

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2012

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Litchfield, Minnesota

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CITY OF LITCHFIELD, MINNESOTA

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CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2012

		<u>Term Expires</u>
Mayor	Keith Johnson	12/31/2014
Council Member At Large	Ron Dingmann	12/31/2012
Council Member - 1st Ward	Barbara Altringer	12/31/2014
Council Member - 2nd Ward	Connie Lies	12/31/2012
Council Member - 3rd Ward	Dwight Lorensen	12/31/2014
Council Member - 4th Ward	Vern Loch, Jr.	12/31/2012
Council Member - 5th Ward	Gary Walz	12/31/2014
City Administrator	Bruce Miller	Appointed
Assistant City Administrator	Joyce Spreiter	Appointed

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Litchfield
Litchfield, 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 Litchfield, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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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 Litchfield, Minnesota, as of December 31, 2012, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, for the year ended December 31, 2012, the City adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

We have previously audited the City's 2011 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated May 21, 2012. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress and Employer Contributions as listed in the table of contents 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules as listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Elected and Appointed Officials 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Litchfield's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

May 20, 2013

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the basic financial statements of the City of Litchfield (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2012. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$49.7 million. Of this amount, \$13.5 million may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,001,343 mostly due to increases in the Sewer and Electric Funds of \$903,411 and \$600,850 respectively.
- The City's governmental funds reported combined ending fund balances of \$6 million. Of this total amount, approximately 20% is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.2 million, or 30% of total General Fund expenditures of \$4 million.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of organizations outside the government. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This annual report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Litchfield begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. With the exception of Fiduciary Funds, which have been excluded because they do not represent the City's financial resources, the Statement of Net Position includes *all* assets and liabilities using the *accrual basis of accounting*. In the Statement of Activities, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's changes in net position. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health.

Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Litchfield.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including public safety, public works, airport, culture and recreation, economic development and general government. Property taxes, and state and federal grants finance most of these activities.

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's liquor, sewer, electric, and water funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Litchfield's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary Funds - When the City of Litchfield charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 19-23 of this report.

Fiduciary Funds - The City of Litchfield is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board. The City is also the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Anderson Gardens. The resources held in a fiduciary capacity are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on page 24 of this report.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 25-54 of this report.

Supplementary Information

The combining statements in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining statements and individual fund information can be found on pages 56-99 of this report.

Statement of Net Position

The City of Litchfield's net position was \$49,723,676 on December 31, 2012 (see details in Table 1). This was an increase of \$2,001,343 or 4.2% from \$47,722,333 at December 31, 2011.

Table 1 Comparative Condensed Statement of Net Position				
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 8,135,129	\$ 9,734,303	\$ 13,689,949	\$ 14,433,022
Capital Assets	22,084,506	21,147,945	56,812,018	54,948,701
Total Assets	<u>\$ 30,219,635</u>	<u>\$ 30,882,248</u>	<u>\$ 70,501,967</u>	<u>\$ 69,381,723</u>
Current and Other Liabilities	\$ 502,878	\$ 591,320	\$ 2,107,710	\$ 1,733,749
Long-Term Liabilities	10,755,094	11,454,224	37,632,244	38,762,345
Total Liabilities	<u>11,257,972</u>	<u>12,045,544</u>	<u>39,739,954</u>	<u>40,496,094</u>
Net Position				
Net Investment in Capital Assets	14,204,506	12,807,945	19,663,920	16,866,066
Restricted	1,671,220	1,961,210	693,633	1,053,665
Unrestricted	3,085,937	4,067,549	10,404,460	10,965,898
Total Net Position	<u>18,961,663</u>	<u>18,836,704</u>	<u>30,762,013</u>	<u>28,885,629</u>
Total Liabilities and Net Position	<u>\$ 30,219,635</u>	<u>\$ 30,882,248</u>	<u>\$ 70,501,967</u>	<u>\$ 69,381,723</u>

Governmental Activities

Net position of the City's governmental activities increased by \$124,959, or .7%. The most significant change occurred in the net investment in capital assets and unrestricted categories. Net investment in capital assets increased by \$1,396,561 and unrestricted decreased by \$981,612.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The net position of our business-type activities increased by \$1,876,384, or 6.5%. The increase was due to the following funds change in net position: Liquor Fund \$163,100, Sewer Fund \$903,411, Electric Fund \$600,850, and Water Fund \$209,023. Most of the change in the Sewer and Electric Funds resulted from operating expenditures being well below budgeted amounts.

The following table indicates the changes in net position for the City's governmental and business-type activities:

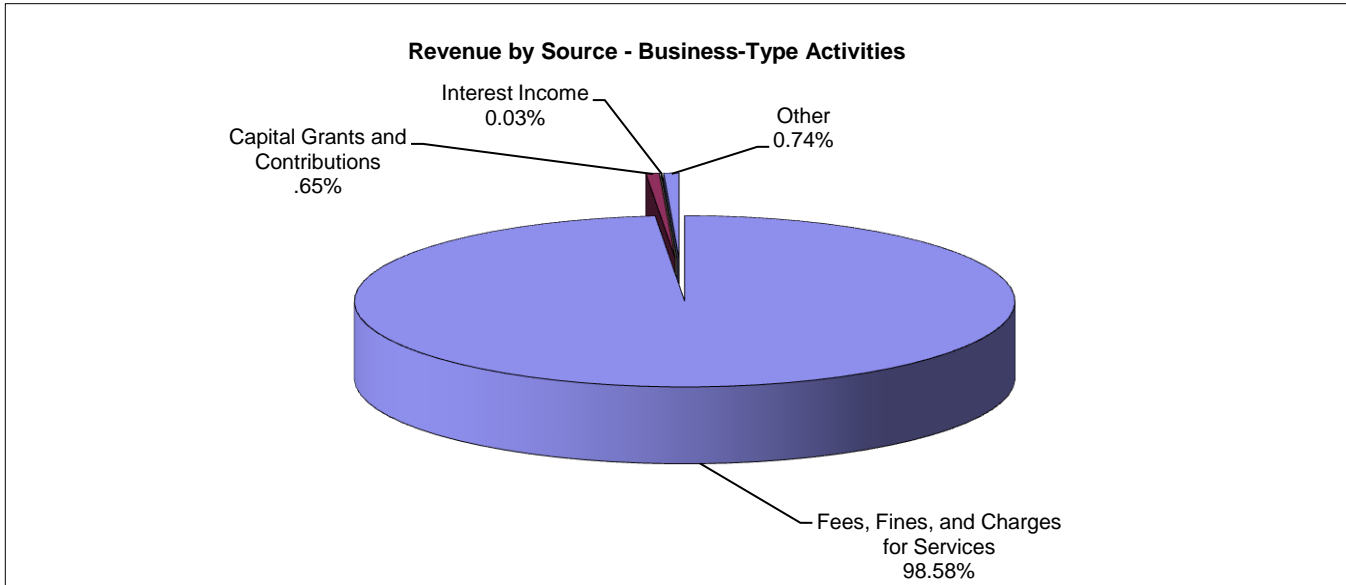
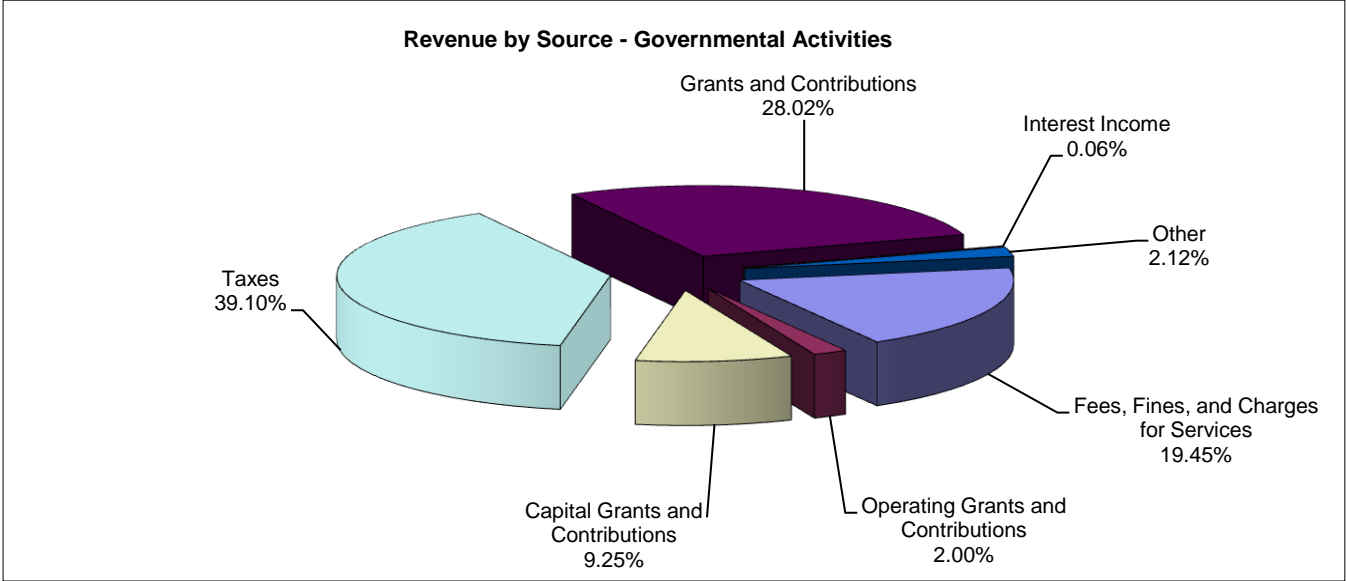
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues				
Program Revenues				
Fees, Fines, and Charges for Services	\$ 1,143,923	\$ 2,038,260	\$ 15,439,185	\$ 15,150,202
Operating Grants and Contributions	117,858	125,494		
Capital Grants and Contributions	543,918	1,117,708	101,111	172,944
General Revenues				
Taxes	2,299,621	2,262,955		
Grants and Contributions	1,648,263	1,696,353		
Interest Income	3,240	9,783	5,219	13,587
Other	124,707	107,341	116,581	51,538
Total Revenues	<u>5,881,530</u>	<u>7,357,894</u>	<u>15,662,096</u>	<u>15,388,271</u>
Expenses				
General Government	1,194,395	1,066,856		
Public Safety	1,731,276	1,741,095		
Public Works	1,136,033	1,317,875		
Airport	100,879	90,954		
Culture and Recreation	1,271,165	1,141,987		
Economic Development	294,079	1,597,104		
Interest on Long-Term Debt	446,475	361,866		
Liquor Store			1,932,207	1,798,569
Sewer Utility			2,244,370	2,143,784
Electric Utility			8,249,453	8,394,417
Water Utility			941,951	938,432
Total Expenses	<u>6,174,302</u>	<u>7,317,737</u>	<u>13,367,981</u>	<u>13,275,202</u>
Change in Net Position before Transfers	(292,772)	40,157	2,294,115	2,113,069
Transfers	417,731	649,597	(417,731)	(649,597)
Change in Net Position	<u>124,959</u>	<u>689,754</u>	<u>1,876,384</u>	<u>1,463,472</u>
Net Position, Beginning of Year	<u>18,836,704</u>	<u>18,146,950</u>	<u>28,885,629</u>	<u>27,422,157</u>
Net Position, End of Year	<u>\$ 18,961,663</u>	<u>\$ 18,836,704</u>	<u>\$ 30,762,013</u>	<u>\$ 28,885,629</u>

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Revenues - The following chart visually illustrates the City's revenue by source for its governmental activities and business-type activities:



CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,989,467 a decrease of \$1,436,877 in comparison to the prior year. Approximately 20% of this total (\$1,200,883) constitutes unassigned fund balance. The remainder of the fund balance (\$4,788,584) is not available for new spending because it is either 1) nonspendable (\$105,877), 2) restricted (\$1,192,301), or 3) assigned (\$3,490,406).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,213,621, a decrease of \$88,834 from the 2011 unassigned fund balance of \$1,302,455. As a measure of General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30 percent of the total General Fund expenditures.

Proprietary Funds - The City's proprietary funds 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 Liquor - \$154,589, Sewer - \$2,160,647, Electric - \$6,831,276, and Water - \$1,257,948. The proprietary funds that had an increase in total net position for the year were the Liquor, Sewer, Electric and Water Funds.

General Fund Budgetary Highlights

Over the course of the year, the City of Litchfield City Council did not revise the budget. The General Fund budget included sufficient revenues to cover expenditures predicting an increase in fund balance. Additional transfers to other funds resulted in a fund balance decrease of \$86,970.

Capital Assets

At the end of 2012, the City of Litchfield had \$114.5 million invested in a broad range of capital assets. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

The City of Litchfield's fiscal year 2013 capital budget includes completing construction on the Airport Lighting Improvement, Wastewater Treatment Improvement and Electric Improvement projects. The City Council is working on an updated capital improvement plan.

Long-Term Debt

At year-end, the City of Litchfield had \$48 million in bonds and notes outstanding. Refer to Note 9 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

The City of Litchfield was assigned an "A+" general obligation bond rating from Standard & Poor's.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2013 budget, rates, and fees that will be charged by the funds of the City. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2012 final budget. Because of past state funding problems, the City has subsequently taken measures to reduce any adverse impact that this might have on the City's 2013 and future years' budget by making appropriate permanent budget cuts.

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City of Litchfield's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Litchfield, 126 Marshall Avenue North, Litchfield, Minnesota 55355, (320) 693-7201, or ctylitch@hutchtel.net.

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BASIC FINANCIAL STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
ASSETS				
Cash and Investments	\$ 6,362,418	\$ 10,004,997	\$ 16,367,415	\$ 17,737,840
Cash with Fiscal Agent	550,150	656,928	1,207,078	1,439,313
Restricted Cash and Investments		693,633	693,633	1,053,665
Receivables (Net)	706,250	1,374,256	2,080,506	2,296,494
Due from Other Governmental Units	105,222	8,270	113,492	267,083
Inventories	22,613	539,812	562,425	518,715
Prepaid Items	83,264	44,804	128,068	94,914
Deferred Charges	207,331	286,710	494,041	533,722
Net OPEB Asset	97,881	80,539	178,420	225,579
Capital Assets				
Assets Not Being Depreciated	2,276,601	18,641,483	20,918,084	35,343,407
Other Capital Assets, Net of Depreciation	19,807,905	38,170,535	57,978,440	40,753,239
Total Assets	\$ 30,219,635	\$ 70,501,967	\$ 100,721,602	\$ 100,263,971
LIABILITIES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 219,838	\$ 1,543,319	\$ 1,763,157	\$ 1,593,376
Accrued Salaries	88,424	57,034	145,458	128,154
Accrued Interest Payable	136,625	419,863	556,488	544,296
Deposits Payable		40,775	40,775	33,044
Due to Other Governmental Units	57,991	46,719	104,710	26,199
Noncurrent Liabilities				
Due Within One Year	830,000	1,829,690	2,659,690	2,584,242
Due in More than One Year	9,925,094	35,802,554	45,727,648	47,632,327
Total Liabilities	11,257,972	39,739,954	50,997,926	52,541,638
Net Position				
Net Investment in Capital Assets	14,204,506	19,663,920	33,868,426	29,674,011
Restricted for Debt Service	1,671,220	693,633	2,364,853	3,014,875
Unrestricted	3,085,937	10,404,460	13,490,397	15,033,447
Total Net Position	18,961,663	30,762,013	49,723,676	47,722,333
Total Liabilities and Net Position	\$ 30,219,635	\$ 70,501,967	\$ 100,721,602	\$ 100,263,971

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2012	2011
GOVERNMENTAL ACTIVITIES								
General Government	\$ 1,194,395	\$ 198,470	\$	\$	\$ (995,925)	\$	\$ (995,925)	\$ (836,332)
Public Safety	1,731,276	142,019	102,371	45,000	(1,441,886)		(1,441,886)	(1,475,912)
Public Works	1,136,033	488		124,840	(1,010,705)		(1,010,705)	(405,524)
Airport	100,879	25,984	15,487	374,078	314,670		314,670	113,916
Culture and Recreation	1,271,165	423,788			(847,377)		(847,377)	(725,889)
Economic Development	294,079				(294,079)		(294,079)	(1,002,594)
Interest on Long-Term Debt	446,475	353,174			(93,301)		(93,301)	296,060
Total Governmental Activities	6,174,302	1,143,923	117,858	543,918	(4,368,603)	0	(4,368,603)	(4,036,275)
BUSINESS-TYPE ACTIVITIES								
Liquor	1,932,207	2,150,292				218,085	218,085	144,855
Sewer	2,244,370	3,062,309				817,939	817,939	787,972
Electric	8,249,453	9,277,564		101,111		1,129,222	1,129,222	1,200,770
Water	941,951	949,020				7,069	7,069	(85,653)
Total Business-Type Activities	13,367,981	15,439,185	0	101,111	0	2,172,315	2,172,315	2,047,944
Total	\$ 19,542,283	\$ 16,583,108	\$ 117,858	\$ 645,029	(4,368,603)	2,172,315	(2,196,288)	(1,988,331)
GENERAL REVENUES								
Taxes								
Property Taxes, Levied for General Purposes					1,789,653		1,789,653	1,746,320
Property Taxes, Levied for Debt Service					509,968		509,968	516,635
Grants and Contributions not Restricted to Specific Programs					1,648,263		1,648,263	1,696,353
Interest Income					3,240	5,219	8,459	23,370
Other					124,707	116,581	241,288	158,879
TRANSFERS					417,731	(417,731)		
Total General Revenues and Transfers					4,493,562	(295,931)	4,197,631	4,141,557
Change in Net Position					124,959	1,876,384	2,001,343	2,153,226
NET POSITION, BEGINNING OF YEAR					18,836,704	28,885,629	47,722,333	45,569,107
NET POSITION, END OF YEAR					\$ 18,961,663	\$ 30,762,013	\$ 49,723,676	\$ 47,722,333

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	General	Fire/Rescue Building	Nonmajor Governmental Funds	Total Governmental Funds	
				2012	2011
ASSETS					
Cash and Investments	\$ 2,979,536	\$ 95,494	\$ 2,443,898	\$ 5,518,928	\$ 6,722,377
Cash with Fiscal Agent			550,150	550,150	748,991
Receivables					
Accounts	33,472		4,486	37,958	46,714
Contracts			40,000	40,000	44,000
Taxes	91,055		21,098	112,153	119,042
Notes					20,589
Special Assessments	6,690		509,449	516,139	579,099
Due from Other Governmental Units	18,541		77,145	95,686	235,808
Inventories			22,613	22,613	37,483
Prepaid Items	41,128		42,136	83,264	51,140
Due from Other Funds	21,690			21,690	186,856
Total Assets	\$ 3,192,112	\$ 95,494	\$ 3,710,975	\$ 6,998,581	\$ 8,792,099
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts and Contracts Payable	\$ 23,946	\$ 105,115	\$ 83,656	\$ 212,717	\$ 378,567
Accrued Salaries	83,066		5,358	88,424	77,951
Due to Other Governmental Units	55,848		2,143	57,991	3,651
Due to Other Funds			21,690	21,690	186,856
Deferred Revenue	97,745		530,547	628,292	718,730
Total Liabilities	260,605	105,115	643,394	1,009,114	1,365,755
Fund Balance					
Nonspendable	41,128		64,749	105,877	88,623
Restricted			1,192,301	1,192,301	1,443,545
Assigned	1,676,758		1,813,648	3,490,406	4,609,000
Unassigned	1,213,621	(9,621)	(3,117)	1,200,883	1,285,176
Total Fund Balance	2,931,507	(9,621)	3,067,581	5,989,467	7,426,344
Total Liabilities and Fund Balance	\$ 3,192,112	\$ 95,494	\$ 3,710,975	\$ 6,998,581	\$ 8,792,099

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
Total Fund Balances - Governmental Funds	\$ 5,989,467	\$ 7,426,344
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	28,873,080	27,261,029
Less: Accumulated Depreciation	(9,181,706)	(8,550,397)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Taxes	112,153	119,042
Notes		20,589
Special Assessments	516,139	579,099
Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
	2,286,892	2,098,677
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net OPEB Asset	97,881	123,641
Bonds and Notes Payable	(9,665,000)	(10,220,000)
Compensated Absences	(125,094)	(114,224)
Accrued Interest Payable	(136,625)	(117,229)
Deferred Charges	194,476	210,133
Total Net Position - Governmental Activities	<u>\$ 18,961,663</u>	<u>\$ 18,836,704</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Fire/Rescue Building	Nonmajor Governmental Funds	Total Governmental Funds	
				2012	2011
REVENUES					
Taxes	\$ 1,749,697	\$	\$ 418,555	\$ 2,168,252	\$ 2,127,844
Special Assessments			98,288	98,288	165,174
Licenses and Permits	96,289			96,289	154,321
Intergovernmental	1,700,636		564,403	2,265,039	2,910,003
Charges for Services	218,947		754,740	973,687	1,505,370
Fines and Forfeits	19,550			19,550	24,210
Interest Income	1,479	260	1,144	2,883	9,001
Miscellaneous	43,999		82,104	126,103	126,840
Total Revenues	<u>3,830,597</u>	<u>260</u>	<u>1,919,234</u>	<u>5,750,091</u>	<u>7,022,763</u>
EXPENDITURES					
Current					
General Government	904,198		79,542	983,740	871,434
Public Safety	1,693,219			1,693,219	1,658,310
Public Works	749,253		14,091	763,344	820,042
Airport			47,811	47,811	42,166
Culture and Recreation	623,525		466,643	1,090,168	987,727
Economic Development	4,826		52,164	56,990	55,056
Capital Outlay					
Public Safety		1,387,999		1,387,999	1,319,111
Public Works			96,732	96,732	1,004,002
Airport			397,194	397,194	186,266
Culture and Recreation	14,371			14,371	
Economic Development			237,089	237,089	1,542,048
Debt Service					
Total Expenditures	<u>3,989,392</u>	<u>1,387,999</u>	<u>2,317,304</u>	<u>7,694,695</u>	<u>9,311,864</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(158,795)	(1,387,739)	(398,070)	(1,944,604)	(2,289,101)
OTHER FINANCING SOURCES (USES)					
Sale or Compensation for Property	8,793			8,793	9,049
Debt Service Principal					(2,140,000)
General Obligation Bond Proceeds					6,875,798
General Obligation Refunding Bond Proceeds					324,203
Transfers In	606,102		568,752	1,174,854	1,352,214
Transfers Out	(543,070)		(132,850)	(675,920)	(900,063)
Total Other Financing Sources (Uses)	<u>71,825</u>	<u>0</u>	<u>435,902</u>	<u>507,727</u>	<u>5,521,201</u>
Net Change in Fund Balances	(86,970)	(1,387,739)	37,832	(1,436,877)	3,232,100
FUND BALANCE, BEGINNING OF YEAR	<u>3,018,477</u>	<u>1,378,118</u>	<u>3,029,749</u>	<u>7,426,344</u>	<u>4,194,244</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,931,507</u>	<u>\$ (9,621)</u>	<u>\$ 3,067,581</u>	<u>\$ 5,989,467</u>	<u>\$ 7,426,344</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (1,436,877)	\$ 3,232,100
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	1,612,051	2,487,422
Depreciation Expense	(631,309)	(630,509)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Revenue, End of Year	628,292	718,730
Deferred Revenue, Beginning of Year	(718,730)	(566,138)
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.		
Net OPEB Asset	(25,760)	7,025
Compensated Absences	(10,870)	(8,212)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Long-Term Debt Proceeds		(7,200,000)
Issuance Costs		118,046
Principal Retirement of Long-Term Debt	555,000	2,555,000
Change in Accrued Interest Payable	(19,396)	(11,390)
Amortization of Bond Issuance Costs	(15,657)	(12,330)
Internal service funds are used by management to charge the costs of equipment to the individual funds. The net revenue (expenditure) of the internal service fund is reported with governmental activities.		
	<u>188,215</u>	<u>10</u>
Change in Net Position - Governmental Activities	<u>\$ 124,959</u>	<u>\$ 689,754</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes	\$ 1,709,490	\$ 1,709,490	\$ 1,749,697	\$ 40,207	\$ 1,516,015
Licenses and Permits	66,725	66,725	96,289	29,564	154,321
Intergovernmental	1,672,765	1,672,765	1,700,636	27,871	1,782,520
Charges for Services	159,650	159,650	218,947	59,297	194,774
Fines and Forfeits	21,000	21,000	19,550	(1,450)	24,210
Interest Income	52,000	52,000	1,479	(50,521)	3,761
Miscellaneous	1,500	1,500	43,999	42,499	58,044
Total Revenues	<u>3,683,130</u>	<u>3,683,130</u>	<u>3,830,597</u>	<u>147,467</u>	<u>3,733,645</u>
EXPENDITURES					
Current					
General Government	1,124,042	1,124,042	904,198	(219,844)	809,026
Public Safety	1,709,875	1,709,875	1,693,219	(16,656)	1,658,310
Public Works	853,353	853,353	749,253	(104,100)	772,802
Culture and Recreation	569,134	569,134	623,525	54,391	561,295
Economic Development			4,826	4,826	4,133
Capital Outlay					
Public Safety	2,000	2,000		(2,000)	9,374
Culture and Recreation			14,371	14,371	
Total Expenditures	<u>4,258,404</u>	<u>4,258,404</u>	<u>3,989,392</u>	<u>(269,012)</u>	<u>3,814,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(575,274)	(575,274)	(158,795)	416,479	(81,295)
OTHER FINANCING SOURCES (USES)					
Sale or Compensation for Property	2,000	2,000	8,793	6,793	9,049
Transfers In	601,275	601,275	606,102	4,827	796,497
Transfers Out	(15,000)	(15,000)	(543,070)	(528,070)	(264,707)
Total Other Financing Sources (Uses)	<u>588,275</u>	<u>588,275</u>	<u>71,825</u>	<u>(516,450)</u>	<u>540,839</u>
Net Change in Fund Balances	<u>\$ 13,001</u>	<u>\$ 13,001</u>	(86,970)	<u>\$ (99,971)</u>	459,544
FUND BALANCE, BEGINNING OF YEAR			3,018,477		2,558,933
FUND BALANCE, END OF YEAR			<u>\$ 2,931,507</u>		<u>\$ 3,018,477</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2012	2011
					2012	2011		
ASSETS								
Current Assets								
Cash and Investments	\$ 244,555	\$ 2,346,368	\$ 6,172,048	\$ 1,242,026	\$ 10,004,997	\$ 10,243,919	\$ 843,490	\$ 771,544
Cash with Fiscal Agent		656,928			656,928	690,322		
Accounts Receivable (Net)	10	325,613	964,783	83,850	1,374,256	1,487,050		
Due from Other Governmental Units		8,270			8,270	22,567	9,536	8,708
Inventories	218,266		321,546		539,812	481,232		
Prepaid Items	3,317	16,410	21,204	3,873	44,804	43,774		
Total Current Assets	466,148	3,353,589	7,479,581	1,329,749	12,629,067	12,968,864	853,026	780,252
Noncurrent Assets								
Restricted Assets								
Cash - Sinking Fund Account		540,136		153,497	693,633	1,053,665		
Capital Assets								
Assets Not Being Depreciated	1,247,117	16,664,037	486,836	243,493	18,641,483	30,993,206		
Other Capital Assets, Net of Depreciation	5,356	13,720,696	19,213,993	5,230,490	38,170,535	23,955,495	2,393,133	2,437,313
Deferred Charges		44,444	242,266		286,710	308,555	12,854	15,034
Net OPEB Asset	8,493	21,232	42,482	8,332	80,539	101,938		
Total Noncurrent Assets	1,260,966	30,990,545	19,985,577	5,635,812	57,872,900	56,412,859	2,405,987	2,452,347
Total Assets	\$ 1,727,114	\$ 34,344,134	\$ 27,465,158	\$ 6,965,561	\$ 70,501,967	\$ 69,381,723	\$ 3,259,013	\$ 3,232,599

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund		
	Liquor	Sewer	Electric	Water	Totals		2012	2011
					2012	2011		
LIABILITIES AND NET POSITION								
Liabilities								
Current Liabilities (From Current Assets)								
Accounts and Contracts Payable	\$ 281,056	\$ 711,970	\$ 550,229	\$ 64	\$ 1,543,319	\$ 1,200,887	\$ 7,121	\$ 13,922
Accrued Salaries	8,448	13,799	28,636	6,151	57,034	50,203		
Accrued Interest Payable		135,292	259,983	24,588	419,863	427,067		
Deposits Payable				40,775	40,775	33,044		
Due to Other Governmental Units	19,539		22,694	4,486	46,719	22,548		
Total Current Liabilities (From Current Assets)	309,043	861,061	861,542	76,064	2,107,710	1,733,749	7,121	13,922
Current Liabilities (From Restricted Assets)								
Current Portion of Long-Term Debt		940,923	640,000	248,767	1,829,690	1,874,242	155,000	155,000
Total Current Liabilities	309,043	1,801,984	1,501,542	324,831	3,937,400	3,607,991	162,121	168,922
Noncurrent Liabilities								
Long-Term Debt, Net of Current Portion	11,009	19,782,898	14,356,511	1,652,136	35,802,554	36,888,103	810,000	965,000
Total Liabilities	320,052	21,584,882	15,858,053	1,976,967	39,739,954	40,496,094	972,121	1,133,922
Net Position								
Net Investment in Capital Assets	1,252,473	10,058,469	4,775,829	3,577,149	19,663,920	16,866,066	1,428,133	1,317,313
Restricted for Debt Service		540,136		153,497	693,633	1,053,665		
Unrestricted	154,589	2,160,647	6,831,276	1,257,948	10,404,460	10,965,898	858,759	781,364
Total Net Position	1,407,062	12,759,252	11,607,105	4,988,594	30,762,013	28,885,629	2,286,892	2,098,677
Total Liabilities and Net Position	\$ 1,727,114	\$ 34,344,134	\$ 27,465,158	\$ 6,965,561	\$ 70,501,967	\$ 69,381,723	\$ 3,259,013	\$ 3,232,599

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	Totals		2012	2011
					2012	2011		
OPERATING REVENUES								
Sales	\$ 2,150,292	\$	\$	\$	\$ 2,150,292	\$ 1,943,424	\$	\$
Cost of Goods Sold	(1,572,416)				(1,572,416)	(1,482,464)		
Gross Profit on Sales	577,876	0	0	0	577,876	460,960	0	0
Charges for Services		3,062,309	9,237,837	949,020	13,249,166	13,161,392	317,357	309,975
Other			39,727		39,727	45,386		
Total Operating Revenues	577,876	3,062,309	9,277,564	949,020	13,866,769	13,667,738	317,357	309,975
OPERATING EXPENSES								
Salaries and Benefits	216,144	406,749	855,583	163,961	1,642,437	1,666,281		
Supplies	12,423	323,721			336,144	287,443		
Other Services and Charges	87,457	574,273			661,730	668,466	94,674	142,684
Purchased Power			5,483,333	71,677	5,555,010	5,709,251		
Production			193,950	57,555	251,505	218,428		
Distribution			276,936	175,348	452,284	385,911		
Administrative and General			313,342	85,691	399,033	373,776		
Depreciation	3,900	530,663	485,224	314,036	1,333,823	1,160,219	452,828	487,103
Total Operating Expenses	319,924	1,835,406	7,608,368	868,268	10,631,966	10,469,775	547,502	629,787
Operating Income (Loss)	257,952	1,226,903	1,669,196	80,752	3,234,803	3,197,963	(230,145)	(319,812)
NONOPERATING REVENUES (EXPENSES)								
Taxes							138,258	123,134
Intergovernmental							40,000	44,074
Interest Income	397	1,507	2,686	629	5,219	13,587	357	782
Refunds and Reimbursements			22,922		22,922	14,584		
Miscellaneous Revenue	3,618	38,543	51,498		93,659	36,954		
Gain on Disposal of Asset							29,466	
Interest and Amortization Expense		(408,964)	(641,085)	(73,683)	(1,123,732)	(1,093,222)	(39,934)	(42,861)
Loss on Inventory Write Down						(166,214)		
Loss on Disposal of Asset	(39,867)				(39,867)			
Miscellaneous Expense						(63,527)	(450)	(2,753)
Total Nonoperating Revenues (Expenses)	(35,852)	(368,914)	(563,979)	(73,054)	(1,041,799)	(1,257,838)	167,697	122,376
Income (Loss) Before Transfers and Contributions	222,100	857,989	1,105,217	7,698	2,193,004	1,940,125	(62,448)	(197,436)
CAPITAL CONTRIBUTIONS		98,672	101,111	233,194	432,977	172,944		
TRANSFERS								
Transfers In		100,000			100,000	200,000	250,663	197,446
Transfers Out	(59,000)	(153,250)	(605,478)	(31,869)	(849,597)	(849,597)		
Total Transfers	(59,000)	(53,250)	(605,478)	(31,869)	(749,597)	(649,597)	250,663	197,446
Change in Net Position	163,100	903,411	600,850	209,023	1,876,384	1,463,472	188,215	10
NET POSITION, BEGINNING OF YEAR	1,243,962	11,855,841	11,006,255	4,779,571	28,885,629	27,422,157	2,098,677	2,098,667
NET POSITION, END OF YEAR	\$ 1,407,062	\$ 12,759,252	\$ 11,607,105	\$ 4,988,594	\$ 30,762,013	\$ 28,885,629	\$ 2,286,892	\$ 2,098,677

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from Customers	\$ 2,150,282	\$ 3,102,907	\$ 9,352,229	\$ 946,561	\$ 15,551,979	\$ 15,171,721	\$ 317,357	\$ 309,975
Payments to Suppliers	(1,711,840)	(918,468)	(6,125,671)	(386,382)	(9,142,361)	(9,213,363)	(101,475)	(134,977)
Payments to Employees	(211,618)	(414,941)	(835,723)	(161,409)	(1,623,691)	(1,662,132)		
Net Cash Provided (Used) by Operating Activities	226,824	1,769,498	2,390,835	398,770	4,785,927	4,296,226	215,882	174,998
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Taxes							138,258	123,134
Intergovernmental		14,297			14,297	265,947	39,172	44,140
Other Receipts	3,618	38,543	74,420		116,581	51,538		
Other Disbursements						(63,527)	(450)	(2,753)
Transfers In from Other Funds		100,000			100,000	200,000	250,663	197,446
Transfers Out to Other Funds	(59,000)	(153,250)	(605,478)	(31,869)	(849,597)	(849,597)		
Net Cash Provided (Used) by Noncapital Financing Activities	(55,382)	(410)	(531,058)	(31,869)	(618,719)	(395,639)	427,643	361,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and Construction of Capital Assets	(967,454)	(1,403,392)	(204,222)		(2,575,068)	(5,166,526)	(379,182)	(185,831)
Principal Reduction on Long-Term Debt		(994,000)	(625,000)	(240,767)	(1,859,767)	(1,752,767)	(155,000)	(155,000)
Net Proceeds of Bonds, Notes and Certificates		739,151			739,151	4,073,031		
Interest and Fiscal Agent Fees Paid on Bonds and Notes		(399,266)	(632,860)	(76,965)	(1,109,091)	(1,099,897)	(37,754)	(40,682)
Net Cash Provided (Used) for Capital and Related Financing Activities	(967,454)	(2,057,507)	(1,462,082)	(317,732)	(4,804,775)	(3,946,159)	(571,936)	(381,513)
CASH FLOW FROM INVESTING ACTIVITIES								
Interest Income	397	1,507	2,686	629	5,219	13,587	357	782
Net Increase (Decrease) in Cash and Cash Equivalents	(795,615)	(286,912)	400,381	49,798	(632,348)	(31,985)	71,946	156,234
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,040,170	3,830,344	5,771,667	1,345,725	11,987,906	12,019,891	771,544	615,310
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 244,555</u>	<u>\$ 3,543,432</u>	<u>\$ 6,172,048</u>	<u>\$ 1,395,523</u>	<u>\$ 11,355,558</u>	<u>\$ 11,987,906</u>	<u>\$ 843,490</u>	<u>\$ 771,544</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS								
Cash and Investments	\$ 244,555	\$ 2,346,368	\$ 6,172,048	\$ 1,242,026	\$ 10,004,997	\$ 10,243,919	\$ 843,490	\$ 771,544
Cash with Fiscal Agent		656,928			656,928	690,322		
Restricted Cash		540,136		153,497	693,633	1,053,665		
Total Cash and Cash Investments	<u>\$ 244,555</u>	<u>\$ 3,543,432</u>	<u>\$ 6,172,048</u>	<u>\$ 1,395,523</u>	<u>\$ 11,355,558</u>	<u>\$ 11,987,906</u>	<u>\$ 843,490</u>	<u>\$ 771,544</u>

See Accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Fund	
	Liquor	Sewer	Electric	Water	2012	2011	2012	2011
	RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 257,952	\$ 1,226,903	\$ 1,669,196	\$ 80,752	\$ 3,234,803	\$ 3,197,963	\$ (230,145)	\$ (319,812)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Depreciation	3,900	530,663	485,224	314,036	1,333,823	1,160,219	452,828	487,103
(Increase) Decrease in Assets								
Accounts Receivable (Net)	(10)	40,598	74,665	(2,459)	112,794	21,519		
Inventories	(18,110)		(40,470)		(58,580)	(36,049)		
Prepaid Items	(119)	269	(931)	(249)	(1,030)	(515)		
Net OPEB Asset	2,235	5,588	11,180	2,396	21,399	26,386		
Increase (Decrease) in Liabilities								
Accounts and Contracts Payable	(30,457)	(20,743)	169,973	(5,304)	113,469	(52,525)	(6,801)	7,707
Accrued Salaries	2,291	(13,780)	8,680	156	(2,653)	(22,237)		
Deposits Payable				7,731	7,731	(1,299)		
Due to Other Governmental Units	9,142		13,318	1,711	24,171	2,764		
Net Cash Provided (Used) by Operating Activities	\$ 226,824	\$ 1,769,498	\$ 2,390,835	\$ 398,770	\$ 4,785,927	\$ 4,296,226	\$ 215,882	\$ 174,998

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2012

	Private Purpose Trust Funds
ASSETS	
Current Assets	
Cash	\$ 223,883
Accounts Receivable	79
	\$ 223,962
Total Current Assets	\$ 223,962
NET POSITION	
Restricted	\$ 223,962

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2012

	Private Purpose Trust Funds
ADDITIONS	
Interest Income	\$ 107
Donations	1,141
Total Revenues	1,248
DEDUCTIONS	
Repairs and Maintenance	22
Change in Net Position	1,226
NET POSITION, BEGINNING OF YEAR	222,736
NET POSITION, END OF YEAR	\$ 223,962

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CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Litchfield is a statutory city governed by an elected mayor and six council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

As a result of applying the component unit definition criteria above, one organization has been defined and is presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

From the category above, the specific entity is identified as follows.

Blended Component Unit

The Litchfield Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Litchfield EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Litchfield EDA.

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. 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 LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual 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 after 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, special assessments, intergovernmental revenue, charges for services, franchise taxes, licenses 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Cont'd)

The Fire/Rescue Building Capital Projects Fund is used to account for the financial resources to be used for the construction of the building project.

The City reports the following major proprietary funds:

The Liquor Fund accounts for the operations of the City owned municipal liquor store.

The Water Fund accounts for the operations of the City's water utility.

The Sewer Fund accounts for the operations of the City's sewer utility.

The Electric Fund accounts for the operations of the City's electric utility.

Additionally, the City reports the following proprietary fund:

Internal Service Fund - Internal service funds are used to account for goods and services provided by one department to other departments of the City on a cost reimbursement basis.

Additionally, the City reports the following fiduciary funds:

Library Trust Fund - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent. The City of Litchfield is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board.

Anderson Gardens Trust Fund - The City of Litchfield is the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Anderson Gardens.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions 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.

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 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool. Investments are stated at fair value.

Cash and investments at December 31, 2012, were comprised of deposits, non-negotiable certificates of deposits and cash with escrow agent.

The City has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy states the collateralization shall have a market value to cover 110 percent of the investment.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage their interest rates based on safety, liquidity and the overall return on the investment.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to certificates of deposits with a maturity greater than 45 days, U.S. Treasury Bills, and repurchase agreements.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy does not address concentration of credit risk.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk for investments.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. RECEIVABLES AND PAYABLES

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) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Meeker County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. INVENTORIES

Inventories are valued at cost, using the first in, first out method of accounting.

H. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment, infrastructure assets (e.g., roads, sidewalks, and similar items) and easements, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Tangible and intangible capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. CAPITAL ASSETS (Cont'd)

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. During the current period, the City did not have any capitalized interest.

Tangible and intangible assets are capitalized when acquired, and depreciation is provided using the straight-line method applied over their estimated useful lives of the assets. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land, easements and construction in progress, if any.

I. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

J. COMPENSATED ABSENCES

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized when earned. Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are compensated for unused sick leave based on policies adopted by the City. Sick pay is recorded as an expenditure when payment is made. The City has an Option One sick leave policy in which two employees would receive all unused sick leave hours upon termination.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay premiums based on amounts negotiated in union contracts. Since the insurance rates are not aged based, the City has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy and union contracts do not provide for any contributions upon employee retirement.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. TERMINATION BENEFITS

During 2009, the City offered three employees an early retirement incentive which qualifies as a termination benefit under the Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. These employees elected to receive the cash equivalent of one year of health insurance premiums in lieu of remaining on the City's insurance policy. These payments will continue through year 2015 depending on the individual employee's agreement. When calculating the liability, the City used the current cost of annual health insurance premiums and increased that cost by 10% for each subsequent year. As of December 31, 2012, the City's termination benefit liability was \$52,705.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. FUND BALANCE

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the City Council is authorized to establish assignments of fund balance.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. FUND BALANCE (Cont'd)

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

O. NET POSITION

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position for the year ended December 31, 2012. This standard changed net asset classifications within the government-wide, proprietary, and fiduciary fund financial statements.

P. USE OF ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2011, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Council submits a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

A. BUDGETARY INFORMATION (Cont'd)

3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General, Special Revenue Funds and Proprietary Funds.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council. Appropriations for annually budgeted funds lapse at year-end.

Encumbrance accounting is not used for the General Fund, Special Revenue Funds, or Capital Projects Funds.

B. DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2012:

Major Funds		
Fire/Rescue Building	\$	(9,621)
Nonmajor Funds		
Special Revenue		
TIF District No. 4-4 Terraceview Drive		(3,117)

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended December 31, 2012, the following funds had expenditures that exceeded appropriations:

	<u>Expenditure</u>	<u>Appropriations</u>
Nonmajor Funds		
Special Revenue		
Trail Project	\$ 778	\$
Civic Arena	210,734	209,623
TIF District No. 1-2 Pleasant View	71,693	
Infrastructure Street	16,166	
Cemetery	79,442	58,000
Permanent Improvement Revolving	100	
Lake Ripley Improvement	12,237	

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk - Deposits: As of December 31, 2012, the City's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

Cash in Bank Accounts	\$ 17,234,301
Non-Negotiable Certificates of Deposit	50,000
Petty Cash	630
Cash with Fiscal Agent	<u>587,436</u>
Total Deposits	<u><u>\$ 17,872,367</u></u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS

As of December 31, 2012, the City had the following investments:

	Market Value	Interest Rate Risk Maturity Date	Credit Risk Credit Rating
Government Bonds	\$ 568,870	Varies	NA
Government Asset Backed/CMO Securities	<u>50,772</u>	6/15/2033	NA
Total Investments	<u>\$ 619,642</u>		

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 17,872,367
Investments	<u>619,642</u>
Total Deposits and Investments	<u>\$ 18,492,009</u>

Deposits and investments are presented in the December 31, 2012 basic financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 16,367,415
Cash with Fiscal Agent	1,207,078
Restricted Cash and Investments	693,633
Statement of Fiduciary Net Position	
Cash	<u>223,883</u>
Total Cash and Investments	<u>\$ 18,492,009</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4. RECEIVABLES

Receivables as of December 31, 2012 year end for the City's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
<u>Governmental Activities</u>		
Accounts	\$ 37,958	\$
Contracts	40,000	
Taxes	112,153	
Special Assessments	516,139	447,632
	<u>\$ 706,250</u>	<u>\$ 447,632</u>
<u>Business-Type Activities</u>		
Accounts	<u>\$ 1,374,256</u>	<u>\$ 0</u>

NOTE 5. INVENTORIES

Inventories include the following:

<u>Governmental Activities</u>		
Airport		
Fuel Inventory		<u>\$ 22,613</u>
<u>Business-Type Activities</u>		
Electric		
Transformers		\$ 238,485
Line Inventory		83,061
Liquor		218,266
		<u>\$ 539,812</u>

NOTE 6. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units include the following:

<u>Governmental Activities</u>		
Meeker County		\$ 33,959
State of Minnesota		657
Federal		70,606
		<u>\$ 105,222</u>
<u>Business-Type Activities</u>		
State of Minnesota		<u>\$ 8,270</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 1,824,293	\$	\$	\$ 1,824,293
Easements	10,428			10,428
Construction in Progress	2,515,480	1,875,338	(3,948,938)	441,880
Total Capital Assets, Not Being Depreciated	4,350,201	1,875,338	(3,948,938)	2,276,601
Capital Assets, Being Depreciated				
Buildings	6,933,018	2,734,076		9,667,094
Improvements Other than Buildings	15,621,073	962,231		16,583,304
Machinery and Equipment	7,149,098	448,913	(155,175)	7,442,836
Total Capital Assets, Being Depreciated	29,703,189	4,145,220	(155,175)	33,693,234
Less Accumulated Depreciation for				
Buildings	2,691,974	182,299		2,874,273
Improvements Other than Buildings	5,495,752	426,302		5,922,054
Machinery and Equipment	4,717,719	475,536	(104,253)	5,089,002
Total Accumulated Depreciation	12,905,445	1,084,137	(104,253)	13,885,329
Total Capital Assets, Being Depreciated, Net	16,797,744	3,061,083	(50,922)	19,807,905
Governmental Activities Net Capital Assets	<u>\$ 21,147,945</u>	<u>\$ 4,936,421</u>	<u>\$ (3,999,860)</u>	<u>\$ 22,084,506</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset activity for the year ended December 31, 2012, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 645,161	\$	\$ (22,606)	\$ 622,555
Construction in Progress	30,348,044	2,804,029	(15,133,145)	18,018,928
Total Capital Assets, Not Being Depreciated	30,993,205	2,804,029	(15,155,751)	18,641,483
Capital Assets, Being Depreciated				
Buildings	15,686,649	14,084,328	(124,217)	29,646,760
Improvements Other than Buildings	19,815,225	331,867	(27,612)	20,119,480
Machinery and Equipment	8,976,288	1,149,929	(42,350)	10,083,867
Total Capital Assets, Being Depreciated	44,478,162	15,566,124	(194,179)	59,850,107
Less Accumulated Depreciation for				
Buildings	5,190,951	566,427	(116,536)	5,640,842
Improvements Other than Buildings	9,766,416	497,659	(18,033)	10,246,042
Machinery and Equipment	5,565,301	269,737	(42,350)	5,792,688
Total Accumulated Depreciation	20,522,668	1,333,823	(176,919)	21,679,572
Total Capital Assets, Being Depreciated, Net	23,955,494	14,232,301	(17,260)	38,170,535
Business-Type Activities				
Net Capital Assets	\$ 54,948,699	\$ 17,036,330	\$ (15,173,011)	\$ 56,812,018

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 179,481
Public Safety	148,705
Public Works	531,291
Airport	48,557
Culture and Recreation	176,103
Total Depreciation Expense - Governmental Activities	\$ 1,084,137

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Liquor	\$ 3,900
Sewer	530,663
Electric	485,224
Water	<u>314,036</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 1,333,823</u></u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	<u><u>\$ 21,690</u></u>

The purpose of the above interfund loans was to cover deficit cash balances.

B. INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2012, is as follows:

	<u>Transfer In</u>				<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer</u>	<u>Internal Service</u>	
Transfer Out					
General	\$	\$ 309,827	\$	\$ 233,243	\$ 543,070
Electric	405,478	100,000	100,000		605,478
Sewer	153,250				153,250
Water	31,869				31,869
Liquor		59,000			59,000
Nonmajor Governmental Funds	<u>15,505</u>	<u>99,925</u>		<u>17,420</u>	<u>132,850</u>
Total Interfund Transfers	<u><u>\$ 606,102</u></u>	<u><u>\$ 568,752</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 250,663</u></u>	<u><u>\$ 1,525,517</u></u>

The purpose of the above transfers was to provide funding for capital improvement projects, capital outlay, provide funding for operating purposes and to close funds.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. G.O. Bonds generally are issued as 15 year Serial Bonds with equal debt service payments each year.

B. COMPONENTS OF LONG-TERM DEBT

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<u>Governmental Activities</u>			
G.O. Bonds			
General Obligation Bonds, Series 2007A	3.70-3.85%	2/1/2018	\$ 140,000
General Obligation Bonds, Series 2007A	3.70-4.40%	2/1/2028	315,000
General Obligation CIP Bonds, Series 2011B	2.00-4.125%	2/1/2032	3,275,000
G.O. Special Assessment Bonds			
G.O. Improvement Bonds, Series 2006A	3.70-4.15%	2/1/2022	415,000
G.O. Refunding Improvement Bonds, Series 2009B	2.50-4.00%	2/1/2018	250,000
G.O. Improvement and Refunding Bonds, Series 2011C	1.00-3.70%	2/1/2027	890,000
G.O. Revenue Bonds			
Public Project Lease Revenue Bonds, Series 2005A	4.00-4.70%	2/1/2026	1,265,000
Public Project Lease Revenue Bonds, Series 2007B	4.50-5.10%	2/1/2028	505,000
G.O. Housing Development Bonds, Series 2011A	2.00-3.40%	2/1/2022	2,750,000
Capital Equipment Notes			825,000
Compensated Absences			<u>125,094</u>
Total Governmental Activities			<u>\$ 10,755,094</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT (Cont'd)

B. COMPONENTS OF LONG-TERM DEBT (Cont'd)

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
G.O. Sewer System Bonds, Series 2011D	1.00-4.10%	2/1/2032	\$ 1,555,000
G.O. Revenue Notes			
1999 Water Treatment Loan	3.540%	8/20/2019	1,823,000
2001 Wastewater Treatment Loan	2.680%	8/20/2022	6,314,000
2009 Clean Water Revolving Fund Loan	*	*	6,778,539
2009 Wastewater Infrastructure Fund Loan	0.00%	8/20/2042	6,000,000
Revenue Bonds			
Electric Utility Revenue Bonds, Series 2008A	3.00-4.40%	2/1/2029	8,970,000
Electric Utility Revenue Bonds, Series 2009C	2.00-5.00%	2/1/2029	5,955,000
Assessment Payable	5.00%	1/1/2017	73,834
Termination Benefits			52,705
Compensated Absences			<u>110,166</u>
Total Business-Type Activities			<u>\$ 37,632,244</u>

* - Final details not known until the related project is complete.

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. Internal service funds are used to liquidate the governmental activities capital equipment notes. The General Fund has historically been used to liquidate the outstanding government activities compensated absences. The Water, Sewer, Electric and Liquor Funds are used to liquidate the outstanding business-type activities compensated absences.

C. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
G.O. Bonds	\$ 3,765,000	\$	\$ (35,000)	\$ 3,730,000	\$ 155,000
G.O. Special					
Assessment Bonds	1,760,000		(205,000)	1,555,000	210,000
G.O. Revenue Bonds	4,855,000		(335,000)	4,520,000	330,000
Capital Equipment					
Notes	960,000		(135,000)	825,000	135,000
Compensated					
Absences	114,224	127,964	(117,094)	125,094	
Total Governmental Activities	<u>\$ 11,454,224</u>	<u>\$ 127,964</u>	<u>\$ (827,094)</u>	<u>\$ 10,755,094</u>	<u>\$ 830,000</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT (Cont'd)

C. CHANGES IN LONG-TERM LIABILITIES (Cont'd)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
G.O. Bonds	\$ 1,555,000	\$	\$	\$ 1,555,000	\$ 40,000
G.O. Revenue Bonds	350,000		(350,000)		
G.O. Revenue Notes	21,046,388	739,151	(870,000)	20,915,539	1,119,000
Revenue Bonds	15,550,000		(625,000)	14,925,000	640,000
Assessments Payable	88,601		(14,767)	73,834	14,767
Termination Benefits	67,181		(14,476)	52,705	15,923
Compensated Absences	105,175	113,170	(108,179)	110,166	
Total Business-Type Activities	<u>\$ 38,762,345</u>	<u>\$ 852,321</u>	<u>\$ (1,982,422)</u>	<u>\$ 37,632,244</u>	<u>\$ 1,829,690</u>

The City is subject to a total outstanding bonded indebtedness equal to 3% (exclusive of revenue, tax increment and special assessment bonds) of assessed market value within the City. As of December 31, 2012, the legal limit is \$10,968,636.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant financial limitations and restrictions.

Capital Equipment Notes

On March 1, 2006, the City issued a Certificate of Indebtedness in the amount of \$180,000 for a term of ten years at an interest rate of 3.90% per annum. Principal payments are due on February 6 and interest payments are due on March 1 and September 1 of each year until year 2016. As of December 31, 2012, the balance remaining was \$72,000.

On February 28, 2007, the City issued a Certificate of Indebtedness in the amount of \$568,000 for a term of ten years at an interest rate of 4.10% per annum. Principal and interest payments are due February 28 and interest payments are due on August 28 of each year until year 2017. As of December 31, 2012, the balance remaining was \$283,000.

On May 14, 2009, the City issued General Obligation Equipment Certificates in the amount of \$650,000 for a term of ten years at an interest rate ranging from 2.00% to 4.00%. Principal and interest payments are due February 1 and interest payments are due on August 1 of each year until year 2019. As of December 31, 2012, the balance remaining was \$470,000.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT (Cont'd)

C. CHANGES IN LONG-TERM LIABILITIES (Cont'd)

2009 Refunding Transaction

In May 2009, the City issued \$845,000 of General Obligation Refunding Bonds, Series 2009B. The bonds were issued to refund the General Obligation Improvement Bonds, Series 1999A; the General Obligation Bonds, Series 2002B; and the General Obligation Refunding Improvements Bonds, Series 2003A. The total cash savings to the City is \$565,712 with a net present value benefit of \$63,850.

Refunding Transaction - 2011A

In April 2011, the City issued \$3,000,000 of General Obligation Housing Development Bonds, Series 2011A. The bonds were issued in part to refund the Housing Development Bonds, Series 1996A. The total cash savings to the City is \$377,162 with a net present value benefit of \$245,112.

Refunding Transaction - 2011C

In June 2011, the City issued \$925,000 of General Obligation Improvement and Refunding Bonds, Series 2011C. The bonds were issued in part to refund the General Obligation Improvements Bonds, Series 2004A. The total cash savings to the City is \$38,140 with a net present value benefit of \$27,812.

Water Treatment Loan - 1999

The Litchfield Public Utilities Commission applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Municipal Water Treatment Plant, wells, and water system, totaled \$4,092,166, financed under the Capitalization Grants for Drinking Water State Revolving Fund. Loan interest payments, at 3.54% per annum, will be due February and August, with principal payment amounts due in August.

Wastewater Treatment Loan - 2001

The City of Litchfield applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Wastewater Treatment Facility system, totaled \$10,963,561, financed under the Capitalization Grants for State Revolving Fund. Loan interest payments, at 2.68% per annum, are due in February and August, with principal payment amounts due in August.

Wastewater Treatment Loan - 2009

The City of Litchfield applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Wastewater Treatment Facility system, estimated at \$13,086,048, will be financed under the Clean Water Revolving Fund and the Wastewater Infrastructure Funding. Loan interest payments for the Clean Water Revolving fund, at 2.652% per annum, will be due February and August, with principal payment amounts due in August. Loan payments for the Wastewater Infrastructure Funding will be due in February and August after the Clean Water Revolving Fund is paid in full. The project is in progress at December 31, 2012, and is therefore not included in Note 9.D. below.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT (Cont'd)

D. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt and notes outstanding are as follows:

Year Ending December 31	Governmental Activities			
	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 155,000	\$ 125,230	\$ 210,000	\$ 42,800
2014	155,000	121,535	140,000	38,954
2015	160,000	117,748	140,000	35,673
2016	165,000	113,788	130,000	32,295
2017	170,000	109,698	135,000	28,800
2018-2022	830,000	476,113	565,000	86,203
2023-2027	990,000	325,161	235,000	22,180
2028-2032	1,105,000	115,283		
	<u>\$ 3,730,000</u>	<u>\$ 1,504,556</u>	<u>\$ 1,555,000</u>	<u>\$ 286,905</u>

Year Ending December 31	Governmental Activities			
	G.O. Revenue Bonds		Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2013	\$ 330,000	\$ 147,168	\$ 135,000	\$ 27,521
2014	340,000	138,524	140,000	22,890
2015	350,000	129,486	140,000	18,031
2016	360,000	120,124	140,000	13,016
2017	370,000	110,100	125,000	8,178
2018-2022	2,085,000	357,803	145,000	5,900
2023-2027	640,000	79,818		
2028	45,000	1,145		
	<u>\$ 4,520,000</u>	<u>\$ 1,084,168</u>	<u>\$ 825,000</u>	<u>\$ 95,536</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9. LONG-TERM DEBT (Cont'd)

D. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Business-Type Activities			
	G.O. Bonds		G.O. Revenue Notes ***	
	Principal	Interest	Principal	Interest
2013	\$ 40,000	\$ 46,330	\$ 793,000	\$ 233,749
2014	60,000	45,830	816,000	210,485
2015	65,000	45,075	840,000	186,535
2016	65,000	44,165	865,000	161,864
2017	65,000	43,060	890,000	136,446
2018-2022	350,000	192,130	3,933,000	305,665
2023-2027	410,000	136,508		
2028-2032	500,000	52,727	1,410,000	
2033-2037			2,350,000	
2038-2042			2,240,000	
	<u>\$ 1,555,000</u>	<u>\$ 605,825</u>	<u>\$ 14,137,000</u>	<u>\$ 1,234,744</u>

*** - Does not include the 2009 Clean Water Revolving Fund Loan since final details are not known.

Year Ending December 31	Business-Type Activities			
	Revenue Bonds		Assessment Payable	
	Principal	Interest	Principal	Interest
2013	\$ 640,000	\$ 613,460	\$ 14,767	\$ 3,692
2014	660,000	591,410	14,767	2,953
2015	680,000	567,598	14,767	2,215
2016	705,000	542,629	14,767	1,477
2017	730,000	515,323	14,766	738
2018-2022	4,115,000	2,098,660		
2023-2027	5,045,000	1,130,050		
2028-2032	2,350,000	109,674		
	<u>\$ 14,925,000</u>	<u>\$ 6,168,804</u>	<u>\$ 73,834</u>	<u>\$ 11,075</u>

E. CONDUIT DEBT OBLIGATIONS

In 2006 and 2011, the City issued conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective entities to which the proceeds were remitted. As of December 31, 2012, the aggregate balance outstanding was \$2,259,225.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2012 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2012, there are no other claims liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Litchfield 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, fire-fighters and peace officers who qualify for membership by statute are covered by PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a 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 GEF 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 members 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 be 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 GEF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. 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. GEF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. FUNDING POLICY (Cont'd)

In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010, were \$132,623, \$128,598, and \$118,831, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010, were \$84,276, \$82,897, and \$79,183, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 12. DEFINED CONTRIBUTION PLAN

Three council members of the City of Litchfield are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Litchfield during fiscal year 2012 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 14,058	\$ 30,852	5.0%	5.0%	5.0%

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

At December 31, 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of December 31, 2012.

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their spouses through the City's commercial insurance plans. There are 43 active participants and 9 retired participants. Benefit and eligibility provisions are established through negotiations between the City and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the City and employees. The City contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For 2012, the City contributed \$26,629 to the Plan.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 69,568
Interest on Net OPEB Obligation	(9,015)
Adjustment to Annual Required Contribution	13,032
Annual OPEB Cost (Expense)	<u>73,585</u>
Contributions Made	<u>(26,629)</u>
(Increase) Decrease in Net OPEB Asset	46,956
Net OPEB Asset - Beginning of Year	<u>(225,376)</u>
Net OPEB Asset - End of Year	<u><u>\$ (178,420)</u></u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION (Cont'd)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB asset for 2012:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
12/31/2012	\$ 73,585	\$ 26,629	36%	\$ 178,420
12/31/2011	72,176	52,613	73%	225,579
12/31/2010	59,439	122,345	206%	244,939

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2011, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$657,210. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$2,221,809 for a ratio of UAAL to covered payroll of 29.60%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress and Employer Contributions, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities and benefits.

E. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10% reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14. CITY OF LITCHFIELD FIRE RELIEF ASSOCIATION

A. PLAN DESCRIPTION

The City contributes to the City of Litchfield Fireman's Relief Association, a single employee retirement system that acts as a common investment and administrator for the City's firefighters. All active members of the fire department are members of the Association.

Upon approval by the Board of Trustees lump sum retirement benefits are either paid or deferred as follows:

- 1) Benefits accrue and vest to members based on \$2,000 per year of active service in the fire department and Association with 100% vesting at twenty years of service.
- 2) The maximum retirement benefit is \$2,000 per year times years of service.
- 3) Members retiring with less than ten years of service forfeit their accrued benefits.
- 4) Members who separate from service and have at least ten years of active service and membership but less than 50 years of age are entitled to a deferred service pension payable upon reaching the age of 50.

The Association also provides death and disability benefits, whereby the disabled employee or beneficiary is entitled to receive benefits as defined by the plan. The City levies property taxes at the discretion of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling State statutes.

B. RELATED PARTY INVESTMENTS

During 2012 and as of December 31, 2012, the Association held no securities by the City or other related parties.

C. FUNDING STATUS AND PROGRESS

The association provides benefits in lump sum as allowed by State statutes and is not required to have an actuarial study to determine its unfunded pension benefit obligation. Therefore, the amount shown below as the "accrued pension liability" represents the amount of retirement benefits earned by members but unpaid as of December 31, 2011, as determined in accordance with State statute.

The amount of unfunded pension benefit obligation as of December 31, 2011, is as follows:

Total Pension Benefit Obligation	\$ 633,194
Net Assets Available for Benefits at Lower of Cost or Market	<u>526,546</u>
Unfunded Pension Benefit Obligation	<u>\$ (106,648)</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14. CITY OF LITCHFIELD FIRE RELIEF ASSOCIATION (Cont'd)

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Prior to August 1 of each year, the Association must certify to the City Clerk the amount of municipal support required in the following year. The City's minimum obligation is the financial requirement for the succeeding year less anticipated state aids and interest earnings. Any additional payment by the City is used to amortize the unfunded liability of the Association.

NOTE 15. PUBLIC UTILITIES FUND - POWER AGREEMENTS

Litchfield Public Utilities is committed to purchase all power from two agencies, Southern Minnesota Municipal Power Agency (SMMPA) of which Litchfield Public Utilities is a member and Western Area Power Administration (WAPA). Each member of SMMPA is obligated to purchase all of its power from the Agency, with the exception that the Litchfield Public Utilities may continue its purchase of hydro-power from WAPA, which amounts to approximately 70% of the Utilities' requirements. The remaining percentage of power usage must be purchased from SMMPA per contract requirements.

NOTE 16. COMMITMENT

The City has the following projects in progress as of December 31, 2012:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
Airport Lighting Improvement Project	\$ 311,753	\$ 1,119
Wastewater Treatment Facility Improvements	12,723,337	76,568
East Side Trunk Sewer	900,594	123,238
Liquor Store Building	869,079	34,353

NOTE 17. CONTINGENCIES

A. FEDERAL GRANTS

The City receives state and federal aids through participation in various state and federal categorical aid programs. These programs are subject to audits by the State. The audits for these programs for the year ending December 31, 2012, have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

B. LITIGATION

The City is not party to any legal proceeding as of year-end.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 18. TIF DISTRICTS

The City of Litchfield is the administering authority for the following tax increment financing districts, which lie within the City of Litchfield, Meeker County, and Independent School District No. 465:

District Name and Number:	TIF #4-4 Housing	TIF #4-12 Towmaster
Authorizing Law	MN Stat. #472A	MN Stat. #472A
Type of District	Housing Dev.	Economic Dev.
Year Established	1997	2007
Duration of District	2022	2015
Base Tax Capacity:		
Payable 2012	\$ 40	\$ 16,270
Current Tax Capacity:		
Payable 2012	7,373	44,558
Captured Tax Capacity:		
Retained by Authority	7,333	28,288
Debt Issued		
Interfund Loans	4,578	
Developer Agreements	84,442	250,000
Principal Redeemed	(44,485)	(98,828)
	<u>44,535</u>	<u>151,172</u>
Outstanding Bonds & Loans	<u>\$ 44,535</u>	<u>\$ 151,172</u>

In 1996, the City created Housing Development District No. 4-4 pursuant to Minnesota Statutes, Chapter 472A.01. The district was created to finance a housing project on the northeast part of Litchfield.

In 2007, the City created Economic Development District No. 4-12. The district was created to finance an expansion of an existing industry.

NOTE 19. RECLASSIFICATIONS

Certain prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total Net Position or Fund Balance.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 20. FUND BALANCE

Portions of the City's fund balance are nonspendable, restricted due to legal restrictions, assigned by City Council, or unassigned. The following is a summary of fund balance components at December 31, 2012:

	General	Fire/Rescue Building	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$ 41,128	\$	\$ 42,136	\$ 83,264
Inventories			22,613	22,613
Total Nonspendable	41,128	0	64,749	105,877
Restricted for				
Tax Increment			122,334	122,334
Debt Service			1,069,967	1,069,967
Total Restricted	0	0	1,192,301	1,192,301
Assigned				
Hazardous Building Improvements	18,476			18,476
Dial-A-Ride	97,565			97,565
GAR Hall Improvements	125,048			125,048
Tree Management	100,024			100,024
Capital Outlay	1,335,645			1,335,645
Fund Operations			1,813,648	1,813,648
Total Assigned	1,676,758	0	1,813,648	3,490,406
Unassigned	1,213,621	(9,621)	(3,117)	1,200,883
	<u>\$ 2,931,507</u>	<u>\$ (9,621)</u>	<u>\$ 3,067,581</u>	<u>\$ 5,989,467</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2011	\$	\$ 657,210	\$ 657,210	0.0%	\$ 2,221,809	29.6%
December 31, 2008		841,811	841,811	0.0%	2,211,122	38.1%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation (Asset)
2012	\$ 69,568	\$ 26,629	38.3%	\$ (178,420)
2011	67,809	52,613	77.6%	(225,579)
2010	56,193	122,345	217.7%	(244,939)

The City implemented GASB Statement No. 45 for fiscal year ended December 31, 2008. Information for prior years is not available.

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SUPPLEMENTARY INFORMATION

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COMBINING STATEMENTS
OF NONMAJOR FUNDS

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CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Special Revenue	Debt Service	Capital Projects	Totals	
				2012	2011
ASSETS					
Cash and Investments	\$ 1,442,476	\$ 785,792	\$ 215,630	\$ 2,443,898	\$ 2,241,646
Cash with Fiscal Agent		277,653	272,497	550,150	476,494
Receivables					
Accounts	4,486			4,486	3,628
Contracts	40,000			40,000	44,000
Taxes		21,098		21,098	25,439
Notes					20,589
Special Assessments		509,449		509,449	577,649
Due from Other Governmental Units	17	6,522	70,606	77,145	212,994
Inventories	22,613			22,613	37,483
Prepaid Items	42,136			42,136	16,446
	<u>\$ 1,551,728</u>	<u>\$ 1,600,514</u>	<u>\$ 558,733</u>	<u>\$ 3,710,975</u>	<u>\$ 3,656,368</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts and Contracts Payable	\$ 16,815	\$	\$ 66,841	\$ 83,656	\$ 82,242
Accrued Salaries	5,358			5,358	5,810
Due to Other Governmental Units	2,143			2,143	531
Due to Other Funds	3,117		18,573	21,690	186,856
Deferred Revenue		530,547		530,547	623,677
Total Liabilities	<u>27,433</u>	<u>530,547</u>	<u>85,414</u>	<u>643,394</u>	<u>899,116</u>
Fund Balance					
Nonspendable	64,749			64,749	53,929
Restricted	122,334	1,069,967		1,192,301	1,443,545
Assigned	1,340,329		473,319	1,813,648	1,277,057
Unassigned	(3,117)			(3,117)	(17,279)
Total Fund Balance	<u>1,524,295</u>	<u>1,069,967</u>	<u>473,319</u>	<u>3,067,581</u>	<u>2,757,252</u>
	<u>\$ 1,551,728</u>	<u>\$ 1,600,514</u>	<u>\$ 558,733</u>	<u>\$ 3,710,975</u>	<u>\$ 3,656,368</u>
Total Liabilities and Fund Balance	<u>\$ 1,551,728</u>	<u>\$ 1,600,514</u>	<u>\$ 558,733</u>	<u>\$ 3,710,975</u>	<u>\$ 3,656,368</u>

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue	Debt Service	Capital Projects	Totals	
				2012	2011
REVENUES					
Taxes	\$ 45,123	\$ 373,432	\$	\$ 418,555	\$ 611,829
Special Assessments		98,288		98,288	165,174
Intergovernmental	140,327	49,998	374,078	564,403	1,127,483
Charges for Services	431,654	323,086		754,740	740,233
Interest Income	588	434	122	1,144	3,939
Miscellaneous	82,104			82,104	68,796
Total Revenues	699,796	845,238	374,200	1,919,234	2,717,454
EXPENDITURES					
Current					
General Government	79,542			79,542	62,408
Public Works	14,091			14,091	47,240
Airport	47,811			47,811	42,166
Culture and Recreation	466,643			466,643	426,432
Economic Development	52,164			52,164	50,923
Capital Outlay					
Public Works	2,075		94,657	96,732	1,004,002
Airport			397,194	397,194	186,266
Economic Development	60,579		176,510	237,089	560
Debt Service	136	925,902		926,038	825,702
Total Expenditures	723,041	925,902	668,361	2,317,304	2,645,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,245)	(80,664)	(294,161)	(398,070)	71,755
OTHER FINANCING SOURCES (USES)					
Debt Service Principal					(2,140,000)
General Obligation Bond Proceeds					2,469,866
General Obligation Refunding Bond Proceeds					324,203
Transfers In	232,242	100,000	236,510	568,752	555,717
Transfers Out	69,322	(202,172)		(132,850)	(635,356)
Total Other Financing Sources (Uses)	301,564	(102,172)	236,510	435,902	574,430
Net Change in Fund Balances	278,319	(182,836)	(57,651)	37,832	646,185
FUND BALANCE, BEGINNING OF YEAR	1,245,976	1,252,803	530,970	3,029,749	2,111,067
FUND BALANCE, END OF YEAR	\$ 1,524,295	\$ 1,069,967	\$ 473,319	\$ 3,067,581	\$ 2,757,252

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Trail Project	Golf Course	Small Cities Rehabilitation	Airport	Civic Arena	TIF District No. 1-2 Pleasant View	TIF District No. 3-1 Longfellow Square	TIF District No. 4-4 Terraceview Drive	TIF District No. 4-12 Towmaster
ASSETS									
Cash and Investments	\$ 1,294	\$ 63,519	\$ 131,246	\$ 176,078	\$ 158,844	\$ 93,406	\$ 15,217	\$	\$ 31,013
Receivables									
Accounts				2,771	1,415				
Taxes									
Contracts									
Notes									
Due from Other Governmental Units									
Inventories				22,613					
Prepaid Items		32,817		6,377	2,419				
Total Assets	\$ 1,294	\$ 96,336	\$ 131,246	\$ 207,839	\$ 162,678	\$ 93,406	\$ 15,217	\$ 0	\$ 31,013
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts and Contracts Payable	\$	\$	\$	\$ 792	\$ 38	\$	\$	\$	\$ 15,985
Accrued Salaries					5,358				
Due to Other Governmental Units		650			176	1,317			
Due to Other Funds								3,117	
Deferred Revenue									
Total Liabilities	0	650	0	792	5,572	1,317	0	3,117	15,985
Fund Balance									
Nonspendable		32,817		28,990	2,419				
Restricted						92,089	15,217		15,028
Assigned	1,294	62,869	131,246	178,057	154,687				
Unassigned								(3,117)	
Total Fund Balance	1,294	95,686	131,246	207,047	157,106	92,089	15,217	(3,117)	15,028
Total Liabilities and Fund Balance	\$ 1,294	\$ 96,336	\$ 131,246	\$ 207,839	\$ 162,678	\$ 93,406	\$ 15,217	\$ 0	\$ 31,013

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Infrastructure	Cemetery	Permanent	Community	Highway 12	Lake Ripley	Totals	
	Street		Improvement		Reinvestment		Beautification	Improvement
ASSETS								
Cash and Investments	\$ 396,172	\$ 178,582	\$ 24,030	\$ 152,026	\$ 1,526	\$ 19,523	\$ 1,442,476	\$ 1,165,610
Receivables								
Accounts		300					4,486	3,628
Taxes								2,619
Contracts				40,000			40,000	44,000
Notes								20,589
Due from Other Governmental Units			17				17	28,963
Inventories							22,613	37,483
Prepaid Items		523					42,136	16,446
Total Assets	\$ 396,172	\$ 179,405	\$ 24,047	\$ 192,026	\$ 1,526	\$ 19,523	\$ 1,551,728	\$ 1,319,338
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts and Contracts Payable	\$	\$	\$	\$	\$	\$	\$ 16,815	\$ 32,590
Accrued Salaries							5,358	5,810
Due to Other Governmental Units							2,143	531
Due to Other Funds							3,117	11,223
Deferred Revenue								23,208
Total Liabilities	0	0	0	0	0	0	27,433	73,362
Fund Balance								
Nonspendable		523					64,749	53,929
Restricted							122,334	190,742
Assigned	396,172	178,882	24,047	192,026	1,526	19,523	1,340,329	1,012,528
Unassigned							(3,117)	(11,223)
Total Fund Balance	396,172	179,405	24,047	192,026	1,526	19,523	1,524,295	1,245,976
Total Liabilities and Fund Balance	\$ 396,172	\$ 179,405	\$ 24,047	\$ 192,026	\$ 1,526	\$ 19,523	\$ 1,551,728	\$ 1,319,338

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	2005A	2006A	2007A	2007B	2009B	2011A	2011B	2011C	Totals	
	Public Project Lease	G.O. Improvement	G.O. Improvement	Public Project Lease	G.O. Improvement	G.O. Improvement	G.O. CIP Bond	G.O. Improvement	2012	2011
ASSETS										
Cash and Investments	\$ 103,851	\$ 119,909	\$ 45,294	\$ 79,127	\$ 123,747	\$	\$ 158,876	\$ 154,988	\$ 785,792	\$ 770,718
Cash with Fiscal Agent	126,225					151,428			277,653	476,494
Receivables										
Taxes	6,600	1,466	2,412	2,309	4,807		1,198	2,306	21,098	22,820
Special Assessments		123,866			134,787			250,796	509,449	577,649
Due from Other Governmental Units	2,178	434	1,029	724	74		1,169	914	6,522	5,591
Total Assets	\$ 238,854	\$ 245,675	\$ 48,735	\$ 82,160	\$ 263,415	\$ 151,428	\$ 161,243	\$ 409,004	\$ 1,600,514	\$ 1,853,272
LIABILITIES AND FUND BALANCE										
Liabilities										
Deferred Revenue	\$ 6,600	\$ 125,332	\$ 2,412	\$ 2,309	\$ 139,594	\$	\$ 1,198	\$ 253,102	\$ 530,547	\$ 600,469
Fund Balance										
Restricted	232,254	120,343	46,323	79,851	123,821	151,428	160,045	155,902	1,069,967	1,252,803
Total Liabilities and Fund Balance	\$ 238,854	\$ 245,675	\$ 48,735	\$ 82,160	\$ 263,415	\$ 151,428	\$ 161,243	\$ 409,004	\$ 1,600,514	\$ 1,853,272

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Airport	Marshall/ 1st Street	Eastern	Ecumen	Totals	
	Improvements	Improvements	Development	Improvements	2012	2011
ASSETS						
Cash and Investments	\$	\$ 56,131	\$ 159,499	\$	\$ 215,630	\$ 305,318
Cash with Fiscal Agent				272,497	272,497	
Due from Other Governmental Units	70,606				70,606	178,440
Total Assets	\$ 70,606	\$ 56,131	\$ 159,499	\$ 272,497	\$ 558,733	\$ 483,758
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and Contracts Payable	\$ 21,205	\$ 45,636	\$	\$	\$ 66,841	\$ 49,652
Due to Other Funds	18,573				18,573	175,633
Total Liabilities	39,778	45,636	0	0	85,414	225,285
Fund Balance						
Assigned	30,828	10,495	159,499	272,497	473,319	264,529
Unassigned						(6,056)
Total Fund Balance	30,828	10,495	159,499	272,497	473,319	258,473
Total Liabilities and Fund Balance	\$ 70,606	\$ 56,131	\$ 159,499	\$ 272,497	\$ 558,733	\$ 483,758

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Trail Project	Golf Course	Small Cities Rehabilitation	Airport	Civic Arena	TIF District No. 1-2 Pleasant View	TIF District No. 3-1 Longfellow Square	TIF District No. 4-4 Terraceview Drive	TIF District No. 4-10 Northstar
REVENUES									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 9,600	\$
Intergovernmental				15,487					
Charges for Services		216,000		11,230	160,854				
Interest Income	1		39	83	81	67	7		
Miscellaneous		9,163		16,291	13,626				
Total Revenues	1	225,163	39	43,091	174,561	67	7	9,600	0
EXPENDITURES									
Current									
General Government									
Public Works									
Airport									
Culture and Recreation	778	242,894		47,811	210,734				
Economic Development						11,114		8,738	
Capital Outlay									
Public Works									
Economic Development									
Debt Service						60,579			
Total Expenditures	778	242,894	0	47,811	210,734	71,693	0	8,874	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(777)	(17,731)	39	(4,720)	(36,173)	(71,626)	7	726	0
OTHER FINANCING SOURCES (USES)									
Transfers In		100,000	50,000		59,000				7,380
Transfers Out					(10,678)				
Total Other Financing Sources (Uses)	0	100,000	50,000	0	48,322	0	0	0	7,380
Net Change in Fund Balances	(777)	82,269	50,039	(4,720)	12,149	(71,626)	7	726	7,380
FUND BALANCE, BEGINNING OF YEAR	2,071	13,417	81,207	211,767	144,957	163,715	15,210	(3,843)	(7,380)
FUND BALANCE, END OF YEAR	\$ 1,294	\$ 95,686	\$ 131,246	\$ 207,047	\$ 157,106	\$ 92,089	\$ 15,217	\$ (3,117)	\$ 0

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	TIF District No. 4-12 Towmaster	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals	
								2012	2011
REVENUES									
Taxes	\$ 35,523	\$	\$	\$	\$	\$	\$	\$ 45,123	\$ 221,114
Intergovernmental		124,840						140,327	154,003
Charges for Services			43,570					431,654	388,294
Interest Income		163	93	11	34	1	8	588	1,190
Miscellaneous		26,240		2,784	3,000		11,000	82,104	68,796
Total Revenues	35,523	151,243	43,663	2,795	3,034	1	11,008	699,796	833,397
EXPENDITURES									
Current									
General Government			79,442	100				79,542	62,408
Public Works		14,091						14,091	47,240
Airport								47,811	42,166
Culture and Recreation							12,237	466,643	426,432
Economic Development	32,312							52,164	50,923
Capital Outlay									
Public Works		2,075						2,075	7,816
Economic Development								60,579	560
Debt Service								136	851
Total Expenditures	32,312	16,166	79,442	100	0	0	12,237	723,041	638,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,211	135,077	(35,779)	2,695	3,034	1	(1,229)	(23,245)	195,001
OTHER FINANCING SOURCES (USES)									
Transfers In		862	15,000					232,242	123,819
Transfers Out					80,000			69,322	(210,081)
Total Other Financing Sources (Uses)	0	862	15,000	0	80,000	0	0	301,564	(86,262)
Net Change in Fund Balances	3,211	135,939	(20,779)	2,695	83,034	1	(1,229)	278,319	108,739
FUND BALANCE, BEGINNING OF YEAR	11,817	260,233	200,184	21,352	108,992	1,525	20,752	1,245,976	1,137,237
FUND BALANCE, END OF YEAR	\$ 15,028	\$ 396,172	\$ 179,405	\$ 24,047	\$ 192,026	\$ 1,526	\$ 19,523	\$ 1,524,295	\$ 1,245,976

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2005A Public Project Lease	2006A G.O. Improvement	2007A G.O. Improvement	2007B Public Project Lease	2009B G.O. Improvement	2011A G.O. Improvement	2011B G.O. CIP Bond	2011C G.O. Improvement	Totals	
									2012	2011
REVENUES										
Taxes	\$ 124,798	\$ 24,856	\$ 58,873	\$ 41,456	\$ 4,415	\$	\$ 66,758	\$ 52,276	\$ 373,432	\$ 390,715
Special Assessments		20,377			42,583			35,328	98,288	165,174
Intergovernmental							49,998		49,998	12,930
Charges for Services						323,086			323,086	351,939
Interest Income	37	46	7	29	52	175	38	50	434	2,322
Total Revenues	124,835	45,279	58,880	41,485	47,050	323,261	116,794	87,654	845,238	923,080
EXPENDITURES										
Debt Service	123,940	47,637	28,925	45,950	149,300	345,602	122,610	61,938	925,902	824,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	895	(2,358)	29,955	(4,465)	(102,250)	(22,341)	(5,816)	25,716	(80,664)	98,229
OTHER FINANCING SOURCES (USES)										
Debt Service Principal										(2,140,000)
General Obligation Bond Proceeds										1,914,435
General Obligation Refunding Bond Proceeds										324,203
Transfers In							100,000		100,000	398,898
Transfers Out			(25,662)			(176,510)			(202,172)	(424,213)
Total Other Financing Sources (Uses)	0	0	(25,662)	0	0	(176,510)	100,000	0	(102,172)	73,323
Net Change in Fund Balances	895	(2,358)	4,293	(4,465)	(102,250)	(198,851)	94,184	25,716	(182,836)	171,552
FUND BALANCE, BEGINNING OF YEAR	231,359	122,701	42,030	84,316	226,071	350,279	65,861	130,186	1,252,803	1,081,251
FUND BALANCE, END OF YEAR	\$ 232,254	\$ 120,343	\$ 46,323	\$ 79,851	\$ 123,821	\$ 151,428	\$ 160,045	\$ 155,902	\$ 1,069,967	\$ 1,252,803

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Airport Improvements	Marshall/ 1st Street Improvements	Eastern Development	Ecumen Improvements	Totals	
					2012	2011
REVENUES						
Intergovernmental	\$ 374,078	\$	\$	\$	\$ 374,078	\$ 960,550
Interest Income		45	77		122	427
Total Revenues	<u>374,078</u>	<u>45</u>	<u>77</u>	<u>0</u>	<u>374,200</u>	<u>960,977</u>
EXPENDITURES						
Capital Outlay						
Public Works		94,657			94,657	996,186
Airport	397,194				397,194	186,266
Economic Development				176,510	176,510	
Total Expenditures	<u>397,194</u>	<u>94,657</u>	<u>0</u>	<u>176,510</u>	<u>668,361</u>	<u>1,182,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,116)	(94,612)	77	(176,510)	(294,161)	(221,475)
OTHER FINANCING SOURCES (USES)						
General Obligation Bond Proceeds						555,431
Transfers In	60,000			176,510	236,510	33,000
Transfers Out						(1,062)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>176,510</u>	<u>236,510</u>	<u>587,369</u>
Net Change in Fund Balances	36,884	(94,612)	77	0	(57,651)	365,894
FUND BALANCE, BEGINNING OF YEAR	<u>(6,056)</u>	<u>105,107</u>	<u>159,422</u>	<u>272,497</u>	<u>530,970</u>	<u>(107,421)</u>
FUND BALANCE, END OF YEAR	<u>\$ 30,828</u>	<u>\$ 10,495</u>	<u>\$ 159,499</u>	<u>\$ 272,497</u>	<u>\$ 473,319</u>	<u>\$ 258,473</u>

INDIVIDUAL FUND STATEMENTS

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CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 GENERAL FUND
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Investments	\$ 2,979,536	\$ 2,825,541
Receivables		
Accounts	33,472	43,086
Taxes	91,055	93,603
Special Assessments	6,690	1,450
Due from Other Governmental Units	18,541	22,814
Prepaid Items	41,128	34,694
Due from Other Funds	<u>21,690</u>	<u>186,856</u>
Total Assets	<u>\$ 3,192,112</u>	<u>\$ 3,208,044</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 23,946	\$ 19,253
Accrued Salaries	83,066	72,141
Due to Other Governmental Units	55,848	3,120
Deferred Revenue	<u>97,745</u>	<u>95,053</u>
Total Liabilities	260,605	189,567
Fund Balance		
Nonspendable	41,128	34,694
Assigned	1,676,758	1,681,328
Unassigned	<u>1,213,621</u>	<u>1,302,455</u>
Total Fund Balance	<u>2,931,507</u>	<u>3,018,477</u>
Total Liabilities and Fund Balance	<u>\$ 3,192,112</u>	<u>\$ 3,208,044</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Taxes	\$ 1,709,490	\$ 1,749,697	\$ 40,207	\$ 1,516,015
Licenses and Permits	66,725	96,289	29,564	154,321
Intergovernmental	1,672,765	1,700,636	27,871	1,782,520
Charges for Services	159,650	218,947	59,297	194,774
Fines and Forfeits	21,000	19,550	(1,450)	24,210
Interest Income	52,000	1,479	(50,521)	3,761
Miscellaneous	1,500	43,999	42,499	58,044
Total Revenues	<u>3,683,130</u>	<u>3,830,597</u>	<u>147,467</u>	<u>3,733,645</u>
EXPENDITURES				
Current				
General Government	1,124,042	904,198	(219,844)	809,026
Public Safety	1,709,875	1,693,219	(16,656)	1,658,310
Public Works	853,353	749,253	(104,100)	772,802
Culture and Recreation	569,134	623,525	54,391	561,295
Economic Development		4,826	4,826	4,133
Capital Outlay				
Public Safety	2,000		(2,000)	9,374
Culture and Recreation		14,371	14,371	
Total Expenditures	<u>4,258,404</u>	<u>3,989,392</u>	<u>(269,012)</u>	<u>3,814,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(575,274)	(158,795)	416,479	(81,295)
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Property	2,000	8,793	6,793	9,049
Transfers In	601,275	606,102	4,827	796,497
Transfers Out	(15,000)	(543,070)	(528,070)	(264,707)
Total Other Financing Sources (Uses)	<u>588,275</u>	<u>71,825</u>	<u>(516,450)</u>	<u>540,839</u>
Net Change in Fund Balances	<u>\$ 13,001</u>	<u>(86,970)</u>	<u>\$ (99,971)</u>	<u>459,544</u>
FUND BALANCE, BEGINNING OF YEAR		<u>3,018,477</u>		<u>2,558,933</u>
FUND BALANCE, END OF YEAR		<u>\$ 2,931,507</u>		<u>\$ 3,018,477</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
REVENUES				
Taxes	\$ 1,709,490	\$ 1,749,697	\$ 40,207	\$ 1,516,015
Licenses and Permits				
Business Licenses and Permits	46,375	59,027	12,652	76,202
Non-Business Licenses and Permits	20,350	37,262	16,912	78,119
Total Licenses and Permits	66,725	96,289	29,564	154,321
Intergovernmental				
State/Federal Aids				
Local Governmental Aid	1,588,853	1,588,853		1,588,853
MV Credit Real				52,287
Firemen's Relief Aid	35,000	41,129	6,129	40,001
Police State Aid	36,000	58,253	22,253	59,869
PERA Rate Change	9,412	9,412		9,412
Police Training Reimbursement	3,500	2,989	(511)	3,409
Other				28,689
Total Intergovernmental	1,672,765	1,700,636	27,871	1,782,520
Charges for Services				
General Government	31,850	33,301	1,451	31,899
Public Safety	103,500	142,019	38,519	116,404
Public Works	3,000	488	(2,512)	5,379
Culture and Recreation	21,300	43,139	21,839	41,092
Total Charges for Services	159,650	218,947	59,297	194,774
Fines and Forfeits	21,000	19,550	(1,450)	24,210
Interest Income	52,000	1,479	(50,521)	3,761
Miscellaneous				
Rents	500	520	20	570
Donations		460	460	
Insurance Dividend		39,764	39,764	20,893
Other	1,000	3,255	2,255	36,581
Total Miscellaneous	1,500	43,999	42,499	58,044
Total Revenues	3,683,130	3,830,597	147,467	3,733,645

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			2011
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES				
Current				
General Government				
City Council	\$ 28,772	\$ 24,391	\$ (4,381)	\$ 24,314
Publication of Ordinances and Proceedings	6,200	5,228	(972)	6,987
Mayor	8,044	6,442	(1,602)	7,478
City Administrator	237,829	236,642	(1,187)	234,970
Elections and Voter's Registration	11,600	12,715	1,115	
Boards and Commissions	5,030	3,350	(1,680)	3,800
Finance				
Municipal Clerk	93,255	101,323	8,068	50,672
Assessor	37,500	36,352	(1,148)	34,763
Independent Accounting and Auditing	20,020	22,937	2,917	17,856
Purchasing	40,247	32,912	(7,335)	36,888
Technology Services	40,553	55,608	15,055	54,999
Legal	122,725	82,431	(40,294)	84,547
Planning and Zoning	200		(200)	13
Advertising	15,600	11,933	(3,667)	11,341
Government Buildings				
City Hall	32,830	44,280	11,450	48,081
G.A.R. Hall	21,700	14,086	(7,614)	13,961
Other	401,937	213,568	(188,369)	178,356
Total General Government	1,124,042	904,198	(219,844)	809,026
Public Safety				
Police Protection	1,216,133	1,209,339	(6,794)	1,215,015
Fire Protection	218,134	235,650	17,516	219,486
Building Inspection	93,917	92,186	(1,731)	89,894
Civil Defense	4,150	5,970	1,820	2,413
Rescue Squad	163,441	137,648	(25,793)	120,083
Traffic Engineering	10,900	10,916	16	8,922
Animal Control	3,200	1,510	(1,690)	2,497
Total Public Safety	1,709,875	1,693,219	(16,656)	1,658,310

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Works				
Administration and Engineering	\$ 33,300	\$ 21,051	\$ (12,249)	\$ 27,491
Streets and Alleys	579,859	549,896	(29,963)	535,217
Snow and Ice Removal	46,000	28,032	(17,968)	32,141
Sidewalks	6,000	8,050	2,050	1,150
Street Lighting	3,075	3,329	254	2,694
Maintenance Shop	138,634	112,788	(25,846)	119,920
Street Cleaning	9,000	4,388	(4,612)	5,230
Storm Drainage	12,000	4,238	(7,762)	15,939
Weed Control	430		(430)	15
Insect and Pest Control	8,380	102	(8,278)	10,587
Compost Site	16,675	17,379	704	22,418
Total Public Works	853,353	749,253	(104,100)	772,802
Culture and Recreation				
Playgrounds	30,200	58,684	28,484	25,622
Swimming Pools and Beach	13,450	4,776	(8,674)	3,691
Skating Rinks	8,300	6,344	(1,956)	5,848
Other Recreation	35,050	32,880	(2,170)	32,199
Camping Areas	23,300	16,919	(6,381)	24,546
Municipal Parks	251,679	297,375	45,696	249,117
Band	4,765	3,600	(1,165)	3,600
Forestry and Shade Trees	27,000	35,555	8,555	39,502
Library	175,390	167,392	(7,998)	177,170
Total Culture and Recreation	569,134	623,525	54,391	561,295
Economic Development		4,826	4,826	4,133
Total Current	4,256,404	3,975,021	(281,383)	3,805,566
Capital Outlay				
Public Safety	2,000		(2,000)	9,374
Culture and Recreation		14,371	14,371	
Total Capital Outlay	2,000	14,371	12,371	9,374
Total Expenditures	4,258,404	3,989,392	(269,012)	3,814,940
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(575,274)	(158,795)	416,479	(81,295)

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - DETAIL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
OTHER FINANCING SOURCES (USES)				
Sale or Compensation for Property	\$ 2,000	\$ 8,793	\$ 6,793	\$ 9,049
Transfers In	601,275	606,102	4,827	796,497
Transfers Out	(15,000)	(543,070)	(528,070)	(264,707)
Total Other Financing Sources (Uses)	<u>588,275</u>	<u>71,825</u>	<u>(516,450)</u>	<u>540,839</u>
Net Change in Fund Balances	<u>\$ 13,001</u>	<u>(86,970)</u>	<u>\$ (99,971)</u>	<u>459,544</u>
FUND BALANCE, BEGINNING OF YEAR		<u>3,018,477</u>		<u>2,558,933</u>
FUND BALANCE, END OF YEAR		<u>\$ 2,931,507</u>		<u>\$ 3,018,477</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TRAIL PROJECT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011	
	Final Budget	Actual		Actual	Actual
REVENUES					
Interest Income	\$	\$ 1	\$ 1	\$	3
EXPENDITURES					
Current					
Culture and Recreation					
Repairs and Maintenance		778	778		329
Net Change in Fund Balances	\$ 0	(777)	\$ (777)		(326)
FUND BALANCE, BEGINNING OF YEAR		2,071			2,397
FUND BALANCE, END OF YEAR		\$ 1,294		\$	2,071

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GOLF COURSE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under)	2011
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Charges for Services				
Maintenance Fee	\$ 216,000	\$ 216,000	\$	\$ 216,000
Miscellaneous				
Insurance Dividend		9,163	9,163	6,505
Reimbursement	55,000		(55,000)	2,293
Total Miscellaneous	55,000	9,163	(45,837)	8,798
Total Revenues	271,000	225,163	(45,837)	224,798
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	92,678	55,025	(37,653)	76,220
Operating Supplies	47,500	103,573	56,073	56,795
Professional Services		150	150	
Communications	3,000	598	(2,402)	1,332
Insurance	24,000	27,624	3,624	27,605
Utilities	6,000	11,381	5,381	2,468
Repairs and Maintenance	5,000	19,813	14,813	24,857
Rentals	51,113	23,488	(27,625)	22,852
Miscellaneous	41,709	1,242	(40,467)	6,163
Total Expenditures	271,000	242,894	(28,106)	218,292
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	0	(17,731)	(17,731)	6,506
OTHER FINANCING SOURCES (USES)				
Transfers In		100,000	100,000	
Net Change in Fund Balances	\$ 0	82,269	\$ 82,269	6,506
FUND BALANCE, BEGINNING OF YEAR		13,417		6,911
FUND BALANCE, END OF YEAR		\$ 95,686		\$ 13,417

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 SMALL CITIES REHABILITATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
REVENUES				
Interest Income	\$ 5,000	\$ 39	\$ (4,961)	\$ 96
EXPENDITURES				
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,000	39	(4,961)	96
OTHER FINANCING SOURCES (USES)				
Transfers In		50,000	50,000	
Net Change in Fund Balances	<u>\$ 5,000</u>	50,039	<u>\$ 45,039</u>	96
FUND BALANCE, BEGINNING OF YEAR		<u>81,207</u>		<u>81,111</u>
FUND BALANCE, END OF YEAR		<u>\$ 131,246</u>		<u>\$ 81,207</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AIRPORT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under)	2011
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Intergovernmental	\$ 27,100	\$ 15,487	\$ (11,613)	\$ 22,215
Charges for Services				
Sales - Fuel	77,250	187,740	110,490	106,376
Cost of Goods Sold	(59,000)	(176,510)	(117,510)	(98,336)
Gross Profit on Sales	18,250	11,230	(7,020)	8,040
Interest Income	5,000	83	(4,917)	203
Miscellaneous				
Rental Income	10,000	14,754	4,754	13,504
Insurance Dividend		1,324	1,324	994
Other		213	213	13
Total Miscellaneous	10,000	16,291	6,291	14,511
Total Revenues	60,350	43,091	(17,259)	44,969
EXPENDITURES				
Current				
Airport				
Salaries and Benefits	325	323	(2)	323
Insurance	18,000	15,295	(2,705)	15,686
Other Services and Charges	26,725	20,777	(5,948)	18,503
Repair and Maintenance	15,300	11,416	(3,884)	7,654
Total Expenditures	60,350	47,811	(12,539)	42,166
Net Change in Fund Balances	\$ 0	(4,720)	\$ (4,720)	2,803
FUND BALANCE, BEGINNING OF YEAR		211,767		208,964
FUND BALANCE, END OF YEAR		\$ 207,047		\$ 211,767

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CIVIC ARENA SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services	\$ 145,300	\$ 160,854	\$ 15,554	\$ 144,532
Interest Income	6,000	81	(5,919)	189
Miscellaneous				
Rents and Refunds	10,000	10,385	385	10,349
Insurance Dividend		2,849	2,849	1,900
Other		392	392	418
Total Miscellaneous	<u>10,000</u>	<u>13,626</u>	<u>3,626</u>	<u>12,667</u>
Total Revenues	<u>161,300</u>	<u>174,561</u>	<u>13,261</u>	<u>157,388</u>
EXPENDITURES				
Current				
Culture and Recreation				
Salaries and Benefits	104,939	105,933	994	106,498
Insurance	9,000	9,685	685	8,872
Supplies	15,200	11,974	(3,226)	13,245
Repair and Maintenance	11,000	32,778	21,778	25,169
Other Services and Charges	9,887	11,845	1,958	3,845
Community Room	12,597	5,095	(7,502)	8,991
Utilities	47,000	33,424	(13,576)	38,137
Total Expenditures	<u>209,623</u>	<u>210,734</u>	<u>1,111</u>	<u>204,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,323)	(36,173)	12,150	(47,369)
OTHER FINANCING SOURCES (USES)				
Transfers In	59,000	59,000		59,000
Transfers Out	(10,678)	(10,678)		(10,678)
Total Other Financing Sources (Uses)	<u>48,322</u>	<u>48,322</u>	<u>0</u>	<u>48,322</u>
Net Change in Fund Balances	<u>\$ (1)</u>	12,149	<u>\$ 12,150</u>	953
FUND BALANCE, BEGINNING OF YEAR		<u>144,957</u>		<u>144,004</u>
FUND BALANCE, END OF YEAR		<u>\$ 157,106</u>		<u>\$ 144,957</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 1-2 PLEASANT VIEW SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Tax Increments	\$	\$	\$	\$ 146,128
Intergovernmental				
Market Value Credit - TIF				20,283
Interest Income		67	67	66
Total Revenues	<u>0</u>	<u>67</u>	<u>67</u>	<u>166,477</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services		11,114	11,114	3,762
Capital Outlay				
Economic Development		60,579	60,579	
Total Expenditures	<u>0</u>	<u>71,693</u>	<u>71,693</u>	<u>3,762</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(71,626)</u>	<u>\$ (71,626)</u>	162,715
FUND BALANCE, BEGINNING OF YEAR		<u>163,715</u>		<u>1,000</u>
FUND BALANCE, END OF YEAR		<u>\$ 92,089</u>		<u>\$ 163,715</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 3-1 LONGFELLOW SQUARE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011	
	Final Budget	Actual		Actual	Actual
REVENUES					
Taxes					
Tax Increments	\$	\$	\$	\$	10,339
Intergovernmental					
Market Value Credit - TIF					3,864
Interest Income		7	7		7
Total Revenues	0	7	7		14,210
EXPENDITURES					
Net Change in Fund Balances	\$ 0	7	\$ 7		14,210
FUND BALANCE, BEGINNING OF YEAR		15,210			1,000
FUND BALANCE, END OF YEAR		\$ 15,217			\$ 15,210

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

TIF DISTRICT NO. 4-4 TERRACEVIEW DRIVE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011	
	Final Budget	Actual		Actual	Actual
REVENUES					
Taxes					
Tax Increments	\$ 9,000	\$ 9,600	\$ 600	\$ 9,002	
EXPENDITURES					
Current					
Economic Development					
Professional Services		97	97		
Developer Payment	9,000	8,641	(359)	8,102	
Debt Service					
Interfund Loan Interest		136	136	165	
Total Expenditures	<u>9,000</u>	<u>8,874</u>	<u>(126)</u>	<u>8,267</u>	
Net Change in Fund Balances	<u>\$ 0</u>	726	<u>\$ 726</u>	735	
FUND BALANCE, BEGINNING OF YEAR		<u>(3,843)</u>		<u>(4,578)</u>	
FUND BALANCE, END OF YEAR		<u>\$ (3,117)</u>		<u>\$ (3,843)</u>	

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 4-10 NORTHSTAR SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Tax Increments	\$ 21,000	\$	\$ (21,000)	\$ 20,919
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,000		(1,000)	
Miscellaneous	20,000		(20,000)	
Debt Service				
Interfund Loan Interest				686
Total Expenditures	<u>21,000</u>	<u>0</u>	<u>(21,000)</u>	<u>686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	20,233
OTHER FINANCING SOURCES (USES)				
Transfers In				
		7,380		
Net Change in Fund Balances	<u>\$ 0</u>	7,380	<u>\$ 0</u>	20,233
FUND BALANCE, BEGINNING OF YEAR		<u>(7,380)</u>		<u>(27,613)</u>
FUND BALANCE, END OF YEAR		<u>\$ 0</u>		<u>\$ (7,380)</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TIF DISTRICT NO. 4-12 TOWMASTER SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Tax Increments	\$ 35,000	\$ 35,523	\$ 523	\$ 34,726
EXPENDITURES				
Current				
Economic Development				
Developer Payment	34,800	31,971	(2,829)	31,254
Professional Services	200	341	141	522
Total Expenditures	<u>35,000</u>	<u>32,312</u>	<u>(2,688)</u>	<u>31,776</u>
Net Change in Fund Balances	<u>\$ 0</u>	3,211	<u>\$ 3,211</u>	2,950
FUND BALANCE, BEGINNING OF YEAR		<u>11,817</u>		<u>8,867</u>
FUND BALANCE, END OF YEAR		<u>\$ 15,028</u>		<u>\$ 11,817</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 INFRASTRUCTURE STREET SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$ 80,000	\$ 124,840	\$ 44,840	\$ 107,533
Interest Income		163	163	275
Miscellaneous		26,240	26,240	26,240
Total Revenues	<u>80,000</u>	<u>151,243</u>	<u>71,243</u>	<u>134,048</u>
EXPENDITURES				
Current				
Public Works				
Other Services and Charges		14,091	14,091	47,240
Capital Outlay				
Public Works		2,075	2,075	7,816
Total Expenditures	<u>0</u>	<u>16,166</u>	<u>16,166</u>	<u>55,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,000	135,077	55,077	78,992
OTHER FINANCING SOURCES (USES)				
Transfers In		862	862	21,819
Net Change in Fund Balances	<u>\$ 80,000</u>	<u>135,939</u>	<u>\$ 55,939</u>	<u>100,811</u>
FUND BALANCE, BEGINNING OF YEAR		<u>260,233</u>		<u>159,422</u>
FUND BALANCE, END OF YEAR		<u>\$ 396,172</u>		<u>\$ 260,233</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Charges for Services				
Professional Services	\$ 16,000	\$ 17,660	\$ 1,660	\$ 14,922
Sale of Lots	20,000	25,910	5,910	4,800
Total Charges for Services	<u>36,000</u>	<u>43,570</u>	<u>7,570</u>	<u>19,722</u>
Interest Income	7,000	93	(6,907)	220
Total Revenues	<u>43,000</u>	<u>43,663</u>	<u>663</u>	<u>19,942</u>
EXPENDITURES				
Current				
General Government				
Salaries and Benefits	18,700	27,957	9,257	24,270
Supplies	11,100	17,761	6,661	20,959
Insurance	1,000	1,916	916	1,615
Repairs and Maintenance	5,000	6,583	1,583	1,319
Utilities	5,000	8,843	3,843	1,919
Miscellaneous	17,200	16,382	(818)	12,326
Total Expenditures	<u>58,000</u>	<u>79,442</u>	<u>21,442</u>	<u>62,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(35,779)	(20,779)	(42,466)
OTHER FINANCING SOURCES (USES)				
Transfers In	15,000	15,000		43,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>(20,779)</u>	<u>\$ (20,779)</u>	<u>534</u>
FUND BALANCE, BEGINNING OF YEAR		<u>200,184</u>		<u>199,650</u>
FUND BALANCE, END OF YEAR		<u>\$ 179,405</u>		<u>\$ 200,184</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 PERMANENT IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Intergovernmental	\$	\$	\$	\$ 108
Interest Income	37	11	(26)	23
Miscellaneous		2,784	2,784	2,455
Total Revenues	<u>37</u>	<u>2,795</u>	<u>2,758</u>	<u>2,586</u>
EXPENDITURES				
Current				
General Government				
Professional Services		100	100	
Excess (Deficiency) of Revenues Over (Under) Expenditures	37	2,695	2,658	2,586
OTHER FINANCING SOURCES (USES)				
Transfers Out				(199,403)
Net Change in Fund Balances	<u>\$ 37</u>	<u>2,695</u>	<u>\$ 2,658</u>	<u>(196,817)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>21,352</u>		<u>218,169</u>
FUND BALANCE, END OF YEAR		<u>\$ 24,047</u>		<u>\$ 21,352</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY REINVESTMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011	
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Interest Income	\$ 500	\$ 34	\$ (466)	\$ 78
Miscellaneous Donations		3,000	3,000	3,000
Total Revenues	<u>500</u>	<u>3,034</u>	<u>2,534</u>	<u>3,078</u>
EXPENDITURES				
Current				
Economic Development				
Other				4,633
Capital Outlay				
Economic Development				560
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,193</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	3,034	2,534	(2,115)
OTHER FINANCING SOURCES (USES)				
Transfers In		80,000	80,000	
Net Change in Fund Balances	<u>\$ 500</u>	83,034	<u>\$ 82,534</u>	(2,115)
FUND BALANCE, BEGINNING OF YEAR		<u>108,992</u>		<u>111,107</u>
FUND BALANCE, END OF YEAR		<u>\$ 192,026</u>		<u>\$ 108,992</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 HIGHWAY 12 BEAUTIFICATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011	
	Final Budget	Actual		Actual	
REVENUES					
Interest Income	\$	\$ 1	\$ 1	\$	4
EXPENDITURES					
Current					
Economic Development					
Miscellaneous					2,650
Net Change in Fund Balances	\$ 0	1	\$ 1		(2,646)
FUND BALANCE, BEGINNING OF YEAR		1,525			4,171
FUND BALANCE, END OF YEAR		\$ 1,526		\$	1,525

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 LAKE RIPLEY IMPROVEMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		Over (Under) Final Budget	2011	
	Final Budget	Actual		Actual	Actual
REVENUES					
Interest Income	\$	\$ 8	\$ 8	\$	26
Miscellaneous Donations		11,000	11,000		1,125
Total Revenues	<u>0</u>	<u>11,008</u>	<u>11,008</u>		<u>1,151</u>
EXPENDITURES					
Current					
Culture and Recreation					
Repairs and Maintenance		12,237	12,237		1,005
Miscellaneous					2,049
Total Expenditures	<u>0</u>	<u>12,237</u>	<u>12,237</u>		<u>3,054</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(1,229)</u>	<u>\$ (1,229)</u>		<u>(1,903)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>20,752</u>			<u>22,655</u>
FUND BALANCE, END OF YEAR		<u>\$ 19,523</u>			<u>\$ 20,752</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 244,555	\$ 1,040,170
Accounts Receivable	10	
Inventories	218,266	200,156
Prepaid Items	3,317	3,198
Total Current Assets	<u>466,148</u>	<u>1,243,524</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	1,247,117	22,606
Other Capital Assets, Net of Depreciation	5,356	26,516
Net OPEB Asset	8,493	10,728
Total Noncurrent Assets	<u>1,260,966</u>	<u>59,850</u>
Total Assets	<u>\$ 1,727,114</u>	<u>\$ 1,303,374</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts and Contracts Payable	\$ 281,056	\$ 31,849
Due to Other Governmental Units	19,539	10,397
Accrued Salaries	8,448	7,475
Total Current Liabilities	<u>309,043</u>	<u>49,721</u>
Noncurrent Liabilities		
Long-Term Debt, Net of Current Portion	<u>11,009</u>	<u>9,691</u>
Total Liabilities	<u>320,052</u>	<u>59,412</u>
Net Position		
Net Investment in Capital Assets	1,252,473	49,122
Unrestricted	<u>154,589</u>	<u>1,194,840</u>
Total Net Position	<u>1,407,062</u>	<u>1,243,962</u>
Total Liabilities and Net Position	<u>\$ 1,727,114</u>	<u>\$ 1,303,374</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011
	Budget	Actual	Actual
OPERATING REVENUES			
Sales	\$ 1,904,500	\$ 2,150,292	\$ 1,943,424
Cost of Goods Sold	(1,508,100)	(1,572,416)	(1,482,464)
Gross Profit on Sales	396,400	577,876	460,960
OPERATING EXPENSES			
Salaries and Benefits	202,131	216,144	212,299
Supplies	7,650	12,423	7,657
Other Services and Charges	135,219	87,457	90,322
Depreciation		3,900	5,827
Total Operating Expenses	345,000	319,924	316,105
Operating Income (Loss)	51,400	257,952	144,855
NONOPERATING REVENUES (EXPENSES)			
Interest Income	7,500	397	1,063
Miscellaneous	100	3,618	705
Loss on Disposal of Asset		(39,867)	
Total Nonoperating Revenues (Expenses)	7,600	(35,852)	1,768
Income (Loss) Before Transfers	59,000	222,100	146,623
TRANSFERS			
Transfers In	40,000		
Transfers Out	(59,000)	(59,000)	(59,000)
Change in Net Position	\$ 40,000	163,100	87,623
NET POSITION, BEGINNING OF YEAR		1,243,962	1,156,339
NET POSITION, END OF YEAR		\$ 1,407,062	\$ 1,243,962

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 2,346,368	\$ 2,290,045
Cash with Fiscal Agent	656,928	640,046
Accounts Receivable	325,613	366,211
Due from Other Governmental Units	8,270	22,567
Prepaid Items	16,410	16,679
Total Current Assets	<u>3,353,589</u>	<u>3,335,548</u>
Noncurrent Assets		
Restricted Assets		
Cash - Sinking Fund Account	540,136	900,253
Capital Assets		
Assets Not Being Depreciated	16,664,037	15,261,071
Other Capital Assets, Net of Depreciation	13,720,696	14,152,686
Deferred Charges	44,444	51,397
Net OPEB Asset	21,232	26,820
Total Noncurrent Assets	<u>30,990,545</u>	<u>30,392,227</u>
Total Assets	<u>\$ 34,344,134</u>	<u>\$ 33,727,775</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities (From Current Assets)		
Accounts and Contracts Payable	\$ 711,970	\$ 733,138
Accrued Salaries	13,799	11,826
Accrued Interest Payable	135,292	132,547
Total Current Liabilities (From Current Assets)	<u>861,061</u>	<u>877,511</u>
Current Liabilities (From Restricted Assets)		
Current Portion of Long-Term Debt	940,923	1,008,475
Noncurrent Liabilities		
Long-Term Debt, Net of Current Portion	19,782,898	19,985,948
Total Liabilities	<u>21,584,882</u>	<u>21,871,934</u>
Net Position		
Net Investment in Capital Assets	10,058,469	9,018,723
Restricted for Debt Service	540,136	900,253
Unrestricted	2,160,647	1,936,865
Total Net Position	<u>12,759,252</u>	<u>11,855,841</u>
Total Liabilities and Net Position	<u>\$ 34,344,134</u>	<u>\$ 33,727,775</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 3,094,148	\$ 3,062,309	\$ 2,848,601
OPERATING EXPENSES			
Salaries and Benefits	412,573	406,749	398,436
Supplies	390,500	323,721	279,786
Other Services and Charges	665,594	574,273	578,144
Depreciation	1,309,231	530,663	533,388
Total Operating Expenses	<u>2,777,898</u>	<u>1,835,406</u>	<u>1,789,754</u>
Operating Income (Loss)	316,250	1,226,903	1,058,847
NONOPERATING REVENUES (EXPENSES)			
Interest Income	27,817	1,507	3,478
Miscellaneous Revenue		38,543	14,723
Interest and Amortization	<u>(416,985)</u>	<u>(408,964)</u>	<u>(354,030)</u>
Total Nonoperating Revenues (Expenses)	<u>(389,168)</u>	<u>(368,914)</u>	<u>(335,829)</u>
Income (Loss) Before Contributions and Transfers	(72,918)	857,989	723,018
CAPITAL CONTRIBUTIONS			
		98,672	83,155
TRANSFERS			
Transfers In	100,000	100,000	200,000
Transfers Out	<u>(153,250)</u>	<u>(153,250)</u>	<u>(153,250)</u>
Change in Net Position	<u>\$ (126,168)</u>	903,411	852,923
NET POSITION, BEGINNING OF YEAR			
		<u>11,855,841</u>	<u>11,002,918</u>
NET POSITION, END OF YEAR			
		<u>\$ 12,759,252</u>	<u>\$ 11,855,841</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 6,172,048	\$ 5,721,391
Cash with Fiscal Agent		50,276
Accounts Receivable (Net)	964,783	1,039,448
Inventories	321,546	281,076
Prepaid Items	21,204	20,273
Total Current Assets	<u>7,479,581</u>	<u>7,112,464</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	486,836	15,466,036
Other Capital Assets, Net of Depreciation	19,213,993	4,464,961
Deferred Charges	242,266	257,158
Net OPEB Asset	42,482	53,662
Total Noncurrent Assets	<u>19,985,577</u>	<u>20,241,817</u>
Total Assets	<u>\$ 27,465,158</u>	<u>\$ 27,354,281</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 550,229	\$ 380,256
Contracts Payable		50,276
Accrued Interest	259,983	266,650
Accrued Salaries	28,636	25,822
Due to Other Governmental Units	22,694	9,376
Current Portion of Long-Term Debt	640,000	625,000
Total Current Liabilities	<u>1,501,542</u>	<u>1,357,380</u>
Noncurrent Liabilities		
Long-term Debt, Net of Current Portion	<u>14,356,511</u>	<u>14,990,646</u>
Total Liabilities	<u>15,858,053</u>	<u>16,348,026</u>
Net Position		
Net Investment in Capital Assets	4,775,829	4,380,997
Unrestricted	6,831,276	6,625,258
Total Net Position	<u>11,607,105</u>	<u>11,006,255</u>
Total Liabilities and Net Position	<u>\$ 27,465,158</u>	<u>\$ 27,354,281</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 ELECTRIC ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 9,668,528	\$ 9,237,837	\$ 9,460,012
Miscellaneous	20,000	39,727	45,386
Total Operating Revenues	<u>9,688,528</u>	<u>9,277,564</u>	<u>9,505,398</u>
OPERATING EXPENSES			
Salaries and Benefits	866,237	855,583	887,760
Purchased Power	5,882,573	5,483,333	5,641,444
Production	123,600	193,950	181,944
Distribution	185,575	276,936	208,870
Administrative and General	341,000	313,342	312,249
Depreciation	1,106,062	485,224	306,660
Total Operating Expenses	<u>8,505,047</u>	<u>7,608,368</u>	<u>7,538,927</u>
Operating Income (Loss)	1,183,481	1,669,196	1,966,471
NONOPERATING REVENUES (EXPENSES)			
Interest Income	54,506	2,686	7,468
Refunds and Reimbursements		22,922	14,584
Miscellaneous Revenue	21,000	51,498	21,526
Interest and Amortization Expense	(632,860)	(641,085)	(656,960)
Loss on Inventory Write Down			(166,214)
Miscellaneous Expense			(32,316)
Total Nonoperating Revenues (Expenses)	<u>(557,354)</u>	<u>(563,979)</u>	<u>(811,912)</u>
Income (Loss) Before Contributions and Transfers	626,127	1,105,217	1,154,559
CAPITAL CONTRIBUTIONS			
		101,111	89,789
TRANSFERS			
Transfers Out	<u>(605,478)</u>	<u>(605,478)</u>	<u>(605,478)</u>
Change in Net Position	<u>\$ 20,649</u>	600,850	638,870
NET POSITION, BEGINNING OF YEAR			
		<u>11,006,255</u>	<u>10,367,385</u>
NET POSITION, END OF YEAR			
		<u>\$ 11,607,105</u>	<u>\$ 11,006,255</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 WATER ENTERPRISE FUND
 DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 1,242,026	\$ 1,192,313
Accounts Receivable (Net)	83,850	81,391
Prepaid Items	3,873	3,624
Total Current Assets	<u>1,329,749</u>	<u>1,277,328</u>
Noncurrent Assets		
Restricted Assets		
Cash - Sinking Fund Account	153,497	153,412
Capital Assets		
Assets Not Being Depreciated	243,493	243,493
Other Capital Assets, Net of Depreciation	5,230,490	5,311,332
Net OPEB Asset	8,332	10,728
Total Noncurrent Assets	<u>5,635,812</u>	<u>5,718,965</u>
Total Assets	<u>\$ 6,965,561</u>	<u>\$ 6,996,293</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 64	\$ 5,368
Accrued Salaries	6,151	5,080
Accrued Interest Payable	24,588	27,870
Deposits Payable	40,775	33,044
Due to Other Governmental Units	4,486	2,775
Current Portion of Long-Term Debt	248,767	240,767
Total Current Liabilities	<u>324,831</u>	<u>314,904</u>
Noncurrent Liabilities		
Long-Term Debt, Net of Current Portion	<u>1,652,136</u>	<u>1,901,818</u>
Total Liabilities	<u>1,976,967</u>	<u>2,216,722</u>
Net Position		
Net Investment in Capital Assets	3,577,149	3,417,224
Restricted for Debt Service	153,497	153,412
Unrestricted	1,257,948	1,208,935
Total Net Position	<u>4,988,594</u>	<u>4,779,571</u>
Total Liabilities and Net Position	<u>\$ 6,965,561</u>	<u>\$ 6,996,293</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012		2011
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for Services	\$ 901,441	\$ 949,020	\$ 852,779
OPERATING EXPENSES			
Salaries and Benefits	168,857	163,961	167,786
Purchased Power	72,000	71,677	67,807
Production	86,100	57,555	36,484
Distribution	169,929	175,348	177,041
Administrative and General	49,000	85,691	61,527
Depreciation	271,953	314,036	314,344
Total Operating Expenses	<u>817,839</u>	<u>868,268</u>	<u>824,989</u>
Operating Income (Loss)	83,602	80,752	27,790
NONOPERATING REVENUES (EXPENSES)			
Interest Income	40,346	629	1,578
Interest Expense	(72,535)	(73,683)	(82,232)
Miscellaneous			(31,211)
Total Nonoperating Revenues (Expenses)	<u>(32,189)</u>	<u>(73,054)</u>	<u>(111,865)</u>
Income (Loss) Before Contributions and Transfers	51,413	7,698	(84,075)
CAPITAL CONTRIBUTIONS		233,194	
TRANSFERS			
Transfers Out	<u>(51,066)</u>	<u>(31,869)</u>	<u>(31,869)</u>
Change in Net Position	<u>\$ 347</u>	209,023	(115,944)
NET POSITION, BEGINNING OF YEAR		<u>4,779,571</u>	<u>4,895,515</u>
NET POSITION, END OF YEAR		<u>\$ 4,988,594</u>	<u>\$ 4,779,571</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 843,490	\$ 771,544
Due from Other Governmental Units	9,536	8,708
Total Current Assets	<u>853,026</u>	<u>780,252</u>
Noncurrent Assets		
Capital Assets		
Other Capital Assets, Net of Depreciation	2,393,133	2,437,313
Deferred Charges	12,854	15,034
Total Noncurrent Assets	<u>2,405,987</u>	<u>2,452,347</u>
Total Assets	<u>\$ 3,259,013</u>	<u>\$ 3,232,599</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 7,121	\$ 13,922
Current Portion of Equipment Capital Notes	155,000	155,000
Total Current Liabilities	<u>162,121</u>	<u>168,922</u>
Noncurrent Liabilities		
Equipment Capital Notes, Net of Current Portion	<u>810,000</u>	<u>965,000</u>
Total Liabilities	972,121	1,133,922
Net Position		
Net Investment in Capital Assets	1,428,133	1,317,313
Unrestricted	858,759	781,364
Total Net Position	<u>2,286,892</u>	<u>2,098,677</u>
Total Liabilities and Net Position	<u>\$ 3,259,013</u>	<u>\$ 3,232,599</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
User Charges	\$ 317,357	\$ 309,975
OPERATING EXPENSES		
Depreciation	452,828	487,103
Miscellaneous	94,674	142,684
Total Operating Expenses	<u>547,502</u>	<u>629,787</u>
Operating Income (Loss)	(230,145)	(319,812)
NONOPERATING REVENUES (EXPENSES)		
Taxes	138,258	123,134
Intergovernmental	40,000	44,074
Interest Income	357	782
Gain on Disposal of Asset	29,466	
Interest and Amortization	(39,934)	(42,861)
Miscellaneous	(450)	(2,753)
Total Nonoperating Revenues (Expenses)	<u>167,697</u>	<u>122,376</u>
Income (Loss) Before Transfers	(62,448)	(197,436)
TRANSFERS		
Transfers In	250,663	197,446
Change in Net Position	<u>188,215</u>	<u>10</u>
NET POSITION, BEGINNING OF YEAR	<u>2,098,677</u>	<u>2,098,667</u>
NET POSITION, END OF YEAR	<u>\$ 2,286,892</u>	<u>\$ 2,098,677</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2012

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2011

	Library Trust	Anderson Gardens Trust	Totals	
			2012	2011
ASSETS				
Current Assets				
Cash	\$ 31,850	\$ 192,033	\$ 223,883	\$ 222,595
Accounts Receivable	79		79	141
Total Current Assets	<u>\$ 31,929</u>	<u>\$ 192,033</u>	<u>\$ 223,962</u>	<u>\$ 222,736</u>
NET POSITION				
Restricted	<u>\$ 31,929</u>	<u>\$ 192,033</u>	<u>\$ 223,962</u>	<u>\$ 222,736</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Library Trust	Anderson Gardens Trust	Totals	
			2012	2011
ADDITIONS				
Interest	\$ 15	\$ 92	\$ 107	\$ 259
Donations	1,141		1,141	6,396
Total Additions	1,156	92	1,248	6,655
DEDUCTIONS				
Repairs and Maintenance	22		22	34
Change in Net Position	1,134	92	1,226	6,621
NET POSITION, BEGINNING OF YEAR	<u>30,795</u>	<u>191,941</u>	<u>222,736</u>	<u>216,115</u>
NET POSITION, END OF YEAR	<u>\$ 31,929</u>	<u>\$ 192,033</u>	<u>\$ 223,962</u>	<u>\$ 222,736</u>

FINANCIAL SCHEDULES

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 PLEASANTVIEW ESTATES OUTFALL
 TAX INCREMENT FINANCING DISTRICT NO. 1-2
 DECEMBER 31, 2012

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax Increment Revenue	\$ 228,750	\$ 140,000	\$ 1,178,273	\$	\$ 1,178,273
Interest on Invested Funds		5,000	33,683	67	33,750
Loan Proceeds (Inter-Fund)	35,000	83,000	52,885		52,885
Intergovernmental			147,638		147,638
Transfers In		30,000	50,739		50,739
Total Sources of Funds	<u>263,750</u>	<u>258,000</u>	<u>1,463,218</u>	<u>67</u>	<u>1,463,285</u>
USES OF FUNDS					
Installation of Public Utilities	25,000	31,360	31,360		31,360
Streets and Sidewalks			725,269	60,579	785,848
Loan Principal Payments	35,000	83,000	52,885		52,885
Loan/Note Interest	16,192	22,000	21,883		21,883
Administrative	22,875	14,500	35,145	11,114	46,259
Transfer Out			340,096		340,096
Other Public Area Improvements	164,683	107,140	92,865		92,865
Total Uses of Funds	<u>263,750</u>	<u>258,000</u>	<u>1,299,503</u>	<u>71,693</u>	<u>1,371,196</u>
FUNDS REMAINING	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 163,715</u>	<u>\$ (71,626)</u>	<u>\$ 92,089</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 LONGFELLOW SQUARE
 TAX INCREMENT FINANCING DISTRICT NO. 3-1
 DECEMBER 31, 2012

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax Increment Revenue	\$ 175,000	\$ 450,000	\$ 317,202	\$	\$ 317,202
Interest on Invested Funds		50,000	30,814	7	30,821
Real Estate Sales		90,000	6,240		6,240
Intergovernmental			20,669		20,669
Interest on Contract for Deed		14,200	14,197		14,197
Total Sources of Funds	<u>175,000</u>	<u>604,200</u>	<u>389,122</u>	<u>7</u>	<u>389,129</u>
USES OF FUNDS					
Land/Building Acquisition		91,000	90,000		90,000
Site Improvements or Preparation	24,750	24,750	21,590		21,590
Installation of Public Utilities		30,000	29,309		29,309
Streets and Sidewalks			71,505		71,505
Loan Principal Payments			6,240		6,240
Loan Interest			3,659		3,659
Administrative	17,500	45,000	20,278		20,278
Other Public Area Improvements		383,450	35,864		35,864
Transfer to Other Funds		30,000	95,467		95,467
Total Uses of Funds	<u>42,250</u>	<u>604,200</u>	<u>373,912</u>	<u>0</u>	<u>373,912</u>
FUNDS REMAINING	<u>\$ 132,750</u>	<u>\$ 0</u>	<u>\$ 15,210</u>	<u>\$ 7</u>	<u>\$ 15,217</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 HOUSING - TERRACEVIEW DRIVE
 TAX INCREMENT FINANCING DISTRICT NO. 4-4
 DECEMBER 31, 2012

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax Increment Revenue	\$ 543,300	\$ 126,822	\$ 9,600	\$ 136,422
Interest Income		51		51
Local Contribution		10,632		10,632
Total Sources of Funds	<u>543,300</u>	<u>137,505</u>	<u>9,600</u>	<u>147,105</u>
USES OF FUNDS				
Land/Building Acquisition	16,900			
Site Improvement or Preparation Costs	108,100	120,184	8,641	128,825
Loan Interest		5,352	136	5,488
Administrative	14,000	15,812	97	15,909
Total Uses of Funds	<u>139,000</u>	<u>141,348</u>	<u>8,874</u>	<u>150,222</u>
FUNDS REMAINING	<u>\$ 404,300</u>	<u>\$ (3,843)</u>	<u>\$ 726</u>	<u>\$ (3,117)</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
TOWMASTER
TAX INCREMENT FINANCING DISTRICT NO. 4-12
DECEMBER 31, 2012

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax Increment Revenue	\$ 820,000	\$ 131,289	\$ 35,523	\$ 166,812
Bond Proceeds	820,000			
Loan Proceeds (Inter-Fund)	820,000			
Interest on Invested Funds	10,000	438		438
Transfer In	820,000			
Total Sources of Funds	<u>3,290,000</u>	<u>131,727</u>	<u>35,523</u>	<u>167,250</u>
USES OF FUNDS				
Site Improvement or Preparation Costs	350,000	117,033	31,971	149,004
Installation of Public Utilities	150,000			
Streets and Sidewalks	50,000			
Bond Principal	820,000			
Loan Principal	820,000			
Loan/Note Interest	198,000	1,128		1,128
Transfer Out	820,000			
Administrative	82,000	1,749	341	2,090
Total Uses of Funds	<u>3,290,000</u>	<u>119,910</u>	<u>32,312</u>	<u>152,222</u>
FUNDS REMAINING	<u>\$ 0</u>	<u>\$ 11,817</u>	<u>\$ 3,211</u>	<u>\$ 15,028</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. BONDS, SERIES 2007A
DECEMBER 31, 2012

General Obligation Bonds, Series 2007A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	3.70%	\$ 35,000	\$ 9,195	\$ 44,195
8/1/2013			8,548	8,548
2/1/2014	3.70%	35,000	8,548	43,548
8/1/2014			7,900	7,900
2/1/2015	3.70%	40,000	7,900	47,900
8/1/2015			7,160	7,160
2/1/2016	3.85%	40,000	7,160	47,160
8/1/2016			6,390	6,390
2/1/2017	3.85%	40,000	6,390	46,390
8/1/2017			5,620	5,620
2/1/2018	3.85%	40,000	5,620	45,620
8/1/2018			4,850	4,850
2/1/2019	4.20%	20,000	4,850	24,850
8/1/2019			4,430	4,430
2/1/2020	4.20%	20,000	4,430	24,430
8/1/2020			4,010	4,010
2/1/2021	4.20%	20,000	4,010	24,010
8/1/2021			3,590	3,590
2/1/2022	4.20%	20,000	3,590	23,590
8/1/2022			3,170	3,170
2/1/2023	4.20%	20,000	3,170	23,170
8/1/2023			2,750	2,750
2/1/2024	4.40%	25,000	2,750	27,750
8/1/2024			2,200	2,200
2/1/2025	4.40%	25,000	2,200	27,200
8/1/2025			1,650	1,650
2/1/2026	4.40%	25,000	1,650	26,650
8/1/2026			1,100	1,100
2/1/2027	4.40%	25,000	1,100	26,100
8/1/2027			550	550
2/1/2028	4.40%	25,000	550	25,550
TOTALS		<u>\$ 455,000</u>	<u>\$ 137,031</u>	<u>\$ 592,031</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. CIP BONDS, SERIES 2011B
DECEMBER 31, 2012

General Obligation CIP Bonds, Series 2011B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	2.00%	\$ 120,000	\$ 54,344	\$ 174,344
8/1/2013			53,144	53,144
2/1/2014	2.00%	120,000	53,144	173,144
8/1/2014			51,944	51,944
2/1/2015	2.00%	120,000	51,944	171,944
8/1/2015			50,744	50,744
2/1/2016	2.00%	125,000	50,744	175,744
8/1/2016			49,494	49,494
2/1/2017	2.00%	130,000	49,494	179,494
8/1/2017			48,194	48,194
2/1/2018	2.50%	130,000	48,194	178,194
8/1/2018			46,569	46,569
2/1/2019	3.00%	135,000	46,569	181,569
8/1/2019			44,544	44,544
2/1/2020	3.00%	140,000	44,544	184,544
8/1/2020			42,444	42,444
2/1/2021	3.00%	150,000	42,444	192,444
8/1/2021			40,194	40,194
2/1/2022	3.00%	155,000	40,194	195,194
8/1/2022			37,869	37,869
2/1/2023	3.125%	160,000	37,869	197,869
8/1/2023			35,369	35,369
2/1/2024	3.125%	165,000	35,369	200,369
8/1/2024			32,791	32,791
2/1/2025	4.00%	175,000	32,790	207,790
8/1/2025			29,290	29,290
2/1/2026	4.00%	180,000	29,290	209,290
8/1/2026			25,690	25,690
2/1/2027	4.00%	190,000	25,690	215,690
8/1/2027			21,890	21,890
2/1/2028	4.00%	195,000	21,890	216,890
8/1/2028			17,990	17,990
2/1/2029	4.00%	205,000	17,990	222,990
8/1/2029			13,890	13,890
2/1/2030	4.00%	215,000	13,890	228,890
8/1/2030			9,591	9,591
2/1/2031	4.125%	225,000	9,591	234,591
8/1/2031			4,950	4,950
2/1/2032	4.125%	240,000	4,950	244,950
TOTALS		<u>\$ 3,275,000</u>	<u>\$ 1,367,525</u>	<u>\$ 4,642,525</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2006A
 DECEMBER 31, 2012

G.O. Improvement Bonds, Series 2006A

Payable: Wells Fargo Bank Minnesota, N.A.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	3.70%	\$ 35,000	\$ 8,266	\$ 43,266
8/1/2013			7,619	7,619
2/1/2014	3.85%	35,000	7,619	42,619
8/1/2014			6,945	6,945
2/1/2015	3.85%	40,000	6,945	46,945
8/1/2015			6,175	6,175
2/1/2016	3.85%	40,000	6,175	46,175
8/1/2016			5,405	5,405
2/1/2017	4.00%	40,000	5,405	45,405
8/1/2017			4,605	4,605
2/1/2018	4.00%	40,000	4,605	44,605
8/1/2018			3,805	3,805
2/1/2019	4.00%	45,000	3,805	48,805
8/1/2019			2,905	2,905
2/1/2020	4.15%	45,000	2,905	47,905
8/1/2020			1,971	1,971
2/1/2021	4.15%	45,000	1,971	46,971
8/1/2021			1,038	1,038
2/1/2022	4.15%	50,000	1,038	51,038
TOTALS		<u>\$ 415,000</u>	<u>\$ 89,202</u>	<u>\$ 504,202</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REFUNDING IMPROVEMENT BONDS, SERIES 2009B
 DECEMBER 31, 2012

General Obligation Refunding Improvement Bonds, Series 2009B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	2.50%	\$ 110,000	\$ 3,550	\$ 113,550
8/1/2013			2,175	2,175
2/1/2014	2.50%	40,000	2,175	42,175
8/1/2014			1,675	1,675
2/1/2015	3.00%	35,000	1,675	36,675
8/1/2015			1,150	1,150
2/1/2016	3.00%	20,000	1,150	21,150
8/1/2016			850	850
2/1/2017	3.50%	20,000	850	20,850
8/1/2017			500	500
2/1/2018	4.00%	25,000	500	25,500
TOTALS		<u>\$ 250,000</u>	<u>\$ 16,250</u>	<u>\$ 266,250</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT AND REFUNDING BONDS, SERIES 2011C
 DECEMBER 31, 2012

General Obligation Improvement and Refunding Bonds, Series 2011C

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	1.00%	\$ 65,000	\$ 10,757	\$ 75,757
8/1/2013			10,432	10,432
2/1/2014	1.00%	65,000	10,432	75,432
8/1/2014			10,108	10,108
2/1/2015	1.50%	65,000	10,108	75,108
8/1/2015			9,620	9,620
2/1/2016	1.50%	70,000	9,620	79,620
8/1/2016			9,095	9,095
2/1/2017	2.00%	75,000	9,095	84,095
8/1/2017			8,345	8,345
2/1/2018	2.00%	75,000	8,345	83,345
8/1/2018			7,595	7,595
2/1/2019	2.60%	80,000	7,595	87,595
8/1/2019			6,555	6,555
2/1/2020	2.60%	80,000	6,555	86,555
8/1/2020			5,515	5,515
2/1/2021	3.20%	40,000	5,515	45,515
8/1/2021			4,875	4,875
2/1/2022	3.20%	40,000	4,875	44,875
8/1/2022			4,235	4,235
2/1/2023	3.20%	45,000	4,235	49,235
8/1/2023			3,515	3,515
2/1/2024	3.70%	45,000	3,515	48,515
8/1/2024			2,683	2,683
2/1/2025	3.70%	45,000	2,683	47,683
8/1/2025			1,850	1,850
2/1/2026	3.70%	50,000	1,850	51,850
8/1/2026			925	925
2/1/2027	3.70%	50,000	925	50,925
TOTALS		<u>\$ 890,000</u>	<u>\$ 181,453</u>	<u>\$ 1,071,453</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2005A
DECEMBER 31, 2012

Public Project Lease Revenue Bonds, Series 2005A

Payable to: U.S. Bank N.A.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	4.00%	\$ 65,000	\$ 28,070	\$ 93,070
8/1/2013			26,770	26,770
2/1/2014	4.00%	70,000	26,770	96,770
8/1/2014			25,370	25,370
2/1/2015	4.00%	75,000	25,370	100,370
8/1/2015			23,870	23,870
2/1/2016	4.20%	75,000	23,870	98,870
8/1/2016			22,295	22,295
2/1/2017	4.20%	80,000	22,295	102,295
8/1/2017			20,615	20,615
2/1/2018	4.40%	80,000	20,615	100,615
8/1/2018			18,855	18,855
2/1/2019	4.40%	85,000	18,855	103,855
8/1/2019			16,985	16,985
2/1/2020	4.50%	90,000	16,985	106,985
8/1/2020			14,960	14,960
2/1/2021	4.50%	95,000	14,960	109,960
8/1/2021			12,823	12,823
2/1/2022	4.60%	100,000	12,823	112,823
8/1/2022			10,522	10,522
2/1/2023	4.60%	105,000	10,522	115,522
8/1/2023			8,108	8,108
2/1/2024	4.70%	110,000	8,108	118,108
8/1/2024			5,522	5,522
2/1/2025	4.70%	115,000	5,522	120,522
8/1/2025			2,820	2,820
2/1/2026	4.70%	120,000	2,820	122,820
TOTALS		<u>\$ 1,265,000</u>	<u>\$ 447,100</u>	<u>\$ 1,712,100</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2007B
DECEMBER 31, 2012

Public Project Lease Revenue Bonds, Series 2007B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	4.50%	\$ 20,000	\$ 12,475	\$ 32,475
8/1/2013			12,025	12,025
2/1/2014	4.75%	25,000	12,025	37,025
8/1/2014			11,431	11,431
2/1/2015	4.75%	25,000	11,431	36,431
8/1/2015			10,837	10,837
2/1/2016	4.75%	25,000	10,837	35,837
8/1/2016			10,244	10,244
2/1/2017	4.75%	25,000	10,244	35,244
8/1/2017			9,650	9,650
2/1/2018	4.90%	25,000	9,650	34,650
8/1/2018			9,038	9,038
2/1/2019	4.90%	30,000	9,038	39,038
8/1/2019			8,303	8,303
2/1/2020	4.90%	30,000	8,303	38,303
8/1/2020			7,567	7,567
2/1/2021	4.90%	30,000	7,567	37,567
8/1/2021			6,832	6,832
2/1/2022	5.00%	35,000	6,832	41,832
8/1/2022			5,957	5,957
2/1/2023	5.00%	35,000	5,957	40,957
8/1/2023			5,083	5,083
2/1/2024	5.00%	35,000	5,083	40,083
8/1/2024			4,207	4,207
2/1/2025	5.10%	40,000	4,207	44,207
8/1/2025			3,188	3,188
2/1/2026	5.10%	40,000	3,188	43,188
8/1/2026			2,167	2,167
2/1/2027	5.10%	40,000	2,167	42,167
8/1/2027			1,148	1,148
2/1/2028	5.10%	45,000	1,148	46,148
TOTALS		<u>\$ 505,000</u>	<u>\$ 227,829</u>	<u>\$ 732,829</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. HOUSING DEVELOPMENT BONDS, SERIES 2011A
 DECEMBER 31, 2012

General Obligation Housing Development Bonds, Series 2011A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	2.00%	\$ 245,000	\$ 35,139	\$ 280,139
8/1/2013			32,689	32,689
2/1/2014	2.00%	245,000	32,689	277,689
8/1/2014			30,239	30,239
2/1/2015	2.00%	250,000	30,239	280,239
8/1/2015			27,739	27,739
2/1/2016	2.00%	260,000	27,739	287,739
8/1/2016			25,139	25,139
2/1/2017	2.25%	265,000	25,139	290,139
8/1/2017			22,157	22,157
2/1/2018	2.50%	280,000	22,157	302,157
8/1/2018			18,657	18,657
2/1/2019	2.75%	290,000	18,657	308,657
8/1/2019			14,670	14,670
2/1/2020	3.00%	290,000	14,670	304,670
8/1/2020			10,320	10,320
2/1/2021	3.20%	305,000	10,320	315,320
8/1/2021			5,440	5,440
2/1/2022	3.40%	320,000	5,440	325,440
TOTALS		<u>\$ 2,750,000</u>	<u>\$ 409,239</u>	<u>\$ 3,159,239</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. SEWER SYSTEM BONDS, SERIES 2011D
DECEMBER 31, 2012

General Obligation Sewer System Bonds, Series 2011D

Payable to: Bond Trust Services Corporation

Due Date	Interest Rate	Principal	Interest	Total
2/1/2013	1.00%	\$ 40,000	\$ 23,265	\$ 63,265
8/1/2013			23,065	23,065
2/1/2014	1.00%	60,000	23,065	83,065
8/1/2014			22,765	22,765
2/1/2015	1.40%	65,000	22,765	87,765
8/1/2015			22,310	22,310
2/1/2016	1.40%	65,000	22,310	87,310
8/1/2016			21,855	21,855
2/1/2017	2.00%	65,000	21,855	86,855
8/1/2017			21,205	21,205
2/1/2018	2.00%	65,000	21,205	86,205
8/1/2018			20,555	20,555
2/1/2019	2.40%	70,000	20,555	90,555
8/1/2019			19,715	19,715
2/1/2020	2.40%	70,000	19,715	89,715
8/1/2020			18,875	18,875
2/1/2021	2.80%	70,000	18,875	88,875
8/1/2021			17,895	17,895
2/1/2022	2.80%	75,000	17,895	92,895
8/1/2022			16,845	16,845
2/1/2023	3.10%	75,000	16,845	91,845
8/1/2023			15,683	15,683
2/1/2024	3.10%	80,000	15,683	95,683
8/1/2024			14,442	14,442
2/1/2025	3.40%	80,000	14,442	94,442
8/1/2025			13,083	13,083
2/1/2026	3.40%	85,000	13,083	98,083
8/1/2026			11,637	11,637
2/1/2027	3.70%	90,000	11,637	101,637
8/1/2027			9,973	9,973
2/1/2028	3.70%	90,000	9,973	99,973
8/1/2028			8,307	8,307
2/1/2029	4.00%	95,000	8,307	103,307
8/1/2029			6,408	6,408
2/1/2030	4.00%	100,000	6,408	106,408
8/1/2030			4,407	4,407
2/1/2031	4.10%	105,000	4,407	109,407
8/1/2031			2,255	2,255
2/1/2032	4.10%	110,000	2,255	112,255
TOTALS		<u>\$ 1,555,000</u>	<u>\$ 605,825</u>	<u>\$ 2,160,825</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 1999
DECEMBER 31, 2012

MPFA Drinking Water Revolving Loan of 1999

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2013	3.54%	\$	\$ 32,267	\$ 32,267
8/20/2013		234,000	32,267	266,267
2/20/2014	3.54%		28,125	28,125
8/20/2014		242,000	28,125	270,125
2/20/2015	3.54%		23,843	23,843
8/20/2015		251,000	23,843	274,843
2/20/2016	3.54%		19,399	19,399
8/20/2016		260,000	19,399	279,399
2/20/2017	3.54%		14,797	14,797
8/20/2017		269,000	14,797	283,797
2/20/2018	3.54%		10,036	10,036
8/20/2018		279,000	10,036	289,036
2/20/2019	3.54%		5,098	5,098
8/20/2019		288,000	5,098	293,098
TOTALS		<u>\$ 1,823,000</u>	<u>\$ 267,130</u>	<u>\$ 2,090,130</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 2001
DECEMBER 31, 2012

MPFA Wastewater Revolving Loan of 2001

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2013	2.68%	\$	\$ 84,608	\$ 84,608
8/20/2013		559,000	84,608	643,608
2/20/2014	2.68%		77,117	77,117
8/20/2014		574,000	77,117	651,117
2/20/2015	2.68%		69,425	69,425
8/20/2015		589,000	69,425	658,425
2/20/2016	2.68%		61,533	61,533
8/20/2016		605,000	61,533	666,533
2/20/2017	2.68%		53,426	53,426
8/20/2017		621,000	53,426	674,426
2/20/2018	2.68%		45,104	45,104
8/20/2018		638,000	45,104	683,104
2/20/2019	2.68%		36,555	36,555
8/20/2019		655,000	36,555	691,555
2/20/2020	2.68%		27,778	27,778
8/20/2020		673,000	27,778	700,778
2/20/2021	2.68%		18,760	18,760
8/20/2021		691,000	18,760	709,760
2/20/2022	2.68%		9,501	9,501
8/20/2022		709,000	9,501	718,501
TOTALS		<u>\$ 6,314,000</u>	<u>\$ 967,614</u>	<u>\$ 7,281,614</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE NOTE - WASTEWATER INFRASTRUCTURE FUNDING
DECEMBER 31, 2012

G.O. Revenue Note - WIF

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2030	0.00%	\$ 235,000	\$	\$ 235,000
8/20/2030	0.00%	235,000		235,000
2/20/2031	0.00%	235,000		235,000
8/20/2031	0.00%	235,000		235,000
2/20/2032	0.00%	235,000		235,000
8/20/2032	0.00%	235,000		235,000
2/20/2033	0.00%	235,000		235,000
8/20/2033	0.00%	235,000		235,000
2/20/2034	0.00%	235,000		235,000
8/20/2034	0.00%	235,000		235,000
2/20/2035	0.00%	235,000		235,000
8/20/2035	0.00%	235,000		235,000
2/20/2036	0.00%	235,000		235,000
8/20/2036	0.00%	235,000		235,000
2/20/2037	0.00%	235,000		235,000
8/20/2037	0.00%	235,000		235,000
2/20/2038	0.00%	235,000		235,000
8/20/2038	0.00%	235,000		235,000
2/20/2039	0.00%	235,000		235,000
8/20/2039	0.00%	235,000		235,000
2/20/2040	0.00%	235,000		235,000
8/20/2040	0.00%	235,000		235,000
2/20/2041	0.00%	235,000		235,000
8/20/2041	0.00%	235,000		235,000
2/20/2042	0.00%	235,000		235,000
8/20/2042	0.00%	125,000		125,000
TOTALS		<u>\$ 6,000,000</u>	<u>\$ 0</u>	<u>\$ 6,000,000</u>

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC UTILITY REVENUE BONDS, SERIES 2008A
DECEMBER 31, 2012

Electric Utility Revenue Bonds, Series 2008A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	3.50%	\$ 360,000	\$ 181,623	\$ 541,623
8/1/2013			175,322	175,322
2/1/2014	3.50%	375,000	175,322	550,322
8/1/2014			168,760	168,760
2/1/2015	3.50%	390,000	168,760	558,760
8/1/2015			161,935	161,935
2/1/2016	3.50%	410,000	161,935	571,935
8/1/2016			154,760	154,760
2/1/2017	4.00%	425,000	154,760	579,760
8/1/2017			146,260	146,260
2/1/2018	4.00%	445,000	146,260	591,260
8/1/2018			137,360	137,360
2/1/2019	4.00%	465,000	137,360	602,360
8/1/2019			128,060	128,060
2/1/2020	4.00%	490,000	128,060	618,060
8/1/2020			118,260	118,260
2/1/2021	4.00%	510,000	118,260	628,260
8/1/2021			108,060	108,060
2/1/2022	4.05%	535,000	108,060	643,060
8/1/2022			97,227	97,227
2/1/2023	4.10%	560,000	97,227	657,227
8/1/2023			85,746	85,746
2/1/2024	4.15%	590,000	85,746	675,746
8/1/2024			73,504	73,504
2/1/2025	4.20%	620,000	73,504	693,504
8/1/2025			60,484	60,484
2/1/2026	4.25%	650,000	60,484	710,484
8/1/2026			46,671	46,671
2/1/2027	4.30%	680,000	46,671	726,671
8/1/2027			32,051	32,051
2/1/2028	4.35%	715,000	32,051	747,051
8/1/2028			16,500	16,500
2/1/2029	4.40%	750,000	16,500	766,500
TOTALS		<u>\$ 8,970,000</u>	<u>\$ 3,603,543</u>	<u>\$ 12,573,543</u>

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC REVENUE BONDS, SERIES 2009C
DECEMBER 31, 2012

Electric Utility Revenue Bonds, Series 2009C

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	3.00%	\$ 280,000	\$ 130,357	\$ 410,357
8/1/2013			126,158	126,158
2/1/2014	3.50%	285,000	126,158	411,158
8/1/2014			121,170	121,170
2/1/2015	3.75%	290,000	121,170	411,170
8/1/2015			115,733	115,733
2/1/2016	3.75%	295,000	115,733	410,733
8/1/2016			110,201	110,201
2/1/2017	4.00%	305,000	110,201	415,201
8/1/2017			104,101	104,101
2/1/2018	4.00%	315,000	104,101	419,101
8/1/2018			97,801	97,801
2/1/2019	4.25%	325,000	97,801	422,801
8/1/2019			90,895	90,895
2/1/2020	4.15%	335,000	90,895	425,895
8/1/2020			83,944	83,944
2/1/2021	4.25%	345,000	83,944	428,944
8/1/2021			76,612	76,612
2/1/2022	4.30%	350,000	76,612	426,612
8/1/2022			69,087	69,087
2/1/2023	4.50%	365,000	69,087	434,087
8/1/2023			60,875	60,875
2/1/2024	4.60%	375,000	60,875	435,875
8/1/2024			52,250	52,250
2/1/2025	5.00%	385,000	52,250	437,250
8/1/2025			42,625	42,625
2/1/2026	5.00%	400,000	42,625	442,625
8/1/2026			32,625	32,625
2/1/2027	5.00%	420,000	32,625	452,625
8/1/2027			22,125	22,125
2/1/2028	5.00%	435,000	22,125	457,125
8/1/2028			11,250	11,250
2/1/2029	5.00%	450,000	11,250	461,250
TOTALS		<u>\$ 5,955,000</u>	<u>\$ 2,565,261</u>	<u>\$ 8,520,261</u>

CITY OF LITCHFIELD, MINNESOTA

ASSESSMENT PAYABLE
DECEMBER 31, 2012

Assessment Payable

Payable to: City of Litchfield, Water Fund

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	5.00%	\$ 14,767	\$ 3,692	\$ 18,459
2014	5.00%	14,767	2,953	17,720
2015	5.00%	14,767	2,215	16,982
2016	5.00%	14,767	1,477	16,244
2017	5.00%	14,766	738	15,504
TOTALS		<u>\$ 73,834</u>	<u>\$ 11,075</u>	<u>\$ 84,909</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS - 2006
 DECEMBER 31, 2012

Certificate of Indebtedness - 2006

Payable to: Home State Bank

Due Date	Interest Rate	Principal	Interest	Total
2/6/2013	3.90%	\$ 18,000	\$	\$ 18,000
3/1/2013			1,346	1,346
9/1/2013			1,062	1,062
2/6/2014	3.90%	18,000		18,000
3/1/2014			1,000	1,000
9/1/2014			708	708
2/6/2015	3.90%	18,000		18,000
3/1/2015			652	652
9/1/2015			354	354
2/6/2016	3.90%	18,000	304	18,304
TOTALS		<u>\$ 72,000</u>	<u>\$ 5,426</u>	<u>\$ 77,426</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS - 2007
 DECEMBER 31, 2012

Certificate of Indebtedness - 2007

Payable to: Center National Bank

Due Date	Interest Rate	Principal	Interest	Total
2/28/2013	4.10%	\$ 57,000	\$ 5,930	\$ 62,930
8/28/2013			4,659	4,659
2/28/2014	4.10%	57,000	4,736	61,736
8/28/2014			3,484	3,484
2/28/2015	4.10%	57,000	3,541	60,541
8/28/2015			2,309	2,309
2/28/2016	4.10%	57,000	2,347	59,347
8/28/2016			1,140	1,140
2/28/2017	4.10%	55,000	1,153	56,153
TOTALS		<u>\$ 283,000</u>	<u>\$ 29,299</u>	<u>\$ 312,299</u>

CITY OF LITCHFIELD, MINNESOTA

CERTIFICATES OF INDEBTEDNESS - 2009
DECEMBER 31, 2012

G.O. Equipment Certificates, Series 2009A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2013	2.50%	\$ 60,000	\$ 7,637	\$ 67,637
8/1/2013			6,887	6,887
2/1/2014	2.50%	65,000	6,887	71,887
8/1/2014			6,075	6,075
2/1/2015	3.00%	65,000	6,075	71,075
8/1/2015			5,100	5,100
2/1/2016	3.00%	65,000	5,100	70,100
8/1/2016			4,125	4,125
2/1/2017	3.50%	70,000	4,125	74,125
8/1/2017			2,900	2,900
2/1/2018	4.00%	70,000	2,900	72,900
8/1/2018			1,500	1,500
2/1/2019	4.00%	75,000	1,500	76,500
TOTALS		<u>\$ 470,000</u>	<u>\$ 60,811</u>	<u>\$ 530,811</u>

REQUIRED REPORTS

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CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2012

Federal Grantor\ Pass Through Grantor\ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
Department of Transportation			
Minnesota Department of Transportation			
Airport Improvement Program	20.106	N/A	\$ 374,078
Environmental Protection Agency			
Minnesota Public Facilities Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	<u>739,151</u>
Total Federal Awards			<u><u>\$ 1,113,229</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the federal awards programs expended by the City of Litchfield. The City's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal grant activity of the City of Litchfield, Minnesota under programs of the federal government for the year ended December 31, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on both the modified and full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

NOTE 4. SUBRECIPIENTS

During the year ended December 31, 2012, the City did not pass any federal money to subrecipients.

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2012, and have issued our report thereon dated May 20, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions, promulgated by the State Auditor 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 Political Subdivisions covers seven 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 Litchfield, Minnesota, complied with the material terms and conditions of applicable legal provisions.

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

Conway, Deuth & Schmiessing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

May 20, 2013

Table with 5 columns: Willmar Office, Benson Office, Morris Office, Litchfield Office, St. Cloud Office. Each column lists address, phone, and toll-free numbers.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2007-01 that we consider to be a significant deficiency.

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

Table with 5 columns: Willmar Office, Benson Office, Morris Office, Litchfield Office, St. Cloud Office. Each column contains address, phone, and toll-free information. Includes website www.cdscpa.com.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

May 20, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Litchfield, Minnesota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Litchfield, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

May 20, 2013

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Finding 2007-01
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.:	20.106
Name of Federal Program or Cluster:	Airport Improvement Program
Dollar threshold used to distinguish between Types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2007-01 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

MANAGEMENT'S RESPONSE

The City is aware of this; however, due to significant cost and a limited number of employees, it is in the City's best financial interest to contract for the preparation of the financial statements.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None