

**CITY OF AFTON**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL STATEMENTS**  
**SCHEDULES AND INFORMATION**

**December 31, 2014**

**City of Afton, Minnesota  
Table of Contents  
December 31, 2014**

	<b>Page</b>
Listing of City Officials	i
 <b><u>Financial Section</u></b>	
Independent Auditor's Report	ii - iii
Management's Discussion and Analysis	iv-xiii
 <b><u>Basic Financial Statements:</u></b>	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
 <b><u>Fund Financial Statements:</u></b>	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets	4
Statement of Revenues, Expenditures and changes in Fund balances - Governmental Funds	5
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund	7-13
Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances - Fiduciary Type Funds	14, 14a
Notes to Financial Statements	15-24a
 Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-Major Governmental Funds	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	26

**City of Afton, Minnesota**  
**Table of Contents**  
**December 31, 2014**

	<b>Page</b>
<b><u>Special Revenue Funds:</u></b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Fire District Fund	27
<b><u>Capital Projects Funds:</u></b>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Building and Land Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Public Works Fund	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Park Reserve Fund	30
Legal Compliance Letter	31
Internal Control	32
General Obligation Abatement Bonds	33
General Obligation Tax Abatement Refunding Bonds	34

## **INTRODUCTORY SECTION**

**City of Afton  
Washington County, Minnesota**

**Organization  
December 31, 2014**

<b><u>Elected:</u></b>		<b><u>Term</u></b>
		<b><u>Expires</u></b>
Mayor	Richard Bend	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 55014**  
**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, 2014, 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

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, 2014 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.

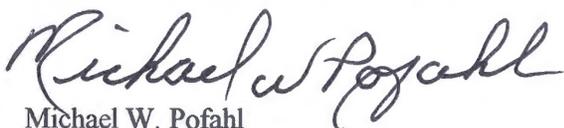
## Other Matters

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, respectively 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

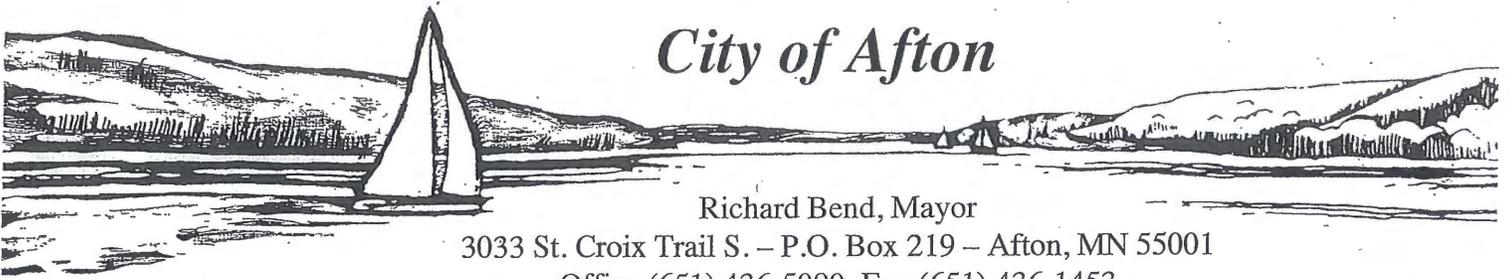
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Afton, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for 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  
April 21, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# City of Afton

Richard Bend, 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](http://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, 2014.

The City of Afton is a rural community with a historic river town Old Village area. The protection and preservation of Afton's rural character, and the revitalization of the historic Old Village downtown retail area are key priorities. Afton is carefully planning and managing its growth in its rural area, and is moving forward with a major revitalization effort for its historic downtown retail area.

## Downtown Improvement Project

Afton is in the process of planning and designing a comprehensive set of public improvements to revitalize its historic downtown retail area. This is a cooperative project with multiple partners, both for construction and funding. The improvements are planned for construction in 2015 and 2016.

## Project Elements

- Reconstruction and accreditation of the flood levee along the St. Croix River
- Reconstruction of the downtown streets
- Reconstruction of County Road 21 through the downtown area to create a vibrant, walkable main street
- Construction of stormwater treatment and rate control improvements
- Construction of sanitary sewer collection and treatment facilities to replace existing private septic systems

## Funding Partners

- Minnesota Department of Natural Resources
- Minnesota Board of Soil and Water Resources
- Minnesota Public Facilities Authority
- Washington County
- Valley Branch Watershed District

## Project Objectives

- Protect and improve water quality, particularly the St. Croix River
- Revitalize the downtown retail area
- Protect the downtown businesses and residential properties from flooding
- Facilitate reinvestment in businesses
- Leverage cooperative partnerships to achieve cost savings, minimize local funding, avoid duplication of efforts and minimize disruptions to businesses

## **Management's Discussion and Analysis (continued)**

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, 2014.

### **Financial Highlights**

- During 2014, the City expended \$523,191 for primarily engineering, from the City's Disaster Fund - (DNR Flood Hazard Mitigation Grant Fund).
- The assets of the City exceeded liabilities by \$4,296,168. Of this amount, \$1,488,355 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$779,764 from 2013.
- The City's government funds reported combined ending fund balances of \$1,488,355 as of December 31, 2014.
- As of December 31, 2014, unrestricted/unassigned fund balance for the General Fund was \$301,307 or 26% of the General Fund budget for 2015.

### **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

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 usually 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 pages 14 and 14a.

- 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>2014</u>
Assets:		
Current and Other Assets	\$ 1,953,638	\$ 1,794,329
Capital Assets	<u>6,088,385</u>	<u>6,484,896</u>
<b>Total Assets</b>	<b><u>\$ 8,042,023</u></b>	<b><u>\$ 8,279,225</u></b>
Liabilities:		
Long-Term Liabilities	3,290,000	3,145,000
Other Liabilities	408,154	505,237
DNR Grant Match Pledge	<u>827,465</u>	<u>332,820</u>
<b>Total Liabilities</b>	<b><u>4,525,619</u></b>	<b><u>3,983,057</u></b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,779,660	2,807,813
Unrestricted	<u>1,736,744</u>	<u>1,488,355</u>
<b>Total Net Assets</b>	<b><u>\$ 3,516,404</u></b>	<b><u>\$ 4,296,168</u></b>

# City of Afton

## Changes in Net Assets December 31, 2014

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 280,564	\$ 176,763
Operating Grants and Contributions	60,321	61,616
Capital Grants and Contributions	37,654	11,200
General Revenues:		
Property Taxes	1,604,540	1,634,042
Grants and Contributions	3,478	6,456
Investment Income	255	262
Flood Hazard Mitigation Grant	756,544	-
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>2,743,356</b>	<b>1,890,339</b>
<b>Expenses:</b>		
General Government	497,107	452,129
Public Safety	470,857	487,921
Public Works	503,118	515,082
Park and Recreation	14,184	19,031
Interest on Long-Term Debt	135,781	131,057
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>1,621,047</b>	<b>1,605,220</b>
Change in Net Assets before Transfers	1,122,309	285,119
(Provision) Credit for DNR Grant Match	<u>(827,465)</u>	<u>494,645</u>
Change in Net Assets	294,844	779,764
Net Assets, January 1	<u>3,221,560</u>	<u>3,516,404</u>
Net Assets, December 31	<u><u>\$3,516,404</u></u>	<u><u>\$ 4,296,168</u></u>

### Governmental Activities

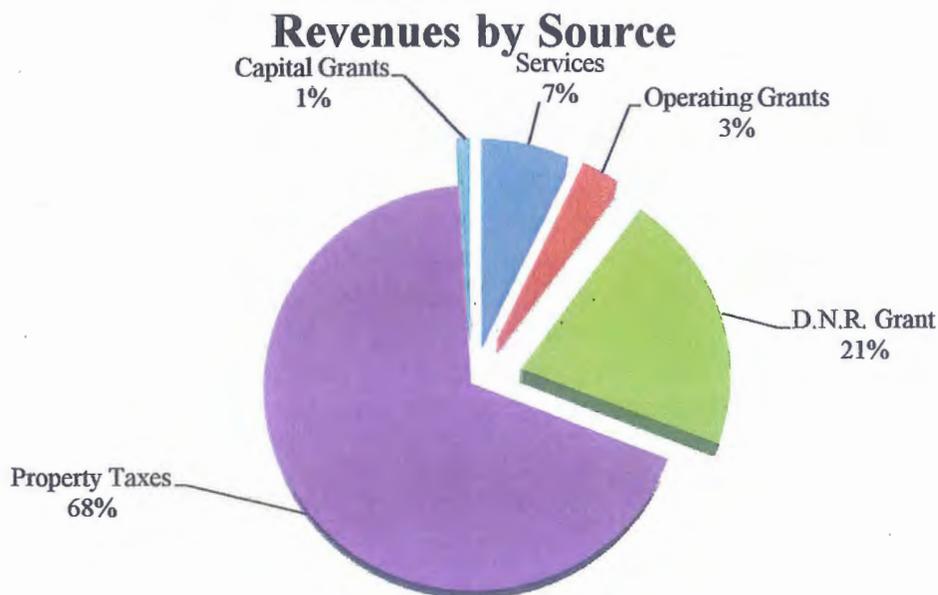
Governmental activities increased net assets by \$779,764 which is a 9% increase in the net assets of the City.

Revenues decreased \$358,372 or 13%, the key elements of this change are as follows:

- Minnesota DNR Flood Hazard Mitigation Grant matching credit increases revenue \$494,645.
- Property tax revenue increased \$29,502 from 2013.
- Charges for services primarily building permits and fees down about \$103,801 from 2013.
- Minnesota DNR Flood Hazard Mitigation Grant Funds received none in 2014, \$756,544 in 2013.

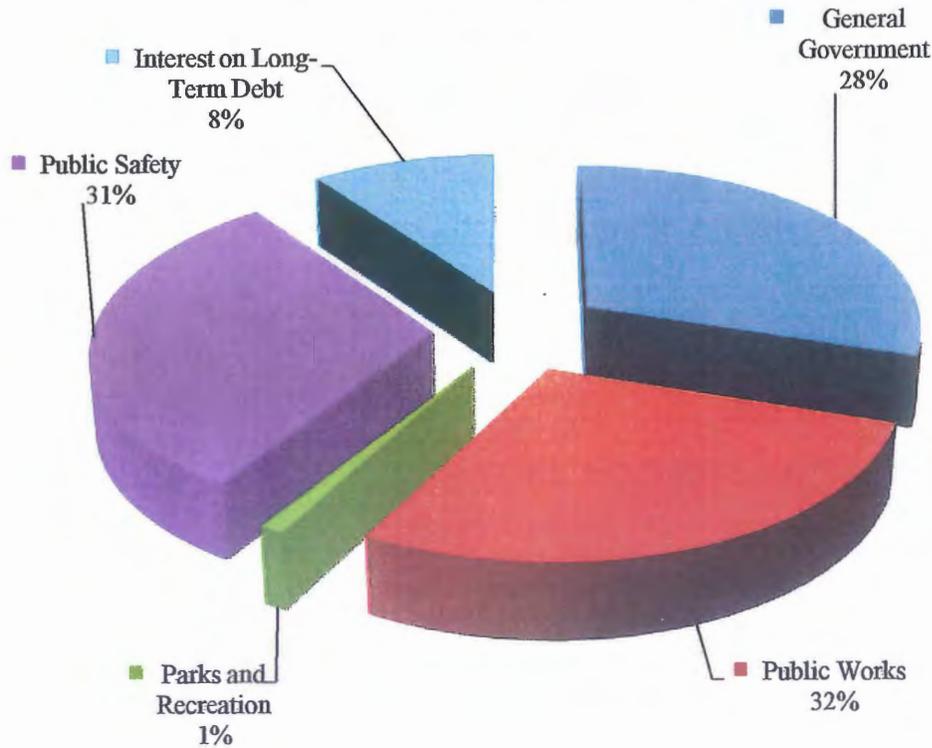
Expenses decreased by \$843,292. The key element of this change was as follows:

- Decrease in general governmental expenditures, primarily building inspection fees, down about \$45,000.
- Decrease in provision for DNR Grant \$827,465.
- Increase in Public Works expenditures, (repairs and depreciation) \$12,000.
- Increase in Fire Protection about \$14,000.



Expenditures by Activity

**Expenditures by Activity**



**Fund Financial**

**Fund Financial - All Funds**

**Revenues / Expenditures - Year Ended December 31.**

Revenues:	<u>2013</u>	<u>2014</u>
Property Taxes	\$ 1,604,540	\$ 1,634,042
Licenses Permits and Fees	276,741	177,316
Intergovernmental	817,295	64,222
Other	44,780	14,759
Total	<u>2,743,356</u>	<u>1,890,339</u>
Expenditures:		
General Government	473,381	422,808
Public Safety / Health	470,857	487,921
Public Works	290,835	292,281
Park and Recreation	10,874	14,393
Capital Outlay	1,082,086	653,271
Debt Service	257,557	268,054
Total	<u>2,585,590</u>	<u>2,138,728</u>
Net Change in Fund Balances	<u>\$ 157,766</u>	<u>\$ (248,389)</u>

**General Fund Budget/Actual - Fund Financial**

2014

	<u>Actual</u>	<u>Budget</u>
<b>Revenues:</b>		
Charges for Services	\$ 162,189	\$ 130,885
Fines and Forfeits	10,359	16,250
Other revenue	2,868	525
Property Taxes	1,271,686	1,272,468
Intergovernmental	14,268	8,224
Investment Income	<u>77</u>	<u>50</u>
<b>Total Revenues</b>	<u>1,461,447</u>	<u>1,428,402</u>
<b>Expenses:</b>		
General Government	420,575	438,058
Public Safety/Public Health	385,878	387,100
Public Works	285,764	268,750
Parks and Recreation	5,019	5,100
Capital Outlay	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<u>1,097,236</u>	<u>1,099,008</u>
<b>Change in Net Assets before Transfers</b>	<u>\$ 364,211</u>	<u>\$ 329,394</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 \$6,484,896 (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 \$396,511.

Capital assets added during the current year included the following:

- Flood Hazard Mitigation - Expenditures for Engineering \$523,191.
- Road Construction \$115,839 (various projects)
- Equipment - City Hall \$12,364 for Security System and Computer Equipment
- Public Works - \$448
- Rinta Park - \$1,429
- Depreciation was \$256,760 for 2014.

City of Afton - Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
Land-Flood Hazard Mitigation	\$ 1,180,237	\$ 1,192,871
City Roads	4,188,190	4,086,267
Land and Improvements	178,119	178,119
Park Equipment	24,543	19,766
Building and Improvements	185,548	172,737
Furniture and Equipment	31,318	33,895
Site Improvements	104,308	94,562
Construction in Progress	<u>196,122</u>	<u>706,679</u>
<b>Total net capital assets</b>	<b><u>\$ 6,088,385</u></b>	<b><u>\$ 6,484,896</u></b>

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, 2013 was \$3,425,000 and a principal payment of \$135,000 was made in 2014 that results in a balance of outstanding bonds at December 31, 2014 of \$3,290,000. Interest paid in 2014 was \$132,629.

These Bonds were refinanced in December of 2014, effective on the "Bonds" call date February 1, 2015. \$3,290,000 of principal and \$65,116 of interest to February 1, 2015, a total of \$3,355,116 was paid. The proceeds of the "Refinance Bonds" was \$2,950,000 in Bond Principal and a Bond premium received upon sale of \$234,040. \$38,845 in Bond Costs were paid from the proceeds. See page 14a for the full accounting of this Fiduciary Fund.

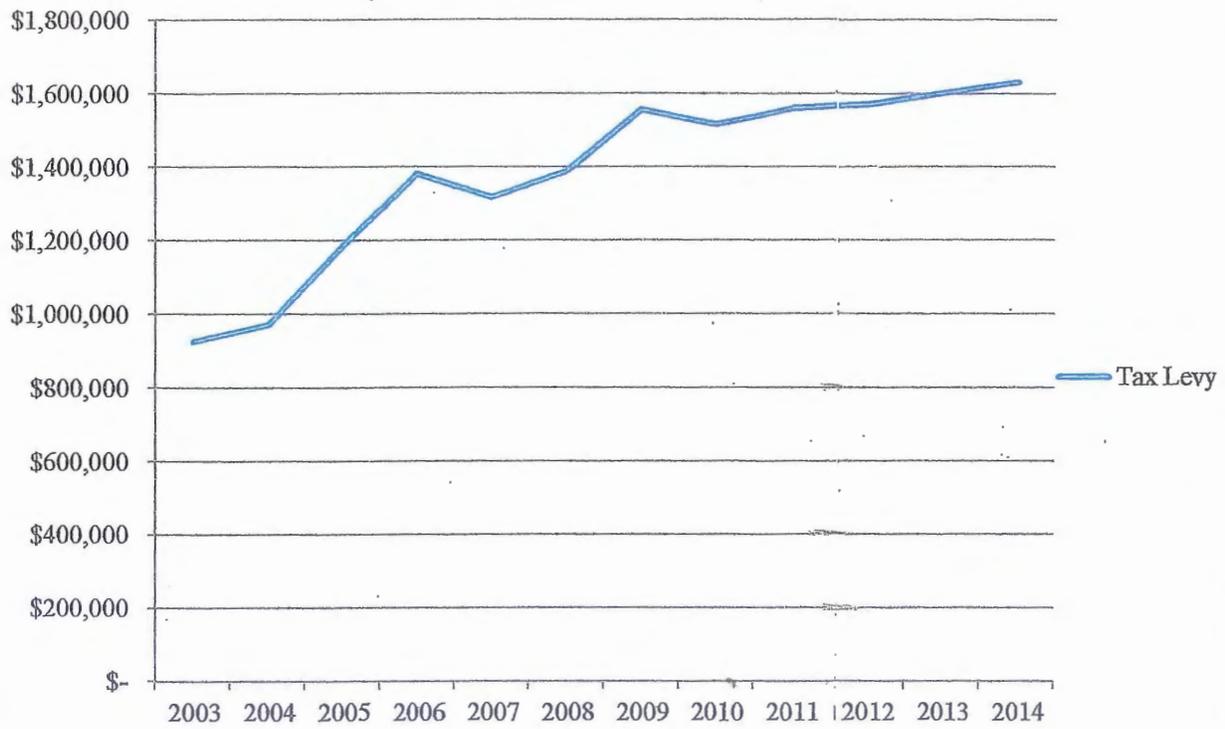
\$ 3,145,220 was paid from the Refinance Fund  
209,896 was paid from old 2005A Debt Service Fund  
\$ 3,355,116 Total Retirement Paid

General Obligation Tax Abatement Refunding Bonds, Series 2014A, 3% and 4%, Debt Service summary as follows: Page 34 is a Complete Debt Service

2015	\$	-	\$	62,626	\$	62,626
2016		140,000		99,000		239,000
2017		165,000		94,425		259,425
2018		180,000		89,250		269,250
2019-2027		2,465,000		416,225		2,881,225
<b>Total</b>		<u>\$ 2,950,000</u>		<u>\$ 761,526</u>		<u>\$ 3,711,526</u>

In April 2015, the City issued \$3,755,000 in General Obligation Temporary Improvement Bonds to provide interim financing for the design and construction of the Downtown Village Improvement Project. These temporary bonds will be replaced with long term bonds in 2016 or 2017.

## Tax Levy by Year 2003-2014



### 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, 2014

	Governmental Activities
<b>Assets</b>	
Equity in Cash Pool	\$1,757,622
Accounts Receivable	23,631
Taxes Receivable	13,076
Capital Assets, Net of Accumulated Depreciation:	
Land and Improvements	1,370,990
Park Equipment and Improvements	19,766
Buildings and Improvements	172,737
Furniture and Equipment	33,895
Infrastructure-Other	94,562
City Roads	4,086,267
Construction in Progress	<u>706,679</u>
<b>Total Assets</b>	<u>\$8,279,225</u>
<b>Liabilities</b>	
Interest Payable	\$ 54,263
Account Payable	299,291
Accrued Expenses	6,683
Unexpended City portion of DNR Grant	332,820
Noncurrent Liabilities:	
Due within one year	145,000
Due in more than one year	<u>3,145,000</u>
<b>Total Liabilities</b>	<u>\$3,983,057</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of related Debt	2,807,813
Unrestricted	<u>1,488,355</u>
<b>Total Net Assets</b>	<u>\$4,296,168</u>

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

City of Afton, Minnesota

Statement Activities  
For Year Ended December 2014

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Functions and Programs					
Governmental activities					
General Government	\$ 452,129	\$ 166,404	\$ 13,079	\$ -	\$ (272,646)
Public Health	1,780				(1,780)
Public Safety	486,141	10,359	44,687		(431,095)
Public Works	515,082		3,850		(511,232)
Parks and Recreation	19,031			11,200	(7,831)
Interest on Long-Term Debt	131,057				(131,057)
<b>Total Governmental Activities</b>	<u>\$1,605,220</u>	<u>\$ 176,763</u>	<u>\$ 61,616</u>	<u>\$ 11,200</u>	<u>\$ (1,355,641)</u>
City matching portion of DNR Grant					\$ 494,645
General Revenues:					
State of Minnesota, DNR Flood Hazard Mitigation Grant					\$ -
Property Taxes levied for general purposes					1,329,042
Property Taxes - Debt Service					305,000
Grants and Contributions not restricted to specific programs					6,456
Investment Income					262
Total General Revenues and Internal Transfers					<u>2,135,405</u>
Change in Net Assets					779,764
Net Assets, December 31, 2013					<u>3,516,404</u>
Net Assets, December 31, 2014					<u>\$ 4,296,168</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, 2014**

	<u>General</u>	<u>Public Works Capital Fund</u>	<u>Disaster Fund</u>	<u>Special Reserve Fund</u>	<u>Road Paving Debt Service Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<b>Assets</b>							
Equity in Cash Pool	\$ 722,438	\$ 474,880	\$ -	\$ 31,780	\$ 372,936	\$ 155,588	\$ 1,757,622
Due from other Funds							
Intergovernmental Receivables							
Taxes Receivable, Unremitted	13,076						13,076
Other Receivables	23,631						23,631
<b>Total Assets</b>	<u>\$ 759,145</u>	<u>\$ 474,880</u>	<u>\$ -</u>	<u>\$ 31,780</u>	<u>\$ 372,936</u>	<u>\$ 155,588</u>	<u>\$ 1,794,329</u>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts Payable	299,291						299,291
Deposits							
Accrued Expenses	6,683						6,683
Deferred Revenue							
<b>Total Liabilities</b>	<u>305,974</u>						<u>305,974</u>
<b>Fund Balances:</b>							
Restricted for debt Service					372,936		372,936
<b>Unrestricted, reported in:</b>							
General Fund Unassigned	301,307						301,307
General Fund Assigned	151,864						151,864
Capital projects Funds Assigned		474,880		31,780		94,515	601,175
Special Revenue Funds, Assigned						61,073	61,073
<b>Total Fund Balances</b>	<u>453,171</u>	<u>474,880</u>		<u>31,780</u>	<u>372,936</u>	<u>155,588</u>	<u>1,488,355</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 759,145</u>	<u>\$ 474,880</u>	<u>\$ -</u>	<u>\$ 31,780</u>	<u>\$ 372,936</u>	<u>\$ 155,588</u>	<u>\$ 1,794,329</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, 2014

**Total Fund Balances - Governmental Funds** \$1,488,355

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Pledged Funds Liability - DNR Grant	\$ (332,820)
Capital Assets used in Governmental Activities are not Financial Resources and therefore are not reported in the Governmental Funds.	
Capital Assets	8,342,625
Less Accumulated Depreciation	(1,857,729)
Bonds Payable	(3,290,000)
Interest Payable	<u>(\$4,263)</u>

**Net Assets of Governmental Activities** \$4,296,168

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, 2014**

	<u>General</u>	<u>Public Works Capital Fund</u>	<u>Disaster Fund</u>	<u>Special Reserve Fund</u>	<u>Road Paving Debt Service Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<b>Revenues</b>							
Property Taxes	\$ 1,271,686	\$	\$	\$	\$ 305,000	\$ 57,356	\$ 1,634,042
Licenses, Permits and Fees	162,119					15,197	177,316
Intergovernmental Revenue	14,268					49,954	64,222
Charges for Services	70						70
Fines and Forfeits	10,359						10,359
Investment Income	77	66	3	34	49	33	262
Other	2,868					1,200	4,068
<b>Total Revenues</b>	<u>\$ 1,461,447</u>	<u>\$ 66</u>	<u>\$ 3</u>	<u>\$ 34</u>	<u>\$ 305,049</u>	<u>\$ 123,740</u>	<u>\$ 1,890,339</u>
<b>Expenditures</b>							
<b>Current:</b>							
General Governmental	420,575					2,233	422,808
Public Health	1,780						1,780
Public Safety	384,098					102,043	486,141
Public Works	285,764	4,696				1,821	292,281
Parks and Recreation	5,019					9,374	14,393
Capital Outlay		115,839	523,191			14,241	653,271
<b>Debt Service:</b>							
Principal Retirement					135,000		135,000
Interest and Fiscal Fees					133,054		133,054
<b>Total Expenditures</b>	<u>1,097,236</u>	<u>120,535</u>	<u>523,191</u>	<u></u>	<u>268,054</u>	<u>129,712</u>	<u>2,138,728</u>
Excess (Deficiency) of Revenues Over Expenses	<u>364,211</u>	<u>(120,469)</u>	<u>(523,188)</u>	<u>34</u>	<u>36,995</u>	<u>(5,972)</u>	<u>(248,389)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In		200,000	492,087	294		21,000	713,381
Transfers Out	(316,294)			(397,087)			(713,381)
<b>Total Other Financing Sources (Uses)</b>	<u>(316,294)</u>	<u>200,000</u>	<u>492,087</u>	<u>(396,793)</u>	<u>-</u>	<u>21,000</u>	<u>-</u>
Net change in Fund Balances	47,917	79,531	(31,101)	(396,759)	36,995	15,028	(248,389)
Fund Balances, January 1	405,254	395,349	31,101	428,539	335,941	140,560	1,736,744
Fund Balances, December 31	<u>\$ 453,171</u>	<u>\$ 474,880</u>	<u>\$ -</u>	<u>\$ 31,780</u>	<u>\$ 372,936</u>	<u>\$ 155,588</u>	<u>\$ 1,488,355</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, 2014

Net change in Fund Balances - Total Governmental Funds \$ (248,389)

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Bonds Paid 135,000  
Interest Accrued 1,997

Pledged Funds Liability - DNR Grant - Change 494,645

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 653,271  
Depreciation Expense (256,760)

Change in Net Assets of Governmental Activities \$ 779,764

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, 2014**

**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, 2014

<u>Revenues</u>	<u>2013</u>	<u>2014</u>
Taxes	\$ 1,256,732	\$ 1,271,686
Licenses, Fees and Permits	253,353	162,119
Intergovernmental	11,210	14,268
Charges for Services	72	70
Fines and Forfeits	15,901	10,359
Special Assessments		
Investment Earnings	79	77
Miscellaneous	3,521	2,868
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 1,540,868</b>	<b>\$ 1,461,447</b>
	<hr/>	<hr/>
<u>Expenditures</u>		
General Government	\$ 441,218	\$ 420,575
Public Safety	368,944	384,098
Public Works	269,899	285,764
Public Health	887	1,780
Culture and Recreation	17,345	5,019
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 1,098,293</b>	<b>\$ 1,097,236</b>
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ 442,575	\$ 364,211
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Operating Transfers In	\$	\$ -
Operating Transfers Out	(425,000)	(316,294)
	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (425,000)</b>	<b>\$ (316,294)</b>
	<hr/>	<hr/>
Excess of revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 17,575	\$ 47,917
	<hr/>	<hr/>
Fund Balance - January 1	\$ 387,679	\$ 405,254
	<hr/>	<hr/>
Fund Balance - December 31	\$ 405,254	\$ 453,171
	<hr/>	<hr/>

City of Afton, Minnesota

General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended December 31, 2014  
 With Comparative Amounts for the year ended December 31, 2013

<u>Revenues</u>	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Taxes			
Current Property	\$ 1,224,595	\$ 1,206,087	\$ 1,192,958
Fiscal Disparities	47,873	47,649	46,685
Delinquent Property		17,950	17,089
<b>Total Taxes</b>	<u>\$ 1,272,468</u>	<u>\$ 1,271,686</u>	<u>\$ 1,256,732</u>
Licenses, Fees and Permits			
Building Permits	\$ 65,250	\$ 87,685	\$ 183,921
July 4th Permits	500	250	200
Impound and Dog Licenses	300	335	1,825
Liquor Licenses	2,600	3,000	3,000
Other Licenses	350	413	339
Utility Franchise Fees	57,000	59,438	58,383
Street Opening Permits/Utility Fees	1,750	750	2,500
Zoning Fees and Permits	3,000	10,248	3,185
<b>Total Licenses, Fees, &amp; Permits</b>	<u>\$ 130,750</u>	<u>\$ 162,119</u>	<u>\$ 253,353</u>
Intergovernmental			
State			
Local Government Aid	\$	\$	\$
PERA Rate Increase Aid	634	634	634
Market Value Credits		5,797	2,950
Federal FEMA - Flood			
County			
Gravel Tax			
Agricultural Preserve Credit	500	659	528
Recycling	7,090	7,178	7,098
<b>Total Intergovernmental</b>	<u>\$ 8,224</u>	<u>\$ 14,268</u>	<u>\$ 11,210</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, 2014  
 With Comparative Amounts for the year ended December 31, 2013

<u>Revenues (continued)</u>	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Charges for Services			
Assessment Search	\$ 35	\$ 50	\$ 20
Sale of Copies	100	20	52
Newsletter			
Recycling Bins			
Recording			
Planning			
<b>Total Charges for Services</b>	<u>\$ 135</u>	<u>\$ 70</u>	<u>\$ 72</u>
Fines and Forfeits			
Court Fines	\$ 16,000	\$ 10,359	\$ 15,901
Other Fines	250		
<b>Total Fines and Forfeits</b>	<u>\$ 16,250</u>	<u>\$ 10,359</u>	<u>\$ 15,901</u>
Special Assessments			
Principal & Interest	\$	\$	\$
Investment Earnings	<u>\$ 50</u>	<u>\$ 77</u>	<u>\$ 79</u>
<u>Miscellaneous</u>			
Insurance Dividend	\$ 1,125	\$ 3,208	\$ 4,072
Park Rental	500	835	550
Cable Commission	1,200	1,200	1,200
Other	(2,300)	(2,375)	(2,301)
<b>Total Miscellaneous</b>	<u>\$ 525</u>	<u>\$ 2,868</u>	<u>\$ 3,521</u>
<b>Total Revenues</b>	<u>\$ 1,428,402</u>	<u>\$ 1,461,447</u>	<u>\$ 1,540,868</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, 2014  
 With Comparative Amounts for the year ended December 31, 2013

<u>Expenditures</u>	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
General Government			
Administration - Wages and Benefits			
Mayor and Council	\$ 13,200	\$ 13,200	\$ 13,200
Administrator	76,500	81,575	75,000
Office Assistant	15,300	17,717	15,676
Office Manager/Deputy Clerk	40,800	38,593	36,436
Maintenance Personnel	22,797	17,849	19,055
Social Security Contributions	12,898	13,425	11,754
PERA Contributions	12,223	11,416	10,772
Insurance Benefits/Other	7,140	16,842	6,728
Minnesota Unemployment Claims	-	-	3,637
Workers Compensation	2,500	2,530	2,185
<b>Total Wages and Benefits</b>	<u>\$ 203,358</u>	<u>\$ 213,147</u>	<u>\$ 194,443</u>
Administration - Professional Services			
Assessor	\$ 21,200	\$ 20,191	\$ 18,977
Accounting Fees	14,000	13,365	13,020
Audit Fees	5,700	5,350	4,665
Building Inspection	22,750	36,910	68,952
Engineering	30,000	12,722	16,852
Legal Fees - Prosecution	28,000	29,698	28,273
Legal Fees - General	22,000	13,772	24,383
Legal Fees - Litigation	-	-	-
Contract-Videographer	1,000	606	523
Other Services	1,800	(48)	391
Well Monitoring Program	1,000	144	-
St. Croix Valley WMO	500	488	488
<b>Total Professional Services</b>	<u>\$ 147,950</u>	<u>\$ 133,198</u>	<u>\$ 176,524</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, 2014  
 With Comparative Amounts for the year ended December 31, 2013

<u>Expenditures (continued)</u>	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
General Government (continued)			
Administration - Other			
Office Equipment	\$ 600	\$ 176	\$ 560
Newsletter	6,600	5,281	4,833
Bank Service Charge	400	135	664
Computer Service/Software	9,500	4,825	7,476
Copier Lease	7,500	6,424	7,148
Equipment Maintenance	1,000	62	-
Insurance - General Liability	20,000	18,377	20,824
Miscellaneous	5,100	4,225	357
Office Supplies	4,500	2,673	3,248
Other Administration	500	475	100
Postage	3,500	4,816	3,720
Publishing and Printing	2,800	2,336	1,777
Telephone	3,500	2,759	2,901
Travel and Mileage	500	180	30
Membership and Dues	3,000	2,987	2,987
Seminars and Education	2,000	1,932	1,455
Elections	5,500	6,122	768
<b>Total Administration - Other</b>	<u>\$ 76,500</u>	<u>\$ 63,785</u>	<u>\$ 58,848</u>
Grounds and Buildings			
Heat - Gas	2,500	2,060	1,721
Electricity	1,750	1,822	2,030
Miscellaneous	500	776	1,765
Repair and Maintenance	2,500	1,929	2,361
Supplies	500	594	260
City Garage Expense	2,500	3,264	3,266
<b>Total Grounds and Building</b>	<u>\$ 10,250</u>	<u>\$ 10,445</u>	<u>\$ 11,403</u>
<b>Total General Government</b>	<u>\$ 438,058</u>	<u>\$ 420,575</u>	<u>\$ 441,218</u>
Public Safety			
Animal Control	4,000	1,899	1,969
Fire and Ambulance Service	214,000	213,705	199,472
Police Service	167,100	168,494	165,033
Fire Relief Association	-	-	2,470
<b>Total Public Safety</b>	<u>\$ 385,100</u>	<u>\$ 384,098</u>	<u>\$ 368,944</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, 2014  
 With Comparative Amounts for the year ended December 31, 2013

<u>Expenditures (continued)</u>	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Public Works			
Streets			
Bridge/Culvert/Guardrail Repair	\$ -	\$ -	\$ -
Gravel Roads Maintenance	4,000	1,755	2,517
Crack Seal/Seal Coat/Gravel Shouldering	71,000	90,685	720
Snow and Ice Control	110,000	115,692	162,076
Surface Maintenance/Repair/Sweeping	30,000	29,844	25,054
Brush/Weeds/Sod/Seed/Mow	25,000	25,502	51,736
Street Lighting	5,000	3,982	4,682
Gas Lamps	2,000	2,851	5,156
Signs and Signals	3,000	2,977	1,691
Other Road Maintenance	2,000	758	575
<b>Total Streets</b>	<u>\$ 252,000</u>	<u>\$ 274,046</u>	<u>\$ 254,207</u>
Other Public Works			
Sidewalk Improvements	300	-	-
Flood Control	13,000	9,684	264
Repairs & Maintenance - Equipment	1,500	1,312	518
Motor Fuel and Lubricants	1,000	478	694
Tools & Minor Equipment	950	244	216
<b>Total Other Public Works</b>	<u>\$ 16,750</u>	<u>\$ 11,718</u>	<u>\$ 1,692</u>
Equipment/culvert replacement	\$ -	\$ -	\$ 14,000
<b>Total Public Works</b>	<u>\$ 268,750</u>	<u>\$ 285,764</u>	<u>\$ 269,899</u>
Public Health			
Recycling	500	150	-
Refuse Collection and Disposal	1,500	1,630	887
<b>Total Public Health</b>	<u>\$ 2,000</u>	<u>\$ 1,780</u>	<u>\$ 887</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, 2014**  
**With Comparative Amounts for the year ended December 31, 2013**

<u>Expenditures (continued)</u>	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Culture and Recreation			
July 4th Celebration	\$ 3,500	\$ 3,692	\$ 2,985
Cemetery Maintenance	100	-	-
Park Maintenance	1,200	1,275	713
Miscellaneous	300	52	488
Equipment Replacement	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Culture and Recreation</b>	<b>\$ 5,100</b>	<b>\$ 5,019</b>	<b>\$ 4,186</b>
	<hr/>	<hr/>	<hr/>
Capital Outlay			
Walking Bridge	\$ -	\$ -	\$ 13,159
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 1,099,008</b>	<b>\$ 1,097,236</b>	<b>\$ 1,098,293</b>
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	\$ 329,394	\$ 364,211	\$ 442,575
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	(329,394)	(316,294)	(425,000)
<b>Total Other Financing Sources</b>	<b>\$ (329,394)</b>	<b>\$ (316,294)</b>	<b>\$ (425,000)</b>
	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	\$ -	\$ 47,917	\$ 17,575
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1	<hr/>	405,254	387,679
	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	<b>\$</b>	<b>\$ 453,171</b>	<b>\$ 405,254</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**City of Afton, Minnesota**  
**Audited Financial Statements**  
**For the Year Ended December 31, 2014**

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.

The Bond Refinance Fund

The Fund is classified as Fiduciary only until February 1, 2015 when the 2005A Bonds are paid-expending the entire balance of this fund.

City of Afton, Minnesota

**Minnesota Investment Fund  
Fiduciary Type Fund  
for the year ended December 31, 2014  
Balance Sheet**

<b>Assets</b>	
Cash	\$ 104,361
Receivable from Developers	_____
<b>Total assets</b>	<b>104,361</b>
 <b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Cash Deficit	
Deposits Payable	
<b>Total Liabilities</b>	
<b>Fund Balance</b>	
Reserved	104,361
<b>Total Liabilities and Fund Balance</b>	<b>\$ 104,361</b>

**Statement of Revenues and Expenditures and Changes in Fund Balance  
for the year ended December 31, 2014**

<b>Revenues</b>	
State Loan Proceeds	\$ -
Interest	43
Payments	9,204
<b>Total Revenues</b>	<b>9,247</b>
 <b>Expenditures</b>	
Remittance to Chandler House	
Payments to State	5,871
<b>Total Expenditures</b>	<b>5,871</b>
Excess (Deficiency) of Revenues Over Expenditures	3,376
Other Financing Sources - Transfers	_____
Excess of Revenues and Other Sources Over Expenditures	3,376
Fund Balance - January 1	100,985
Fund Balance - December 31	<b>\$ 104,361</b>

**City of Afton, Minnesota**

**Bond Refinance Fund  
Fiduciary Type Fund  
for the year ended December 31, 2014  
Balance Sheet**

<b>Assets</b>	
Cash	\$3,145,209
Receivable from Developers	
<b>Total assets</b>	<b>3,145,209</b>
 <b>Liabilities and Fund Balance</b>	
Liabilities	
Cash Deficit	
Deposits Payable	
<b>Total Liabilities</b>	
Fund Balance	
Reserved	3,145,209
<b>Total Liabilities and Fund Balance</b>	<b>\$3,145,209</b>

**Statement of Revenues and Expenditures and Changes in Fund Balance  
for the year ended December 31, 2014**

<b>Revenues</b>	
Bond Proceeds	\$2,950,000
Bond Premium	234,040
Interest	14
<b>Total Revenues</b>	<b>3,184,054</b>
 <b>Expenditures</b>	
Interest	\$ -
Payments of Bond Costs	38,845
<b>Total Expenditures</b>	<b>38,845</b>
Excess (Deficiency) of Revenues Over Expenditures	3,145,209
Other Financing Sources - Transfers	
Excess of Revenues and Other Sources Over Expenditures	3,145,209
Fund Balance - January 1	-
Fund Balance - December 31	<b>\$3,145,209</b>

## **NOTES TO FINANCIAL STATEMENTS**

## City of Afton, Minnesota

### Notes to Financial Statements December 31, 2014

#### **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 to Financial Statements  
December 31, 2014**

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 to Financial Statements  
December 31, 2014**

**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:

<b><u>Assets</u></b>	<b><u>Estimated Life</u></b>
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 to Financial Statements December 31, 2014

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, 2014.

#### **I. Compensated Absences**

The liability for accrued compensated absences includes accumulated vacation leave and sick leave and is estimated at approximately \$8,000 at December 31, 2014.

#### **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 \$3,290,000 in bonds outstanding at December 31, 2014.

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 to Financial Statements  
December 31, 2014

**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, 2014.

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 to Financial Statements  
December 31, 2014

**B. Expenditures/Appropriations**

Actual expenditures were less than appropriations (budget) in the General Fund in the amount of \$1,772 for the year ended December 31, 2014.

**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, 2014, 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 2014.

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 it's 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 it's 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, 2014.

	<b><u>Carrying Value</u></b>
Cash on hand	\$ 241
Minnesota Municipal Money Market Fund	<u>5,006,951</u>
<b>Total Cash and Investments</b>	<b><u>\$ 5,007,192</u></b>
Governmental Activities - Cash Pool	\$ 1,757,622
Fiduciary Fund - Cash Pool MN. Investment Fund	104,361
Fiduciary Fund - Cash Pool - Refinance Fund	<u>3,145,209</u>
	<b><u>\$ 5,007,192</u></b>

City of Afton, Minnesota

Notes to Financial Statements  
December 31, 2014

**NOTE 4. Capital Assets**

Capital assets activity for the year ended December 31, 2014 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	\$ 1,180,237	\$ 12,634	\$ -	\$ 1,192,871
Construction in Progress - Flood Facilities	196,122	510,557		706,679
Land and Improvements	178,119			178,119
<b>Total Capital Assets, Not being Depreciated</b>	<b>\$ 1,554,478</b>	<b>\$ 523,191</b>	<b>\$ -</b>	<b>\$ 2,077,669</b>
Capital Assets Being Depreciated:				
City Roads	\$ 5,223,992	\$ 115,839	\$ -	\$ 5,339,831
Park Equipment and Improvements	85,907	1,429	2,701	84,635
Building and Improvements	459,549	-	-	459,549
Furniture and Equipment - City Hall	68,850	12,364	10,669	70,545
Equipment Public Works	108,643	448	-	109,091
Infrastructure-Site Improvements	201,305	-	-	201,305
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 6,148,246</b>	<b>\$ 130,080</b>	<b>\$ 13,370</b>	<b>\$ 6,264,956</b>
Less Accumulated Depreciation:				
City Roads	\$ 1,035,802	\$ 217,762	\$ -	\$ 1,253,564
Park Equipment	61,364	4,638	1,133	64,869
Building and Improvements	274,001	11,729	(1,082)	286,812
Furniture and Equipment - City Hall	59,772	7,846	13,319	54,299
Equipment Public Works	86,403	5,039	-	91,442
Infrastructure - Site Improvements	96,997	9,746	-	106,743
<b>Total Accumulated Depreciation</b>	<b>\$ 1,614,339</b>	<b>\$ 256,760</b>	<b>\$ 13,370</b>	<b>\$ 1,857,729</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,533,907</b>	<b>\$ (126,680)</b>	<b>\$ -</b>	<b>\$ 4,407,227</b>
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 6,088,385</b>	<b>\$ 396,511</b>	<b>\$ -</b>	<b>\$ 6,484,896</b>

Depreciation expense was charged to City functions as follows:

Governmental Activities:

General Government	\$ 29,321
Public Works	222,801
Parks and Recreation	4,638

**Total Depreciation Expense - Governmental Activities** **\$ 256,760**

**City of Afton, Minnesota**

**Notes to Financial Statements  
December 31, 2014**

**NOTE 5. Long-Term Debt - 2005A Bonds - See note 12.**

During 2005 the City issued \$4,000,000 in newly legislated general obligation tax abatement bonds for the construction of the City's Roads. These bonds are refinanced and to be paid February 1, 2015.

Bonds payable at December 31, 2014 are summarized as follows:

<b>Bond Year</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Amount</b>
2005A	2027	3.55 - 4.20%	\$3,290,000

Changes in bonds payable during 2014 are as follows:

<b>Bond Year</b>	<b>12/31/2013</b>	<b>Issued</b>	<b>Retired</b>	<b>12/31/2014</b>
2005A	3,425,000		135,000	3,290,000
<b>Total</b>	<b>\$ 3,425,000</b>	<b>\$</b>	<b>\$ 135,000</b>	<b>\$ 3,290,000</b>

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

See Note 12 Refinancing.

**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.

City of Afton, Minnesota

Notes to Financial Statement  
December 31, 2014

**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 PEPFF. 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 (GERS) for the years ending December 31, 2014, 2013 and 2012 were \$10,746, \$1,0052, and \$9,446 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, 2014, 2013 and 2012 were \$660, \$660 and \$660 respectively, equal to the contractually required contributions for each year as set by State Statute.

**City of Afton**  
**Notes to Financial Statement**  
**December 31, 2014**

**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, 2014 (unaudited information), the District has long-term debt consisting of \$860,000 in bonds payable, \$271,628 in capital leases/loans payable. Funding is provided by assessments from the member cities and is based on a predetermined formula. During 2014, the City of Afton's contribution was \$271,061, 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 2014, 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, 2014.

**Note 11. Flood Hazard Mitigation Grant - State of Minnesota**

During 2012, the City commenced activities on this DNR grant expending \$443,429 (\$6674 in 2011) while being reimbursed \$360,921 mostly for the purchase of land. The original grant was dated October 24, 2100 and was amended as follows in 2012 (Expiration date December 31, 2013). \$756,544 DNR Funds received while \$935,490 was expended in 2013. No DNR Funds received in 2014, \$523,191 expended by the City.

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, 2014 under this grant. The City has an unpaid funds match balance of \$332,820 at December 31, 2014.

**City of Afton**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 12. New Long-Term 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, 2013 was \$3,425,000 and a principal payment of \$135,000 was made in 2014 that results in a balance of outstanding bonds at December 31, 2014 of \$3,290,000. Interest paid in 2014 was \$132,629. See Note 5 in financial statements.

These Bonds were refinanced in December of 2014, effective on the "Bonds" call date February 1, 2015. \$3,290,000 of principal and \$65,116 of interest to February 1, 2015, a total of \$3,355,116 was paid. The proceeds of the "Refinance Bonds" was \$2,950,000 in Bond Principal and a Bond premium received upon sale of \$234,040. \$38,845 in Bond Costs were paid from the proceeds. See page 14a for the full accounting of this Fiduciary Fund Activity.

\$ 3,145,220 was paid from the Refinance Fund  
209,896 was paid from old 2005A Debt Service Fund  
\$ 3,355,116 Total Retirement Paid

General Obligation Tax Abatement Refunding Bonds, Series 2014A, 3% and 4%, Debt Service Summary as follows: (Page 34 is a Complete Debt Service Schedule)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 62,626	\$ 62,626
2016	140,000	99,000	239,000
2017	165,000	94,425	259,425
2018	180,000	89,250	269,250
2019-2027	2,465,000	416,225	2,881,225
<b>Total</b>	<b>\$ 2,950,000</b>	<b>\$ 761,526</b>	<b>\$ 3,711,526</b>

**NOTE 13. Subsequent Event**

In April of 2015, the City issued General Obligation Temporary Improvement Bonds, Series 2015A, in the amount of \$3,755,000. Interest only at a coupon rate of .75% is due on October 1, 2015 (\$12,908) and every six months thereafter until April 1, 2017, when Bonds become due. The City intends to obtain Long-Term Refinancing for these Temporary Bonds.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**City of Afton, Minnesota**  
**Non-Major Governmental Funds**  
**Balance Sheet**  
**December 31, 2014**

	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>
<b>Assets:</b>							
Equity in Cash Pool	\$ 43,274	\$ 3,374	\$ 2,158	\$ 3,158	\$ 52,383	\$ 51,241	\$ 155,588
Due from Other Funds							
Accounts Receivable							
Prepaid Expense							
Taxes Receivable							
Special Assessments Receivable							
<b>Total Assets</b>	<u>\$ 43,274</u>	<u>\$ 3,374</u>	<u>\$ 2,158</u>	<u>\$ 3,158</u>	<u>\$ 52,383</u>	<u>\$ 51,241</u>	<u>\$ 155,588</u>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts Payable	\$	\$	\$	\$	\$	\$	\$
Deposits							
Advance from Other Funds							
<b>Total Liabilities</b>							
<b>Fund Balance</b>							
Unrestricted, Report in:							
Special Revenue Funds, Assigned		3,374	2,158	3,158	52,383		61,073
Capital Projects Funds, Assigned	43,274					51,241	94,515
Capital Projects Funds, Unassigned							
<b>Total Fund Balances</b>	<u>43,274</u>	<u>3,374</u>	<u>2,158</u>	<u>3,158</u>	<u>52,383</u>	<u>51,241</u>	<u>155,588</u>
	<u>\$ 43,274</u>	<u>\$ 3,374</u>	<u>\$ 2,158</u>	<u>\$ 3,158</u>	<u>\$ 52,383</u>	<u>\$ 51,241</u>	<u>\$ 155,588</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, 2014**

	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	\$	\$	\$ 57,356	\$	\$	\$	\$ 57,356
Licenses, Permits and Fees		1,347			3,850	10,000	15,197
Intergovernmental Revenue				49,954			49,954
Investment Income	3		1		22	7	33
Donations						1,200	1,200
<b>Total Revenues</b>	<u>3</u>	<u>1,347</u>	<u>57,357</u>	<u>49,954</u>	<u>3,872</u>	<u>11,207</u>	<u>123,740</u>
Expenditures							
General Government	64			2,169			2,233
Public Safety			57,356	44,687			102,043
Public Works		706			1,115		1,821
Parks and Recreation						9,374	9,374
Capital Outlay	4,114			8,698		1,429	14,241
Debt Service							
Principal Retirement							
Interest and Fiscal Fees							
<b>Total Expenditures</b>	<u>4,178</u>	<u>706</u>	<u>57,356</u>	<u>55,554</u>	<u>1,115</u>	<u>10,803</u>	<u>129,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,175)</u>	<u>641</u>	<u>1</u>	<u>(5,600)</u>	<u>2,757</u>	<u>404</u>	<u>(5,972)</u>
Other Financing Sources (Uses)							
Transfers In	21,000						21,000
Transfers Out							
<b>Total Other Financing Sources</b>	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Net Change in Fund Balances	16,825	641	1	(5,600)	2,757	404	15,028
Fund Balance - January 1	26,449	2,733	2,157	8,758	49,626	50,837	140,560
Fund Balance - December 31	<u>\$ 43,274</u>	<u>\$ 3,374</u>	<u>\$ 2,158</u>	<u>\$ 3,158</u>	<u>\$ 52,383</u>	<u>\$ 51,241</u>	<u>\$ 155,588</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, 2014**

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, 2014**

	<u>Budget</u>	<u>Actual</u>
<b><u>REVENUES</u></b>		
Taxes	\$ 57,356	\$ 57,356
Investment Earnings	<u>                    </u>	<u>                    1</u>
<b>Total Revenues</b>	<u>57,356</u>	<u>57,357</u>
 <b><u>Expenditures</u></b>		
Public Safety		
Fire and Ambulance Service	<u>57,356</u>	<u>57,356</u>
<b>Total Expenditures</b>	<u>57,356</u>	<u>57,356</u>
Excess of Revenues Over (Under) Expenditures	<u>                    </u>	<u>                    1</u>
 Fund Balance - January 1	 <u>                    </u>	 <u>                    2,157</u>
Fund Balance - December 31	<u>\$                    </u>	<u>\$                    2,158</u>

City of Afton, Minnesota

**Annual Financial Report  
For the Year Ended December 31, 2014**

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, 2014**

	<u>Budget</u>	<u>Actual</u>
<b><u>REVENUES</u></b>		
Grants	\$	\$ -
Insurance Proceeds		
Investment Earnings	_____	_____ 3
Total Revenues	_____	_____ 3
 <b><u>Expenditures</u></b>		
General Government		
City Hall Improvements		4,114
Building Repairs	_____	_____ 64
<b>Total Expenditures</b>	_____	_____ 4,178
Excess of Revenues Over (Under) Expenditures	_____	_____ (4,175)
 Other Financing Sources (Uses)		
Operating Transfers In	36,000	21,000
Operating Transfers Out	_____	_____
<b>Total Other Financing Sources (Uses)</b>	_____ 36,000	_____ 21,000
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	36,000	16,825
Fund Balance - January 1	_____ 26,449	_____ 26,449
Fund Balance - December 31	<u>\$ 62,449</u>	<u>\$ 43,274</u>

**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, 2014**

	<u>Budget</u>	<u>Actual</u>
<b><u>REVENUES</u></b>		
Taxes	\$	\$
Intergovernmental Market Value Credits		
Special Assessments		
Investment Earnings		66
<b>Total Revenues</b>	<u>                    </u>	<u>66</u>
<b><u>Expenditures</u></b>		
Public Works		
Street Projects	200,000	120,535
Flood Mitigation		
<b>Total Expenditures</b>	<u>200,000</u>	<u>120,535</u>
Excess of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>(120,469)</u>
Other Financing Sources (Uses)		
Operating Transfers In	200,000	200,000
Operating Transfers Out		
<b>Total Other Financing Sources (Uses)</b>	<u>200,000</u>	<u>200,000</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses		79,531
Fund Balance - January 1	<u>-</u>	<u>395,349</u>
Fund Balance - December 31	<u>\$ -</u>	<u>\$ 474,880</u>

**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, 2014**

	<u>Budget</u>	<u>Actual</u>
<b><u>REVENUES</u></b>		
Dedication Fees	\$	\$ 10,000
Donations		1,200
Investment Earnings		7
<b>Total Revenues</b>		11,207
<b><u>Expenditures</u></b>		
Culture and Recreation		
Park Improvements		10,803
<b>Total Expenditures</b>		10,803
Excess of Revenues Over (Under) Expenditures		404
Transer to Disaster Fund		
Fund Balance - January 1		50,837
Fund Balance - December 31	\$ -	\$ 51,241

**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, 2014, and have issued my report thereon dated April 21, 2015.

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.

April 21, 2015

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

Report on Internal Control/Compliance

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

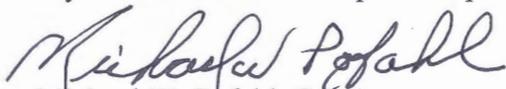
I have audited the financial statements of the governmental activities and each major fund of the City of Afton, Minnesota, as of and for the year ended December 31, 2014 which collectively comprise the City of Afton's basic financial statements as listed in the table of contents. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits.

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.

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.  
April 21, 2015

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

**Debt Service Schedule**

	Principal		Interest	Total P&I
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
<b>Total</b>	<b>\$ 3,290,000.00</b>		<b>\$ 1,010,847.59</b>	<b>\$ 4,300,847.59</b>

**\$2,950,000**

**City of Afton, Minnesota**  
**General Obligation Tax Abatement Refunding Bonds, Series 2014A**  
**Current Refunding of Series 2005A**

**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I
08/01/2015	-	-	62,625.83	62,625.83
02/01/2016	140,000.00	3.000%	50,550.00	190,550.00
08/01/2016	-	-	48,450.00	48,450.00
02/01/2017	165,000.00	3.000%	48,450.00	213,450.00
08/01/2017	-	-	45,975.00	45,975.00
02/01/2018	180,000.00	3.000%	45,975.00	225,975.00
08/01/2018	-	-	43,275.00	43,275.00
02/01/2019	195,000.00	3.000%	43,275.00	238,275.00
08/01/2019	-	-	40,350.00	40,350.00
02/01/2020	210,000.00	4.000%	40,350.00	250,350.00
08/01/2020	-	-	36,150.00	36,150.00
02/01/2021	230,000.00	4.000%	36,150.00	266,150.00
08/01/2021	-	-	31,550.00	31,550.00
02/01/2022	250,000.00	4.000%	31,550.00	281,550.00
08/01/2022	-	-	26,550.00	26,550.00
02/01/2023	275,000.00	4.000%	26,550.00	301,550.00
08/01/2023	-	-	21,050.00	21,050.00
02/01/2024	295,000.00	4.000%	21,050.00	316,050.00
08/01/2024	-	-	15,150.00	15,150.00
02/01/2025	315,000.00	3.000%	15,150.00	330,150.00
08/01/2025	-	-	10,425.00	10,425.00
02/01/2026	345,000.00	3.000%	10,425.00	355,425.00
08/01/2026	-	-	5,250.00	5,250.00
02/01/2027	350,000.00	3.000%	5,250.00	355,250.00
<b>Total</b>	<b>\$2,950,000.00</b>	<b>-</b>	<b>\$761,525.83</b>	<b>\$3,711,525.83</b>

**SIGNIFICANT DATES**

Dated Date.....	12/18/2014
Delivery Date.....	12/18/2014
First Coupon Date.....	8/01/2015

**Yield Statistics**

Bond Year Dollars.....	\$22,322.36
Average Life.....	7.567 Years
Average Coupon.....	3.4114932%

Net Interest Cost (NIC).....	2.3630367%
True Interest Cost (TIC).....	2.2535093%
Bond Yield for Arbitrage Purposes.....	2.0376776%
All Inclusive Cost (AIC).....	2.4396548%

**IRS Form 8038**

Net Interest Cost.....	2.1139369%
Weighted Average Maturity.....	7.543 Years