

CITY OF ST. CHARLES

Financial Summary - 2005



Audit



- **Audit Opinion**
 - Provides reasonable, but not absolute, assurance that financials are free of material misstatement
 - Unqualified “Clean” opinion in 2005
- **Financial Statements**
 - Smith Schafer reviewed the results of the audit and the financial statements with the Mayor, City Administrator and the Accountant on April 21
 - Management’s Discussion and Analysis (MD&A) was prepared by the City
- **Minnesota Legal Compliance**
 - No Exceptions
- **Single Audit**
 - None required in 2005

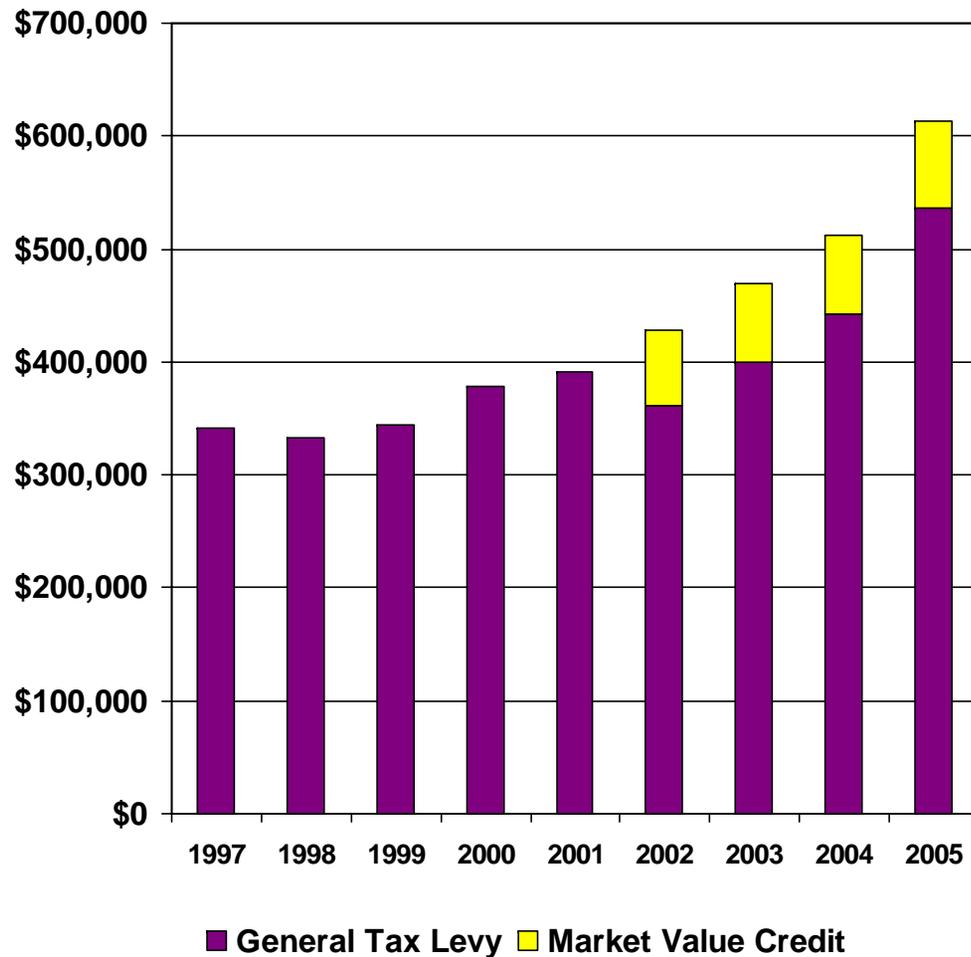


Revenues



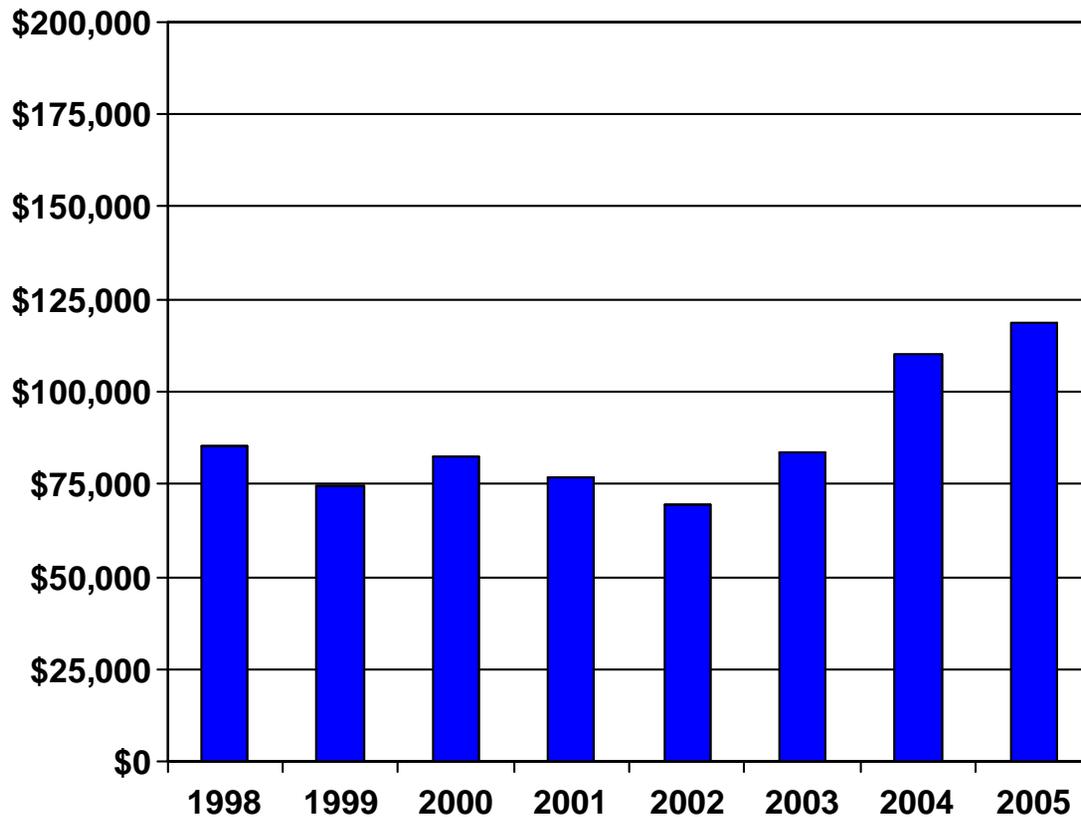
Governmental Funds

General Property Tax Levy



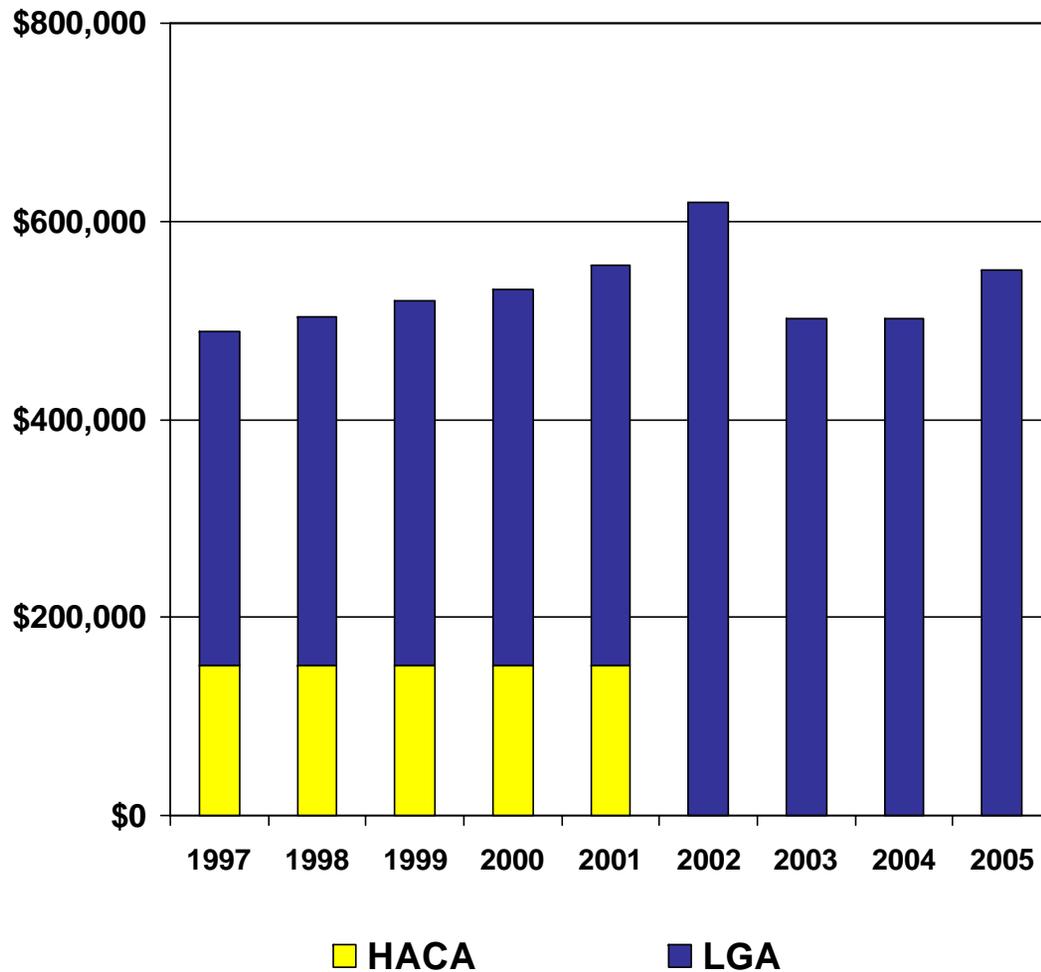
- General tax levy revenues represented 34% of total governmental revenues in 2005
- General tax levy has increased \$272,188 over the past 8 years to \$613,071 in 2005 (from \$340,883 in 1997) due to growth in the tax base and levy increases
- Taxpayer collections \$536,514
Market value credit 76,557
Total 2005 \$613,071

Tax Increment Revenues



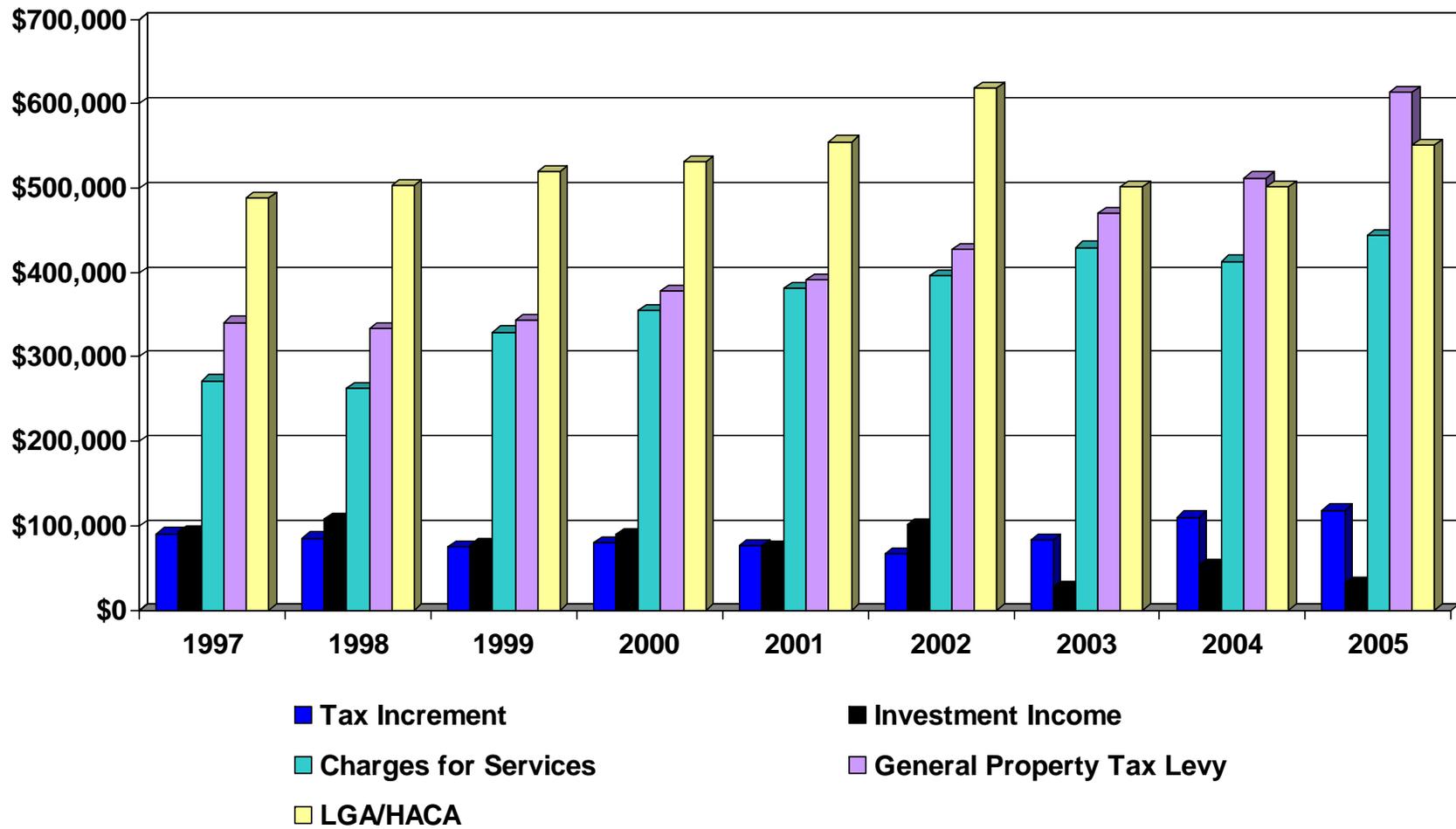
- Total TIF collections in 2005 were \$118,565
- TIF debt service payments are approximately \$40,000 annually plus repayment of advances totaling \$180,000
- TIF collections are impacted by the State's changes in commercial property tax rates

LGA and HACA Revenues



- Local government aid (LGA) & Homestead Aid Credit (HACA) are based on State formulas
- LGA represented 28% of governmental revenues in 2005
- LGA increased by \$49,884 (10%) from \$501,618 in 2004 to \$551,502 in 2005
- HACA was eliminated in 2002

Governmental Fund Revenues



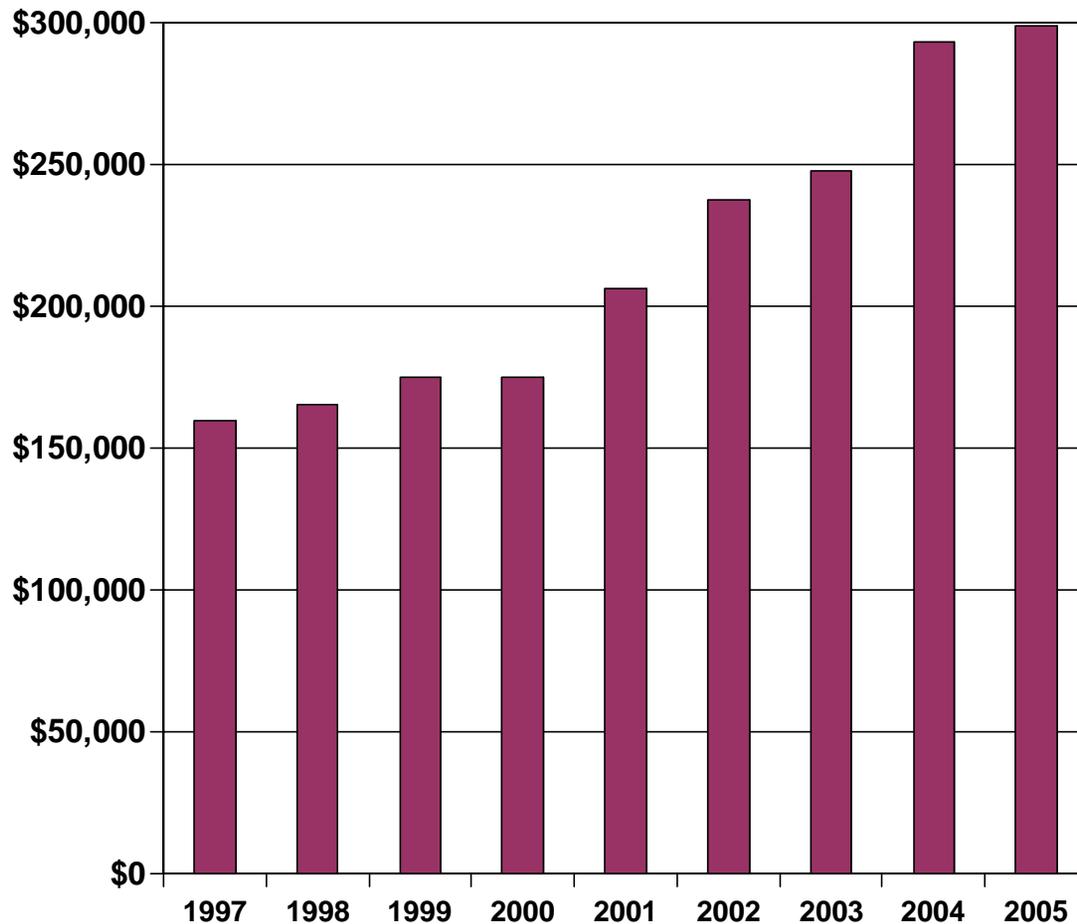


Expenditures



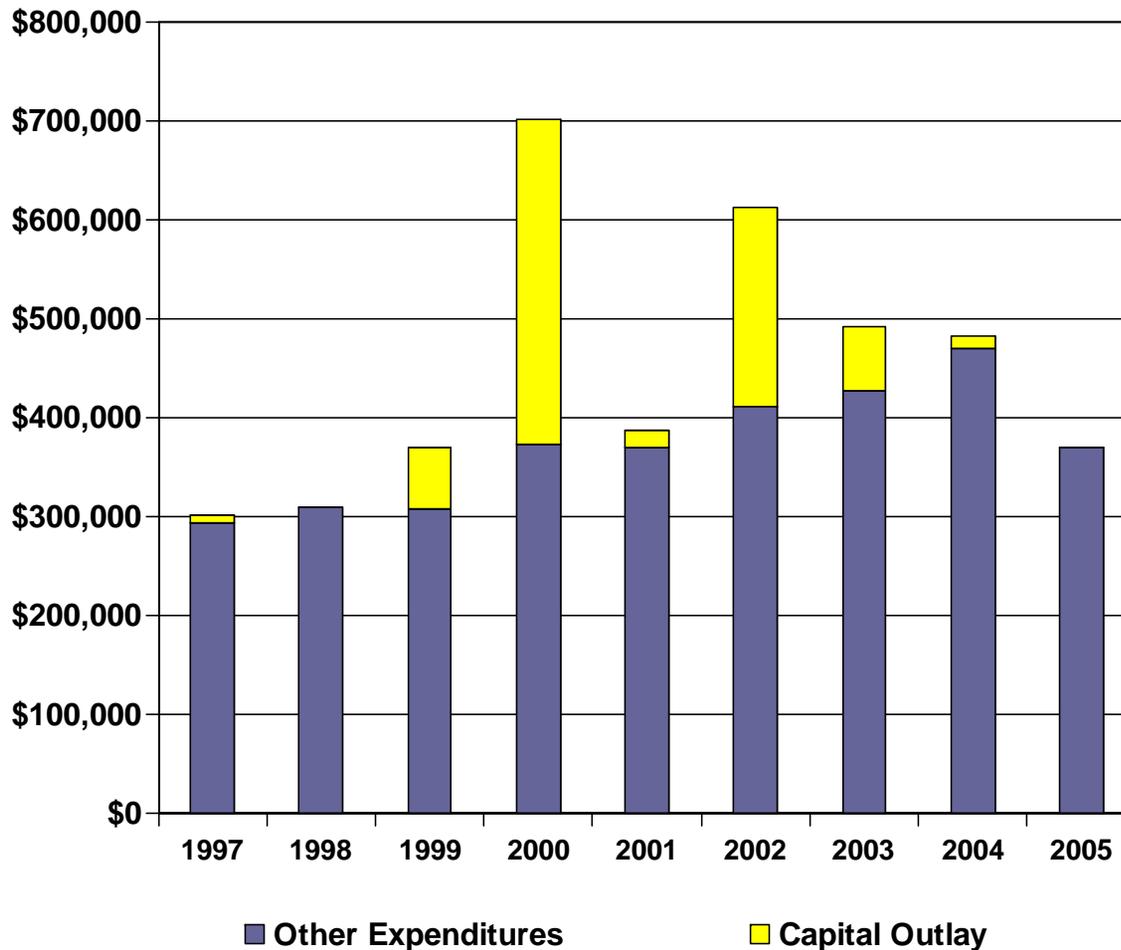
Governmental Funds

General Governmental Expenditures



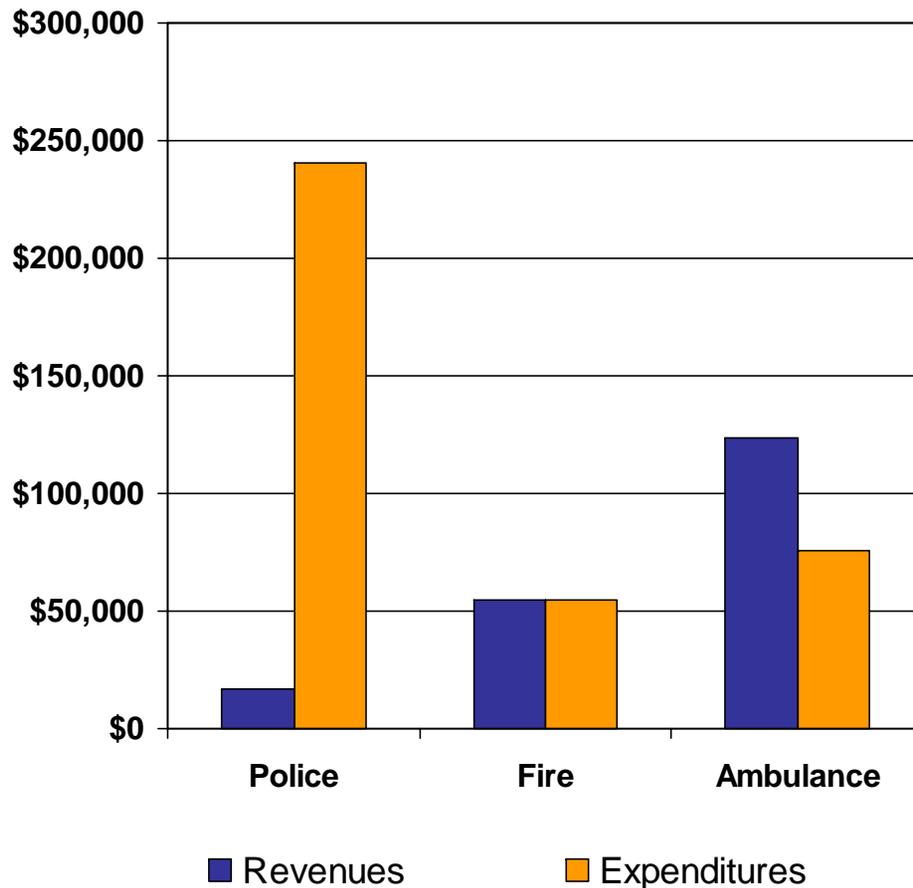
- Includes mayor and council, city hall, accounting, assessor, elections, advertising, building inspections and celebration costs
- Totaled \$298,932 in 2005
- Higher costs of building inspections beginning 2001

Public Safety Expenditures



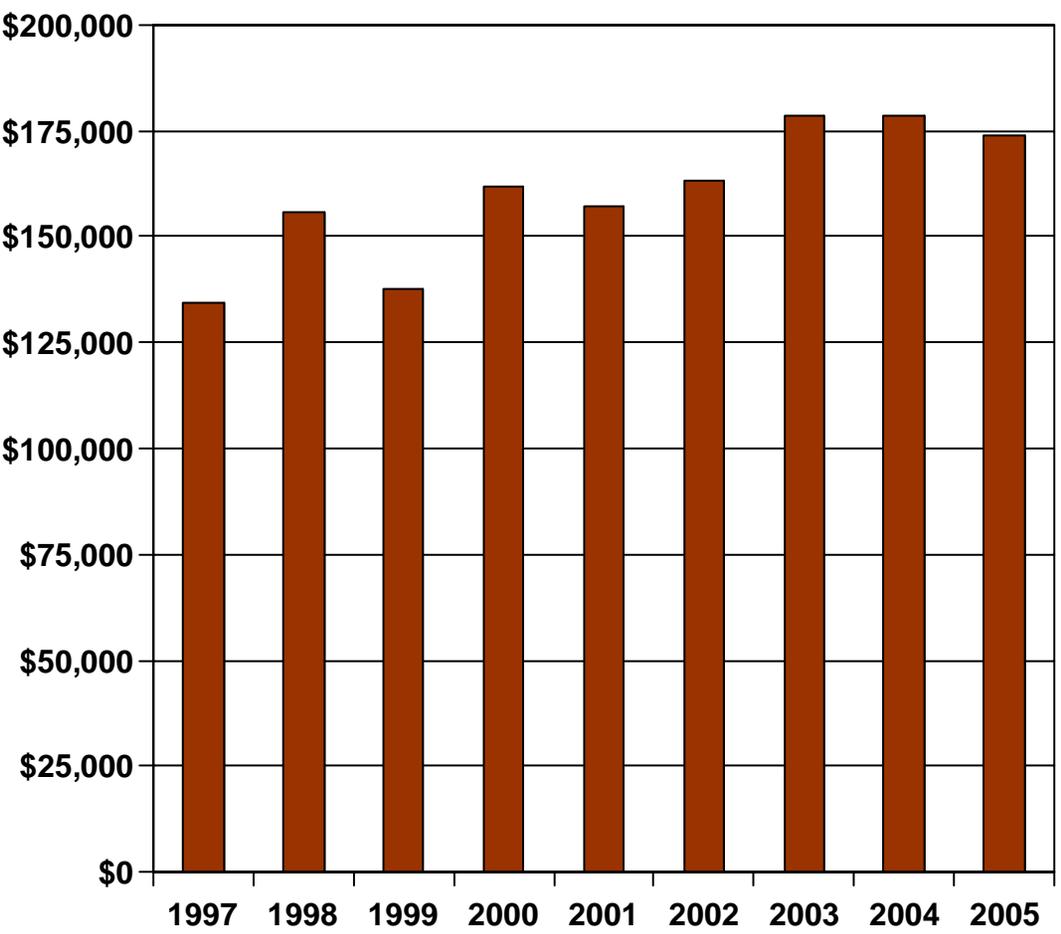
- Includes police department, fire protection, and ambulance operating and capital outlay expenditures
- Totaled \$370,631 in 2005, down from \$482,743 from 2004
- Decrease in 2005 due to lower police salary cost, less fire equipment and lower repairs in ambulance fund

Public Safety Expenditures



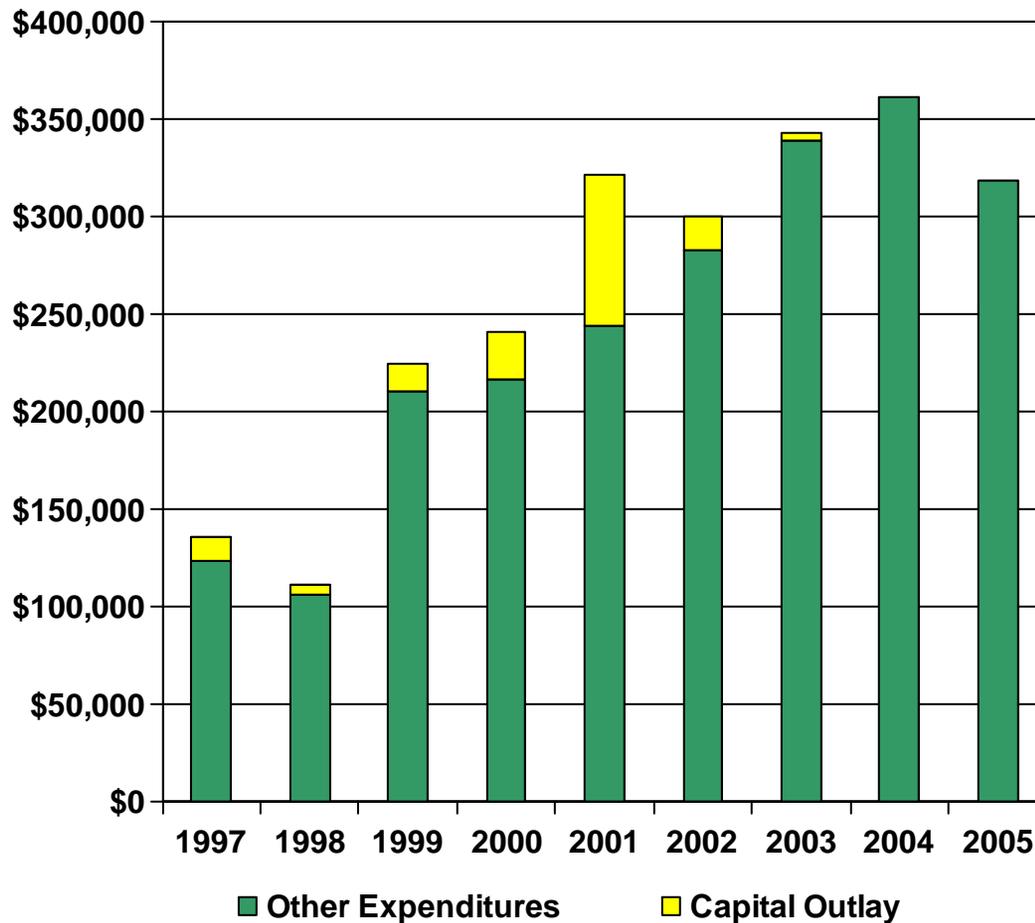
- Police protection expenditures totaled \$240,587 in 2005.
- Ambulance costs of \$75,562 supported by ambulance run fees, donations, service contracts.
- Fire costs of \$54,482 supported by township contracts of \$35,304, other revenues of \$19,271 (and city transfer in of \$45,736 – not included in chart)

Public Works



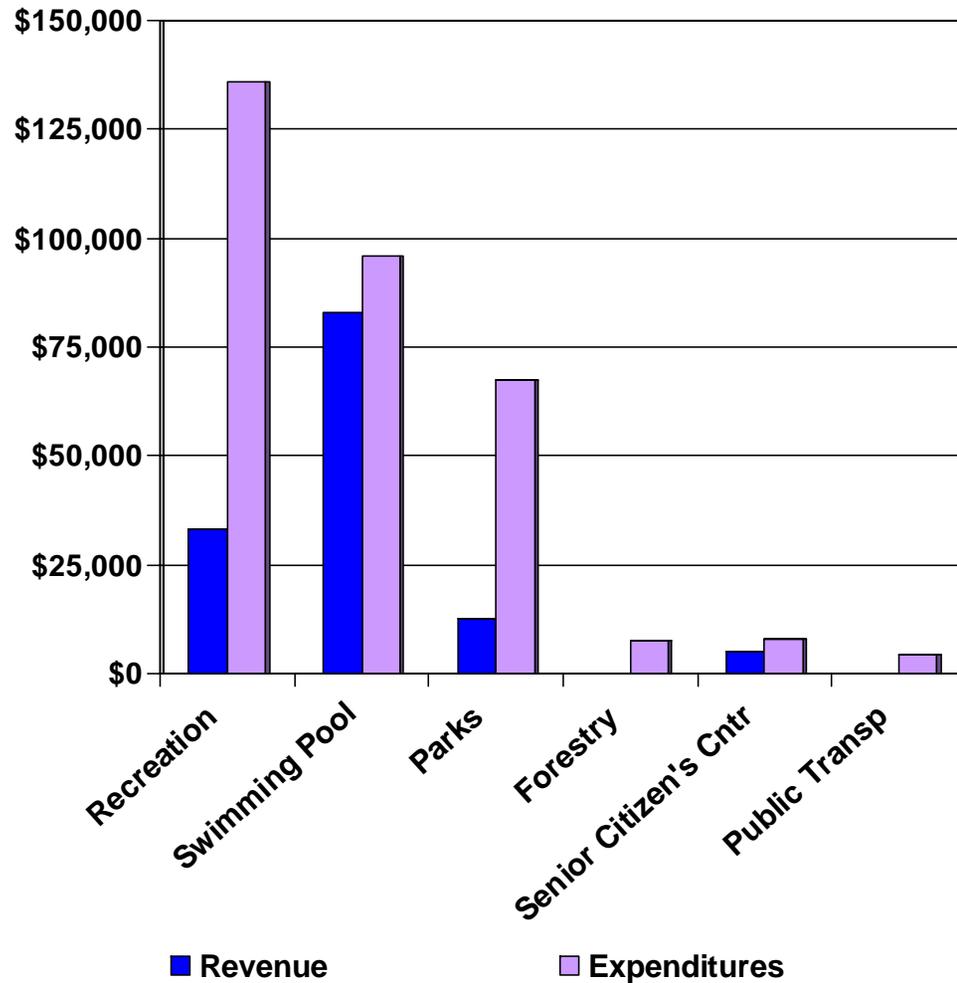
- Salaries/benefits, repairs and maintenance, supplies, fuel, and insurance
- Totaled \$173,643 in 2005, down \$4,976 from \$178,619 in 2004

Parks and Recreation



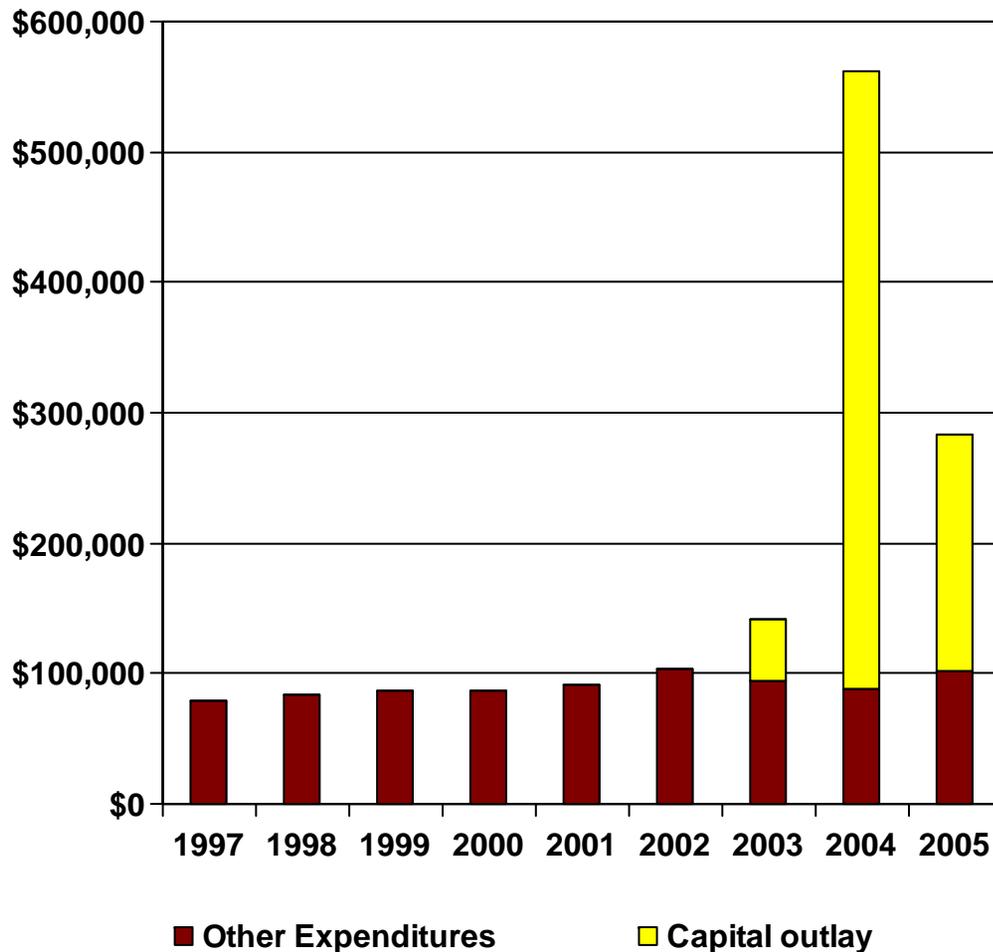
- Recreation programs, parks, swimming pool, forestry and the senior center (including capital project fund expenditures)
- Totaled \$318,813 in 2005, down \$43,091 from \$361,904 in 2004
- Decrease in 2005 due primarily to swimming pool repairs of \$40,177 in 2004 versus \$2,313 in 2005

Park and Recreation Expenditures



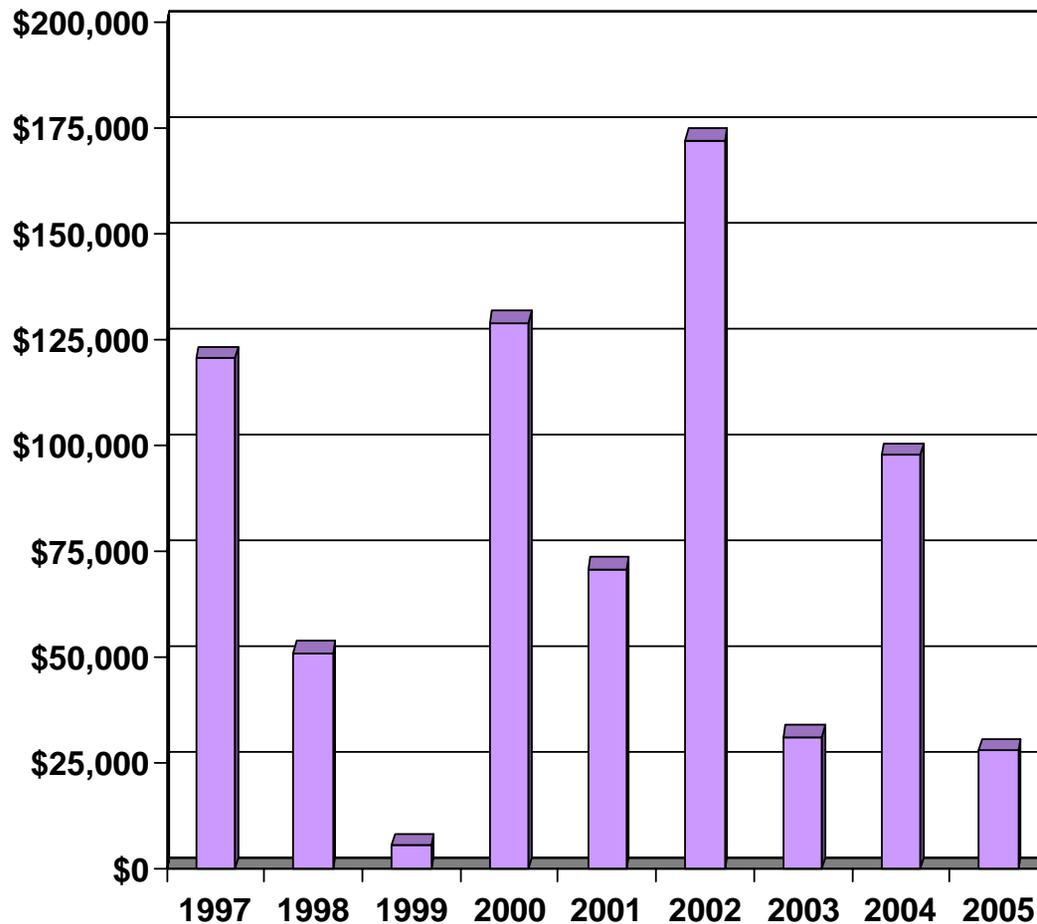
- Recreation fees totaled \$33,324 in 2005, while expenditures totaled \$135,908
- Swimming pool revenues totaled \$82,838 in 2004, while expenditures totaled \$95,891

Library Expenditures



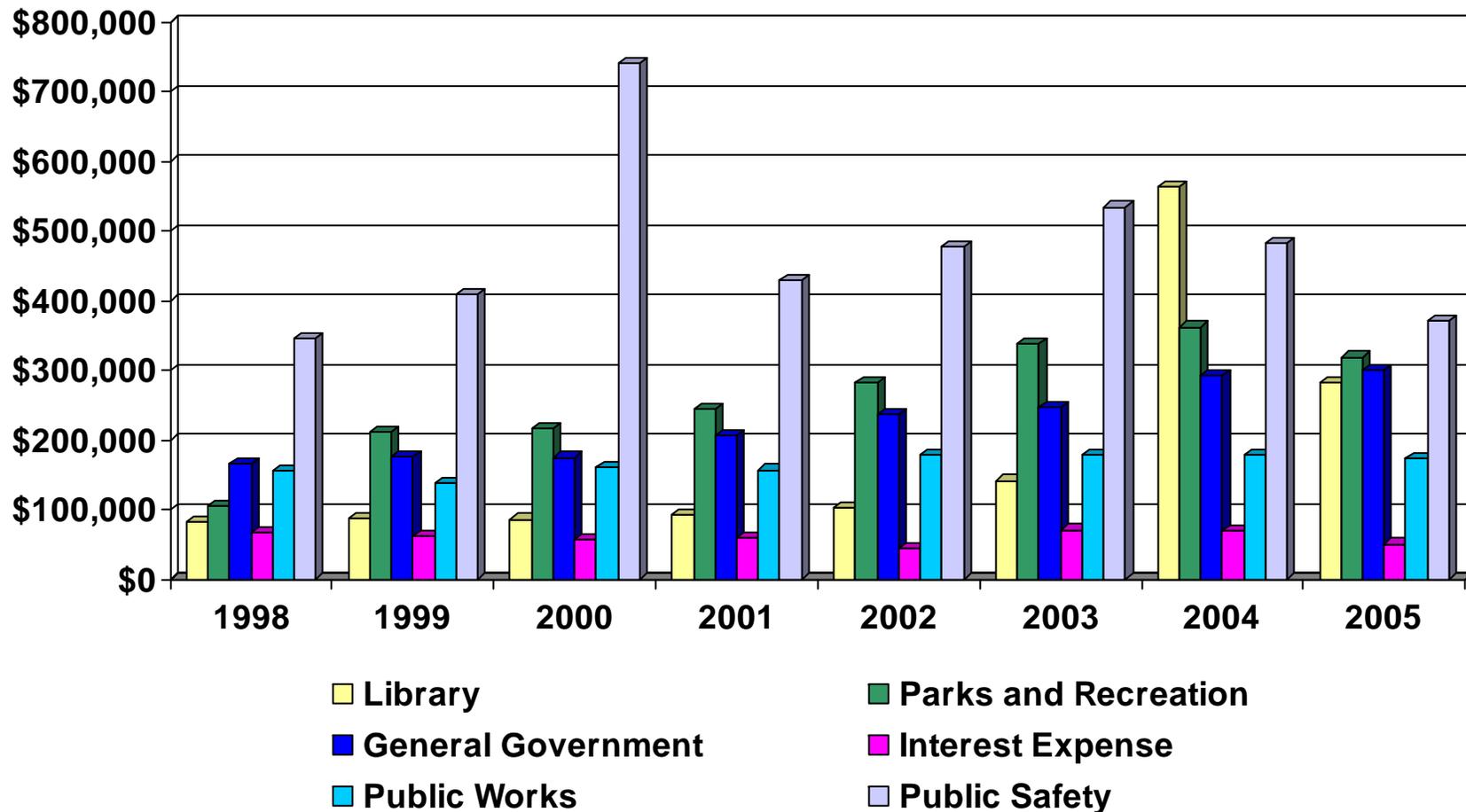
- Salaries and benefits, books, supplies, insurance, utilities, printing, etc... (including capital project fund expenditures)
- Totaled \$283,188 in 2005 down \$279,786 from \$562,973 in 2004
- Received library aid during 2005 from Winona County and Olmsted County totaling \$30,424

Economic Development Expenditures



- Economic development expenditures in 2005 included:
 - Professional services of \$17,776
 - Office supplies of \$3,484
- 2002 Loan to HBC of \$126,000 (mortgage on old City Hall building)

Governmental Fund Expenditures



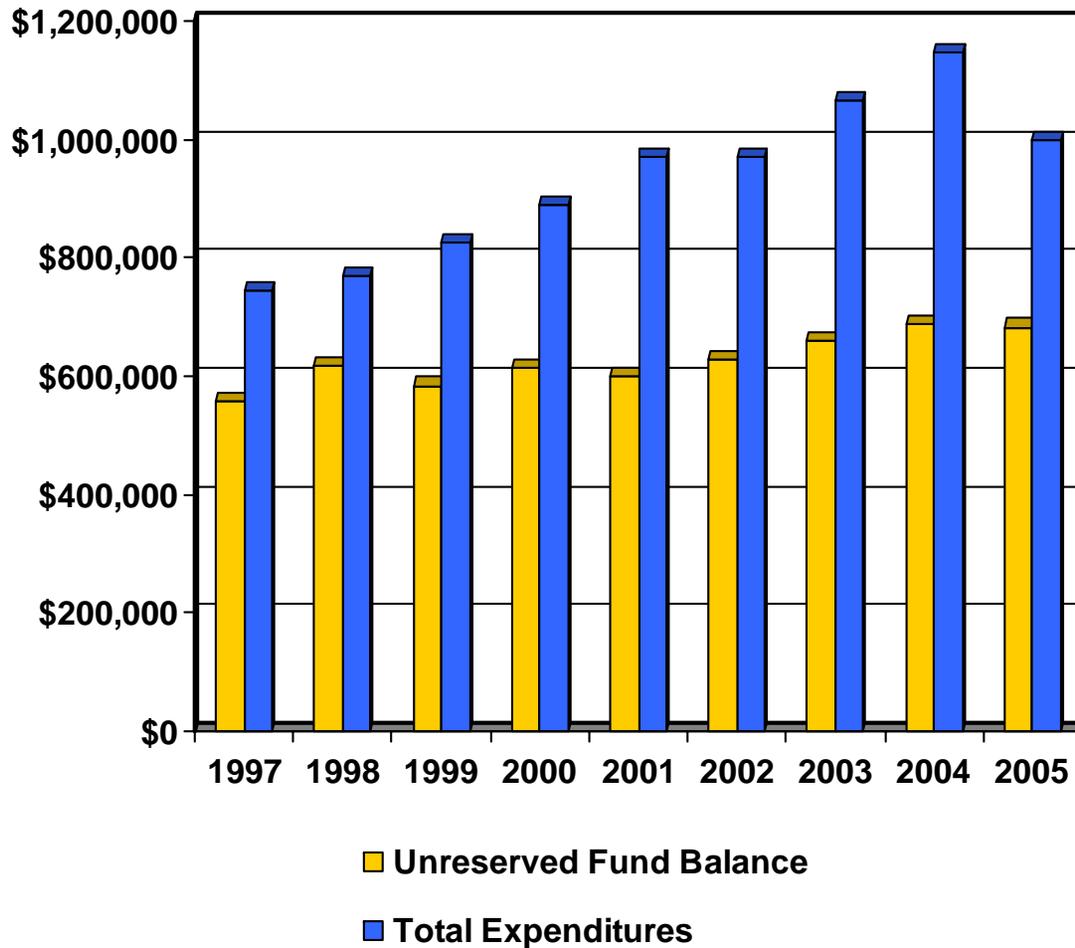


Reserves



General Fund

General Fund - Reserves



- Unreserved General Fund balance as a % of expenditures
 - 2005 68%
 - 2004 60%
 - 2003 62%
 - 2002 65%
 - 2001 62%
 - 2000 69%
 - 1999 71%
 - 1998 80%
 - 1997 75%
- As of December 31, 2005, \$384,825 of unreserved fund balance was due from other funds

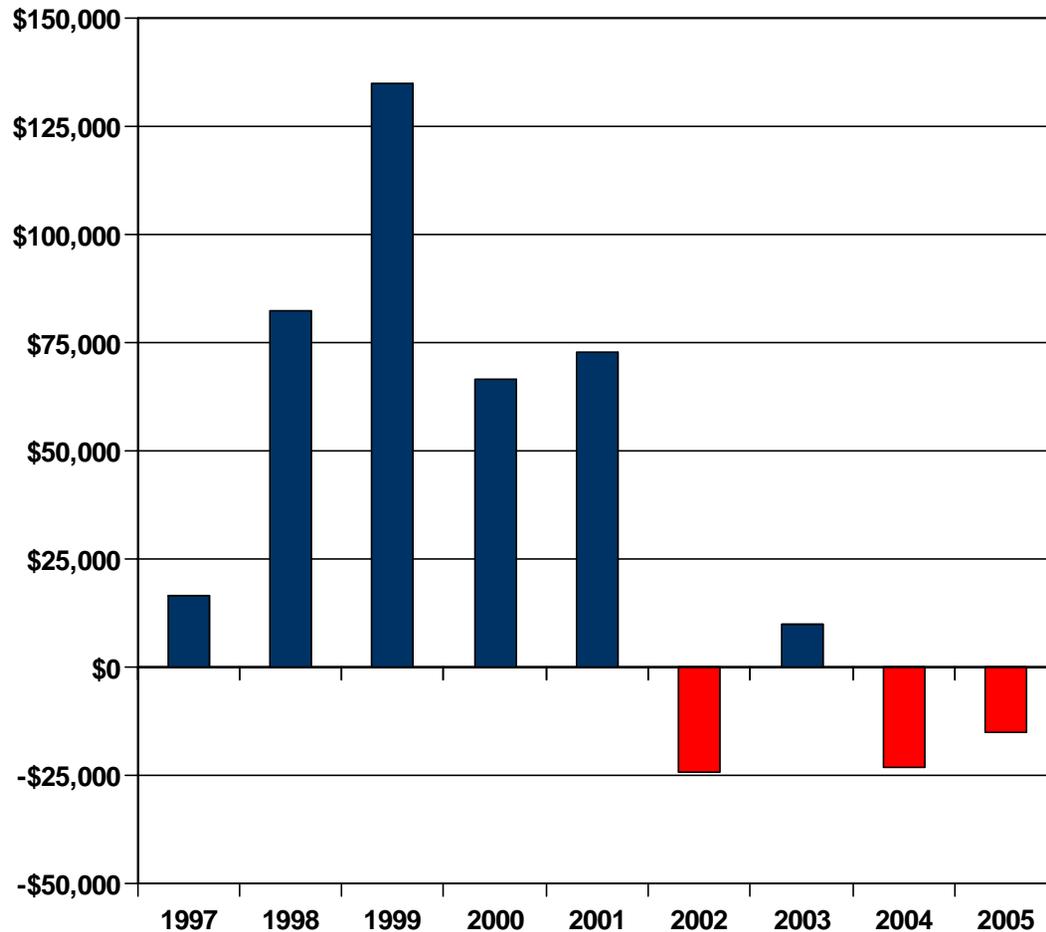


Reserves



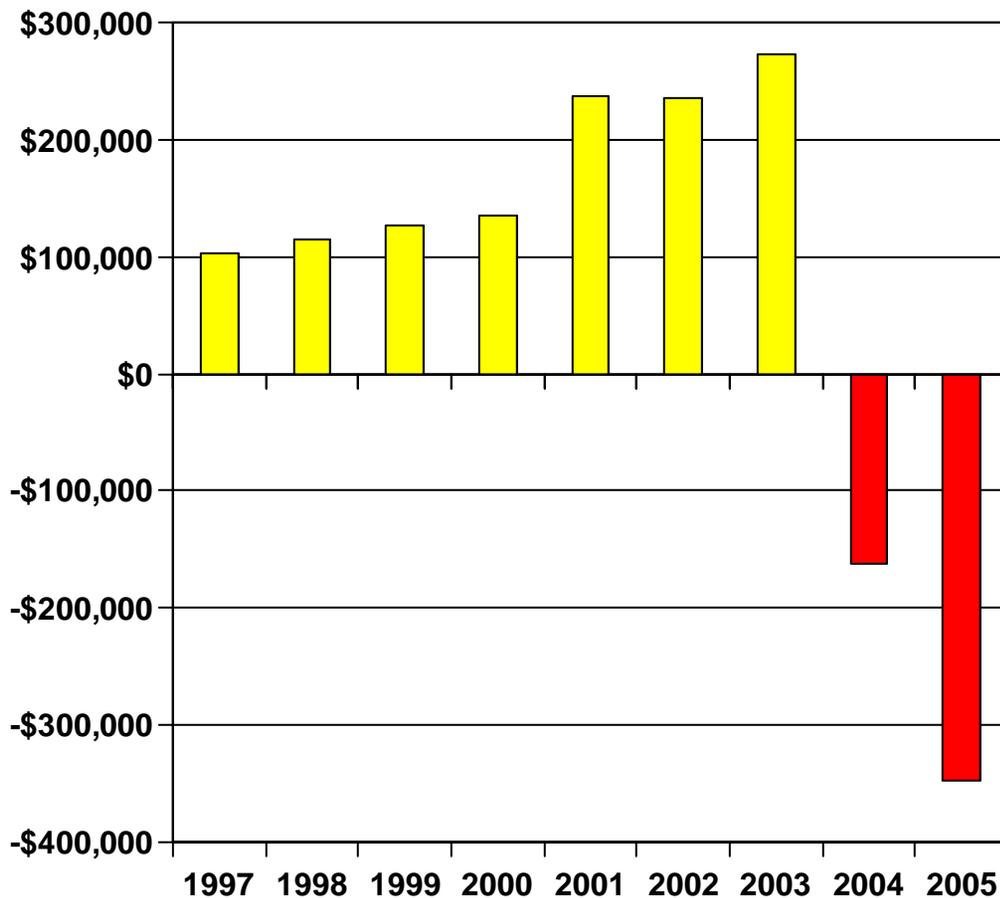
Special Revenue Funds

Economic Development Fund - Fund Balance



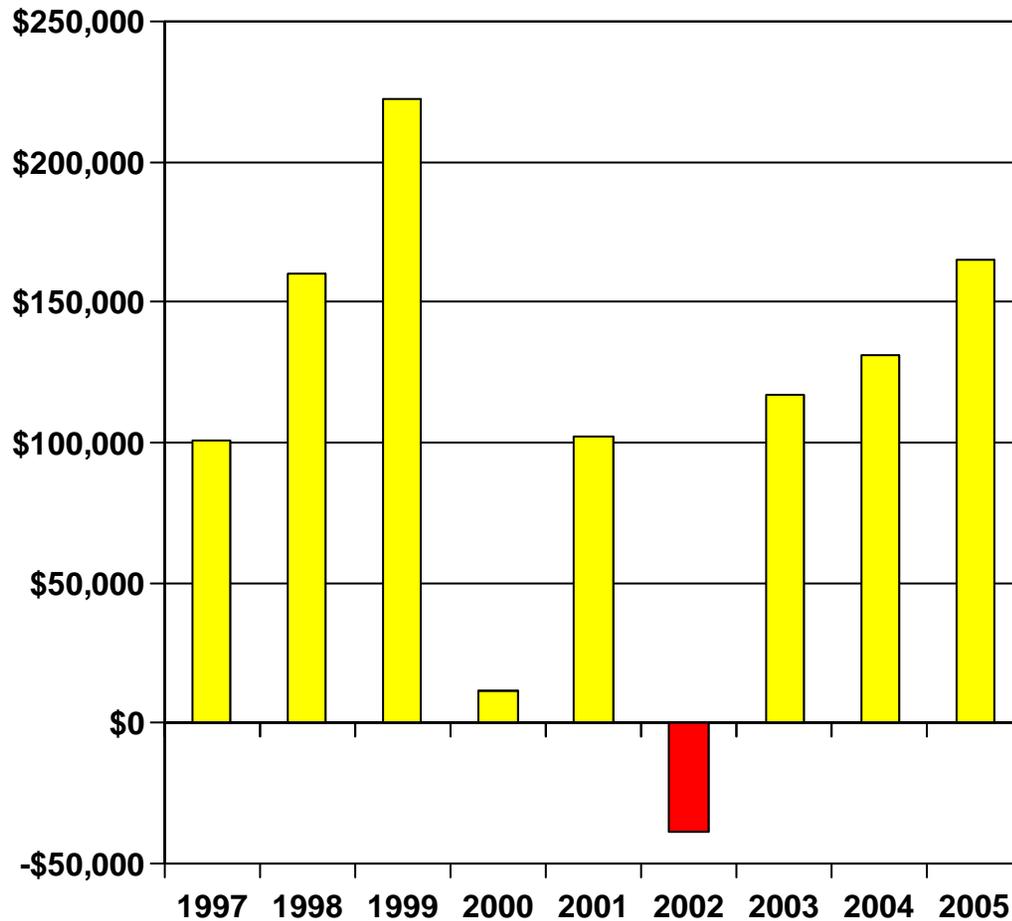
- Provides economic development loans to local businesses
- Fund Balance was a deficit of \$15,110 at 12/31/05
- Borrowed \$126,000 from the Electric Fund for Loan to HBC in 2002
- Outstanding principal receivable on economic development loans at 12/31/05 \$238,154

Library Fund - Fund Balance



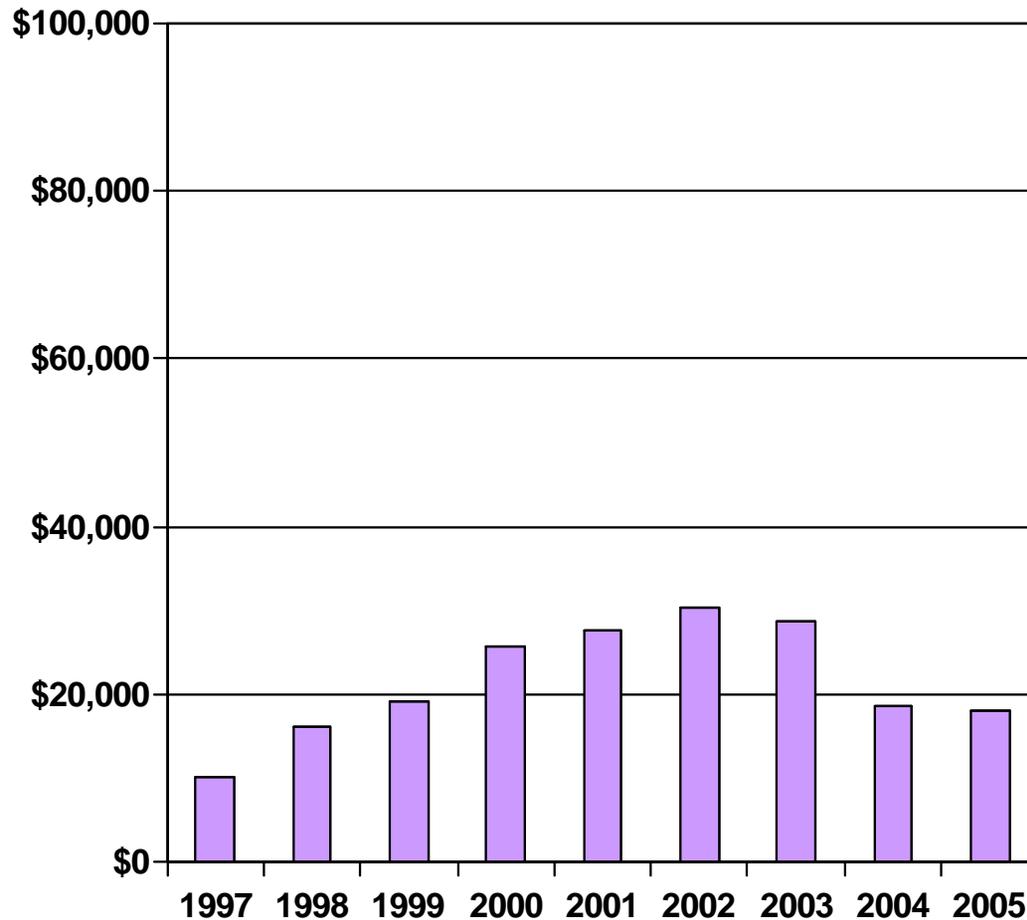
- Fund balance was a deficit of \$348,428 at 12/31/05 as the result of construction costs in 2004 and 2005
- Deficit will be reduced if \$23,809 in pledges receivable are collected
- City could consider a transfer from capital improvement fund to eliminate this deficit

Volunteer Fire Fund - Fund Balance



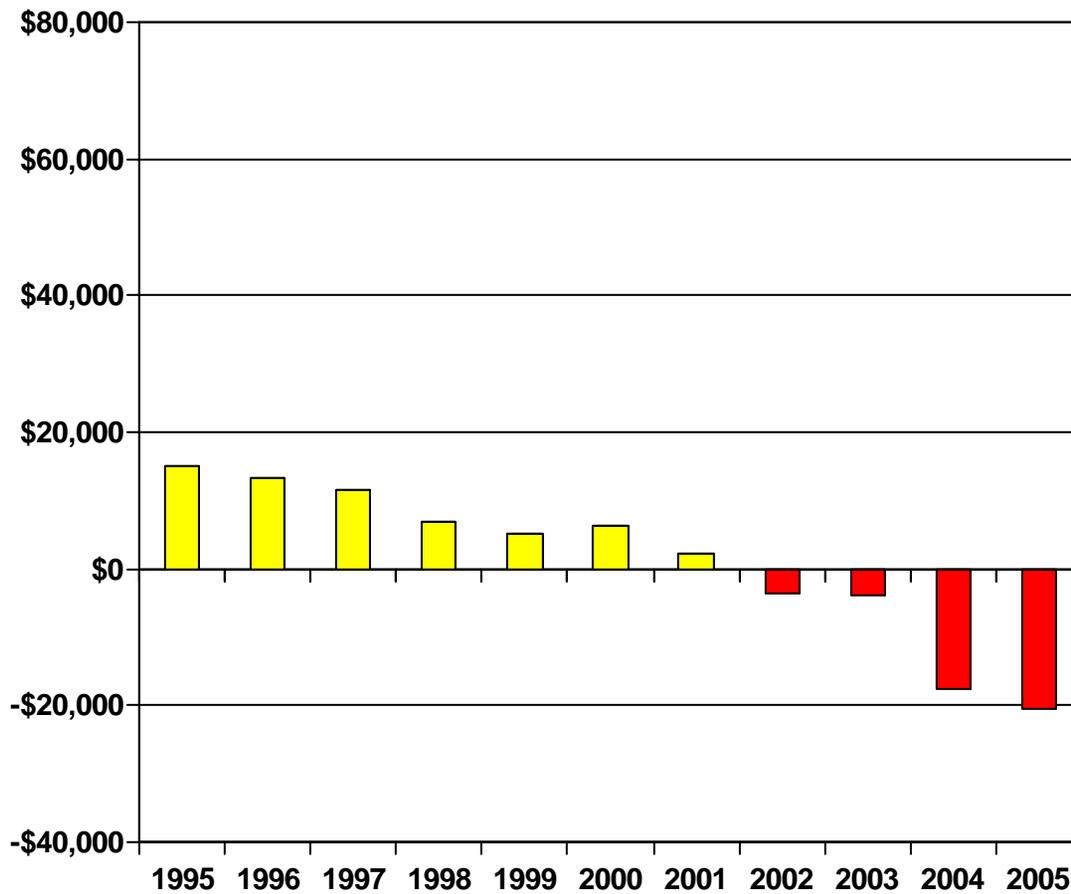
- Funds received in 2005:
 - City \$45,736
 - Townships 20,304
 - Fire Calls 9,065
 - Interest 6,125
 - Donations 19,081
- Fund balance at December 31, 2005 was \$164,755
- Builds fund balance in anticipation of equipment needs

Waste Management Fund-Fund Balance



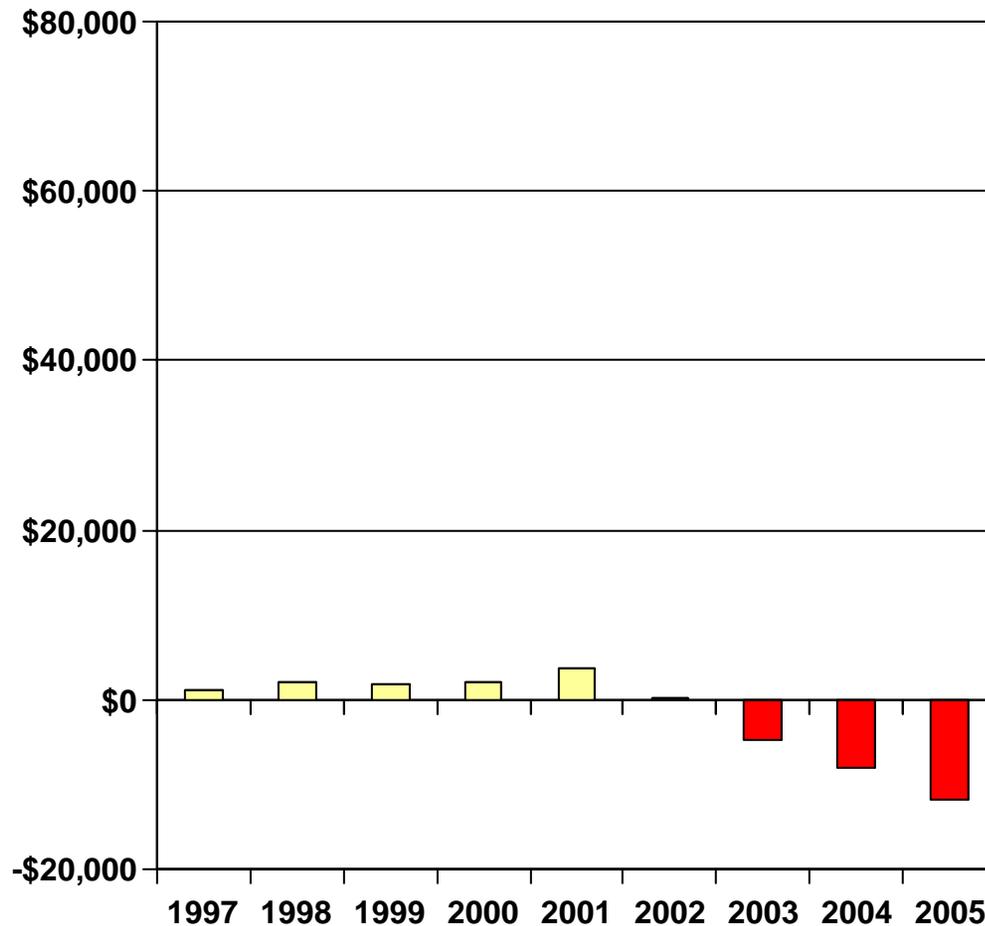
- Collects refuse fees and pays contract hauler for monthly services
- Uses excess for City cleanup day and maintenance of City compost site
- Fund balance at 12/31/05 was \$17,875

Advertising Fund - Fund Balance



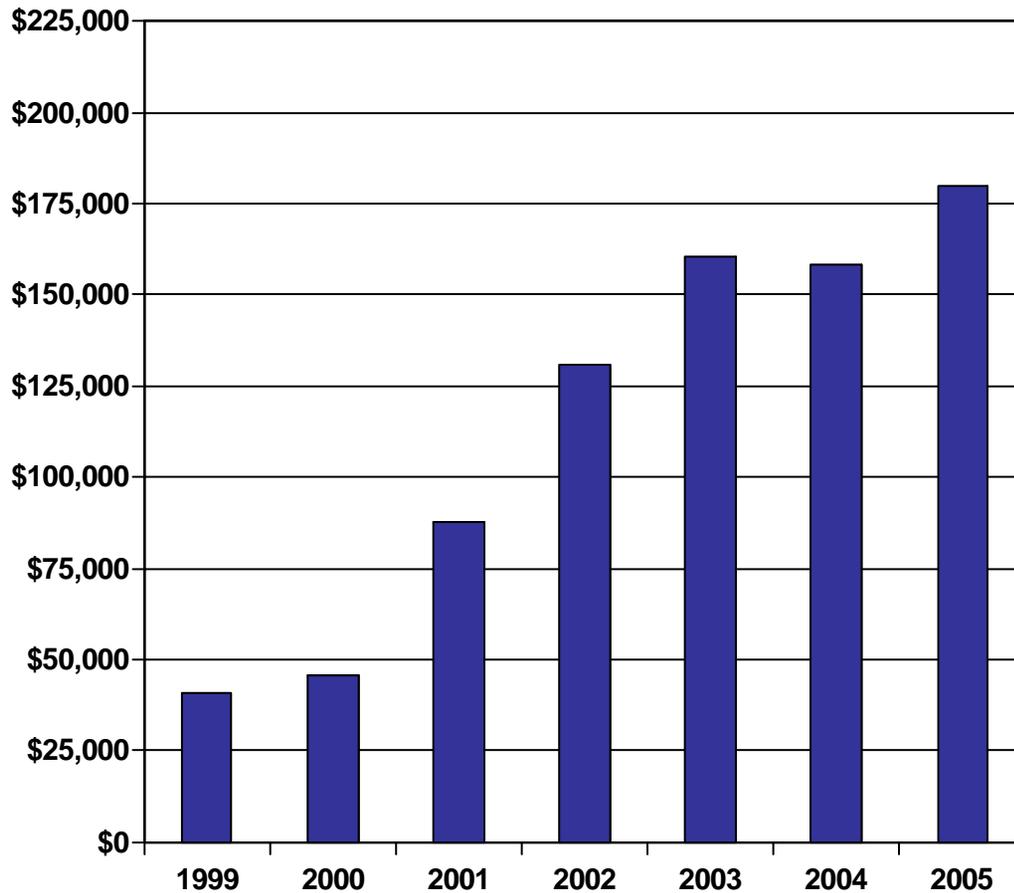
- Funds used for City promotion/Fireworks
- Levied \$8,000 in the Advertising fund in 2005
- Fund Balance at 12/31/05 was a deficit of \$20,435

Celebration Fund - Fund Balance



- Funds used for annual flowerfest celebration
- Expenditures exceeded revenues by \$3,820 during 2005
- No levy in the celebration fund
- Fund balance was a deficit of \$11,832 at 12/31/05

Ambulance Fund - Fund Balance



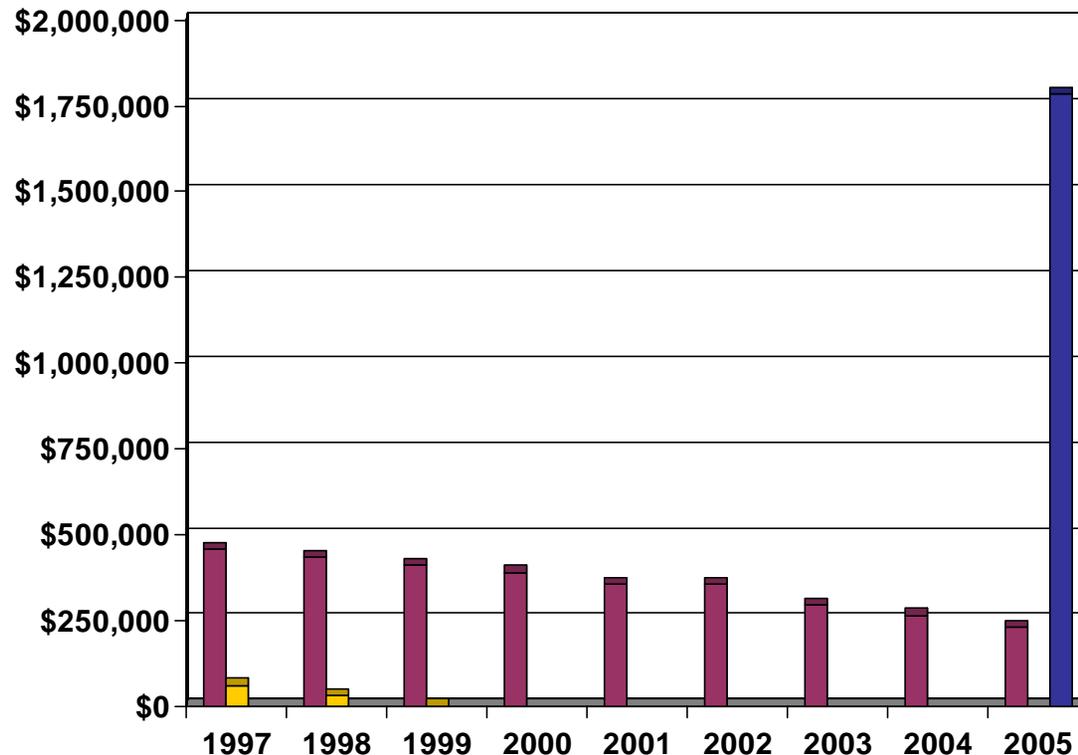
- Fund balance increased \$21,527 to \$179,764 at 12/31/05
- Ambulance fees increased by \$43,351 from \$73,490 in 2004 to \$116,841 in 2005
- Capital lease obligation on ambulance vehicle paid in full during 2005



Debt Service



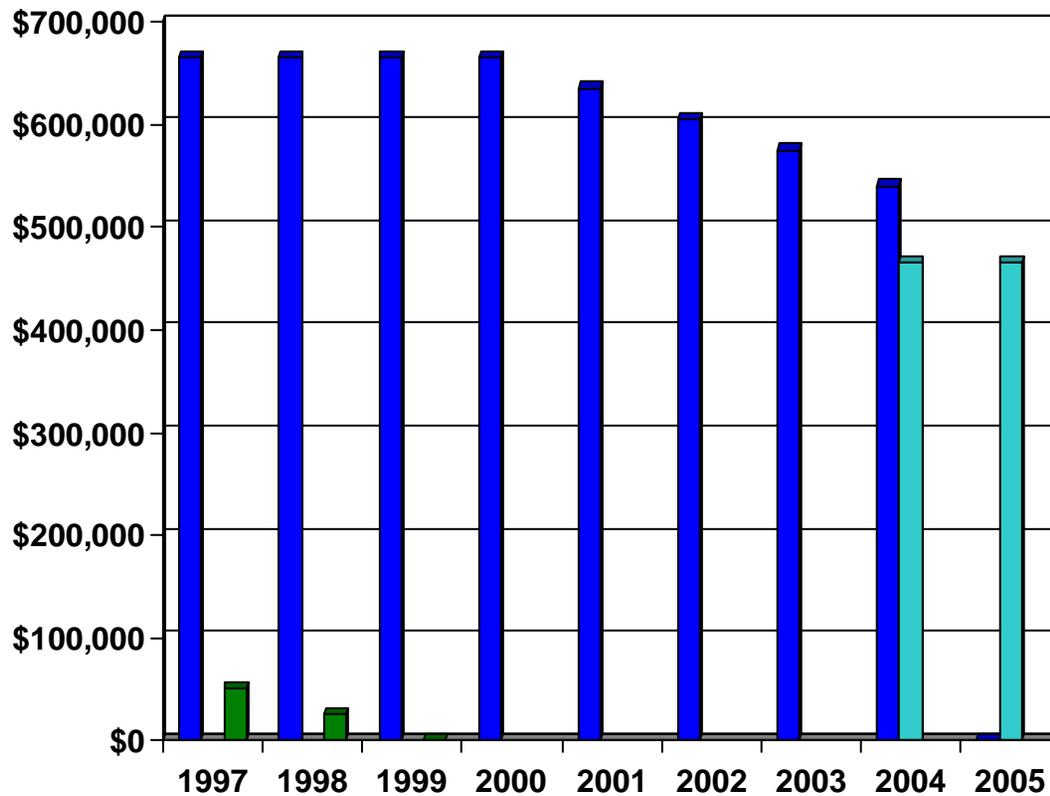
General Obligation Bonds



- Water Impr Bonds of 1983
- GO Impr Bonds of 1988
- Street Impr Bonds of 2005

- GO Bonds Outstanding:
 - Water Impr Bond of 1983
 - Street Impr Bond of 2005
- Supported by property taxes and fund balance reserve of \$191,018
- Water Bonds of 1983 balance at 12/31/05 was \$230,000
- Street GO Bonds of 2005 balance at 12/31/05 was \$1,785,000

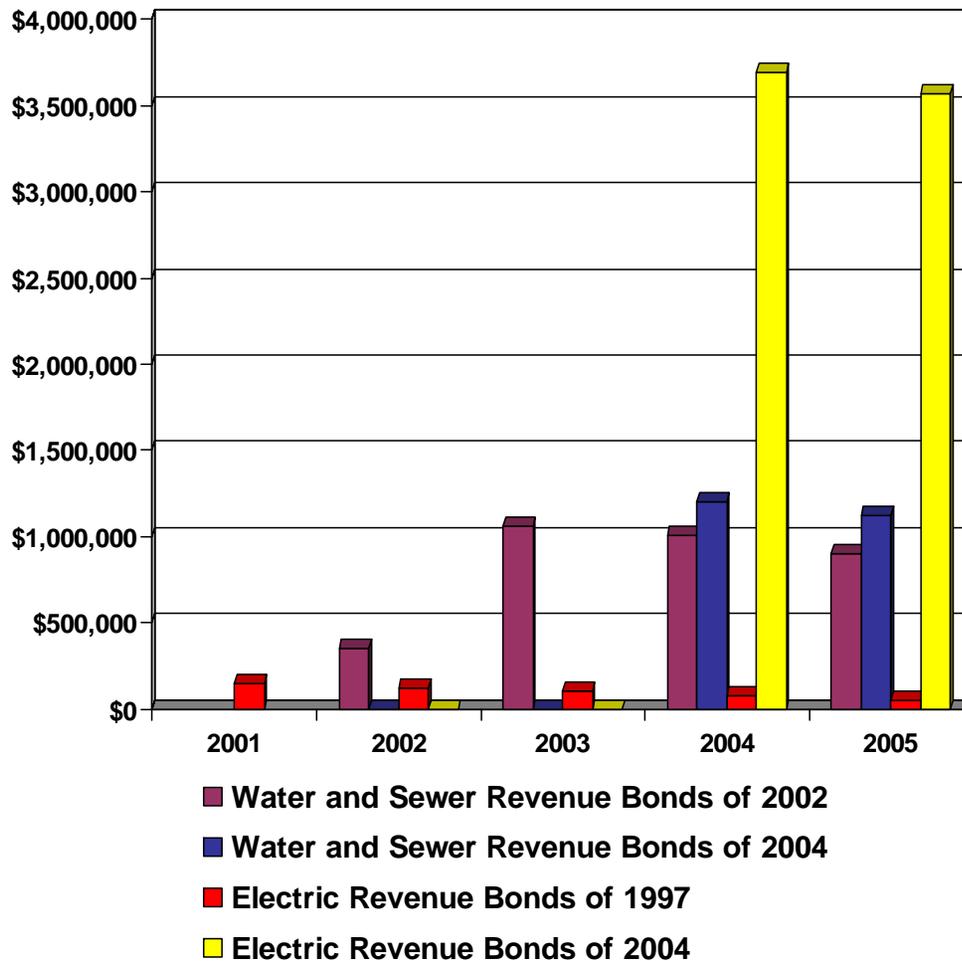
Tax Increment Bonds



- Tax Increment Bond of 1996
- Refunding Tax Increment Bond of 2004
- Tax Increment Bond of 1994

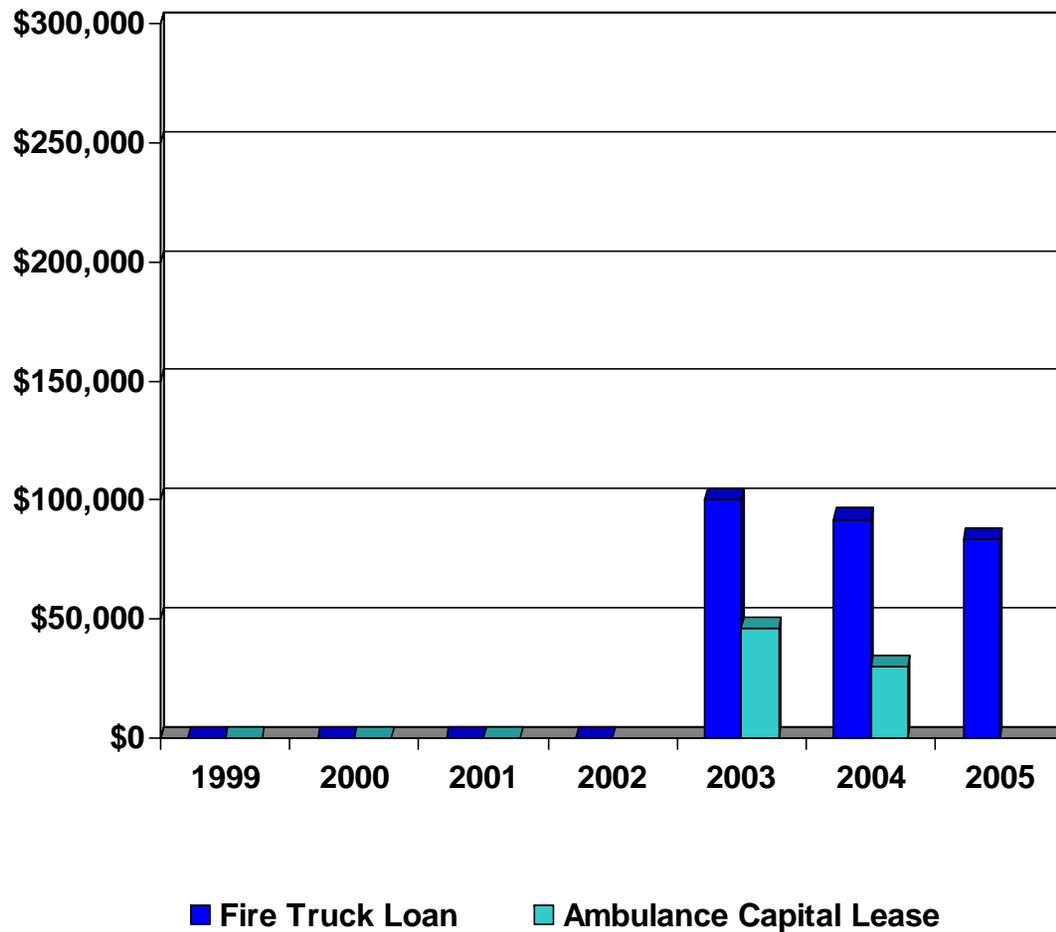
- TIF Bonds are supported by increments on TIF property
- First principal payment on TIF Refunding Bond of 2004 due in 2006
- TIF Bonds of 1996 were paid in full in 2005 with 2004 Refunding Bond proceeds

General Obligation Revenue Bonds



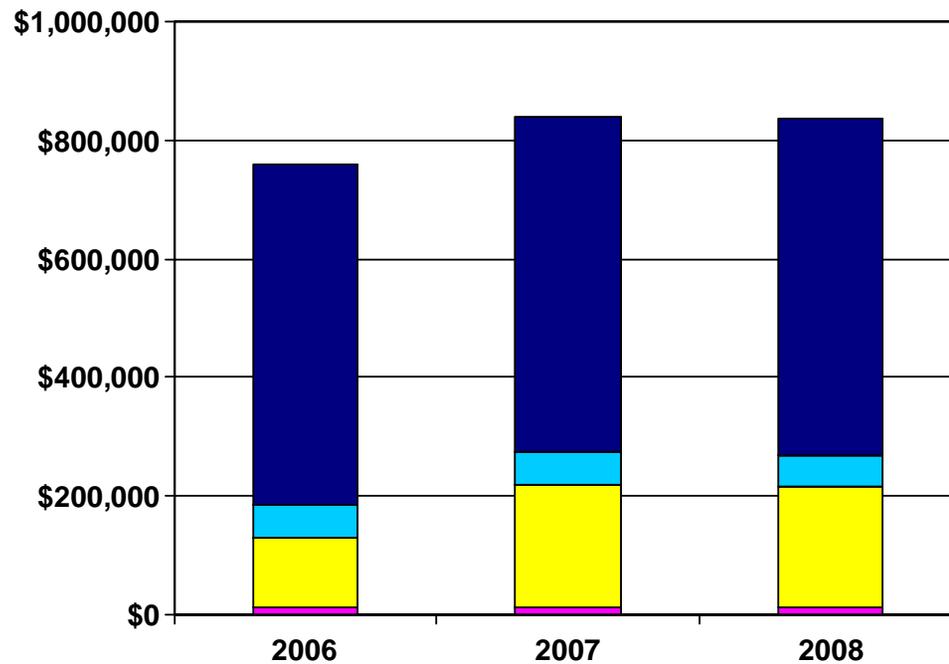
- Revenue Bonds are supported by Utility Fund ratepayers.
- GO Water and Sewer Revenue Bonds of 2002 balance at 12/31/05 was \$905,000
- GO Water and Sewer Revenue Bonds of 2004 balance at 12/31/05 was \$1,120,000
- GO Electric Revenue Bonds of 1997 balance at 12/31/05 was \$55,000
- GO Electric Revenue Bonds of 2004 balance at 12/31/05 was \$3,565,000

Other Long-Term Debt



- Fire Truck Loan balance at 12/31/05 was \$83,452 with payments due until 2013
- Ambulance Capital Lease was paid in full during 2005

5 Year Debt Service Requirements



- Includes both principal and interest

■ Notes payable

■ GO Bonds

■ GO TIF Bonds

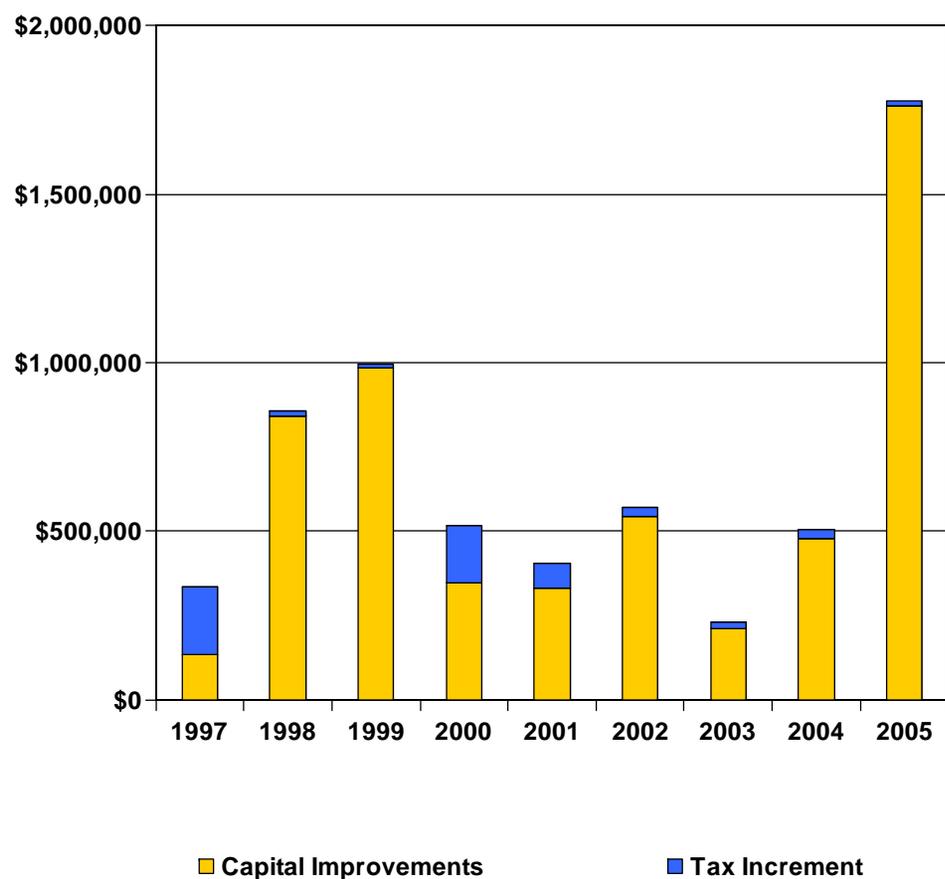
■ GO Revenue Bonds



Capital Projects

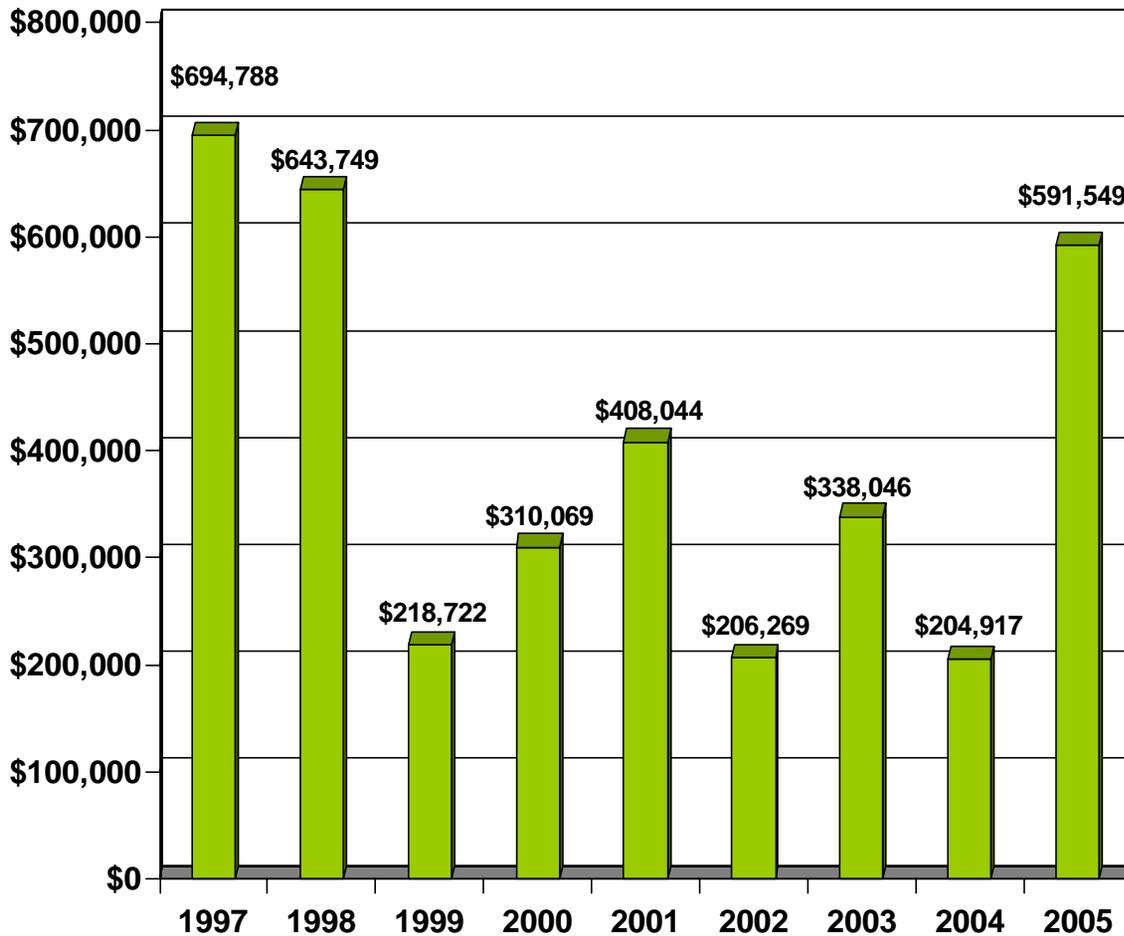


Capital Projects Funds - Expenditures



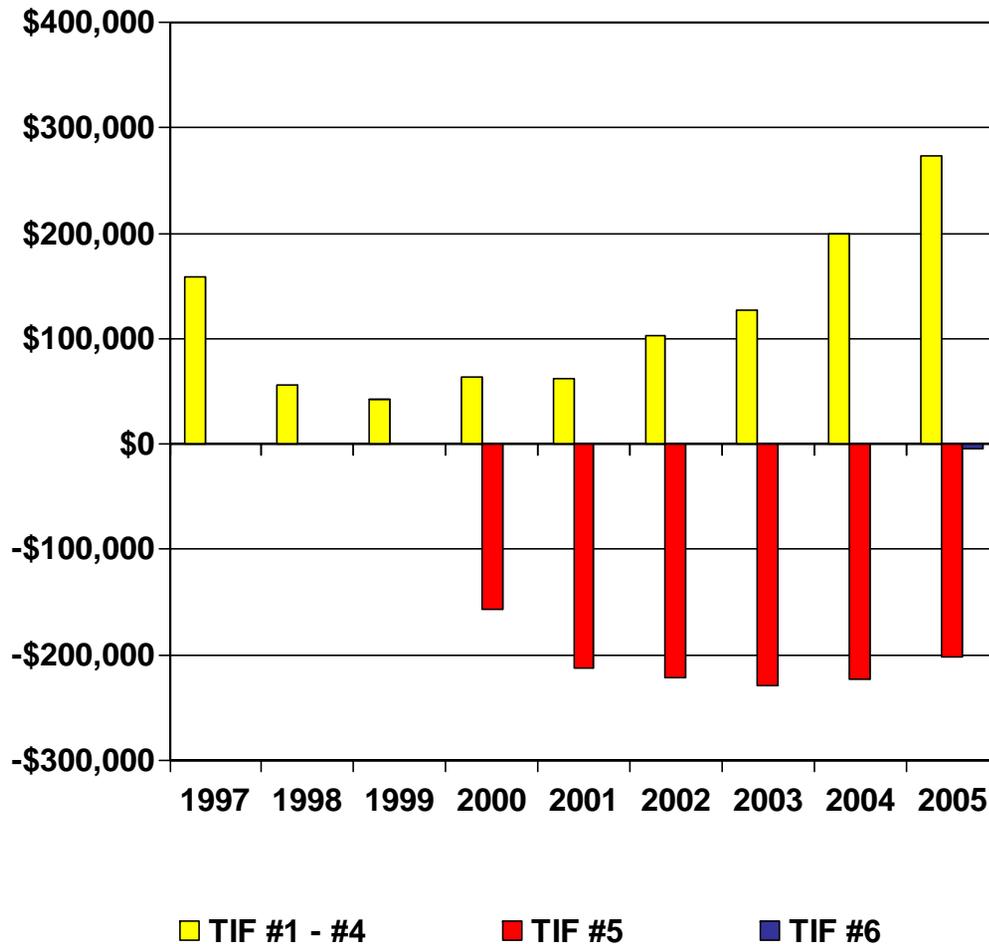
- Major capital improvements in 2005 were:
 - Street improvements \$1,665,514
 - 2006 Taurus \$13,955
 - City hall remodel \$8,592
 - 2005 Explorer \$30,000
 - Office equipment \$11,774

Capital Improvement Fund - Fund Balance



- Funded through property taxes, donations, and interest
- Fund balance totaled \$591,549 at 12/31/05
- Could use Capital Improvement Fund reserves to repay the General Fund for Library remodel

TIF Capital Improvement Fund - Fund Balance



- TIF #5, borrowed from utilities and capital improvements fund for White Water Industrial Park infrastructure
- Expected TIF #5 increment collections increased to \$22,528 in 2005 from \$17,916 in 2004
- TIF #6 new in 2005

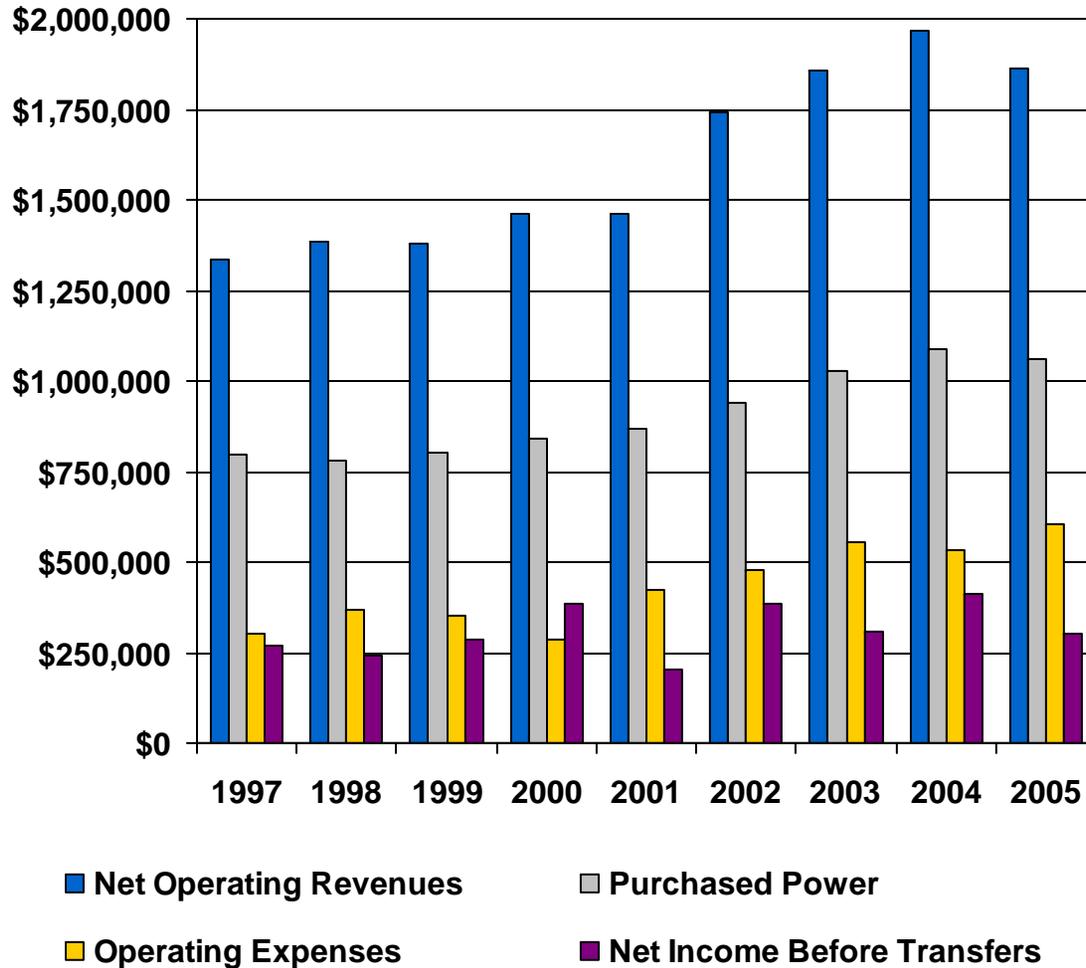


Operational Trends



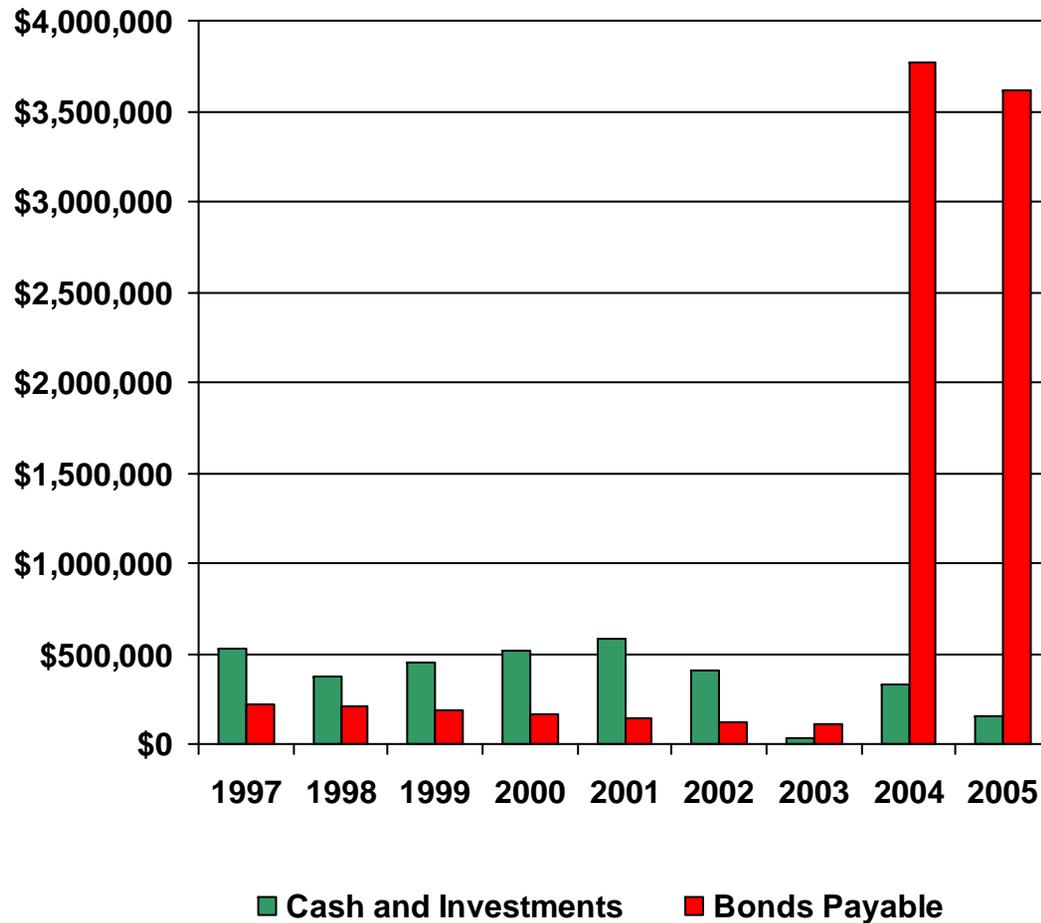
Utility Funds

Electric Fund



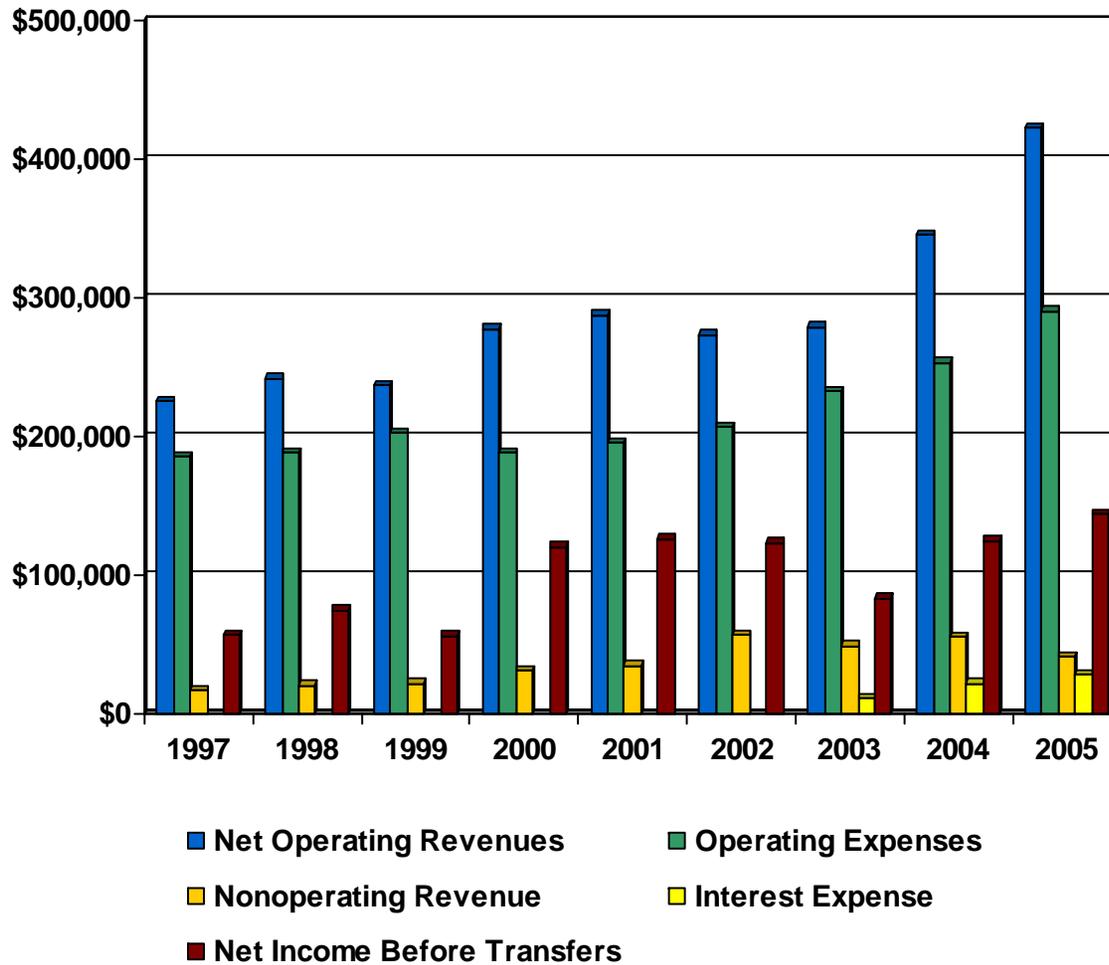
- Electric service is supported by ratepayers
- In lieu of tax payment to the City General fund of \$97,813 in 2005
- Purchase power decrease in 2005 is due in part to the elimination of the demand charge

Electric Fund



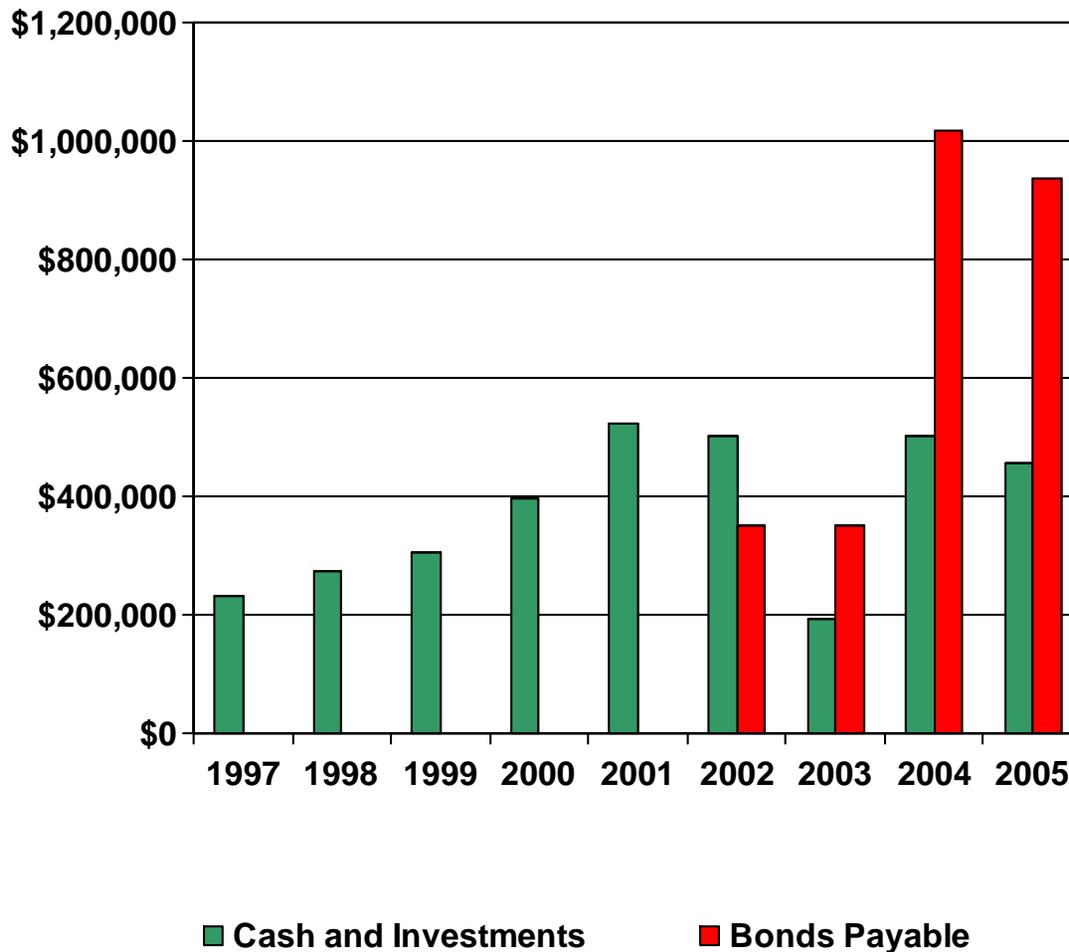
- Issued bond in 2004 to totaling \$3,760,000 for the generation project and other improvements
- Advanced \$126,000 to Economic Development for purchase of old City Hall Building in 2002

Water Fund



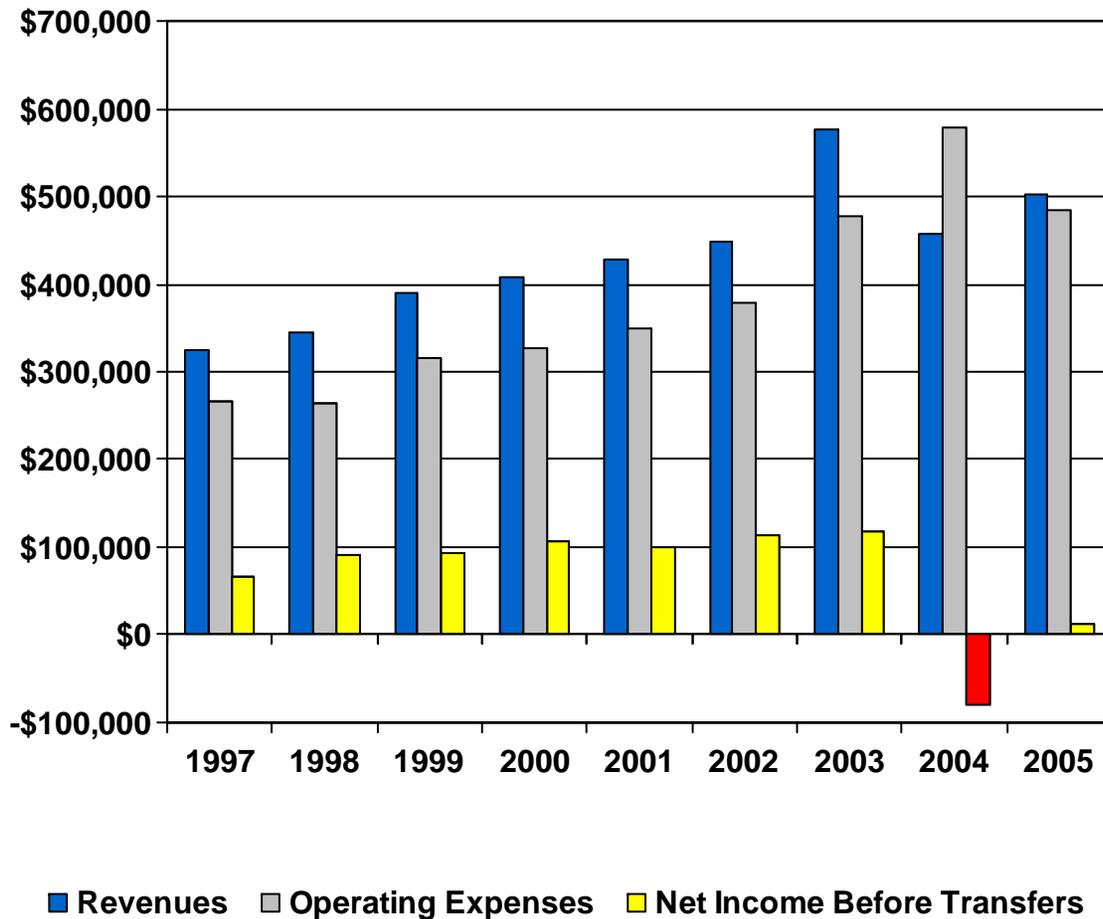
- Water service supported by ratepayers
- Base rate increase from \$7.50 to \$9.00 in 2005
- Revenues totaled \$422,936 in 2005
- In lieu of tax payment to the City General fund of \$17,279 in 2005

Water Fund



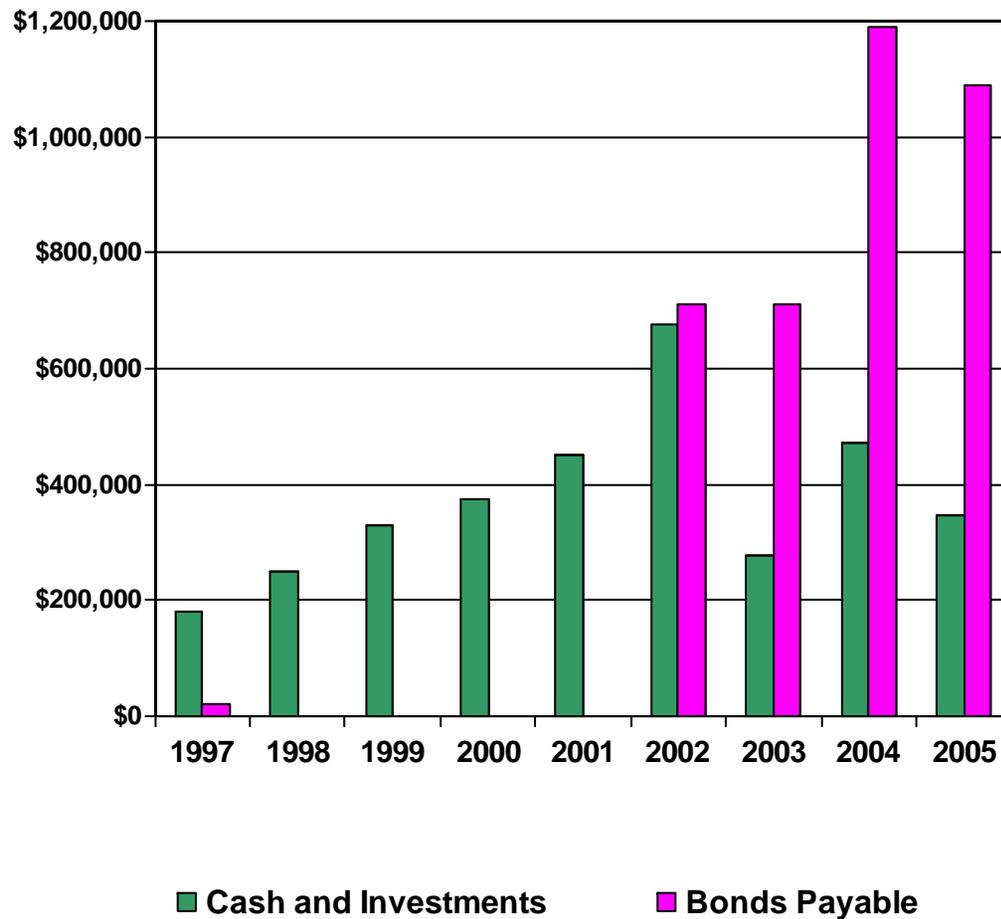
- Should develop cash reserves to be used for future capital replacement
- In 2004 added \$686,850 of the \$1,205,000 GO Utility Revenue Bond of 2004 that was used for water tower improvements and water extensions
- In 2002 added \$349,800 of the \$1,060,000 GO Utility Revenue Bonds of 2002 that was used for water construction costs

Sewer Fund



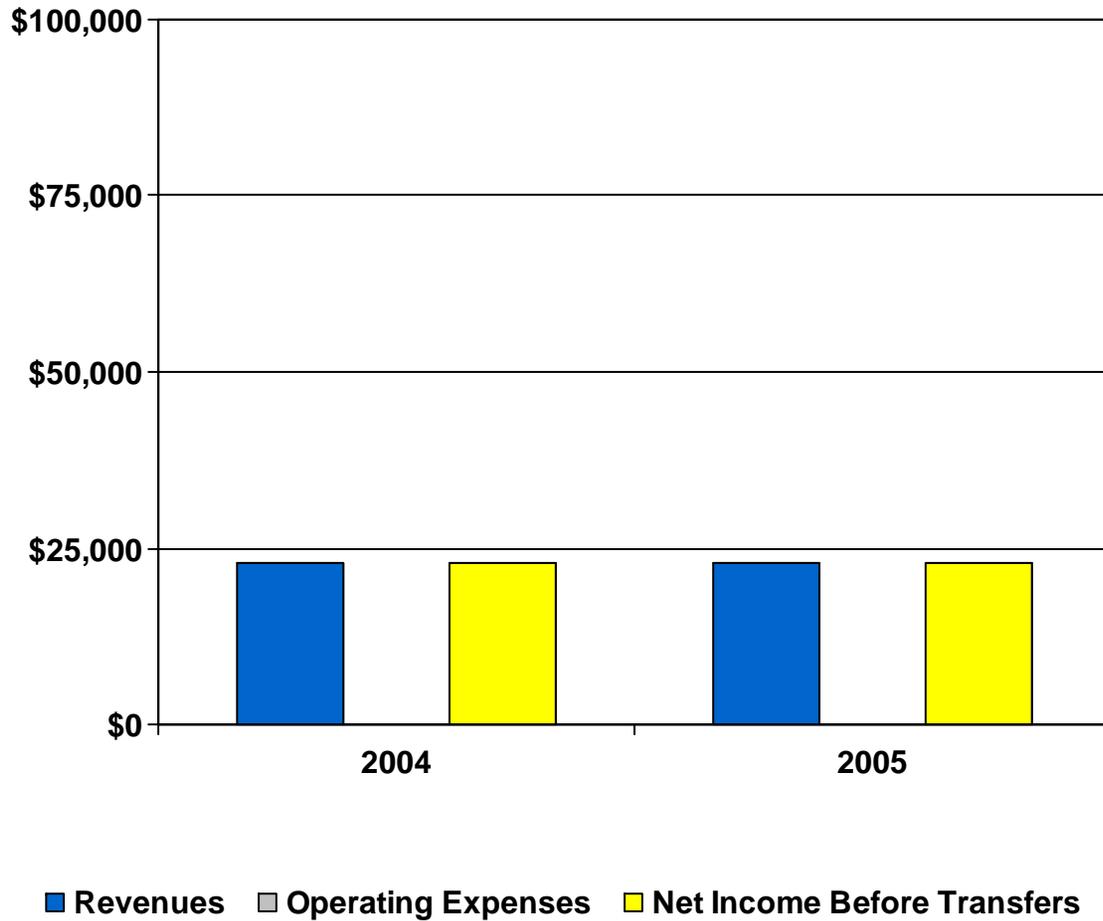
- Sewer service supported by ratepayers
- In lieu of tax payment to the City General fund of \$22,891 in 2005
- Substantial expansion of the Dover Eyota Sanitary Sewer District is under consideration

Sewer Fund



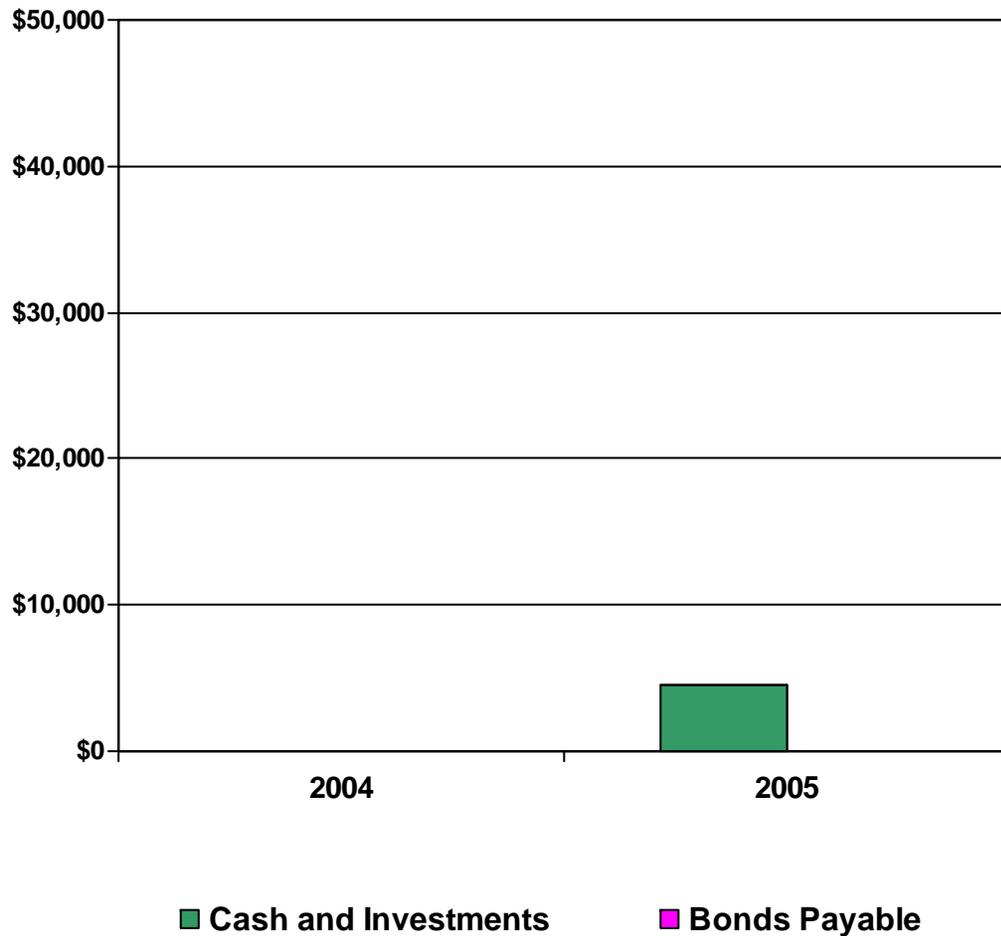
- Should develop cash reserves to be used for future capital replacement
- Issued \$518,150 of the \$1,205,000 GO Utility Revenue Bonds of 2004 that was used for sewer extensions and sewer system improvements
- Issued \$710,200 of the \$1,060,000 GO Utility Revenue Bonds of 2002 that was used for sewer construction costs

Storm Water Fund



- Fund was established in 2004
- Storm water activities are supported by ratepayers

Storm Water Fund



- Fees generated in 2004 were expended on capital assets
- No debt at 12/31/05
- Cash balance of \$4,483 at 12/31/05

Summary

- General Fund reserves equal 68% of annual general fund expenditures
- Ambulance and Fire Funds are building reserves to finance equipment needs and meet debt service requirements
- Capital Improvement fund balance grew to \$591,549 in 2005
- Several funds have negative fund balances which need to be addressed including: Economic Development, Advertising, Celebration and Library
- TIF #5 Capital Improvement is repaying \$180,000 in advances with tax increment receipts
- All debt service funds are being adequately funded and all outstanding bonds are being paid on a timely basis
- Utility Fund revenues continue to keep pace with rising costs and provide payment in lieu of taxes. Substantial debt has been added since 2002.
- Council should approve budget amendments as necessary during the year