

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2013

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CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Elected

William J. Spitzer	Mayor
John Schaber	Council/Mayor Pro-Tem
Wayne Getz	Council
David Braun	Council
Orv Dahl	Council

Appointed

Nick Koverman	Clerk Administrator
Kristine Huinker	Accountant
Janell Dahl	Deputy Clerk

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of St. Charles, 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 St. Charles, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 City of St. Charles, Minnesota as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. Adoption of the provisions of this statement resulted in significant changes to the classifications of certain components of the financial statements.

Other Matters

Report on Summarized Comparative Information

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

We have previously audited the City's 2012 financial statements and our report dated April 8, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Charles, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory and supplemental information 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 them.

Smith, Schafu and Associates, Ltd.

CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of St. Charles, Minnesota, we offer readers of the City of St. Charles, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of St. Charles, Minnesota for the fiscal year ended December 31, 2013.

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

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$21,273,760 (*net position*). Of this amount, \$4,278,132 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$757,971.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,326,276. Approximately 46% of this total amount, or \$610,783 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$613,592 or 45% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of St. Charles, Minnesota's basic financial statements. The City of St. Charles, Minnesota's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of St. Charles, Minnesota's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of St. Charles, Minnesota's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of St. Charles, Minnesota is improving or deteriorating.

CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of St. Charles, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of St. Charles, Minnesota include general government, public safety, public works, library, parks and recreation and economic development. The business-type activities of the City of St. Charles, Minnesota include the electric, water, sewer, storm water, waste management utilities and ambulance services. The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Charles, Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Charles, Minnesota can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of St. Charles, Minnesota maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development special revenue fund, the capital improvements and I-90 construction capital projects funds, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of St. Charles, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 23-27) and the special revenue funds (page 28 and 65-69) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 17-20 of this report.

CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. The City of St. Charles, Minnesota maintains one type of proprietary funds – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of St. Charles, Minnesota uses enterprise funds to account for its electric, water, sewer, storm water utilities, waste management and ambulance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, storm water utilities, waste management and ambulance, all of which are considered to be major funds of the City of St. Charles, Minnesota.

The proprietary fund financial statements can be found on pages 29-36 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 beginning on page 37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 61-64 of this report.

IMPORTANT REMINDERS

Infrastructure Assets. When the City of St. Charles, Minnesota implemented GASB Statement #34 for the year ended December 31, 2004, the City elected to record infrastructure assets prospectively, rather than retroactively for government activities. Historically, governmental capital assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City prior to 2004 but were not recorded. All 2004 and future acquisitions of infrastructure assets have and will be recorded under the new reporting model.

**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$21,273,760 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net position (79%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of St. Charles, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of St. Charles, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of St. Charles, Minnesota's Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2013	2012
Current and other assets	\$ 1,484,602	\$ 3,442,585	\$ 4,927,187	\$ 4,539,940
Capital assets	8,974,602	12,859,835	21,834,437	22,083,564
Total assets	<u>10,459,204</u>	<u>16,302,420</u>	<u>26,761,624</u>	<u>26,623,504</u>
Long-term liabilities				
outstanding	2,094,168	2,912,687	5,006,855	5,740,022
Other liabilities	78,829	402,180	481,009	367,693
Total liabilities	<u>2,172,997</u>	<u>3,314,867</u>	<u>5,487,864</u>	<u>6,107,715</u>
Net position:				
Invested in capital assets,				
net of related debt	6,880,434	9,947,148	16,827,582	16,343,542
Restricted	168,046		168,046	166,117
Unrestricted	1,237,727	3,040,405	4,278,132	4,006,130
Total net position	<u>\$ 8,286,207</u>	<u>\$ 12,987,553</u>	<u>\$ 21,273,760</u>	<u>\$ 20,515,789</u>

The balance of *unrestricted net position* (\$4,278,132) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of St. Charles, Minnesota is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of St. Charles, Minnesota's net position by \$119,654. The most significant change in governmental net position is due to the effect of accounting for net position under full accrual accounting, current year infrastructure capital outlay, which was funded during the year, will be expensed over its useful life and capital assets constructed by developers and contributed to the City are recorded as increases in net position.

**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities. Business-type activities increased the City of St. Charles, Minnesota's net position by \$638,317. The City's electric utility contributed the most significant portion of that increase, or \$385,085.

A condensed version of the Statement of Activities follows:

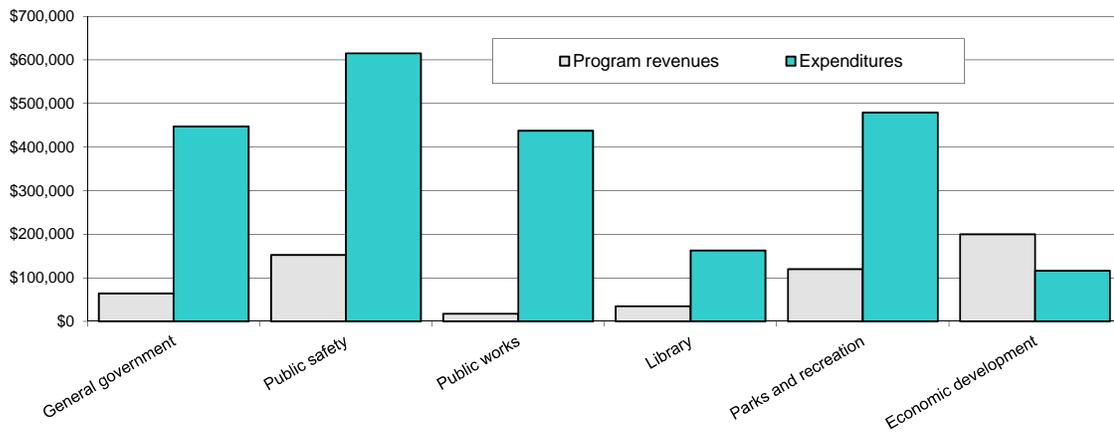
City of St. Charles, Minnesota's Change in Net Position

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
Revenue:				
Program revenues:				
Charges for services	\$ 232,080	\$ 4,519,321	\$ 4,751,401	\$ 4,949,147
Operating grants and contributions	143,803	7,633	151,436	141,019
Capital grants and contributions	213,697		213,697	88,533
General revenues:				
Property taxes	871,774		871,774	844,763
TIF proceeds	18,840		18,840	18,865
Franchise fees	51,476		51,476	50,064
Grants and contributions not restricted to specific programs	757,434		757,434	757,629
Other	11,607	48,716	60,323	158,801
Total revenues	<u>2,300,711</u>	<u>4,575,670</u>	<u>6,876,381</u>	<u>7,008,821</u>
Expenses:				
General government	447,050		447,050	416,167
Public safety	615,173		615,173	616,982
Public works	437,471		437,471	423,588
Library	162,965		162,965	165,994
Parks and recreation	479,468		479,468	450,948
Economic development	116,380		116,380	37,316
Interest on long-term debt	49,050		49,050	58,487
Electric		2,414,475	2,414,475	2,237,681
Water		418,063	418,063	400,027
Sewer		566,235	566,235	528,424
Storm water drainage		18,233	18,233	35,191
Waste management		191,740	191,740	180,354
Ambulance		202,107	202,107	206,864
Total expenses	<u>2,307,557</u>	<u>3,810,853</u>	<u>6,118,410</u>	<u>5,758,023</u>
Increase in net position before transfers	(6,846)	764,817	757,971	1,250,798
Transfers	126,500	(126,500)		
Increase in net position	119,654	638,317	757,971	1,250,798
Net position as restated, beginning	8,166,553	12,349,236	20,515,789	19,264,991
Net position, end of year	<u>\$ 8,286,207</u>	<u>\$ 12,987,553</u>	<u>\$ 21,273,760</u>	<u>\$ 20,515,789</u>

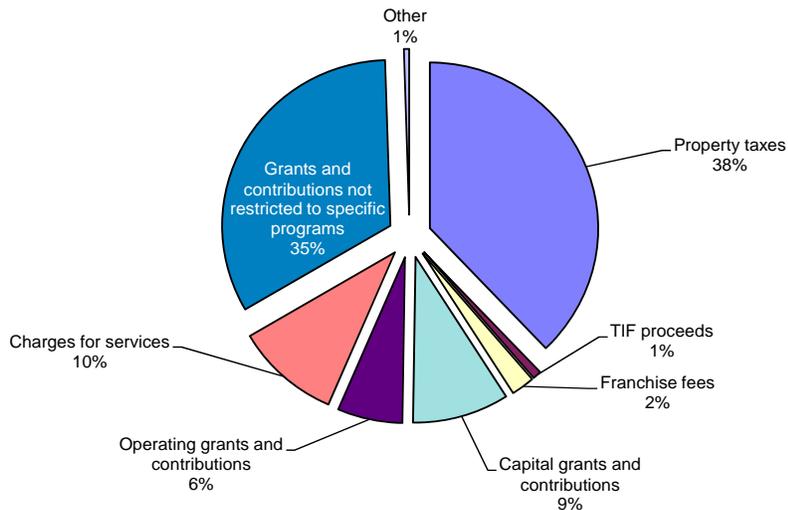
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenditures and Program Revenues - Governmental Activities



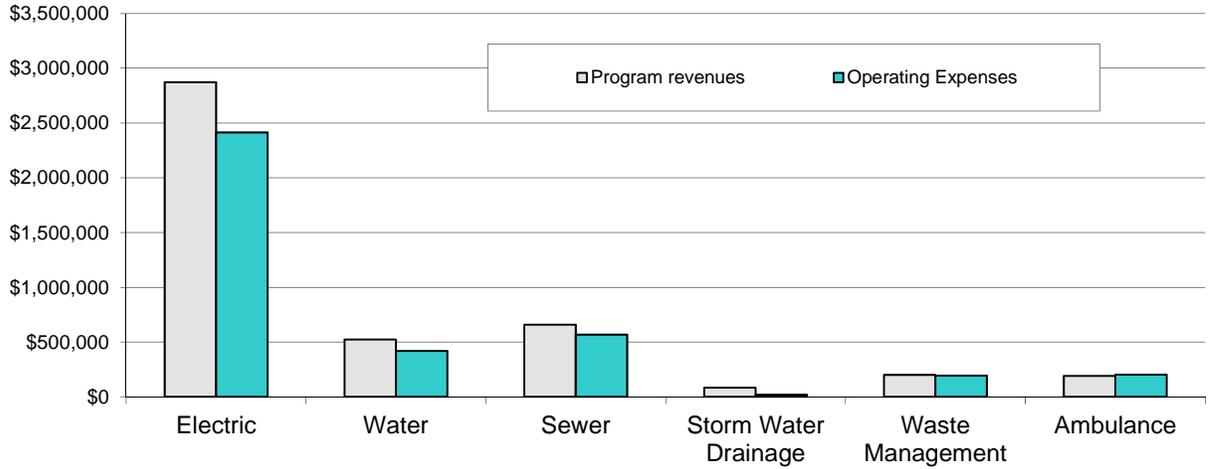
Revenues by Source - Governmental Activities



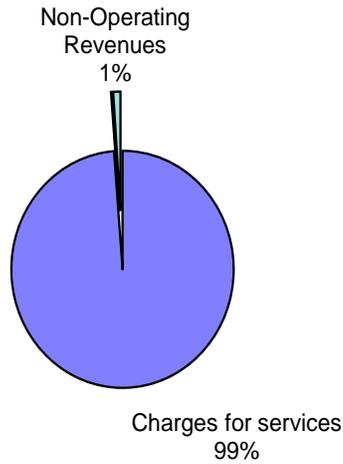
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following graphs relate the various business-type activities' program revenues with their expenditures. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS

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

Governmental funds. The focus of the City of St. Charles, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of St. Charles, Minnesota's financing requirements. In particular, unassigned and assigned fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, implemented this year have redefined the fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 3 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,326,276, an increase of \$177,964. Approximately 40% of this balance is either Nonspendable (\$17,914) related to prepaid items, Restricted (\$201,816) related to debt covenants or regulations or (\$306,276) Committed to projects by Council. The remainder is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$613,592. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45% of total general fund expenditures.

The general fund's total fund balance decreased by \$43,986 during the current fiscal year. This year's decrease was primarily due to the restructuring of the police department which required additional overtime and part-time hours to fill shifts, the hiring of a fourth full-time officer, and the hiring of the new police chief.

The economic development fund increased its fund balance by \$212,128 due to the approval of a \$0.05 sales tax referendum by the City of Rochester. Seventeen cities surrounding Rochester were the recipients of \$5 million of the tax generated by the ten year sales tax extension. The City of St. Charles will receive a total of \$399,901.50 in 2013 and 2014. The first half payment of those dollars was received in July of 2013 for \$199,950.75.

CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds (continued).

In an agreement set forth by the City of Rochester, while the use of the funds was left up to each respective city, the premise of the dollars must be used for economic development purposes.

The capital improvement fund increased its fund balance by \$12,232 for the year, and ended the year with a fund balance of \$183,660. This year's increase was primarily due to a decrease in planned expenditures.

The I-90 construction fund decreased its fund balance by \$8,028 and ended the year with a negative fund balance of \$180,914. This year's decrease was primarily due to a \$6,500 payment to WHKS for the Innovation Park survey, plus \$535 for an I-90 lot split. There were no lot sales as of December 31, 2013.

The debt service funds have a total fund balance of \$168,046 all of which is restricted for the payment of debt service on outstanding bonds and notes payable, including tax increment bonds.

Proprietary funds. The City of St. Charles, Minnesota's proprietary funds statements found on pages 29-36 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted position in the respective proprietary funds are Electric - \$2,222,520, Water - \$450,249, Sewer - \$149,021, Storm Water - \$10,379, Waste Management - \$70,941, Ambulance - \$137,295.

Electric Utility rates were decreased in April of 2013 as the cost of purchased power from Dairyland Power, the City's power supply provider, decreased due to a renegotiated contract that was effective January 1, 2012. In addition, Dairyland Power joined the MISO market and questions were raised with respect to overall transmission costs and whether that rate in 2012 would decrease or remain the same. A tiered rate system was developed in May of 2011 and was based on power usage in an effort to promote energy conservation and to protect lower energy users, typically the elderly and small businesses. Usage under 500 kWh remained at the 2010 rate, whereas usage over 500 kWh was charged at a 15% higher rate. This was established due to recommendations from Dairyland Power and the City's electrical engineer. City staff and consultants were unsure of the net effect of the renegotiated contract and MISO changes so the City engaged in a Cost of Service/Rate Comparison Study for the remainder of 2012 and first quarter of 2013. As a result of the study, it was determined that another decrease in the per kilowatt hour price could be justified. However, it was the recommendation from the electrical engineer for the City to move to a Cost of Service rate, which would eventually reflect higher base charges with lower per kilowatt usage rates. In addition, the City continues to design programs in an effort to adhere to the State's mandated energy conservation requirements, which is to spend roughly 1.5% of gross revenues, in order to reduce consumption by approximately 340,000 kWh per year based on current figures. Proposed rates were presented in the first quarter of 2013 to be implemented by the end of April 2013.

Water Utility rates increased in 2013, with the base rate and usage rate seeing a 3% increase over the previous year. Rates were increased in order to plan for future capital projects, meter replacement and upkeep.

Sewer Utility rates increased 6% in 2013 on the base rate as well as usage rates. Sanitary District fees were reviewed, projecting a 10% increase in cost to the City due to scheduled upgrades to the 30 year old wastewater treatment plant. In addition, rates were increased to cover future capital projects and upkeep as well as a concerted effort that the City continued to decrease their Infiltration and Inflow of sewer.

Garbage and recycling rates were adjusted to reflect the 3.7% cost increase from Advanced Disposal Services. In addition, the City adjusted administrative rates to help offset the costs of the annual citywide cleanup and service delivery.

**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

The City has remained consistent in spending within established budget guidelines. Local Government Aid (LGA) has remained the same for 2012 and 2013. No amendments were made to the original 2013 budget.

Capital Asset and Debt Administration

Capital assets. The City of St. Charles, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$21,834,437 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles reported an increase in its investment in capital assets for the current fiscal year of \$249,127.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
Land	\$ 1,798,702	\$ 142,189	\$ 1,940,891	\$ 1,934,965
Construction in process	13,234		13,234	13,234
Buildings and improvements	2,078,176	4,742,126	6,820,302	6,849,328
Machinery and equipment	440,212	7,975,520	8,415,732	8,558,037
Infrastructure	4,644,278		4,644,278	4,728,000
Total	\$ 8,974,602	\$ 12,859,835	\$ 21,834,437	\$ 22,083,564

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 49-50 of this report.

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$5,052,878 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of St. Charles, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
General obligation bonds	\$ 2,047,390	\$ 697,610	\$ 2,745,000	\$ 3,200,000
General obligation revenue bonds		2,235,000	2,235,000	2,455,000
Notes payable	72,878		72,878	134,080
Total	\$ 2,120,268	\$ 2,932,610	\$ 5,052,878	\$ 5,789,080

CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt (continued).

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$736,202 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 51.

Economic Factors and Next Year's Budgets and Rates

The City of St. Charles, Minnesota maintains an A+ bond rating on its general obligation bonds from both Moody's Investors Service and Standard and Poor's.

All of these factors were considered in preparing the City of St. Charles, Minnesota's budget for the 2014 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

- The unemployment rate for the City of St. Charles, Minnesota ended at 4.6 percent in 2013. This rate is slightly higher than Winona County's average of 4.3 percent, and lower than the State's average of 4.7 percent and the national average rate of 6.7 percent.
- The median household income in City of St. Charles, Minnesota is 2.9% greater than the Minnesota average and 8.6% greater than the National average.
- As of the 2010 Census, City of St. Charles, Minnesota's population is 3,735 people. Since 2000, the City has had a population growth of 11 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 62 percent of its General Fund revenues. Local Government Aid is increasing \$103,646 to \$860,985 in 2014.

Requests for Information

This financial report is designed to provide a general overview of the City of St. Charles, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, City Hall, St. Charles, MN 55976.

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013
With Comparative Totals for December 31, 2012

	Governmental	Business-Type	Totals	
	Activities	Activities	2013	2012
ASSETS				
Cash and investments	\$ 1,379,394	\$ 2,415,705	\$ 3,795,099	\$ 3,244,602
Accrued interest receivable	1,143	5,836	6,979	1,365
Receivables (net of allowance for uncollectibles)	143,156	535,216	678,372	841,585
Internal balances	(90,000)	90,000		
Due from other governmental units	32,995		32,995	45,978
Inventory		380,855	380,855	373,255
Prepaid items	17,914	14,973	32,887	33,155
Capital assets:				
Nondepreciable	1,811,936	142,189	1,954,125	1,948,199
Depreciable, net	7,162,666	12,717,646	19,880,312	20,135,365
Total Assets	<u>10,459,204</u>	<u>16,302,420</u>	<u>26,761,624</u>	<u>26,623,504</u>
LIABILITIES				
Accounts payable	37,544	338,731	376,275	269,488
Deposits payable		18,325	18,325	25,608
Accrued interest payable	21,903	24,425	46,328	40,092
Unearned revenue	500		500	
Accrued compensated absences	18,882	20,699	39,581	32,505
Noncurrent liabilities:				
Due within one year	186,168	390,010	576,178	714,438
Due in more than one year	1,908,000	2,522,677	4,430,677	5,025,584
Total Liabilities	<u>2,172,997</u>	<u>3,314,867</u>	<u>5,487,864</u>	<u>6,107,715</u>
NET POSITION				
Net investment in capital assets	6,880,434	9,947,148	16,827,582	16,343,542
Restricted for:				
Debt service	168,046		168,046	166,117
Unrestricted	1,237,727	3,040,405	4,278,132	4,006,130
Total Net Position	<u>\$ 8,286,207</u>	<u>\$ 12,987,553</u>	<u>\$ 21,273,760</u>	<u>\$ 20,515,789</u>

See Notes to the Financial Statements

**CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF ACTIVITIES**

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 447,050	\$ 34,843	\$ 29,122	\$
Public safety	615,173	73,617	78,969	
Public works	437,471		4,067	13,605
Library	162,965	3,371	31,645	102
Parks and recreation	479,468	120,249		39
Economic development	116,380			199,951
Interest on long-term debt	49,050			
Total governmental activities	2,307,557	232,080	143,803	213,697
Business-Type activities:				
Electric	2,414,475	2,873,287		
Water	418,063	523,008		
Sewer	566,235	657,328		
Storm water drainage	18,233	83,075		
Waste management	191,740	199,941		
Ambulance	202,107	182,682	7,633	
Total business-type activities	3,810,853	4,519,321	7,633	
Total	\$ 6,118,410	\$ 4,751,401	\$ 151,436	\$ 213,697

General revenues:
 General property taxes
 Tax increments
 Franchise fees
 Grants and contributions not restricted to specific programs
 Interest earnings
 Miscellaneous
 Transfers
 Total general revenues and transfers

Change in net position

Net position as restated - beginning (Note 6)

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2013	2012
\$ (383,085)		\$ (383,085)	\$ (356,236)
(462,587)		(462,587)	(461,233)
(419,799)		(419,799)	(357,895)
(127,847)		(127,847)	(130,765)
(359,180)		(359,180)	(302,035)
83,571		83,571	(37,316)
(49,050)		(49,050)	(58,487)
<u>(1,717,977)</u>		<u>(1,717,977)</u>	<u>(1,703,967)</u>
	\$ 458,812	458,812	790,999
	104,945	104,945	131,199
	91,093	91,093	117,575
	64,842	64,842	48,930
	8,201	8,201	12,313
	<u>(11,792)</u>	<u>(11,792)</u>	<u>23,627</u>
	716,101	716,101	1,124,643
<u>(1,717,977)</u>	<u>716,101</u>	<u>(1,001,876)</u>	<u>(579,324)</u>
871,774		871,774	844,763
18,840		18,840	18,865
51,476		51,476	50,064
757,434		757,434	757,629
12,941	5,323	18,264	31,572
(1,334)	43,393	42,059	127,229
<u>126,500</u>	<u>(126,500)</u>		
<u>1,837,631</u>	<u>(77,784)</u>	<u>1,759,847</u>	<u>1,830,122</u>
119,654	638,317	757,971	1,250,798
<u>8,166,553</u>	<u>12,349,236</u>	<u>20,515,789</u>	<u>19,264,991</u>
<u>\$ 8,286,207</u>	<u>\$ 12,987,553</u>	<u>\$ 21,273,760</u>	<u>\$ 20,515,789</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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

	<u>10</u> General	<u>34</u> Economic Development	<u>25</u> Capital Improvements Fund
ASSETS			
Cash and investments	\$ 562,904	\$ 249,813	\$ 161,024
Accrued interest receivable	776		356
Accounts receivable	13,249		
Loans and contracts receivable		107,982	
Taxes receivable delinquent	1,545	7	2,540
Special assessments receivable:			
Deferred	721		3,728
Due from other funds	48,244	35,000	
Advances to other funds			189,487
Due from other governmental units	2,860	541	4,279
Prepaid items	13,533		
TOTAL ASSETS	\$ 643,832	\$ 393,343	\$ 361,414
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 14,441		\$ 6,486
Due to other funds			75,000
Advances from other funds			90,000
Unearned revenue			
Total Liabilities	<u>14,441</u>		<u>171,486</u>
Deferred Inflows of Resources:			
Unavailable revenue:			
Property taxes	1,545	7	2,540
Special assessments	721		3,728
Loans receivable		107,982	
Total Deferred Inflows of Resources	<u>2,266</u>	<u>107,989</u>	<u>6,268</u>
Fund Balance:			
Nonspendable:			
Prepaid items	13,533		
Advances			189,487
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		285,354	
Assigned			
Unassigned	613,592		(5,827)
Total Fund Balance	<u>627,125</u>	<u>285,354</u>	<u>183,660</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 643,832	\$ 393,343	\$ 361,414

See Notes to the Financial Statements

Projects			
28 I-90 Construction Fund	Other Governmental Funds	Total Governmental Funds	
		2013	2012
\$ 9,608	\$ 396,045	\$ 1,379,394	\$ 1,182,906
	11	1,143	\$ 1,407
	9,624	22,873	27,636
		107,982	151,955
	3,760	7,852	9,129
		4,449	65,213
		83,244	274,487
		189,487	
	25,315	32,995	45,978
	4,381	17,914	19,888
<u>\$ 9,608</u>	<u>\$ 439,136</u>	<u>\$ 1,847,333</u>	<u>\$ 1,778,599</u>
\$ 535	\$ 16,081	\$ 37,543	\$ 29,503
	8,244	83,244	274,487
189,487		279,487	100,000
500		500	
<u>190,522</u>	<u>24,325</u>	<u>400,774</u>	<u>403,990</u>
	3,760	7,852	9,129
		4,449	65,213
		107,982	151,955
	<u>3,760</u>	<u>120,283</u>	<u>226,297</u>
	4,381	17,914	19,888
		189,487	
	168,046	168,046	166,117
	33,770	33,770	26,846
	20,922	306,276	274,686
	192,176	192,176	193,530
(180,914)	(8,244)	418,607	467,245
<u>(180,914)</u>	<u>411,051</u>	<u>1,326,276</u>	<u>1,148,312</u>
<u>\$ 9,608</u>	<u>\$ 439,136</u>	<u>\$ 1,847,333</u>	<u>\$ 1,778,599</u>

**CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

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

	<u>10</u> General	<u>34</u> Economic Development	<u>25</u> Capital Improvements Fund
REVENUES			
Property taxes	\$ 182,281	\$	\$ 276,668
Property taxes - Special EDA taxing district		34,299	
Tax increments			
Special assessments	833		13,605
Licenses and permits	29,073		
Fines and forfeits	8,864		
Intergovernmental revenues	792,867	199,951	
Charges for services	174,250		
Interest income	5,042	4,262	145
Donations			
Loan repayment		38,158	
Miscellaneous revenues	1,684		39
TOTAL REVENUES	<u>1,194,894</u>	<u>276,670</u>	<u>290,457</u>
EXPENDITURES			
Current			
General government	300,313		2,849
Public safety	447,501		
Public works	236,931		
Library			
Parks and recreation	365,435		
Economic development		56,116	
Capital Outlay			275,376
Debt Service		8,426	
TOTAL EXPENDITURES	<u>1,350,180</u>	<u>64,542</u>	<u>278,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(155,286)</u>	<u>212,128</u>	<u>12,232</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt			
Transfers in	126,500		
Transfers out	(15,200)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>111,300</u>		
Net change in fund balances	(43,986)	212,128	12,232
FUND BALANCES, beginning	<u>671,111</u>	<u>73,226</u>	<u>171,428</u>
FUND BALANCES, ending	<u>\$ 627,125</u>	<u>\$ 285,354</u>	<u>\$ 183,660</u>

See Notes to the Financial Statements

<u>Projects</u>			
<u>28</u>			
<u>I-90</u>	<u>Other</u>	<u>Total Governmental Funds</u>	
<u>Construction</u>	<u>Governmental</u>	<u>2013</u>	<u>2012</u>
<u>Fund</u>	<u>Funds</u>		
\$	\$ 380,303	\$ 839,252	\$ 822,352
		34,299	39,718
	18,840	18,840	18,865
		14,438	439
		29,073	34,596
		8,864	5,181
	60,193	1,053,011	843,421
	64,573	238,823	250,787
32	622	10,103	13,423
	45,664	45,664	43,217
		38,158	40,582
	8,398	10,121	51,477
<u>32</u>	<u>578,593</u>	<u>2,340,646</u>	<u>2,164,058</u>
	44,231	347,393	338,197
	151,349	598,850	570,959
		236,931	234,189
	143,839	143,839	135,074
		365,435	344,952
		56,116	115,125
8,060	29,527	312,963	484,291
	219,229	227,655	200,235
<u>8,060</u>	<u>588,175</u>	<u>2,289,182</u>	<u>2,423,022</u>
<u>(8,028)</u>	<u>(9,582)</u>	<u>51,464</u>	<u>(258,964)</u>
			55,000
	29,986	156,486	156,450
	(14,786)	(29,986)	(29,950)
	<u>15,200</u>	<u>126,500</u>	<u>181,500</u>
(8,028)	5,618	177,964	(77,464)
(172,886)	405,433	1,148,312	1,225,776
<u>\$ (180,914)</u>	<u>\$ 411,051</u>	<u>\$ 1,326,276</u>	<u>\$ 1,148,312</u>

**CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2013**

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

Total governmental fund balances (page 18)		\$ 1,326,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 14,292,120	
Less: Accumulated depreciation	<u>(5,317,518)</u>	8,974,602
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 7,852	
Deferred special assessments	4,449	
Contracts receivable	<u>107,982</u>	120,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (2,120,269)	
Compensated absences	(18,882)	
Accrued interest	(21,903)	
Unamortized bond discount	<u>26,100</u>	<u>(2,134,954)</u>
Net position of governmental activities (page 14)		<u><u>\$ 8,286,207</u></u>

See Notes to the Financial Statements

**CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2013**

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

Net change in fund balances - total governmental funds (page 20)	\$	177,964
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay capitalized	\$	287,822
Depreciation expense		<u>(418,588)</u>
		(130,766)
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue December 31, 2013	\$	120,283
Unavailable revenue December 31, 2012		<u>(226,297)</u>
		(106,014)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2013	\$	(18,882)
Compensated absences, December 31, 2012		<u>18,747</u>
		(135)
<p>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.</p>		
Principal retirement on long-term debt	\$	181,157
Change in accrued interest		(1,542)
Amortization of bond discount		<u>(1,010)</u>
		<u>178,605</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>119,654</u></u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 180,749	\$ 180,749	\$ 182,281	\$ 1,532	\$ 196,658
Special Assessments					
	1,000	1,000	833	(167)	
Licenses and Permits					
Business and nonbusiness licenses	6,800	6,800	5,921	(879)	13,033
Building permits	20,000	20,000	23,152	3,152	21,563
Total Licenses and Permits	26,800	26,800	29,073	2,273	34,596
Intergovernmental Revenues					
Local government aid	757,339	757,339	757,339		757,339
Market value credit			95	95	290
Police aid	28,000	28,000	28,954	954	29,356
PERA aid	2,412	2,412	2,412		2,412
Highway	5,000	5,000	4,067	(933)	4,086
Total Intergovernmental Revenues	792,751	792,751	792,867	116	793,483
Charges For Services					
Street	500	500		(500)	
Swimming pool	78,600	78,600	83,479	4,879	84,731
Park and recreation	41,000	41,000	36,770	(4,230)	39,430
Cable franchise fees	30,000	30,000	34,471	4,471	33,086
Senior center rental	3,000	3,000	2,525	(475)	2,580
Natural gas franchise fees	16,500	16,500	17,005	505	16,978
Total Charges For Services	169,600	169,600	174,250	4,650	176,805
Fines and Forfeits					
Court fines and other	10,000	10,000	8,864	(1,136)	5,181
Interest Income					
	7,000	7,000	5,042	(1,958)	6,602
Miscellaneous Revenues					
Other	1,450	1,450	1,684	234	17,183
TOTAL REVENUES	\$ 1,189,350	\$ 1,189,350	\$ 1,194,894	\$ 5,544	\$ 1,230,508

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 27,200	\$ 27,200	\$ 27,248	\$ (48)	\$ 27,248
Transportation and training	2,000	2,000	3,348	(1,348)	1,987
Printing and publication	300	300	310	(10)	
Total Mayor and Council	<u>29,500</u>	<u>29,500</u>	<u>30,906</u>	<u>(1,406)</u>	<u>29,235</u>
Election and Voter Registration	<u>445</u>	<u>445</u>	<u>678</u>	<u>(233)</u>	<u>2,782</u>
General and Financial Administration					
Salaries	75,841	75,841	75,459	382	73,332
Employee benefits and retirement	26,574	26,574	25,442	1,132	23,780
Supplies and minor equipment	7,000	7,000	7,048	(48)	7,463
Communication	5,000	5,000	4,651	349	5,330
Transportation and training	4,500	4,500	5,769	(1,269)	5,564
Insurance	4,800	4,800	4,226	574	4,340
Repairs and maintenance	9,000	9,000	9,385	(385)	10,048
Assessor	16,500	16,500	16,400	100	16,431
Accounting and audit	9,000	9,000	7,600	1,400	7,990
Legal	17,500	17,500	17,375	125	16,321
Planning and zoning	1,450	1,450	3,202	(1,752)	1,450
Building inspection	21,000	21,000	22,034	(1,034)	22,778
Other professional services	6,300	6,300	8,516	(2,216)	9,718
Memberships	11,000	11,000	7,864	3,136	10,916
Other	15,406	15,406	23,114	(7,708)	16,948
Total General and Financial Administration	<u>230,871</u>	<u>230,871</u>	<u>238,085</u>	<u>(7,214)</u>	<u>232,409</u>
City Hall					
Salaries	5,600	5,600	4,117	1,483	4,801
Employee benefits and retirement	530	530	336	194	400
Supplies and minor equipment	1,500	1,500	1,508	(8)	1,808
Insurance	1,000	1,000	903	97	707
Utilities	17,250	17,250	14,982	2,268	15,539
Repairs and maintenance	6,000	6,000	8,798	(2,798)	7,828
Total City Hall	<u>31,880</u>	<u>31,880</u>	<u>30,644</u>	<u>1,236</u>	<u>31,083</u>
Total General Government	<u>\$ 292,696</u>	<u>\$ 292,696</u>	<u>\$ 300,313</u>	<u>\$ (7,617)</u>	<u>\$ 295,509</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2012 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 258,882	\$ 258,882	\$ 279,212	\$ (20,330)	\$ 280,087
Employee benefits and retirement	79,550	79,550	96,214	(16,664)	82,600
Supplies and minor equipment	26,450	26,450	32,897	(6,447)	29,104
Professional services	11,650	11,650	11,940	(290)	8,855
Communication	3,600	3,600	3,632	(32)	3,910
Transportation and training	6,000	6,000	1,610	4,390	6,915
Insurance	5,500	5,500	6,898	(1,398)	4,451
Repairs and maintenance	7,050	7,050	11,393	(4,343)	7,328
Other	6,000	6,000	3,705	2,295	3,198
Total Police Department	<u>404,682</u>	<u>404,682</u>	<u>447,501</u>	<u>(42,819)</u>	<u>426,448</u>
Total Public Safety	<u>404,682</u>	<u>404,682</u>	<u>447,501</u>	<u>(42,819)</u>	<u>426,448</u>
Public Works					
Street Department					
Salaries	85,005	85,005	91,875	(6,870)	96,099
Employee benefits and retirement	45,903	45,903	41,952	3,951	41,867
Supplies and minor equipment	16,750	16,750	20,719	(3,969)	15,678
Professional services	1,500	1,500		1,500	1,500
Communication	800	800	1,594	(794)	1,678
Transportation and training	1,500	1,500	607	893	1,370
Insurance	6,000	6,000	4,307	1,693	4,400
Utilities	6,500	6,500	6,949	(449)	4,656
Repairs and maintenance	73,230	73,230	68,928	4,302	66,906
Other	150	150		150	35
Total Public Works	<u>\$ 237,338</u>	<u>\$ 237,338</u>	<u>\$ 236,931</u>	<u>\$ 407</u>	<u>\$ 234,189</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 83,990	\$ 83,990	\$ 83,974	\$ 16	\$ 83,446
Employee benefits and retirement	21,592	21,592	20,770	822	19,947
Supplies and minor equipment					222
Communication	2,000	2,000	2,142	(142)	2,233
Transportation and training	2,000	2,000	1,536	464	2,309
Insurance	3,000	3,000	1,998	1,002	2,065
Repairs and maintenance	575	575	100	475	69
Recreation programs	20,000	20,000	22,578	(2,578)	20,787
Other	2,600	2,600	2,978	(378)	3,489
Total Recreation	<u>135,757</u>	<u>135,757</u>	<u>136,076</u>	<u>(319)</u>	<u>134,567</u>
Swimming Pool Program					
Salaries	49,500	49,500	56,066	(6,566)	51,484
Employee benefits and retirement	6,060	6,060	5,758	302	5,228
Supplies and minor equipment	19,300	19,300	19,362	(62)	16,850
Communication	500	500	448	52	423
Transportation and training	1,500	1,500	1,376	124	788
Insurance	9,000	9,000	7,517	1,483	6,439
Utilities	19,000	19,000	24,645	(5,645)	20,116
Repairs and maintenance	10,500	10,500	5,648	4,852	6,497
Other	4,000	4,000	3,473	527	2,798
Total Swimming Pool Program	<u>119,360</u>	<u>119,360</u>	<u>124,293</u>	<u>(4,933)</u>	<u>110,623</u>
Parks					
Salaries	26,835	26,835	31,738	(4,903)	28,687
Employee benefits and retirement	9,849	9,849	10,153	(304)	9,463
Supplies and minor equipment	6,900	6,900	5,652	1,248	7,562
Communication	500	500	400	100	808
Transportation and training	1,000	1,000	1,300	(300)	996
Insurance	3,200	3,200	3,148	52	2,822
Repairs and maintenance	24,575	24,575	22,510	2,065	25,265
Total Parks	<u>\$ 72,859</u>	<u>\$ 72,859</u>	<u>\$ 74,901</u>	<u>\$ (2,042)</u>	<u>\$ 75,603</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 85	\$ 15	\$ 77
Repairs and maintenance	12,500	12,500	12,480	20	12,766
Other	10,000	10,000	9,906	94	2,402
Total Forestry	<u>22,600</u>	<u>22,600</u>	<u>22,471</u>	<u>129</u>	<u>15,245</u>
Senior Citizens Center					
Insurance	820	820	386	434	646
Utilities	8,000	8,000	7,011	989	7,125
Repairs and maintenance	1,500	1,500	297	1,203	1,143
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>7,694</u>	<u>2,626</u>	<u>8,914</u>
Total Parks and Recreation	<u>360,896</u>	<u>360,896</u>	<u>365,435</u>	<u>(4,539)</u>	<u>344,952</u>
TOTAL EXPENDITURES	<u>1,295,612</u>	<u>1,295,612</u>	<u>1,350,180</u>	<u>(54,568)</u>	<u>1,301,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(106,262)</u>	<u>(106,262)</u>	<u>(155,286)</u>	<u>(49,024)</u>	<u>(70,590)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	126,500	126,500	126,500		126,955
Transfers out	<u>(15,200)</u>	<u>(15,200)</u>	<u>(15,200)</u>		<u>(12,500)</u>
Total Other Financing Sources (Uses)	<u>111,300</u>	<u>111,300</u>	<u>111,300</u>		<u>114,455</u>
Net change in fund balances	5,038	5,038	(43,986)	(49,024)	43,865
FUND BALANCES, beginning	<u>671,111</u>	<u>671,111</u>	<u>671,111</u>		<u>627,246</u>
FUND BALANCES, ending	<u>\$ 676,149</u>	<u>\$ 676,149</u>	<u>\$ 627,125</u>	<u>\$ (49,024)</u>	<u>\$ 671,111</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
ECONOMIC DEVELOPMENT FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

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

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 39,120	\$ 39,120	\$ 34,299	\$ (4,821)	\$ 39,718
Intergovernmental Revenues					
City of Rochester			199,951	199,951	
Interest Income	5,137	5,137	4,262	(875)	4,408
Loan Repayment	24,808	24,808	38,158	13,350	40,582
TOTAL REVENUES	69,065	69,065	276,670	207,605	84,708
EXPENDITURES					
Economic Development					
Professional services	33,292	33,292	36,269	(2,977)	37,016
Revolving loans	7,456	7,456		7,456	75,000
Debt service			8,426	(8,426)	
Other	971	971	19,847	(18,876)	3,109
TOTAL EXPENDITURES	41,719	41,719	64,542	(22,823)	115,125
Excess (deficiency) of revenues over (under) expenditures	27,346	27,346	212,128	184,782	(30,417)
OTHER FINANCING SOURCES					
Issuance of debt					55,000
Net change in fund balances	27,346	27,346	212,128	184,782	24,583
FUND BALANCES, beginning	73,226	73,226	73,226		48,643
FUND BALANCES, ending	\$ 100,572	\$ 100,572	\$ 285,354	\$ 184,782	\$ 73,226

See Notes to the Financial Statements

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

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 1,408,267	\$ 393,113	\$ 138,825	\$ 38,839
Emergency cash reserve	250,000			
Accrued interest receivable	5,386	288	162	
Accounts receivable, net	217,290	42,520	54,064	7,286
Accrued utility revenue	102,999	16,554	22,515	2,717
Special assessments-deferred		15,262	15,529	
Taxes receivable-delinquent				
Due from other funds				
Advances to other funds	120,000			
Inventory	357,825	23,030		
Prepaid expenses	8,717	2,006	1,105	
Total Current Assets	<u>2,470,484</u>	<u>492,773</u>	<u>232,200</u>	<u>48,842</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	9,613,524	5,168,218	3,480,705	756,624
Less: Accumulated depreciation	<u>3,339,028</u>	<u>2,034,784</u>	<u>962,827</u>	<u>79,921</u>
Net Capital Assets	<u>6,387,985</u>	<u>3,133,434</u>	<u>2,546,578</u>	<u>676,703</u>
Total Assets	<u>\$ 8,858,469</u>	<u>\$ 3,626,207</u>	<u>\$ 2,778,778</u>	<u>\$ 725,545</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 225,000	\$ 107,509	\$ 57,501	\$
Current maturities of notes payable				
Accounts payable	224,886	24,473	51,558	38,463
Due to other funds				
Advances from other funds			30,000	
Customer deposits	18,325			
Accrued interest payable	4,753	18,051	1,621	
Total Current Liabilities	<u>472,964</u>	<u>150,033</u>	<u>140,680</u>	<u>38,463</u>
Noncurrent Liabilities				
Notes payable, net of current maturities				
Bonds payable, net of current maturities	2,010,000	532,600		
Less: Unamortized bond discount	<u>(19,923)</u>			
Total Noncurrent Liabilities	<u>1,990,077</u>	<u>532,600</u>		
Total Liabilities	<u>2,463,041</u>	<u>682,633</u>	<u>140,680</u>	<u>38,463</u>
NET POSITION				
Net investment in capital assets	4,172,908	2,493,325	2,489,077	676,703
Unrestricted	<u>2,222,520</u>	<u>450,249</u>	<u>149,021</u>	<u>10,379</u>
Total Net Position	<u>6,395,428</u>	<u>2,943,574</u>	<u>2,638,098</u>	<u>687,082</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,858,469</u>	<u>\$ 3,626,207</u>	<u>\$ 2,778,778</u>	<u>\$ 725,545</u>

See Notes to the Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2013	2012
\$ 64,089	\$ 122,572	\$ 2,165,705	\$ 1,811,696
		250,000	250,000
		5,836	1,365
18,031	14,421	353,612	411,756
6,022		150,807	142,557
		30,791	31,925
	6	6	7
			60,000
		120,000	100,000
		380,855	373,255
	3,145	14,973	13,267
<u>88,142</u>	<u>140,144</u>	<u>3,472,585</u>	<u>3,195,828</u>
		142,189	142,189
	321,756	19,340,827	18,979,006
	<u>206,621</u>	<u>6,623,181</u>	<u>6,142,998</u>
	<u>115,135</u>	<u>12,859,835</u>	<u>12,978,197</u>
<u>\$ 88,142</u>	<u>\$ 255,279</u>	<u>\$ 16,332,420</u>	<u>\$ 16,174,025</u>
\$	\$	\$ 390,010	\$ 514,293
			18,976
17,201	2,849	359,430	253,743
			60,000
		30,000	
		18,325	25,608
		<u>24,425</u>	<u>19,731</u>
<u>17,201</u>	<u>2,849</u>	<u>822,190</u>	<u>892,351</u>
			21,776
		2,542,600	2,932,610
		(19,923)	(21,948)
		<u>2,522,677</u>	<u>2,932,438</u>
<u>17,201</u>	<u>2,849</u>	<u>3,344,867</u>	<u>3,824,789</u>
	115,135	9,947,148	9,512,490
70,941	<u>137,295</u>	<u>3,040,405</u>	<u>2,836,746</u>
<u>70,941</u>	<u>252,430</u>	<u>12,987,553</u>	<u>12,349,236</u>
<u>\$ 88,142</u>	<u>\$ 255,279</u>	<u>\$ 16,332,420</u>	<u>\$ 16,174,025</u>

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses
and Changes in Fund Net Position
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 2,873,287	\$ 511,494	\$ 655,832	\$ 83,075
Operating Expenses				
Purchased utilities	1,199,168		400,998	
Salaries	330,299	99,523	53,686	
Employee benefits and retirement	109,320	31,019	15,526	
Gas and oil	8,529			
Generation fuel	5,847			
Supplies and minor equipment	10,887	30,283	5,388	
Professional services	71,663	25,247	7,747	600
Communication	6,630	6,199	2,884	
Transportation and training	11,627	3,313	3,369	
Printing and publishing	301			
Insurance	21,325	4,932	2,270	
Utilities	5,180	42,911	5,806	
Repairs and maintenance	146,334	15,930	19,109	
Depreciation and amortization	260,085	124,673	70,731	16,996
Bad debts	9,995			
Other	85,354		265	637
Total Operating Expenses	<u>2,282,544</u>	<u>384,030</u>	<u>587,779</u>	<u>18,233</u>
Operating Income (Loss)	<u>590,743</u>	<u>127,464</u>	<u>68,053</u>	<u>64,842</u>
Nonoperating Revenues (Expenses)				
Interest income	2,880	1,734	1,338	110
Availability charges			26,400	
Compost fees				
Dairyland Power settlement				
Miscellaneous income	43,393	11,514	1,496	
Grant income				
Customer refund	(69,200)			
Interest and fiscal charges	(62,731)	(34,033)	(4,856)	
Total Nonoperating Revenues (Expenses)	<u>(85,658)</u>	<u>(20,785)</u>	<u>24,378</u>	<u>110</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	505,085	106,679	92,431	64,952
Transfers out	(120,000)			
CHANGE IN NET POSITION	<u>385,085</u>	<u>106,679</u>	<u>92,431</u>	<u>64,952</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED (NOTE 6)	<u>6,010,343</u>	<u>2,836,895</u>	<u>2,545,667</u>	<u>622,130</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 6,395,428</u>	<u>\$ 2,943,574</u>	<u>\$ 2,638,098</u>	<u>\$ 687,082</u>

See Notes to the Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2013	2012
\$ 186,711	\$ 182,682	\$ 4,493,081	\$ 4,644,966
176,581		1,776,747	1,682,086
	78,834	562,342	534,485
	17,694	173,559	160,494
		8,529	11,086
		5,847	22,539
	25,503	72,061	76,304
	11,421	116,678	131,396
	2,670	18,383	20,721
	7,829	26,138	29,710
		301	245
	1,820	30,347	26,177
		53,897	57,102
	13,645	195,018	140,286
	29,205	501,690	485,738
	6,928	16,923	1,208
15,159	5,086	106,501	122,509
<u>191,740</u>	<u>200,635</u>	<u>3,664,961</u>	<u>3,502,086</u>
(5,029)	(17,953)	828,120	1,142,880
149	(888)	5,323	18,149
		26,400	2,640
13,230		13,230	13,168
			91,336
	7,633	64,036	72,690
			2,125
		(69,200)	
	(1,472)	(103,092)	(86,949)
<u>13,379</u>	<u>5,273</u>	<u>(63,303)</u>	<u>113,159</u>
8,350	(12,680)	764,817	1,256,039
	(6,500)	(126,500)	(126,500)
<u>8,350</u>	<u>(19,180)</u>	<u>638,317</u>	<u>1,129,539</u>
62,591	271,610	12,349,236	11,219,697
<u>\$ 70,941</u>	<u>\$ 252,430</u>	<u>\$ 12,987,553</u>	<u>\$ 12,349,236</u>

**CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows**

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

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,832,277	\$ 511,894	\$ 680,893	\$ 83,449
Access and other fees received	43,393	11,514	1,496	
Cash paid to suppliers and employees	<u>(1,990,964)</u>	<u>(245,056)</u>	<u>(502,103)</u>	<u>37,226</u>
Net Cash Provided By Operating Activities	<u>884,706</u>	<u>278,352</u>	<u>180,286</u>	<u>120,675</u>
Cash Flows From Noncapital Financing Activities				
Transfer out	<u>(120,000)</u>			
Net Cash Used In Noncapital Financing Activities	<u>(120,000)</u>			
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(126,154)	(87,951)	(68,054)	(94,747)
Advances (to) from other funds	(20,000)		30,000	
Due (to) from other funds	60,000		(60,000)	
Principal payments on long-term debt	(220,000)	(184,779)	(109,514)	
Interest payments on long-term debt	<u>(61,041)</u>	<u>(27,992)</u>	<u>(5,667)</u>	
Net Cash Used In Capital and Related Financing Activities	<u>(367,195)</u>	<u>(300,722)</u>	<u>(213,235)</u>	<u>(94,747)</u>
Cash Flows From Investing Activities				
Establishment of emergency cash reserve				
Investment income received	<u>(1,579)</u>	<u>1,725</u>	<u>1,332</u>	<u>110</u>
Net Cash Provided By (Used In) Investing Activities	<u>(1,579)</u>	<u>1,725</u>	<u>1,332</u>	<u>110</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	395,932	(20,645)	(31,617)	26,038
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,012,335</u>	<u>413,758</u>	<u>170,442</u>	<u>12,801</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,408,267</u>	<u>\$ 393,113</u>	<u>\$ 138,825</u>	<u>\$ 38,839</u>

See Notes to the Financial Statements

<u>23</u>	<u>22</u>	Totals	
Waste Management	Ambulance	2013	2012
\$ 186,357	\$ 199,157	\$ 4,494,027	\$ 4,733,557
13,230	7,633	77,266	87,983
(193,995)	(172,200)	(3,067,092)	(3,206,351)
5,592	34,590	1,504,201	1,615,189
	(6,500)	(126,500)	(126,500)
	(6,500)	(126,500)	(126,500)
	(6,421)	(383,327)	(500,945)
		10,000	50,000
	(40,752)	(555,045)	(481,208)
	(1,472)	(96,172)	(93,675)
	(48,645)	(1,024,544)	(1,025,828)
			(250,000)
149	(885)	852	18,815
149	(885)	852	(231,185)
5,741	(21,440)	354,009	231,676
58,348	144,012	1,811,696	1,580,020
\$ 64,089	\$ 122,572	\$ 2,165,705	\$ 1,811,696

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
Operating Income (Loss)	\$ 590,743	\$ 127,464	\$ 68,053	\$ 64,842
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	260,085	124,673	70,731	16,996
Bad debt expense	9,995			
Compost fees				
Miscellaneous nonoperating income	43,393	11,514	1,496	
Availability charges			26,400	
Customer refund	(69,200)			
Grant income				
(Increase) Decrease In:				
Accounts receivable	25,478	400	(1,339)	374
Accrued interest receivable				
Inventory	(4,639)	(2,961)		
Prepaid items	347		(772)	
Increase (Decrease) In:				
Accounts and contracts payable	35,787	17,262	15,717	38,463
Customer deposits	(7,283)			
	<u>\$ 884,706</u>	<u>\$ 278,352</u>	<u>\$ 180,286</u>	<u>\$ 120,675</u>
Net Cash Provided By Operating Activities	<u>\$ 884,706</u>	<u>\$ 278,352</u>	<u>\$ 180,286</u>	<u>\$ 120,675</u>

See Notes to the Financial Statements

Waste Management		Totals	
Ambulance		2013	2012
\$ (5,029)	\$ (17,953)	\$ 828,120	\$ 1,142,880
	29,205	501,690	485,738
	6,928	16,923	1,208
13,230		13,230	13,168
	7,633	64,036	72,690
		26,400	2,640
		(69,200)	
			2,125
(354)	9,550	34,109	75,555
	(3)	(3)	(20)
		(7,600)	(24,967)
	(1,281)	(1,706)	119
(2,255)	511	105,485	(165,155)
		(7,283)	9,208
<u>\$ 5,592</u>	<u>\$ 34,590</u>	<u>\$ 1,504,201</u>	<u>\$ 1,615,189</u>

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CITY OF ST. CHARLES, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of St. Charles, Minnesota, was first incorporated in 1858. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Four Council members are elected to four year terms and the Mayor is elected to a two year term.

The City’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City’s financial statements include the primary government and the component units of the City of St. Charles, Minnesota, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of St. Charles, Minnesota.

Component Units - Component units are legally separate organizations for which the elected officials of the City of St. Charles, Minnesota are financially accountable or for which the nature or significance of their relationship with the City of St. Charles, Minnesota would cause the general purpose financial statements to be misleading or incomplete. Based on these criteria, there are no component units of the City of St. Charles, Minnesota.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

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

The *economic development fund* accounts for the City economic development activities.

The *capital improvements fund* accounts for the financial resources to be used for city street and other public infrastructure improvements.

The *I-90 construction fund* accounts for the financial resources to be used for the Interstate 90 infrastructure improvements.

The City reports the following major proprietary funds:

The *electric fund* accounts for the operations of the City owned electric utility system.

The *water fund* accounts for the operation of the City owned water utility system.

The *sewer fund* accounts for the operation of the City owned sewer utility system.

The City reports the following major proprietary funds (continued):

The *storm water fund* accounts for the operation of the City owned storm water drainage system.

The *waste management fund* accounts for the operation of the City owned waste management system.

The *ambulance fund* accounts for the operation of the City ambulance activities.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and investments which is under the management of the City. Investments consist primarily of nonparticipating certificates of deposit and U.S. Treasuries recorded at cost, which approximates market value.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2013. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Interfund Balances

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 non-current 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes

Property tax levies are set by the City Council in October of each year and are certified to Winona County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues for property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The amount of delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund types because they are not known to be available to finance current expenditures.

Special Assessments

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from three to fifteen years with interest charges of 6.0% to 7.7%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Tax Increment Districts

Tax increment revenues received are recorded in the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5 percent of such payments. Any remaining property tax revenues are recognized in the Capital Projects Funds for the tax increment district.

Inventory

The inventory, representing electric and water utility supplies in the Enterprise Fund, is valued at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000. 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.

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

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

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

	Useful Life <u>in Years</u>
Buildings	10 - 40
Infrastructure	15 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor depreciation related to assets acquired prior to 2004 have been reported in the financial statements.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Compensated Absences

Vacation, sick pay and compensatory overtime are accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, vacation, sick pay and compensatory overtime are recorded as expenditures and accrued as current liability only if they have matured, for example, as a result of employee's resignations and retirements.

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 statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of St. Charles, Minnesota.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

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

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

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

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

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

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

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

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

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

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

E. Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternately achieved through general obligation bond indenture provisions.

Budgetary control for the Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information.

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

1. The City Administrator submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Any changes to the budget at the functional level must be by formal resolution of the City Council.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

B. Firemen's Relief Association of St. Charles

The activities of this association are not included in the City's financial statements. The association has been organized by its members to provide pension benefits to members in accordance with Minnesota statutes. Other than funding the association with tax levies and state aids according to state law, the City and the association are not financially interdependent. The association makes independent selections of their board of directors and management of the association is autonomous with the City. Operations and fiscal matters are not influenced by the City.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2013, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$ 2,706
Deposits	2,590,942
Certificates of deposit	789,425
U.S. Treasury Securities	345,980
Money Market Funds	<u>66,046</u>
Total Cash on Hand and Deposits	<u>\$ 3,795,099</u>

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

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

The City has no investment policy that would limit its investment choices. The City's investment ratings are from Standard & Poor Investors Service.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2013, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Deferred Special Assessments Receivable

Deferred assessments receivable represent levies made on the property of owners benefited by public improvement projects. Assessments are payable over various periods and interest is charged at rates coinciding with improvement bonds. A summary of the deferred special assessments excluding interest charges, as of December 31, 2013 is as follows:

<u>General Fund</u>		
2005 Public Improvement Project		\$ 721
Total General Fund		<u>721</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>3,728</u>
<u>Enterprise Funds</u>		
Water Fund		15,262
Sewer Fund		<u>15,529</u>
Total Enterprise Funds		<u>30,791</u>
Total		<u>\$ 35,240</u>

C. Loans and Contracts Receivable

The City has made several loans through its economic development program. These loans are payable over terms ranging from 3 to 15 years, with interest rates ranging from 3% to 6% over the term of the loan. These loans are recorded in the Special Revenue Fund at the Economic Development individual fund level, and are offset by a deferred revenue account until the repayments are made.

D. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2013 are as follows:

<u>Fund</u>	Winona		<u>Total</u>
	<u>County</u>	<u>Townships</u>	
General	\$ 2,860	\$	\$ 2,860
Special Revenue	2,731	19,333	22,064
Debt Service	3,251		3,251
Capital Project	4,820		<u>4,820</u>
	<u>\$ 13,662</u>	<u>\$ 19,333</u>	<u>\$ 32,995</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,792,776	\$ 5,926	\$	\$ 1,798,702
Construction in process	13,234			13,234
Total capital assets, not being depreciated	1,806,010	5,926		1,811,936
Capital assets, being depreciated:				
Buildings	4,264,616	101,039		4,365,655
Infrastructure	5,630,638	87,702		5,718,340
Machinery and equipment	2,303,033	93,156		2,396,189
Total capital assets, being depreciated	12,198,287	281,897		12,480,184
Less accumulated depreciation for:				
Buildings	2,158,710	128,769		2,287,479
Infrastructure	902,638	171,424		1,074,062
Machinery and equipment	1,837,582	118,395		1,955,977
Total accumulated depreciation	4,898,930	418,588		5,317,518
Total capital assets, being depreciated, net	7,299,357	(136,691)		7,162,666
Governmental activities capital assets, net	<u>\$ 9,105,367</u>	<u>\$ (130,765)</u>	<u>\$</u>	<u>\$ 8,974,602</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 142,189	\$	\$	\$ 142,189
Total capital assets, not being depreciated	142,189			142,189
Capital assets, being depreciated:				
Buildings and improvements	5,893,898	100,307		5,994,205
Machinery and equipment	13,085,108	283,020	21,506	13,346,622
Total capital assets, being depreciated	18,979,006	383,327	21,506	19,340,827
Less accumulated depreciation for:				
Buildings and improvements	1,150,476	101,603		1,252,079
Machinery and equipment	4,992,522	400,086	21,506	5,371,102
Total accumulated depreciation	6,142,998	501,689	21,506	6,623,181
Total capital assets, being depreciated, net	12,836,008	(118,362)		12,717,646
Business-type activities capital assets, net	<u>\$ 12,978,197</u>	<u>\$ (118,362)</u>	<u>\$</u>	<u>\$ 12,859,835</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. *Capital Assets (continued)*

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 62,493
Public safety	40,822
Public works	187,318
Library	31,449
Parks and recreation	<u>96,506</u>
Total depreciation expense - governmental activities	<u>\$ 418,588</u>
Business-Type Activities:	
Electric	\$ 260,085
Water	124,673
Sewer	70,731
Storm water drainage	16,996
Ambulance	<u>29,205</u>
Total depreciation expense - business-type activities	<u>\$ 501,690</u>

F. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2013, at the individual fund level are summarized below:

<u>Funds</u>	Due From Other Funds	Due To Other Funds
General Fund	\$ 48,244	\$
Special Revenue:		
Economic Development	35,000	
Emergency Management		5,244
Capital Project:		
Capital Improvements Fund		75,000
Tax Increment District #7		<u>3,000</u>
	<u>\$ 83,244</u>	<u>\$ 83,244</u>
	Advances To Other Funds	Advances From Other Funds
Capital Projects:		
Capital Improvements	\$ 189,487	\$ 90,000
I-90 Construction		189,487
Enterprise Funds:		
Electric	120,000	
Sewer		<u>30,000</u>
Total Advances	<u>\$ 309,487</u>	<u>\$ 309,487</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (continued)

Transfers during the year ended December 31, 2013 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 126,500	\$ 15,200
Special Revenue:		
Library	15,200	
Volunteer Fire Department		14,786
Debt Service:		
Fire Tanker Truck Loan	14,786	
Enterprise:		
Electric		120,000
Ambulance		6,500
Total Transfers	<u>\$ 156,486</u>	<u>\$ 156,486</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2013 are as follows:

General Fund	\$ 54,568
Special Revenue Funds	
Economic Development	22,823
Celebration	2,596
Library	2,385
Volunteer Fire Department	21,673
Emergency Management Services	10,326
Enterprise Funds	
Waste Management	12,890
Ambulance	24,616

All excess expenditures were the result of planned processes.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 2,208,097	\$	\$ 160,707	\$ 2,047,390	\$ 164,990
Less: Unamortized Discount	(27,110)		(1,010)	(26,100)	
Notes payable:					
2010 Tanker Truck Loan (4.25%)	40,776		13,019	27,757	13,584
2012 Installment Promissory Note - Winona County (2.0%)	52,552		7,431	45,121	7,594
Long-term Liabilities	<u>2,274,315</u>		<u>180,147</u>	<u>2,094,168</u>	<u>186,168</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	824,888		184,779	640,109	107,509
2011A Sewer Fund (1.0 - 4.25%)	167,015		109,514	57,501	57,501
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	2,455,000		220,000	2,235,000	225,000
Less: Unamortized Discount	(21,948)		(2,025)	(19,923)	
Notes Payable:					
2009 Ambulance Loan (5.75%)	40,752		40,752		
Long-term Liabilities	<u>3,465,707</u>		<u>553,020</u>	<u>2,912,687</u>	<u>390,010</u>
Total	<u>\$ 5,740,022</u>	<u>\$</u>	<u>\$ 733,167</u>	<u>\$ 5,006,855</u>	<u>\$ 576,178</u>

Water and Sewer revenues are pledged as repayment for a portion of the G.O. Improvement and Refunding Bonds, Series 2011A. As a result, the amount of the bonds to be repaid with pledged Water and Sewer revenues have been recorded in the Water and Sewer Funds.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2013, over the life of the debt, are summarized below:

Years	General Obligation Improvement and Refunding Bonds		General Obligation Revenue Bonds		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities						
2014	\$ 164,990	\$ 48,898			\$ 21,178	\$ 2,036
2015	168,023	51,242			21,919	1,294
2016	167,279	48,898			7,903	523
2017	171,557	46,008			8,063	364
2018	175,717	42,698			8,226	201
2018-2032	1,199,824	260,446			5,588	42
Totals	<u>\$ 2,047,390</u>	<u>\$ 498,190</u>			<u>\$ 72,877</u>	<u>\$ 4,460</u>
Business-Type Activities						
2014	\$ 165,010	\$ 23,607	\$ 225,000	\$ 56,640		
2015	21,977	18,023	230,000	52,140		
2016	22,721	17,279	235,000	47,540		
2017	23,443	16,557	240,000	42,840		
2018	24,283	15,717	245,000	37,440		
2019-2032	440,176	119,825	1,060,000	80,935		
Totals	<u>\$ 697,610</u>	<u>\$ 211,008</u>	<u>\$ 2,235,000</u>	<u>\$ 317,535</u>		

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

The City is the administering authority for the following tax increment finance districts:

Municipal Development District No. 3 – The District is of the housing type, authorized under Minnesota law Chapter 472(A), established in 1988 to last until the year 2016.

Municipal Development District No. 6 – The District is of the redevelopment type, authorized under Minnesota law Chapter 472(A), established in 2005 to last until the year 2030.

	<u>Municipal District #6</u>
Original gross tax capacity, including modifications	\$ 822
Current gross tax capacity	20,166
Captured gross tax capacity Retained by authority	19,344
Outstanding Bonds and Loans as of December 31, 2013	

H. Fund Equity

	<u>Committed Fund Balance</u>			
	<u>Fund 34</u>	<u>Fund 25</u>	<u>Fund 40</u>	
	Economic Development	Capital Improvement	Parkland Dedication	<u>Total</u>
Committed Economic Development CIP Projects	\$ 285,354	\$	\$	\$ 285,354
Parkland Dedication CIP Projects			20,922	20,922
	<u>\$ 285,354</u>	<u>\$</u>	<u>\$ 20,922</u>	<u>\$ 306,276</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information

A. Defined Benefit Pension Plans - Statewide

Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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 step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for 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 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Plan Description (continued)

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

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members are required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City of St. Charles, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan GERS, 7.25% for Coordinated Plan GERS members, 14.4% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$61,611, \$59,559, and \$57,478, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2013, 2012, and 2011, were \$36,578, \$38,926, and \$33,863, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Volunteer Fire Relief Association

Plan Description

The City contributes to the City of St. Charles Fire Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters. Volunteer firefighters of the City are members of the St. Charles Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit after reaching a minimum retirement age of 50 and at least 10 years of service. After 20 years of service, the lump sum benefit increases by \$1,650 for each year of service over 20. These benefit provisions are consistent with enabling state statutes.

Volunteers of the fire department are not required to contribute to the relief association. If a member leaves the department before 10 years of service, they are not eligible for any pension benefit. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes.

Related Party Investments

During 2013 and as of December 31, 2013 the Association held no securities issued by the City or other related parties.

Funding Status and Progress

Financial requirements of the relief association are determined using the State of Minnesota Schedules I-II-III for lump sum pension plans used for computation of State Fire Aids. The computations are not based upon actuarial computations and no attempts have been made to provide such analysis. The estimated pension benefit obligation as of December 31, 2012 (latest information available) is shown below:

Total plan assets	\$ 582,002
Total accrued liability	<u>561,834</u>
Assets in Excess of Accrued Liability	<u>\$ 20,168</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Volunteer Fire Relief Association

Contributions Required and Contributions Made

Financial requirements of the relief association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. Total contributions made by the City to the Association in 2013 amounted to \$7,551. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2013.

The computation of the pension contribution requirements for 2013 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

Ten-Year Historical Trend Information

Ten-year historical trend information related to the pension plan is unavailable.

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

D. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2013.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2013. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Commitments and Contingencies

The City participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

6. Change in Accounting Standards

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

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

Activities/Fund	Net Position December 31, 2011 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position December 31, 2011 as Restated
Governmental Activities	\$ 8,079,423	\$ 34,129	\$ 8,045,294
Business Type Activities	11,245,104	25,407	11,219,697
Proprietary Funds:			
Electric Fund	5,239,796	25,407	5,214,389

Activities/Fund	Net Position December 31, 2012 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position December 31, 2012 as Restated
Governmental Activities	\$ 8,199,456	\$ 32,903	\$ 8,166,553
Business Type Activities	12,372,497	23,261	12,349,236
Proprietary Funds:			
Electric Fund	6,033,604	23,261	6,010,343

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Accounting Standards Issued But Not Yet Adopted

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

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CITY OF ST. CHARLES, MINNESOTA

**COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013**

	Special Revenue					Debt Service	
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck
ASSETS							
Cash and investments	\$ 3,877	\$ 3,371	\$ 5,070	\$ 164,240	\$	\$ 176,558	\$
Accrued interest receivable				11		11	
Accounts receivable		307	494	8,823		9,624	
Prepaid items	175	525	765	2,916		4,381	
Taxes receivable - delinquent	173	83	848	562		1,666	
Due from other governmental units	284	119	1,457	20,204		22,064	
TOTAL ASSETS	<u>\$ 4,509</u>	<u>\$ 4,405</u>	<u>\$ 8,634</u>	<u>\$ 196,756</u>	<u>\$</u>	<u>\$ 214,304</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 464	\$	\$ 2,977	\$ 12,640	\$	\$ 16,081	\$
Due to other funds					5,244	5,244	
Total Liabilities	<u>464</u>		<u>2,977</u>	<u>12,640</u>	<u>5,244</u>	<u>21,325</u>	
Deferred Inflows of Resources:							
Unavailable revenue							
Property taxes	173	83	848	562		1,666	
Total Deferred Inflows of Resources	<u>173</u>	<u>83</u>	<u>848</u>	<u>562</u>		<u>1,666</u>	
Fund Balance							
Nonspendable:							
Prepaid items	175	525	765	2,916		4,381	
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects							
Assigned	3,697	3,797	4,044	180,638		192,176	
Unassigned					(5,244)	(5,244)	
Total Fund Balance	<u>3,872</u>	<u>4,322</u>	<u>4,809</u>	<u>183,554</u>	<u>(5,244)</u>	<u>191,313</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,509</u>	<u>\$ 4,405</u>	<u>\$ 8,634</u>	<u>\$ 196,756</u>	<u>\$</u>	<u>\$ 214,304</u>	<u>\$</u>

Debt Service		Capital Projects				Total	Total Nonmajor Governmental Funds
<u>60</u> 2011A G.O. & Refunding Bond	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>41</u> Tax Increment District #7 Fund	Total		
\$ 164,795	\$ 164,795	\$ 33,770	\$ 20,922	\$	\$ 54,692	\$ 396,045	
						11	
						9,624	
						4,381	
2,094	2,094					3,760	
3,251	3,251					25,315	
<u>\$ 170,140</u>	<u>\$ 170,140</u>	<u>\$ 33,770</u>	<u>\$ 20,922</u>	<u>\$</u>	<u>\$ 54,692</u>	<u>\$ 439,136</u>	
\$	\$	\$	\$	\$	\$	16,081	
				3,000	3,000	8,244	
				3,000	3,000	24,325	
2,094	2,094					3,760	
2,094	2,094					3,760	
						4,381	
168,046	168,046					168,046	
		33,770			33,770	33,770	
			20,922		20,922	20,922	
						192,176	
				(3,000)	(3,000)	(8,244)	
168,046	168,046	33,770	20,922	(3,000)	51,692	411,051	
<u>\$ 170,140</u>	<u>\$ 170,140</u>	<u>\$ 33,770</u>	<u>\$ 20,922</u>	<u>\$</u>	<u>\$ 54,692</u>	<u>\$ 439,136</u>	

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

	Special Revenue					Debt Service	
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck
REVENUES							
Property tax levy							
Property tax collected	\$ 18,098	\$ 7,561	\$ 92,834	\$ 55,553	\$ 9	\$ 174,055	\$
Tax increments							
Intergovernmental			27,928	32,265		60,193	
Charges for services				64,573		64,573	
Interest income	1	9	4	(26)	4	(8)	
Donations	4,395	14,163	3,717	12,825		35,100	
Miscellaneous			3,473	4,925		8,398	
TOTAL REVENUES	<u>22,494</u>	<u>21,733</u>	<u>127,956</u>	<u>170,115</u>	<u>13</u>	<u>342,311</u>	
EXPENDITURES							
Current:							
General government	20,635	23,596				44,231	
Public safety				140,523	10,826	151,349	
Library			143,839			143,839	
Principal retirement							13,019
Interest and fiscal charges							1,767
Capital outlay							
TOTAL EXPENDITURES	<u>20,635</u>	<u>23,596</u>	<u>143,839</u>	<u>140,523</u>	<u>10,826</u>	<u>339,419</u>	<u>14,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,859</u>	<u>(1,863)</u>	<u>(15,883)</u>	<u>29,592</u>	<u>(10,813)</u>	<u>2,892</u>	<u>(14,786)</u>
OTHER FINANCING SOURCES (USES)							
Transfer in			15,200			15,200	14,786
Transfer out				(14,786)		(14,786)	
TOTAL OTHER FINANCING SOURCES (USES)			<u>15,200</u>	<u>(14,786)</u>		<u>414</u>	<u>14,786</u>
Net change in fund balances	1,859	(1,863)	(683)	14,806	(10,813)	3,306	
FUND BALANCES, beginning	<u>2,013</u>	<u>6,185</u>	<u>5,492</u>	<u>168,748</u>	<u>5,569</u>	<u>188,007</u>	
FUND BALANCES, ending	<u>\$ 3,872</u>	<u>\$ 4,322</u>	<u>\$ 4,809</u>	<u>\$ 183,554</u>	<u>\$ (5,244)</u>	<u>\$ 191,313</u>	<u>\$</u>

Debt Service		Capital Projects				Total Nonmajor Governmental Funds
<u>60</u> 2011A G.O. & Refunding Bond	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>41</u> Tax Increment District #7 Fund	Total	
\$ 206,248	\$ 206,248	\$ 18,840	\$	\$	\$ 18,840	\$ 380,303
						18,840
						60,193
						64,573
124	124	63	443		506	622
			10,564		10,564	45,664
						8,398
<u>206,372</u>	<u>206,372</u>	<u>18,903</u>	<u>11,007</u>		<u>29,910</u>	<u>578,593</u>
						44,231
						151,349
						143,839
160,707	173,726					173,726
43,736	45,503					45,503
		11,979	14,548	3,000	29,527	29,527
<u>204,443</u>	<u>219,229</u>	<u>11,979</u>	<u>14,548</u>	<u>3,000</u>	<u>29,527</u>	<u>588,175</u>
1,929	(12,857)	6,924	(3,541)	(3,000)	383	(9,582)
	14,786					29,986
						(14,786)
	14,786					15,200
1,929	1,929	6,924	(3,541)	(3,000)	383	5,618
166,117	166,117	26,846	24,463		51,309	405,433
<u>\$ 168,046</u>	<u>\$ 168,046</u>	<u>\$ 33,770</u>	<u>\$ 20,922</u>	<u>\$ (3,000)</u>	<u>\$ 51,692</u>	<u>\$ 411,051</u>

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

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 17,950	\$ 17,950	\$ 18,098	\$ 148	\$ 18,553
Interest Income			1	1	35
Donations	5,900	5,900	4,395	(1,505)	1,627
TOTAL REVENUES	<u>23,850</u>	<u>23,850</u>	<u>22,494</u>	<u>(1,356)</u>	<u>20,215</u>
EXPENDITURES					
General Government					
Fireworks	7,000	7,000	7,498	(498)	6,552
City promotion	1,175	1,175	1,250	(75)	1,136
Board reimbursement annual events	1,800	1,800	518	1,282	1,678
Professional services			75	(75)	50
Advertising	13,450	13,450	11,294	2,156	10,971
TOTAL EXPENDITURES	<u>23,425</u>	<u>23,425</u>	<u>20,635</u>	<u>2,790</u>	<u>20,387</u>
Net change in fund balances	425	425	1,859	1,434	(172)
FUND BALANCES, beginning	<u>2,013</u>	<u>2,013</u>	<u>2,013</u>		<u>2,185</u>
FUND BALANCES, ending	<u>\$ 2,438</u>	<u>\$ 2,438</u>	<u>\$ 3,872</u>	<u>\$ 1,434</u>	<u>\$ 2,013</u>

**CITY OF ST. CHARLES, MINNESOTA
CELEBRATION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012**

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 7,500	\$ 7,500	\$ 7,561	\$ 61	\$ 7,703
Donations	13,500	13,500	14,163	663	18,610
Interest income			9	9	8
TOTAL REVENUES	<u>21,000</u>	<u>21,000</u>	<u>21,733</u>	<u>733</u>	<u>26,321</u>
EXPENDITURES					
General Government					
Advertising	2,800	2,800	3,450	(650)	2,701
Dance	5,500	5,500	8,296	(2,796)	8,040
T-shirts	1,900	1,900	1,765	135	1,870
Rentals	2,000	2,000	2,129	(129)	1,069
Pageants	4,500	4,500	5,236	(736)	3,439
Other	4,300	4,300	2,720	1,580	3,307
TOTAL EXPENDITURES	<u>21,000</u>	<u>21,000</u>	<u>23,596</u>	<u>(2,596)</u>	<u>20,426</u>
Net change in fund balances			(1,863)	(1,863)	5,895
FUND BALANCES, beginning	<u>6,185</u>	<u>6,185</u>	<u>6,185</u>		<u>290</u>
FUND BALANCES, ending	<u>\$ 6,185</u>	<u>\$ 6,185</u>	<u>\$ 4,322</u>	<u>\$ (1,863)</u>	<u>\$ 6,185</u>

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

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 93,406	\$ 93,406	\$ 92,834	\$ (572)	\$ 94,212
Intergovernmental Revenues					
Library aid	26,228	26,228	27,928	1,700	28,197
Intergovernmental Revenues	26,228	26,228	27,928	1,700	28,197
Donations					
	3,500	3,500	3,717	217	3,299
Interest Income					
			4	4	
Miscellaneous					
Fines	2,000	2,000	1,854	(146)	2,503
Book sales			120	120	135
Copy machines	1,000	1,000	1,397	397	1,046
Other	700	700	102	(598)	49
Total Miscellaneous Revenues	3,700	3,700	3,473	(227)	3,733
TOTAL REVENUES	126,834	126,834	127,956	1,122	129,441
EXPENDITURES					
Library					
Salaries	64,470	64,470	67,222	(2,752)	63,607
Employee benefits and retirement	29,279	29,279	28,206	1,073	26,832
Supplies and minor equipment	2,540	2,540	2,977	(437)	1,726
Professional services	8,215	8,215	9,188	(973)	8,192
Communications	1,200	1,200	1,178	22	1,272
Transportation and training	750	750	300	450	877
Insurance	3,000	3,000	2,351	649	2,315
Utilities	8,000	8,000	8,068	(68)	7,229
Repairs and maintenance	7,000	7,000	4,999	2,001	2,984
Other	1,000	1,000	1,121	(121)	763
Capital outlay	16,000	16,000	18,229	(2,229)	19,277
TOTAL EXPENDITURES	141,454	141,454	143,839	(2,385)	135,074
Excess (deficiency) of revenues over (under) expenditures	(14,620)	(14,620)	(15,883)	(1,263)	(5,633)
OTHER FINANCING SOURCES					
Transfers in	15,200	15,200	15,200		12,500
Net change in fund balances	580	580	(683)	(1,263)	6,867
FUND BALANCES, beginning	5,492	5,492	5,492		(1,375)
FUND BALANCES, ending	\$ 6,072	\$ 6,072	\$ 4,809	\$ (1,263)	\$ 5,492

CITY OF ST. CHARLES, MINNESOTA
VOLUNTEER FIRE DEPARTMENT FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 55,200	\$ 55,200	\$ 55,553	\$ 353	\$ 53,067
Intergovernmental Revenues					
Fire aid	21,000	21,000	32,265	11,265	21,741
Charges for Services					
Other local governments	40,949	40,949	49,045	8,096	42,788
Fire calls	11,500	11,500	15,528	4,028	31,194
Interest income	2,000	2,000	(26)	(2,026)	225
Donations			12,825	12,825	19,575
Miscellaneous Revenues	3,000	3,000	4,925	1,925	5,809
TOTAL REVENUES	<u>133,649</u>	<u>133,649</u>	<u>170,115</u>	<u>36,466</u>	<u>174,399</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	25,100	(7,100)	28,140
Employee benefits and retirement	5,900	5,900	6,943	(1,043)	6,281
Supplies and minor equipment	18,450	18,450	18,024	426	12,813
Professional services	3,000	3,000	2,180	820	5,325
Communication	2,000	2,000	1,584	416	1,469
Transportation and training	9,300	9,300	7,770	1,530	8,410
Insurance	9,500	9,500	6,302	3,198	7,005
Utilities	5,500	5,500	5,265	235	3,923
Capital outlay	4,800	4,800	4,719	81	12,564
Repairs and maintenance	11,700	11,700	18,745	(7,045)	25,001
Fire relief payment	28,000	28,000	39,836	(11,836)	28,741
Other	2,700	2,700	4,055	(1,355)	2,334
TOTAL EXPENDITURES	<u>118,850</u>	<u>118,850</u>	<u>140,523</u>	<u>(21,673)</u>	<u>142,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,799</u>	<u>14,799</u>	<u>29,592</u>	<u>14,793</u>	<u>32,393</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(14,786)</u>	<u>(14,786)</u>	<u>(14,786)</u>		<u>(14,786)</u>
Net change in fund balances	13	13	14,806	14,793	17,607
FUND BALANCES, beginning	<u>168,748</u>	<u>168,748</u>	<u>168,748</u>		<u>151,141</u>
FUND BALANCES, ending	<u>\$ 168,761</u>	<u>\$ 168,761</u>	<u>\$ 183,554</u>	<u>\$ 14,793</u>	<u>\$ 168,748</u>

CITY OF ST. CHARLES, MINNESOTA
EMERGENCY MANAGEMENT SERVICES
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$	\$	\$ 9	\$ 9	\$ 11
Interest Income	500	500	4	(496)	17
TOTAL REVENUES	500	500	13	(487)	28
EXPENDITURES					
Public Safety					
Supplies and minor equipment					2,505
Professional services			4,900	(4,900)	
Other	500	500	5,926	(5,426)	
TOTAL EXPENDITURES	500	500	10,826	(10,326)	2,505
Net change in fund balances			(10,813)	(10,813)	(2,477)
FUND BALANCES, beginning	5,569	5,569	5,569		8,046
FUND BALANCES, ending	\$ 5,569	\$ 5,569	\$ (5,244)	\$ (10,813)	\$ 5,569

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
ELECTRIC FUND
Statement of Net Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,408,267	\$ 1,012,335
Emergency cash reserve	250,000	250,000
Accrued interest receivable	5,386	927
Accounts receivable, net	217,290	252,120
Accrued utility revenue	102,999	103,642
Due from other funds		60,000
Advances to other funds	120,000	100,000
Inventory	357,825	353,186
Prepaid expenses	8,717	9,064
Total Current Assets	<u>2,470,484</u>	<u>2,141,274</u>
Capital Assets		
Nondepreciable	113,489	113,489
Depreciable	9,613,524	9,508,876
Less: Accumulated depreciation	<u>3,339,028</u>	<u>3,100,450</u>
Capital Assets, Net	<u>6,387,985</u>	<u>6,521,915</u>
Total Assets	<u>\$ 8,858,469</u>	<u>\$ 8,663,189</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 225,000	\$ 220,000
Accounts payable	224,886	189,099
Customer deposits	18,325	25,608
Accrued interest payable	4,753	5,087
Total Current Liabilities	<u>472,964</u>	<u>439,794</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	2,010,000	2,235,000
Less: Unamortized bond discount	<u>(19,923)</u>	<u>(21,948)</u>
Total Noncurrent Liabilities	<u>1,990,077</u>	<u>2,213,052</u>
Total Liabilities	<u>2,463,041</u>	<u>2,652,846</u>
NET POSITION		
Net investment in capital assets	4,172,908	4,088,863
Unrestricted	<u>2,222,520</u>	<u>1,921,480</u>
Total Net Position	<u>6,395,428</u>	<u>6,010,343</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,858,469</u>	<u>\$ 8,663,189</u>

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 ELECTRIC FUND**

**Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2013
 With Comparative Totals for the Year Ended December 31, 2012**

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,975,117	\$ 2,975,117	\$ 2,873,287	\$ (101,830)	\$ 3,028,680
Operating Expenses					
Purchased utilities	1,370,000	1,370,000	1,199,168	170,832	1,157,818
Salaries	325,805	325,805	330,299	(4,494)	318,262
Employee benefits and retirement	114,447	114,447	109,320	5,127	104,289
Gas and oil	9,500	9,500	8,529	971	11,086
Generation fuel	270,000	270,000	5,847	264,153	22,539
Supplies and minor equipment	9,850	9,850	10,887	(1,037)	10,583
Professional services	79,500	79,500	71,663	7,837	85,001
Communication	7,000	7,000	6,630	370	8,475
Transportation and training	10,000	10,000	11,627	(1,627)	10,128
Printing and publishing	1,100	1,100	301	799	245
Insurance	26,583	26,583	21,325	5,258	19,074
Utilities	3,500	3,500	5,180	(1,680)	4,727
Repairs and maintenance	286,000	286,000	146,334	139,666	78,242
Depreciation and amortization	220,000	220,000	260,085	(40,085)	253,206
Bad debts			9,995	(9,995)	1,178
Other	90,400	90,400	85,354	5,046	86,875
Total Operating Expenses	<u>2,823,685</u>	<u>2,823,685</u>	<u>2,282,544</u>	<u>541,141</u>	<u>2,171,728</u>
Operating Income	<u>151,432</u>	<u>151,432</u>	<u>590,743</u>	<u>439,311</u>	<u>856,952</u>
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	2,880	(7,120)	11,708
Dairyland Power settlement					91,336
Miscellaneous income	25,000	25,000	43,393	18,393	19,765
Customer refund			(69,200)	(69,200)	
Interest and fiscal charges	(61,990)	(61,990)	(62,731)	(741)	(63,807)
Total Nonoperating Revenues (Expenses)	<u>(26,990)</u>	<u>(26,990)</u>	<u>(85,658)</u>	<u>(58,668)</u>	<u>59,002</u>
INCOME BEFORE TRANSFERS	<u>124,442</u>	<u>124,442</u>	<u>505,085</u>	<u>380,643</u>	<u>915,954</u>
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>		<u>(120,000)</u>
CHANGE IN NET POSITION	<u>4,442</u>	<u>4,442</u>	<u>385,085</u>	<u>380,643</u>	<u>795,954</u>
TOTAL NET POSITION - BEGINNING AS RESTATED (NOTE 6)	<u>6,010,343</u>	<u>6,010,343</u>	<u>6,010,343</u>		<u>5,214,389</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 6,014,785</u>	<u>\$ 6,014,785</u>	<u>\$ 6,395,428</u>	<u>\$ 380,643</u>	<u>\$ 6,010,343</u>

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 393,113	\$ 413,758
Accrued interest receivable	288	279
Accounts receivable, net	42,520	43,268
Accrued utility revenue	16,554	15,639
Special assessments-deferred	15,262	15,829
Inventory	23,030	20,069
Prepaid expenses	2,006	2,006
Total Current Assets	492,773	510,848
Capital Assets		
Depreciable	5,168,218	5,080,267
Less: Accumulated depreciation	2,034,784	1,910,111
Capital Assets, Net	3,133,434	3,170,156
Total Assets	\$ 3,626,207	\$ 3,681,004
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 107,509	\$ 184,779
Accounts payable	24,473	7,211
Accrued interest payable	18,051	12,010
Total Current Liabilities	150,033	204,000
Noncurrent Liabilities		
Bonds payable, net of current maturities	532,600	640,109
Total Noncurrent Liabilities	532,600	640,109
Total Liabilities	682,633	844,109
NET POSITION		
Net investment in capital assets	2,493,325	2,345,268
Unrestricted	450,249	491,627
Total Net Position	2,943,574	2,836,895
TOTAL LIABILITIES AND NET POSITION	\$ 3,626,207	\$ 3,681,004

CITY OF ST. CHARLES, MINNESOTA

PROPRIETARY FUNDS

WATER FUND

Statement of Revenues, Expenses

and Changes in Fund Net Position - Budget and Actual

For the Fiscal Year Ended December 31, 2013

With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 516,540	\$ 516,540	\$ 511,494	\$ (5,046)	\$ 504,431
Operating Expenses					
Salaries	100,805	100,805	99,523	1,282	92,333
Employee benefits and retirement	31,655	31,655	31,019	636	27,450
Supplies and minor equipment	32,000	32,000	30,283	1,717	28,243
Professional services	20,200	20,200	25,247	(5,047)	20,215
Communication	5,000	5,000	6,199	(1,199)	6,249
Transportation and training	4,000	4,000	3,313	687	4,140
Insurance	6,000	6,000	4,932	1,068	4,305
Utilities	50,000	50,000	42,911	7,089	48,656
Repairs and maintenance	90,900	90,900	15,930	74,970	28,832
Depreciation and amortization	184,779	184,779	124,673	60,106	119,539
Other	500	500		500	
Total Operating Expenses	525,839	525,839	384,030	141,809	379,962
Operating Income	(9,299)	(9,299)	127,464	136,763	124,469
Nonoperating Revenues (Expenses)					
Interest income	2,500	2,500	1,734	(766)	3,648
Miscellaneous income	2,000	2,000	11,514	9,514	26,795
Interest and fiscal charges	(27,992)	(27,992)	(34,033)	(6,041)	(20,065)
Total Nonoperating Revenues (Expenses)	(23,492)	(23,492)	(20,785)	2,707	10,378
CHANGE IN NET POSITION	(32,791)	(32,791)	106,679	139,470	134,847
TOTAL NET POSITION - BEGINNING OF YEAR	2,836,895	2,836,895	2,836,895		2,702,048
TOTAL NET POSITION - END OF YEAR	\$ 2,804,104	\$ 2,804,104	\$ 2,943,574	\$ 139,470	\$ 2,836,895

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 138,825	\$ 170,442
Accrued interest receivable	162	156
Accounts receivable	54,064	54,130
Accrued utility revenue	22,515	20,543
Special assessments-deferred	15,529	16,096
Prepaid expenses	1,105	333
Total Current Assets	232,200	261,700
Capital Assets		
Nondepreciable	28,700	28,700
Depreciable	3,480,705	3,412,651
Less: Accumulated depreciation	962,827	892,096
Capital Assets, Net	2,546,578	2,549,255
Total Assets	\$ 2,778,778	\$ 2,810,955
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 57,501	\$ 109,514
Accounts payable	51,558	35,841
Due to other funds		60,000
Advances from other funds	30,000	
Accrued interest payable	1,621	2,432
Total Current Liabilities	140,680	207,787
Noncurrent Liabilities		
Bonds payable, net of current maturities		57,501
Total Noncurrent Liabilities		57,501
Total Liabilities	140,680	265,288
NET POSITION		
Net investment in capital assets	2,489,077	2,382,240
Unrestricted	149,021	163,427
Total Net Position	2,638,098	2,545,667
TOTAL LIABILITIES AND NET POSITION	\$ 2,778,778	\$ 2,810,955

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 SEWER FUND**

**Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2013
 With Comparative Totals for the Year Ended December 31, 2012**

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 653,880	\$ 653,880	\$ 655,832	\$ 1,952	\$ 628,482
Operating Expenses					
Purchased utilities	408,820	408,820	400,998	7,822	355,921
Salaries	54,300	54,300	53,686	614	39,624
Employee benefits and retirement	16,134	16,134	15,526	608	12,702
Supplies and minor equipment	6,400	6,400	5,388	1,012	6,242
Professional services	9,950	9,950	7,747	2,203	11,665
Communication	2,400	2,400	2,884	(484)	2,830
Transportation and training	3,500	3,500	3,369	131	2,861
Insurance	1,000	1,000	2,270	(1,270)	761
Utilities	4,000	4,000	5,806	(1,806)	3,719
Repairs and maintenance	92,000	92,000	19,109	72,891	22,459
Depreciation and amortization	109,514	109,514	70,731	38,783	68,994
Other	200	200	265	(65)	209
Total Operating Expenses	708,218	708,218	587,779	120,439	527,987
Operating Income	(54,338)	(54,338)	68,053	122,391	100,495
Nonoperating Revenues (Expenses)					
Interest income	1,000	1,000	1,338	338	1,850
Sewer availability charges			26,400	26,400	2,640
Miscellaneous income	1,500	1,500	1,496	(4)	17,517
Interest and fiscal charges	(5,667)	(5,667)	(4,856)	811	(3,077)
Total Nonoperating Revenues (Expenses)	(3,167)	(3,167)	24,378	27,545	18,930
CHANGE IN NET POSITION	(57,505)	(57,505)	92,431	149,936	119,425
NET POSITION - BEGINNING OF YEAR	2,545,667	2,545,667	2,545,667		2,426,242
TOTAL NET POSITION - END OF YEAR	\$ 2,488,162	\$ 2,488,162	\$ 2,638,098	\$ 149,936	\$ 2,545,667

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Position
 December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 38,839	\$ 12,801
Accounts receivable	7,286	7,644
Accrued utility revenue	2,717	2,733
Total Current Assets	48,842	23,178
Capital Assets		
Depreciable	756,624	661,877
Less: Accumulated depreciation	79,921	62,925
Capital Assets, Net	676,703	598,952
Total Assets	\$ 725,545	\$ 622,130
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 38,463	\$
NET POSITION		
Net investment in capital assets	676,703	598,952
Unrestricted	10,379	23,178
Total Net Position	687,082	622,130
TOTAL LIABILITIES AND NET POSITION	\$ 725,545	\$ 622,130

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2013
 With Comparative Totals for the Year Ended December 31, 2012**

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 82,668	\$ 82,668	\$ 83,075	\$ 407	\$ 84,121
Operating Expenses					
Professional services	3,100	3,100	600	2,500	2,450
Depreciation			16,996	(16,996)	15,328
Repairs and maintenance	75,000	75,000	637	74,363	17,413
Total Operating Expenses	78,100	78,100	18,233	59,867	35,191
Operating Income	4,568	4,568	64,842	60,274	48,930
Nonoperating Revenues (Expenses)					
Interest income	400	400	110	(290)	47
CHANGE IN NET POSITION	4,968	4,968	64,952	59,984	48,977
TOTAL NET POSITION - BEGINNING OF YEAR	622,130	622,130	622,130		573,153
TOTAL NET POSITION - END OF YEAR	\$ 627,098	\$ 627,098	\$ 687,082	\$ 59,984	\$ 622,130

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Position
 December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 64,089	\$ 58,348
Accounts receivable	24,053	23,699
Total Assets	\$ 88,142	\$ 82,047
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 17,201	\$ 19,456
 NET POSITION		
Unrestricted	70,941	62,591
 TOTAL LIABILITIES AND NET POSITION	\$ 88,142	\$ 82,047

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services	\$ 181,685	\$ 181,685	\$ 186,711	\$ 5,026	\$ 179,499
Operating Expenses					
Waste Removal					
Garbage removal	173,850	173,850	176,581	(2,731)	168,347
City cleanup	5,000	5,000	7,943	(2,943)	5,171
Compost site expense			6,300	(6,300)	6,433
Other			916	(916)	403
Total Operating Expenses	178,850	178,850	191,740	(12,890)	180,354
Operating Income	2,835	2,835	(5,029)	(7,864)	(855)
Nonoperating Revenue					
Interest income	500	500	149	(351)	147
Compost fees			13,230	13,230	13,168
Total Nonoperating Revenue	500	500	13,379	12,879	13,315
CHANGE IN NET POSITION	3,335	3,335	8,350	5,015	12,460
TOTAL NET POSITION - BEGINNING OF YEAR	62,591	62,591	62,591		50,131
TOTAL NET POSITION - END OF YEAR	\$ 65,926	\$ 65,926	\$ 70,941	\$ 5,015	\$ 62,591

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 AMBULANCE FUND
 Statement of Net Position
 December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 122,572	\$ 144,012
Accrued interest receivable		3
Accounts receivable	14,421	30,895
Taxes receivable - delinquent	6	7
Prepaid expense	3,145	1,864
Total Current Assets	140,144	176,781
Capital Assets		
Depreciable	321,756	315,335
Less: Accumulated depreciation	206,621	177,416
Capital Assets, Net	115,135	137,919
Total Assets	\$ 255,279	\$ 314,700
LIABILITIES		
Current Liabilities		
Current maturities of notes payable	\$ 2,849	\$ 18,976
Accounts payable	2,849	2,136
Accrued interest payable		202
Total Current Liabilities	2,849	21,314
Noncurrent Liabilities		
Notes payable		21,776
Total Liabilities	2,849	43,090
NET POSITION		
Net investment in capital assets	115,135	97,167
Unrestricted	137,295	174,443
Total Net Position	252,430	271,610
TOTAL LIABILITIES AND NET POSITION	\$ 255,279	\$ 314,700

CITY OF ST. CHARLES, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position- Budget and Actual
For the Fiscal Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance service contracts	\$ 500	\$ 500	\$	\$ (500)	\$ 600
Ambulance fees	194,250	194,250	182,682	(11,568)	219,153
Total Operating Revenues	<u>194,750</u>	<u>194,750</u>	<u>182,682</u>	<u>(12,068)</u>	<u>219,753</u>
Operating Expenses					
Salaries	75,000	75,000	78,834	(3,834)	84,266
Employee benefits and retirement	16,700	16,700	17,694	(994)	16,053
Supplies and minor equipment	40,953	40,953	25,503	15,450	31,236
Professional services	10,500	10,500	11,421	(921)	12,065
Communication	3,000	3,000	2,670	330	3,167
Transportation and training	8,000	8,000	7,829	171	12,581
Insurance	3,000	3,000	1,820	1,180	2,037
Repairs and maintenance	11,000	11,000	13,645	(2,645)	10,753
Depreciation			29,205	(29,205)	28,671
Bad debts			6,928	(6,928)	30
Other	7,866	7,866	5,086	2,780	6,005
Total Operating Expenses	<u>176,019</u>	<u>176,019</u>	<u>200,635</u>	<u>(24,616)</u>	<u>206,864</u>
Operating Income	<u>18,731</u>	<u>18,731</u>	<u>(17,953)</u>	<u>(36,684)</u>	<u>12,889</u>
Nonoperating Revenues (Expenses)					
Interest income	2,000	2,000	(888)	(2,888)	749
Donations			2,263	2,263	1,330
Miscellaneous	8,500	8,500	5,370	(3,130)	7,283
SE MN EMS Grant					2,125
Interest expense			(1,472)	(1,472)	
Total Nonoperating Revenues (Expenses)	<u>10,500</u>	<u>10,500</u>	<u>5,273</u>	<u>(5,227)</u>	<u>11,487</u>
INCOME BEFORE TRANSFERS	<u>29,231</u>	<u>29,231</u>	<u>(12,680)</u>	<u>(41,911)</u>	<u>24,376</u>
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>		<u>(6,500)</u>
CHANGE IN NET POSITION	<u>22,731</u>	<u>22,731</u>	<u>(19,180)</u>	<u>(41,911)</u>	<u>17,876</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>271,610</u>	<u>271,610</u>	<u>271,610</u>		<u>253,734</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 294,341</u>	<u>\$ 294,341</u>	<u>\$ 252,430</u>	<u>\$ (41,911)</u>	<u>\$ 271,610</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2013

CASH ON HAND

Change funds \$ 2,706

CASH IN BANK

Eastwood State Bank

St. Charles, Minnesota:

General checking (.01%) and savings (.25%) 2,194,032

Money Market (.41%) 324,147

Merchants National Bank

St. Charles, Minnesota:

Checking (.249%) 72,763

INVESTMENTS

	Rate	Amount
<u>Merchants National Bank</u>		
Certificates of Deposit	0.499%	\$ 113,848
<u>Morgan Stanley Smith Barney</u>		
Municipal Bonds	1.48-1.95%	675,577
U.S. Government Securities	1.99-3.93%	345,980
Money Market Fund	0.01%	66,046

TOTAL INVESTMENTS 1,201,451

TOTAL CASH AND INVESTMENTS,
December 31, 2013 \$ 3,795,099

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2013**

\$2,329,755 G.O. Improvement and Refunding Bonds. Series 2011A			
Year	Principal	Interest	Total
2014	\$ 164,990	\$ 48,898	\$ 213,888
2015	168,023	51,242	219,265
2016	167,279	48,898	216,177
2017	171,557	46,008	217,565
2018	175,717	42,698	218,415
Thereafter	1,199,824	260,446	1,460,270
Totals	\$ 2,047,390	\$ 498,190	\$ 2,545,580

\$80,000 Fire Tanker Truck Loan			
Year	Principal	Interest	Total
2014	\$ 13,584	\$ 1,203	\$ 14,787
2015	14,172	614	14,786
Totals	\$ 27,756	\$ 1,817	\$ 29,573

\$55,000 Installment Promissory Note - Winona County			
Year	Principal	Interest	Total
2014	\$ 7,594	\$ 833	\$ 8,427
2015	7,747	680	8,427
2016	7,903	523	8,426
2017	8,063	364	8,427
2018	8,226	201	8,427
Thereafter	5,588	42	5,630
Totals	\$ 45,121	\$ 2,643	\$ 47,764

CITY OF ST. CHARLES, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2013

\$2,660,000 Electric Revenue Refunding Bonds,
Series 2011 B

Year	Principal	Interest	Total
2014	\$ 225,000	\$ 56,640	\$ 281,640
2015	230,000	52,140	282,140
2016	235,000	47,540	282,540
2017	240,000	42,840	282,840
2018	245,000	37,440	282,440
Thereafter	1,060,000	80,935	1,140,935
Totals	\$ 2,235,000	\$ 317,535	\$ 2,552,535

\$273,780 Sewer G.O. Improvement
and Refunding Bonds, Series 2011A

Year	Principal	Interest	Total
2014	\$ 57,501	\$ 1,946	\$ 59,447
Totals	\$ 57,501	\$ 1,946	\$ 59,447

\$976,464 Water G.O. Improvement
and Refunding Bonds, Series 2011A

Year	Principal	Interest	Total
2014	\$ 107,509	\$ 21,661	\$ 129,170
2015	21,977	18,023	40,000
2016	22,721	17,279	40,000
2017	23,443	16,557	40,000
2018	24,283	15,717	40,000
Thereafter	440,176	119,825	560,001
Totals	\$ 640,109	\$ 209,062	\$ 849,171



AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members
of the City Council
City of St. Charles, Minnesota

We have audited the financial statements of City of St. Charles, Minnesota as of and for the year ended December 31, 2013, and have issued our report thereon dated March 28, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by State Auditor pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of St. Charles, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
March 28, 2014