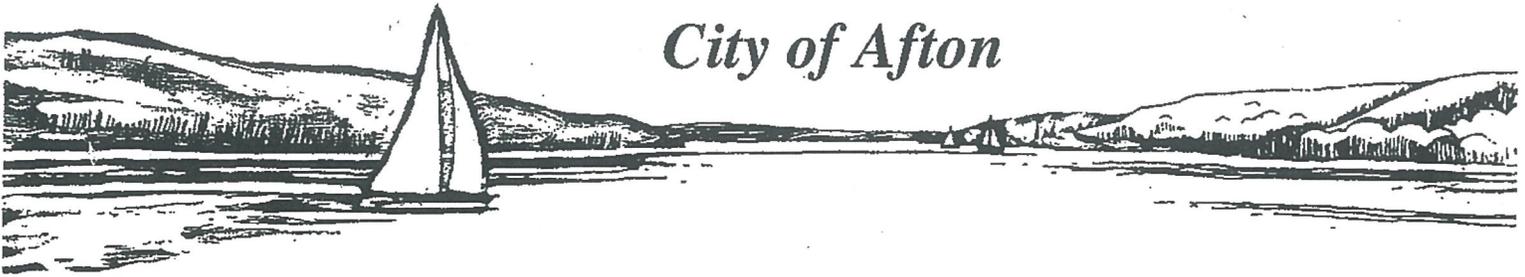


City of Afton



**AUDITED FINANCIAL STATEMENTS
AND FINANCIAL INFORMATION
DECEMBER 31, 2013**

CITY OF AFTON

**MICHAEL W. POFAHL
CERTIFIED PUBLIC ACCOUNTANT**

CITY OF AFTON

AUDITED FINANCIAL STATEMENTS

**OTHER FINANCIAL STATEMENTS
SCHEDULES AND INFORMATION**

December 31, 2013

INTRODUCTORY SECTION

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**City of Afton
Washington County, Minnesota**

**Organization
December 31, 2013**

<u>Elected:</u>		<u>Term Expires</u>
Mayor	Pat Snyder (resigned 12/5/13)	December 31, 2014
Council Members	Bill Palmquist Ward 1	December 31, 2016
	Joe Richter Ward 2	December 31, 2014
	Peg Nolz Ward 3	December 31, 2014
	Randy Nelson Ward 4	December 31, 2016

Appointed:

City Administrator	Ron Moore
Deputy Clerk	Kim Swanson Linner

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Afton
Afton, Minnesota 55001

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Afton, Minnesota as of and for the year ended December 31, 2013, 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that I 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Afton, Minnesota, as of December 31, 2013 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv-xii and 7-15 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

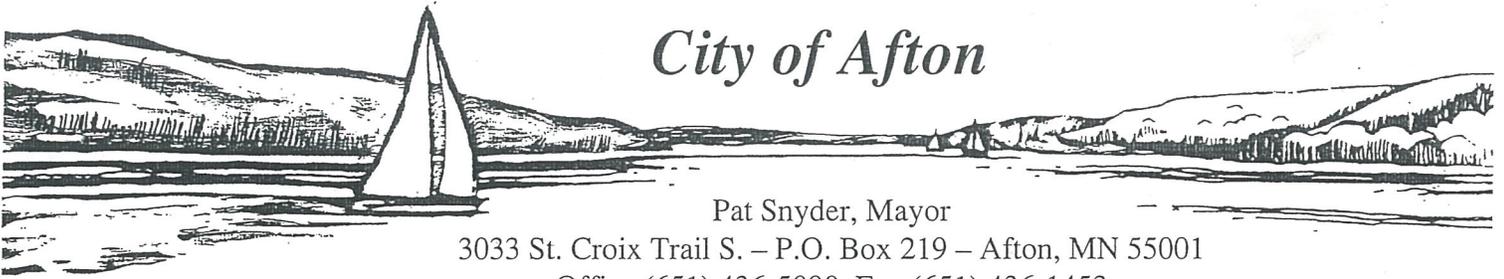
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Afton, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Michael W. Pofahl
Certified Public Accountant
Chisago City, MN 55013
May 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Afton

Pat Snyder, Mayor

3033 St. Croix Trail S. – P.O. Box 219 – Afton, MN 55001

Office (651) 436-5090 Fax (651) 436-1453

www.ci.afton.mn.us

Bill Palmquist - Ward 1

Joe Richter - Ward 2

Peg Nolz - Ward 3

Randy Nelson - Ward 4

Management's Discussion and Analysis

As management of the City of Afton, this section of the City's annual financial report presents a discussion and analysis of the City's activities during the fiscal year ended December 31, 2013.

Financial Highlights

- During 2013, the City received DNR Flood Hazard Mitigation Grant monies of \$756,544 in partial reimbursement for the \$935,490 expended by the City primarily for land acquisitions during 2013.
- The assets of the City exceeded liabilities by \$3,516,404. Of this amount, \$1,736,744 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$294,844 from 2012.
- The City's government funds reported combined ending fund balances of \$1,736,744 as of December 31, 2013.
- As of December 31, 2013, unrestricted/unassigned fund balance for the General Fund was \$264,114 or 24% of the General Fund budget for 2014.

Overview of the Financial Statements

This discussion and analysis is intended to provide an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements consist of Statement of Net Assets and the Statement of Activities, and provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements provide information about governmental activities by showing how these services were financed in the short-term as well as what remains for future spending. These statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining fund financial statements provide information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Notes to the financial statements provided 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 15-24 of this report.

Reporting the City as a Whole

The analysis of the City as a whole begins with the Statements of Net Assets and the Statements of Activities found on pages 1 and 2. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the City's net assets and changes in them. The City's net assets can be used as a way of measuring the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's tax base or the condition of the City's infrastructure to assess the overall health of the City.

Reporting the City's Most Significant Funds

The fund financial statements that begin on page 3 provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many 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 revenues.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. I describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation to each of the fund financial statements on pages 4 and 6. The basic governmental fund financial statements can be found on pages 3-14.
- **The City uses fiduciary funds** to account for resources held for the benefit of parties outside the government. These funds are reflected in the government-wide statements as cash in trust and deposits payable, because the resources of these funds are not available to support programs of the City. The accounting method used for fiduciary funds is similar to that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 14.

- Notes to financial statements - The notes provide additional information that is essential to fully understand the data provided in government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.
- Other information - The combining statements referred to earlier in connection with Non-major governmental funds are presented immediately following the basic financial statements.

Financial Analysis of The City as a Whole

City of Afton Net Assets (in thousands) December 31.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Assets:		
Current and Other Assets	\$ 1,953,638	\$ 1,736,851
Capital Assets	<u>6,088,385</u>	<u>5,245,618</u>
Total Assets	<u>\$ 8,042,023</u>	<u>\$ 6,982,469</u>
Liabilities:		
Long-Term Liabilities	3,290,000	3,425,000
Other Liabilities	408,154	335,909
DNR Grant Pledge	<u>827,465</u>	<u>-</u>
Total Liabilities	<u>4,525,619</u>	<u>3,760,909</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,779,660	1,642,582
Unrestricted	<u>1,736,744</u>	<u>1,578,978</u>
Total Net Assets	<u>\$ 3,516,404</u>	<u>\$ 3,221,560</u>

City of Afton

Changes in Net Assets December 31, 2013

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 280,564	\$ 183,449
Operating Grants and Contributions	60,321	50,096
Capital Grants and Contributions	37,654	39,655
General Revenues:		
Property Taxes	1,604,540	1,560,592
Grants and Contributions	3,478	7,396
Investment Income	255	649
Flood Hazard Mitigation Grant	<u>756,544</u>	<u>360,921</u>
Total Revenues	<u>2,743,356</u>	<u>2,202,758</u>
Expenses:		
General Government	497,107	428,371
Public Safety	470,857	451,262
Public Works	503,118	406,112
Park and Recreation	14,184	15,047
Interest on Long-Term Debt	<u>135,781</u>	<u>140,013</u>
Total Expenses	<u>1,621,047</u>	<u>1,440,805</u>
Change in Net Assets before Transfers	1,122,309	761,953
Provision for DNR Grant Match	<u>(827,465)</u>	<u> </u>
Change in Net Assets	294,844	761,953
Net Assets, January 1	<u>3,221,560</u>	<u>2,459,607</u>
Net Assets, December 31	<u><u>\$3,516,404</u></u>	<u><u>\$ 3,221,560</u></u>

Governmental Activities

Governmental activities increased net assets by \$294,844 which is a 9% increase in the net assets of the City.

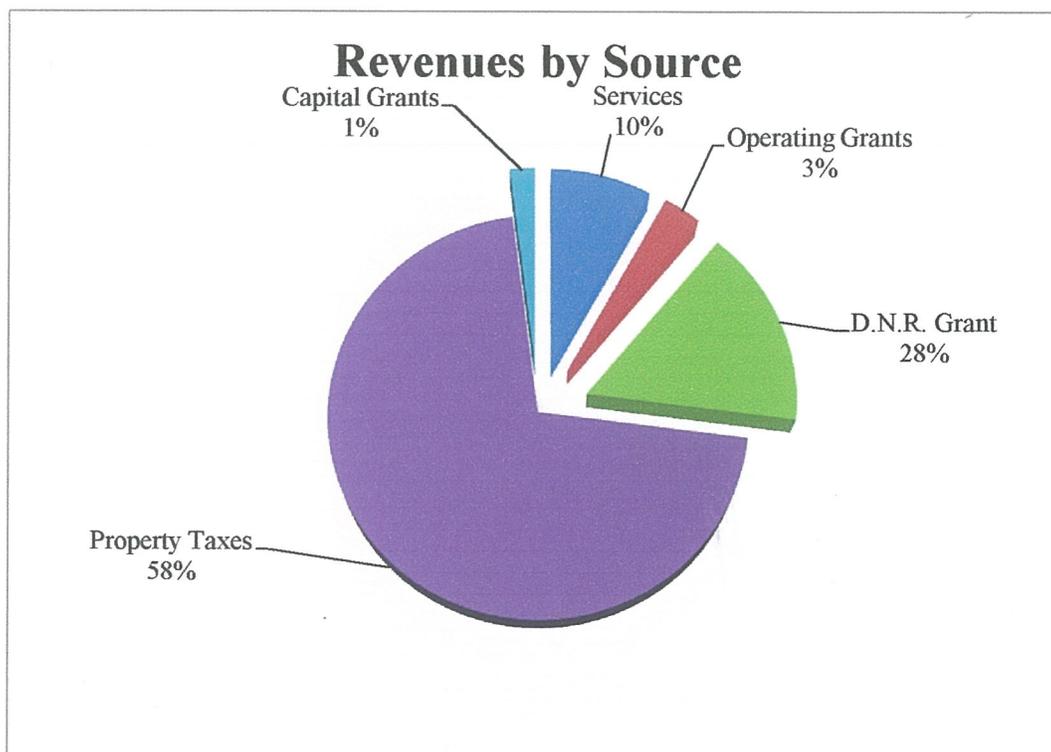
Revenues increased \$540,598 or 25%, the key elements of this change are as follows:

- Minnesota DNR Flood Hazard Mitigation Grant received - \$395,623 more in 2013.
- Property tax revenue increased \$43,948 from 2012.
- Charges for services primarily permits and fees up about \$97,000.

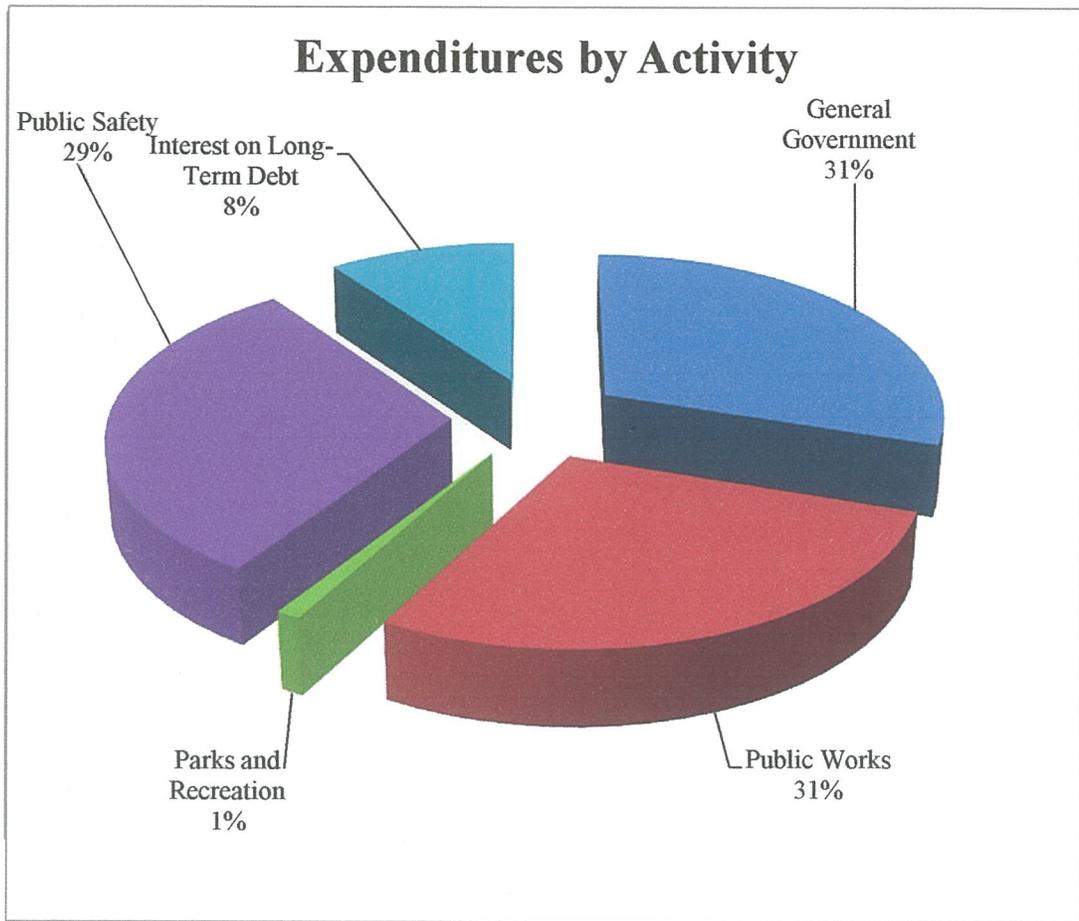
Expenses increased by \$1,007,737. The key element of this change was as follows:

- Increase in general governmental expenditures - professional fee up about \$69,000.
- Increase in provision for DNR Grant \$827,465.
- Increase in public works expenditures, (repairs and depreciation) \$94,000.

Revenues by Source



Expenditures by Activity



**Fund Financial - All Funds
Revenues / Expenditures - Year Ended December 31,**

Revenues:		<u>2013</u>	<u>2012</u>
Property Taxes	\$	1,604,540	\$ 1,560,592
Licenses Permits and Fees		276,741	174,564
Intergovernmental		817,295	434,097
Other		44,780	33,505
Total		2,743,356	2,202,758
Expenditures:			
General Government		473,381	407,467
Public Safety / Health		470,857	451,262
Public Works		290,835	211,546
Park and Recreation		10,874	9,217
Capital Outlay		1,082,086	649,264
Debt Service		257,557	251,641
Total		2,585,590	1,980,396
Net Change in Fund Balances	\$	157,766	\$ 222,362

General Fund Budget/Actual - Fund Financial

2013

	<u>Actual</u>	<u>Budget</u>
Revenues:		
Charges for Services	\$ 253,425	\$ 111,335
Fines and Forfeits	15,901	15,250
Other revenue	3,521	525
Property Taxes	1,256,732	1,254,961
Intergovernmental	11,210	8,224
Investment Income	79	50
	<hr/>	<hr/>
Total Revenues	<u>1,540,868</u>	<u>1,390,345</u>
Expenses:		
General Government	441,218	426,817
Public Safety/Public Health	369,831	373,228
Public Works	255,899	258,100
Parks and Recreation	4,186	9,400
Capital Outlay	27,159	
	<hr/>	<hr/>
Total Expenses	<u>1,098,293</u>	<u>1,067,545</u>
Change in Net Assets before Transfers	<u>\$ 442,575</u>	<u>\$ 322,800</u>

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities at the end of the year amounts to \$6,088,385 (net of accumulated depreciation). The investment in capital assets includes land, buildings, park facilities, equipment and streets, and other site improvements. The total increase in the City's net capital assets for the current fiscal year was \$842,767.

Capital assets added during the current year included the following:

- Flood Hazard Mitigation - Primarily purchase of land \$935,490.
- Road Construction \$111,000 (various projects) mostly 50th Street
- Building Improvements \$4,114 - Security system
- Building Front Door \$4,323
- Depreciation was \$239,319 for 2013.

City of Afton - Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land-Flood Hazard Mitigation	\$ 1,180,237	\$ 436,755
City Roads	4,188,190	4,283,852
Land and Improvements	178,119	178,119
Park Equipment	24,543	27,372
Building and Improvements	185,548	202,041
Furniture and Equipment	31,318	30,584
Site Improvements	104,308	86,895
Construction in Progress	<u>196,122</u>	<u> </u>
Total net capital assets	<u>\$ 6,088,385</u>	<u>\$ 5,245,618</u>

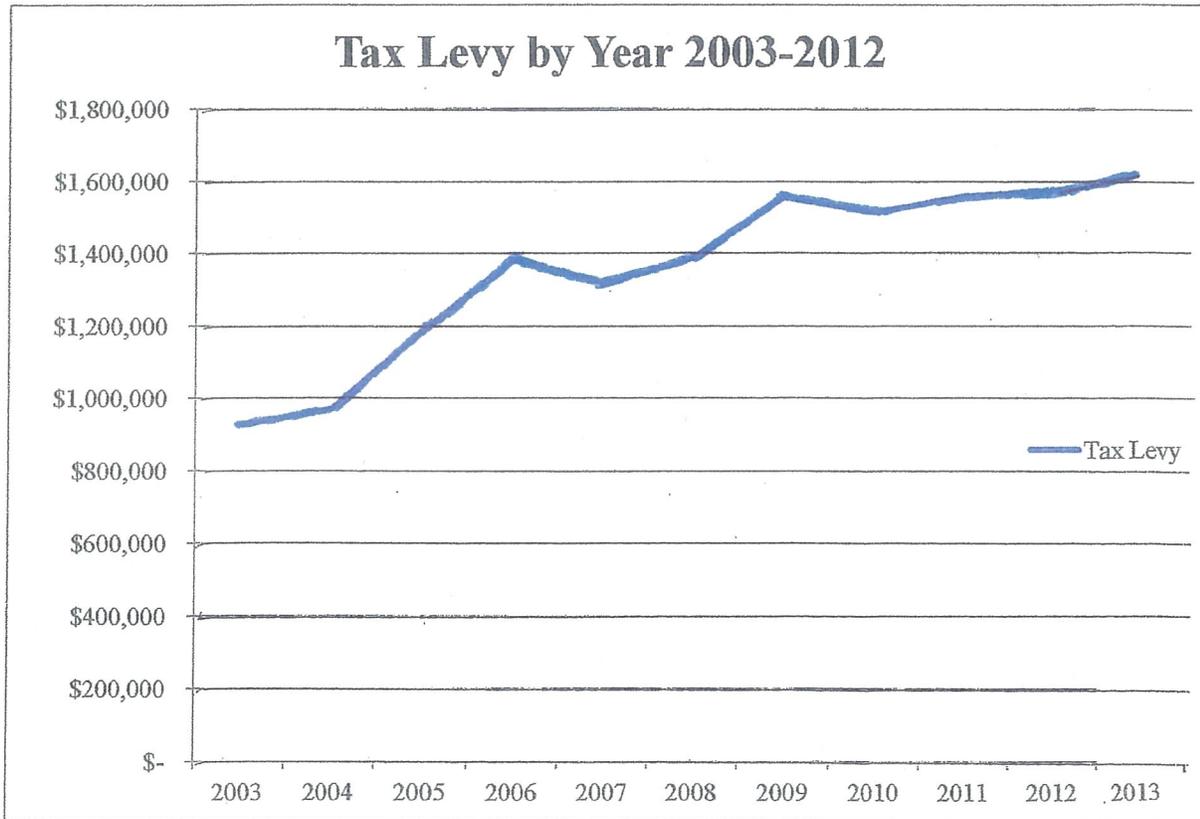
Additional information on the City's Capital Assets can be found on Note 4 - Capital Assets.

Bonded Debt

During 2005 the City issued \$4,000,000 in General obligation Tax abatement bonds for Road Paving construction. The balance of Bonds outstanding at December 31, 2012 was \$3,545,000 and a principal payment of \$120,000 was made in 2013 that results in a balance of outstanding bonds at December 31, 2013 of \$3,425,000. Interest paid in 2013 was \$137,155. See Note 5 in financial statements.

Debt Service Schedule

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 135,000	\$ 132,629	\$ 267,629
2015	145,000	127,659	272,659
2016	160,000	122,185	282,185
2017	175,000	116,113	291,113
2018	190,000	109,379	299,379
2019-2027	2,620,000	535,511	3,155,511
Total	\$ 3,425,000	\$ 1,143,476	\$ 4,568,476



Requests for Information

This financial report is designated to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional information, contact the City of Afton.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Afton, Minnesota

Statement of Net Assets
December 31, 2013

	Governmental Activities
Assets	
Equity in Cash Pool	\$1,823,646
Accounts Receivable	96,406
Taxes Receivable	33,586
Capital Assets, Net of Accumulated Depreciation:	
Land and Improvements	1,358,356
Park Equipment and Improvements	24,543
Buildings and Improvements	185,548
Furniture and Equipment	31,318
Infrastructure-Other	104,308
City Roads	4,188,190
Construction in Progress	<u>196,122</u>
Total Assets	<u>\$8,042,023</u>
Liabilities	
Interest Payable	\$ 56,260
Account Payable	212,771
Accrued Expenses	4,123
Unexpended City portion of DNR Grant	827,465
Noncurrent Liabilities:	
Due within one year	135,000
Due in more than one year	<u>3,290,000</u>
Total Liabilities	<u>\$4,525,619</u>
Net Assets	
Invested in Capital Assets, Net of related Debt	1,779,660
Unrestricted	<u>1,736,744</u>
Total Net Assets	<u>\$3,516,404</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota

Statement Activities
For Year Ended December 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions and Programs					
Governmental activities					
General Government	\$ 497,107	\$ 264,663	\$ 11,253	\$ 27,654	\$ (193,537)
Public Health	887				(887)
Public Safety	469,970	15,901	45,218		(408,851)
Public Works	503,118		3,850		(499,268)
Parks and Recreation	14,184			10,000	(4,184)
Interest on Long-Term Debt	135,781				(135,781)
Total Governmental Activities	\$1,621,047	\$ 280,564	\$ 60,321	\$ 37,654	\$ (1,242,508)
City matching portion of DNR Grant					\$ (827,465)
General Revenues:					
State of Minnesota, DNR Flood Hazard Mitigation Grant					\$ 756,544
Property Taxes levied for general purposes					1,312,540
Property Taxes - Debt Service					292,000
Grants and Contributions not restricted to specific programs					3,478
Investment Income					255
Total General Revenues and Internal Transfers					2,364,817
Change in Net Assets					294,844
Net Assets, December 31, 2012					3,221,560
Net Assets, December 31, 2013					<u>\$ 3,516,404</u>

The Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

City of Afton, Minnesota
Balance Sheet
Governmental Funds
December 31, 2013

	General	Public Works Capital Fund	Disaster Fund	Special Reserve Fund	Road Paving Debt Service Fund	Non-Major Funds	Total
Assets							
Equity in Cash Pool	\$ 492,156	\$ 395,349	\$ 31,101	\$ 428,539	\$ 335,941	\$ 140,560	\$ 1,823,646
Due from other Funds							
Intergovernmental Receivables	15,056						15,056
Taxes Receivable, Unremitted	33,586						33,586
Other Receivables	81,350						81,350
Total Assets	<u>\$ 622,148</u>	<u>\$ 395,349</u>	<u>\$ 31,101</u>	<u>\$ 428,539</u>	<u>\$ 335,941</u>	<u>\$ 140,560</u>	<u>\$ 1,953,638</u>
Liabilities and Fund Balance							
Liabilities:							
Accounts Payable	212,771						212,771
Deposits							
Accrued Expenses	4,123						4,123
Deferred Revenue							
Total Liabilities	<u>216,894</u>						<u>216,894</u>
Fund Balances:							
Restricted for debt Service					335,941		335,941
Unrestricted, reported in:							
General Fund Unassigned	264,114						264,114
General Fund Assigned	141,140						141,140
Capital projects Funds Assigned		395,349		428,539		77,286	901,174
Special Revenue Funds, Assigned			31,101			63,274	94,375
Total Fund Balances	<u>405,254</u>	<u>395,349</u>	<u>31,101</u>	<u>428,539</u>	<u>335,941</u>	<u>140,560</u>	<u>1,736,744</u>
Total Liabilities and Fund Balances	<u>\$ 622,148</u>	<u>\$ 395,349</u>	<u>\$ 31,101</u>	<u>\$ 428,539</u>	<u>\$ 335,941</u>	<u>\$ 140,560</u>	<u>\$ 1,953,638</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Governmental Funds
December 31, 2013

Total Fund Balances - Governmental Funds	\$1,736,744
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Pledged Funds Liability - DNR Grant	(827,465)
Capital Assets used in Governmental Activities are not Financial Resources and therefore are not reported in the Governmental Funds.	
Capital Assets	7,702,724
Less Accumulated Depreciation	(1,614,339)
Bonds Payable	(3,425,000)
Interest Payable	<u>(56,260)</u>
Net Assets of Governmental Activities	<u><u>\$3,516,404</u></u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2013

	General	Public Works Capital Fund	Disaster Fund	Special Reserve Fund	Road Paving Debt Service Fund	Non-Major Funds	Total
Revenues							
Property Taxes	\$ 1,256,732	\$	\$	\$	\$ 292,000	\$ 55,808	\$ 1,604,540
Licenses, Permits and Fees	253,353					23,388	276,741
Intergovernmental Revenue	11,210		756,544			49,541	817,295
Charges for Services	72		1,700				1,772
Fines and Forfeits	15,901						15,901
Investment Income	79	38	2	36	47	53	255
Other	3,521					23,331	26,852
Total Revenues	<u>\$ 1,540,868</u>	<u>\$ 38</u>	<u>\$ 758,246</u>	<u>\$ 36</u>	<u>\$ 292,047</u>	<u>\$ 152,121</u>	<u>\$ 2,743,356</u>
Expenditures							
Current:							
General Governmental	441,218					32,163	473,381
Public Health	887						887
Public Safety	368,944					101,026	469,970
Public Works	255,899	11,156				23,780	290,835
Parks and Recreation	4,186					6,688	10,874
Capital Outlay	27,159	111,000	935,490			8,437	1,082,086
Debt Service:							
Principal Retirement					120,000		120,000
Interest and Fiscal Fees					137,557		137,557
Total Expenditures	<u>1,098,293</u>	<u>122,156</u>	<u>935,490</u>		<u>257,557</u>	<u>172,094</u>	<u>2,585,590</u>
Excess (Deficiency) of Revenues Over Expenses	442,575	(122,118)	(177,244)	36	34,490	(19,973)	157,766
Other Financing Sources (Uses)							
Transfers In		215,000	195,000	85,000		30,000	525,000
Transfers Out	(425,000)					(100,000)	(525,000)
Total Other Financing Sources (Uses)	<u>(425,000)</u>	<u>215,000</u>	<u>195,000</u>	<u>85,000</u>	<u>-</u>	<u>(70,000)</u>	<u>-</u>
Net change in Fund Balances	17,575	92,882	17,756	85,036	34,490	(89,973)	157,766
Fund Balances, January 1	387,679	302,467	13,345	343,503	301,451	230,533	1,578,978
Fund Balances, December 31	<u>\$ 405,254</u>	<u>\$ 395,349</u>	<u>\$ 31,101</u>	<u>\$ 428,539</u>	<u>\$ 335,941</u>	<u>\$ 140,560</u>	<u>\$ 1,736,744</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2013

Net change in Fund Balances - Total Governmental Funds	\$ 157,766
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Bonds Paid	120,000
Interest Accrued	1,776
Pledged Funds Liability - DNR Grant	(827,465)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	1,082,086
Depreciation Expense	<u>(239,319)</u>
Change in Net Assets of Governmental Activities	<u>\$ 294,844</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota

**Annual Financial Report
For the Year Ended December 31, 2013**

General Fund

The General Fund is used to account for all financial resources not required to be accounted for in another fund.

City of Afton, Minnesota

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2013

<u>Revenues</u>	<u>2013</u>	<u>2012</u>
Taxes	\$ 1,256,732	\$ 1,223,046
Licenses, Fees and Permits	253,353	156,437
Intergovernmental	11,210	20,827
Charges for Services	72	205
Fines and Forfeits	15,901	19,292
Special Assessments		
Investment Earnings	79	67
Miscellaneous	3,521	7,546
	<u> </u>	<u> </u>
Total Revenues	\$ 1,540,868	\$ 1,427,420
	<u> </u>	<u> </u>
<u>Expenditures</u>		
General Government	\$ 441,218	\$ 406,450
Public Safety	368,944	363,453
Public Works	269,899	205,351
Public Health	887	1,294
Culture and Recreation	17,345	5,049
	<u> </u>	<u> </u>
Total Expenditures	\$ 1,098,293	\$ 981,597
	<u> </u>	<u> </u>
Excess of Revenues Over (Under) Expenditures	\$ 442,575	\$ 445,823
	<u> </u>	<u> </u>
Other Financing Sources (Uses)		
Operating Transfers In	\$	\$ -
Operating Transfers Out	(425,000)	(461,079)
	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ (425,000)	\$ (461,079)
	<u> </u>	<u> </u>
Excess of revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 17,575	\$ (15,256)
	<u> </u>	<u> </u>
Fund Balance - January 1	\$ 387,679	\$ 402,935
	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 405,254	\$ 387,679
	<u> </u>	<u> </u>

City of Afton, Minnesota

General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2013
 With Comparative Amounts for the year ended December 31, 2012

<u>Revenues</u>	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
Taxes			
Current Property	\$ 1,203,135	\$ 1,192,958	\$ 1,165,498
Fiscal Disparities	51,826	46,685	51,127
Delinquent Property		17,089	6,421
Total Taxes	<u>\$ 1,254,961</u>	<u>\$ 1,256,732</u>	<u>\$ 1,223,046</u>
Licenses, Fees and Permits			
Building Permits	\$ 47,250	\$ 183,921	\$ 86,948
July 4th Permits	500	200	919
Impound and Dog Licenses	300	1,825	230
Liquor Licenses	2,600	3,000	2,600
Other Licenses	350	339	156
Utility Franchise Fees	57,000	58,383	58,409
Street Opening Permits	200	2,500	3,250
Zoning Fees and Permits	3,000	3,185	3,925
Total Expenditures	<u>\$ 111,200</u>	<u>\$ 253,353</u>	<u>\$ 156,437</u>
Intergovernmental			
State			
Local Government Aid	\$	\$	\$
PERA Rate Increase Aid	634	634	634
Market Value Credits		2,950	6,606
Federal FEMA - Flood			4,499
County			
Gravel Tax			
Agricultural Preserve Credit	500	528	790
Recycling & Cable	7,090	7,098	7,098
Total Intergovernmental	<u>\$ 8,224</u>	<u>\$ 11,210</u>	<u>\$ 19,627</u>

City of Afton, Minnesota

General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2013
 With Comparative Amounts for the year ended December 31, 2012

<u>Revenues (continued)</u>	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
Charges for Services			
Assessment Search	\$ 35	\$ 20	\$ 80
Sale of Copies	100	52	125
Newsletter			
Recycling Bins			
Recording			
Planning			
Total Charges for Services	<u>\$ 135</u>	<u>\$ 72</u>	<u>\$ 205</u>
Fines and Forfeits			
Court Fines	\$ 15,000	\$ 15,901	\$ 19,292
Other Fines	250		
Total Fines and Forfeits	<u>\$ 15,250</u>	<u>\$ 15,901</u>	<u>\$ 19,292</u>
Special Assessments			
Principal & Interest	\$	\$	\$
Investment Earnings	<u>\$ 50</u>	<u>\$ 79</u>	<u>\$ 67</u>
Miscellaneous			
Insurance Dividend	\$ 1,125	\$ 4,072	\$ 6,162
Park Rental	500	550	1,221
Cable Commission	1,200	1,200	1,200
Other	(2,300)	(2,301)	163
Total Miscellaneous	<u>\$ 525</u>	<u>\$ 3,521</u>	<u>\$ 8,746</u>
Total Revenues	<u>\$ 1,390,345</u>	<u>\$ 1,540,868</u>	<u>\$ 1,427,420</u>

City of Afton, Minnesota

General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2013
 With Comparative Amounts for the year ended December 31, 2012

Expenditures	2013 <u>Budget</u>	2013 <u>Actual</u>	2012 <u>Actual</u>
General Government			
Administration - Wages and Benefits			
Mayor and Council	\$ 13,200	\$ 13,200	\$ 13,200
Administrator	75,000	75,000	68,235
Assistant Administrator	-	-	-
Office Assistant	15,000	15,676	15,168
Office Manager/Deputy Clerk	40,000	36,436	34,975
Maintenance Personnel	22,350	19,055	18,464
Social Security Contributions	12,665	11,754	10,782
PERA Contributions	12,002	10,772	10,106
Insurance Benefits/Other	7,000	6,728	1,979
Minnesota Unemployment Claims	-	3,637	30,125
Workers Compensation	3,000	2,185	2,183
Total Wages and Benefits	<u>\$ 200,217</u>	<u>\$ 194,443</u>	<u>\$ 205,217</u>
Administration - Professional Services			
Assessor	\$ 20,500	\$ 18,977	\$ 18,683
Accounting Fees	14,000	13,020	12,705
Audit Fees	5,700	4,665	5,810
Building Inspection	16,450	68,952	35,805
Engineering	30,000	16,852	15,896
Legal Fees - Prosecution	30,000	28,273	26,824
Legal Fees - General	20,000	24,383	21,176
Legal Fees - Litigation	-	-	-
Contract-Videographer	2,500	523	556
Planning/Adjust Old Balances	3,000	-	(12,134)
Other Services	1,800	391	842
Well Monitoring Program	500	-	72
St. Croix Valley WMO	500	488	459
Total Professional Services	<u>\$ 144,950</u>	<u>\$ 176,524</u>	<u>\$ 126,694</u>

City of Afton, Minnesota

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013
With Comparative Amounts for the year ended December 31, 2012

Expenditures (continued)	2013 <u>Budget</u>	2013 <u>Actual</u>	2012 <u>Actual</u>
General Government (continued)			
Administration - Other			
Office Equipment	\$ 600	\$ 560	\$ -
Newsletter	6,600	4,833	6,250
Bank Service Charge	400	664	496
Computer Service/Software	9,500	7,476	7,645
Copier Lease	7,500	7,148	6,186
Equipment Maintenance	1,500	-	-
Insurance - General Liability	20,000	20,824	19,564
Miscellaneous	3,000	357	708
Office Supplies	5,500	3,248	3,533
Other Administration	500	100	139
Postage	3,500	3,720	3,164
Publishing and Printing	2,800	1,777	2,068
Telephone	3,500	2,901	2,707
Travel and Mileage	500	30	47
Membership and Dues	3,000	2,987	2,916
Seminars and Education	2,000	1,455	1,025
Elections	-	768	10,580
Total Administration - Other	<u>\$ 70,400</u>	<u>\$ 58,848</u>	<u>\$ 67,028</u>
Grounds and Buildings			
Heat - Gas	2,500	1,721	1,186
Electricity	1,750	2,030	1,707
Miscellaneous	500	1,765	1,044
Repair and Maintenance	3,500	2,361	1,325
Supplies	500	260	232
City Garage Expense	2,500	3,266	2,017
Total Grounds and Building	<u>\$ 11,250</u>	<u>\$ 11,403</u>	<u>\$ 7,511</u>
Total General Government	<u>\$ 426,817</u>	<u>\$ 441,218</u>	<u>\$ 406,450</u>
Public Safety			
Animal Control	4,000	1,969	3,834
Fire and Ambulance Service	199,472	199,472	189,316
Police Service	164,756	165,033	163,521
Fire Relief Association	3,000	2,470	6,782
Total Public Safety	<u>\$ 371,228</u>	<u>\$ 368,944</u>	<u>\$ 363,453</u>

City of Afton, Minnesota

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013
With Comparative Amounts for the year ended December 31, 2012

Expenditures (continued)	2013	2013	2012
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Public Works			
Streets			
Bridge/Culvert/Guardrail Repair	\$ -	\$ -	\$ -
Gravel Roads Maintenance	4,500	2,517	3,114
Crack Seal/Seal Coat/Gravel Shouldering	71,000	720	6,009
Snow and Ice Control	105,000	162,076	95,457
Surface Maintenance/Repair/Sweeping	21,000	25,054	21,432
Brush/Weeds/Sod/Seed/Mow	33,000	51,736	33,893
Street Lighting	5,000	4,682	4,480
Gas Lamps	6,000	5,156	5,711
Signs and Signals	3,000	1,691	2,123
Other Road Maintenance	2,000	575	1,790
Total Streets	<u>\$ 250,500</u>	<u>\$ 254,207</u>	<u>\$ 174,009</u>
Other Public Works			
Sidewalk Improvements	500	-	-
Flood Control	4,000	264	17,768
Repairs & Maintenance - Equipment	1,500	518	1,740
Motor Fuel and Lubricants	1,000	694	696
Tools & Minor Equipment	600	216	487
Total Other Public Works	<u>\$ 7,600</u>	<u>\$ 1,692</u>	<u>\$ 20,691</u>
Equipment/culvert replacement	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ 10,651</u>
Total Public Works	<u>\$ 258,100</u>	<u>\$ 269,899</u>	<u>\$ 205,351</u>
Public Health			
Recycling	500		
Refuse Collection and Disposal	<u>1,500</u>	<u>887</u>	<u>1,294</u>
Total Public Health	<u>\$ 2,000</u>	<u>\$ 887</u>	<u>\$ 1,294</u>

City of Afton, Minnesota

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance Budget and Actual
For the Year Ended December 31, 2013
With Comparative Amounts for the year ended December 31, 2012

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Expenditures (continued)			
Culture and Recreation			
July 4th Celebration	\$ 3,500	\$ 2,985	\$ 4,265
Cemetery Maintenance	400	-	-
Park Maintenance	5,200	713	783
Miscellaneous	300	488	1
Equipment Replacement	-	-	-
Total Culture and Recreation	<u>\$ 9,400</u>	<u>\$ 4,186</u>	<u>\$ 5,049</u>
Capital Outlay			
Walking Bridge	<u>\$ -</u>	<u>\$ 13,159</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 1,067,545</u>	<u>\$ 1,098,293</u>	<u>\$ 981,597</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ 322,800</u>	<u>\$ 442,575</u>	<u>\$ 445,823</u>
Other Financing Sources (Uses)			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	<u>(322,800)</u>	<u>(425,000)</u>	<u>(461,079)</u>
Total Other Financing Sources	<u>\$ (322,800)</u>	<u>\$ (425,000)</u>	<u>\$ (461,079)</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 17,575</u>	<u>\$ (15,256)</u>
Fund Balance - January 1	<u> </u>	<u>387,679</u>	<u>402,935</u>
Fund Balance - December 31	<u><u>\$</u></u>	<u><u>\$ 405,254</u></u>	<u><u>\$ 387,679</u></u>

City of Afton, Minnesota

**Audited Financial Statements
For the Year Ended December 31, 2013**

Fiduciary Type Funds

Fiduciary type funds are used to receive and pass through funds not belonging to the City. The Minnesota Investments Fund received funds from the State of Minnesota and passed them through to the Chandler House in Afton. The Chandler House makes payments to the City of Afton, which in turn makes payments to the State of Minnesota.

City of Afton, Minnesota

Minnesota Investment Fund
 Fiduciary Type Fund
 for the year ended December 31, 2013
 Balance Sheet

Assets	
Cash	\$ 100,985
Receivable from Developers	
	<hr/>
Total assets	<u>100,985</u>
Liabilities and Fund Balance	
Liabilities	
Cash Deficit	
Deposits Payable	
Total Liabilities	
Fund Balance	
Reserved	100,985
	<hr/>
Total Liabilities and Fund Balance	\$ 100,985
	<hr/>

Statement of Revenues and Expenditures and Changes in Fund Balance
 for the year ended December 31, 2013

Revenues	
State Loan Proceeds	\$ -
Interest	38
Payments	27,612
	<hr/>
Total Revenues	27,650
Expenditures	
Remittance to Chandler House	
Payments to State	17,612
	<hr/>
Total Expenditures	17,612
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	10,038
Other Financing Sources - Transfers	
	<hr/>
Excess of Revenues and Other Sources Over Expenditures	10,038
Fund Balance - January 1	90,947
	<hr/>
Fund Balance - December 31	<u>\$ 100,985</u>

NOTES TO FINANCIAL STATEMENTS

City of Afton, Minnesota

Notes of Financial Statements

December 31, 2013

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the City of Afton, Minnesota, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The City operates under Plan A form of governmental and provides services such as public safety, public works, public health, culture, recreation, and community development, as authorized by statute.

For Financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units and other organizations for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability.

After applying the criteria to all potential component units, it was determined that the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in 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.

City of Afton, Minnesota

Notes of Financial Statements

December 31, 2013

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 be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when the payment is due.

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

The City reports the following major governmental funds:

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

The Public Works Capital Fund accounts for funds set aside from property taxes for the construction and improvement of City streets.

The Special Reserve Fund is used to account for transfers from the General Fund for the purpose of financing capital projects within the City and providing for contingencies.

The Disaster Fund is used to account for grants monies from the Minnesota DNR and transfers from the General Fund for the purpose of purchasing land and other costs for a joint flood hazard mitigation project.

The Road Debt Service Fund is used to account for Bond Debt Service.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule, the effect of inter fund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

City of Afton, Minnesota

**Notes of Financial Statements
December 31, 2013**

D. Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in savings accounts, certificates of deposit and other authorized investments. Earnings from such investments are allocated to the funds on the basis of applicable average balance participation by each of the funds. See Note 3.

E. Interfund Receivable/Payables

These accounts have been substantially eliminated in the Financial Statements.

F. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as asset with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years; for infrastructure the parameters are \$10,000 and five years. Such assets are recorded at historical cost where historical records are available and otherwise at estimated historical cost. The City has not reported infrastructure for all streets and bridges, etc. retrospective to 2004.

The costs of normal maintenance and repairs that do not increase asset value or materially extend asset lives are not capitalized.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Life</u>
Buildings	20 to 60 years
Building Improvements	10 to 35 years
Streets	10 to 40 years
Vehicle and Equipment	5 to 15 years
Furniture	10 years
Office Equipment	5 to 10 years
Park Improvements	20 years

G. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Washington County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the proceeding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of current year. Property taxes are due from taxpayers in two equal installments on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

City of Afton

Notes of Financial Statements December 31, 2013

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and fully offset by deferred revenue, because it is not known when they will be available to finance current expenditures.

H. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with State statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment. Annual installments (including interest) for special assessments are collected by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments to the City without interest or prepayment penalties.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures. No outstanding assessments for the City at December 31, 2013.

I. Compensated Absences

The liability for accrued compensated absences includes accumulated vacation leave and sick leave and is estimated at approximately \$5,000 at December 31, 2013.

J. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, if significant, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, if significant or discount. Bond issuance costs, if significant, are reported as deferred charges and amortized over the term of the related debt. There were \$3,425,000 in bonds outstanding at December 31, 2013.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental fund types report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balances represent tentative management plans for future use of financial resources that are subject to change.

City of Afton, Minnesota

Notes of Financial Statements

December 31, 2013

NOTE 2. Budgets, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance Accounting, under which contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the capital projects funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. No significant City encumbrances existed at December 31, 2013.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The finance director submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the county by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 20 of each year.
5. Formal budgets are adopted for the General Fund and Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained at the department level. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where the need has been properly demonstrated, the Administrator can make an adjustment within the department budget. Therefore, there is a constant review process and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

Budgeted amounts are as originally adopted by City Council. Revenues exceeding budgeted amounts are sometimes used for supplemental appropriations during the year. Neither the revenue nor the expenditure budget is adjusted to reflect these items. The City did not make any supplemental appropriations during the year.

City of Afton, Minnesota

Notes of Financial Statements
December 31, 2013

B. Expenditures/Appropriations

Actual expenditures were more than appropriations (budget) in the General Fund in the amount of \$30,748 for the year ended December 31, 2013.

NOTE 3. Deposits and Investments

Minn. Statute 118A.02 and 118A.04 authorized the City to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all City deposits be covered by insurance, surety bond, or collateral.

At December 31, 2013, the City's bank deposits were none. The carrying value of these deposits on the City's books was also none. All of the City's bank deposits were covered by insurance during 2013.

Minn. Statute 118A.04 and 118A.05 generally authorized the following types of investments as available to the City:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. 118A.04, subd. 6.
2. Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
3. General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states, provided such obligations have certain specified bond ratings by a national bond rating service.
4. Banker's acceptance of the United States banks.
5. Commercial paper issued by the United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less.
6. With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investments, trusts and guaranteed investment contracts.

Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

1. Insured or registered, or for which the securities are held by the City or its agent in the City's name.
2. Uninsured and unregistered and held by the counter party's trust department or agent in the City's name.
3. Uninsured and unregistered and held by the counter party or by its trust department or agent, but not in the City's name.

The City has no investments that need to be categorized by custodial credit risk. The following is a summary of the carrying values of the City's cash items at December 31, 2013.

	<u>Carrying Value</u>
Cash on hand	\$ 150
Minnesota Municipal Money Market Fund	<u>1,924,481</u>
Total Cash and Investments	<u>\$ 1,924,631</u>
Governmental Activities - Cash Pool	\$ 1,823,646
Fiduciary Fund - Cash Pool	<u>100,985</u>
	<u>\$ 1,924,631</u>

City of Afton, Minnesota

Notes of Financial Statements
December 31, 2013

NOTE 4. Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Construction in Progress - Flood Land	\$ 436,755	\$ 743,482	\$ -	\$ 1,180,237
Construction in Progress - Roads/Facility	195,217	196,122	195,217	196,122
Land and Improvements	178,119			178,119
Total Capital Assets, Not being Depreciated	\$ 810,091	\$ 939,604	\$ 195,217	\$ 1,554,478
Capital Assets Being Depreciated:				
City Roads	\$ 4,917,775	\$ 306,217	\$ -	\$ 5,223,992
Park Equipment and Improvements	83,291		(2,616)	85,907
Building and Improvements	458,542	4,323	3,316	459,549
Furniture and Equipment - City Hall	67,644		(1,206)	68,850
Equipment Public Works	106,645		(1,998)	108,643
Infrastructure-Site Improvements	167,760	27,159	(6,386)	201,305
Total Capital Assets, Being Depreciated	\$ 5,801,657	\$ 337,699	\$ (8,890)	\$ 6,148,246
Less Accumulated Depreciation:				
City Roads	\$ 829,140	\$ 207,692	\$ 1,030	\$ 1,035,802
Park Equipment	55,919	3,310	(2,135)	61,364
Building and Improvements	256,501	12,811	(4,689)	274,001
Furniture and Equipment - City Hall	61,055	1,169	2,452	59,772
Equipment Public Works	82,650	4,591	838	86,403
Infrastructure - Site Improvements	80,865	9,746	(6,386)	96,997
Total Accumulated Depreciation	\$ 1,366,130	\$ 239,319	\$ (8,890)	\$ 1,614,339
Total Capital Assets Being Depreciated, Net	\$ 4,435,527	\$ 98,380	\$ -	\$ 4,533,907
Governmental Activities, Capital Assets, Net	\$ 5,245,618	\$1,037,984	\$ 195,217	\$ 6,088,385

Depreciation expense was charged to City functions as follows:

Governmental Activities:

General Government	\$ 23,726
Public Works	212,283
Parks and Recreation	3,310
Total Depreciation Expense - Governmental Activities	\$ 239,319

City of Afton, Minnesota

**Notes to Financial Statements
December 31, 2013**

NOTE 5. Long-Term Debt

During 2005 the City issued \$4,000,000 in newly legislated general obligation tax abatement bonds for the construction of the City's Roads.

Bonds payable at December 31, 2013 are summarized as follows:

Bond Year	Maturity	Interest Rate	Amount
2005A	2027	3.55 - 4.20%	\$3,425,000

Changes in bonds payable during 2013 are as follows:

Bond Year	12/31/2012	Issued	Retired	12/31/2013
2005A	3,545,000		120,000	3,425,000
Total	\$ 3,545,000	\$	\$ 120,000	\$ 3,425,000

On the last page of this report is a schedule of the City Bond Debt Service requirements.

NOTE 6. Defined Benefit Pension Plans - Statewide

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Afton are covered by defined benefit pension 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 Basic Plan. Coordinated Plan members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for GERF Coordinated 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 Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year.

Under Method 2, the annuity accrual rate is 1.7% of average salary for Coordinated Plan members. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For PEPFF member and for GERF 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 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.

Notes for Financial Statement

December 31, 2013

A. Plan Description (continued)

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

The benefit provisions state 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 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 GERS and PEPF. That report may be obtained by writing to PERA, 60 Empire Drive # 200, St. Paul, MN 55103 or by calling 651-296-7460 or 1-800-651-9026.

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. GERS Coordinated Plan members are required to contribute 6.25% of their annual covered salary. The City of Afton is required to contribute 6.75% of annual covered payroll for Coordinated Plan GERS members. The City's contributions to the General Employees Retirement Fund (GERF) for the years ending December 31, 2013, 2012 and 2011 were \$10,052, \$9,446, and \$8,819 respectively. The City's contributions were equal to the contractually required contributions for each year as set by State Statute.

C. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan administered by PERA. Established by the Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services, the plan has been expanded to include elected government officials, except elected county sheriff.

Plan Benefits depend solely on amounts contributed to plan plus investment earnings, less administrative expenses. Minn. Stat. 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the members or another qualified plan.

The City's contributions for the year ending December 31, 2013, 2012 and 2011 were \$660, \$660 and \$660 respectively, equal to the contractually required contributions for each year as set by State Statute.

City of Afton
Notes for Financial Statement
December 31, 2013

Note 7. Joint Venture - Lower St. Croix Valley Fire Protection District

The City participates in a Joint Power Agreement, pursuant to Minn. Stat. 471.59, with the Cities of Lake St. Croix Beach, Lakeland Shores and St. Mary's Point to provide fire protection services. Control of the Fire Protection District is vested in the District's Board, which consists of two members appointed by each city council.

At December 31, 2013 (unaudited information), the District has long-term debt consisting of \$925,000 in bonds payable, \$41,041 in capital leases/loans payable. Funding is provided by assessments from the member cities and is based on a predetermined formula. During 2013, the City of Afton's contribution was \$255,288, representing about 50% of the District's total budget. Complete financial information can be obtained from the District's office at P.O. Box 234, Lakeland, Minnesota 55043.

Note 8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. Risks of loss associated with worker's compensation claims, property, casualty, and liability are insured through participation in the League of Minnesota Cities Insurance Trust. There were no significant reductions in insurance coverage from the previous year.

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers; compensation coverage.

Note 9. Litigation

During 2013, the City of Afton had no litigation in process.

Note 10. Contingent Assets

The City has approximately \$25,000 in delinquent taxes receivable at December 31, 2013.

Note 11. Flood Hazard Mitigation Grant - State of Minnesota

During 2012, the City commenced activities on this DNR grant expending \$436,755, while being reimbursed \$360,921 mostly for the purchase of land. The original grant was dated October 24, 2011 and was amended as follows in 2012 (Expiration date December 31, 2013). \$756,544 DNR Funds received while \$935,490 was expended in 2013.

REVISION 1. Provision 1.0 AMOUNT OF GRANT, 1.1 STATE SHARE is amended as follows:

In accordance with the Minnesota Sessions Laws-2011, 1st Special Session, Chapter 12, Section 5, Subdivision 3, and Minnesota Sessions Laws 2012, Chapter 293, Section 7, Subdivision 2, this grant is to fund the local share of a flood hazard mitigation project in the City of Afton, Minnesota, under Minnesota Statutes, Section 103F.161 to the extent that the cost of this project exceeds two percent of the median household income (MHI) in the municipality multiplied by the number of households in the municipality. Under the computation of the two percent median household income and the number of households, the Grantee shall contribute 50% of the project costs up to a total Grantee share of \$2,090,459.00 and the State shall award the Grantee 100% of the balance of the total cost of the approved Project as identified in Section 2.1 (hereinafter "Project") or \$1,750,000.00 whichever is less, for the costs authorized herein. The total obligation of the State for all compensation and reimbursements to Grantee under this Grant shall not exceed \$1,750,000.00.

The City has received \$1,117,465 to December 31, 2013 under this grant. The City has an unpaid funds match balance of \$827,465 at December 31, 2013.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

City of Afton, Minnesota
 Non-Major Governmental Funds
 Balance Sheet
 December 31, 2013

	Buildings and Land Capital Fund	201 Project Fund	Fire District Fund	Special Activities Fund	City Dock Fund	Park Reserve Fund	Total
Assets:							
Equity in Cash Pool	\$ 26,449	\$ 2,733	\$ 2,157	\$ 8,758	\$ 49,626	\$ 50,837	\$ 140,560
Due from Other Funds							
Accounts Receivable							
Prepaid Expense							
Taxes Receivable							
Special Assessments Receivable							
Total Assets	<u>\$ 26,449</u>	<u>\$ 2,733</u>	<u>\$ 2,157</u>	<u>\$ 8,758</u>	<u>\$ 49,626</u>	<u>\$ 50,837</u>	<u>\$ 140,560</u>
Liabilities and Fund Balance							
Liabilities							
Accounts Payable	\$	\$	\$	\$	\$	\$	\$
Deposits							
Advance from Other Funds							
Total Liabilities							
Fund Balance							
Unrestricted, Report in:							
Special Revenue Funds, Assigned		2,733	2,157	8,758	49,626	50,837	63,274
Capital Projects Funds, Assigned	26,449						77,286
Capital Projects Funds, Unassigned	<u>26,449</u>	<u>2,733</u>	<u>2,157</u>	<u>8,758</u>	<u>49,626</u>	<u>50,837</u>	<u>140,560</u>
Total Fund Balances	<u>\$ 26,449</u>	<u>\$ 2,733</u>	<u>\$ 2,157</u>	<u>\$ 8,758</u>	<u>\$ 49,626</u>	<u>\$ 50,837</u>	<u>\$ 140,560</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2013

	Buildings and Land Capital <u>Fund</u>	201 Project <u>Fund</u>	Fire District <u>Fund</u>	Special Activities <u>Fund</u>	City Dock <u>Fund</u>	Park Reserve <u>Fund</u>	<u>Total</u>
Revenues							
Property Taxes	\$	\$	\$	\$	\$	\$	\$
Licenses, Permits and Fees		9,538			3,850	10,000	55,808
Intergovernmental Revenue	4,323			45,218			23,388
Investment Income	2		2		20	29	49,541
Insurance Proceeds	23,331						53
Total Revenues	<u>27,656</u>	<u>9,538</u>	<u>55,810</u>	<u>45,218</u>	<u>3,870</u>	<u>10,029</u>	<u>152,121</u>
Expenditures							
General Government	31,248			915			32,163
Public Safety			55,808	45,218			101,026
Public Works		11,616		12,164			23,780
Parks and Recreation				6,688			6,688
Capital Outlay	8,437						8,437
Debt Service							
Principal Retirement							
Interest and Fiscal Fees							
Total Expenditures	<u>39,685</u>	<u>11,616</u>	<u>55,808</u>	<u>64,985</u>			<u>172,094</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,029)</u>	<u>(2,078)</u>	<u>2</u>	<u>(19,767)</u>	<u>3,870</u>	<u>10,029</u>	<u>(19,973)</u>
Other Financing Sources (Uses)							
Transfers In	30,000						30,000
Transfers Out						(100,000)	(100,000)
Total Other Financing Sources	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(70,000)</u>
Net Change in Fund Balances	17,971	(2,078)	2	(19,767)	3,870	(89,971)	(89,973)
Fund Balance - January 1	8,478	4,811	2,155	28,525	45,756	140,808	230,533
Fund Balance - December 31	<u>\$ 26,449</u>	<u>\$ 2,733</u>	<u>\$ 2,157</u>	<u>\$ 8,758</u>	<u>\$ 49,626</u>	<u>\$ 50,837</u>	<u>\$ 140,560</u>

The Notes to Financial Statements are an integral part of this statement.

City of Afton, Minnesota

**Annual Financial Report
For the Year Ended December 31, 2013**

Special Revenue Funds

The Fire District Fund is used to fund the City's share of the Lower St. Croix Valley Fire Protection District's lease and purchase option agreement and mortgage trust indenture.

City of Afton, Minnesota
Fire District Special Revenue Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual for the year ended
December 31, 2013

	<u>Budget</u>	<u>Actual</u>
<u>REVENUES</u>		
Taxes	\$ 55,808	\$ 55,808
Investment Earnings	<u> </u>	<u> 2</u>
Total Revenues	<u> 55,808</u>	<u> 55,810</u>
 <u>Expenditures</u>		
Public Safety		
Fire and Ambulance Service	<u> 55,808</u>	<u> 55,808</u>
Total Expenditures	<u> 55,808</u>	<u> 55,808</u>
Excess of Revenues Over (Under) Expenditures	<u> </u>	<u> 2</u>
 Fund Balance - January 1	 <u> </u>	 <u> 2,155</u>
Fund Balance - December 31	<u> \$</u>	<u> \$ 2,157</u>

City of Afton, Minnesota

**Annual Financial Report
For the Year Ended December 31, 2013**

Capital Projects Fund

The Buildings and Land Fund is used to account for capital outlays for general government improvements for buildings and land.

The Public Works Fund is used to account for the accumulation of resources and expenditures for public works capital improvements.

The Park Reserve Fund is used to account for the park set-aside fees collected from developers and used for park capital improvements.

City of Afton, Minnesota
Building and Land Capital Projects Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual for the year ended
December 31, 2013

	<u>Budget</u>	<u>Actual</u>
<u>REVENUES</u>		
Grants	\$	\$ 4,323
Insurance Proceeds		23,331
Investment Earnings		2
Total Revenues		27,656
 <u>Expenditures</u>		
General Government		
City Hall Improvements		8,437
Building Repairs		31,248
Total Expenditures		39,685
Excess of Revenues Over (Under) Expenditures		(12,029)
 Other Financing Sources (Uses)		
Operating Transfers In	5,000	30,000
Operating Transfers Out		
Total Other Financing Sources (Uses)	5,000	30,000
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	5,000	17,971
Fund Balance - January 1	12,500	8,478
Fund Balance - December 31	\$ 17,500	\$ 26,449

City of Afton, Minnesota
Public Works Capital Project Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual for the year ended
December 31, 2013

	<u>Budget</u>	<u>Actual</u>
<u>REVENUES</u>		
Taxes	\$	\$
Intergovernmental Market Value Credits		
Special Assessments		
Investment Earnings		38
Total Revenues		38
<u>Expenditures</u>		
Public Works		
Street Projects	190,000	122,156
Flood Mitigation		
Total Expenditures	190,000	122,156
Excess of Revenues Over (Under) Expenditures	(190,000)	(122,118)
Other Financing Sources (Uses)		
Operating Transfers In	190,000	215,000
Operating Transfers Out		
Total Other Financing Sources (Uses)	190,000	215,000
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses		92,882
Fund Balance - January 1	-	302,467
Fund Balance - December 31	\$ -	\$ 395,349

City of Afton, Minnesota
Park Reserve Capital Projects Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual for the year ended
December 31, 2013

	<u>Budget</u>	<u>Actual</u>
<u>REVENUES</u>		
License, Fees and Permits	\$	\$ 10,000
Donations		
Investment Earnings		29
Total Revenues		<u>10,029</u>
<u>Expenditures</u>		
Culture and Recreation		
Park Improvements		
Total Expenditures		
Excess of Revenues Over (Under) Expenditures		<u>10,029</u>
Transfer to Disaster Fund		(100,000)
Fund Balance - January 1	<u>128,983</u>	<u>140,808</u>
Fund Balance - December 31	<u>\$ 128,983</u>	<u>\$ 50,837</u>

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago Lake, Minnesota 55013
651-213-6632

Report on Compliance with Minnesota Legal
Compliance Audit Guide for Local Government

To the Honorable Mayor and
Members of the City Council
City of Afton, Minnesota

I have audited the financial statements of the City of Afton, Minnesota, as of and for the year ended December 31, 2013, and have issued my report thereon dated May 12, 2014.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The Minnesota Legal compliance Audit Guide for Local Government 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 districts. My study included all of the listed categories.

The results of my tests indicate that for the items tested, the City of Afton, 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 of Afton, Minnesota and the State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.



Michael W. Pofahl, C.P.A.
May 12, 2014

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

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

To the Honorable Mayor and
Members of the City Council
City of Afton, Minnesota

I have audited the financial statements of the governmental activities and each major fund of the City of Afton, Minnesota, as of and for the year ended December 31, 2013 which collectively comprise the City of Afton's basic financial statements as listed in the table of contents. I conducted my 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 Comptroller General of the United States.

In planning and performing my audit, I considered the City of Afton, Minnesota's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Afton, Minnesota's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Afton, Minnesota's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I identified no deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

As part of obtaining reasonable assurance about whether the City of Afton, Minnesota's financial statements are free of material misstatements, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Michael W. Pofahl C.P.A.
May 12, 2014

\$4,000,000
City of Afton, Minnesota
General Obligation Abatement Bonds, Series 2005A

Debt Service Schedule

	Principal	Coupon	Interest	Total P&I
2/1/2014	135,000.00	3.550%	67,512.50	202,512.50
8/1/2014	-	-	65,116.25	65,116.25
2/1/2015	145,000.00	3.550%	65,116.25	210,116.25
8/1/2015	-	-	62,542.50	62,542.50
2/1/2016	160,000.00	3.625%	62,542.50	222,542.50
8/1/2016	-	-	59,642.50	59,642.50
2/1/2017	175,000.00	3.625%	59,642.50	234,642.50
8/1/2017	-	-	56,470.63	56,470.63
2/1/2018	190,000.00	3.750%	56,470.63	246,470.63
8/1/2018	-	-	52,908.13	52,908.13
2/1/2019	210,000.00	3.750%	52,908.13	262,908.13
8/1/2019	-	-	48,970.63	48,970.63
2/1/2020	225,000.00	4.000%	48,970.63	273,970.63
8/1/2020	-	-	44,470.63	44,470.63
2/1/2021	245,000.00	4.000%	44,470.63	289,470.63
8/1/2021	-	-	39,570.63	39,570.63
2/1/2022	265,000.00	4.000%	39,570.63	304,570.63
8/1/2022	-	-	34,270.63	34,270.63
2/1/2023	290,000.00	4.000%	34,270.63	324,270.63
8/1/2023	-	-	28,470.63	28,470.63
2/1/2024	310,000.00	4.000%	28,470.63	338,470.63
8/1/2024	-	-	22,270.63	22,270.63
2/1/2025	335,000.00	4.100%	22,270.63	357,270.63
8/1/2025	-	-	15,403.13	15,403.13
2/1/2026	365,000.00	4.125%	15,403.13	380,403.13
8/1/2026	-	-	7,875.00	7,875.00
2/1/2027	375,000.00	4.200%	7,875.00	382,875.00
Total	\$ 3,425,000.00		\$ 1,143,476.34	\$ 4,568,476.34