,659,397	42,927	4,652,501	4,953,038	2,019,743	2,218,189
\$ 21,345	\$ 1,566,219	\$ 43,508	\$ 4,473,662	\$ 4,652,501	\$ 2,101,886	\$ 2,019,743

**CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS**

Statement of Cash Flows

For the Year Ended December 31, 2013

With Comparative Totals for the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				
	Water	Water Infrastructure	Total Water	Sewer	Sewer Infrastructure
Cash Flows From Operating Activities					
Cash received from customers	\$ 240,025	\$ 3,432	\$ 243,457	\$ 700,811	\$ 4,775
Cash paid to employees	(55,867)		(55,867)	(148,005)	
Cash paid to suppliers	(64,708)	(7,900)	(72,608)	(121,518)	(7,158)
Net Cash Provided By (Used In) Operating Activities	119,450	(4,468)	114,982	431,288	(2,383)
Cash Flows From Noncapital Financing Activities					
Intergovernmental					
Miscellaneous					
Transfer in/out	(108,240)	10,993	(97,247)	(439,240)	448,416
Net Cash Provided By (Used In) Noncapital Financing Activities	(108,240)	10,993	(97,247)	(439,240)	448,416
Cash Flows From Capital and Related Financing Activities					
Capital asset acquisitions		(1,211)	(1,211)		(22,395)
Principal payments on bonds					(355,000)
Proceeds from sale of equipment					
Interest payments on bonds					(198,585)
Net Cash (Used In) Capital and Related Financing Activities		(1,211)	(1,211)		(575,980)
Cash Flows From Investing Activities					
Investment income received	(17,843)	(4,631)	(22,474)	(10,116)	(3,696)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,633)	683	(5,950)	(18,068)	(133,643)
CASH AND CASH EQUIVALENTS AS RESTATED, BEGINNING OF YEAR (Note 6)	566,523	124,241	690,764	251,399	584,565
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 559,890</u>	<u>\$ 124,924</u>	<u>\$ 684,814</u>	<u>\$ 233,331</u>	<u>\$ 450,922</u>
Classified as:					
Cash and cash equivalents	\$ 559,890	\$ 124,924	\$ 684,814	\$ 233,331	\$ 1,266
Restricted cash					449,656
Total Cash and Cash Equivalents, End of Year	<u>\$ 559,890</u>	<u>\$ 124,924</u>	<u>\$ 684,814</u>	<u>\$ 233,331</u>	<u>\$ 450,922</u>

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

Operating Income (Loss)	\$ 108,252	\$ (85,639)	\$ 22,613	\$ 390,080	\$ (321,544)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation		82,771	82,771		320,985
Miscellaneous nonoperating income	10,866		10,866	36,485	
(Increase) Decrease In:					
Accounts receivable	5,176	(1,600)	3,576	17,281	(2,600)
Increase (Decrease) In:					
Accounts payable	(1,190)		(1,190)	(378)	776
Accrued liabilities	(3,654)		(3,654)	(12,180)	
Net Cash Provided By (Used In) Operating Activities	<u>\$ 119,450</u>	<u>\$ (4,468)</u>	<u>\$ 114,982</u>	<u>\$ 431,288</u>	<u>\$ (2,383)</u>

See Notes to the Financial Statements

					Governmental Activities- Internal Service Funds	
Sewer - No Fault Back	Total Sewer	Garbage	Totals		2013	2012
			2013	2012		
\$	\$ 705,586	\$ 198,827	\$ 1,147,870	\$ 1,049,004	\$ 274,865	\$ 310,769
	(148,005)		(203,872)	(198,850)		
(636)	(129,312)	(180,131)	(382,051)	(402,801)	(26,961)	(37,328)
(636)	428,269	18,696	561,947	447,353	247,904	273,441
					41,512	
					18,281	1,495
6,000	15,176	(14,215)	(96,286)	(182,289)	(4,000)	(10,857)
6,000	15,176	(14,215)	(96,286)	(182,289)	55,793	(9,362)
	(22,395)		(23,606)	(154,259)	(443,313)	(229,849)
	(355,000)		(355,000)	(340,000)		
	(198,585)		(198,585)	(205,536)		9,500
	(575,980)		(577,191)	(699,795)	(443,313)	(220,349)
(560)	(14,372)	(1,101)	(37,947)	55,684	(10,885)	13,943
4,804	(146,907)	3,380	(149,477)	(379,047)	(150,501)	57,673
16,541	852,505	35,766	1,579,035	1,958,082	697,335	639,662
\$ 21,345	\$ 705,598	\$ 39,146	\$ 1,429,558	\$ 1,579,035	\$ 546,834	\$ 697,335
\$ 21,345	\$ 255,942	\$ 39,146	\$ 979,902	\$ 996,485	\$ 546,834	\$ 697,335
	449,656		449,656	582,550		
\$ 21,345	\$ 705,598	\$ 39,146	\$ 1,429,558	\$ 1,579,035	\$ 546,834	\$ 697,335
\$ (636)	\$ 67,900	\$ 4,173	\$ 94,686	\$ (16,080)	\$ 37,234	\$ 28,221
	320,985		403,756	407,757	207,873	251,072
	36,485	11,724	59,075	47,591		
	14,681	6,297	24,554	4,727	6,360	(14,560)
	398	968	176	3,357	(3,563)	8,708
	(12,180)	(4,466)	(20,300)	1		
\$ (636)	\$ 428,269	\$ 18,696	\$ 561,947	\$ 447,353	\$ 247,904	\$ 273,441

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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)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

The City reports the following major governmental funds:

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

The *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.

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net position

Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The deposits are invested on a short-term basis with interest income allocated to each fund

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net position (continued)

Cash and Investments (continued)

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.

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

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

Special assessments outstanding at December 31, 2013 are recognized as revenue only when received. The receivable balances in the fund financial statements are offset entirely by deferred inflow of resources until collected by the county. These offsetting balances are also not reflected in the financial statements.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net position (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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

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

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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net position (continued)

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:

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

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

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

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

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

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

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net position (continued)

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

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

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

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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2013, 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	1,216,473
Certificates of deposit	1,262,526
U.S. Government Bonds	1,126,615
Municipal Bonds	882,867
Money Market Funds	<u>278,239</u>
Total Cash and Investments	<u><u>\$ 4,766,870</u></u>

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

Cash and Investments	\$ 4,317,214
Restricted Cash	<u>449,656</u>
	<u><u>\$ 4,766,870</u></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 has a formal investment policy that limits investment maturities to ten years unless the investments can be matched with anticipated cash flow requirements.

Credit Risk

The City has a formal investment policy that aims to minimize credit risk by limiting its investment choices to specific types of investments, pre-qualifying financial institutions, and diversifying the investment portfolio.

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, 2013:

	Date of Loan	Initial Loan Amount	Interest Rate	Term	Balance 12/31/13
S&K Custom Furniture	5/30/2006	\$ 40,245	5%	10 years	\$ 27,758
Bernard Bus	6/30/2008	511,088	2%	10 years	391,110
Country Craft & Gifts, LLC	7/12/2010	12,840	6%	5 years	5,222
Adourn	9/18/2012	8,490	6%	5 years	7,954
		<u>\$ 572,663</u>			<u>\$ 432,044</u>

D. Capital Assets

Capital asset activity, including internal service fund capital assets, for the year ended December 31, 2013 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,002,069	\$ 156,610	\$	\$ 1,158,679
Total capital assets, not being depreciated	<u>1,002,069</u>	<u>156,610</u>		<u>1,158,679</u>
Capital assets, being depreciated:				
Buildings	7,172,035	53,273		7,225,308
Infrastructure	5,796,369	241,561		6,037,930
Vehicles	1,472,391	72,725	13,842	1,531,274
Furniture and fixtures	290,239	25,098		315,337
Machinery and equipment	1,690,642	94,611	107,920	1,677,333
Total capital assets, being depreciated	<u>16,421,676</u>	<u>487,268</u>	<u>121,762</u>	<u>16,787,182</u>
Less accumulated depreciation for:				
Buildings	2,926,904	319,082		3,245,986
Infrastructure	2,122,623	192,706		2,315,329
Vehicles	538,444	112,187	13,842	636,789
Furniture and fixtures	135,746	15,388		151,134
Machinery and equipment	1,112,046	113,013	107,920	1,117,139
Total accumulated depreciation	<u>6,835,763</u>	<u>752,376</u>	<u>121,762</u>	<u>7,466,377</u>
Total capital assets, being depreciated, net	<u>9,585,913</u>	<u>(265,108)</u>		<u>9,320,805</u>
Governmental activities capital assets, net	<u>\$ 10,587,982</u>	<u>\$ (108,498)</u>	<u>\$</u>	<u>\$ 10,479,484</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	14,538,758	15,266		14,554,024
Machinery and equipment	281,818	8,340		290,158
Total capital assets, being depreciated	14,820,576	23,606		14,844,182
Less accumulated depreciation for:				
Wastewater Treatment Facility and Distribution	4,960,406	390,682		5,351,088
Machinery and equipment	211,155	13,074		224,229
Total accumulated depreciation	5,171,561	403,756		5,575,317
Total capital assets, being depreciated, net	9,649,015	(380,150)		9,268,865
Business-type activities capital assets, net	\$ 9,709,507	\$ (380,150)	\$	\$ 9,329,357

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 49,361
Public safety	79,890
Public works	147,325
Parks and recreation	23,817
Library	33,517
Community development	210,593
Subtotal	544,503
Internal service fund	207,873

Total depreciation expense - governmental activities \$ 752,376

Business-Type Activities:

Water Infrastructure	\$ 82,771
Sewer Infrastructure	320,985

Total depreciation expense - business-type activities \$ 403,756

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, 2013 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund - Other	\$ 113,265	\$ 247,860
Special Revenue:		
Ambulance	49,453	43,110
EDA	59,800	
Library	4,300	4,300
Fire capital	83,335	34,730
Cable Access		2,730
Chatfield Center for the Arts	22,272	
Debt Service:		
1997 GO Water Revenue		65,027
2008A HL Tower/Hillside Drive Bond		142,261
2004A GO Sewer Revenue and PIR Refunding Bond	61,741	
2012A Refunding Bond	246,138	
Internal Service		4,000
Enterprise:		
Water		108,240
Sewer		439,240
Garbage		14,215
Water Infrastructure	118,770	107,777
Sewer Infrastructure	506,257	57,841
Sewer - No Fault Back	6,000	
Total Transfers	<u>\$ 1,271,331</u>	<u>\$ 1,271,331</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 2013 are as follows:

General Fund	\$	59,068
Special Revenue Funds		
EDA		42,888
Library		9,183

All excess expenditures were the result of planned processes.

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 were 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 was considered an advance or crossover refunding. The proceeds were placed into an escrow account pending the call date of the old bonds (February 1, 2013). After the call date the bonds are no longer 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.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2002A Refunding (3.0-4.9%)	\$ 50,000	\$	\$ 10,000	\$ 40,000	\$ 35,000
2004A Sewer & Perm Improv Refunding (3.75%)	245,000		90,000	155,000	90,000
2008A Utility Revenue & Improv Bond (3.85-4.9%)	1,995,000		1,995,000		
2010A Capital Improvement Refunding (2.0-3.9%)	1,260,000		75,000	1,185,000	75,000
2012 GO Crossover Refunding Bonds (2.0-2.7%)	1,990,000			1,990,000	115,000
Plus: Unamortized premium	10,834		842	9,992	
Tax Increment Bonds:					
1999 Tax Increment (5.75%)	217,460		92,250	125,210	61,931
Total Bonds and Notes Payable	5,768,294		2,263,092	3,505,202	376,931
Other Liabilities:					
Compensated Absences	142,975	6,453		149,428	
Governmental Activities Long-term Liabilities	5,911,269	6,453	2,263,092	3,654,630	376,931
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2011A Refunding Bonds (3.42%)	6,665,000		355,000	6,310,000	360,000
Less: Bond discount	(41,085)		(2,739)	(38,346)	
Other Liabilities:					
Compensated Absences	11,585		5,571	6,014	
Business-type Activities Long-term Liabilities	6,635,500		357,832	6,277,668	360,000
Total	\$ 12,546,769	\$ 6,453	\$ 2,620,924	\$ 9,932,298	\$ 736,931

The 2002A Refunding Bonds were issued to refund the 2000 General Obligation Temporary Improvement Bond and to fund improvements along Mill Creek Road. The 2004A Sewer and Permanent Improvement Refunding Bonds were issued to refund the 1998B and 1999A bonds and provide funding for a current sewer project. The 2008A Utility Revenue and Improvement Bonds were issued to finance the installation of a new water tower, a booster station, and the construction of Hillside Drive. The 2010A Capital Improvement Refunding Bonds were issued to refund the 2001 EDA Public Project Revenue Bonds. The 2012 GO Crossover Refunding Bonds were issued to refund the 2008A General Obligation Improvement Bonds.

The 1999 Tax Increment Bonds were issued to fund public development costs within the city.

The 2011A Refunding Bonds were issued to refund the City the 2005 General Obligation Disposal System Bonds.

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, 2013, 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>						
2014	\$ 290,000	\$ 85,672	\$ 22,415	\$ 3,878		
2015	305,000	78,882	20,607	5,686		
2016	235,000	72,183	21,824	4,470		
2017	235,000	66,726	23,112	3,181		
2018	240,000	61,184	24,477	1,817		
2019-2023	1,200,000	218,550	12,775	372		
2024-2028	865,000	52,710				
Totals	<u>\$ 3,370,000</u>	<u>\$ 635,904</u>	<u>\$ 125,210</u>	<u>\$ 19,404</u>		
<u>Business-Type Activities</u>						
2014					\$ 360,000	\$ 191,435
2015					365,000	184,185
2016					370,000	176,835
2017					375,000	169,010
2018					380,000	160,135
2019-2023					2,055,000	625,678
2024-2028					2,405,000	239,985
Totals					<u>\$ 6,310,000</u>	<u>\$ 1,747,263</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 (most current information available), 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 (most current information available), 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 2013. PEPFF members are required to contribute 9.6% of their annual covered salary in 2013. 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, 2013, 2012, and 2011 were \$40,065, \$40,635, and \$39,062, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2013, 2012, and 2011, were \$39,865, \$36,813, and \$34,442, 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 2013.

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 2013. 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, 2013 are as follows:

Committed fund balance:	
Library Fund	\$ 471,934

6. Change in Accounting Standards and Prior Period Adjustment

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities". This standard required retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2013 financial statements.

During the year ended December 31, 2013, the City discovered an error in the financial statements for the year ended December 31, 2012 that resulted in an overstatement of cash and investments, investment income, and fund balance/net position as detailed in the following schedule. This error has been corrected in the current year and the financial statements for the year ended December 31, 2012 have been restated to reflect this correction. The correction relates to the fair value adjustment of the investment pool and impacts nearly all city funds.

CITY OF CHATFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Change in Accounting Standards and Prior Period Adjustment (Continued)

The following Schedule reconciles the previously reported December 31, 2012 balances to the amounts reported in the December 31, 2013 financial statements:

Activities/Fund	Net Position December 31, 2011 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position December 31, 2011 as Restated
Governmental Activities	\$ 10,914,384	\$ 45,552	\$ 10,868,832
Business Type Activities	4,979,217	26,179	4,953,038
Proprietary Funds:			
Sewer Infrastructure Fund	1,481,509	26,179	1,455,330

Activities/Fund	Net Position December 31, 2012 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Correction of error in previously issued Financial Statements	Net Position December 31, 2012 as Restated
Governmental Activities	\$ 11,007,961	\$ 35,284	\$ 96,327	\$ 10,876,350
Business Type Activities	4,732,852	24,543	55,808	4,652,501
Proprietary Funds:				
Sewer Infrastructure Fund	1,369,910	24,543		1,345,367
Governmental Funds	4,853,786		68,530	4,785,256
Proprietary Funds	4,732,852	24,543	55,808	4,652,501
Internal Service Fund	2,047,540		27,797	2,019,743

7. Accounting Standards Issued But Not Yet Adopted

GASB 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This Statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

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CITY OF CHATFIELD, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2013

CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue				
	211/212	614	241	250	251
	Library	Cable Access	Sales tax Development	Chatfield Center for the Arts	CCA - Schmidt Foundation
ASSETS					
Cash and investments	\$ 482,123	\$ 59,389	\$ 53,312	\$ 67,960	\$ 8,500
Accounts receivable	1,025	6,223			
Due from other governmental units					
Taxes receivable - delinquent					
Special assessments receivable					
TOTAL ASSETS	<u>\$ 483,148</u>	<u>\$ 65,612</u>	<u>\$ 53,312</u>	<u>\$ 67,960</u>	<u>\$ 8,500</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 11,214	\$ 24	\$	\$ 5,237	\$
Total Liabilities	<u>11,214</u>	<u>24</u>		<u>5,237</u>	
Deferred Inflows of Resources:					
Unavailable revenue:					
Property taxes					
Special assessments					
Total Deferred Inflows of Resources					
Fund Balance					
Restricted:					
Creditors (debt covenants)					
Regulations			53,312		
Committed:					
By Council resolution	471,934				
Assigned:					
Fund assignments		65,588		62,723	8,500
Unassigned:					
Total Fund Balance	<u>471,934</u>	<u>65,588</u>	<u>53,312</u>	<u>62,723</u>	<u>8,500</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 483,148</u>	<u>\$ 65,612</u>	<u>\$ 53,312</u>	<u>\$ 67,960</u>	<u>\$ 8,500</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
\$	\$ 68	\$ 264	\$	\$ 1,507
<u>\$</u>	<u>\$ 68</u>	<u>\$ 264</u>	<u>\$</u>	<u>\$ 1,507</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	68	264		1,507
	<u>68</u>	<u>264</u>		<u>1,507</u>
<u>\$</u>	<u>\$ 68</u>	<u>\$ 264</u>	<u>\$</u>	<u>\$ 1,507</u>

**CITY OF CHATFIELD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
December 31, 2013

	Debt Service			
	315	377	323	326
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2002A Refunding Bond	2004A GO Sewer and Perm Improv Refunding Bond
ASSETS				
Cash and investments	\$	\$ 1,505	\$ 24,477	\$ 111,155
Accounts receivable				
Due from other governmental units			676	655
Taxes receivable - delinquent			24	387
Special assessment receivable			25,269	
TOTAL ASSETS	\$	\$ 1,505	\$ 50,446	\$ 112,197
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Total Liabilities				
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes			24	387
Special assessments			25,269	
Total Deferred Inflows of Resources			25,293	387
Fund Balance				
Restricted:				
Creditors (debt covenants)		1,505	25,153	111,810
Regulations				
Committed:				
By Council resolution				
Assigned:				
Fund assignments				
Unassigned:				
Total Fund Balance		1,505	25,153	111,810
TOTAL LIABILITIES AND FUND BALANCE	\$	\$ 1,505	\$ 50,446	\$ 112,197

Debt Service		Capital Projects	
329	330	450	
2008A HL Tower/ Hillside Drive Bond	2010A Refunding Bond	2014 Public Improvements	Total Nonmajor Governmental Funds 2013
\$	\$ 110,704	\$	\$ 920,964
			7,248
	1,768		3,099
	1,048		1,459
			25,269
<u>\$</u>	<u>\$ 113,520</u>	<u>\$</u>	<u>\$ 958,039</u>
<u>\$</u>	<u>\$</u>	<u>\$ 14,682</u>	<u>\$ 31,157</u>
		14,682	31,157
	1,048		1,459
			25,269
	<u>1,048</u>		<u>26,728</u>
	112,472		250,940
			53,312
			471,934
			138,650
		(14,682)	(14,682)
	<u>112,472</u>	<u>(14,682)</u>	<u>900,154</u>
<u>\$</u>	<u>\$ 113,520</u>	<u>\$</u>	<u>\$ 958,039</u>

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue				
	211/212	614	241	250	251
	Library	Cable Access	Sales Tax Development	Chatfield Center for the Arts	CCA - Schmidt Foundation
REVENUES					
Property tax levy					
Property tax collected	\$ 116,050	\$	\$	\$	\$
Special assessments					
Tax increments					
Fines and forfeits	3,522				
Intergovernmental	49,329		148,772		
Franchise fees		24,680			
Charges for services		14,861		21,212	
Investment income	21,003	2,130	4,380	2,051	23
Contributions	6,166			7,680	8,500
Miscellaneous	15,062	8,222		2,723	
TOTAL REVENUES	211,132	49,893	153,152	33,666	8,523
EXPENDITURES					
Current:					
General government		45,600			
Library	183,575				
Community development				66,433	
Debt service					
Principal retirement					
Interest and fiscal charges					
Capital outlay			99,840	4,337	9,877
TOTAL EXPENDITURES	183,575	45,600	99,840	70,770	9,877
Excess (deficiency) of revenues over (under) expenditures	27,557	4,293	53,312	(37,104)	(1,354)
OTHER FINANCING SOURCES (USES)					
Transfer in	4,300			22,272	
Transfer out	(4,300)	(2,730)			
TOTAL OTHER FINANCING SOURCES (USES)		(2,730)		22,272	
Net change in fund balances	27,557	1,563	53,312	(14,832)	(1,354)
FUND BALANCES AS RESTATED, beginning (Note 6)	444,377	64,025		77,555	9,854
FUND BALANCES, ending	\$ 471,934	\$ 65,588	\$ 53,312	\$ 62,723	\$ 8,500

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
\$	\$	\$	\$	\$
	14,453	13,889	14,168	57,355
208	1	6		135
208	14,454	13,895	14,168	57,490
7,934	14,387	13,689	14,715	57,355
7,934	14,387	13,689	14,715	57,355
(7,726)	67	206	(547)	135
(7,726)	67	206	(547)	135
7,726	1	58	547	1,372
\$	\$ 68	\$ 264	\$	\$ 1,507

CITY OF CHATFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Debt Service			
	315	377	323	326
	1997 GO Water Rev Bond	1999 Tax Increment Bond	2002A Refunding Bond	2004A GO Sewer and Perm Improv Refunding Bond
REVENUES				
Property tax levy				
Property tax collected	\$	\$	\$ 3,299	\$ 43,142
Special assessments			11,352	
Tax increments		107,372		
Fines and forfeits				
Intergovernmental				
Franchise fees				
Charges for services				
Investment income		79	559	1,471
Contributions				
Miscellaneous				
TOTAL REVENUES		107,451	15,210	44,613
EXPENDITURES				
Current:				
General government				
Library				
Community development				
Debt service				
Principal retirement		92,250	10,000	90,000
Interest and fiscal charges		16,797	2,599	7,500
Capital outlay				
TOTAL EXPENDITURES		109,047	12,599	97,500
Excess (deficiency) of revenues over (under) expenditures		(1,596)	2,611	(52,887)
OTHER FINANCING SOURCES (USES)				
Transfer in				61,741
Transfer out	(65,027)			
TOTAL OTHER FINANCING SOURCES (USES)	(65,027)			61,741
Net change in fund balances	(65,027)	(1,596)	2,611	8,854
FUND BALANCES AS RESTATED, beginning (Note 6)	65,027	3,101	22,542	102,956
FUND BALANCES, ending	\$	\$ 1,505	\$ 25,153	\$ 111,810

Debt Service		Capital Projects	
329	330	450	Total Nonmajor Governmental Funds
2008A HL Tower/Hillside Drive Bond	2010A Refunding Bond	2014 Public Improvements	2013
\$	\$ 115,840	\$	\$ 278,331
			11,352
			207,237
			3,522
			198,101
			24,680
			36,073
5,705	4,140		41,891
			22,346
			26,007
5,705	119,980		849,540
			45,600
			183,575
			174,513
80,000	75,000		347,250
44,500	41,282		112,678
		14,682	128,736
124,500	116,282	14,682	992,352
(118,795)	3,698	(14,682)	(142,812)
(142,261)			88,313
			(214,318)
(142,261)			(126,005)
(261,056)	3,698	(14,682)	(268,817)
261,056	108,774		1,168,971
\$	\$ 112,472	\$ (14,682)	\$ 900,154

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Charges for services	\$ 9,000	\$ 9,000	\$ 21,212	\$ 12,212	\$ 7,839
Investment income	200	200	2,051	1,851	3,784
Donations			7,680	7,680	1,543
Miscellaneous			2,723	2,723	2,948
TOTAL REVENUES	9,200	9,200	33,666	24,466	16,114
EXPENDITURES					
Repairs and maintenance	8,000	8,000	3,106	4,894	3,695
Professional Services	37,000	37,000	13,100	23,900	22,165
Miscellaneous	50,260	50,260	50,227	33	42,494
Capital outlay			4,337	(4,337)	3,907
TOTAL EXPENDITURES	95,260	95,260	70,770	24,490	72,261
Excess (deficiency of revenues over (under) expenditures	(86,060)	(86,060)	(37,104)	48,956	(56,147)
OTHER FINANCING SOURCES					
Transfers in	22,272	22,272	22,272		22,232
Net change in fund balances	(63,788)	(63,788)	(14,832)	48,956	(33,915)
FUND BALANCES AS RESTATED, beginning (Note 6)	77,555	77,555	77,555		111,470
FUND BALANCES, ending	\$ 13,767	\$ 13,767	\$ 62,723	\$ 48,956	\$ 77,555

CITY OF CHATFIELD, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		211	212	2013	Variance with	2012
	Original	Final	Library	Library Endowment	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
REVENUES							
Property tax levy	\$ 116,050	\$ 116,050	\$ 116,050	\$	\$ 116,050	\$	\$ 103,354
Intergovernmental revenues	48,938	48,938	49,329		49,329		48,556
Library fines	3,670	3,670	3,522		3,522	(148)	4,727
Investment income	1,000	1,000	2,470	18,533	21,003	20,003	2,971
Contributions			6,153	13	6,166	6,166	3,077
Miscellaneous	2,675	2,675	15,062		15,062	12,387	14,928
TOTAL REVENUES	172,333	172,333	192,586	18,546	211,132	38,408	177,613
EXPENDITURES							
Library							
Salaries	92,653	92,653	88,932		88,932	3,721	86,553
Employee benefits and retirement	13,943	13,943	12,493		12,493	1,450	12,169
Workers compensation			762		762	(762)	64
Health insurance	15,094	15,094	15,273		15,273	(179)	14,835
Travel	645	645	212		212	433	352
Office supplies and postage	1,800	1,800	1,698		1,698	102	1,230
Operating supplies/small tools	1,600	1,600	11,007		11,007	(9,407)	12,241
Insurance	3,820	3,820	3,821		3,821	(1)	3,817
Utilities	5,400	5,400	5,332		5,332	68	4,482
Maintenance and repair	8,448	8,448	12,077		12,077	(3,629)	7,325
Telephone	1,200	1,200	1,450		1,450	(250)	1,453
Cleaning services	900	900	794		794	106	571
Capital outlay	17,300	17,300	18,327		18,327	(1,027)	16,533
Other	11,589	11,589	11,397		11,397	192	11,851
TOTAL EXPENDITURES	174,392	174,392	183,575		183,575	(9,183)	173,476
Excess (deficiency) of revenues over (under) expenditures	(2,059)	(2,059)	9,011	18,546	27,557	29,225	4,137
OTHER FINANCING SOURCES (USES)							
Transfers in	4,260	4,260	4,300		4,300	40	5,900
Transfers out				(4,300)	(4,300)	(4,300)	(5,900)
Net change in fund balances	2,201	2,201	13,311	14,246	27,557	24,965	4,137
FUND BALANCES AS RESTATED, beginning (Note 6)	444,377	444,377	84,007	360,370	444,377		440,240
FUND BALANCES, ending	\$ 446,578	\$ 446,578	\$ 97,318	\$ 374,616	\$ 471,934	\$ 24,965	\$ 444,377

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 546,834	\$ 697,335
Accounts receivable	8,200	14,560
Total Current Assets	<u>555,034</u>	<u>711,895</u>
Noncurrent Assets		
Capital assets:		
Depreciable	3,256,556	2,935,004
Less: Accumulated depreciation	<u>1,704,494</u>	<u>1,618,383</u>
Net capital assets	<u>1,552,062</u>	<u>1,316,621</u>
Total Assets	<u>2,107,096</u>	<u>2,028,516</u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>5,210</u>	<u>8,773</u>
NET POSITION		
Invested in capital assets	1,552,062	1,316,621
Unrestricted	<u>549,824</u>	<u>703,122</u>
Total Net Postion	<u><u>\$ 2,101,886</u></u>	<u><u>\$ 2,019,743</u></u>

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Departmental capital charge	\$ 268,505	\$ 325,329
Operating Expenses		
Depreciation	207,873	251,072
Repairs	13,413	30,329
Minor equipment	7,625	15,707
Engineering fees	2,360	
Total Operating Expenses	231,271	297,108
Operating Income	37,234	28,221
Nonoperating Revenues (Expenses)		
Interest income	(10,885)	13,943
Intergovernmental	41,512	
Miscellaneous	18,282	(9,753)
Total Nonoperating Revenues (Expenses)	48,909	4,190
INCOME BEFORE TRANSFERS	86,143	32,411
Transfers in		42,515
Transfers out	(4,000)	(273,372)
CHANGE IN NET POSITION	82,143	(198,446)
NET POSITION AS RESTATED BEGINNING OF YEAR (Note 6)	2,019,743	2,218,189
NET POSITION - END OF YEAR	\$ 2,101,886	\$ 2,019,743

CITY OF CHATFIELD, MINNESOTA
INTERNAL SERVICE FUND
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Cash received from other departments	\$ 274,865	\$ 310,769
Cash paid to suppliers	(26,961)	(37,328)
Net Cash Provided by Operating Activities	<u>247,904</u>	<u>273,441</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental	41,512	
Miscellaneous	18,281	1,495
Transfer in/out	(4,000)	(10,857)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>55,793</u>	<u>(9,362)</u>
Capital and Related Financing Activities		
Capital asset acquisitions	(443,313)	(229,849)
Proceeds from sale of equipment		9,500
Net Cash (Used In) Capital and Related Financing Activities	<u>(443,313)</u>	<u>(220,349)</u>
Cash Flows From Investing Activities		
Investment income received	(10,885)	13,943
NET INCREASE IN CASH AND CASH EQUIVALENTS	(150,501)	57,673
CASH AND CASH EQUIVALENTS AS RESTATED, BEGINNING OF YEAR (Note 6)	<u>697,335</u>	<u>639,662</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 546,834</u></u>	<u><u>\$ 697,335</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	\$ 37,234	\$ 28,221
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	207,873	251,072
(Increase) Decrease in: Accounts receivable	6,360	(14,560)
Increase (Decrease) in: Accounts payable	(3,563)	8,708
Net Cash Provided By Operating Activities	<u><u>\$ 247,904</u></u>	<u><u>\$ 273,441</u></u>

CITY OF CHATFIELD, MINNESOTA

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statements of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 559,890	\$ 566,523
Accounts receivable, net	19,776	20,295
Special assessments receivable	7,330	8,333
Special assessments delinquent	1,167	4,821
Total Current Assets	<u>588,163</u>	<u>599,972</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,863	4,053
Accrued liabilities	16,051	19,705
Total Current Liabilities	<u>18,914</u>	<u>23,758</u>
NET POSITION		
Unrestricted	<u>\$ 569,249</u>	<u>\$ 576,214</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
Operating Revenue					
Service fees	\$ 209,700	\$ 209,700	\$ 227,637	\$ 17,937	\$ 225,164
Operating Expenses					
Salaries	45,800	45,800	46,659	(859)	44,215
Employee benefits and retirement	6,550	6,550	6,953	(403)	6,588
Workers compensation	2,000	2,000	2,255	(255)	1,981
Supplies	11,100	11,100	8,626	2,474	17,739
Utilities	14,000	14,000	17,648	(3,648)	12,114
Maintenance and repairs			13,838	(13,838)	11,923
Travel and training	350	350	410	(60)	268
Professional fees	12,700	12,700	12,010	690	11,636
Office expense	1,800	1,800	1,393	407	1,083
Insurance	2,800	2,800	3,487	(687)	2,738
Departmental capital charge	100	100	400	(300)	235
Other	3,555	3,555	5,706	(2,151)	4,628
Total Operating Expenses	100,755	100,755	119,385	(18,630)	115,148
Operating Income	108,945	108,945	108,252	(693)	110,016
Nonoperating Revenues (Expenses)					
Investment income	10,000	10,000	(17,843)	(27,843)	15,129
Refunds and reimbursements			765	765	2,090
Penalties and discounts	300	300	792	492	199
Special assessments	8,000	8,000	9,309	1,309	7,354
Total Nonoperating Revenues (Expenses)	18,300	18,300	(6,977)	(25,277)	24,772
INCOME BEFORE TRANSFERS	127,245	127,245	101,275	(25,970)	134,788
Transfers out	(108,240)	(108,240)	(108,240)		(107,130)
CHANGE IN NET POSITION	19,005	19,005	(6,965)	(25,970)	27,658
NET POSITION AS RESTATED - BEGINNING OF YEAR (Note 6)	576,214	576,214	576,214		548,556
NET POSITION - END OF YEAR	\$ 595,219	\$ 595,219	\$ 569,249	\$ (25,970)	\$ 576,214

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statements of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 233,331	\$ 251,399
Accounts receivable, net	54,517	56,276
Special assessments receivable	24,433	27,775
Special assessments delinquent	3,889	16,069
Total Current Assets	<u>316,170</u>	<u>351,519</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	4,859	5,237
Accrued liabilities	27,504	39,684
Total Current Liabilities	<u>32,363</u>	<u>44,921</u>
 NET POSITION		
Unrestricted	<u><u>\$ 283,807</u></u>	<u><u>\$ 306,598</u></u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Service fees	\$ 623,000	\$ 623,000	\$ 659,225	\$ 36,225	\$ 595,098
Operating Expenses					
Salaries	109,000	109,000	111,938	(2,938)	111,542
Employee benefits and retirement	18,494	18,494	15,596	2,898	15,871
Health insurance	14,182	14,182	14,674	(492)	14,186
Workers compensation	4,244	4,244	5,797	(1,553)	4,467
Supplies	9,100	9,100	6,713	2,387	9,441
Utilities	43,251	43,251	33,359	9,892	33,196
Maintenance and repairs	46,750	46,750	33,009	13,741	40,638
Travel and training	3,250	3,250	1,906	1,344	2,294
Professional fees	20,620	20,620	14,797	5,823	47,759
Office expense	2,800	2,800	3,819	(1,019)	2,774
Insurance	13,500	13,500	10,566	2,934	11,597
Departmental capital charge	300	300	400	(100)	546
Other	19,318	19,318	16,571	2,747	11,014
Total Operating Expenses	304,809	304,809	269,145	35,664	305,325
Operating Income	318,191	318,191	390,080	71,889	289,773
Nonoperating Revenues (Expenses)					
Investment income	5,000	5,000	(10,116)	(15,116)	13,527
Refunds and reimbursements			2,215	2,215	3,542
Penalties and discounts	1,000	1,000	2,665	1,665	674
Special assessments	30,000	30,000	31,605	1,605	24,964
Total Nonoperating					
Revenues (Expenses)	36,000	36,000	26,369	(9,631)	42,707
INCOME BEFORE TRANSFERS	354,191	354,191	416,449	62,258	332,480
Transfers out	(394,240)	(394,240)	(439,240)	(45,000)	(418,130)
CHANGE IN NET POSITION	(40,049)	(40,049)	(22,791)	17,258	(85,650)
NET POSITION AS RESTATED -					
BEGINNING OF YEAR (Note 6)	306,598	306,598	306,598		392,248
NET POSITION - END OF YEAR	\$ 266,549	\$ 266,549	\$ 283,807	\$ 17,258	\$ 306,598

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
WATER INFRASTRUCTURE FUND
Statements of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 124,924	\$ 124,241
Accounts receivable	1,600	
Total Current Assets	<u>126,524</u>	<u>124,241</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	3,053,183	3,051,972
Less: Accumulated depreciation	<u>915,267</u>	<u>832,496</u>
Property, Plant and Equipment, Net	<u>2,168,162</u>	<u>2,249,722</u>
Total Assets	<u>2,294,686</u>	<u>2,373,963</u>
NET POSITION		
Invested in capital assets	2,168,162	2,249,722
Unrestricted	126,524	124,241
Total Net Postion	<u>\$ 2,294,686</u>	<u>\$ 2,373,963</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Connection charges	\$ 3,200	\$ 3,200	\$ 5,032	\$ 1,832	\$
Operating Expenses					
Depreciation			82,771	(82,771)	86,665
Departmental capital charge	7,900	7,900	7,900		7,900
Total Operating Expenses	7,900	7,900	90,671	(82,771)	94,565
Operating Income	(4,700)	(4,700)	(85,639)	80,939	(94,565)
Nonoperating Revenues (Expenses)					
Investment income	5,000	5,000	(4,631)	(9,631)	11,622
INCOME (LOSS) BEFORE TRANSFERS	300	300	(90,270)	(90,570)	(82,943)
Transfer in	70,000	70,000	118,770	48,770	70,000
Transfers out	(107,777)	(107,777)	(107,777)		(119,927)
Total Other Financing Sources (Uses)	(37,777)	(37,777)	10,993	48,770	(49,927)
CHANGE IN NET POSITION	(37,477)	(37,477)	(79,277)	(41,800)	(132,870)
NET POSITION AS RESTATED -					
BEGINNING OF YEAR (Note 6)	2,373,963	2,373,963	2,373,963		2,506,833
NET POSITION - END OF YEAR	\$ 2,336,486	\$ 2,336,486	\$ 2,294,686	\$ (41,800)	\$ 2,373,963

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
SEWER INFRASTRUCTURE FUND
Statement of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,266	\$ 2,016
Restricted cash	449,656	582,549
Accounts receivable	<u>2,600</u>	<u></u>
Total Current Assets	<u>453,522</u>	<u>584,565</u>
Property and Equipment		
Nondepreciable	30,246	30,246
Depreciable	11,790,999	11,768,604
Less: Accumulated depreciation	<u>4,660,050</u>	<u>4,339,065</u>
Property, Plant and Equipment, Net	<u>7,161,195</u>	<u>7,459,785</u>
Total Assets	<u>7,614,717</u>	<u>8,044,350</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	360,000	355,000
Accounts payable	776	
Accrued interest payable	<u>81,220</u>	<u>84,177</u>
Total Current Liabilities	<u>441,996</u>	<u>439,177</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>5,911,654</u>	<u>6,268,915</u>
Total Liabilities	<u>6,353,650</u>	<u>6,708,092</u>
NET POSITION		
Net investment in capital assets	1,339,197	1,418,419
Unrestricted	<u>(78,130)</u>	<u>(82,161)</u>
Total Net Position	<u>\$ 1,261,067</u>	<u>\$ 1,336,258</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
Operating Revenue					
Connection fees	\$ 5,200	\$ 5,200	\$ 7,375	\$ 2,175	\$
Operating Expenses					
Maintenance and repairs			834	(834)	589
Departmental capital charge	7,100	7,100	7,100		7,100
Depreciation			320,985	(320,985)	321,092
Total Operating Expenses	7,100	7,100	328,919	(321,819)	328,781
Operating Income (Loss)	(1,900)	(1,900)	(321,544)	(319,644)	(328,781)
Nonoperating Revenues (Expenses)					
Investment income			(3,696)	(3,696)	14,454
Interest expense			(198,367)	(198,367)	(205,443)
Total Nonoperating Revenue (Expense)			(202,063)	(202,063)	(190,989)
INCOME (LOSS) BEFORE TRANSFERS	(1,900)	(1,900)	(523,607)	(521,707)	(519,770)
Transfer in	115,000	115,000	506,257	391,257	465,000
Transfers out	(57,841)	(57,841)	(57,841)		(64,302)
Total Other Financing Sources (Uses)	57,159	57,159	448,416	391,257	400,698
CHANGE IN NET POSITION	55,259	55,259	(75,191)	(130,450)	(119,072)
NET POSITION AS RESTATED - BEGINNING OF YEAR (Note 6)	1,336,258	1,336,258	1,336,258		1,455,330
NET POSITION - END OF YEAR	<u>\$ 1,391,517</u>	<u>\$ 1,391,517</u>	<u>\$ 1,261,067</u>	<u>\$ (130,450)</u>	<u>\$ 1,336,258</u>

CITY OF CHATFIELD, MINNESOTA
PROPRIETARY FUNDS
GARBAGE FUND
Statement of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,146	\$ 35,766
Accounts receivable, net	13,109	13,715
Special assessments receivable	8,959	10,184
Special assessments delinquent	<u>1,426</u>	<u>5,892</u>
Total Current Assets	<u>62,640</u>	<u>65,557</u>
LIABILITIES		
Current Liabilities		
Accounts payable	13,767	12,799
Accrued liabilities	<u>5,365</u>	<u>9,831</u>
Total Current Liabilities	<u>19,132</u>	<u>22,630</u>
NET POSITION		
Unrestricted	<u>\$ 43,508</u>	<u>\$ 42,927</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013	Variance with	2012
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
Operating Revenue					
Charges for Services	\$ 175,000	\$ 175,000	\$ 185,272	\$ 10,272	\$ 176,424
Operating Expenses					
Waste Removal					
Garbage removal	145,000	145,000	153,557	(8,557)	143,434
City cleanup	13,000	13,000	11,667	1,333	10,710
Supplies	650	650	454	196	642
Maintenance and repairs	1,600	1,600	1,295	305	1,502
Office expense	1,500	1,500	1,269	231	988
Departmental capital charge	200	200	200		200
Other	12,275	12,275	12,657	(382)	11,470
Total Operating Expenses	174,225	174,225	181,099	(6,874)	168,946
Operating Income (Loss)	775	775	4,173	3,398	7,478
Nonoperating Revenue					
Investment income			(1,101)	(1,101)	834
Special assessments	10,000	10,000	11,724	1,724	8,768
Total Nonoperating Revenue	10,000	10,000	10,623	623	9,602
Income (loss) before transfers	10,775	10,775	14,796	4,021	17,080
Transfers out	(14,215)	(14,215)	(14,215)		(13,800)
CHANGE IN NET POSITION	(3,440)	(3,440)	581	4,021	3,280
NET POSITION AS RESTATED -					
BEGINNING OF YEAR (Note 6)	42,927	42,927	42,927		39,647
NET POSITION - END					
OF YEAR	\$ 39,487	\$ 39,487	\$ 43,508	\$ 4,021	\$ 42,927

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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, 2013 and have issued our report thereon dated March 03, 2014.

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 03, 2014