

City Council Regular Meeting Agenda
City Council Chambers
June 3, 2013

Page

1. 5:30 p.m. Call the Meeting to Order at City Hall (Mayor)
2. Persons with Unscheduled Business to Come Before the City Council (Mayor)
3. Review the Consent Agenda: (Mayor) Canary
 - a. Minutes:
 - 2-4 ▪ 5.20.13 City Council Meeting
 - 5 ▪ 5.16.13 Safety Committee Meeting
 - b. Applications:
 - 6-9 ▪ Vacancies on Boards & Commissions:
 - Upper MN Valley Regional Development Commission Board Opening
 - Park Board – 2
 - Benson Area Tourism Board – 1
 - c. Correspondence:
 - 10 ▪ Benson Area Blood Drive Thank-you
 - 11 ▪ Minnesota Department of Natural Resources Cancellation of Grant Agreement
 - d. Overnight Travel:
 - 2014 Transit Grant Workshop – June 5, 2013 – Bemidji – City Manager
 4. CenterPoint Energy – Police Grant
 5. MN Office of Transportation – Heartland Express Funding & Operations -Ted Nelson & Bev Herfindahl
 - 13-130 6. 2012 Audit Report
 7. 2013 Concrete and Bituminous Work
 8. Storm Sewer
 9. Reconstruction Trunk Highway 9
 - 131 10. Consider Resolution Transferring Funds from the Liquor Store Fund
 11. Consider Renewing Benson Golf Club Operating Line of Credit at First Security Bank
 - 132-134 12. Ziegler Pay Estimate
 13. Adjourn: Mayor

Draft

**MINUTES - BENSON CITY COUNCIL - REGULAR MEETING
MAY 20, 2013**

The meeting was called to order at 5:30 p.m. by the Mayor. Members present: Mike Fugleberg, Paul Kittelson Gary Landmark, Ben Hess & Sue Fitz. Members Absent: None. Also present: City Manager Rob Wolfington and Director of Finance Glen Pederson.

It was moved by Fugleberg, seconded by Landmark and carried unanimously to approve the following minutes on the consent agenda:

- May 6, 2013 City Council Meeting
- April 1, 2013 Planning Commission Meeting
- May 6, 2013 Planning Commission Meeting
- May 13, 2013 Benson Public Library Board Meeting

The Mayor acknowledged openings on the Park Board and Benson Area Tourism Board.

Wolfington informed the Council Benson High School student Abby Tolifson received a \$1,000 Missouri River Energy Services college scholarship.

Wolfington updated the Council on the Charter Communications Cable TV Franchise agreement. There has been no response from Charter's Attorney. The Franchise agreement expires in September of 2013.

Mayor Kittelson acknowledged Wolfington attending the Transit Grant Workshop on June 5, 2013 in Bemidji, Minnesota.

Next was a request from the Benson Women of Today asking to waive the fee for their Holiday Expo they are holding in the Armory in October of 2013. After discussion it was moved by Fitz, seconded by Fugleberg and carried unanimously to waive the Armory rental fee for the Annual Holiday Expo on Saturday, October 19, 2013.

Wolfington informed the Council he would like to apply to be on the Board of Directors for the League of Minnesota Cities (LMC) in order to help represent small city concerns on the board. It was the consensus of the Council to approve Wolfington applying for the LMC Board of Directors.

Wolfington said Ray Wahle with MRES contacted him on May 4, 2013 in reference to the 2.3 MW contract with our two oldest generators which we were planning on decommissioning. MRES and MISO need to keep these types of units as a resource and would like to extend our contract for one more year. They would be allowed no more than 500 hours of generation on each of them. This will bring an income of around \$35,000 to the Utility. It was moved by Landmark, seconded by Hess and carried unanimously to keep the Enterprise and the Worthington generators in operation through 2014.

One year ago, the City asked Burlington Northern-Santa Fe (BNSF) Railroad for a purchase price of the railroad land across from Glacial Plains on east highway 12, and the land on west highway 9 where the old lumber yard was. They have contacted us with a price of \$111,000.00. Wolfington stated he would like to make it part of the down-town beautification plan by demolishing the dilapidated buildings. The EDA Board recommends purchase of the land. There was concern about the excessive cost put on the land by BNSF. After discussion, it was moved by Fugleberg and seconded by Hess to proceed with the purchase of the land. The following vote was recorded: AYES: Kittelson, Fugleberg, Hess. NAYS: Fitz, Landmark. The motion passed.

Wolfington stated he will bid the demolition of the old lumber yard buildings this summer, and Glacial Plains will turn their lease with the Railroad over to the City when we close on the property at the end of the year.

Fugleberg stated he has had citizens ask about having poultry in their back yard. Wolfington stated our current animal control ordinance does not permit poultry. There was discussion on what would go into an ordinance allowing poultry on private property in the City. It was the consensus of the Council not to pursue a poultry ordinance at this time.

Wolfington informed the Council there will be foundation work on the old school house out at Ambush Park this summer. There was also talk about possibly moving the school house to another location. It was recommended by the Council to have the Park Board review moving the school at their next meeting.

Councilmember Fitz offered the following resolution:

**POLICE OFFICER DECLARATION
(RESOLUTION NO. 2013-05)**

WHEREAS, the policy of the State of Minnesota as declared in Minnesota Statutes 353.63 is to give special consideration to employees who perform hazardous work and devote their time and skills to protecting the property and personal safety of others; and

WHEREAS, Minnesota Statutes Section 353.64 permits governmental subdivisions to request coverage in the Public Employees Police and Fire plan for eligible employees of police departments whose position duties meet the requirements stated therein and listed below.

BE IT RESOLVED that the City Council of the City of Benson hereby declares that the position titled Part-Time Police Officer, currently held by Michael Nadeau meets all of the following Police and Fire membership requirements:

1. Said position requires a license by the Minnesota peace officer standards and training board under sections 626.84 to 626.863 and this employee is so licensed;
2. Said position's primary (over 50%) duty is to enforce the general criminal laws of the state;
3. Said position charges this employee with the prevention and detection of crime;
4. Said position gives this employee the full power of arrest, and
5. Said position is assigned to a designated police or sheriff's department.

BE IT FURTHER RESOLVED that this governing body hereby requests that the above-named employee be accepted as a member of the Public Employees Police and Fire Plan effective the date of this employee's initial Police and Fire salary deduction by the governmental subdivision.

Council Member Fugleberg seconded the foregoing Resolution and the following vote was recorded: AYES: Landmark, Fitz, Hess, Kittelson, Fugleberg. NAYS: None. Thereupon the Mayor declared Resolution 2013-05 duly passed and adopted.

Pederson presented the utility ordinance to the council. After discussion, it was moved by Landmark, seconded by Hess and carried unanimously to approve the 2nd Reading of an Ordinance to Amend Chapter 50: Utilities.

Councilmember Hess presented the following resolution:

**A RESOLUTION ADOPTING A SCHEDULE OF FEES AND CHARGES
FOR VARIOUS SERVICES
FOR THE CITY OF BENSON, MINNESOTA**

(RESOLUTION NO. 2013-06)

Now Therefore, the City Council of the City of Benson, Minnesota, resolves:

Section 1. All fees and charges in effect as of the date of the adoption of the city code for the city shall remain in effect unless otherwise modified by the provisions of this resolution. All citations below are to various sections of the city code unless otherwise indicated.

Section 2. The following are the fees and charges for the permits, licenses and services listed below which are referenced to the section of the city code which authorizes their establishment:

1. Pursuant to Ch. 50: Appendix: Utility Rates, Ch. 52: Appendix: Sewer Service Charges, Ch. 53 & Ch. 55, the utility rates are as follows:

- a) Fee for reconnection is \$75.00 during regular business hours and \$150.00 for after hours
- b) Payment arrangement fee of \$50.00
- c) The monthly penalty assessed for all utility services is 10%.

Council Member Fugleberg seconded the foregoing Resolution and the following vote was recorded: AYES: Landmark, Fitz, Hess, Kittelson, Fugleberg. NAYS: None. Thereupon the Mayor declared Resolution 2013-06 duly passed and adopted.

Wolfington presented a pay request from DGR Engineers for work on the power plant upgrades. It was moved by Landmark, seconded by Fitz and carried unanimously to approve pay request No. 1 from DGR in the amount of \$100,012.50.

The Council acknowledged the April 2013 budget report.

It was moved by Landmark, seconded by Hess and carried unanimously to approve bills and warrants in the amount of \$377,498.01.

There being no other business, a motion was made by Fitz, seconded by Fugleberg and carried unanimously to adjourn the meeting at 6:09 p.m.

Mayor

City Clerk

W
5/21/13

Safety Committee Meeting

Thursday, May 16, 2013

9 AM

Members Present: John Goulet Ian Hodge, Rob Wolfington, Tim O'Conner, Elliot Nelson, Gary Searcy, Eric Stephen and Val Alsaker

Members Absent: Wade Ascheman, & Mike Hoffman

Old Business

1. Checklists were turned in from Transit, Line Department and Power Plant with no noted issues. Wastewater has had someone look at a gate for the clarifier. Liquor Store said the battery pack in the emergency lights are being replaced in the off sale. There were no check lists from the Water, Parks or Street Departments.
2. The flotation devices are now by the clarifier.
3. The Street Department has replaced their half face respirators.
4. The safety class with RISC on April 18, 2013 was reviewed and given a positive review.

New Business

1. Audios have been completed, and Val will be analyzing them.
2. Val has ordered personal protective equipment/clothing and items to restock several first aid kits.
3. Rob reminded everyone of the Safety Picnic Monday, May 20, 2013 at noon in the Fire Hall. A Toolbox talk meeting will be held to refresh summer safety items.
4. Water has been replaced in the switchgear building eye wash station.

Other Business

1. Val, Elliot, Gary and Russ Borstad took a pool safety webinar through the League of MN Cities.

There being no other business, the meeting was adjourned at 9:30 am.



Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

323 W. Schlieman Ave. Appleton, MN 56208 320.289.1981 www.umvrdc.org

Friday, May 24, 2013

TO: Mayors in Swift Counties

FROM: Dawn Hegland, Executive Director

RE: Nomination of a Municipal Representative

✓
5/20/13
Val -
PLEASE MAKE COPIES
OF COVER LETTER to
PAX for CC agenda -
AND HAVE FULL PAX
ON CC TABLE AT June 3
MEETING - Thanks.
R06

The Upper Minnesota Valley Regional Development Commission (UMVRDC) has a vacancy for a municipal representative from a Swift County municipality. The UMVRDC Bylaws state that a mayor or a council person may serve as the municipal representative. We are soliciting representatives from all cities in this county and if multiple nominations are submitted, a ballot of all nominees will be mailed and the mayors of each county will be asked to vote for one candidate to represent city interests on the UMVRDC. Listed below are some points of interest related to our board membership and meeting schedule.

- The term of office on the UMVRDC will run concurrent with the individual's elected term. If re-elected, a member may continue on the Commission without a term limit.
- Board members receive a \$50 per diem per meeting and are reimbursed for expenses such as mileage and meals. The per diem amount is set in MN Statute.
- If board members have three (3) consecutive absences or more than four (4) absences in any fiscal year, the position shall be considered vacant and the vacancy shall be filled in accordance with UMVRDC bylaws.
- The UMVRDC holds its regular scheduled meetings on the fourth Tuesday of each month at 6:30 p.m. in Appleton.
- Each member of the UMVRDC board is named to a committee. Committees meet on a rotating schedule, approximately 4 times a year. Committee meetings begin at 5:30 p.m. and include a light supper, with the full board meeting following at 6:30 p.m.

I have included a nomination form and would ask that your council address this at your next meeting and consider nominating a representative to the UMVRDC. Please return the nomination form to my attention by June 21, 2013.

As additional background, I also have enclosed a Regional Development Commission Board Member Job Description, Commitment Form, list of current board members, and our most recent annual report. You may also be interested in learning more about our agency, staff, board members, or activities through our website at www.umvrdc.org.



Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

323 W. Schlieman Ave. Appleton, MN 56208 320.289.1981 www.umvrdc.org

BOARD MEMBER NOMINATION

DATE:

NOMINEE NAME (First/Middle Initial/Last):

NOMINEE MAILING ADDRESS:

PHONE: _____ Home
_____ Business or Cellular

EMAIL:

ELECTED TERM OF OFFICE:

Month/Year _____ to Month/Year _____

ELECTED POSITION - please circle one of the following:

Mayor Councilperson County Commissioner Township Official

NOMINATED BY (Name of Organization):

Signature of Nominee: _____

Signature of Nominating Organization Authorized Individual (Name/Title):



Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

323 W. Schlieman Ave. Appleton, MN 56208 320.289.1981 www.umvrdc.org

UMVRDC Board Member Job Description

General Description

A board member is a representative of a local governmental unit or public interest group as established by the RDC. Board members are charged with the identification and analysis of regionally significant issues concerning the present and future well-being of the area and the development of policies, goals and objectives which impact intergovernmental cooperation and promote orderly and harmonious coordination of state, federal and local comprehensive planning and development programs.

Membership Requirements

A board member is selected in accordance with Minnesota Statutes 462.388 and the bylaws of the RDC.

Term of Membership

The term of each board member shall be provided for in the bylaws of the Commission.

Salary

A board member serves without salary; however, they receive compensation in the form of a \$50 per diem and expense reimbursement in accordance with Minnesota Statutes 462.388, the Commission's bylaws or travel regulations.

Essential Work Requirements

A board member will have extensive knowledge of the operations of the local government unit they represent or, in the case of non-elected officials; the commissioner will have extensive knowledge of the operations of the area wide organization they represent. This includes, but not limited to, the legal responsibilities associated with an elective office as well as a thorough knowledge of the economic and social requirements of the region's general population.

The board member will also develop an understanding of the administrative operations of the Commission as well as an understanding of the Commission's fiscal operations.

The board member will participate in the development of regional policies, goals and objectives by providing insight and direction to Commission staff.

A board member will prepare them self to participate in Commission meetings and functions by studying issues considered significant to the Commission's work program. A board member will communicate the concerns of the organization that he/she represents and in turn, will communicate the actions of the Commission to such organizations.

A board member agrees to advocate for the betterment of his/her regional area by participating in the activities of state agencies, legislative bodies and other public and private groups.

Accountability

A board member is accountable to the appointing authority relative to their membership classification. In addition, a board member is accountable to the general population of the regional area they serve. Criteria for accountability are left to the discretion of the appointing authority.

Desirable Experience and Training

Experience and training may have been gained by serving as an elected or appointed official or as a volunteer with regional groups and organizations.



Upper Minnesota Valley
REGIONAL DEVELOPMENT COMMISSION
Helping Communities Prosper

323 W. Schlieman Ave. Appleton, MN 56208 320.289.1981 www.umvrdc.org

Board Member Commitment

Roles and Responsibilities

- Know the goals, mission and programs/services of the organization
- Provide constructive and timely feedback
- Respect and value diversity of thought and opinion
- Develop trust and fight fair with other board members, management and staff
- Pitch in to help advance the mission of the organization
- Know how to solve problems and work toward solving problems and issues
- Focus on achieving positive results for the region and the commission
- Define and oversee the mission of the commission and keep it relevant to the needs of the region and its individual local governments and communities
- Approve programs and services and monitor their effectiveness and usefulness
- Provide strategic guidance to the organization and the chief executive officer
- Ensure financial solvency, integrity and soundness, including through fundraising assistance
- Select, support and evaluate the chief executive officer
- Ensure continuous board improvement and engagement

As a member of the commission board, I commit to:

- Attend a board orientation meeting with the executive director
- Attend each meeting of the board
- Participate in all board retreats
- Participate in statewide and regional activities of the organization, as needed and requested
- Serve on at least one board committee
- Hold the commission to a high standard of performance and integrity
- Conduct my homework for board meetings and board member assignments, including developing a basic understanding of each program and service of the commission
- Read the materials sent to the board and membership, and be prepared to ask timely and informed questions and to provide honest and constructive feedback
- Listen carefully to other board members and staff with an open mind and an objective perspective
- Promote decisions and solutions that are in the best interest of the region and the organization
- Respect the confidentiality of the board's business

I agree to be informed about and to observe the following board policies in our manual:

- Avoidance of conflict of interest
- Equal opportunity and avoidance of discrimination

Signature of Board Member: _____

Date _____

208 11th Street South
Benson, MN 56215
May 13, 2013

cc
5/14/13

Val -
cc next mtg

City of Benson
Rob Wolfington, City Administrator
1410 Kansas Avenue
Benson, MN 56215

RE: Benson Blood Drive

Dear Rob:

I am writing to you to express a sincere appreciation in regard to the use of the Benson Armory for the recently held blood drive. It was most convenient for me. It is much appreciated that the tables and chairs were brought to the facility.

With the one-day blood drive, 55 whole blood units and 19 double-red cell units were collected making a total of 73. There were four deferrals and one new blood donor. There was a 12-gallon donor pin given to Jan Pagel and a one-gallon donor pin given to Rick Denzer.

The location of the armory is good. Joe, the Red Cross Staff Member informed me that he liked the location, the spaciousness and openness as well as the good lighting and easy access to unload their equipment. Also, there were two individuals that stopped to donate blood that were just driving through Benson. Its location attributed to them stopping to donate blood.



On Thursday night I called Elliott to inform him that when I took down the tables, the handle on two different tables broke. I don't know how they were broke or what happened. If there is a charge to make the repair, please let me know.

The next blood drive is scheduled for Thursday and Friday, August 8 & 9. I will be in contact with Val prior to the date. I have already visited with her so that the blood drive is on the calendar.

Thank you again -

Dianne

Dianne Doscher
Benson Area Community Blood Drive Coordinator

Minnesota Department of Natural Resources

500 Lafayette Road • St. Paul, MN • 55155-40



May 21, 2013

Vol
cc June 3, 13

W
5/28/13

Rob Wolfington, City Manager
City of Benson
1410 Kansas Avenue
Benson, Minnesota 56215

RE: CANCELLATION OF FLOOD HAZARD MITIGATION GRANT AGREEMENT
#3000029597, NORTHWEST AREA LEVEE CONSTRUCTION, CITY OF BENSON

Dear Mr. Wolfington:

I am in receipt of your May 16, 2013 letter to me notifying me of the Benson City Council's decision to defer action on its *Northwest Area Levee Construction Project* for which it requested, and was subsequently awarded, funding assistance. It is unfortunate the city has elected to discontinue its levee efforts to reduce flood risk in the Hawleywood Hills Addition area.

}*

Effective immediately, by mutual consent, please consider Flood Hazard Mitigation Grant Agreement #3000029597 terminated. There were no draws on the original \$130,000.090 award. Those funds will cancel, and be reallocated to other important flood risk reductions in Minnesota.

Please call or write if you have any questions. I can be reached at 651-259-5691, or at pat.lynch@state.mn.us

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Patrick J. Lynch III'.

Patrick J. Lynch III, CFM
Floodplain Hydrologist
DNR Division of Ecological & Water Resources





800 LaSalle Avenue
PO Box 59038
Minneapolis, MN 55459-0038

April 16, 2013

Mr. Rob Wolfington
City of Benson
1410 Kansas Avenue
Benson, MN 56215

Dear Mr. Wolfington:

Thank you for submitting an application for a CenterPoint Energy Community Partnership Grant.

I am pleased to inform you that a grant in the amount of \$1,900 has been awarded to the City of Benson for a Panasonic Toughbook laptop for the police department.

We would appreciate the opportunity to present the Community Partnership Grant check at a council meeting in May or June. Would you please provide the following information and fax to Community Relations at 507-387-1997.

May - June council meetings:

(1) Dates(s): *May 6 + 20, June 3 + 17*

(2) Time: *5:30 pm*

(3) Location: *Council chambers 1410 Kansas Ave*

(4) Name of contact and phone number to schedule attendance:

Glen Pederson 320-843-5445

We will coordinate with a CenterPoint Energy representative to attend and present the Community Partnership Grant check.

Congratulations, and thank you for making safety a top priority in your community.

Sincerely,

Jean Krause
Director, Community Relations

cc: Sgt. Paul Larson



CITY OF BENSON, MINNESOTA

MANAGEMENT LETTER

DECEMBER 31, 2012

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

CITY OF BENSON, MINNESOTA

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Quality | Dedication | Integrity

Honorable Mayor and City Council
City of Benson
Benson, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Benson are described in Note 1 to the financial statements. As described in the notes to the financial statements, the City implemented Governmental Accounting Standards Board Statement (GASB Statement) No. 63. Adoption of the provisions of this statement results in significant changes to net asset classifications within the government-wide, proprietary and fiduciary fund financial statements. We noted no transactions entered into by the City of Benson during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of depreciation is based on the number of years an asset is in service. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts in the Economic Development Revolving Loan Trust Fund is based on an analysis of the collectability of individual loans. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A schedule summarizing the uncorrected misstatements of the financial statements has been made available to management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City of Benson

Page 3

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

Very Truly Yours,

Conway, Deuth & Schmiesing, PLLP

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

June 3, 2013

CITY OF BENSON, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL ACCOUNTING ISSUES AND INTERNAL CONTROLS

Current Year Recommendation:

RECOMMENDATION #1

We believe that the City should examine some financial performance indicators to properly gauge its performance and to help the Council make decisions related to the City's financial resources. Some of the most important are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Debt Burden</u>	Ratio of gross debt less bonds fully supported from enterprise fund revenues over the estimated full value of taxable property:		
Bonded Debt	<u>\$ 845,000</u>	<u>\$ 765,000</u>	<u>\$ 635,000</u>
Market Value of Property	\$ 156,822,700 =0.539%	\$ 157,820,900 =0.480%	\$ 160,573,300 =0.400%

Generally a debt burden ratio of more than 4.0 percent is considered to be high for a City in Benson's population range.

<u>Debt per Capita</u>	Ratio of gross debt less bonds fully supported from enterprise fund revenues over the City's population:		
Bonded Debt	<u>\$ 845,000</u>	<u>\$ 765,000</u>	<u>\$ 635,000</u>
Population	3,390 =\$249	3,390 =\$226	3,240 =\$196

<u>Net Operating Revenue per Capita</u>	Ratio of General Fund revenues, over the City's population:		
Total Revenue	<u>\$ 2,930,271</u>	<u>\$ 3,097,954</u>	<u>\$ 3,316,167</u>
Population	3,390 =\$864	3,390 =\$914	3,240 =\$1,024

<u>Percent of Intergovernmental to Total Revenue</u>	Ratio of General Fund intergovernmental revenue to total General Fund revenue:		
Intergovernmental Revenue	<u>\$ 1,060,164</u>	<u>\$ 1,142,680</u>	<u>\$ 1,037,802</u>
Total Revenue	\$ 2,930,271 =36.18%	\$ 3,097,954 =36.88%	\$ 3,316,167 =31.30%

<u>Net Operating Expenditures per Capita</u>	Ratio of General Fund expenditures, over the City's population:		
Net Operating Expenditures	<u>\$ 2,665,258</u>	<u>\$ 2,738,029</u>	<u>\$ 2,743,040</u>
Population	3,390 =\$786	3,390 =\$807	3,240 =\$847

CITY OF BENSON, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL ACCOUNTING ISSUES AND INTERNAL CONTROLS

Current Year Recommendation (Cont'd):

RECOMMENDATION #1 (Cont'd)

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Percent of Fund Balance <u>Restricted</u>	Ratio of restricted balance, over the City's governmental fund balance:		
Restricted	<u>\$ 135,373</u>	<u>\$ 147,962</u>	<u>\$ 145,287</u>
Total Fund Balance	<u>\$ 2,593,099</u> =5.22%	<u>\$ 2,767,221</u> =5.35%	<u>\$ 2,983,370</u> =4.87%

RECOMMENDATION #2

During our review of year-end inventory counts and procedures it was noted that counts were not completed by year-end and, therefore, were not available for audit testing. Accurate physical inventory counts are important in determining the valuation of inventory in all funds.

At a minimum, annual physical inventory counts need to be performed. We recommend that staff be made aware of the proper procedures required when taking year-end inventory counts and also the importance of the procedures. Such steps should result in a more efficient and accurate inventory count.

RECOMMENDATION #3

Pursuant to Minn. Stat. §471.345, subd. 3, all sealed bids must be kept on file with the City for projects and purchases in excess of \$100,000. During our review of sealed bids received in 2012 it was noted that a sealed bid was not available for review for the purchase of a pumper truck.

We recommend the City implement procedures to ensure that all bids are kept on file in accordance with Minnesota Statutes.

CITY OF BENSON, MINNESOTA
REVENUE AND EXPENDITURE COMPARISON
GENERAL FUND
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES					
Taxes and Assessments	\$ 634,298	\$ 787,672	\$ 1,087,086	\$ 1,189,086	\$ 1,379,352
Licenses and Permits	66,076	47,675	28,178	19,352	43,743
Intergovernmental	1,176,223	1,214,322	1,060,164	1,142,680	1,037,802
Charges for Services	244,759	266,697	257,067	241,402	290,264
Fines, Forfeits and Other	645,972	527,979	497,776	505,434	565,006
Total Revenues	<u>2,767,328</u>	<u>2,844,345</u>	<u>2,930,271</u>	<u>3,097,954</u>	<u>3,316,167</u>
EXPENDITURES					
Current					
General Government	607,548	587,839	620,946	611,508	601,277
Public Safety	798,411	807,117	825,924	823,999	848,622
Public Works	672,571	631,832	609,356	678,852	613,553
Economic Development			15,947	17,206	20,443
Recreation and Parks	317,608	315,210	351,221	365,865	397,319
Other	266,889	238,091	241,864	240,599	261,826
Total Expenditures	<u>2,663,027</u>	<u>2,580,089</u>	<u>2,665,258</u>	<u>2,738,029</u>	<u>2,743,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 104,301</u>	<u>\$ 264,256</u>	<u>\$ 265,013</u>	<u>\$ 359,925</u>	<u>\$ 573,127</u>

CITY OF BENSON, MINNESOTA
REVENUE AND EXPENSE COMPARISON
LIQUOR FUND
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Sales	\$ 947,677	\$ 976,462	\$ 989,215	\$ 986,761	\$ 1,092,147
Cost of Sales	<u>627,455</u>	<u>657,424</u>	<u>664,809</u>	<u>665,037</u>	<u>719,498</u>
Gross Profit	320,222	319,038	324,406	321,724	372,649
Other Operating Revenues	<u>3,681</u>	<u>5,443</u>	<u>1,835</u>	<u>1,550</u>	<u>2,714</u>
Total Operating Revenues	323,903	324,481	326,241	323,274	375,363
Operating Expenses	<u>345,722</u>	<u>319,365</u>	<u>323,299</u>	<u>296,960</u>	<u>292,372</u>
Operating Income (Loss)	(21,819)	5,116	2,942	26,314	82,991
Nonoperating Revenues (Expenses)	<u>5,761</u>	<u>4,294</u>	<u>3,304</u>	<u>15,113</u>	<u>23,223</u>
Income (Loss) Before Transfers and Other Items	<u>\$ (16,058)</u>	<u>\$ 9,410</u>	<u>\$ 6,246</u>	<u>\$ 41,427</u>	<u>\$ 106,214</u>

CITY OF BENSON, MINNESOTA
REVENUE AND EXPENSE COMPARISON
WATER FUND
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
Operating Revenues	\$ 305,856	\$ 315,094	\$ 345,019	\$ 477,357	\$ 589,558
Operating Expenses	<u>325,877</u>	<u>340,371</u>	<u>422,181</u>	<u>411,472</u>	<u>473,113</u>
Operating Income (Loss)	(20,021)	(25,277)	(77,162)	65,885	116,445
Nonoperating Revenues (Expenses)	<u>8,789</u>	<u>4,846</u>	<u>(6,977)</u>	<u>(8,391)</u>	<u>(67,782)</u>
Income (Loss) Before Transfers and Other Items	<u><u>\$ (11,232)</u></u>	<u><u>\$ (20,431)</u></u>	<u><u>\$ (84,139)</u></u>	<u><u>\$ 57,494</u></u>	<u><u>\$ 48,663</u></u>

CITY OF BENSON, MINNESOTA
REVENUE AND EXPENSE COMPARISON
SEWER FUND
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues	\$ 675,317	\$ 682,370	\$ 742,629	\$ 765,266	\$ 736,856
Operating Expenses	<u>734,994</u>	<u>752,685</u>	<u>748,927</u>	<u>769,024</u>	<u>777,867</u>
Operating Income (Loss)	(59,677)	(70,315)	(6,298)	(3,758)	(41,011)
Nonoperating Revenues (Expenses)	<u>(42,131)</u>	<u>(51,134)</u>	<u>(49,134)</u>	<u>(64,548)</u>	<u>(65,392)</u>
Income (Loss) Before Transfers and Other Items	<u><u>\$ (101,808)</u></u>	<u><u>\$ (121,449)</u></u>	<u><u>\$ (55,432)</u></u>	<u><u>\$ (68,306)</u></u>	<u><u>\$ (106,403)</u></u>

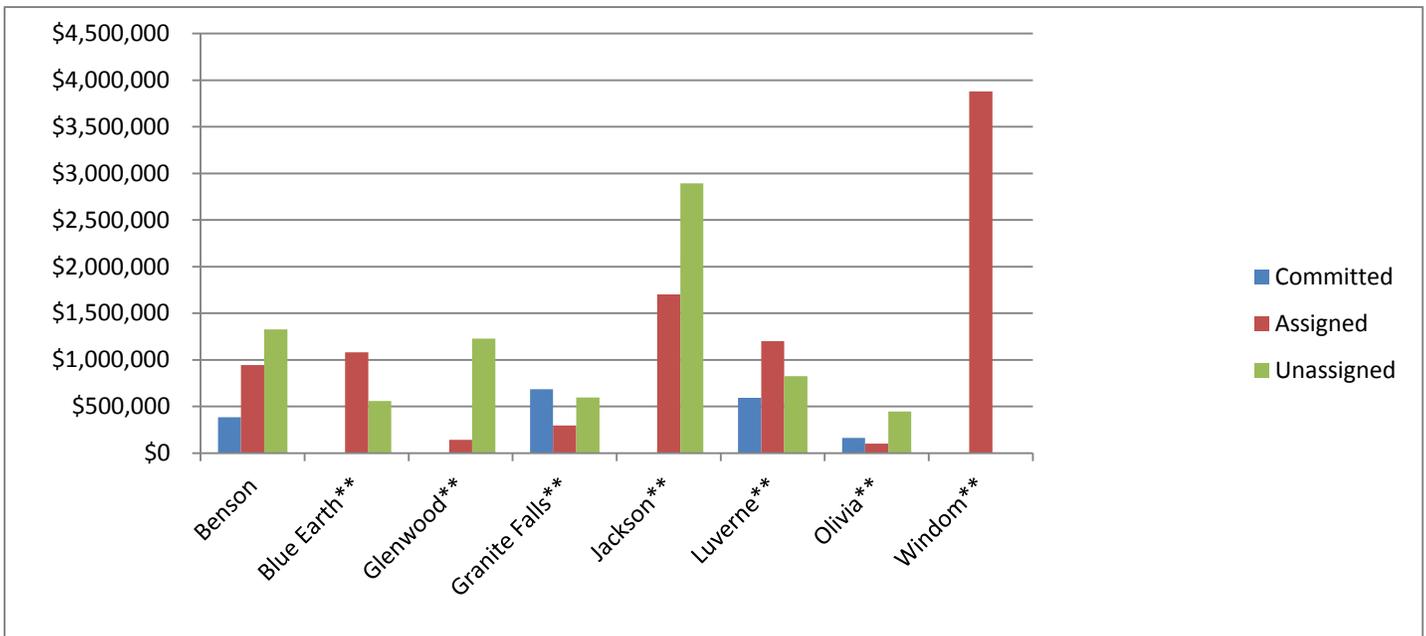
CITY OF BENSON, MINNESOTA
REVENUE AND EXPENSE COMPARISON
ELECTRIC FUND
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues	\$ 3,777,850	\$ 4,101,769	\$ 4,270,808	\$ 4,251,058	\$ 4,105,562
Operating Expenses	<u>3,459,005</u>	<u>3,715,853</u>	<u>3,858,300</u>	<u>3,825,643</u>	<u>3,713,822</u>
Operating Income (Loss)	318,845	385,916	412,508	425,415	391,740
Nonoperating Revenues (Expenses)	<u>(203,737)</u>	<u>(245,633)</u>	<u>(235,321)</u>	<u>(203,708)</u>	<u>(177,492)</u>
Income (Loss) Before Transfers and Other Items	<u>\$ 115,108</u>	<u>\$ 140,283</u>	<u>\$ 177,187</u>	<u>\$ 221,707</u>	<u>\$ 214,248</u>

CITY OF BENSON, MINNESOTA
 GOVERNMENTAL FUNDS UNRESTRICTED FUND BALANCE - COMPARABLE CITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Population	Committed	Assigned	Unassigned	Total Unrestricted	Total Expenditures	Percentage
Benson	3,240	\$ 385,613	\$ 943,064	\$ 1,325,085	\$ 2,653,762	\$ 4,526,745	58.62%
Blue Earth**	3,348		1,080,435	556,563	1,636,998	2,930,080	55.87%
Glenwood**	2,553		141,877	1,227,153	1,369,030	1,780,798	76.88%
Granite Falls**	2,879	683,484	295,898	597,070	1,576,452	2,248,094	70.12%
Jackson**	3,294		1,700,713	2,892,053	4,592,766	2,638,125	174.09%
Luverne**	4,745	593,502	1,198,528	823,652	2,615,682	3,463,846	75.51%
Olivia**	2,479	161,965	102,502	444,828	709,295	1,716,002	41.33%
Windom**	4,649		3,880,036		3,880,036	3,045,248	127.41%

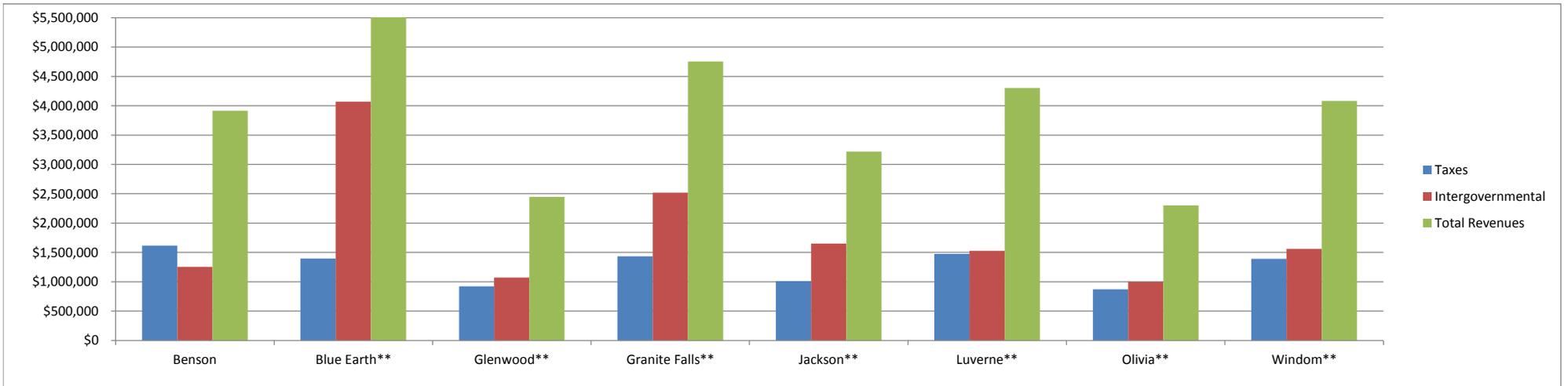
** Based on 2011 data.



CITY OF BENSON, MINNESOTA
 GOVERNMENTAL FUNDS REVENUES - COMPARABLE CITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	REVENUES											OTHER SOURCES			
	Population	Taxes	Special Assessments	Licenses and Permits	INTERGOVERNMENTAL			Total Inter-Governmental	Charges for Services / Fines	Interest Earnings	All Other Revenues	Total Revenues	Borrowing / Other	Transfers In	Total Other Sources
					Federal Grants	State Grants	Local Grants								
Benson	3,240	\$ 1,618,632	\$ 4,392	\$ 43,743	\$ 65,264	\$ 1,189,051	\$	\$ 1,254,315	\$ 325,062	\$ 69,537	\$ 600,117	\$ 3,915,798	\$ 639,158	\$ 1,357,991	\$ 1,997,149
Blue Earth**	3,348	1,393,919	212,302	30,026	2,311,147	1,757,743		4,068,890	422,264	69,370	847,140	7,043,911	1,068,691	1,212,985	2,281,676
Glenwood**	2,553	923,605	17,593	42,443	172,298	900,307		1,072,815	295,169	1,606	93,611	2,446,842	42,180	518,416	560,596
Granite Falls**	2,879	1,432,549	85,647	34,474	92,107	2,423,736	2,090	2,517,933	231,524	13,313	436,770	4,752,210		742,198	742,198
Jackson**	3,294	1,010,938	13,828	106,995	437,476	1,212,750		1,650,226	234,877	99,864	102,143	3,218,871	600,004	542,998	1,143,002
Luverne**	4,745	1,476,982	78,422	90,228		1,336,756	191,034	1,527,790	782,310	140,776	205,258	4,301,766	23,384	694,250	717,634
Olivia**	2,479	871,761	126,392	64,780		997,963		997,963	87,177	86,337	65,613	2,300,023	470	1,415,150	1,415,620
Windom**	4,649	1,392,371	176,563	60,074		1,559,327		1,559,327	726,697	12,344	155,071	4,082,447	795,000	378,546	1,173,546

** Based on 2011 data.

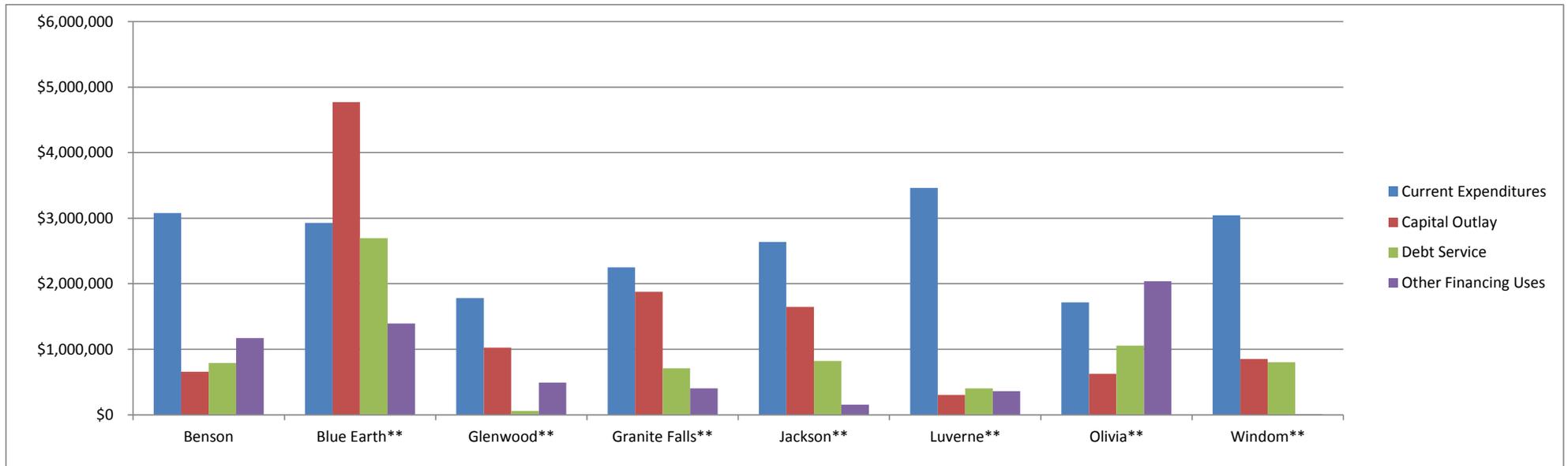


Benson	41.34%	0.11%	1.12%	1.67%	30.37%	0.00%	32.03%	8.30%	1.78%	15.33%	100.00%
Blue Earth**	19.79%	3.01%	0.43%	32.81%	24.95%	0.00%	57.76%	5.99%	0.98%	12.03%	100.00%
Glenwood**	37.75%	0.72%	1.73%	7.04%	36.79%	0.01%	43.84%	12.06%	0.07%	3.83%	100.00%
Granite Falls	30.14%	1.80%	0.73%	1.94%	51.00%	0.04%	52.98%	4.87%	0.28%	9.19%	100.00%
Jackson**	31.41%	0.43%	3.32%	13.59%	37.68%	0.00%	51.27%	7.30%	3.10%	3.17%	100.00%
Luverne**	34.33%	1.82%	2.10%	0.00%	31.07%	4.44%	35.52%	18.19%	3.27%	4.77%	100.00%
Olivia**	37.90%	5.50%	2.82%	0.00%	43.39%	0.00%	43.39%	3.79%	3.75%	2.85%	100.00%
Windom**	34.11%	4.32%	1.47%	0.00%	38.20%	0.00%	38.20%	17.80%	0.30%	3.80%	100.00%

CITY OF BENSON, MINNESOTA
GOVERNMENTAL FUNDS EXPENDITURES - COMPARABLE CITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Population	CURRENT EXPENDITURES						Total Current Expenditures	Total Capital Outlay	Total Debt Service	Total Expenditures	Total Other Uses
		General Government	Public Safety	Streets and Highways	Culture and Recreation	Housing and Economic Development	All Other					
Benson	3,240	\$ 601,277	\$ 848,622	\$ 661,453	\$ 493,962	\$ 211,131	\$ 261,826	\$ 3,078,271	\$ 658,244	\$ 790,230	\$ 4,526,745	\$ 1,170,053
Blue Earth**	3,348	382,253	658,282	637,368	404,862	653,667	193,648	2,930,080	4,771,666	2,693,643	10,395,389	1,392,727
Glenwood**	2,553	303,864	537,527	267,940	329,879	208,008	133,580	1,780,798	1,026,553	58,378	2,865,729	493,416
Granite Falls**	2,879	368,847	577,595	426,078	199,000	390,818	285,756	2,248,094	1,876,332	710,986	4,835,412	404,099
Jackson**	3,294	693,772	834,325	759,502	144,179	16,996	189,351	2,638,125	1,648,038	819,804	5,105,967	153,589
Luverne**	4,745	506,873	1,042,059	584,215	779,066	300,127	251,506	3,463,846	302,717	404,281	4,170,844	362,250
Olivia**	2,479	452,522	573,200	482,354	121,489	40,909	45,528	1,716,002	624,596	1,054,588	3,395,186	2,038,724
Windom**	4,649	374,885	1,238,179	487,703	446,047	380,610	117,824	3,045,248	853,463	803,829	4,702,540	11,807

** Based on 2011 data.

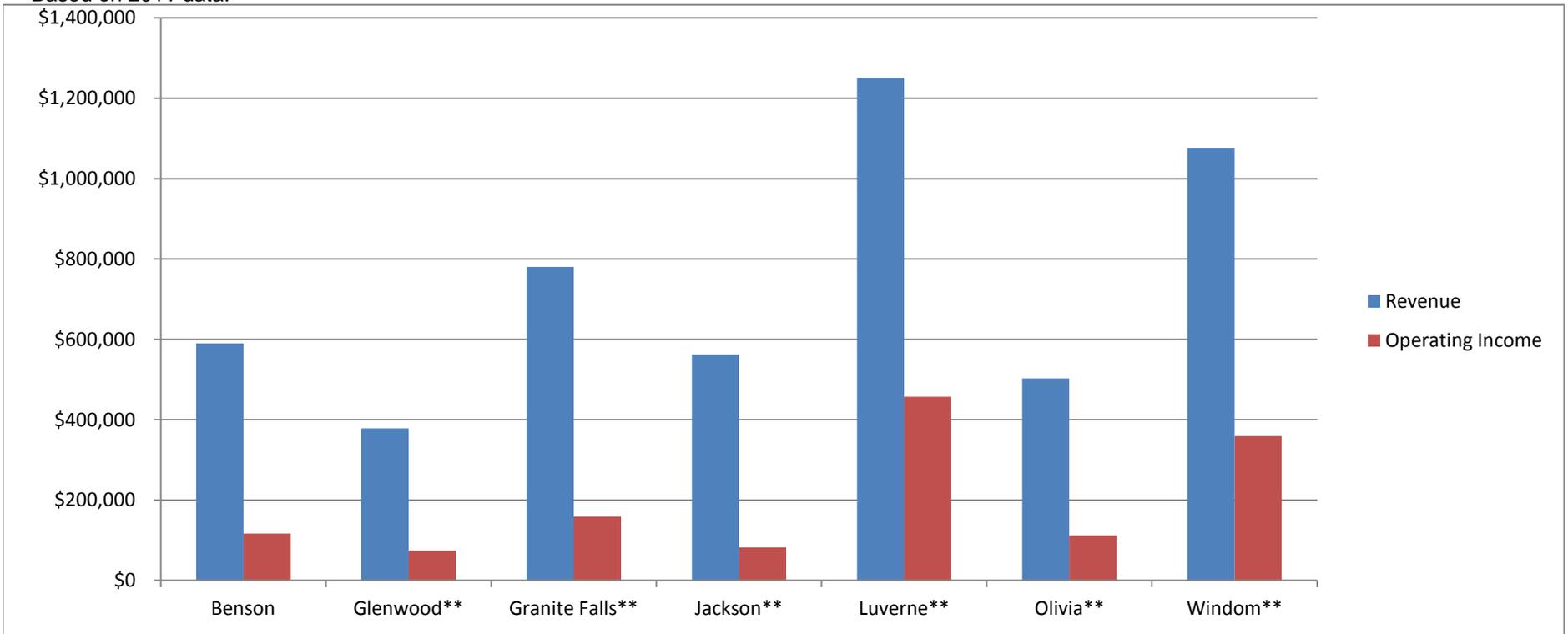


Benson	13.28%	18.75%	14.61%	10.91%	4.66%	5.78%	68.00%	14.54%	17.46%	100.00%
Blue Earth**	3.68%	6.33%	6.13%	3.89%	6.29%	1.86%	28.19%	45.90%	25.91%	100.00%
Glenwood**	10.60%	18.76%	9.35%	11.51%	7.26%	4.66%	62.14%	35.82%	2.04%	100.00%
Granite Falls**	7.63%	11.95%	8.81%	4.12%	8.08%	5.91%	46.49%	38.80%	14.70%	100.00%
Jackson**	13.59%	16.34%	14.87%	2.82%	0.33%	3.71%	51.67%	32.28%	16.06%	100.00%
Luverne**	12.15%	24.98%	14.01%	18.68%	7.20%	6.03%	83.05%	7.26%	9.69%	100.00%
Olivia**	13.33%	16.88%	14.21%	3.58%	1.20%	1.34%	50.54%	18.40%	31.06%	100.00%
Windom**	7.97%	26.33%	10.37%	9.49%	8.09%	2.51%	64.76%	18.15%	17.09%	100.00%

CITY OF BENSON, MINNESOTA
 WATER FUND - COMPARABLE CITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Population	OPERATING			NON-OPERATING	Net	Capital Outlay	DEBT SERVICE		
		Revenue	Expense	Operating Income (Loss)	Revenue (Expense)	Income (Loss)		Principal	Interest	Total Debt Service
Benson	3,240	\$ 589,558	\$ 473,113	\$ 116,445	\$ (67,782)	\$ 48,663	\$ 1,397,970	\$ 161,460	\$ 42,325	\$ 203,785
Glenwood**	2,553	378,082	303,663	74,419	5,374	79,793	128,880	91,000	22,010	113,010
Granite Falls**	2,879	780,038	621,230	158,808	21,355	180,163	2,887,580		12,480	12,480
Jackson**	3,294	561,963	479,991	81,972	9,355	91,327	52,039	12,000	1,243	13,243
Luverne**	4,745	1,250,057	793,377	456,680	19,144	475,824	381,401	863,000	53,076	916,076
Olivia**	2,479	502,478	390,554	111,924	(11,868)	100,056	887,487	615,000	17,533	632,533
Windom**	4,649	1,075,296	716,416	358,880	(51,520)	307,360	26,702	292,100	58,249	350,349

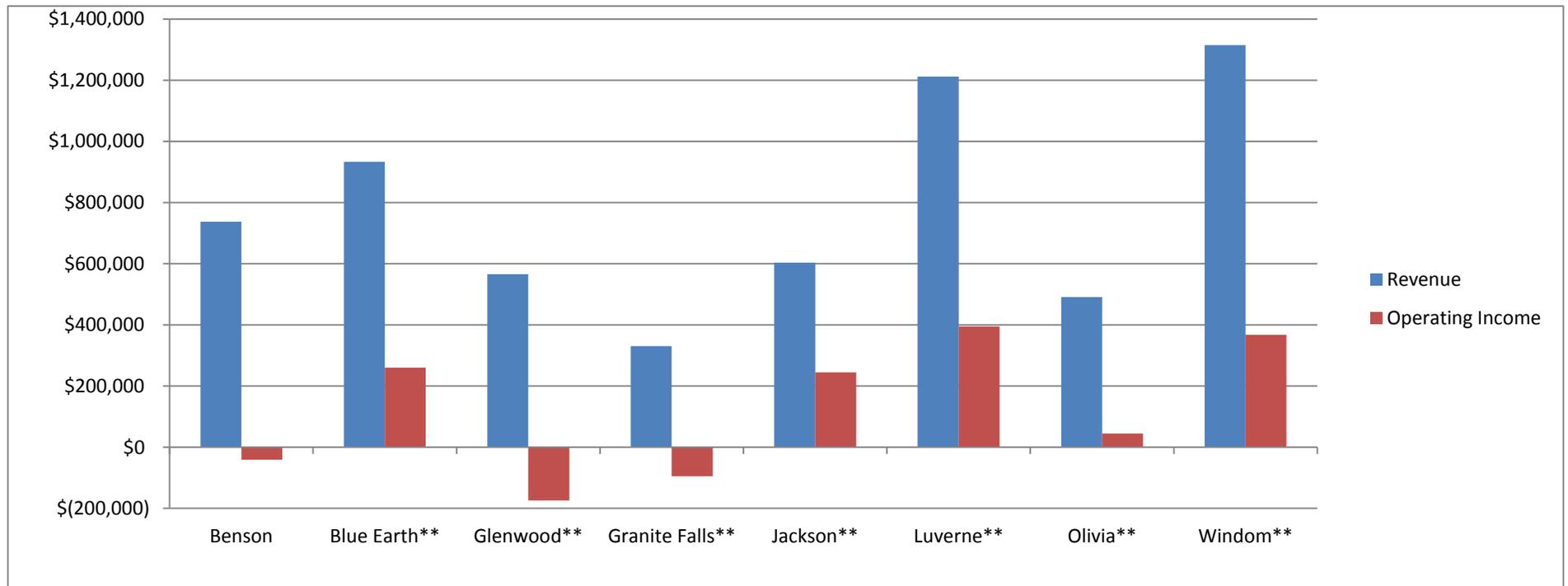
** Based on 2011 data.



CITY OF BENSON, MINNESOTA
SEWER FUND - COMPARABLE CITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Population	OPERATING			NON-OPERATING		Capital Outlay	DEBT SERVICE		
		Revenue	Expense	Operating Income (Loss)	Revenue (Expense)	Net Income (Loss)		Principal	Interest	Total Debt Service
Benson	3,240	\$ 736,856	\$ 777,867	\$ (41,011)	\$ (65,392)	\$ (106,403)	\$ 32,544	\$ 247,000	\$ 72,994	\$ 319,994
Blue Earth**	3,348	933,048	672,886	260,162	(106,755)	153,407	739,742	703,000	73,054	776,054
Glenwood**	2,553	565,911	739,877	(173,966)	75,367	(98,599)	188,499			
Granite Falls**	2,879	330,809	425,823	(95,014)	(33,837)	(128,851)	1,764,309		42,568	42,568
Jackson**	3,294	603,021	358,442	244,579	14,377	258,956	324,476	28,000	1,894	29,894
Luverne**	4,745	1,211,574	816,973	394,601	54,855	449,456	150,297	1,212,000	30,041	1,242,041
Olivia**	2,479	490,782	445,834	44,948	48,234	93,182	1,497,150	58,860	18,682	77,542
Windom**	4,649	1,314,704	947,150	367,554	(40,385)	327,169	397,748	259,549	47,784	307,333

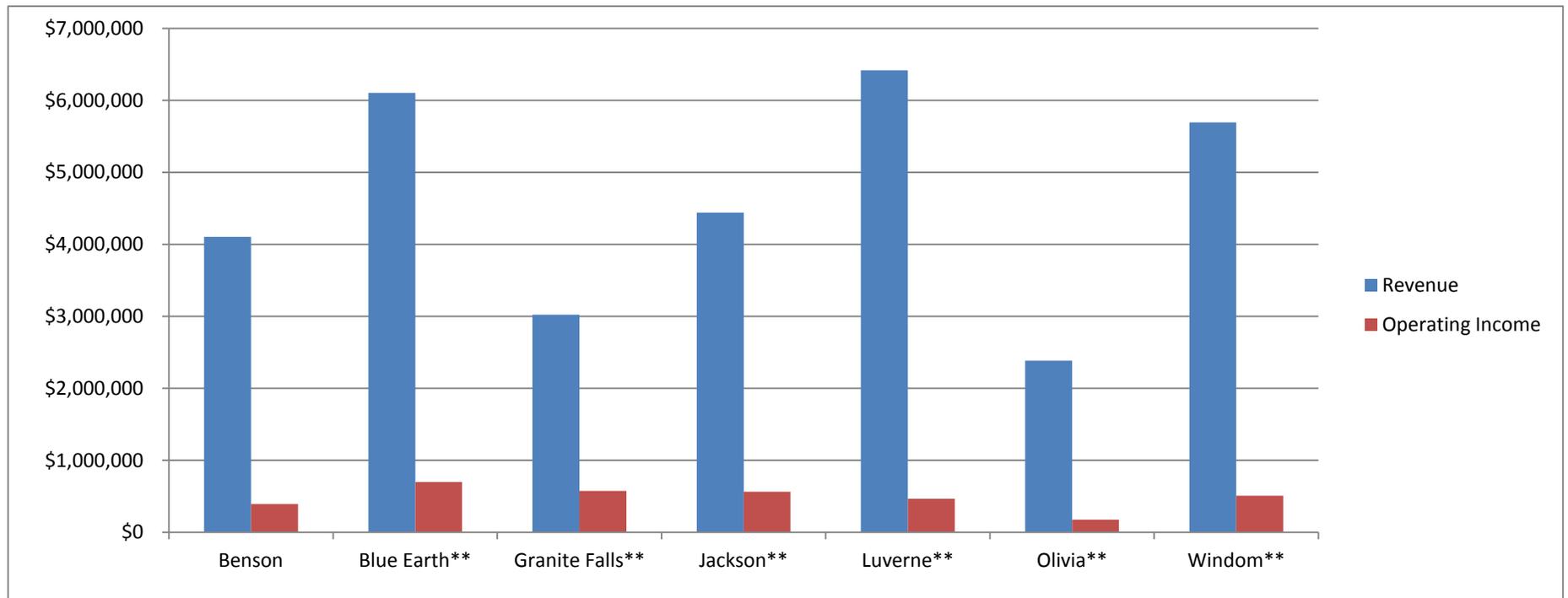
** Based on 2011 data.



CITY OF BENSON, MINNESOTA
ELECTRIC FUND - COMPARABLE CITIES
FOR THE YEAR ENDED DECEMBER, 31, 2012

	Population	OPERATING			NON-OPERATING		Capital Outlay	DEBT SERVICE		
		Revenue	Expense	Operating Income (Loss)	Revenue (Expense)	Net Income (Loss)		Principal	Interest	Total Debt Service
Benson	3,240	\$4,105,562	\$3,713,822	\$ 391,740	\$ (177,492)	\$ 214,248	\$ 360,216	\$ 260,000	\$ 273,729	\$ 533,729
Blue Earth**	3,348	6,104,495	5,407,272	697,223	51,054	748,277	440,338	355,000	31,085	386,085
Granite Falls**	2,879	3,020,146	2,445,532	574,614	(130,403)	444,211	13,453	145,000	168,820	313,820
Jackson**	3,294	4,439,580	3,876,768	562,812	(102,874)	459,938	474,866	165,000	166,552	331,552
Luverne**	4,745	6,416,744	5,950,614	466,130	96,835	562,965	589,277			
Olivia**	2,479	2,384,311	2,210,214	174,097	90,215	264,312	192,553		114	114
Windom**	4,649	5,692,690	5,185,330	507,360	8,766	516,126	208,695			

** Based on 2011 data.



CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,380,907	\$ 1,380,907	\$ 1,379,169	\$ (1,738)
Licenses and permits	20,200	20,200	43,743	23,543
Intergovernmental	1,002,977	1,002,977	1,037,802	34,825
Investment income	20,000	20,000	57,835	37,835
Rents	65,300	65,300	72,929	7,629
Charges for services	241,900	241,900	290,264	48,364
Fines and forfeits	17,000	17,000	16,241	(759)
Other	367,784	367,784	360,166	(7,618)
Total Revenues	3,116,068	3,116,068	3,258,149	142,081
EXPENDITURES				
General government	611,000	611,000	601,277	(9,723)
Public safety	901,558	901,558	848,622	(52,936)
Public works	635,630	635,630	613,553	(22,077)
Recreation and parks	392,885	392,885	397,319	4,434
Other	#REF!	#REF!	#REF!	#REF!
Total Expenditures	#REF!	#REF!	#REF!	#REF!
Excess (Deficiency) of Revenues Over (Under) Expenditures	#REF!	#REF!	#REF!	#REF!
OTHER FINANCING SOURCES (USES)				
Operating transfers in	131,650	131,650	189,602	57,952
Operating transfers out	(395,000)	(395,000)	(423,308)	(28,308)
Transfers to other governments	26,000	26,000	26,000	-
Total Other Financing Sources (Uses)	(237,350)	(237,350)	(207,706)	29,644
Net Change in Fund Balance	#REF!	#REF!	#REF!	#REF!
FUND BALANCE, BEGINNING OF YEAR			1,092,937	
FUND BALANCE, END OF YEAR			#REF!	

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

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

CITY OF BENSON, MINNESOTA

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CITY OF BENSON, MINNESOTA

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CITY OF BENSON, MINNESOTA

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

<u>Name</u>	<u>Position</u>	<u>Term of Office Expires</u>
Paul Kittelson	Mayor	December 31, 2013
Ben Hess	Council Member	December 31, 2013
Gary Landmark	Council Member	December 31, 2013
Sue Fitz	Council Member	December 31, 2015
Michael Fugleberg	Council Member	December 31, 2015
Robert Wolfington	City Manager	Appointed
Glen Pederson	Director of Finance	Appointed
Donald Wilcox	City Attorney	Appointed



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Benson
Benson, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, as of December 31, 2012, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Elected and Appointed Officials page and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

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

June 3, 2013

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The assets of the City exceeded liabilities by \$22.5 million for the year ended 2012. Of this amount, \$8.6 million may be used to meet the government's ongoing obligations to citizens and creditors in 2013.
- The City's total net position increased by \$564,421.
- The City's governmental funds reported combined ending fund balances of \$2,983,370 in 2012 which is an increase of \$216,149. Of this total amount, approximately 44% is available for spending at the City's discretion. The General Capital Outlay Fund decreased by \$106,451 due to equipment purchases and project costs. The General Fund increased by \$343,579 with revenues received \$253,013 over budget and expenses \$90,566 under budget. The G.O. Swimming Pool 2003 Debt Service Fund decreased by \$93,427, which was due to the refunding of this bond and using those funds to reduce the amount of refunding bonds issued.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,325,085, or 48% of total General Fund expenditures of \$2,743,040. A larger utility fund transfer in, higher fee income and interest earnings, and operating expenditures coming in under budget resulted in this balance increasing this year by \$343,579.

Using this Annual Report

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

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

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

The Statement of Net Position and the Statement of Activities report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Benson.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Water, Sewer, Electric, Liquor, and Sanitation funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

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

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

The governmental fund financial statements can be found on pages 16-20 of this report.

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

The proprietary fund financial statements can be found on pages 21-24 of this report.

Fiduciary Funds - The City of Benson is the trustee, or fiduciary, to account for the repayment and earnings of the Economic Development Revolving Loans. The resources held in a fiduciary capacity are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

The fiduciary fund financial statements can be found on pages 25-26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-50 of this report.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

The City of Benson's net position increased from a year ago. Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

	<u>Governmental Activities</u>		Change
	<u>2012</u>	<u>2011</u>	
Current and Other Assets	\$ 3,254,519	\$ 2,979,046	\$ 275,473
Net Capital Assets	10,185,056	10,066,809	118,247
Total Assets	<u>\$ 13,439,575</u>	<u>\$ 13,045,855</u>	<u>\$ 393,720</u>
Current and Other Liabilities	\$ 85,584	\$ 44,290	\$ 41,294
Long-Term Liabilities	897,321	1,023,825	(126,504)
Total Liabilities	982,905	1,068,115	(85,209)
Net Position			
Net Investment in Capital Assets	9,550,056	9,301,809	248,247
Restricted	164,691	132,145	32,546
Unrestricted	2,741,923	2,543,786	198,137
Total Net Position	<u>12,456,670</u>	<u>11,977,740</u>	<u>478,930</u>
Total Liabilities and Net Position	<u>\$ 13,439,575</u>	<u>\$ 13,045,855</u>	<u>\$ 393,720</u>

	<u>Business-Type Activities</u>		Change
	<u>2012</u>	<u>2011</u>	
Current and Other Assets	\$ 6,443,454	\$ 5,829,665	\$ 613,789
Net Capital Assets	17,120,181	16,332,998	787,183
Total Assets	<u>\$ 23,563,635</u>	<u>\$ 22,162,663</u>	<u>\$ 1,400,972</u>
Current and Other Liabilities	\$ 444,558	\$ 445,790	\$ (1,232)
Long-Term Liabilities	13,029,320	11,712,607	1,316,713
Total Liabilities	13,473,878	12,158,397	1,315,481
Net Position			
Net Investment in Capital Assets	4,253,412	4,785,927	(532,515)
Unrestricted	5,836,345	5,218,339	618,006
Total Net Position	<u>10,089,757</u>	<u>10,004,266</u>	<u>85,491</u>
Total Liabilities and Net Position	<u>\$ 23,563,635</u>	<u>\$ 22,162,663</u>	<u>\$ 1,400,972</u>

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Net position of the City's governmental activities increased by \$478,930. Table 3 presents the key elements of the increase.

Business-Type Activities

The net position of our business-type activities increased by \$85,491. The increase was due to the following funds change in net assets: Water - \$30,587, Sewer - \$(140,664), Electric - \$108,647, Liquor - \$76,214, and Sanitation - \$10,707. A comparison of the 2012 and 2011 changes in net position is as follows:

	2012	2011	Increase (Decrease)	Analysis
Water	\$ 30,587	\$ 57,494	\$ (26,907)	Rates Increased
Sewer	(140,664)	(102,372)	(38,292)	Lower Sales
Electric	108,647	131,420	(22,773)	Lower Sales
Liquor	76,214	11,427	64,787	On-Sale Sales up
Sanitation	10,707	10,296	411	
	<u>\$ 85,491</u>	<u>\$ 108,265</u>	<u>\$ (22,774)</u>	

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

The following tables indicate the changes in net assets for the City's governmental and business-type activities:

Table 3 Comparative Condensed Statement of Activities			
	Governmental Activities		Change
	2012	2011	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 939,691	\$ 799,439	\$ 140,252
Operating Grants and Contributions	410,820	418,927	(8,107)
Capital Grants and Contributions	78,917	82,831	(3,914)
General Revenues			
Property Taxes	1,538,396	1,344,106	194,290
Grants and Contributions Not Restricted	778,623	887,046	(108,423)
Interest Income	69,536	38,213	31,323
Other	87,910	142,886	(54,976)
Total Revenues	<u>3,903,893</u>	<u>3,713,448</u>	190,444
EXPENSES			
General Government	715,840	865,540	(149,700)
Public Safety	1,035,999	964,412	71,587
Public Works	777,864	1,008,439	(230,575)
Culture and Recreation	649,793	618,124	31,669
Airport and Public Transit	226,696	222,026	4,670
Urban Development	169,794	34,942	134,852
Economic Development	20,894	253,923	(233,029)
Interest on Long-Term Debt	16,022	32,523	(16,501)
Total Expenses	<u>3,612,901</u>	<u>3,999,929</u>	(387,028)
Change in Net Position Before Transfers	290,991	(286,481)	577,472
TRANSFERS	187,938	154,354	33,584
Change in Net Position	<u>478,930</u>	<u>(132,127)</u>	611,057
NET POSITION, BEGINNING OF YEAR	<u>11,977,740</u>	<u>12,109,867</u>	(132,127)
NET POSITION, END OF YEAR	<u>\$ 12,456,670</u>	<u>\$ 11,977,740</u>	\$ 478,930

CITY OF BENSON, MINNESOTA

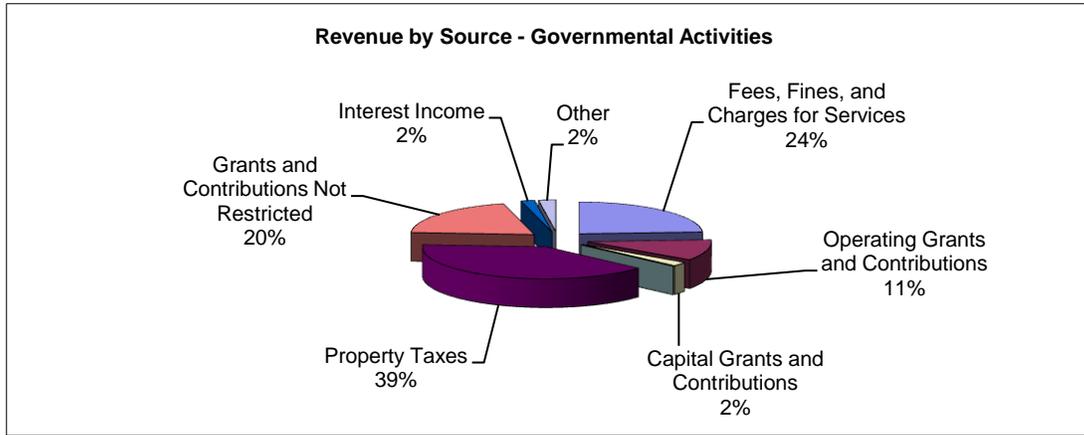
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities		Change
	2012	2011	
REVENUES			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 6,691,933	\$ 6,616,523	\$ 75,410
General Revenues			
Interest Income	104,855	93,807	11,048
Other	47,172	63,754	(16,582)
Total Revenues	<u>6,843,960</u>	<u>6,774,084</u>	<u>69,875</u>
EXPENSES			
Water	551,886	426,283	125,603
Sewer	849,804	845,808	3,996
Electric	4,000,344	4,118,790	(118,446)
Liquor	1,011,870	961,997	49,873
Sanitation	156,627	158,588	(1,961)
Total Expenses	<u>6,570,531</u>	<u>6,511,466</u>	<u>59,065</u>
Change in Net Position Before Transfers	273,429	262,618	10,811
TRANSFERS			
Change in Net Position	<u>(187,938)</u>	<u>(154,353)</u>	<u>(33,585)</u>
NET POSITION, BEGINNING OF YEAR	<u>10,004,266</u>	<u>9,896,001</u>	<u>108,265</u>
NET POSITION, END OF YEAR	<u>\$ 10,089,757</u>	<u>\$ 10,004,266</u>	<u>\$ 85,491</u>

CITY OF BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

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



Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund balance was \$343,579 for 2012. The City Council recognizes the need to balance increases to the property tax with the increased cost of providing public services. This increase in fund balance brings the total over the cities goal of 40% of the annual budget.

Property taxes increased 6% this year to replace the reduced amount of Local Government Aid to be received. A special levy of \$148,390 for 2011-2012 unallotted aids and credits allowed the city to recapture that lost revenue.

Revenues came in higher than anticipated due to increases in a number of line items. These included a larger than projected 25% utility fund transfer, state flood aid, a building permit for the new clinic, and state aids that were anticipated to be reduced but came in at the same level as previous years. Increases were also seen in fee income.

The added revenues and reduced expenditures resulted in the \$343,579 positive change in fund balance which will be used to help buffer any additional state aid reduction in future years.

General Capital Outlay - The change in the City's General Capital Outlay Fund balance was a decrease of \$106,451 for 2012. A \$70,000 increase was budgeted but the city hall roof and police vehicles came in higher than anticipated. A truck for the Fire Department was purchased and not included in the budget. Overages were also realized in the streets and parks capital budgets.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the City's Funds (Cont'd)

Capital Project Funds - The capital project fund balances - both major and nonmajor - increased by \$81,708. All of this decrease was in the General Capital Outlay Fund, but the Concrete Projects Fund and Storm Water Fund both saw an increase. A new Storm Water Fee was implemented in 2012 in anticipation of needed improvements to the system.

Debt Service Funds – The debt service fund balances decreased by \$15,744. The G.O. Equipment Notes of 2006 were paid off in 2012 and the G.O. Swimming Pool Bonds of 2003 were refunded with the available fund balance used to reduce the amount of the new issue.

Sewer Fund - Revenues came in 4% under budget or almost \$30,000 and expenses were over a total of 2% mainly in contracted services and depreciation.

Water Fund - Water revenues exceeded budget numbers with the implementation of the second step of a rate increase of \$7.50 to the minimum charge to cover operational costs and future debt service on the water treatment plant. Expenses not including depreciation were down in 2012 mainly in Maintain System and employee benefits.

Liquor Fund - Total revenues were up 10% in 2012 and the On-Sale has begun to show a resurgence. Rental income increased significantly with a full year of the new pull tab selling arrangement with the Benson Hockey Association. Expenses were down in depreciation and personnel costs with severance paid out in the previous year.

Factors affecting the City's proprietary funds for 2013 are as follows:

Water and sewer rates remain the same for 2013 but we continue to monitor for proper revenue coverage. Large increases the last couple of years to water and sewer rates has made these charges a significant portion of our residential customers utility bill. What was once a reasonably priced service now needs to be closely monitored by the consumers in order to control their costs.

In the Electric Fund no major changes are anticipated. Cost of power has stabilized and no major projects are anticipated. An effort to convert a portion of our distribution system from overhead to underground began in 2012 and will continue for several years.

General Fund Budgetary Highlights

Over the course of the year, the City of Benson revised its original budget by \$7,661 for the Lodging Tax Expenses line item only. The City adopted a budget with a surplus in anticipation of reduced state aids. There was a potential for Local Government Aid to be cut but the amount was unknown.

Capital Assets

At the end of 2012, the City of Benson had \$56,665,531 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

The City of Benson's fiscal year 2013 capital outlay plan has \$663,000 in budgeted purchases. This is about average for our city. Emphasis this year will be street reconstruction with seven blocks proposed. Parks also has several projects planned.

The Water Fund finalized the construction of upgrading the water filter plant located near the municipal golf course. This was recommended as part of the water system improvement study that was completed in 2008. Other purchases include continuing to replace meters for connection to the automated reading system. Service charges were increased \$7.50 in order to cover debt service for the upgraded water treatment plant bonds and increased operating costs.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Cont'd)

The Electric Fund has planned improvements to the exhaust system of the backup generation equipment in order to meet new federal emissions standards. Metering updates and street light replacement are also planned. Conversions from overhead to underground distribution continues.

Long-Term Debt

At year-end, the City of Benson had \$13,501,769 in bonds and other long-term notes outstanding. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

Economic Factors and Next Year's Budget

The overall economy continues to show signs of improvement according to national news reports. The City's condition during this time has significantly improved. The City Council's prudent approach to conservative spending has helped manage the budget during these uncertain times and has been able to increase our General Fund reserves. The continued uncertainty with aid from the State of Minnesota will most likely lead to reductions in this traditional source of revenue. The threat of levy limits placed on the City Council will also limit the Council's ability to recover losses in these state aids.

The 2013 Property Tax Levy of \$1,332,161 is an 11.7% decrease over 2012. Part of the reduction was due to one bond issue being paid off last year and not having to levy for that debt service. Another reduction was the one time levy in 2011 of \$148,390 for unallotted aids and credits. The revenue budget is up 1.3% over last year. The Liquor Fund transfer was able to be restored back to the \$60,000 level that it was several years ago. An increase to the Utility Fund transfer is also anticipated. The expenditure budget shows a 3% increase over the 2012 budget with two thirds of that increase being in the transfer to the General Capital Outlay Fund. Personnel changes include the retirement of the Administrative Assistant in the Police Department and a hiring of a new Police Chief. There are no other substantial changes to personnel. The Council shows a deficit of \$12,000 in the 2013 budget for revenues received in 2012 that will be spent in the current year for welcome to Benson signs and mini golf improvements.

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Benson, 1410 Kansas Avenue, Benson, Minnesota 56215, (320) 843-4775, or staff@bensonmn.org.

BASIC FINANCIAL STATEMENTS

CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 2,745,444	\$ 4,890,353	\$ 7,635,797
Receivables			
Accounts	79,164	597,158	676,322
Property Taxes	38,985		38,985
Special Assessments	24,796	26,887	51,683
Notes	103,196		103,196
Loans	40,000		40,000
Interest	11,965	19,766	31,731
Due from Other Governments		57,176	57,176
Inventories	69,388	398,450	467,838
Internal Balances	1,771	(1,771)	
Prepaid Items	114,933	128,082	243,015
Capital Assets			
Assets Not Being Depreciated	1,203,973	375,564	1,579,537
Other Capital Assets, Net of Depreciation	8,981,083	16,744,617	25,725,700
Net Capital Assets	10,185,056	17,120,181	27,305,237
Deferred Charges	24,877	327,353	352,230
Total Assets	\$ 13,439,575	\$ 23,563,635	\$ 37,003,210
LIABILITIES AND NET POSITION			
Liabilities			
Accounts Payable	\$ 80,111	\$ 309,362	\$ 389,473
Interest Payable	5,473	74,696	80,169
Customer Deposits		60,500	60,500
Noncurrent Liabilities			
Due Within One Year	173,130	798,754	971,884
Due in More Than One Year	724,191	12,230,566	12,954,757
Total Liabilities	982,905	13,473,878	14,456,783
Net Position			
Net Investment in Capital Assets	9,550,056	4,253,412	13,803,468
Restricted			
Debt Service	105,016		105,016
Economic Development	59,675		59,675
Unrestricted	2,741,923	5,836,345	8,578,268
Total Net Position	12,456,670	10,089,757	22,546,427
Total Liabilities and Net Position	\$ 13,439,575	\$ 23,563,635	\$ 37,003,210

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 715,840	\$ 418,137	\$ 157,179	\$	\$ (140,524)	\$	\$ (140,524)
Public Safety	1,035,999	223,625	44,925		(767,450)		(767,450)
Public Works	777,864	23,134	2,473		(752,257)		(752,257)
Culture and Recreation	649,793	124,474	5,115	18,240	(501,964)		(501,964)
Airport and Public Transit	226,696	126,929	45,293	60,677	6,203		6,203
Urban Development	169,794		155,836		(13,958)		(13,958)
Economic Development	20,894	23,393			2,499		2,499
Interest on Long-Term Debt	16,022				(16,022)		(16,022)
Total Governmental Activities	3,612,901	939,691	410,820	78,917	(2,183,473)	0	(2,183,473)
BUSINESS-TYPE ACTIVITIES							
Water	551,886	589,558				37,672	37,672
Sewer	849,804	736,856				(112,948)	(112,948)
Electric	4,000,344	4,105,562				105,218	105,218
Liquor	1,011,870	1,094,861				82,991	82,991
Sanitation	156,627	165,096				8,469	8,469
Total Business-Type Activities	6,570,531	6,691,933	0	0	0	121,402	121,402
Total	\$ 10,183,432	\$ 7,631,624	\$ 410,820	\$ 78,917	(2,183,473)	121,402	(2,062,071)
GENERAL REVENUES							
Taxes							
Property Taxes							
Grants and Contributions Not Restricted to Specific Programs							
Interest Income							
Other							
TRANSFERS							
Total General Revenues and Transfers							
Change in Net Position							
NET POSITION, BEGINNING OF YEAR							
NET POSITION, END OF YEAR							

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	General Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,238,996	\$ 502,221	\$ 1,004,227	\$ 2,745,444
Receivables				
Accounts	74,556		4,608	79,164
Property Taxes	33,085	12	5,888	38,985
Special Assessments	4,634		20,162	24,796
Notes			103,196	103,196
Loans			40,000	40,000
Interest	9,835		2,130	11,965
Inventories		69,388		69,388
Due from Other Funds	14	3,600	4,467	8,081
Prepaid Items	111,431		3,502	114,933
	<u>111,431</u>		<u>3,502</u>	<u>114,933</u>
Total Assets	<u>\$ 1,472,551</u>	<u>\$ 575,221</u>	<u>\$ 1,188,180</u>	<u>\$ 3,235,952</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 33,002	\$ 46,713	\$ 396	\$ 80,111
Due to Other Funds	230		6,080	6,310
Deferred Revenue	2,803		163,358	166,161
Total Liabilities	<u>36,035</u>	<u>46,713</u>	<u>169,834</u>	<u>252,582</u>
Fund Balance				
Nonspendable	111,431	69,388	3,502	184,321
Restricted			145,287	145,287
Committed			385,613	385,613
Assigned		459,120	483,944	943,064
Unassigned	1,325,085			1,325,085
Total Fund Balance	<u>1,436,516</u>	<u>528,508</u>	<u>1,018,346</u>	<u>2,983,370</u>
	<u>\$ 1,472,551</u>	<u>\$ 575,221</u>	<u>\$ 1,188,180</u>	<u>\$ 3,235,952</u>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total Fund Balances - Governmental Funds	\$ 2,983,370
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
Governmental Capital Assets	26,241,771
Less: Accumulated Depreciation	(16,056,715)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred Special Assessments	22,965
Economic Development Loans and Notes	143,196
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds and Notes Payable	(635,000)
Compensated Absences	(172,411)
Accrued Interest Payable	(5,473)
Deferred Charges	24,877
Net OPEB Liability	(89,910)
	<hr/>
Total Net Position - Governmental Activities	<u>\$ 12,456,670</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General	General Capital Outlay	G.O. Swimming Pool 2003	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,379,169	\$ 18	\$ 79,566	\$ 159,879	\$ 1,618,632
Special Assessments	183			4,209	4,392
Licenses and Permits	43,743				43,743
Intergovernmental	1,037,802	60,677		155,836	1,254,315
Charges for Services	290,264			18,557	308,821
Fines and Forfeits	16,241				16,241
Investment Income	57,835		769	10,933	69,537
Rents	72,929				72,929
Refunds and Reimbursements	413,042	48,893		14,680	476,615
Donations	3,573	18,240		5,115	26,928
Other	1,386	6,578		15,681	23,645
Total Revenues	3,316,167	134,406	80,335	384,890	3,915,798
EXPENDITURES					
Current					
General Government	601,277				601,277
Public Safety	848,622				848,622
Public Works	613,553			47,900	661,453
Culture and Recreation	397,319			96,643	493,962
Airport	59,729				59,729
Public Transit	177,328				177,328
Tourism	24,769				24,769
Urban Development				169,794	169,794
Economic Development	20,443			20,894	41,337
Capital Outlay		590,857		67,387	658,244
Debt Service			698,317	91,913	790,230
Total Expenditures	2,743,040	590,857	698,317	494,531	4,526,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	573,127	(456,451)	(617,982)	(109,641)	(610,947)
OTHER FINANCING SOURCES (USES)					
Proceeds from Bond Issuance				635,000	635,000
Transfers In	189,602	350,000	634,593	183,796	1,357,991
Transfers Out	(423,308)		(110,038)	(636,707)	(1,170,053)
Sale of Property	4,158				4,158
Total Other Financing Sources (Uses)	(229,548)	350,000	524,555	182,089	827,096
Net Change in Fund Balances	343,579	(106,451)	(93,427)	72,448	216,149
FUND BALANCE, BEGINNING OF YEAR	1,092,937	634,959	93,427	945,898	2,767,221
FUND BALANCE, END OF YEAR	\$ 1,436,516	\$ 528,508	\$ 0	\$ 1,018,346	\$ 2,983,370

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	216,149
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlay	655,244
Depreciation Expense	(534,366)
Capital Asset Disposals	(162,125)
Accumulated Depreciation Related to Capital Asset Disposals	159,494

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Revenue, December 31, 2012	166,161
Deferred Revenue, December 31, 2011	(182,215)

In the Statement of Activities, certain operating expenses - other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	6,730
Net OPEB Liability	(10,226)

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

Proceeds from Issuance of Long-Term Debt	(635,000)
Issuance Costs Related to Issuance of Long-Term Debt	24,877
Principal Retirement of Long-Term Debt	765,000
Change in Interest Payable	9,207

Change in Net Position - Governmental Activities	\$	<u>478,930</u>
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CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,366,596	\$ 1,380,907	\$ 1,379,169	\$ (1,738)
Special Assessments			183	183
Licenses and Permits	20,200	20,200	43,743	23,543
Intergovernmental	1,002,977	1,002,977	1,037,802	34,825
Charges for Services	241,900	241,900	290,264	48,364
Fines and Forfeits	17,000	17,000	16,241	(759)
Investment Income	20,000	20,000	57,835	37,835
Rents	65,300	65,300	72,929	7,629
Refunds and Reimbursements	383,584	383,584	413,042	29,458
Donations	2,200	2,200	3,573	1,373
Other	2,000	2,000	1,386	(614)
Total Revenues	3,121,757	3,136,068	3,316,167	180,099
EXPENDITURES				
Current				
General Government	611,000	611,000	601,277	(9,723)
Public Safety	901,558	901,558	848,622	(52,936)
Public Works	635,630	635,630	613,553	(22,077)
Culture and Recreation	392,885	392,885	397,319	4,434
Airport	45,630	45,630	59,729	14,099
Public Transit	170,456	170,456	177,328	6,872
Tourism	28,250	28,250	24,769	(3,481)
Economic Development	20,900	20,900	20,443	(457)
Total Expenditures	2,806,309	2,806,309	2,743,040	(63,269)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	315,448	329,759	573,127	243,368
OTHER FINANCING SOURCES (USES)				
Transfers In	131,650	131,650	189,602	57,952
Transfers Out	(395,000)	(395,000)	(423,308)	(28,308)
Sale of Property	3,500	3,500	4,158	658
Total Other Financing Sources (Uses)	(259,850)	(259,850)	(229,548)	30,302
Net Change in Fund Balances	\$ 55,598	\$ 69,909	343,579	\$ 273,670
FUND BALANCE, BEGINNING OF YEAR			1,092,937	
FUND BALANCE, END OF YEAR			\$ 1,436,516	

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
ASSETS						
Current Assets						
Cash and Investments	\$ 620,525	\$ 226,694	\$ 3,796,205	\$ 130,931	\$ 115,998	\$ 4,890,353
Receivables						
Accounts	76,096	3,049	515,645	2,368		597,158
Special Assessments	1,608	25,279				26,887
Interest			19,766			19,766
Due from Other Governments	57,176					57,176
Inventories	26,872	8,970	243,667	118,941		398,450
Due from Other Funds	40,005	64,389			12,870	117,264
Prepaid Items	14,354	19,450	84,535	9,743		128,082
Total Current Assets	836,636	347,831	4,659,818	261,983	128,868	6,235,136
Noncurrent Assets						
Capital Assets						
Assets Not Being Depreciated			337,623	37,941		375,564
Other Capital Assets,						
Net of Depreciation	4,879,433	5,174,737	6,636,853	53,594		16,744,617
Net Capital Assets	4,879,433	5,174,737	6,974,476	91,535	0	17,120,181
Deferred Charges	6,132	5,351	315,870			327,353
Total Noncurrent Assets	4,885,565	5,180,088	7,290,346	91,535	0	17,447,534
Total Assets	\$ 5,722,201	\$ 5,527,919	\$ 11,950,164	\$ 353,518	\$ 128,868	\$ 23,682,670
LIABILITIES AND NET POSITION						
Liabilities						
Current Liabilities						
Accounts Payable	\$ 8,543	\$ 6,477	\$ 279,995	\$ 14,347	\$	\$ 309,362
Interest Payable	23,530	25,323	25,843			74,696
Customer Deposits	18,436		42,064			60,500
Due to Other Funds	3,600		115,434			119,034
Current Portion of Long-Term Debt	250,149	260,149	282,320	6,136		798,754
Total Current Liabilities	304,258	291,949	745,656	20,483	0	1,362,346
Noncurrent Liabilities						
Note Payable	2,965,769	2,860,000				5,825,769
Bonds Payable	516,000	375,000	6,150,000			7,041,000
Compensated Absences	35,679	41,068	41,811	6,135		124,693
Net OPEB Liability	4,727	9,468	14,195	9,468		37,858
Less Current Portion of Debt	(250,149)	(260,149)	(282,320)	(6,136)		(798,754)
Total Noncurrent Liabilities	3,272,026	3,025,387	5,923,686	9,467	0	12,230,566
Total Liabilities	3,576,285	3,317,336	6,669,342	29,950	0	13,592,913
Net Position						
Net Investment in Capital Assets	1,397,664	1,939,737	824,476	91,535		4,253,412
Unrestricted	748,252	270,846	4,456,346	232,033	128,868	5,836,345
Total Net Position	2,145,916	2,210,583	5,280,822	323,568	128,868	10,089,757
Total Liabilities and Net Position	\$ 5,722,201	\$ 5,527,919	\$ 11,950,164	\$ 353,518	\$ 128,868	\$ 23,682,670

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
OPERATING REVENUES						
Sales and Charges for Services	\$ 589,410	\$ 736,856	\$ 4,024,369	\$ 374,249	\$ 161,670	\$ 5,886,554
Interfund			33,735			33,735
Other	148		47,458	1,114	3,426	52,146
Total Operating Revenues	589,558	736,856	4,105,562	375,363	165,096	5,972,435
OPERATING EXPENSES						
Personal Services	128,270	8,612	119,262	169,087		425,231
Supplies	21,068	3,060	92,192	5,669	871	122,860
Other Services and Charges	122,113	424,978	3,031,684	109,523	155,756	3,844,054
Interfund	12,375	21,360				33,735
Depreciation	189,287	319,857	470,684	8,093		987,921
Total Operating Expenses	473,113	777,867	3,713,822	292,372	156,627	5,413,801
Operating Income (Loss)	116,445	(41,011)	391,740	82,991	8,469	558,634
NONOPERATING REVENUES						
(EXPENSES)						
Investment Income	10,991	6,545	84,817	264	2,238	104,855
Interest and Fiscal Charges	(60,516)	(71,007)	(263,618)			(395,141)
Rents			24,213	22,959		47,172
Gain (Loss) on Disposal of Assets	(15,628)					(15,628)
Amortization	(2,629)	(930)	(22,904)			(26,463)
Total Nonoperating Revenues						
(Expenses)	(67,782)	(65,392)	(177,492)	23,223	2,238	(285,205)
Income (Loss) before Transfers	48,663	(106,403)	214,248	106,214	10,707	273,429
TRANSFERS						
Transfers to Other Funds	(18,076)	(34,261)	(105,601)	(30,000)		(187,938)
Change in Net Position	30,587	(140,664)	108,647	76,214	10,707	85,491
NET POSITION, BEGINNING OF YEAR	2,115,329	2,351,247	5,172,175	247,354	118,161	10,004,266
NET POSITION, END OF YEAR	\$ 2,145,916	\$ 2,210,583	\$ 5,280,822	\$ 323,568	\$ 128,868	\$ 10,089,757

CITY OF BENSON, MINNESOTA

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

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts From Customers	\$ 516,549	\$ 742,490	\$ 4,015,011	\$ 1,092,872	\$ 161,678	\$ 6,528,600
Payments Received From Other Sources	148	6,592	141,958	1,114	3,426	153,238
Payments to Suppliers	(213,625)	(452,867)	(3,193,584)	(829,816)	(156,390)	(4,846,282)
Payments to Employees	(128,529)	(8,298)	(114,729)	(176,660)		(428,216)
Net Cash Provided (Used) by Operating Activities	174,543	287,917	848,656	87,510	8,714	1,407,340
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers Out	(18,076)	(34,261)	(105,601)	(30,000)		(187,938)
Rents			24,213	22,959		47,172
Net Cash Provided (Used) by Noncapital Financing Activities	(18,076)	(34,261)	(81,388)	(7,041)	0	(140,766)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Long-Term Debt Principal Payments	(161,460)	(247,000)	(260,000)			(668,460)
Interest Paid on Bonds	(42,325)	(72,994)	(273,729)			(389,048)
Proceeds from Notes Payable	1,493,158		495,000			1,988,158
Acquisition and Construction of Capital Assets	(1,397,970)	(32,544)	(360,216)			(1,790,730)
Net Cash Provided (Used) by Capital and Related Financing Activities	(108,597)	(352,538)	(398,945)	0	0	(860,080)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Income	10,991	6,545	85,522	264	2,238	105,560
Net Increase (Decrease) in Cash and Cash Equivalents	58,861	(92,337)	453,845	80,733	10,952	512,054
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR						
	561,664	319,031	3,342,360	50,198	105,046	4,378,299
CASH AND CASH EQUIVALENTS, END OF YEAR						
	\$ 620,525	\$ 226,694	\$ 3,796,205	\$ 130,931	\$ 115,998	\$ 4,890,353

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

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 116,445	\$ (41,011)	\$ 391,740	\$ 82,991	\$ 8,469	\$ 558,634
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	189,287	319,857	470,684	8,093		987,921
(Increase) Decrease in Assets						
Receivables	(73,683)	12,226	51,407	(875)	8	(10,917)
Inventories	4,744	(2,057)	(9,831)	2,807		(4,337)
Prepaid Items	(3,580)	(2,784)	(38,527)	485		(44,406)
Due from Other Governments	(57,176)					
Due from Other Funds	(6,753)	(5,000)	178		237	(11,338)
Increase (Decrease) in Liabilities						
Accounts Payable	1,096	6,372	(29,227)	1,582		(20,177)
Customer Deposits	822		(2,218)			(1,396)
Due to Other Funds	3,600		9,917			13,517
Compensated Absences	(564)	(297)	3,617	(3,762)		(1,006)
Net OPEB Liability	305	611	916	(3,811)		(1,979)
Total Adjustments	<u>58,098</u>	<u>328,928</u>	<u>456,916</u>	<u>4,519</u>	<u>245</u>	<u>848,706</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 174,543</u>	<u>\$ 287,917</u>	<u>\$ 848,656</u>	<u>\$ 87,510</u>	<u>\$ 8,714</u>	<u>\$ 1,407,340</u>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
TRUST FUND
ECONOMIC DEVELOPMENT REVOLVING LOAN TRUST
DECEMBER 31, 2012

	<u>Private-Purpose Trust</u>
ASSETS	
Cash and Investments	\$ 1,024,558
Loans Receivable, Net of Allowance for Uncollectible Accounts	<u>283,238</u>
Total Assets	<u>\$ 1,307,796</u>
NET POSITION	
Funds Held in Trust	<u>\$ 1,307,796</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 TRUST FUND
 ECONOMIC DEVELOPMENT REVOLVING LOAN TRUST
 YEAR ENDED DECEMBER 31, 2012

	<u>Private-Purpose Trust</u>
ADDITIONS	
Interest	\$ 16,808
DEDUCTIONS	
Economic Development	<u>13,087</u>
Change in Net Position	3,721
NET POSITION, BEGINNING OF YEAR	<u>1,304,075</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,307,796</u></u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

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

For each of the categories above, the specific entities are identified as follows.

Blended Component Unit

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

Property taxes, special assessments, intergovernmental revenue, charges for services, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The General Capital Outlay Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The G.O. Swimming Pool, 2003 Debt Service Fund accounts for the accumulation of resources for and payment of the bond principal, interest and related costs.

The City reports the following major enterprise funds:

The Water Fund accounts for the operations of the City owned water utility system.

The Sewer Fund accounts for the operations of the City owned sewer utility system.

The Electric Fund accounts for the operations of the City owned electrical utility system.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

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

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

The Sanitation Fund is used to account for the fees received and expenses in relation to trash collection.

Additionally, the City reports as a Private-Purpose Trust Fiduciary Fund the Economic Development Revolving Loan Trust Fund. This fund is used to account for the repayment and earnings of the loan in accordance with the requirements of the agreement.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. DEPOSITS AND INVESTMENTS

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

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

Cash and investments at December 31, 2012, were comprised of deposits, brokered certificates of deposits, government bonds, and commercial paper.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

The City does not have an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk or custodial credit risk.

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Minnesota Statutes require all City deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must be 110 percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The City has no formal policy in place to address custodial credit risk for deposits.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City minimizes its exposure to interest rate risk by investing in short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes §118A.04 and §118A.05 limits investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City does not have an investment policy that further limits credit risk.

Custodial Credit Risk: For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City was not exposed to custodial credit risk since all investment securities were insured or fully collateralized and are registered in the name of the City. The City does not have a formal policy to address custodial credit risk.

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

E. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

E. RECEIVABLES AND PAYABLES (Cont'd)

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

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

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

F. PREPAID ITEMS

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

G. INVENTORIES

All inventories of governmental and proprietary funds are valued at the lower of cost, using the first-in, first-out method of accounting, or market value.

H. CAPITAL ASSETS

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively. The current value of the infrastructure includes projects completed during the year ended December 31, 1977 and prospectively from that date.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

H. CAPITAL ASSETS (Cont'd)

Tangible and intangible assets of the City are depreciated using the straight-line, full month convention method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements Other than Buildings	20-50
Vehicles	10
Machinery and Equipment	10

The City does not possess any material amounts of intangible assets.

I. DEFERRED REVENUE

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

J. COMPENSATED ABSENCES

Full and part-time employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized when earned in the government-wide and the proprietary fund statements. In the governmental fund statements, expenditures for vacation are recognized when paid. Full and part-time employees earn paid sick leave at the rate of one day per month, or pro-rata, up to a total of 125 days. Employees who have accumulated 125 days have one day of sick leave per month credited to a deferred sick leave account to be utilized in the event of an extended illness or injury after their 125 days of regular sick leave are depleted. When police officers hired prior to January 1, 1996, and all others hired prior to January 1, 1991, retire or leave in good standing, the regular accumulated sick leave, up to 125 days will be paid out at a rate established by the City benefit policy and is reported as a liability in the Statement of Net Position. For employees hired after these dates and who retire or otherwise separate employment, no payment for accumulated sick leave is due.

K. OTHER POST-EMPLOYMENT BENEFITS

Employees of the City pay health care premiums based on their age and level of coverage. The City does have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage (except as otherwise provided in a collective bargaining agreement or personnel policy.) The City's personnel policy does not provide for any contributions upon employee retirement.

L. LONG-TERM OBLIGATIONS

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

L. LONG-TERM OBLIGATIONS (Cont'd)

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

M. FUND BALANCE

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

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

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

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

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

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

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

N. NET POSITION

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

O. USE OF ESTIMATES

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

1. Budget requests are submitted by all department heads to the City Finance Director. The City Finance Director compiles the budget requests into an overall preliminary City budget. The City Administrator presents the proposed budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

B. FUND DEFICITS

The City did not have any funds operating with a deficit balance at December 31, 2012.

C. EXPENDITURES EXCEEDING BUDGET

For the year ended December 31, 2012, the following funds had expenditures that exceeded budget.

	<u>Budget</u>	<u>Actual</u>
Nonmajor Funds		
Community Development Revolving Loan	\$	\$ 5,952
2005 Small Cities Grant		92
2009 Small Cities Grant		21,130
2011 Small Cities Grant		134,706
TIF District #4	7,200	7,914

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

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

Checking	\$ 283,883
Money Market Accounts at Depositories	1,212,782
Nonnegotiable Certificates of Deposit	<u>194,572</u>
Total Deposits	<u><u>\$ 1,691,237</u></u>

B. INVESTMENTS

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

	Fair Value	Credit Ratings	
		<u>S & P</u>	<u>Moody</u>
Brokered Certificates of Deposit	\$ 4,330,145	N/A	N/A
Government Securities	2,583,723	AA+	AAA
Commercial Paper	<u>50,000</u>	N/A	N/A
Total Investments	<u><u>\$ 6,963,868</u></u>		

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The issuers and amounts that exceed five percent of the City's total investments are as follows:

Investment Type	Percent	Amount
Government Securities		
Federal Home Loan Mortgage Corp	11.51%	\$ 801,774
Federal Home Loan Bank	25.49%	1,775,297

The following is a summary of total deposits and investments:

Petty Cash	\$ 5,250
Deposits (Note 3.A.)	1,691,237
Investments (Note 3.B.)	<u>6,963,868</u>
Total Deposits and Investments	<u><u>\$ 8,660,355</u></u>

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

Statement of Net Position	
Governmental Activities	
Cash and Investments	\$ 2,745,444
Business-Type Activities	
Cash and Investments	4,890,353
Statement of Fiduciary Net Position	
Cash and Investments	<u>1,024,558</u>
Total Cash and Investments	<u><u>\$ 8,660,355</u></u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4. RECEIVABLES

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

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 79,164	\$
Property Taxes	38,985	
Special Assessments	24,796	19,270
Notes	103,196	103,196
Loans	40,000	40,000
Interest	11,965	
	<u>\$ 298,106</u>	<u>\$ 162,466</u>
Business-Type Activities		
Accounts	\$ 597,158	\$
Special Assessments	26,887	24,384
Interest	19,766	
	<u>\$ 643,811</u>	<u>\$ 24,384</u>

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 950,387	\$ 64,387	\$	\$ 1,014,774
Construction in Progress	158,695	87,195	(56,691)	189,199
Total Capital Assets, Not Being Depreciated	1,109,082	151,582	(56,691)	1,203,973
Capital Assets, Being Depreciated				
Buildings	4,178,681	52,905	(20,366)	4,211,220
Improvements Other than Buildings	2,012,423			2,012,423
Infrastructure	14,951,954	185,996	(55,785)	15,082,165
Machinery and Equipment	3,496,512	321,452	(85,974)	3,731,990
Total Capital Assets, Being Depreciated	24,639,570	560,353	(162,125)	25,037,798

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5. CAPITAL ASSETS (Cont'd)

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u> (Cont'd)				
Less Accumulated Depreciation for				
Buildings	\$ 1,362,518	\$ 93,902	\$ (17,735)	\$ 1,438,685
Improvements Other than Buildings	1,115,628	69,454		1,185,082
Infrastructure	11,115,974	141,391	(55,785)	11,201,580
Machinery and Equipment	2,087,723	229,619	(85,974)	2,231,368
Total Accumulated Depreciation	<u>15,681,843</u>	<u>534,366</u>	<u>(159,494)</u>	<u>16,056,715</u>
Total Capital Assets, Being Depreciated, Net	<u>8,957,727</u>	<u>25,987</u>	<u>(2,631)</u>	<u>8,981,083</u>
 Governmental Activities Net Capital Assets	 <u>\$ 10,066,809</u>	 <u>\$ 177,569</u>	 <u>\$ (59,322)</u>	 <u>\$ 10,185,056</u>
	Beginning Balance	Increase	Decrease	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 93,427	\$	\$	\$ 93,427
Construction in Progress	1,937,140	270,704	(1,925,707)	282,137
Total Capital Assets, Not Being Depreciated	2,030,567	270,704	(1,925,707)	375,564
Capital Assets, Being Depreciated				
Buildings	8,111,580	5,175	(17,857)	8,098,898
Generator and Treatment Plant	4,819,821	3,043,463	(267,349)	7,595,935
Improvements Other than Buildings	11,876,592	353,493		12,230,085
Machinery and Equipment	2,079,676	43,602		2,123,278
Total Capital Assets, Being Depreciated	26,887,669	3,445,733	(285,206)	30,048,196
Less Accumulated Depreciation for				
Buildings	3,999,205	220,722	(17,857)	4,202,070
Generator and Treatment Plant	2,776,992	275,170	(249,375)	2,802,787
Improvements Other than Buildings	4,476,851	389,312		4,866,163
Machinery and Equipment	1,332,190	100,369		1,432,559
Total Accumulated Depreciation	<u>12,585,238</u>	<u>985,573</u>	<u>(267,232)</u>	<u>13,303,579</u>
Total Capital Assets, Being Depreciated, Net	<u>14,302,431</u>	<u>2,460,160</u>	<u>(17,974)</u>	<u>16,744,617</u>
 Business-Type Activities Net Capital Assets	 <u>\$ 16,332,998</u>	 <u>\$ 2,730,864</u>	 <u>\$ (1,943,681)</u>	 <u>\$ 17,120,181</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 5,166
Public Safety		102,232
Public Works		221,021
Culture and Recreation		124,009
Airport and Public Transit		81,938
		<hr/>
Total Depreciation Expense - Governmental Activities		\$ 534,366
		<hr/> <hr/>
Business-Type Activities		
Water		\$ 186,941
Sewer		319,856
Electric		470,684
Liquor		8,092
		<hr/>
Total Depreciation Expense - Business-Type Activities		\$ 985,573
		<hr/> <hr/>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$ 14
General Capital Outlay	Water	3,600
Water	Electric	39,999
Water	General	6
Sewer	Nonmajor Governmental Funds	6,080
Sewer	Electric	58,085
Sewer	General	224
Nonmajor Governmental Funds	Electric	4,467
		<hr/>
Total Interfund Balances		\$ 112,475
		<hr/> <hr/>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Cont'd)

B. INTERFUND TRANSFERS

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

Transfers Out	Transfers In			Total	
	General	General Capital Outlay	G.O. Swimming Bond, 2003		Nonmajor Governmental Funds
General	\$	\$ 350,000	\$	\$ 73,308	\$ 423,308
G.O. Swimming Bond, 2003				110,038	110,038
Water	18,076				18,076
Sewer	34,261				34,261
Electric	105,601				105,601
Liquor	30,000				30,000
Nonmajor Governmental Funds	1,664		634,593	450	636,707
Total Interfund Transfers	\$ 189,602	\$ 350,000	\$ 634,593	\$ 183,796	\$ 1,357,991

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

NOTE 7. LONG-TERM DEBT

A. GENERAL OBLIGATION BONDS

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

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. LONG-TERM DEBT (Cont'd)

B. COMPONENTS OF LONG-TERM DEBT

	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
G.O. Bonds			
G.O. Bonds, Series 2012A	0.40-2.10%	01/01/2022	\$ 635,000
Compensated Absences			172,411
Other Postemployment Benefits			<u>89,910</u>
Total Governmental Activities			<u>\$ 897,321</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
Electric Revenue Bonds, Series 2007A	4.375-4.70%	06/01/2027	\$ 5,655,000
G.O. Water and Sewer Revenue Bonds, Series 2009A	2.00-4.00%	02/01/2020	700,000
G.O. Bonds, Series 2012A-Electric Portion	0.40-2.10%	02/01/2022	495,000
Notes			
PFA Wastewater Revenue Note	1.98%	06/01/2027	2,895,000
PFA Drinking Water Revolving Fund	*	*	3,121,769
Compensated Absences			124,693
Other Postemployment Benefits			<u>37,858</u>
Total Business-Type Activities			<u>\$ 13,029,320</u>

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

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

On April 26, 2012, the City issued \$1,130,000 G.O. Bonds, Series 2012A, with an interest rate of .40% to 2.10%. The City issued the Bonds to refund the G.O. Swimming Pool Bonds, Series 2003A in the amount of \$635,000 and to finance the purchase of various items of capital equipment for the City in the amount of \$495,000. The City completed the refunding portion to reduce its debt service payment over the next ten years by \$92,428. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$86,329.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. LONG-TERM DEBT (Cont'd)

C. MINIMUM DEBT PAYMENTS

Year Ending December 31	Governmental Activities			
	G.O. Bonds, Series 2012A			
	Principal	Interest		
2013	\$ 60,000	\$ 10,067		
2014	60,000	7,670		
2015	60,000	7,310		
2016	65,000	6,791		
2017	60,000	6,138		
2018-2022	330,000	15,796		
	<u>\$ 635,000</u>	<u>\$ 53,772</u>		
Year Ending December 31	Business-Type Activities			
	Electric Revenue Bonds, Series 2007A		G.O. Water and Sewer Revenue Bonds, Series 2009A	
	Principal	Interest	Principal	Interest
2013	\$ 275,000	\$ 248,204	\$ 130,000	\$ 20,000
2014	285,000	235,954	130,000	17,075
2015	300,000	223,158	70,000	14,400
2016	310,000	209,814	70,000	12,300
2017	325,000	195,923	75,000	9,937
2018-2022	1,855,000	747,781	225,000	13,313
2023-2027	2,305,000	279,627		
	<u>\$ 5,655,000</u>	<u>\$ 2,140,461</u>	<u>\$ 700,000</u>	<u>\$ 87,025</u>
Year Ending December 31	Business-Type Activities *			
	G.O. Bonds, Series 2012A - Electric Portion		PFA Wastewater Revenue Note	
	Principal	Interest	Principal	Interest
2013	\$	\$ 8,478	\$ 216,000	\$ 57,321
2014	50,000	6,583	220,000	53,044
2015	55,000	6,265	225,000	48,688
2016	55,000	5,811	229,000	44,233
2017	55,000	5,234	234,000	39,699
2018-2022	280,000	13,439	1,240,000	127,215
2023-2024			531,000	15,820
	<u>\$ 495,000</u>	<u>\$ 45,809</u>	<u>\$ 2,895,000</u>	<u>\$ 386,021</u>

* Final details not known until the related project is complete for PFA Drinking Water Revenue Note.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7. LONG-TERM DEBT (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
G.O. Swimming Pool Bond 2003A	\$ 675,000	\$	\$ (675,000)	\$	\$
G.O. Capital Equipment Notes of 2006	90,000		(90,000)		
G.O. Bonds, Series 2012A		635,000		635,000	60,000
Compensated Absences	179,141	60,458	(67,188)	172,411	113,130
Other Postemployment Benefits	79,684	10,226		89,910	
	<u>79,684</u>	<u>10,226</u>		<u>89,910</u>	
 Total Governmental Activities	 <u>\$ 1,023,825</u>	 <u>\$ 705,684</u>	 <u>\$ (832,188)</u>	 <u>\$ 897,321</u>	 <u>\$ 173,130</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Electric Revenue Bonds, Series 2007A	\$ 5,915,000	\$	\$ (260,000)	\$ 5,655,000	\$ 275,000
G.O. Water and Sewer Revenue Bonds, Series 2009A	820,000		(120,000)	700,000	130,000
G.O. Bonds, Series 2012A		495,000		495,000	
PFA Wastewater Revenue Note	3,107,000		(212,000)	2,895,000	216,000
PFA Drinking Water Revenue Note	1,705,071	1,493,158	(76,460)	3,121,769	156,000
Compensated Absences	125,699	15,960	(16,966)	124,693	21,754
Other Postemployment Benefits	39,837		(1,979)	37,858	
	<u>39,837</u>		<u>(1,979)</u>	<u>37,858</u>	
 Total Business-Type Activities	 <u>\$ 11,712,607</u>	 <u>\$ 2,004,118</u>	 <u>\$ (687,405)</u>	 <u>\$ 13,029,320</u>	 <u>\$ 798,754</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 8. BOND DISCOUNTS/ISSUANCE COSTS

In governmental fund types, bond discounts and issuance costs are recognized as expenditures when issued. Bond discounts and issuance costs for proprietary fund types, governmental activities, and business-type activities are deferred and amortized over the term of the bonds using the bonds outstanding method. Issuance costs and the accumulated amortization as of December 31, 2012, are as follows:

Governmental Activities			
G.O. Bonds, Series 2012A			
Issuance Costs	\$	24,877	
Accumulated Amortization			
			<u>\$ 24,877</u>
Business-Type Activities			
Water Fund			
Issuance Costs	\$	29,811	
Accumulated Amortization		(23,679)	
			\$ 6,132
Sewer Fund			
Issuance Costs	\$	7,931	
Accumulated Amortization		(2,580)	
			5,351
Electric Fund			
Issuance Costs	\$	457,752	
Accumulated Amortization		(141,882)	
			<u>315,870</u>
Total Deferred Charges			<u>\$ 327,353</u>

NOTE 9. LEASE AGREEMENTS

The City leases the north end of the Benson Civic Center to another local company for light manufacturing. The lease calls for monthly payments of \$2,167 and the initial term of the lease was from September 1, 2003 through August 31, 2004 with automatic renewals of one year increments until terminated by either party. This lease is still in effect.

NOTE 10. RISK MANAGEMENT

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

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10. RISK MANAGEMENT (Cont'd)

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

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Benson, Minnesota, are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters 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 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all PEPFF members and 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 Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

A. PLAN DESCRIPTION (Cont'd)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012.

In 2012, the City of Benson was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members.

The City's contributions to the Public Employee Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$70,427, \$65,771, and \$65,213, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$52,576, \$52,685, and \$52,355, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of December 31, 2012.

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the City's commercial insurance plan. There are 26 active participants and 3 retired participants. Benefit and eligibility provisions are established through negotiations between the City and employee groups including a union. The union contract is renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the City and employees. The City contributes 0% of the cost of current-year premiums for eligible retired plan members and their spouses. For 2012, the City contributed \$18,964 to the Plan.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

C. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

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

Annual Required Contribution (ARC)	\$ 29,342
Interest on Net OPEB Obligation	4,781
Adjustment to Annual Required Contribution	<u>(6,912)</u>
Annual OPEB cost	27,211
Contributions Made	<u>(18,964)</u>
Increase (Decrease) in Net OPEB Obligation	8,247
Net OPEB Obligation, Beginning of Year	<u>119,521</u>
Net OPEB Obligation, End of Year	<u><u>\$ 127,768</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for 2012 and the preceding two years was:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 27,211	\$ 18,964	69.69%	\$ 127,768
12/31/2011	26,554	10,129	38.14%	119,521
12/31/2010	40,148	11,386	28.36%	103,096

D. FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$216,331 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,331. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,496,855 and the ratio of UAAL to covered payroll of 14.45%.

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10.0% reduced by decrements to an ultimate rate of 5.0% after ten years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

NOTE 13. FUND BALANCE

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

	General	General Capital Outlay	Nonmajor Governmental Funds	Total
Nonspendable				
Inventories	\$	\$ 69,388	\$	\$ 69,388
Prepaid Items	111,431		3,502	114,933
Total Nonspendable	<u>111,431</u>	<u>69,388</u>	<u>3,502</u>	<u>184,321</u>
Restricted for				
Debt Service			85,612	85,612
Revolving Loans			59,675	59,675
Total Restricted	<u>0</u>	<u>0</u>	<u>145,287</u>	<u>145,287</u>
Committed				
Industrial Property Investments			385,613	385,613
Assigned				
Fund Operations		459,120	483,944	943,064
Unassigned	<u>1,325,085</u>			<u>1,325,085</u>
Total	<u>\$ 1,436,516</u>	<u>\$ 528,508</u>	<u>\$ 1,018,346</u>	<u>\$ 2,983,370</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14. ECONOMIC DEVELOPMENT REVOLVING LOANS

The City has made economic development revolving loans totaling \$1,164,015 which are recorded in a trust fund. The purpose of this fund is to provide economic development loans to local businesses, utilizing City funds. The outstanding balance at December 31, 2012 was \$404,585.

These loans are made to assist companies whose ability to secure conventional financing from financial institutions is limited due to various financial factors and other circumstances.

An allowance is provided for possible uncollectible accounts. At December 31, 2012, this amount was \$121,347.

NOTE 15. GENERAL FUND REIMBURSEMENTS

The Enterprise Funds reimbursed the General Fund for various shared expenditures of management. These expenditures are charged as management fees in the Enterprise Funds and as reimbursement revenue in the General Fund.

NOTE 16. HOUSING REHABILITATION LOANS

During the three-year period 1981 to 1983, the City of Benson made housing rehabilitation loans to qualifying citizens. The loan disbursements have been recorded in the Community Development Revolving Loan Special Revenue Fund as expenditures.

If the owners sell, transfer, otherwise convey, or cease to occupy their real property as their principal place of residence, they are required to repay the loan in its entirety.

The total balance due from these loans, of \$103,196, is recorded as notes receivable and deferred revenue due to the uncertainty and timing of future payments.

NOTE 17. DEFERRED COMPENSATION PLAN

The City has made available to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan are not available to general creditors. Consequently, they are not included in the financial statements.

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES

A. SWIFT COUNTY/BENSON HOSPITAL

The City and Swift County have established and operate a joint city-county hospital pursuant to a hospital agreement signed by the City and the County in 1947. Swift County-Benson Hospital is a 31 bed facility which provides acute health care services to the City of Benson and Swift County. The members of the Swift County - Benson Hospital Board of Directors (of which six are appointed by the Swift County Board of Commissioners, three by the Benson City Council and one municipal staff member appointed jointly by the County and the City) are responsible for the overall operations of the Hospital. The Hospital's operational and financial relationships with the City are not significant enough to require its inclusion as a component unit in the City's financial statements.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

B. BENSON GOLF CLUB

During 2001, the City entered into an agreement to guarantee a \$50,000 loan of the Benson Golf Club for five years. In 2006, the guarantee was increased to \$100,000 and the agreement was extended and is reviewed annually.

NOTE 19. CLAIMS AND JUDGMENTS

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2012, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 20. RECLASSIFICATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENSON, MINNESOTA

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Other Postemployment Benefits</u>						
12/31/2011	\$	\$ 216,331	0.00%	\$ 216,331	\$ 1,496,855	14.45%
12/31/2008		198,451	0.00%	198,451	1,600,665	12.40%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation
2012	\$ 29,342	\$ 18,964	64.63%	\$ 127,768
2011	28,392	10,129	35.68%	119,521
2010	41,474	11,386	27.45%	103,096
2009	41,474	4,160	10.03%	74,334
2008	41,474	3,782	9.12%	37,692

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

SUPPLEMENTARY INFORMATION

CITY OF BENSON, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	\$ 842,542	\$ 79,065	\$ 82,620	\$ 1,004,227
Receivables				
Accounts	4,608			4,608
Property Taxes	2,896		2,992	5,888
Special Assessments		20,162		20,162
Notes	103,196			103,196
Loans	40,000			40,000
Interest	2,130			2,130
Due from Other Funds		4,467		4,467
Prepaid Items	3,502			3,502
	<u>3,502</u>			<u>3,502</u>
Total Assets	<u>\$ 998,874</u>	<u>\$ 103,694</u>	<u>\$ 85,612</u>	<u>\$ 1,188,180</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 396	\$	\$	\$ 396
Due to Other Funds		6,080		6,080
Deferred Revenue	143,196	20,162		163,358
Total Liabilities	<u>143,592</u>	<u>26,242</u>	<u>0</u>	<u>169,834</u>
Fund Balance				
Nonspendable	3,502			3,502
Restricted	59,675		85,612	145,287
Committed	385,613			385,613
Assigned	406,492	77,452		483,944
Total Fund Balance	<u>855,282</u>	<u>77,452</u>	<u>85,612</u>	<u>1,018,346</u>
Total Liabilities and Fund Balance	<u>\$ 998,874</u>	<u>\$ 103,694</u>	<u>\$ 85,612</u>	<u>\$ 1,188,180</u>

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 124,240	\$	\$ 35,639	\$ 159,879
Special Assessments		4,209		4,209
Intergovernmental	155,836			155,836
Charges for Services		18,557		18,557
Investment Income	10,852		81	10,933
Refunds and Reimbursements	14,680			14,680
Donations	5,115			5,115
Other	15,681			15,681
Total Revenues	326,404	22,766	35,720	384,890
EXPENDITURES				
Current				
Public Works		23,023	24,877	47,900
Culture and Recreation	96,643			96,643
Urban Development	169,794			169,794
Economic Development	20,894			20,894
Capital Outlay				
Culture and Recreation	3,000			3,000
Economic Development	64,387			64,387
Debt Service				
Principal			90,000	90,000
Interest and Fiscal Costs			1,913	1,913
Total Expenditures	354,718	23,023	116,790	494,531
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,314)	(257)	(81,070)	(109,641)
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issuance			635,000	635,000
Transfers In	450	25,000	158,346	183,796
Transfers Out	(2,114)		(634,593)	(636,707)
Total Other Financing Sources (Uses)	(1,664)	25,000	158,753	182,089
Net Change in Fund Balances	(29,978)	24,743	77,683	72,448
FUND BALANCE, BEGINNING OF YEAR	885,260	52,709	7,929	945,898
FUND BALANCE, END OF YEAR	\$ 855,282	\$ 77,452	\$ 85,612	\$ 1,018,346

CITY OF BENSON, MINNESOTA
 COMBINING BALANCE SHEET
 SPECIAL REVENUE NONMAJOR FUNDS
 DECEMBER 31, 2012

	Library	Library Endowment	Cemetery Perpetual Care	Community Development Revolving Loan	2005 Small Cities Grant	2009 Small Cities Grant	Economic Development Authority	Development District	Totals
ASSETS									
Cash and Investments	\$ 62,259	\$ 22,714	\$ 81,356	\$ 180,890	\$ 51,757	\$ 7,918	\$ 434,859	\$ 789	\$ 842,542
Receivables									
Accounts	4,318		290						4,608
Property Taxes	2,896								2,896
Notes				103,196					103,196
Loans							40,000		40,000
Interest							2,130		2,130
Prepaid Items	3,502								3,502
Total Assets	<u>\$ 72,975</u>	<u>\$ 22,714</u>	<u>\$ 81,646</u>	<u>\$ 284,086</u>	<u>\$ 51,757</u>	<u>\$ 7,918</u>	<u>\$ 476,989</u>	<u>\$ 789</u>	<u>\$ 998,874</u>
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts Payable	\$ 396	\$	\$	\$	\$	\$	\$	\$	\$ 396
Deferred Revenue				103,196			40,000		143,196
Total Liabilities	<u>396</u>	<u>0</u>	<u>0</u>	<u>103,196</u>	<u>0</u>	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>143,592</u>
Fund Balance									
Nonspendable	3,502								3,502
Restricted					51,757	7,918			59,675
Committed							385,613		385,613
Assigned	69,077	22,714	81,646	180,890			51,376	789	406,492
Total Fund Balance	<u>72,579</u>	<u>22,714</u>	<u>81,646</u>	<u>180,890</u>	<u>51,757</u>	<u>7,918</u>	<u>436,989</u>	<u>789</u>	<u>855,282</u>
Total Liabilities and Fund Balance	<u>\$ 72,975</u>	<u>\$ 22,714</u>	<u>\$ 81,646</u>	<u>\$ 284,086</u>	<u>\$ 51,757</u>	<u>\$ 7,918</u>	<u>\$ 476,989</u>	<u>\$ 789</u>	<u>\$ 998,874</u>

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE NONMAJOR FUNDS
DECEMBER 31, 2012

	Library	Library Endowment	Cemetery Perpetual Care	Community Development Revolving Loan	2005 Small Cities Grant	2009 Small Cities Grant	2011 Small Cities Grant	Tax Increment Financing District #4	Economic Development Authority	Development District	Totals
REVENUES											
Taxes	\$ 116,326	\$	\$	\$	\$	\$	\$	\$ 7,914	\$	\$	\$ 124,240
Intergovernmental						21,130	134,706				155,836
Investment Income		467	1,664		234	291			8,196		10,852
Refunds and Reimbursements	2,044				7,444	5,192					14,680
Donations	5,115										5,115
Sale of Property			830								830
Other									14,851		14,851
Total Revenues	123,485	467	2,494	0	7,678	26,613	134,706	7,914	23,047	0	326,404
EXPENDITURES											
Current											
Culture and Recreation											
Supplies	6,221										6,221
Utilities	5,991										5,991
Contracted Services	80,428										80,428
Other	4,003										4,003
Urban Development											
Supplies				152	92						244
Contracted Services				5,800		21,130	134,706	364			162,000
Other								7,550			7,550
Economic Development											
Management Fees									5,504		5,504
Special Projects									7,820		7,820
Contracted Services									772		772
Other									6,798		6,798
Capital Outlay											
Culture and Recreation	3,000										3,000
Economic Development									64,387		64,387
Total Expenditures	99,643	0	0	5,952	92	21,130	134,706	7,914	85,281	0	354,718
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,842	467	2,494	(5,952)	7,586	5,483	0	0	(62,234)	0	(28,314)
OTHER FINANCING SOURCES (USES)											
Transfers In	450										450
Transfers Out		(450)	(1,664)								(2,114)
Total Other Financing Sources (Uses)	450	(450)	(1,664)	0	0	0	0	0	0	0	(1,664)
Net Change in Fund Balances	24,292	17	830	(5,952)	7,586	5,483	0	0	(62,234)	0	(29,978)
FUND BALANCE, BEGINNING OF YEAR	48,287	22,697	80,816	186,842	44,171	2,435			499,223	789	885,260
FUND BALANCE, END OF YEAR	\$ 72,579	\$ 22,714	\$ 81,646	\$ 180,890	\$ 51,757	\$ 7,918	\$ 0	\$ 0	\$ 436,989	\$ 789	\$ 855,282

CITY OF BENSON, MINNESOTA

COMBINING BALANCE SHEET
 CAPITAL PROJECTS AND DEBT SERVICE NONMAJOR FUNDS
 DECEMBER 31, 2012

	Concrete Projects	Storm Water	Total Capital Projects	GO Refunding Bonds-2012	Total Debt Service
ASSETS					
Cash and Investments	\$ 48,636	\$ 30,429	\$ 79,065	\$ 82,620	\$ 82,620
Receivables					
Property Taxes				2,992	2,992
Special Assessments	14,357	5,805	20,162		
Due from Other Funds		4,467	4,467		
	<u>62,993</u>	<u>40,701</u>	<u>103,694</u>	<u>85,612</u>	<u>85,612</u>
Total Assets	<u>\$ 62,993</u>	<u>\$ 40,701</u>	<u>\$ 103,694</u>	<u>\$ 85,612</u>	<u>\$ 85,612</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Due to Other Funds	\$	\$ 6,080	\$ 6,080	\$	\$
Deferred Revenue	14,357	5,805	20,162		
Total Liabilities	<u>14,357</u>	<u>11,885</u>	<u>26,242</u>	<u>0</u>	<u>0</u>
Fund Balance					
Restricted				85,612	85,612
Assigned	48,636	28,816	77,452		
Total Fund Balance	<u>48,636</u>	<u>28,816</u>	<u>77,452</u>	<u>85,612</u>	<u>85,612</u>
	<u>\$ 62,993</u>	<u>\$ 40,701</u>	<u>\$ 103,694</u>	<u>\$ 85,612</u>	<u>\$ 85,612</u>
Total Liabilities and Fund Balance	<u>\$ 62,993</u>	<u>\$ 40,701</u>	<u>\$ 103,694</u>	<u>\$ 85,612</u>	<u>\$ 85,612</u>

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS AND DEBT SERVICE NONMAJOR FUNDS
 YEAR ENDED DECEMBER 31, 2012

	Concrete Projects	Storm Water	Total Capital Projects	GO Capital Equipment Notes-2006	GO Refunding Bonds-2012	Total Debt Service
REVENUES						
General Property Taxes	\$	\$	\$	\$ 35,639	\$	\$ 35,639
Special Assessments	4,209		4,209			
Charges for Services		18,557	18,557			
Investment Income				37	44	81
Total Revenues	<u>4,209</u>	<u>18,557</u>	<u>22,766</u>	<u>35,676</u>	<u>44</u>	<u>35,720</u>
EXPENDITURES						
Current						
Public Works						
Supplies	494	2,833	3,327			
Contracted Services	1,470	7,566	9,036		24,877	24,877
Travel		671	671			
Other		9,989	9,989			
Debt Service						
Principal				90,000		90,000
Interest and Fiscal Costs				1,913		1,913
Total Expenditures	<u>1,964</u>	<u>21,059</u>	<u>23,023</u>	<u>91,913</u>	<u>24,877</u>	<u>116,790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,245	(2,502)	(257)	(56,237)	(24,833)	(81,070)
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issuance					635,000	635,000
Transfers In	15,000	10,000	25,000	48,308	110,038	158,346
Transfers Out					(634,593)	(634,593)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>10,000</u>	<u>25,000</u>	<u>48,308</u>	<u>110,445</u>	<u>158,753</u>
Net Change in Fund Balances	<u>17,245</u>	<u>7,498</u>	<u>24,743</u>	<u>(7,929)</u>	<u>85,612</u>	<u>77,683</u>
FUND BALANCE, BEGINNING OF YEAR						
	<u>31,391</u>	<u>21,318</u>	<u>52,709</u>	<u>7,929</u>		<u>7,929</u>
FUND BALANCE, END OF YEAR						
	<u>\$ 48,636</u>	<u>\$ 28,816</u>	<u>\$ 77,452</u>	<u>\$ 0</u>	<u>\$ 85,612</u>	<u>\$ 85,612</u>

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes					
Property Taxes	\$ 1,277,996	\$ 1,277,996	\$ 1,277,829	\$ (167)	\$ 1,089,575
Franchise Fees	67,000	67,000	76,101	9,101	75,363
Lodging Tax	21,600	35,911	25,239	(10,672)	23,286
Total Taxes	1,366,596	1,380,907	1,379,169	(1,738)	1,188,224
Special Assessments			183	183	862
Licenses and Permits					
Business	7,200	7,200	7,566	366	7,110
Non-business	13,000	13,000	36,177	23,177	12,242
Total Licenses and Permits	20,200	20,200	43,743	23,543	19,352
Intergovernmental					
Local Government Aid	776,650	776,650	776,650		776,650
Public Transit	115,812	115,812	132,178	16,366	136,218
Market Value Credit			135	135	49,668
Airport Maintenance	22,052	22,052	31,178	9,126	22,052
Other	88,463	88,463	97,661	9,198	158,092
Total Intergovernmental	1,002,977	1,002,977	1,037,802	34,825	1,142,680
Charges for Services					
Weed and Tree Removal	5,600	5,600	9,119	3,519	7,693
Park Fees	17,000	17,000	16,444	(556)	17,355
Swimming Pool	61,000	61,000	63,415	2,415	59,509
Transportation	34,700	34,700	35,860	1,160	34,697
Police Services	33,700	33,700	43,684	9,984	33,815
Fire Contracts	56,500	56,500	58,131	1,631	55,361
Fire and Rescue Calls	22,500	22,500	49,357	26,857	23,357
Other Charges	10,900	10,900	14,254	3,354	9,615
Total Charges for Services	241,900	241,900	290,264	48,364	241,402
Fines and Forfeits	17,000	17,000	16,241	(759)	16,536
Investment Income	20,000	20,000	57,835	37,835	27,840

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES (Cont'd)					
Miscellaneous					
Rent	\$ 65,300	\$ 65,300	\$ 72,929	\$ 7,629	\$ 61,368
Refunds and Reimbursements	383,584	383,584	413,042	29,458	372,748
Donations	2,200	2,200	3,573	1,373	25,412
Other	2,000	2,000	1,386	(614)	1,530
Total Miscellaneous	<u>453,084</u>	<u>453,084</u>	<u>490,930</u>	<u>37,846</u>	<u>461,058</u>
Total Revenues	<u>3,121,757</u>	<u>3,136,068</u>	<u>3,316,167</u>	<u>180,099</u>	<u>3,097,954</u>
EXPENDITURES					
Current					
General Government					
Mayor and Council					
Personal Services	17,250	17,250	16,600	(650)	17,273
Supplies	400	400	82	(318)	89
Other Services	2,700	2,700	4,562	1,862	2,265
Other Charges	26,100	26,100	28,003	1,903	25,505
Total Mayor and Council	<u>46,450</u>	<u>46,450</u>	<u>49,247</u>	<u>2,797</u>	<u>45,132</u>
Administration and Finance					
Personal Services	383,850	383,850	370,741	(13,109)	388,036
Supplies	21,700	21,700	20,339	(1,361)	19,527
Other Services	47,000	47,000	53,867	6,867	47,158
Other Charges	2,200	2,200	2,069	(131)	2,301
Total Administration and Finance	<u>454,750</u>	<u>454,750</u>	<u>447,016</u>	<u>(7,734)</u>	<u>457,022</u>
Election and Voters' Registration					
Personal Services	2,000	2,000	3,907	1,907	960
Supplies	2,500	2,500	4,795	2,295	2,998
Total Election and Voters' Registration	<u>4,500</u>	<u>4,500</u>	<u>8,702</u>	<u>4,202</u>	<u>3,958</u>
Accounting and Auditing	19,000	19,000	19,100	100	18,600
Assessor	17,500	17,500	17,380	(120)	17,413
Legal					
Supplies	200	200	833	633	220
Other Services	24,100	24,100	22,765	(1,335)	26,890
Total Legal	<u>24,300</u>	<u>24,300</u>	<u>23,598</u>	<u>(702)</u>	<u>27,110</u>

CITY OF BENSON, MINNESOTA

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

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
General Government (Cont'd)					
Other					
Other Charges	\$ 10,000	\$ 10,000	\$ 10,751	\$ 751	\$ 6,426
City Buildings					
Supplies	10,000	10,000	6,284	(3,716)	7,269
Other Services	24,500	24,500	19,199	(5,301)	28,578
Total City Buildings	<u>34,500</u>	<u>34,500</u>	<u>25,483</u>	<u>(9,017)</u>	<u>35,847</u>
Total General Government	<u>611,000</u>	<u>611,000</u>	<u>601,277</u>	<u>(9,723)</u>	<u>611,508</u>
Public Safety					
Police Department					
Personal Services	590,968	590,968	557,895	(33,073)	515,114
Supplies	62,900	62,900	74,309	11,409	49,366
Other Services	73,253	73,253	61,044	(12,209)	64,604
Other Charges	5,100	5,100	4,885	(215)	4,566
Total Police Department	<u>732,221</u>	<u>732,221</u>	<u>698,133</u>	<u>(34,088)</u>	<u>633,650</u>
Fire Department					
Personal Services	56,500	56,500	46,054	(10,446)	43,738
Supplies	19,250	19,250	14,230	(5,020)	19,729
Other Services	58,750	58,750	56,805	(1,945)	89,338
Fire Relief	34,337	34,337	33,110	(1,227)	37,255
Other Charges	500	500	290	(210)	289
Total Fire Department	<u>169,337</u>	<u>169,337</u>	<u>150,489</u>	<u>(18,848)</u>	<u>190,349</u>
Total Public Safety	<u>901,558</u>	<u>901,558</u>	<u>848,622</u>	<u>(52,936)</u>	<u>823,999</u>
Public Works					
Building, Planning and Zoning					
Personal Services	67,620	67,620	63,954	(3,666)	61,929
Supplies	2,400	2,400	2,824	424	2,056
Other Services	10,050	10,050	6,310	(3,740)	10,242
Other Charges	200	200	85	(115)	158
Total Building, Planning and Zoning	<u>80,270</u>	<u>80,270</u>	<u>73,173</u>	<u>(7,097)</u>	<u>74,385</u>

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Works (Cont'd)					
Highways, Streets, and Roads					
Personal Services	\$ 248,710	\$ 248,710	\$ 255,959	\$ 7,249	\$ 235,885
Supplies	187,350	187,350	174,919	(12,431)	256,261
Other Services	118,350	118,350	108,626	(9,724)	111,427
Other Charges	950	950	876	(74)	894
Total Highways, Streets, and Roads	555,360	555,360	540,380	(14,980)	604,467
Total Public Works	635,630	635,630	613,553	(22,077)	678,852
Culture and Recreation					
Organized Recreation					
Summer Recreation	16,000	16,000	14,738	(1,262)	15,712
Civic Center	26,000	26,000	26,000		26,000
Senior Citizen Center	12,400	12,400	12,378	(22)	12,625
Total Organized Recreation	54,400	54,400	53,116	(1,284)	54,337
Swimming Pool					
Personal Services	43,060	43,060	43,319	259	41,533
Supplies	47,000	47,000	26,286	(20,714)	39,460
Other Services	33,800	33,800	35,958	2,158	28,775
Total Swimming Pool	123,860	123,860	105,563	(18,297)	109,768
Parks					
Personal Services	88,925	88,925	98,375	9,450	84,321
Supplies	43,400	43,400	59,856	16,456	32,950
Other Services	9,900	9,900	8,104	(1,796)	8,370
Other Charges	65,900	65,900	69,830	3,930	71,034
Cemetery	6,500	6,500	2,475	(4,025)	5,085
Total Parks	214,625	214,625	238,640	24,015	201,760
Total Culture and Recreation	392,885	392,885	397,319	4,434	365,865
Airport					
Personal Services	2,930	2,930	2,692	(238)	2,691
Supplies	17,500	17,500	25,360	7,860	26,102
Other Services	25,200	25,200	31,677	6,477	29,382
Total Airport	45,630	45,630	59,729	14,099	58,175

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Transit					
Personal Services	\$ 118,620	\$ 118,620	\$ 129,503	\$ 10,883	\$ 109,060
Supplies	34,186	34,186	31,500	(2,686)	34,430
Other Services	13,150	13,150	11,825	(1,325)	12,852
Other Charges	4,500	4,500	4,500		4,500
Total Public Transit	<u>170,456</u>	<u>170,456</u>	<u>177,328</u>	<u>6,872</u>	<u>160,842</u>
Tourism	28,250	28,250	24,769	(3,481)	21,582
Economic Development					
Other Charges	20,900	20,900	20,443	(457)	17,206
Total Expenditures	<u>2,806,309</u>	<u>2,806,309</u>	<u>2,743,040</u>	<u>(63,269)</u>	<u>2,738,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	315,448	329,759	573,127	243,368	359,925
OTHER FINANCING SOURCES (USES)					
Transfers In	131,650	131,650	189,602	57,952	156,003
Transfers Out	(395,000)	(395,000)	(423,308)	(28,308)	(375,000)
Sale of Property	3,500	3,500	4,158	658	3,520
Total Other Financing Sources (Uses)	<u>(259,850)</u>	<u>(259,850)</u>	<u>(229,548)</u>	<u>30,302</u>	<u>(215,477)</u>
Net Change in Fund Balances	<u>\$ 55,598</u>	<u>\$ 69,909</u>	343,579	<u>\$ 273,670</u>	144,448
FUND BALANCE, BEGINNING OF YEAR			<u>1,092,937</u>		<u>948,489</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,436,516</u>		<u>\$ 1,092,937</u>

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes	\$ 116,311	\$ 116,311	\$ 116,326	\$ 15	\$ 90,351
Intergovernmental					4,120
Donations			5,115	5,115	4,000
Rents	100	100		(100)	
Refunds and Reimbursements	2,000	2,000	2,044	44	1,777
Total Revenues	<u>118,411</u>	<u>118,411</u>	<u>123,485</u>	<u>5,074</u>	<u>100,248</u>
EXPENDITURES					
Current					
Culture and Recreation					
Supplies	11,000	11,000	6,221	(4,779)	8,219
Utilities	8,000	8,000	5,991	(2,009)	6,673
Contracted Services	77,671	77,671	80,428	2,757	76,871
Travel	750	750	175	(575)	
Telephone	950	950	928	(22)	894
Insurance	2,500	2,500	2,900	400	2,440
Capital Outlay					
Culture and Recreation	<u>38,000</u>	<u>38,000</u>	<u>3,000</u>	<u>(35,000)</u>	<u>3,000</u>
Total Expenditures	<u>138,871</u>	<u>138,871</u>	<u>99,643</u>	<u>(39,228)</u>	<u>98,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,460)	(20,460)	23,842	44,302	2,151
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>20,460</u>	<u>20,460</u>	<u>450</u>	<u>(20,010)</u>	<u>450</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>24,292</u>	<u>\$ 24,292</u>	<u>2,601</u>
FUND BALANCE, BEGINNING OF YEAR			<u>48,287</u>		<u>45,686</u>
FUND BALANCE, END OF YEAR			<u>\$ 72,579</u>		<u>\$ 48,287</u>

CITY OF BENSON, MINNESOTA

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Intergovernmental	\$	\$	\$	\$	\$ 7,100
Investment Income	450	450	467	17	479
Total Revenues	<u>450</u>	<u>450</u>	<u>467</u>	<u>17</u>	<u>7,579</u>
EXPENDITURES					
Capital Outlay					
Culture and Recreation					6,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	450	450	467	17	651
OTHER FINANCING SOURCES (USES)					
Transfers Out	(450)	(450)	(450)		(450)
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	17	<u>\$ 17</u>	201
FUND BALANCE, BEGINNING OF YEAR			<u>22,697</u>		<u>22,496</u>
FUND BALANCE, END OF YEAR			<u>\$ 22,714</u>		<u>\$ 22,697</u>

CITY OF BENSON, MINNESOTA

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

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Investment Income	\$ 1,650	\$ 1,650	\$ 1,664	\$ 14	\$ 1,651
Sale of Property	1,000	1,000	830	(170)	880
Total Revenues	<u>2,650</u>	<u>2,650</u>	<u>2,494</u>	<u>(156)</u>	<u>2,531</u>
EXPENDITURES					
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,650	2,650	2,494	(156)	2,531
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(1,650)</u>	<u>(1,650)</u>	<u>(1,664)</u>	<u>(14)</u>	<u>(1,650)</u>
Net Change in Fund Balances	<u>\$ 1,000</u>	<u>\$ 1,000</u>	830	<u>\$ (170)</u>	881
FUND BALANCE, BEGINNING OF YEAR			<u>80,816</u>		<u>79,935</u>
FUND BALANCE, END OF YEAR			<u>\$ 81,646</u>		<u>\$ 80,816</u>

CITY OF BENSON, MINNESOTA

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

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Sale of Property	\$	\$	\$	\$	\$ 7,475
EXPENDITURES					
Current					
Urban Development					
Supplies			152	152	9,074
Contracted Services			5,800	5,800	
Total Expenditures	<u>0</u>	<u>0</u>	<u>5,952</u>	<u>5,952</u>	<u>9,074</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	(5,952)	<u>\$ (5,952)</u>	(1,599)
FUND BALANCE, BEGINNING OF YEAR			186,842		188,441
FUND BALANCE, END OF YEAR			<u>\$ 180,890</u>		<u>\$ 186,842</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 2005 SMALL CITIES GRANT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Investment Income	\$	\$	\$ 234	\$ 234	\$ 308
Refunds and Reimbursements			7,444	7,444	6,839
Total Revenues	<u>0</u>	<u>0</u>	<u>7,678</u>	<u>7,678</u>	<u>7,147</u>
EXPENDITURES					
Current					
Urban Development					
Supplies			92	92	
Contracted Services					685
Total Expenditures	<u>0</u>	<u>0</u>	<u>92</u>	<u>92</u>	<u>685</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	7,586	<u>\$ 7,586</u>	\$ 6,462
FUND BALANCE, BEGINNING OF YEAR			<u>44,171</u>		<u>37,709</u>
FUND BALANCE, END OF YEAR			<u>\$ 51,757</u>		<u>\$ 44,171</u>

CITY OF BENSON, MINNESOTA

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

2009 SMALL CITIES GRANT SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2012

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Intergovernmental	\$	\$	\$ 21,130	\$ 21,130	\$ 178,879
Investment Income			291	291	88
Refunds and Reimbursements			5,192	5,192	1,844
Total Revenues	<u>0</u>	<u>0</u>	<u>26,613</u>	<u>26,613</u>	<u>180,811</u>
EXPENDITURES					
Current					
Urban Development					
Contracted Services			21,130	21,130	178,879
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	5,483	<u>\$ 5,483</u>	1,932
FUND BALANCE, BEGINNING OF YEAR			<u>2,435</u>		<u>503</u>
FUND BALANCE, END OF YEAR			<u>\$ 7,918</u>		<u>\$ 2,435</u>

CITY OF BENSON, MINNESOTA

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

2011 SMALL CITIES GRANT SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2012

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

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Intergovernmental	\$	\$	\$ 134,706	\$ 134,706	\$
EXPENDITURES					
Current					
Urban Development					
Contracted Services			134,706		
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 134,706</u>	0
FUND BALANCE, BEGINNING OF YEAR			0		
FUND BALANCE, END OF YEAR			<u>\$ 0</u>		<u>\$ 0</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TAX INCREMENT FINANCING DISTRICT #4 SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2012
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			Over (Under) Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes	\$ 7,200	\$ 7,200	\$ 7,914	\$ 714	\$ 7,150
EXPENDITURES					
Current					
Urban Development					
Contracted Services	175	175	364	189	307
Other					
Tax Increment Payments	7,025	7,025	7,550	525	6,843
Total Expenditures	<u>7,200</u>	<u>7,200</u>	<u>7,914</u>	<u>714</u>	<u>7,150</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR					
FUND BALANCE, END OF YEAR			<u>\$ 0</u>		<u>\$ 0</u>

CITY OF BENSON, MINNESOTA

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

TAX INCREMENT FINANCING DISTRICT #5 SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2012

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

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Taxes	\$	\$	\$	\$	\$ 18,032
Other					
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,032</u>
EXPENDITURES					
Current					
Urban Development					
Other					18,032
Debt Service					
Principal					
Interest					
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,032</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR					
FUND BALANCE, END OF YEAR			<u>\$ 0</u>		<u>\$ 0</u>

CITY OF BENSON, MINNESOTA

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

	2012				2011
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)	\$ 8,742
Investment Income	13,984	13,984	8,196	(5,788)	6,523
Other			14,851	14,851	34,651
Total Revenues	<u>23,984</u>	<u>23,984</u>	<u>23,047</u>	<u>(937)</u>	<u>49,916</u>
EXPENDITURES					
Current					
Economic Development					
Advertising	15,000	15,000	3,215	(11,785)	3,103
Management Fees	4,492	4,492	5,504	1,012	7,033
Special Projects	111,000	111,000	7,820	(103,180)	223,204
Supplies			5	5	101
Contracted Services	7,500	7,500	772	(6,728)	17,609
Travel	5,000	5,000	3,578	(1,422)	2,875
Total Current	<u>142,992</u>	<u>142,992</u>	<u>20,894</u>	<u>(122,098)</u>	<u>253,925</u>
Capital Outlay					
Economic Development	<u>27,500</u>	<u>27,500</u>	<u>64,387</u>	<u>36,887</u>	
Total Expenditures	<u>170,492</u>	<u>170,492</u>	<u>85,281</u>	<u>(85,211)</u>	<u>253,925</u>
Net Change in Fund Balances	<u>\$ (146,508)</u>	<u>\$ (146,508)</u>	<u>(62,234)</u>	<u>\$ 84,274</u>	<u>(204,009)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>499,223</u>		<u>703,232</u>
FUND BALANCE, END OF YEAR			<u>\$ 436,989</u>		<u>\$ 499,223</u>

CITY OF BENSON, MINNESOTA

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

	Water	Sewer	Electric	Liquor	Sanitation	Totals	
						2012	2011
OPERATING REVENUES							
Sales and Cost of Sales							
Sales	\$	\$	\$	\$ 1,092,147	\$	\$ 1,092,147	\$ 986,761
Cost of Sales				719,498		719,498	665,037
Gross Profit	0	0	0	372,649	0	372,649	321,724
Other Revenues							
Charges for Services	574,489	730,264	3,963,604		161,670	5,430,027	5,471,968
Outside Charges	10,000		12,000			22,000	22,000
Interfund			33,735			33,735	33,735
Refunds and Reimbursements	4,921	6,592	48,765			60,278	100,936
Vending Machine Commissions				1,600		1,600	1,123
Miscellaneous Revenue	148		47,458	1,114	3,426	52,146	32,313
Total Other Revenues	589,558	736,856	4,105,562	2,714	165,096	5,599,786	5,662,075
Total Operating Revenues	589,558	736,856	4,105,562	375,363	165,096	5,972,435	5,983,799
OPERATING EXPENSES							
Freight				3,988		3,988	3,627
Salaries	94,602	6,379	82,463	138,794		322,238	311,546
Earned Benefits	(259)	314	4,615	(7,573)		(2,903)	6,095
Pension	16,764	1,140	14,004	21,958		53,866	54,626
Supplies	5,140	523	18,778	5,503	871	30,815	23,501
Contracted Services	6,569	291,636	518,535	9,300	103,944	929,984	972,023
Load Management			16,653			16,653	11,172
Purchased Electricity and Wheeling			2,061,782			2,061,782	2,137,804
Utilities	31,357	38,686	52,652	14,506		137,201	159,256
System Maintenance	16,300	14,828	23,260			54,388	118,712
Building Repair and Maintenance	5,409	7,162	4,880	10,033		27,484	20,140
Equipment Repair and Maintenance	2,744	4,426	88,992			96,162	69,781
Insurance	15,509	17,196	22,617	13,258		68,580	70,492
Depreciation	189,287	319,857	470,684	8,093		987,921	886,993
Interdepartmental Charges	12,375	21,360				33,735	33,735
Management Fees	36,330	47,166	163,430	24,130	8,328	279,384	273,910
Bad Debts	860	1,498	11,782	839	408	15,387	14,948
Gas and Oil	3,078	2,218	53,794			59,090	41,036
Travel and Training	911	407	6,102	546		7,966	6,866
Office Supplies	1,031	319	19,620	166		21,136	16,351
Miscellaneous	5,738	1,973	51,678	17,617		77,006	62,444
Health and Life Insurance	17,163	779	18,180	15,908		52,030	79,306
Lab Supplies and Chemicals	11,819					11,819	9,098
Advertising	386		9,321	15,306		25,013	33,619
Refuse Disposal					43,076	43,076	44,606
Total Operating Expenses	473,113	777,867	3,713,822	292,372	156,627	5,413,801	5,461,687
Operating Income (Loss)	116,445	(41,011)	391,740	82,991	8,469	558,634	522,112

CITY OF BENSON, MINNESOTA

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

	Water	Sewer	Electric	Liquor	Sanitation	Totals	
						2012	2011
NONOPERATING REVENUES							
(EXPENSES)							
Investment Income	\$ 10,991	\$ 6,545	\$ 84,817	\$ 264	\$ 2,238	\$ 104,855	\$ 93,807
Interest and Fiscal Charges	(60,516)	(71,007)	(263,618)			(395,141)	(358,279)
Rent			24,213	22,959		47,172	31,441
Gain (Loss) on Disposal of Assets	(15,628)					(15,628)	
Amortization	(2,629)	(930)	(22,904)			(26,463)	(26,463)
Total Nonoperating Revenues (Expenses)	(67,782)	(65,392)	(177,492)	23,223	2,238	(285,205)	(259,494)
Income (Loss) Before Transfers	48,663	(106,403)	214,248	106,214	10,707	273,429	262,618
TRANSFERS							
Transfers to Other Funds	(18,076)	(34,261)	(105,601)	(30,000)		(187,938)	(154,353)
Change in Net Position	30,587	(140,664)	108,647	76,214	10,707	85,491	108,265
NET POSITION,							
BEGINNING OF YEAR							
	2,115,329	2,351,247	5,172,175	247,354	118,161	10,004,266	9,896,001
NET POSITION,							
END OF YEAR							
	\$ 2,145,916	\$ 2,210,583	\$ 5,280,822	\$ 323,568	\$ 128,868	\$ 10,089,757	\$ 10,004,266

CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION

ELECTRIC FUND

DECEMBER 31, 2012

ASSETS		LIABILITIES AND NET POSITION	
Capital Assets		Long Term Debt	
Electric Production Plant	\$ 3,933,303	Bonds Payable	\$ 6,150,000
Electric Transmission Plant	676,121	Less Current Portion	(282,320)
Electric Distribution System	7,964,901	Total Long Term Debt	<u>5,867,680</u>
Electric Transportation and General	426,346		
Construction in Progress	282,137		
	<u>13,282,807</u>	Current Liabilities	
Less: Accumulated Depreciation	<u>6,308,331</u>	Current Portion of Long-Term Debt	282,320
Net Capital Assets	<u>6,974,476</u>	Accounts Payable	279,995
		Interest Payable	25,843
Current Assets		Customer Deposits	42,064
Cash and Investments	2,804,232	Due to Other Funds	<u>115,434</u>
Receivables		Total Current Liabilities	<u>745,656</u>
Accounts	515,645		
Special Assessments		Other Noncurrent Liabilities	
Interest	19,766	Compensated Absences	41,811
Inventories	243,667	Net OPEB Liability	<u>14,195</u>
Prepaid Items	<u>83,834</u>	Total Other Noncurrent	<u>56,006</u>
Total Current Assets	<u>3,667,144</u>	Total Liabilities	<u>6,669,342</u>
Noncurrent Assets		Net Position	
Restricted Assets		Net Investment in Capital Assets	824,476
Debt Service Reserve	531,751	Unrestricted	<u>4,456,346</u>
Construction Fund	<u>460,923</u>	Total Net Position	<u>5,280,822</u>
Total Restricted Assets	<u>992,674</u>		
Other Noncurrent Assets			
Bond Discount	<u>315,870</u>		
Total Noncurrent Assets	<u>1,308,544</u>		
Total Assets	<u>\$ 11,950,164</u>	Total Liabilities and Net Position	<u>\$ 11,950,164</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2012

Total Operating Revenues	\$ 4,105,562
Operating Expense	
Power Production	
Operation Supervision Salary	15,085
Fuel Expense	43,185
Utilities	29,349
Maintenance of Generating Equipment	62,958
Maintenance of Generating Equip Salary	35,824
Total Power Production	<u>186,401</u>
Purchased Power Supply	2,061,782
Transmission	
Operation Supervision Salary	16,343
Distribution	
Fuel Expense - Vehicles	10,400
Maintenance Supervisor Salary	40,655
Equipment Maintenance	30,062
Maintenance of Lines	44,118
Maintenance of Street Lighting	3,657
Building Maintenance	2,287
Management Fees	24,514
Station Salary	18,078
Maintenance Lines Salary	366,304
Utilities	13,364
Total Distribution	<u>553,439</u>
Demand Side Management	
Conservation Rebates	41,647
Load Management	16,653
Total Demand Side Management	<u>58,300</u>
Customer Accounts and Service	
Customer Records and Collection Salary	76,798
Meter Reading Salary	39,502
Office Supplies	17,884
Postage	3,211
Management Fees	16,343
Data Processing Services	17,449
Other Contracted Services	6,775
Bill Print Services	11,215
Bad debts	11,782
Total Customer Accounts and Service	<u>200,959</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ELECTRIC FUND
YEAR ENDED DECEMBER 31, 2012

Administration and General	
Gas	\$ 209
Building Expenses	2,593
Management Fees - Administration	49,029
Other Contracted Services	7,157
Travel and Meals	2,861
Education/Training	3,241
Insurance	21,808
Dues, Fees, Memberships	5,803
Employees Welfare	37,610
Telephone	<u>9,939</u>
Total Administration and General	140,250
Depreciation	470,684
Sales	<u>25,664</u>
Total Operating Expense	<u>3,713,822</u>
Operating Income (Loss)	391,740
Non Operating Revenues (Expenses)	
Investment Income	84,817
Interest Expense	(263,618)
Amort of Debt Discount	(22,904)
Rent	<u>24,213</u>
Income (Loss) Before Transfers	214,249
Transfer to General Fund	<u>105,601</u>
Change in Net Position	<u><u>\$ 108,647</u></u>

CITY OF BENSON, MINNESOTA

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

Federal Grantor\ Pass Through Grantor\ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
Department of Housing and Urban Development Minnesota Department of Employment and Economic Development Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	14.228	N/A	\$ 155,836
Department of Transportation Minnesota Department of Transportation Airport Improvement Program	20.106	N/A	60,677
Formula Grants for Other Than Urbanized Areas	20.509	N/A	45,150
Environmental Protection Agency Minnesota Public Facilities Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	1,493,158
Department of Homeland Security Direct Disaster Grants - Public Assistance	97.036	N/A	<u>9,983</u>
Total Federal Awards			<u><u>\$ 1,764,804</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF BENSON, MINNESOTA

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

NOTE 1. REPORTING ENTITY

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

NOTE 2. BASIS OF PRESENTATION

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 4. SUBRECIPIENTS

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

STATISTICAL SECTION

CITY OF BENSON, MINNESOTA

TAX CAPACITY, TAX LEVY, AND TAX CAPACITY RATES

	Budgeted Tax Levy	Total Capacity Rates
<u>2012 TAX CAPACITY \$1,744,237</u>		
Revenue	\$ 721,915	41.389 %
Police Levy	534,081	30.620
Library Fund	116,311	6.668
2006 Capital Street Equipment Bonds	35,516	2.036
Abatement	22,000	1.261
G.O. Swimming Pool of 2003 (Market Referendum)	79,562	4.561
	<hr/>	<hr/>
Totals	\$ 1,509,385	86.536 %
	<hr/>	<hr/>
<u>2011 TAX CAPACITY \$1,952,534</u>		
Revenue	\$ 707,515	36.236 %
Police Levy	485,379	24.859
Library Fund	100,496	5.147
2006 Capital Street Equipment Bonds	35,025	1.794
Abatement	18,700	0.958
G.O. Swimming Pool of 2003 (Market Referendum)	81,320	4.165
	<hr/>	<hr/>
Totals	\$ 1,428,435	73.158 %
	<hr/>	<hr/>
<u>2010 TAX CAPACITY \$1,936,365</u>		
Revenue	\$ 563,588	29.105 %
Police Levy	529,131	27.326
Library Fund	95,496	4.932
2006 Capital Street Equipment Bonds	38,036	1.964
Abatement	12,000	0.620
G.O. Swimming Pool of 2003 (Market Referendum)	83,079	4.290
	<hr/>	<hr/>
Totals	\$ 1,321,330	68.238 %
	<hr/>	<hr/>
<u>2009 TAX CAPACITY \$1,916,037</u>		
Revenue	\$ 342,639	17.881 %
Police Levy	501,302	26.164
Library Fund	89,657	4.680
2006 Capital Street Equipment Bonds	39,296	2.051
Abatement	12,000	0.627
G.O. Swimming Pool of 2003 (Market Referendum)	79,247	0.052
	<hr/>	<hr/>
Totals	\$ 1,064,141	51.455 %
	<hr/>	<hr/>
<u>2008 TAX CAPACITY \$1,724,837</u>		
Revenue	\$ 685,338	39.733 %
Library Fund	86,523	5.017
2006 Capital Street Equipment Bonds	35,096	2.035
Abatement	12,000	0.696
G.O. Swimming Pool of 2003 (Market Referendum)	80,664	0.057
	<hr/>	<hr/>
Totals	\$ 899,621	47.538 %
	<hr/>	<hr/>

CITY OF BENSON, MINNESOTA

LIQUOR FUND
GROSS PROFIT SCHEDULE
FOR THE YEARS ENDED DECEMBER 31,

2012				
	Sales	Cost of Sales	Gross Profit	%
OFF SALE				
Liquor and Wine	\$ 337,517	\$ 237,274	\$ 100,243	29.7 %
Beer	552,840	411,697	141,143	25.5
Total Off Sale	<u>890,357</u>	<u>648,971</u>	<u>241,386</u>	<u>27.1</u>
ON SALE				
Liquor and Wine	62,115	9,904	52,211	84.1
Beer	90,616	24,405	66,211	73.1
Total On Sale	<u>152,731</u>	<u>34,309</u>	<u>118,422</u>	<u>77.5</u>
MISCELLANEOUS	<u>49,059</u>	<u>36,218</u>	<u>12,841</u>	<u>26.2</u>
Total	<u>\$ 1,092,147</u>	<u>\$ 719,498</u>	<u>\$ 372,649</u>	<u>34.1 %</u>
2011				
	Sales	Cost of Sales	Gross Profit	%
OFF SALE				
Liquor and Wine	\$ 307,891	\$ 217,066	\$ 90,825	29.5 %
Beer	519,871	390,176	129,695	24.9
Total Off Sale	<u>827,762</u>	<u>607,242</u>	<u>220,520</u>	<u>26.6</u>
ON SALE				
Liquor and Wine	40,776	5,867	34,909	85.6
Beer	75,758	21,173	54,585	72.1
Total On Sale	<u>116,534</u>	<u>27,040</u>	<u>89,494</u>	<u>76.8</u>
MISCELLANEOUS	<u>42,465</u>	<u>30,755</u>	<u>11,710</u>	<u>27.6</u>
Total	<u>\$ 986,761</u>	<u>\$ 665,037</u>	<u>\$ 321,724</u>	<u>32.6 %</u>
2010				
	Sales	Cost of Sales	Gross Profit	%
OFF SALE				
Liquor and Wine	\$ 304,775	\$ 218,786	\$ 85,989	28.2 %
Beer	516,225	386,621	129,604	25.1
Total Off Sale	<u>821,000</u>	<u>605,407</u>	<u>215,593</u>	<u>26.3</u>
ON SALE				
Liquor and Wine	40,675	5,970	34,705	85.3
Beer	85,858	22,992	62,866	73.2
Total On Sale	<u>126,533</u>	<u>28,962</u>	<u>97,571</u>	<u>77.1</u>
MISCELLANEOUS	<u>41,681</u>	<u>30,440</u>	<u>11,241</u>	<u>27.0</u>
Total	<u>\$ 989,214</u>	<u>\$ 664,809</u>	<u>\$ 324,405</u>	<u>32.8 %</u>

CITY OF BENSON, MINNESOTA

ELECTRIC FUND
FIVE-YEAR COMPARISON - GROSS INCOME PER KW

	KW Sold	Gross Income	Income Per KW
<u>2012</u>			
Residential	13,276,703	\$ 1,299,443	9.79 Cents
Interruptible	1,693,217	68,373	4.04 Cents
Municipal	2,903,720	289,269	9.96 Cents
Commercial	2,273,144	229,489	10.10 Cents
Commercial 3 Phase	1,360,112	130,975	9.63 Cents
Large Power	14,943,830	1,130,883	7.57 Cents
Totals	<u>36,450,726</u>	<u>\$ 3,148,432</u>	8.64 Cents
<u>2011</u>			
Residential	13,838,402	\$ 1,343,964	9.71 Cents
Interruptible	2,075,262	84,802	4.09 Cents
Municipal	3,337,431	319,399	9.57 Cents
Commercial	2,284,259	225,581	9.88 Cents
Commercial 3 Phase	1,311,399	126,143	9.62 Cents
Large Power	15,592,511	1,169,106	7.50 Cents
Totals	<u>38,439,264</u>	<u>\$ 3,268,995</u>	8.50 Cents
<u>2010</u>			
Residential	13,562,305	\$ 1,334,799	9.84 Cents
Interruptible	2,111,805	86,554	4.10 Cents
Municipal	3,171,404	317,446	10.01 Cents
Commercial	2,325,565	235,529	10.13 Cents
Commercial 3 Phase	1,367,411	133,082	9.73 Cents
Large Power	14,829,808	1,130,207	7.62 Cents
Totals	<u>37,368,298</u>	<u>\$ 3,237,616</u>	8.66 Cents
<u>2009</u>			
Residential	13,526,589	\$ 1,242,612	9.19 Cents
Interruptible	2,231,122	101,505	4.55 Cents
Municipal	3,385,103	310,366	9.17 Cents
Commercial	2,419,574	229,379	9.48 Cents
Commercial 3 Phase	1,343,707	123,701	9.21 Cents
Large Power	15,039,436	1,112,802	7.40 Cents
Totals	<u>37,945,531</u>	<u>\$ 3,120,366</u>	8.22 Cents
<u>2008</u>			
Residential	13,374,751	\$ 1,137,946	8.51 Cents
Interruptible	2,042,924	81,554	3.99 Cents
Municipal	3,512,548	300,405	8.55 Cents
Commercial	2,441,035	207,980	8.52 Cents
Commercial 3 Phase	1,377,014	117,169	8.51 Cents
Large Power	13,634,409	951,192	6.98 Cents
Totals	<u>36,382,681</u>	<u>\$ 2,796,245</u>	7.69 Cents

COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Benson
Benson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that City of Benson, Minnesota, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

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

June 3, 2013



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

Honorable Mayor and City Council
City of Benson
Benson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 3, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as finding 2006-01 to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

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

June 3, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Benson
Benson, Minnesota

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

Report on Internal Control Over Compliance

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

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

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

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

Conway, Deuth & Schmiesing, PLLP

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

June 3, 2013

CITY OF BENSON, MINNESOTA

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

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

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

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.:	
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF BENSON, MINNESOTA

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

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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2006-01 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Effect: The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

MANAGEMENT'S RESPONSE

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

**RESOLUTION TRANSFERRING \$60,000 FROM
THE LIQUOR FUND TO THE GENERAL FUND
(RESOLUTION NO. 2013-)**

WHEREAS, the City of Benson owns and operates a Municipal Liquor Store, and

WHEREAS, the City Council has budgeted to transfer \$60,000 from the Liquor fund to the General Fund for calendar year 2013.

NOW, THEREFORE BE IT RESOLVED that the City Council authorized the transfer of \$60,000 from the Liquor Fund to the General Fund.

Val Alsaker

From: Glen Pederson
Sent: Friday, May 31, 2013 9:17 AM
To: Val Alsaker
Subject: FW: Emissions equipment
Attachments: Ziegler Invoice - 5-22-13.pdf

Thanks.

Glen Pederson
Director of Finance
City of Benson
1410 Kansas Ave
Benson, MN 56215
Pop. 3390
Ph 320-843-5445
Fax 320-842-7151

From: Andy Koob [mailto:andy.koob@dgr.com]
Sent: Tuesday, May 28, 2013 3:15 PM
To: Glen Pederson
Cc: 'Elliot Nelson (E-mail)'; 'Rob Wolfington (E-mail)'; Travis Zipf
Subject: RE: Emissions equipment

Hi Glen,

I received an invoice for the equipment today (see attached). This invoice is incorrect. I am instructing Ziegler to make some changes to it and I will forward the revised invoice to you when I receive it.

Here is what the invoice should look like:

Base Bid	\$ 144,055.00
Change Order #1	\$ 2,500.00
Subtotal:	\$ 146,555.00
90% of Subtotal:	\$ 131,899.50
+ Tax at 6.875%	\$ 9,068.09
Invoice Total:	\$ 140,967.59

Thanks,

Andy Koob, P.E.



****My email address has changed to andy.koob@dgr.com, please update your records.****

From: Andy Koob
Sent: Thursday, May 23, 2013 2:49 PM
To: Glen Pederson
Cc: 'Elliot Nelson (E-mail)'; 'Rob Wolfington (E-mail)'; Travis Zipf
Subject: RE: Emissions equipment

Hi Glen,

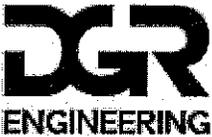
I have not seen a material invoice come through from Ziegler for approval, but I don't always see them either if they are sent directly to the City.

Ziegler is 90% complete with their work, but they do still owe us a few items. If you haven't seen an invoice yet, I'd expect to see it in June or July.

Also, we will have a \$2,500 change order to the Ziegler contract for some additional piping reducers that they supplied. I am in the process of assembling the Change Order documentation.

Best Regards,

Andy Koob, P.E.



****My email address has changed to andy.koob@dgr.com, please update your records.****

From: Glen Pederson [<mailto:glen.pederson@city.co.swift.mn.us>]
Sent: Wednesday, May 22, 2013 9:49 AM
To: Andy Koob
Subject: Emissions equipment

Andy,

I see we just approved a pay request for the installation of the emissions equipment at the power plant. When do we expect to pay for the equipment itself?

Thanks.

Glen Pederson
Director of Finance
City of Benson
1410 Kansas Ave
Benson, MN 56215
Pop. 3390
Ph 320-843-5445
Fax 320-842-7151



901 West 94th Street
 Minneapolis MN 55420-4236

MINNESOTA 952-445-4292 888-320-4292
 IOWA 515-957-3800 800-342-7002
 MISSOURI 515-957-3800 800-342-7002
 WISCONSIN 515-957-3800 800-342-7002

Sold To: CITY OF BENSON
 1410 KANSAS AVE
 BENSON MN 56215-1718

Invoice Number: E8513501

Date: 5/22/13

Account No.: 0835200

Ship To: 1410 KANSAS AVE
 BENSON MN 56215

Agreement: E85135	P/O Number: SIGNED CONTRACT	Store: 05
Ship Date: 5/22/13	Ship Via:	Salesman: 021-2
Quantity	Description	Total
1.0	CUSTOMER CONTACT: ELLIOT NELSON CITY OF BENSON PROJECT # 120307 EQUIPMENT SALE SUPPLY 5 SILENCER/CATALYST, MONITORING AND CCV SYSTEMS ID NO: Z6306 SERIAL NO: Z6306 MN SALES TAX-6.875% NET 20 DAYS	144055.00 9903.78 INVOICE TOTAL 153,958.78

NET 20 DAYS
 A service charge of 1 1/2 % per month will be assessed on all past due accounts.

To ensure proper credit, please detach this portion, at the perforation, and return with remittance.

CITY OF BENSON
 1410 KANSAS AVE
 BENSON MN 56215-1718

Account Number: 0835200
 Invoice Number: E8513501
 Invoice Date: 5/22/13

Please remit to:
 ZIEGLER INC.
 SDS 12-0436
 PO BOX 86
 MINNEAPOLIS, MN 55486-0436

Amount Due:

\$153,958.78

Amount Enclosed: