

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2009

TABLE OF CONTENTS

| | <u>REFERENCE</u> | <u>PAGE</u> |
|--|------------------|-------------|
| INTRODUCTORY SECTION | | |
| List of Elected and Appointed Officials | | i |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 1 |
| Management's Discussion and Analysis | | 2 |
| Basic Financial Statements | | |
| Government-wide Financial Statements | | |
| Statement of Net Assets | FORM A-1 | 13 |
| Statement of Activities | FORM A-2 | 14 |
| Fund Financial Statements | | |
| Balance Sheet - Governmental Funds | FORM B-1 | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | FORM B-2 | 18 |
| Reconciliation of Net Assets in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements | FORM B-3 | 20 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | FORM B-4 | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund | FORM B-5 | 22 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Economic Development Fund | FORM B-6 | 27 |
| Statement of Net Assets - Proprietary Funds | FORM C-1 | 28 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds | FORM C-2 | 30 |
| Statement of Cash Flows - Proprietary Funds | FORM C-3 | 32 |
| Notes to the Financial Statements | | 36 |
| Combining and Individual Nonmajor Fund Statements and Schedules | | |
| Combining Balance Sheet - Nonmajor Governmental Funds | FORM D-1 | 58 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds | FORM D-2 | 60 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Advertising Fund | FORM D-3 | 62 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Celebration Fund | FORM D-4 | 63 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund | FORM D-5 | 64 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Volunteer Fire Department Fund | FORM D-6 | 65 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Emergency Management Services Fund | FORM D-7 | 66 |

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2009

TABLE OF CONTENTS (CONTINUED)

| | <u>REFERENCE</u> | <u>PAGE</u> |
|--|------------------|-------------|
| FINANCIAL SECTION (CONTINUED) | | |
| Supplementary Information | | |
| Electric Fund: | | |
| Statement of Net Assets | SCHEDULE 1 | 67 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 2 | 68 |
| Water Fund: | | |
| Statement of Net Assets | SCHEDULE 3 | 69 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 4 | 70 |
| Sewer Fund: | | |
| Statement of Net Assets | SCHEDULE 5 | 71 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 6 | 72 |
| Storm Water Fund: | | |
| Statement of Net Assets | SCHEDULE 7 | 73 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 8 | 74 |
| Waste Management Fund: | | |
| Statement of Net Asses | SCHEDULE 9 | 75 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 10 | 76 |
| Ambulance Fund: | | |
| Statement of Net Asses | SCHEDULE 11 | 77 |
| Statement of Revenues, Expenses, and Changes in Fund | | |
| Net Assets - Budget and Actual | SCHEDULE 12 | 78 |
| Summary of Cash and Investments - All Fund Types | SCHEDULE 13 | 79 |
| Bond Retirement Schedules - Governmental Funds | SCHEDULE 14 | 80 |
| Bond Retirement Schedules - Business-Type Funds | SCHEDULE 15 | 82 |
| Auditor's Report on Legal Compliance | | 83 |

CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(This Page Left Blank Intentionally)

**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

| | |
|--------------------|-----------------------|
| William J. Spitzer | Mayor |
| John Schaber | Council/Mayor Pro-Tem |
| Wayne Getz | Council |
| David Braun | Council |
| Orv Dahl | Council |
| Nick Koverman | Clerk Administrator |
| Kristine Huinker | Accountant |
| Janell Dahl | Deputy Clerk |

(This Page is Left Blank Intentionally)

CITY OF ST. CHARLES, MINNESOTA
FINANCIAL SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(This Page is Left Blank Intentionally)



INDEPENDENT AUDITOR'S REPORT

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

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 City of St. Charles, Minnesota as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated April 17, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Charles, Minnesota as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Charles, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 9, 2010

(This Page is Left Blank Intentionally)

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$17,441,352 (*net assets*). Of this amount, \$3,414,951 (unrestricted net assets) 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 assets increased by \$695,043.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,573,900. Approximately 86% of this total amount, or \$1,353,132 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$481,377 or 39% 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 assets* presents information on all of the City of St. Charles, Minnesota's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 13-15 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 twenty-two 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 and the capital improvements fund all of which are considered to be major funds. Data from the other nineteen 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 22-26) and the special revenue funds (page 27 and 62-66) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16-19 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 28-35 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 36 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 58-61 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 assets 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 \$17,441,352 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net assets (80%) 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 Assets | | | | |
|--|---------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | Totals | |
| | Activities | Activities | 2009 | 2008 |
| | _____ | _____ | _____ | _____ |
| Current and other assets | \$ 1,741,826 | \$ 2,279,188 | \$ 4,021,014 | \$ 3,740,297 |
| Capital assets | 7,436,856 | 12,487,431 | 19,924,287 | 20,033,341 |
| Total assets | <u>9,178,682</u> | <u>14,766,619</u> | <u>23,945,301</u> | <u>23,773,638</u> |
| Long-term liabilities | | | | |
| outstanding | 1,887,222 | 4,164,692 | 6,051,914 | 6,519,741 |
| Other liabilities | 103,696 | 348,338 | 452,034 | 507,588 |
| Total liabilities | <u>1,990,918</u> | <u>4,513,030</u> | <u>6,503,948</u> | <u>7,027,329</u> |
| Net assets: | | | | |
| Invested in capital assets, | | | | |
| net of related debt | 5,549,634 | 8,322,739 | 13,872,373 | 13,513,600 |
| Restricted | 154,028 | | 154,028 | 199,648 |
| Unrestricted | <u>1,484,102</u> | <u>1,930,849</u> | <u>3,414,951</u> | <u>3,033,061</u> |
| Total net assets | <u>\$ 7,187,764</u> | <u>\$ 10,253,588</u> | <u>\$ 17,441,352</u> | <u>\$ 16,746,309</u> |

The balance of *unrestricted net assets* (\$3,414,951) 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 assets, 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 assets by \$246,564. The most significant change in governmental net assets is due to the effect of accounting for net assets 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 assets.

**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 assets by \$448,479. The City's electric, water and sewer utilities contributed the most significant portion of that increase, or \$339,882.

A condensed version of the Statement of Activities follows:

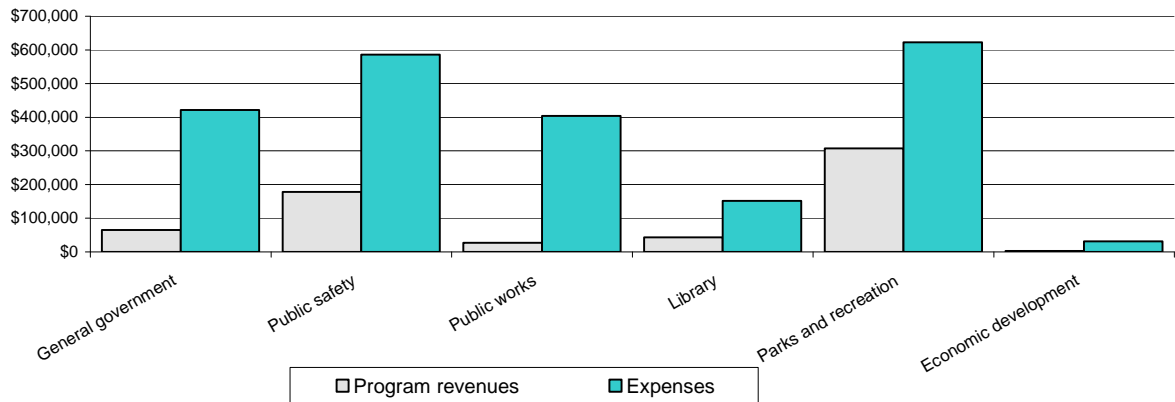
City of St. Charles, Minnesota's Change in Net Assets

| | Governmental | Business-Type | Totals | |
|--|---------------------|----------------------|----------------------|----------------------|
| | Activities | Activities | 2009 | 2008 |
| Revenue: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 292,922 | \$ 4,220,155 | \$ 4,513,077 | \$ 4,705,550 |
| Operating grants and contributions | 122,876 | 18,324 | 141,200 | 151,565 |
| Capital grants and contributions | 208,569 | 22,967 | 231,536 | 31,294 |
| General revenues: | | | | |
| Property taxes | 660,985 | | 660,985 | 658,451 |
| TIF proceeds | 174,462 | | 174,462 | 180,757 |
| Franchise fees | 30,472 | | 30,472 | 36,317 |
| Grants and contributions not restricted to specific programs | 922,778 | | 922,778 | 934,336 |
| Other | 39,964 | 41,865 | 81,829 | 100,017 |
| Total revenues | <u>2,453,028</u> | <u>4,303,311</u> | <u>6,756,339</u> | <u>6,798,287</u> |
| Expenses: | | | | |
| General government | 421,424 | | 421,424 | 433,756 |
| Public safety | 585,688 | | 585,688 | 560,524 |
| Public works | 404,477 | | 404,477 | 409,992 |
| Library | 151,772 | | 151,772 | 166,807 |
| Parks and recreation | 622,651 | | 622,651 | 472,971 |
| Economic development | 31,036 | | 31,036 | 27,973 |
| Interest on long-term debt | 85,916 | | 85,916 | 86,224 |
| Electric | | 2,577,311 | 2,577,311 | 2,927,791 |
| Water | | 357,568 | 357,568 | 399,887 |
| Sewer | | 463,422 | 463,422 | 483,797 |
| Storm water drainage | | 31,229 | 31,229 | 10,403 |
| Waste management | | 165,768 | 165,768 | 152,104 |
| Ambulance | | 163,034 | 163,034 | 162,705 |
| Total expenses | <u>2,302,964</u> | <u>3,758,332</u> | <u>6,061,296</u> | <u>6,294,934</u> |
| Increase in net assets before transfers | 150,064 | 544,979 | 695,043 | 503,353 |
| Transfers | 96,500 | (96,500) | | |
| Increase in net assets | <u>246,564</u> | <u>448,479</u> | <u>695,043</u> | <u>503,353</u> |
| Net assets, beginning of year | 6,941,200 | 9,805,109 | 16,746,309 | 16,204,338 |
| Prior period adjustment (Note 5) | | | | 38,618 |
| Net assets, beginning of year as restated | <u>6,941,200</u> | <u>9,805,109</u> | <u>16,746,309</u> | <u>16,242,956</u> |
| Net assets, end of year | <u>\$ 7,187,764</u> | <u>\$ 10,253,588</u> | <u>\$ 17,441,352</u> | <u>\$ 16,746,309</u> |

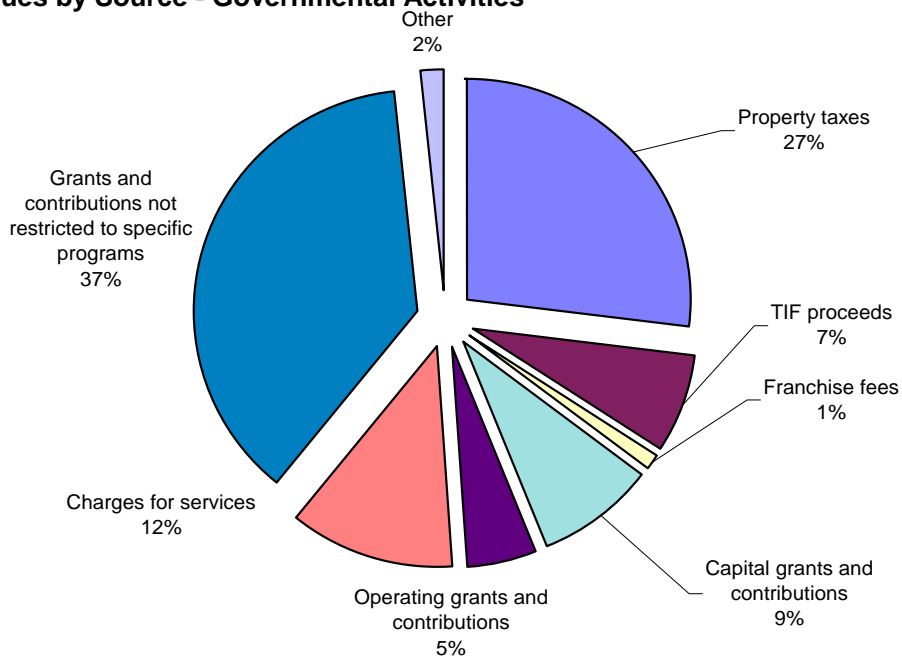
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Expenses and Program Revenues - Governmental Activities



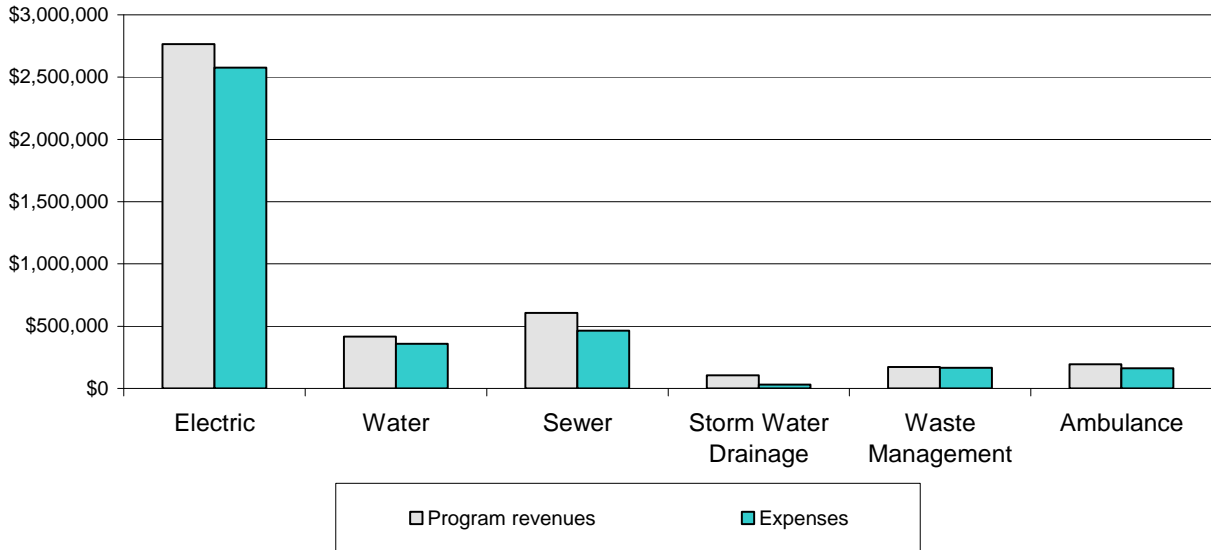
Revenues by Source - Governmental Activities



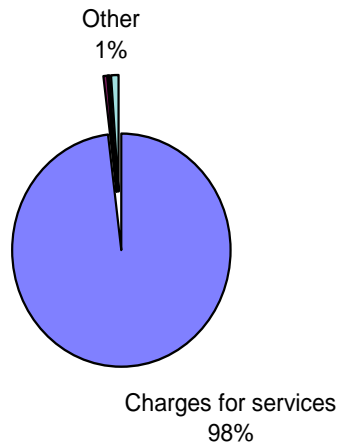
**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,573,900, an increase of \$210,298. Approximately 86% of this total amount, or \$1,353,132, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unreserved fund balance of the general fund was \$481,377. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39% of total general fund expenditures.

The general fund's total fund balance increased by \$104,590 during the current fiscal year. This year's increase was primarily due to several contributing factors: Police Aid revenue increase (\$10,910), FEMA Grant receipt (\$18,440), and cable franchise fees from Hiawatha Broadband Communications (HBC), in the amount of \$25,929 that remained in the general fund account after the City renegotiated its 5-year contract thereby retaining those revenues. In addition, while Minnesota cities were unallotted a percent of their Local Government Aid contribution and St. Charles anticipated being part of those cuts, in the end St. Charles was "held harmless." However, the Council elected to maintain cuts of \$74,000+ thereby contributing to the unreserved fund balance.

The economic development fund increased its fund balance by \$32,297 due to a separate planned property tax levy. Previously the City levied for economic development through the general fund and transferred those property tax revenues. This change to a separate planned property tax levy makes the use of those dollars more transparent.

The capital improvement fund increased its fund balance by \$9,194 for the year, and ended the year with a balance of \$210,049. This year's increase was primarily due to a planned delay in CIP projects due to the proposed unallotment.

The debt service funds have a total fund balance of \$199,648 all of which is reserved 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 28-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted assets in the respective proprietary funds are Electric - \$1,026,211, Water - \$430,099, Sewer - \$224,466, Storm Water - \$32,511, Waste Management - \$(36,362), Ambulance - \$181,200.

Rates increased in the Electric, Water, Sewer, Storm Water and Waste Management proprietary funds during 2009 in order to maintain infrastructure and allow for future improvements.

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

Proprietary funds (continued). As part of the state mandated conservation improvement program (1.5 percent of gross revenues), \$100,000 of electric proprietary funds were budgeted and saved to expend during the 2010 calendar year for electric reduction programs. This will be on an annual ongoing program as mandated by the State of Minnesota.

General Fund Budgetary Highlights

The City amended its budget to recognize additional unplanned obligations during the year and offset this somewhat with additional revenue sources.

Differences between the original budget and the final budget for the general fund can be briefly summarized as follows:

- Elimination of previous transfers to the library (\$10,000) and Economic Development Authority (\$10,000).
- Franchise fees paid to HBC were eliminated at the end of 2008 and additional revenue was captured beginning in 2009 in the amount of \$25,929.
- 2009 gas and oil prices decreased dramatically from 2008.
- Two salary shift percentage allocations from the general fund to the electric fund was made from the general fund to more accurately reflect time spent.
- Library staff scheduling reductions were made to decrease scheduled overlap.
- Overall, department operating budgets were scrutinized on a monthly basis to try and offset the impact of the loss of North Star Foods.

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, 2009, amounts to \$19,924,287 (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 a decrease in it's investment in capital assets for the current fiscal year of \$109,054.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

| | Governmental Activities | Business-Type Activities | Totals | |
|----------------------------|----------------------------|-----------------------------|----------------------|----------------------|
| | | | 2009 | 2008 |
| Land | \$ 1,043,289 | \$ 142,189 | \$ 1,185,478 | \$ 1,087,791 |
| Buildings and improvements | 2,375,487 | 4,709,577 | 7,085,064 | 7,304,282 |
| Machinery and equipment | 557,742 | 7,635,665 | 8,193,407 | 8,132,389 |
| Infrastructure | 3,460,338 | | 3,460,338 | 3,508,879 |
| Total | \$ 7,436,856 | \$ 12,487,431 | \$ 19,924,287 | \$ 20,033,341 |

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 46-47 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$6,166,661 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 | Business-Type | Totals | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Activities | Activities | 2009 | 2008 |
| General obligation bonds | \$ 1,573,000 | \$ | \$ 1,573,000 | \$ 1,714,000 |
| General obligation tax increment bonds | 305,000 | | 305,000 | 345,000 |
| General obligation revenue bonds | | 4,115,000 | 4,115,000 | 4,515,000 |
| Notes payable | 45,491 | 128,170 | 173,661 | 75,642 |
| Total | <u>\$ 1,923,491</u> | <u>\$ 4,243,170</u> | <u>\$ 6,166,661</u> | <u>\$ 6,649,642</u> |

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$482,981 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 50.

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

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City of St. Charles, Minnesota's budget for the 2010 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 7.3 percent in 2009, which is consistent as compared to 2008. However, this rate is lower than the states average of 8.3 percent and the national average rate of 9.3 percent.
- As of 2009, City of St. Charles, Minnesota's population is 3,583 people. Since 2000, it has had a population growth of 7.1 percent.
- Compared to the rest of the country, City of St. Charles, Minnesota's cost of living is 21.4 percent lower than the U.S. average.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 40 percent of its General Fund revenues. Due to recent budget cuts at the state level, the City has taken measures to adjust its 2009 budget to reflect the effects of this change.

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

Economic Factors and Next Year's Budgets and Rates (Continued)

- A 2009 electric rate study was completed that demonstrated that the current rate structure did not adequately support the cost of service for the various classes of electric rates. This was taken into account when 2010 rates were established. This rate was also based on assumptions of power purchase cost increases from Dairyland Power Cooperative.
- In April of 2009 North Star Foods, LLC suffered a fire which resulted in a total loss of the business. At the time North Star Foods was the City's largest consumer of electric, water, and sewer as well as its largest employer with 250 employees. To adjust for the losses, budgets and capital improvement projects were immediately frozen or cut to try and offset the anticipated losses. City Council elected not to raise rates to offset any losses until the company made a final determination of whether they would rebuild or not. In January of 2010 the company announced it would not rebuild. A blend of new rates and past operating reductions were adopted to help offset losses. With the loss of North Star Foods, the City will continue to evaluate the economic impact and long term viability and sustainability of its enterprise and general operating funds. After working with its financial advisors, recommended rate increases were made in January of 2010 in order to maintain the City's financial obligations.

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.

(This Page is Left Blank Intentionally)

CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

(This Page is Left Blank Intentionally)

CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals for December 31, 2008

| | Governmental Activities | Business-Type Activities | Totals | |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | | | 2009 | 2008 |
| ASSETS | | | | |
| Cash and investments | \$ 1,565,966 | \$ 1,264,703 | \$ 2,830,669 | \$ 2,615,236 |
| Receivables (net of allowance for uncollectibles) | 180,518 | 613,339 | 793,857 | 717,849 |
| Internal balances | (57,718) | 57,718 | | |
| Due from other governmental units | 36,320 | | 36,320 | 57,362 |
| Inventory | | 332,720 | 332,720 | 323,393 |
| Prepaid items | 16,740 | 10,708 | 27,448 | 26,457 |
| Capital assets: | | | | |
| Nondepreciable | 1,043,289 | 142,189 | 1,185,478 | 1,087,791 |
| Depreciable, net | 6,393,567 | 12,345,242 | 18,738,809 | 18,945,550 |
| Total Assets | <u>9,178,682</u> | <u>14,766,619</u> | <u>23,945,301</u> | <u>23,773,638</u> |
| LIABILITIES | | | | |
| Accounts payable | 39,981 | 288,555 | 328,536 | 376,912 |
| Deposits payable | | 18,250 | 18,250 | 17,050 |
| Accrued interest payable | 36,642 | 26,729 | 63,371 | 70,976 |
| Unearned revenue | | 682 | 682 | 853 |
| Compensated absences | 27,073 | 14,122 | 41,195 | 41,797 |
| Noncurrent liabilities: | | | | |
| Due within one year | 193,614 | 467,655 | 661,269 | 611,151 |
| Due in more than one year | 1,693,608 | 3,697,037 | 5,390,645 | 5,908,590 |
| Total Liabilities | <u>1,990,918</u> | <u>4,513,030</u> | <u>6,503,948</u> | <u>7,027,329</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 5,549,634 | 8,322,739 | 13,872,373 | 13,513,600 |
| Restricted for: | | | | |
| Debt service | 154,028 | | 154,028 | 199,648 |
| Unrestricted | 1,484,102 | 1,930,849 | 3,414,951 | 3,033,061 |
| Total Net Assets | <u>\$ 7,187,764</u> | <u>\$ 10,253,588</u> | <u>\$ 17,441,352</u> | <u>\$ 16,746,309</u> |

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|---------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 421,424 | \$ 51,442 | \$ 13,817 | \$ |
| Public safety | 585,688 | 117,338 | 60,864 | 145 |
| Public works | 404,477 | 120 | 8,330 | 18,440 |
| Library | 151,772 | 3,186 | 39,865 | 95 |
| Parks and recreation | 622,651 | 117,660 | | 189,889 |
| Economic development | 31,036 | 3,176 | | |
| Interest on long-term debt | 85,916 | | | |
| Total governmental activities | <u>2,302,964</u> | <u>292,922</u> | <u>122,876</u> | <u>208,569</u> |
| Business-Type activities: | | | | |
| Electric | 2,577,311 | 2,764,756 | | |
| Water | 357,568 | 417,381 | | |
| Sewer | 463,422 | 606,655 | | |
| Storm water drainage | 31,229 | 82,757 | | 22,967 |
| Waste management | 165,768 | 172,522 | | |
| Ambulance | 163,034 | 176,084 | 18,324 | |
| Total business-type activities | <u>3,758,332</u> | <u>4,220,155</u> | <u>18,324</u> | <u>22,967</u> |
| Total | <u>\$ 6,061,296</u> | <u>\$ 4,513,077</u> | <u>\$ 141,200</u> | <u>\$ 231,536</u> |

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 assets
Net assets - beginning
Prior period adjustment (Note 5)
Net assets - beginning as restated
Net assets - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Totals | |
|----------------------------|-----------------------------|----------------------|----------------------|
| | | 2009 | 2008 |
| \$ (356,165) | | \$ (356,165) | \$ (395,660) |
| (407,341) | | (407,341) | (419,956) |
| (377,587) | | (377,587) | (391,370) |
| (108,626) | | (108,626) | (115,801) |
| (315,102) | | (315,102) | (348,716) |
| (27,860) | | (27,860) | (23,637) |
| (85,916) | | (85,916) | (86,224) |
| <u>(1,678,597)</u> | | <u>(1,678,597)</u> | <u>(1,781,364)</u> |
| | \$ 187,445 | 187,445 | 199,542 |
| | 59,813 | 59,813 | 42,846 |
| | 143,233 | 143,233 | 80,679 |
| | 74,495 | 74,495 | 36,334 |
| | 6,754 | 6,754 | 4,305 |
| | <u>31,374</u> | <u>31,374</u> | <u>11,133</u> |
| | 503,114 | 503,114 | 374,839 |
| <u>(1,678,597)</u> | <u>503,114</u> | <u>(1,175,483)</u> | <u>(1,406,525)</u> |
| 660,985 | | 660,985 | 658,451 |
| 174,462 | | 174,462 | 180,757 |
| 30,472 | | 30,472 | 36,317 |
| 922,778 | | 922,778 | 934,336 |
| 36,388 | 41,865 | 78,253 | 73,594 |
| 3,576 | | 3,576 | 26,423 |
| <u>96,500</u> | <u>(96,500)</u> | | |
| <u>1,925,161</u> | <u>(54,635)</u> | <u>1,870,526</u> | <u>1,909,878</u> |
| <u>246,564</u> | <u>448,479</u> | <u>695,043</u> | <u>503,353</u> |
| 6,941,200 | 9,805,109 | 16,746,309 | 16,204,338 |
| | | | <u>38,618</u> |
| <u>6,941,200</u> | <u>9,805,109</u> | <u>16,746,309</u> | <u>16,242,956</u> |
| <u>\$ 7,187,764</u> | <u>\$ 10,253,588</u> | <u>\$ 17,441,352</u> | <u>\$ 16,746,309</u> |

(This Page is Left Blank Intentionally)

CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

**CITY OF ST. CHARLES, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2009

With Comparative Totals for December 31, 2008

| | 10 General | 34 Economic Development | 25 Capital Improvements Fund |
|---|-------------------|-------------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 470,235 | \$ 82,842 | \$ 137,779 |
| Accounts receivable | 11,881 | | 37,510 |
| Loans and contracts receivable | | 100,469 | |
| Taxes receivable delinquent | 2,397 | 26 | 5,221 |
| Special assessments receivable: | | | |
| Deferred | 6,312 | | 2,598 |
| Due from other funds | 14,066 | | |
| Due from other governmental units | 834 | 302 | 2,010 |
| Advances from other funds | | | 50,000 |
| Prepaid expense | 13,244 | | |
| | <u>\$ 518,969</u> | <u>\$ 183,639</u> | <u>\$ 235,118</u> |
| TOTAL ASSETS | | | |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ 15,639 | \$ | \$ 17,251 |
| Due to other funds | | | |
| Advances to other funds | | 24,718 | |
| Deferred revenue | 8,709 | 100,494 | 7,818 |
| Total Liabilities | <u>24,348</u> | <u>125,212</u> | <u>25,069</u> |
| Fund Balance: | | | |
| Reserved for: | | | |
| Advances | | | 50,000 |
| Prepaid items | 13,244 | | |
| Debt service | | | |
| Unreserved, designated | | 58,427 | 160,049 |
| Unreserved, undesignated, reported in: | | | |
| General fund | 481,377 | | |
| Special revenue funds | | | |
| Total Fund Balance | <u>494,621</u> | <u>58,427</u> | <u>210,049</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 518,969</u> | <u>\$ 183,639</u> | <u>\$ 235,118</u> |

See Notes to the Financial Statements

FORM B-1

| Other Governmental Funds | Total Governmental Funds | |
|--------------------------------|--------------------------|---------------------|
| | 2009 | 2008 |
| \$ 875,110 | \$ 1,565,966 | \$ 1,428,900 |
| 3,180 | 52,571 | 17,271 |
| | 100,469 | 123,746 |
| 10,924 | 18,568 | 16,534 |
| | 8,910 | 8,521 |
| 1,825 | 15,891 | 5,619 |
| 33,174 | 36,320 | 57,323 |
| | 50,000 | 50,000 |
| 3,496 | 16,740 | 16,222 |
| <u>\$ 927,709</u> | <u>\$ 1,865,435</u> | <u>\$ 1,724,136</u> |
| | | |
| \$ 7,091 | \$ 39,981 | \$ 63,295 |
| 15,891 | 15,891 | 5,619 |
| 83,000 | 107,718 | 142,818 |
| 10,924 | 127,945 | 148,802 |
| <u>116,906</u> | <u>291,535</u> | <u>360,534</u> |
| | 50,000 | 50,000 |
| 3,496 | 16,740 | 16,222 |
| 154,028 | 154,028 | 199,648 |
| 449,833 | 668,309 | 562,033 |
| | 481,377 | 377,079 |
| 203,446 | 203,446 | 158,620 |
| <u>810,803</u> | <u>1,573,900</u> | <u>1,363,602</u> |
| | | |
| <u>\$ 927,709</u> | <u>\$ 1,865,435</u> | <u>\$ 1,724,136</u> |

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

For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | 10 General | 34 Economic Development | 25 Capital Improvements Fund |
|--|-------------------|-------------------------------|---------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 98,693 | \$ | \$ 233,104 |
| Property taxes - Special EDA taxing district | | 34,634 | |
| Tax increments | | | |
| Special assessments | 736 | | 1,281 |
| Licenses and permits | 29,558 | | |
| Fines and forfeits | 9,887 | | |
| Intergovernmental revenues | 930,667 | | 26,392 |
| Charges for services | 165,345 | | |
| Interest income | 16,968 | 5,987 | 1,792 |
| Donations | | | |
| Loan repayment | | 22,712 | |
| Miscellaneous revenues | 4,242 | | 34,993 |
| TOTAL REVENUES | 1,256,096 | 63,333 | 297,562 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 283,534 | | 2,795 |
| Public safety | 363,600 | | |
| Public works | 235,909 | | |
| Library | | | |
| Parks and recreation | 358,463 | | |
| Economic development | | 31,036 | |
| Capital Outlay | | | 270,573 |
| Debt Service | | | |
| TOTAL EXPENDITURES | 1,241,506 | 31,036 | 273,368 |
| Excess (deficiency) of revenues over (under) expenditures | 14,590 | 32,297 | 24,194 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 96,500 | | |
| Transfers out | (6,500) | | (15,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | 90,000 | | (15,000) |
| Net change in fund balances | 104,590 | 32,297 | 9,194 |
| FUND BALANCES, beginning | 390,031 | 26,130 | 200,855 |
| FUND BALANCES, ending | \$ 494,621 | \$ 58,427 | \$ 210,049 |

See Notes to the Financial Statements

FORM B-2

| Other Governmental Funds | Total Governmental Funds | |
|--------------------------------|--------------------------|---------------------|
| | 2009 | 2008 |
| \$ 292,520 | \$ 624,317 | \$ 657,394 |
| | 34,634 | |
| 174,462 | 174,462 | 180,757 |
| | 2,017 | 1,729 |
| | 29,558 | 32,499 |
| | 9,887 | 18,251 |
| 238,604 | 1,195,663 | 1,056,992 |
| 107,326 | 272,671 | 225,654 |
| 11,641 | 36,388 | 41,336 |
| 24,860 | 24,860 | 42,095 |
| | 22,712 | 37,214 |
| 7,481 | 46,716 | 30,030 |
| <u>856,894</u> | <u>2,473,885</u> | <u>2,323,951</u> |
| 48,730 | 335,059 | 363,716 |
| 151,455 | 515,055 | 488,800 |
| | 235,909 | 277,984 |
| 120,577 | 120,577 | 135,136 |
| | 358,463 | 395,797 |
| | 31,036 | 115,473 |
| 215,983 | 486,556 | 426,884 |
| <u>277,432</u> | <u>277,432</u> | <u>270,195</u> |
| <u>814,177</u> | <u>2,360,087</u> | <u>2,473,985</u> |
| <u>42,717</u> | <u>113,798</u> | <u>(150,034)</u> |
| 86,987 | 183,487 | 349,511 |
| <u>(65,487)</u> | <u>(86,987)</u> | <u>(432,008)</u> |
| <u>21,500</u> | <u>96,500</u> | <u>(82,497)</u> |
| 64,217 | 210,298 | (232,531) |
| <u>746,586</u> | <u>1,363,602</u> | <u>1,596,133</u> |
| <u>\$ 810,803</u> | <u>\$ 1,573,900</u> | <u>\$ 1,363,602</u> |

**CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2009**

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

| | | |
|--|--------------------|---------------------|
| Total governmental fund balances (page 17) | | \$ 1,573,900 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental funds - capital assets | \$ 11,197,531 | |
| Less: Accumulated depreciation | <u>(3,760,675)</u> | 7,436,856 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Delinquent property taxes and special assessments | \$ 18,568 | |
| Deferred special assessments | 8,883 | |
| Contracts receivable | <u>100,494</u> | 127,945 |
| 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 | \$ (1,923,491) | |
| Compensated absences | (27,073) | |
| Accrued interest | (36,642) | |
| Unamortized bond issuance costs | <u>36,269</u> | <u>(1,950,937)</u> |
| Net assets of governmental activities (page 13) | | <u>\$ 7,187,764</u> |

**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, 2009**

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

| | | |
|---|----|-----------------------|
| Net change in fund balances - total governmental funds (page 19) | \$ | 210,298 |
| <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 - capital projects fund | \$ | 486,556 |
| Depreciation expense | | <u>(397,753)</u> |
| | | 88,803 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p> | | |
| | | (225,048) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Deferred revenue December 31, 2009 | \$ | 127,945 |
| Deferred revenue December 31, 2008 | | <u>(148,802)</u> |
| | | (20,857) |
| <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> | | |
| Change in compensated absences | | 1,852 |
| <p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p> | | |
| Principal retirement on long-term debt | \$ | 187,211 |
| Change in accrued interest | | <u>4,305</u> |
| | | <u>191,516</u> |
| Change in net assets of governmental activities (pages 15) | \$ | <u><u>246,564</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|-----------------------------------|---------------------|---------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ 91,907 | \$ 91,907 | \$ 98,693 | \$ 6,786 | \$ 140,112 |
| Special Assessments | 5,000 | 5,000 | 736 | (4,264) | 1,729 |
| Licenses and Permits | | | | | |
| Business and nonbusiness licenses | 6,200 | 6,200 | 6,208 | 8 | 11,129 |
| Building permits | 15,000 | 15,000 | 23,350 | 8,350 | 21,370 |
| Total Licenses and Permits | 21,200 | 21,200 | 29,558 | 8,358 | 32,499 |
| Intergovernmental Revenues | | | | | |
| Local government aid | 856,623 | 856,623 | 856,623 | | 686,572 |
| Market value credit | 15,952 | 15,952 | 15,952 | | 17,062 |
| Police aid | 18,000 | 18,000 | 28,910 | 10,910 | 26,750 |
| PERA aid | 2,412 | 2,412 | 2,412 | | 2,412 |
| Highway | 5,000 | 5,000 | 8,330 | 3,330 | |
| FEMA grant | | | 18,440 | 18,440 | 16,867 |
| Total Intergovernmental Revenues | 897,987 | 897,987 | 930,667 | 32,680 | 749,663 |
| Charges For Services | | | | | |
| Street | 500 | 500 | 120 | (380) | 1,755 |
| Swimming pool | 89,200 | 89,200 | 78,409 | (10,791) | 81,620 |
| Park and recreation | 43,000 | 43,000 | 35,394 | (7,606) | 37,883 |
| Cable franchise fees | 30,000 | 30,000 | 30,472 | 472 | 36,317 |
| Senior center rental | 3,000 | 3,000 | 3,857 | 857 | 3,382 |
| Natural gas franchise fees | 16,500 | 16,500 | 16,839 | 339 | 16,836 |
| Other | 1,000 | 1,000 | 254 | (746) | |
| Total Charges For Services | 183,200 | 183,200 | 165,345 | (17,855) | 177,793 |
| Fines and Forfeits | | | | | |
| Court fines and other | 18,000 | 18,000 | 9,887 | (8,113) | 18,251 |
| Interest Income | 11,000 | 11,000 | 16,968 | 5,968 | 11,295 |
| Miscellaneous Revenues | | | | | |
| Other | 1,950 | 1,950 | 4,242 | 2,292 | 24,926 |
| TOTAL REVENUES | \$ 1,230,244 | \$ 1,230,244 | \$ 1,256,096 | \$ 25,852 | \$ 1,156,268 |

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, 2009

With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|-------------------|-------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| EXPENDITURES | | | | | |
| General Government | | | | | |
| Mayor and Council | | | | | |
| Salaries | \$ 30,400 | \$ 27,400 | \$ 26,828 | \$ 572 | \$ 27,325 |
| Transportation and training | 2,000 | 2,000 | 2,298 | (298) | 1,737 |
| Printing and publication | 300 | 300 | 80 | 220 | |
| Other | 500 | 500 | | 500 | 122 |
| Total Mayor and Council | <u>33,200</u> | <u>30,200</u> | <u>29,206</u> | <u>994</u> | <u>29,184</u> |
| Election and Voter Registration | <u>4,800</u> | <u>4,800</u> | | <u>4,800</u> | <u>3,537</u> |
| General and Financial Administration | | | | | |
| Salaries | 75,728 | 75,728 | 74,143 | 1,585 | 69,135 |
| Employee benefits and retirement | 19,440 | 20,440 | 20,754 | (314) | 14,523 |
| Supplies and minor equipment | 8,000 | 7,000 | 6,990 | 10 | 7,274 |
| Communication | 6,000 | 31,000 | 5,071 | 25,929 | 27,302 |
| Transportation and training | 4,000 | 3,000 | 2,588 | 412 | 4,000 |
| Printing and publication | 1,750 | | | | 1,220 |
| Insurance | 5,500 | 5,500 | 4,754 | 746 | 4,920 |
| Repairs and maintenance | 7,500 | 6,500 | 8,024 | (1,524) | 7,191 |
| Assessor | 15,000 | 15,000 | 16,200 | (1,200) | 16,009 |
| Accounting and audit | 10,000 | 9,000 | 8,880 | 120 | 9,210 |
| Legal | 18,000 | 18,000 | 16,415 | 1,585 | 13,446 |
| Planning and zoning | 2,000 | 2,000 | 1,000 | 1,000 | 136 |
| Building inspection | 20,000 | 20,000 | 26,091 | (6,091) | 24,650 |
| Health officer and other | 8,500 | 8,500 | 2,940 | 5,560 | 12,802 |
| Memberships | 10,500 | 10,500 | 10,414 | 86 | 10,474 |
| Other | 14,106 | 15,106 | 19,077 | (3,971) | 22,671 |
| Total General and Financial Administration | <u>226,024</u> | <u>247,274</u> | <u>223,341</u> | <u>23,933</u> | <u>244,963</u> |
| City Hall | | | | | |
| Salaries | 6,500 | 4,500 | 2,598 | 1,902 | 4,686 |
| Employee benefits and retirement | 1,225 | 690 | 339 | 351 | 455 |
| Supplies and minor equipment | 1,500 | 1,500 | 1,876 | (376) | 1,819 |
| Insurance | 1,000 | 1,000 | 861 | 139 | 876 |
| Utilities | 17,250 | 17,250 | 17,250 | | 16,103 |
| Repairs and maintenance | 6,250 | 6,250 | 8,063 | (1,813) | 8,818 |
| Total City Hall | <u>33,725</u> | <u>31,190</u> | <u>30,987</u> | <u>203</u> | <u>32,757</u> |
| Total General Government | <u>\$ 297,749</u> | <u>\$ 313,464</u> | <u>\$ 283,534</u> | <u>\$ 29,930</u> | <u>\$ 310,441</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Favorable (Unfavorable) | 2008 Actual Amounts |
|----------------------------------|-------------------|-------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| EXPENDITURES (continued) | | | | | |
| Public Safety | | | | | |
| Police Department | | | | | |
| Salaries | \$ 231,432 | \$ 231,432 | \$ 239,280 | \$ (7,848) | \$ 230,586 |
| Employee benefits and retirement | 64,769 | 64,769 | 72,584 | (7,815) | 68,324 |
| Supplies and minor equipment | 26,150 | 19,150 | 15,348 | 3,802 | 21,553 |
| Professional services | 7,150 | 7,150 | 7,658 | (508) | 10,549 |
| Communication | 3,600 | 3,600 | 4,070 | (470) | 3,248 |
| Transportation and training | 3,000 | 3,000 | 2,544 | 456 | 4,257 |
| Printing and publication | 200 | 200 | 192 | 8 | 389 |
| Insurance | 7,000 | 7,000 | 5,117 | 1,883 | 5,704 |
| Repairs and maintenance | 10,050 | 10,050 | 12,239 | (2,189) | 13,218 |
| Other | 5,250 | 5,250 | 4,568 | 682 | 5,018 |
| Total Police Department | <u>358,601</u> | <u>351,601</u> | <u>363,600</u> | <u>(11,999)</u> | <u>362,846</u> |
| Total Public Safety | <u>358,601</u> | <u>351,601</u> | <u>363,600</u> | <u>(11,999)</u> | <u>362,846</u> |
| Public Works | | | | | |
| Street Department | | | | | |
| Salaries | 88,142 | 88,142 | 90,685 | (2,543) | 112,845 |
| Employee benefits and retirement | 33,872 | 32,872 | 35,480 | (2,608) | 37,376 |
| Supplies and minor equipment | 23,750 | 15,750 | 12,937 | 2,813 | 19,543 |
| Professional services | 2,500 | 2,500 | 903 | 1,597 | 2,603 |
| Communication | 800 | 800 | 1,234 | (434) | 1,401 |
| Transportation and training | 3,000 | 3,000 | 2,097 | 903 | 3,130 |
| Printing and publication | 100 | 100 | | 100 | 34 |
| Insurance | 6,000 | 6,000 | 4,949 | 1,051 | 4,843 |
| Utilities | 8,000 | 6,500 | 5,445 | 1,055 | 5,594 |
| Repairs and maintenance | 84,330 | 82,330 | 82,144 | 186 | 64,413 |
| FEMA project | | | | | 25,688 |
| Other | 650 | 650 | 35 | 615 | 514 |
| Total Public Works | <u>\$ 251,144</u> | <u>\$ 238,644</u> | <u>\$ 235,909</u> | <u>\$ 2,735</u> | <u>\$ 277,984</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, 2009

With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|----------------------------------|------------------|------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| EXPENDITURES (continued) | | | | | |
| Parks and Recreation | | | | | |
| Recreation | | | | | |
| Salaries | \$ 88,763 | \$ 83,763 | \$ 81,569 | \$ 2,194 | \$ 83,073 |
| Employee benefits and retirement | 16,332 | 16,332 | 16,443 | (111) | 15,764 |
| Supplies and minor equipment | 1,500 | 1,500 | 292 | 1,208 | 158 |
| Communication | 2,000 | 2,000 | 2,054 | (54) | 2,065 |
| Transportation and training | 3,100 | 3,100 | 2,541 | 559 | 1,967 |
| Printing and publication | 500 | | | | 241 |
| Insurance | 3,000 | 3,000 | 2,486 | 514 | 2,595 |
| Repairs and maintenance | 700 | 700 | | 700 | 536 |
| Recreation programs | 28,500 | 23,500 | 22,696 | 804 | 21,958 |
| Other | 2,475 | 2,475 | 3,113 | (638) | 2,396 |
| FEMA project | | | | | 10,092 |
| Capital outlay | 150 | 150 | | 150 | |
| Total Recreation | <u>147,020</u> | <u>136,520</u> | <u>131,194</u> | <u>5,326</u> | <u>140,845</u> |
| Swimming Pool Program | | | | | |
| Salaries | 80,143 | 53,500 | 55,186 | (1,686) | 54,032 |
| Employee benefits and retirement | 6,060 | 6,060 | 6,297 | (237) | 6,375 |
| Supplies and minor equipment | 19,900 | 18,800 | 18,769 | 31 | 18,083 |
| Communication | 500 | 500 | 498 | 2 | 520 |
| Transportation and training | 2,500 | 2,500 | 700 | 1,800 | 2,231 |
| Printing and publication | 600 | | | | 216 |
| Insurance | 10,000 | 9,000 | 7,021 | 1,979 | 8,838 |
| Utilities | 28,000 | 24,000 | 18,623 | 5,377 | 22,152 |
| Repairs and maintenance | 10,500 | 10,500 | 8,819 | 1,681 | 10,128 |
| Other | 4,500 | 4,500 | 3,991 | 509 | 4,062 |
| Total Swimming Pool Program | <u>162,703</u> | <u>129,360</u> | <u>119,904</u> | <u>9,456</u> | <u>126,637</u> |
| Parks | | | | | |
| Salaries | 30,866 | 25,866 | 26,843 | (977) | 30,065 |
| Employee benefits and retirement | 7,802 | 7,802 | 8,829 | (1,027) | 8,232 |
| Supplies and minor equipment | 7,150 | 7,150 | 6,155 | 995 | 6,521 |
| Communication | 500 | 500 | 350 | 150 | 500 |
| Transportation and training | 400 | 400 | 20 | 380 | 290 |
| Printing and publication | 200 | 200 | | 200 | 152 |
| Insurance | 3,200 | 3,200 | 2,791 | 409 | 2,819 |
| Repairs and maintenance | 27,975 | 23,975 | 35,641 | (11,666) | 29,043 |
| FEMA project | | | | | 14,388 |
| Other | 1,900 | 1,900 | 1,542 | 358 | 1,597 |
| Total Parks | <u>\$ 79,993</u> | <u>\$ 70,993</u> | <u>\$ 82,171</u> | <u>\$ (11,178)</u> | <u>\$ 93,607</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, 2009

With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--|-------------------|-------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| EXPENDITURES (continued) | | | | | |
| Forestry | | | | | |
| Insurance | \$ 100 | \$ 100 | \$ 57 | \$ 43 | \$ 69 |
| Repairs and maintenance | 6,000 | 3,000 | 14,391 | (11,391) | 24,800 |
| Other | 4,000 | 2,000 | 349 | 1,651 | 2,000 |
| Total Forestry | <u>10,100</u> | <u>5,100</u> | <u>14,797</u> | <u>(9,697)</u> | <u>26,869</u> |
| Senior Citizens Center | | | | | |
| Insurance | 820 | 820 | 659 | 161 | 800 |
| Utilities | 8,000 | 8,000 | 8,135 | (135) | 6,310 |
| Repairs and maintenance | 1,550 | 1,550 | 1,603 | (53) | 729 |
| Total Senior Citizens Center | <u>10,370</u> | <u>10,370</u> | <u>10,397</u> | <u>(27)</u> | <u>7,839</u> |
| Total Parks and Recreation | <u>410,186</u> | <u>352,343</u> | <u>358,463</u> | <u>(6,120)</u> | <u>395,797</u> |
| TOTAL EXPENDITURES | <u>1,317,680</u> | <u>1,256,052</u> | <u>1,241,506</u> | <u>14,546</u> | <u>1,347,068</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(87,436)</u> | <u>(25,808)</u> | <u>14,590</u> | <u>40,398</u> | <u>(190,800)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 96,500 | 96,500 | 96,500 | | 188,850 |
| Transfers out | <u>(26,500)</u> | <u>(6,500)</u> | <u>(6,500)</u> | | <u>(30,500)</u> |
| Total Other Financing Sources (Uses) | <u>70,000</u> | <u>90,000</u> | <u>90,000</u> | | <u>158,350</u> |
| Net change in fund balances | (17,436) | 64,192 | 104,590 | 40,398 | (32,450) |
| FUND BALANCES, beginning | <u>390,031</u> | <u>390,031</u> | <u>390,031</u> | | <u>422,481</u> |
| FUND BALANCES, ending | <u>\$ 372,595</u> | <u>\$ 454,223</u> | <u>\$ 494,621</u> | <u>\$ 40,398</u> | <u>\$ 390,031</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, 2009
 With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--|------------------|------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy - | | | | | |
| Property tax collected | \$ | \$ | \$ | \$ | \$ |
| Special EDA taxing district | 39,000 | 39,000 | 34,634 | (4,366) | 6,522 |
| Market Value Credit | | | | | 760 |
| Interest Income | 5,230 | 5,230 | 5,987 | 757 | 2,026 |
| Loan Repayment | 27,045 | 27,045 | 22,712 | (4,333) | 37,214 |
| TOTAL REVENUES | <u>71,275</u> | <u>71,275</u> | <u>63,333</u> | <u>(7,942)</u> | <u>46,522</u> |
| EXPENDITURES | | | | | |
| Economic Development | | | | | |
| Professional services | 32,403 | 32,403 | 31,036 | 1,367 | 27,803 |
| Office supplies | | | | | 99 |
| Revolving loans | 4,100 | 4,100 | | 4,100 | 87,500 |
| Other | | | | | 71 |
| TOTAL EXPENDITURES | <u>36,503</u> | <u>36,503</u> | <u>31,036</u> | <u>5,467</u> | <u>115,473</u> |
| Excess (deficiency) of revenues over (under) expenditures | 34,772 | 34,772 | 32,297 | (2,475) | (68,951) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 10,000 | | | | 14,000 |
| Net change in fund balances | 44,772 | 34,772 | 32,297 | (2,475) | (54,951) |
| FUND BALANCES, beginning | <u>26,130</u> | <u>26,130</u> | <u>26,130</u> | | <u>81,081</u> |
| FUND BALANCES, ending | <u>\$ 70,902</u> | <u>\$ 60,902</u> | <u>\$ 58,427</u> | <u>\$ (2,475)</u> | <u>\$ 26,130</u> |

See Notes to the Financial Statements

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

Statement of Net Assets

December 31, 2009

With Comparative Totals for December 31, 2008

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------------|---------------------|-------------------|
| | 70 | 71 | 72 | 73 |
| | Electric | Water | Sewer | Storm Water |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 617,047 | \$ 372,156 | \$ 129,070 | \$ 8,007 |
| Accounts receivable, net | 232,807 | 56,548 | 77,666 | 30,544 |
| Accrued utility revenue | 92,649 | 7,441 | 16,631 | 2,674 |
| Special assessments-deferred | | | 667 | |
| Taxes receivable-delinquent | | | | |
| Due from other governmental units | | | | |
| Advances to other funds | 36,182 | 8,494 | 13,042 | |
| Inventory | 321,151 | 11,569 | | |
| Prepaid expenses | 7,498 | 1,766 | 249 | |
| Total Current Assets | <u>1,307,334</u> | <u>457,974</u> | <u>237,325</u> | <u>41,225</u> |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Nondepreciable | 113,489 | | 28,700 | |
| Depreciable | 9,043,405 | 4,215,965 | 3,242,185 | 423,281 |
| Less: Accumulated depreciation | <u>2,464,491</u> | <u>1,602,156</u> | <u>690,139</u> | <u>23,495</u> |
| Net Capital Assets | <u>6,692,403</u> | <u>2,613,809</u> | <u>2,580,746</u> | <u>399,786</u> |
| Total Assets | <u>7,999,737</u> | <u>3,071,783</u> | <u>2,818,071</u> | <u>441,011</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Current maturities of bonds payable | 175,000 | 120,700 | 119,300 | |
| Current maturities of notes payable | | | 38,000 | |
| Accounts payable | 252,639 | 19,283 | 4,289 | 8,714 |
| Deferred revenue | | | 667 | |
| Customer deposits | 18,250 | | | |
| Accrued interest payable | 10,234 | 8,592 | 7,903 | |
| Total Current Liabilities | <u>456,123</u> | <u>148,575</u> | <u>170,159</u> | <u>8,714</u> |
| Noncurrent Liabilities | | | | |
| Notes payable, net of current maturities | | | | |
| Bonds payable, net of current maturities | 2,795,000 | 462,650 | 442,350 | |
| Less: Unamortized bond discount | <u>(54,907)</u> | <u>(12,016)</u> | <u>(11,555)</u> | |
| Total Noncurrent Liabilities | <u>2,740,093</u> | <u>450,634</u> | <u>430,795</u> | |
| Total Liabilities | <u>3,196,216</u> | <u>599,209</u> | <u>600,954</u> | <u>8,714</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 3,777,310 | 2,042,475 | 1,992,651 | 399,786 |
| Unrestricted | <u>1,026,211</u> | <u>430,099</u> | <u>224,466</u> | <u>32,511</u> |
| Total Net Assets | <u>\$ 4,803,521</u> | <u>\$ 2,472,574</u> | <u>\$ 2,217,117</u> | <u>\$ 432,297</u> |

See Notes to the Financial Statements

FORM C-1

| 23 | | 22 | | Totals | |
|------------------|-------------------|----------------------|---------------------|--------|------|
| Waste Management | Ambulance | 2009 | 2008 | 2009 | 2008 |
| \$ 24,098 | \$ 114,325 | \$ 1,264,703 | \$ 1,186,336 | | |
| 27,126 | 68,571 | 493,262 | 429,471 | | |
| | | 119,395 | 121,453 | | |
| | | 667 | 800 | | |
| | 15 | 15 | 53 | | |
| | | | 39 | | |
| | | 57,718 | 92,818 | | |
| | | 332,720 | 323,393 | | |
| | 1,195 | 10,708 | 10,236 | | |
| <u>51,224</u> | <u>184,106</u> | <u>2,279,188</u> | <u>2,164,599</u> | | |
| | | 142,189 | 142,189 | | |
| | 302,200 | 17,227,036 | 16,774,675 | | |
| | 101,513 | 4,881,794 | 4,456,625 | | |
| | <u>200,687</u> | <u>12,487,431</u> | <u>12,460,239</u> | | |
| <u>51,224</u> | <u>384,793</u> | <u>14,766,619</u> | <u>14,624,838</u> | | |
| | | 415,000 | 400,000 | | |
| | 14,655 | 52,655 | 20,013 | | |
| 14,862 | 2,891 | 302,678 | 326,489 | | |
| | 15 | 682 | 853 | | |
| | | 18,250 | 17,050 | | |
| | | 26,729 | 30,029 | | |
| <u>14,862</u> | <u>17,561</u> | <u>815,994</u> | <u>794,434</u> | | |
| | 75,515 | 75,515 | | | |
| | | 3,700,000 | 4,115,000 | | |
| | | (78,478) | (89,705) | | |
| | <u>75,515</u> | <u>3,697,037</u> | <u>4,025,295</u> | | |
| <u>14,862</u> | <u>93,076</u> | <u>4,513,031</u> | <u>4,819,729</u> | | |
| | 110,517 | 8,322,739 | 8,014,931 | | |
| 36,362 | 181,200 | 1,930,849 | 1,790,178 | | |
| <u>\$ 36,362</u> | <u>\$ 291,717</u> | <u>\$ 10,253,588</u> | <u>\$ 9,805,109</u> | | |

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

**Statement of Revenues, Expenses
and Changes in Fund Net Assets**

For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------------|---------------------|-------------------|
| | 70 Electric | 71 Water | 72 Sewer | 73 Storm Water |
| Operating Revenues | | | | |
| Consumer sales and rentals | \$ 2,763,154 | \$ 409,955 | \$ 556,305 | \$ 82,757 |
| Operating Expenses | | | | |
| Purchased utilities | 1,560,552 | | 286,819 | |
| Salaries | 293,661 | 91,541 | 40,469 | 4,673 |
| Employee benefits and retirement | 84,511 | 24,180 | 10,579 | 357 |
| Gas and oil | 6,071 | | | |
| Generation fuel | 12,082 | | | |
| Supplies and minor equipment | 9,885 | 19,239 | 5,682 | |
| Professional services | 56,272 | 16,003 | 5,565 | 2,964 |
| Communication | 6,705 | 4,410 | 2,813 | |
| Transportation and training | 10,023 | 2,946 | 2,720 | |
| Insurance | 18,371 | 4,455 | 436 | |
| Utilities | 1,867 | 49,846 | 3,510 | |
| Repairs and maintenance | 108,832 | 25,523 | 17,722 | |
| Depreciation and amortization | 241,334 | 102,054 | 67,202 | 9,135 |
| Bad debts | 3,520 | | | |
| FEMA project | | | 5,895 | |
| Other | 35,711 | 911 | 998 | 14,100 |
| Total Operating Expenses | <u>2,449,397</u> | <u>341,108</u> | <u>450,410</u> | <u>31,229</u> |
| Operating Income (Loss) | <u>313,757</u> | <u>68,847</u> | <u>105,895</u> | <u>51,528</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Interest income | 21,471 | 16,348 | 1,572 | 360 |
| Availability charges | | 5,624 | 5,069 | |
| FEMA grant | | | | 22,967 |
| Compost and recycling fees | | | | |
| MISO income | | | | |
| Miscellaneous income | 1,602 | 7,426 | 50,350 | |
| Interest and fiscal charges | (127,914) | (22,084) | (18,081) | |
| Total Nonoperating Revenues (Expenses) | <u>(104,841)</u> | <u>7,314</u> | <u>38,910</u> | <u>23,327</u> |
| INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS | 208,916 | 76,161 | 144,805 | 74,855 |
| Contributed capital | | | | |
| Transfers in | | | | |
| Transfers out | (90,000) | | | |
| CHANGE IN NET ASSETS | <u>118,916</u> | <u>76,161</u> | <u>144,805</u> | <u>74,855</u> |
| NET ASSETS - BEGINNING OF YEAR | 4,684,605 | 2,396,413 | 2,072,312 | 357,442 |
| Prior period adjustment (Note 5) | | | | |
| NET ASSETS - BEGINNING OF YEAR AS RESTATED | <u>4,684,605</u> | <u>2,396,413</u> | <u>2,072,312</u> | <u>357,442</u> |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 4,803,521</u> | <u>\$ 2,472,574</u> | <u>\$ 2,217,117</u> | <u>\$ 432,297</u> |

See Notes to the Financial Statements

FORM C-2

| 23 Waste Management | 22 Ambulance | Totals | |
|---------------------------|-------------------|----------------------|---------------------|
| | | 2009 | 2008 |
| \$ 132,136 | \$ 176,084 | \$ 4,120,391 | \$ 4,366,915 |
| 165,468 | | 2,012,839 | 2,349,559 |
| | 70,225 | 500,569 | 448,610 |
| | 12,316 | 131,943 | 116,728 |
| | | 6,071 | 8,475 |
| | | 12,082 | 50,296 |
| | 19,135 | 53,941 | 65,168 |
| | 14,796 | 95,600 | 78,361 |
| | 3,052 | 16,980 | 16,165 |
| | 12,578 | 28,267 | 46,312 |
| | 879 | 24,141 | 24,877 |
| | | 55,223 | 61,621 |
| | 3,972 | 156,049 | 168,914 |
| | 16,672 | 436,397 | 441,021 |
| | 992 | 4,512 | 6,908 |
| | | 5,895 | 3,333 |
| 300 | 7,406 | 59,426 | 43,663 |
| <u>165,768</u> | <u>162,023</u> | <u>3,599,935</u> | <u>3,930,011</u> |
| <u>(33,632)</u> | <u>14,061</u> | <u>520,456</u> | <u>436,904</u> |
| 275 | 1,839 | 41,865 | 32,258 |
| | | 10,693 | (24,674) |
| | | 22,967 | 12,500 |
| 40,386 | | 40,386 | 37,899 |
| | | | 7,831 |
| | 18,324 | 77,702 | 86,381 |
| | (1,011) | (169,090) | (182,002) |
| <u>40,661</u> | <u>19,152</u> | <u>24,523</u> | <u>(29,807)</u> |
| 7,029 | 33,213 | 544,979 | 407,097 |
| | | | 60,677 |
| | | | 221,347 |
| | (6,500) | (96,500) | (138,850) |
| <u>7,029</u> | <u>26,713</u> | <u>448,479</u> | <u>550,271</u> |
| 29,333 | 265,004 | 9,805,109 | 9,216,220 |
| | | | 38,618 |
| <u>29,333</u> | <u>265,004</u> | <u>9,805,109</u> | <u>9,254,838</u> |
| <u>\$ 36,362</u> | <u>\$ 291,717</u> | <u>\$ 10,253,588</u> | <u>\$ 9,805,109</u> |

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

Statement of Cash Flows

For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | <u>Business-Type Activities - Enterprise Funds</u> | | | |
|---|--|--------------------------|--------------------------|------------------------|
| | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | <u>Storm Water</u> |
| Cash Flows From Operating Activities | | | | |
| Cash received from customers | \$ 2,788,767 | \$ 420,012 | \$ 534,139 | \$ 56,262 |
| Access and other fees received | 1,602 | 7,426 | 50,350 | 22,967 |
| Cash paid to suppliers and employees | <u>(2,256,221)</u> | <u>(226,169)</u> | <u>(384,141)</u> | <u>(20,305)</u> |
| Net Cash Provided By Operating Activities | <u>534,148</u> | <u>201,269</u> | <u>200,348</u> | <u>58,924</u> |
| Cash Flows From Noncapital Financing Activities | | | | |
| Transfer in | | | | |
| Transfer out | <u>(90,000)</u> | | | |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>(90,000)</u> | | | |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Capital asset acquisitions | (66,173) | (40,255) | (127,702) | (73,367) |
| Advances (to) from other funds | 14,100 | 10,000 | 11,000 | |
| Proceeds from issuance of long-term debt | | | 38,000 | |
| Principal payments on long-term debt | (170,000) | (87,700) | (142,300) | |
| Interest payments on long-term debt | <u>(128,339)</u> | <u>(24,533)</u> | <u>(18,507)</u> | |
| Net Cash Used In Capital and Related Financing Activities | <u>(350,412)</u> | <u>(142,488)</u> | <u>(239,509)</u> | <u>(73,367)</u> |
| Cash Flows From Investing Activities | | | | |
| Investment income received | <u>21,471</u> | <u>16,348</u> | <u>1,572</u> | <u>360</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 115,207 | 75,129 | (37,589) | (14,083) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>501,840</u> | <u>297,027</u> | <u>166,659</u> | <u>22,090</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 617,047</u></u> | <u><u>\$ 372,156</u></u> | <u><u>\$ 129,070</u></u> | <u><u>\$ 8,007</u></u> |

See Notes to the Financial Statements

| Waste Management | | Totals | |
|------------------|-------------------|---------------------|---------------------|
| Ambulance | | 2009 | 2008 |
| \$ 124,319 | \$ 147,090 | \$ 4,070,589 | \$ 4,317,205 |
| 40,386 | 18,363 | 141,094 | 144,572 |
| (164,076) | (146,274) | (3,197,186) | (3,341,018) |
| 629 | 19,179 | 1,014,497 | 1,120,759 |
| | (6,500) | (96,500) | 194,220 |
| | (6,500) | (96,500) | (138,850) |
| | (6,500) | (96,500) | 55,370 |
| | (144,865) | (452,362) | (370,865) |
| | 90,170 | 128,170 | (17,818) |
| | (20,013) | (420,013) | (397,888) |
| | (1,011) | (172,390) | (196,069) |
| | (75,719) | (881,495) | (982,640) |
| 275 | 1,839 | 41,865 | 34,021 |
| 904 | (61,201) | 78,367 | 227,510 |
| 23,194 | 175,526 | 1,186,336 | 958,826 |
| <u>\$ 24,098</u> | <u>\$ 114,325</u> | <u>\$ 1,264,703</u> | <u>\$ 1,186,336</u> |

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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|-------------------|-------------------|------------------|
| | Electric | Water | Sewer | Storm Water |
| Operating Income (Loss) | \$ 313,757 | \$ 68,847 | \$ 105,895 | \$ 51,528 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 241,334 | 102,054 | 67,202 | 9,135 |
| MISO income | | | | |
| Compost fees | | | | |
| Recycling fees | | | | |
| Miscellaneous nonoperating income | 1,602 | 7,426 | 50,350 | |
| Availability charges | | 5,624 | 5,069 | |
| FEMA grant | | | | 22,967 |
| (Increase) Decrease In: | | | | |
| Accounts receivable | 24,413 | 4,433 | (27,235) | (26,495) |
| Due from other governmental units | | | | |
| Inventory | (13,656) | 4,329 | | |
| Prepaid items | 73 | (24) | 23 | |
| Increase (Decrease) In: | | | | |
| Accounts and contracts payable | (34,575) | 8,580 | (956) | 1,789 |
| Customer deposits | 1,200 | | | |
| Deferred revenue | | | | |
| Net Cash Provided By Operating Activities | <u>\$ 534,148</u> | <u>\$ 201,269</u> | <u>\$ 200,348</u> | <u>\$ 58,924</u> |
| Noncash Capital and Related Financing Activities | | | | |
| Noncash assets transferred in | \$ | \$ | \$ | \$ |
| Debt transferred in | | | | |

FORM C-3

| Waste Management | | Totals | |
|------------------|------------------|---------------------|---------------------|
| Ambulance | | 2009 | 2008 |
| \$ (33,632) | \$ 14,061 | \$ 520,456 | \$ 436,903 |
| | 16,672 | 436,397 | 441,021 |
| | | | 7,831 |
| 12,550 | | 12,550 | 11,039 |
| 27,836 | | 27,836 | 26,860 |
| | 18,324 | 77,702 | 86,381 |
| | | 10,693 | (24,674) |
| | | 22,967 | 12,500 |
| (7,817) | (28,994) | (61,695) | (24,488) |
| | 39 | 39 | (39) |
| | | (9,327) | 51,027 |
| | (544) | (472) | (102) |
| 1,692 | (379) | (23,849) | 97,048 |
| | | 1,200 | (722) |
| | | | 174 |
| <u>\$ 629</u> | <u>\$ 19,179</u> | <u>\$ 1,014,497</u> | <u>\$ 1,120,759</u> |
| \$ | \$ | \$ | \$ 93,578 |
| | | | 32,901 |

(This Page Left Blank Intentionally)

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 accounting policies of the City of St. Charles, Minnesota, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

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 assets 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.

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 improvement fund* accounts for the financial resources to be used for city street and other public 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 *storm water fund* accounts for the operation of the City owned storm water drainage system.

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 proprietary funds (continued):

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, and Net Assets 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 recorded at cost, which approximates market value.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets 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 revenue 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 12.0%. 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 revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

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, and Net Assets or Equity (continued)

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The revenue is recognized as intergovernmental revenue by the City when received.

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

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in those funds.

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.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources

E. Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year 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, 2009, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

| | |
|---------------------------------|---------------------|
| Cash on hand | \$ 2,183 |
| Deposits | 1,387,072 |
| Certificates of deposit | 1,150,873 |
| U.S. Treasury Securities | 263,541 |
| Money Market Funds | <u>27,000</u> |
| Total Cash on Hand and Deposits | <u>\$ 2,830,669</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, 2009, 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, 2009 is as follows:

| | | |
|---------------------------------|--|------------------------|
| <u>General Fund</u> | | |
| 1979 Public Improvement Project | | \$ 1,020 |
| 2004 Public Improvement Project | | 2,338 |
| 2005 Public Improvement Project | | <u>2,955</u> |
| Total General Fund | | 6,313 |
| <u>Capital Projects Funds</u> | | |
| Capital Improvements Fund | | 2,598 |
| <u>Enterprise Funds</u> | | |
| Sewer Fund | | <u>666</u> |
| Total | | <u><u>\$ 9,577</u></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, 2009 are as follows:

| <u>Fund</u> | Winona | | Total |
|-----------------|-----------------|------------------|------------------|
| | County | Townships | |
| General | \$ 834 | \$ | \$ 834 |
| Special Revenue | 1,606 | 28,008 | 29,614 |
| Debt Service | 3,862 | | 3,862 |
| Capital Project | 2,010 | | 2,010 |
| | <u>\$ 8,312</u> | <u>\$ 28,008</u> | <u>\$ 36,320</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, 2009 was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|----------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 945,602 | \$ 97,687 | \$ | \$ 1,043,289 |
| Total capital assets, not being depreciated | 945,602 | 97,687 | | 1,043,289 |
| Capital assets, being depreciated: | | | | |
| Buildings | 4,149,200 | 13,960 | | 4,163,160 |
| Infrastructure | 3,884,151 | 68,149 | | 3,952,300 |
| Machinery and equipment | 1,957,070 | 81,712 | | 2,038,782 |
| Total capital assets, being depreciated | 9,990,421 | 163,821 | | 10,154,242 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,663,371 | 124,302 | | 1,787,673 |
| Infrastructure | 375,272 | 116,690 | | 491,962 |
| Machinery and equipment | 1,324,279 | 156,761 | | 1,481,040 |
| Total accumulated depreciation | 3,362,922 | 397,753 | | 3,760,675 |
| Total capital assets, being depreciated, net | 6,627,499 | (233,932) | | 6,393,567 |
| Governmental activities capital assets, net | \$ 7,573,101 | \$ (136,245) | \$ | \$ 7,436,856 |
| | | | | |
| 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 | 5,419,434 | 73,367 | | 5,492,801 |
| Machinery and equipment | 11,355,240 | 378,993 | | 11,734,233 |
| Total capital assets, being depreciated | 16,774,674 | 452,360 | | 17,227,034 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 666,170 | 117,054 | | 783,224 |
| Machinery and equipment | 3,790,454 | 308,114 | | 4,098,568 |
| Total accumulated depreciation | 4,456,624 | 425,168 | | 4,881,792 |
| Total capital assets, being depreciated, net | 12,318,050 | 27,192 | | 12,345,242 |
| Business-type activities capital assets, net | \$ 12,460,239 | \$ 27,192 | \$ | \$ 12,487,431 |

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 | \$ 60,345 |
| Public safety | 71,633 |
| Public works | 147,478 |
| Library | 31,195 |
| Parks and recreation | <u>87,102</u> |
| Total depreciation expense - governmental activities | <u>\$ 397,753</u> |
| Business-Type Activities: | |
| Electric | \$ 237,082 |
| Water | 98,593 |
| Sewer | 63,686 |
| Storm water drainage | 9,135 |
| Ambulance | <u>16,672</u> |
| Total depreciation expense - business-type activities | <u>\$ 425,168</u> |

F. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2009, at the individual fund level are summarized below:

| <u>Funds</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 14,066 | \$ |
| Capital Project: | | |
| Tax Increment District #2 | 1,825 | |
| Tax Increment District #6 | | 1,825 |
| MN DNR Trail Grant | | <u>14,066</u> |
| | <u>\$ 15,891</u> | <u>\$ 15,891</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)

The amounts advanced to and from other funds as of December 31, 2009, individual fund level are summarized below:

| <u>Funds</u> | Advances To Other Funds | Advances From Other Funds |
|---------------------------|----------------------------|------------------------------|
| Special Revenue: | | |
| Economic Development | \$ | \$ 24,718 |
| Capital Projects: | | |
| Capital Improvements | 50,000 | |
| Tax Increment Districts 5 | | 83,000 |
| Enterprise Funds: | | |
| Electric | 36,182 | |
| Water | 8,494 | |
| Sewer | 13,042 | |
| | <hr/> | |
| Total Advances | \$ 107,718 | \$ 107,718 |
| | <hr/> <hr/> | |

Transfers during the year ended December 31, 2009 were as follows:

| <u>Funds</u> | Transfers In | Transfers Out |
|---------------------------|-----------------|------------------|
| General Fund | \$ 96,500 | \$ 6,500 |
| Special Revenue: | | |
| Economic Development | | |
| Library | 6,500 | |
| Volunteer Fire Department | 15,000 | 12,716 |
| Debt Service: | | |
| Tax Increment Districts | 52,771 | |
| Fire Truck Lease | 12,716 | |
| Capital Project: | | |
| Capital Improvements | | 15,000 |
| Tax Increment District #1 | | 3,400 |
| Tax Increment District #2 | | 28,171 |
| Tax Increment District #3 | | 7,200 |
| Tax Increment District #4 | | 14,000 |
| Enterprise: | | |
| Electric | | 90,000 |
| Ambulance | | 6,500 |
| | <hr/> | |
| Total Transfers | \$ 183,487 | \$ 183,487 |
| | <hr/> <hr/> | |

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (continued)

Excess of expenditures over budgeted appropriations at the individual fund level during 2009 are as follows:

| | | |
|-------------------------------|----|--------|
| Special Revenue Funds | | |
| Volunteer Fire Department | \$ | 39,477 |
| Emergency Management Services | | 5,228 |
| Enterprise Funds | | |
| Waste Management | | 4,318 |
| Ambulance | | 35,413 |

All excess expenditures were the result of planned processes.

At December 31, 2009 the following funds have deficit fund balances:

| | | |
|---------------------------|----|--------|
| Capital Project Funds | | |
| Tax Increment District #5 | \$ | 82,906 |
| Tax Increment District #6 | | 1,825 |
| MN DNR Trail Grant | | 14,066 |

The City intends to fund accumulated deficits through additional revenue sources

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, 2009:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|----------------------|-------------------|-------------------|---------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonds: | | | | | |
| 1983 Water Improvement (5%) | \$ 119,000 | \$ | \$ 41,000 | \$ 78,000 | \$ 43,000 |
| 2005A Street Improvement (3.0 - 4.0%) | 1,595,000 | | 100,000 | 1,495,000 | 100,000 |
| Tax Increment Bond: | | | | | |
| 2004 Refunding Tax Increment (2.7 - 4.2%) | 345,000 | | 40,000 | 305,000 | 40,000 |
| Less: Unamortized Issuance Costs | (40,196) | | (3,927) | (36,269) | |
| Notes payable: | | | | | |
| 2003 Fire Truck Loan (4.625%) | 55,629 | | 10,138 | 45,491 | 10,614 |
| Long-term Liabilities | <u>2,074,433</u> | | <u>187,211</u> | <u>1,887,222</u> | <u>193,614</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds and Notes Payable: | | | | | |
| General Obligation Revenue Bonds: | | | | | |
| 2002 Water Fund (1.4 - 3.45%) | 244,000 | | 34,000 | 210,000 | 49,450 |
| 2002 Sewer Fund (1.4 - 3.45%) | 356,000 | | 76,000 | 280,000 | 65,550 |
| 2004 Water Fund (1.5 - 4.0%) | 441,750 | | 68,400 | 373,350 | 71,250 |
| 2004 Sewer Fund (1.5 - 4.0%) | 333,250 | | 51,600 | 281,650 | 53,750 |
| 2004 Electric Revenue (2.0 - 4.6%) | 3,140,000 | | 170,000 | 2,970,000 | 175,000 |
| Less: Unamortized Discount | (89,705) | | (11,227) | (78,478) | |
| Notes Payable: | | | | | |
| 2006 Ambulance Lease (9.5%) | 20,013 | | 20,013 | | |
| 2009 Sewer Cleaner Loan (5.5%) | | 38,000 | | 38,000 | 38,000 |
| 2009 Ambulance Loan (5.75%) | | 90,170 | | 90,170 | 14,655 |
| Long-term Liabilities | <u>4,445,308</u> | <u>128,170</u> | <u>408,786</u> | <u>4,164,692</u> | <u>467,655</u> |
| Total | <u>\$ 6,519,741</u> | <u>\$ 128,170</u> | <u>\$ 595,997</u> | <u>\$ 6,051,914</u> | <u>\$ 661,269</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 annual requirements to amortize all long-term debt outstanding as of December 31, 2009, over the life of the debt, are summarized below:

| Years | General Obligation Bonds | | General Obligation Tax Increment Bonds | | General Obligation Revenue Bonds | | Other | |
|---------------------------------|--------------------------|-------------------|--|------------------|----------------------------------|---------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| <u>Governmental Activities</u> | | | | | | | | |
| 2010 | \$ 143,000 | \$ 58,825 | \$ 40,000 | \$ 11,060 | | | \$ 10,614 | \$ 2,104 |
| 2011 | 140,000 | 53,344 | 40,000 | 9,690 | | | 11,105 | 1,613 |
| 2012 | 110,000 | 47,963 | 40,000 | 8,230 | | | 11,618 | 1,099 |
| 2013 | 115,000 | 44,025 | 45,000 | 6,623 | | | 12,154 | 564 |
| 2014 | 115,000 | 39,856 | 45,000 | 4,867 | | | | |
| 2015-2019 | 650,000 | 126,850 | 95,000 | 4,095 | | | | |
| 2020-2021 | 300,000 | 12,200 | | | | | | |
| Totals | <u>\$ 1,573,000</u> | <u>\$ 383,063</u> | <u>\$ 305,000</u> | <u>\$ 44,565</u> | | | <u>\$ 45,491</u> | <u>\$ 5,380</u> |
| <u>Business-Type Activities</u> | | | | | | | | |
| 2010 | | | | | \$ 415,000 | \$ 158,587 | \$ 52,665 | \$ 5,841 |
| 2011 | | | | | 425,000 | 145,012 | 16,919 | 3,900 |
| 2012 | | | | | 445,000 | 130,718 | 17,918 | 2,901 |
| 2013 | | | | | 460,000 | 114,960 | 18,976 | 1,844 |
| 2014 | | | | | 345,000 | 100,107 | 20,096 | 723 |
| 2015-2019 | | | | | 1,175,000 | 351,416 | 1,596 | 8 |
| 2020-2022 | | | | | 850,000 | 79,350 | | |
| Totals | | | | | <u>\$ 4,115,000</u> | <u>\$ 1,080,150</u> | <u>\$ 128,170</u> | <u>\$ 15,217</u> |

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

Municipal Development District No. 1 - The district is the housing type, authorized under Minnesota law Chapter 472(A), established in 1983 to last until the year 2010.

The Central Business District Redevelopment District (Municipal Development District No. 2) - The district is of the redevelopment type, authorized under Minnesota law, Chapter 472 (A), established in 1984 to last until the year 2011.

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. 4 - The district is of the redevelopment type, authorized under Minnesota law Chapter 472(A), established in 1994 to last until the year 2022.

Municipal Development District No. 5 – The district is of the economic development type, authorized under Minnesota law Chapter 469, established in 2000 to last until the year 2011.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

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.

| | Municipal District #1 | Municipal District #2 | Municipal District #3 | Municipal District #4 | Municipal District #5 | Municipal District #6 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Original gross tax capacity, including modifications | \$ 121 | \$ 68,300 | \$ 94 | \$ 1,241 | \$ 700 | \$ 822 |
| Current gross tax capacity | 3,975 | 186,469 | 7,897 | 9,064 | 38,082 | 23,070 |
| Captured gross tax capacity Retained by authority | 3,854 | 118,169 | 7,803 | 7,823 | 37,382 | 22,248 |
| Outstanding Bonds and Loans as of December 31, 2009 | | \$ 305,000 | | | | |

H. Fund Balance

The City has reserved portions of the fund equity in several funds. The reserved fund equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of reserved and designated fund equity as of December 31, 2009 is as follows:

| | Fund Balance |
|---|-------------------|
| <u>Reserved for Debt Service</u> | |
| Debt Service Funds | <u>\$ 154,028</u> |
| <u>Reserved for Advances</u> | |
| Capital Improvement Fund | <u>\$ 50,000</u> |
| <u>Reserved for Prepaid items</u> | |
| General Fund | \$ 13,244 |
| Special Revenue Funds | 3,496 |
| | <u>\$ 16,740</u> |
| <u>Designated for Future Capital Expenditures</u> | |
| Special Revenue Funds | \$ 103,519 |
| Capital Project Funds | 564,790 |
| | <u>\$ 668,309</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 Public Employees Retirement Fund (PERF) 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.

PERF 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 PERF'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 PERF 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 PERF 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. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members are required to contribute 9.4% of their annual covered salary in 2009. The City of St. Charles, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan PERF, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$52,317, \$48,544, and \$40,728, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2009, 2008, and 2007, were \$32,333, \$28,913, and \$21,849, 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 2009 and as of December 31, 2009 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, 2008 (latest information available) is shown below:

| | |
|---|----------------------------|
| Total plan assets | \$ 465,630 |
| Total accrued liability | <u>569,715</u> |
| Assets in Deficiency of Accrued Liability | <u><u>\$ (104,085)</u></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 2009 amounted to \$32,045. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2009.

The computation of the pension contribution requirements for 2009 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 2009.

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 2009. 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. Prior Period Adjustment

Subsequent to the issuance of the December 31, 2008 financial statements, the City discovered an understatement of accounts receivable and an overstatement of deferred revenues in its Waste Management Fund. As a result, net assets in the Waste Management Fund as of December 31, 2008 were increased by \$38,618.

(This Page is Left Blank Intentionally)

CITY OF ST. CHARLES, MINNESOTA

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

| | Special Revenue | | | | | | Debt Service | | | |
|---|-------------------|-------------------|------------------|---------------------------------------|---|-----------------------|-------------------|-------------------------------------|---------------------------------|---------------------|
| | 20 Advertising | 24 Celebration | 26 Library | 21 Volunteer Fire Department | 27 Emergency Management Services | 38 Flood Relief | Total | 59 Tax Increment Districts | 56 G.O. Water Improvement | 52 Fire Truck |
| ASSETS | | | | | | | | | | |
| Cash and investments | \$ 8,648 | \$ 1,598 | \$ 8,879 | \$ 161,170 | \$ 40,861 | \$ 4,231 | \$ 225,387 | \$ | \$ 23,307 | \$ 13,484 |
| Accounts receivable | | | | 930 | | | 930 | | | |
| Prepaid expense | 219 | | 737 | 2,540 | | | 3,496 | | | |
| Taxes receivable - delinquent | 519 | 168 | 1,500 | 791 | | | 2,978 | | 133 | |
| Due from other funds | | | | | | | | | | |
| Due from other governmental units | 226 | 70 | 633 | 28,383 | | | 29,312 | | | |
| TOTAL ASSETS | \$ 9,612 | \$ 1,836 | \$ 11,749 | \$ 193,814 | \$ 40,861 | \$ 4,231 | \$ 262,103 | \$ | \$ 23,440 | \$ 13,484 |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 2,791 | \$ | \$ 961 | \$ 3,339 | \$ | \$ | \$ 7,091 | \$ | \$ | \$ |
| Deferred revenue | 519 | 168 | 1,500 | 791 | | | 2,978 | | 133 | |
| Due to other funds | | | | | | | | | | |
| Advances from other funds | | | | | | | | | | |
| Total Liabilities | 3,310 | 168 | 2,461 | 4,130 | | | 10,069 | | 133 | |
| Fund Balance | | | | | | | | | | |
| Reserved | 219 | | 737 | 2,540 | | | 3,496 | | 23,307 | 13,484 |
| Unreserved | | | | | | | | | | |
| Designated | | | | | 40,861 | 4,231 | 45,092 | | | |
| Undesignated | 6,083 | 1,668 | 8,551 | 187,144 | | | 203,446 | | | |
| Total Fund Balance | 6,302 | 1,668 | 9,288 | 189,684 | 40,861 | 4,231 | 252,034 | | 23,307 | 13,484 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 9,612 | \$ 1,836 | \$ 11,749 | \$ 193,814 | \$ 40,861 | \$ 4,231 | \$ 262,103 | \$ | \$ 23,440 | \$ 13,484 |

| Capital Project | | | | | | | | | | | | |
|-------------------------------|-------------------|--|--|--|--|--|---|------------------------------|-----------------------------|--|------------------------------|---|
| 57 2005A Street Bond | Total | 42 Tax Increment Districts #1 Fund | 50 Tax Increment Districts #2 Fund | 48 Tax Increment Districts #3 Fund | 49 Tax Increment Districts #4 Fund | 44 Tax Increment Districts #5 Fund | 47 Tax Increment District #6 Fund | 40 Parkland Dedication | 30 MN DNR Trail Grant | 41 Flood Hazard Mitigation Grant | Total | Total Nonmajor Governmental Funds |
| \$ 116,014 | \$ 152,805 | \$ 33 | \$ 452,336 | \$ 34 | \$ 1,647 | \$ 94 | \$ | \$ 42,774 2,250 | \$ | \$ | \$ 496,918 2,250 | \$ 875,110 3,180 3,496 |
| 2,980 | 3,113 | | 1,268 1,825 | | 3,565 | | | | | | 4,833 1,825 | 10,924 1,825 |
| 1,223 | 1,223 | | 2,639 | | | | | | | | 2,639 | 33,174 |
| <u>\$ 120,217</u> | <u>\$ 157,141</u> | <u>\$ 33</u> | <u>\$ 458,068</u> | <u>\$ 34</u> | <u>\$ 5,212</u> | <u>\$ 94</u> | <u>\$</u> | <u>\$ 45,024</u> | <u>\$</u> | <u>\$</u> | <u>\$ 508,465</u> | <u>\$ 927,709</u> |
| \$ 2,980 | \$ 3,113 | \$ | \$ 1,268 | \$ | \$ 3,565 | \$ | \$ | \$ | \$ | \$ | \$ 4,833 15,891 83,000 | \$ 7,091 10,924 15,891 83,000 |
| 2,980 | 3,113 | | 1,268 | | 3,565 | 83,000 | 1,825 | | 14,066 | | 103,724 | 116,906 |
| 117,237 | 154,028 | | | | | | | | | | | 157,524 |
| | | 33 | 456,800 | 34 | 1,647 | (82,906) | (1,825) | 45,024 | (14,066) | | 404,741 | 449,833 203,446 |
| <u>117,237</u> | <u>154,028</u> | <u>33</u> | <u>456,800</u> | <u>34</u> | <u>1,647</u> | <u>(82,906)</u> | <u>(1,825)</u> | <u>45,024</u> | <u>(14,066)</u> | | <u>404,741</u> | <u>810,803</u> |
| <u>\$ 120,217</u> | <u>\$ 157,141</u> | <u>\$ 33</u> | <u>\$ 458,068</u> | <u>\$ 34</u> | <u>\$ 5,212</u> | <u>\$ 94</u> | <u>\$</u> | <u>\$ 45,024</u> | <u>\$</u> | <u>\$</u> | <u>\$ 508,465</u> | <u>\$ 927,709</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, 2009

| | Special Revenue | | | | | | Debt Service | | | |
|---|-------------------|-------------------|-----------------|---------------------------------------|---|-----------------------|-------------------|-------------------------------------|---------------------------------|---------------------|
| | 20 Advertising | 24 Celebration | 26 Library | 21 Volunteer Fire Department | 27 Emergency Management Services | 38 Flood Relief | Total | 59 Tax Increment Districts | 56 G.O. Water Improvement | 52 Fire Truck |
| REVENUES | | | | | | | | | | |
| Property tax levy | | | | | | | | | | |
| Property tax collected | \$ 26,158 | \$ 8,049 | \$ 73,245 | \$ 43,377 | \$ 39 | | \$ 150,868 | \$ | \$ 96 | \$ |
| Tax increments | | | | | | | | | | |
| Intergovernmental | 2,451 | 725 | 37,668 | 23,108 | 145 | | 64,097 | | | |
| Charges for services | | | | 107,326 | | | 107,326 | | | |
| Interest income | 78 | 12 | 1,372 | 3,284 | 532 | 150 | 5,428 | | 954 | 19 |
| Donations | 940 | 12,757 | 2,197 | 2,274 | 6,572 | | 24,740 | | | |
| Miscellaneous | | | 3,281 | | | | 3,281 | | | |
| TOTAL REVENUES | 29,627 | 21,543 | 117,763 | 179,369 | 7,288 | 150 | 355,740 | | 1,050 | 19 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 29,171 | 19,559 | | | | | 48,730 | | | |
| Public safety | | | | 142,727 | 8,728 | | 151,455 | | | |
| Library | | | 120,577 | | | | 120,577 | | | |
| Debt service | | | | | | | | | | |
| Principal retirement | | | | | | | | 40,000 | 41,000 | 10,143 |
| Interest and fiscal charges | | | | | | | | 12,771 | 6,550 | 2,573 |
| Capital outlay | | | | | | 17,052 | 17,052 | | | |
| TOTAL EXPENDITURES | 29,171 | 19,559 | 120,577 | 142,727 | 8,728 | 17,052 | 337,814 | 52,771 | 47,550 | 12,716 |
| Excess (deficiency) of revenues over (under) expenditures | 456 | 1,984 | (2,814) | 36,642 | (1,440) | (16,902) | 17,926 | (52,771) | (46,500) | (12,697) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfer in | | | 6,500 | 15,000 | | | 21,500 | 52,771 | | 12,716 |
| Transfer out | | | | (12,716) | | | (12,716) | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | | | 6,500 | 2,284 | | | 8,784 | 52,771 | | 12,716 |
| Net change in fund balances | 456 | 1,984 | 3,686 | 38,926 | (1,440) | (16,902) | 26,710 | | (46,500) | 19 |
| FUND BALANCES, beginning | 5,846 | (316) | 5,602 | 150,758 | 42,301 | 21,133 | 225,324 | | 69,807 | 13,465 |
| FUND BALANCES, ending | \$ 6,302 | \$ 1,668 | \$ 9,288 | \$ 189,684 | \$ 40,861 | \$ 4,231 | \$ 252,034 | \$ | \$ 23,307 | \$ 13,484 |

| | | Capital Project | | | | | | | | | | |
|-------------------------------|------------|--|--|--|--|--|---|------------------------------|-----------------------------|--|------------|---|
| 57 2005A Street Bond | Total | 42 Tax Increment Districts #1 Fund | 50 Tax Increment Districts #2 Fund | 48 Tax Increment Districts #3 Fund | 49 Tax Increment Districts #4 Fund | 44 Tax Increment Districts #5 Fund | 47 Tax Increment District #6 Fund | 40 Parkland Dedication | 30 MN DNR Trail Grant | 41 Flood Hazard Mitigation Grant | Total | Total Nonmajor Governmental Funds |
| \$ 141,556 | \$ 141,652 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 292,520 |
| 18,197 | 18,197 | 3,420 | 104,905 5,614 | 7,210 | 3,552 | 35,086 | 20,289 | | | | 174,462 | 174,462 |
| 286 | 1,259 | 8 | 4,239 | 24 | 353 | 95 | | 235 | | | 4,954 | 11,641 |
| | | | | | | | | 120 | | | 120 | 24,860 |
| | | | | | | | | 4,200 | | | 4,200 | 7,481 |
| 160,039 | 161,108 | 3,428 | 114,758 | 7,234 | 3,905 | 35,181 | 20,289 | 4,555 | | 150,696 | 340,046 | 856,894 |
| | | | | | | | | | | | | 48,730 |
| | | | | | | | | | | | | 151,455 |
| | | | | | | | | | | | | 120,577 |
| 100,000 | 191,143 | | | | | | | | | | | 191,143 |
| 59,178 | 81,072 | | 555 | | | 4,662 | | | | | 5,217 | 86,289 |
| | | | | | | | 16,874 | 17,295 | 14,066 | 150,696 | 198,931 | 215,983 |
| 159,178 | 272,215 | | 555 | | | 4,662 | 16,874 | 17,295 | 14,066 | 150,696 | 204,148 | 814,177 |
| 861 | (111,107) | 3,428 | 114,203 | 7,234 | 3,905 | 30,519 | 3,415 | (12,740) | (14,066) | | 135,898 | 42,717 |
| | 65,487 | | | | | | | | | | | 86,987 |
| | | (3,400) | (28,171) | (7,200) | (14,000) | | | | | | (52,771) | (65,487) |
| | 65,487 | (3,400) | (28,171) | (7,200) | (14,000) | | | | | | (52,771) | 21,500 |
| 861 | (45,620) | 28 | 86,032 | 34 | (10,095) | 30,519 | 3,415 | (12,740) | (14,066) | | 83,127 | 64,217 |
| 116,376 | 199,648 | 5 | 370,768 | | 11,742 | (113,425) | (5,240) | 57,764 | | | 321,614 | 746,586 |
| \$ 117,237 | \$ 154,028 | \$ 33 | \$ 456,800 | \$ 34 | \$ 1,647 | \$ (82,906) | \$ (1,825) | \$ 45,024 | \$ (14,066) | \$ | \$ 404,741 | \$ 810,803 |

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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--------------------------------------|------------------|-----------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ 26,799 | \$ 26,799 | \$ 26,158 | \$ (641) | \$ 22,256 |
| Market value credit | 2,451 | 2,451 | 2,451 | | 2,762 |
| Interest Income | | | 78 | 78 | 175 |
| Donations | 6,000 | 6,000 | 940 | (5,060) | 6,210 |
| TOTAL REVENUES | 35,250 | 35,250 | 29,627 | (5,623) | 31,403 |
| EXPENDITURES | | | | | |
| General Government | | | | | |
| Fireworks | 6,000 | 6,000 | 6,000 | | 5,913 |
| City promotion | 5,925 | 5,925 | 4,102 | 1,823 | 7,874 |
| Board reimbursement annual events | 1,800 | 1,800 | 1,345 | 455 | 416 |
| Professional services | 425 | 425 | 398 | 27 | 310 |
| Advertising | 21,100 | 21,100 | 17,326 | 3,774 | 18,020 |
| TOTAL EXPENDITURES | 35,250 | 35,250 | 29,171 | 6,079 | 32,533 |
| Net change in fund balances | | | 456 | 456 | (1,130) |
| FUND BALANCES, beginning | 5,846 | 5,846 | 5,846 | | 6,976 |
| FUND BALANCES, ending | \$ 5,846 | \$ 5,846 | \$ 6,302 | \$ 456 | \$ 5,846 |

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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---------------------------------|------------------|-----------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property tax levy | | | | | |
| Property tax collected | \$ 6,775 | \$ 6,775 | \$ 8,049 | \$ 1,274 | \$ 6,697 |
| Market value credit | 725 | 725 | 725 | | 814 |
| Donations | 12,500 | 12,500 | 12,757 | 257 | 13,402 |
| Interest income | | | 12 | 12 | 5 |
| TOTAL REVENUES | <u>20,000</u> | <u>20,000</u> | <u>21,543</u> | <u>1,543</u> | <u>20,918</u> |
| EXPENDITURES | | | | | |
| General Government | | | | | |
| Advertising | 2,500 | 2,500 | 3,083 | (583) | 2,506 |
| Dance | 5,500 | 5,500 | 5,830 | (330) | 5,769 |
| T-shirts | 1,500 | 1,500 | 1,542 | (42) | 1,196 |
| Rentals | 2,000 | 2,000 | 1,349 | 651 | 1,093 |
| Pageants | 4,500 | 4,500 | 3,468 | 1,032 | 3,032 |
| Other | 4,600 | 4,100 | 4,287 | (187) | 4,556 |
| TOTAL EXPENDITURES | <u>20,600</u> | <u>20,100</u> | <u>19,559</u> | <u>541</u> | <u>18,152</u> |
| Net change in fund balances | (600) | (100) | 1,984 | 2,084 | 2,766 |
| FUND BALANCES, beginning | <u>(316)</u> | <u>(316)</u> | <u>(316)</u> | | <u>(3,082)</u> |
| FUND BALANCES, ending | <u>\$ (916)</u> | <u>\$ (416)</u> | <u>\$ 1,668</u> | <u>\$ 2,084</u> | <u>\$ (316)</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget Positive (Negative) | 2008 Actual Amounts |
|--|------------------|-----------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ 72,943 | \$ 72,943 | \$ 73,245 | \$ 302 | \$ 70,016 |
| Intergovernmental Revenues | | | | | |
| Market value credit | 8,899 | 8,899 | 8,899 | | 8,689 |
| Library aid | 33,504 | 33,504 | 28,769 | (4,735) | 33,927 |
| Intergovernmental Revenues | 42,403 | 42,403 | 37,668 | (4,735) | 42,616 |
| Donations | | | | | |
| | 1,000 | 2,400 | 2,197 | (203) | 4,656 |
| Miscellaneous | | | | | |
| Fines | 1,800 | 1,800 | 2,368 | 568 | 2,577 |
| Book sales | | | 3 | 3 | 40 |
| Copy machines | 500 | 500 | 815 | 315 | 940 |
| Interest income | | | 1,372 | 1,372 | 79 |
| Other | 700 | 700 | 95 | (605) | 177 |
| Total Miscellaneous Revenues | 3,000 | 3,000 | 4,653 | 1,653 | 3,813 |
| TOTAL REVENUES | 119,346 | 120,746 | 117,763 | (2,983) | 121,101 |
| EXPENDITURES | | | | | |
| Library | | | | | |
| Salaries | 62,818 | 59,668 | 58,792 | 876 | 65,605 |
| Employee benefits and retirement | 19,668 | 19,218 | 20,275 | (1,057) | 19,731 |
| Supplies and minor equipment | 3,600 | 2,200 | 2,728 | (528) | 3,427 |
| Professional services | 7,500 | 7,500 | 7,145 | 355 | 7,995 |
| Communications | 1,200 | 1,200 | 1,190 | 10 | 1,622 |
| Transportation and training | 1,500 | 1,000 | 494 | 506 | 1,237 |
| Printing and publication | 500 | 500 | | 500 | 576 |
| Insurance | 2,500 | 2,500 | 1,910 | 590 | 2,022 |
| Utilities | 13,000 | 13,000 | 8,840 | 4,160 | 11,436 |
| Repairs and maintenance | 3,050 | 2,050 | 3,000 | (950) | 1,637 |
| Other | 100 | 100 | 87 | 13 | 311 |
| Capital outlay | 18,500 | 17,000 | 16,116 | 884 | 19,537 |
| TOTAL EXPENDITURES | 133,936 | 125,936 | 120,577 | 5,359 | 135,136 |
| Excess (deficiency) of revenues over (under) expenditures | (14,590) | (5,190) | (2,814) | 2,376 | (14,035) |
| OTHER FINANCING SOURCES | | | | | |
| Transfers in | 16,500 | 6,500 | 6,500 | | 16,500 |
| Net change in fund balances | 1,910 | 1,310 | 3,686 | 2,376 | 2,465 |
| FUND BALANCES, beginning | 5,602 | 5,602 | 5,602 | | 3,137 |
| FUND BALANCES, ending | \$ 7,512 | \$ 6,912 | \$ 9,288 | \$ 2,376 | \$ 5,602 |

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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--|-------------------|-------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ 44,295 | \$ 44,295 | \$ 43,377 | \$ (918) | \$ 41,579 |
| Intergovernmental Revenues | | | | | |
| Fire aid | 21,000 | 21,000 | 18,903 | (2,097) | 24,031 |
| Market value credit | 4,205 | 4,205 | 4,205 | | 5,264 |
| Charges for Services | | | | | |
| Other local governments | 34,000 | 40,949 | 38,598 | (2,351) | 35,028 |
| Fire calls | 8,500 | 8,500 | 68,728 | 60,228 | 12,833 |
| Interest income | 5,000 | 5,000 | 3,284 | (1,716) | 2,401 |
| Donations | 3,000 | 3,000 | 2,274 | (726) | 17,827 |
| TOTAL REVENUES | <u>120,000</u> | <u>126,949</u> | <u>179,369</u> | <u>52,420</u> | <u>138,963</u> |
| EXPENDITURES | | | | | |
| Public Safety | | | | | |
| Salaries | 18,000 | 18,000 | 32,513 | (14,513) | 28,178 |
| Employee benefits and retirement | 4,600 | 4,600 | 5,596 | (996) | 5,543 |
| Supplies and minor equipment | 14,450 | 14,450 | 6,362 | 8,088 | 11,827 |
| Professional services | 3,000 | 3,000 | 34,249 | (31,249) | 2,646 |
| Communication | 2,000 | 2,000 | 1,765 | 235 | 3,835 |
| Transportation and training | 5,000 | 5,000 | 4,468 | 532 | 4,816 |
| Insurance | 7,000 | 7,000 | 5,497 | 1,503 | 5,964 |
| Utilities | 6,900 | 6,900 | 5,186 | 1,714 | 5,176 |
| Capital outlay | 5,000 | 5,000 | 2,726 | 2,274 | 16,572 |
| Repairs and maintenance | 6,100 | 6,100 | 7,216 | (1,116) | 5,411 |
| Fire relief payment | 28,000 | 28,000 | 32,045 | (4,045) | 27,386 |
| Other | 3,200 | 3,200 | 5,104 | (1,904) | 3,012 |
| TOTAL EXPENDITURES | <u>103,250</u> | <u>103,250</u> | <u>142,727</u> | <u>(39,477)</u> | <u>120,366</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>16,750</u> | <u>23,699</u> | <u>36,642</u> | <u>12,943</u> | <u>18,597</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | 15,000 | 15,000 | 63,500 |
| Transfers out | (12,716) | (12,716) | (12,716) | | (12,716) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(12,716)</u> | <u>(12,716)</u> | <u>2,284</u> | <u>15,000</u> | <u>50,784</u> |
| Net change in fund balances | 4,034 | 10,983 | 38,926 | 27,943 | 69,381 |
| FUND BALANCES, beginning | <u>150,758</u> | <u>150,758</u> | <u>150,758</u> | | <u>81,377</u> |
| FUND BALANCES, ending | <u>\$ 154,792</u> | <u>\$ 161,741</u> | <u>\$ 189,684</u> | <u>\$ 27,943</u> | <u>\$ 150,758</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--|------------------|------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ 1,355 | \$ 3,355 | \$ 39 | \$ (3,316) | \$ 3,019 |
| Intergovernmental Revenue | | | | | |
| Market value credit | 145 | 145 | 145 | | 380 |
| Interest Income | 500 | 500 | 532 | 32 | 3,295 |
| Miscellaneous | | | 6,572 | 6,572 | |
| TOTAL REVENUES | <u>2,000</u> | <u>4,000</u> | <u>7,288</u> | <u>3,288</u> | <u>6,694</u> |
| EXPENDITURES | | | | | |
| Public Safety | | | | | |
| Salaries | 1,800 | 1,800 | | 1,800 | |
| Supplies and minor equipment | | | 2,420 | (2,420) | |
| Transportation and training | 2,000 | 1,200 | 1,655 | (455) | 89 |
| Professional services | | | 1,110 | (1,110) | 5,000 |
| Utilities | | | 2,818 | (2,818) | |
| Repairs and maintenance | | | 725 | (725) | |
| Other | 500 | 500 | | 500 | 499 |
| TOTAL EXPENDITURES | <u>4,300</u> | <u>3,500</u> | <u>8,728</u> | <u>(5,228)</u> | <u>5,588</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,300)</u> | <u>500</u> | <u>(1,440)</u> | <u>(1,940)</u> | <u>1,106</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | | | | | (150,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | | <u>(150,000)</u> |
| Net change in fund balances | (2,300) | 500 | (1,440) | (1,940) | (148,894) |
| FUND BALANCES, beginning | <u>42,301</u> | <u>42,301</u> | <u>42,301</u> | | <u>191,195</u> |
| FUND BALANCES, ending | <u>\$ 40,001</u> | <u>\$ 42,801</u> | <u>\$ 40,861</u> | <u>\$ (1,940)</u> | <u>\$ 42,301</u> |

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
ELECTRIC FUND
Statement of Net Assets
December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 617,047 | \$ 501,840 |
| Accounts receivable, net | 232,807 | 256,103 |
| Accrued utility revenue | 92,649 | 93,766 |
| Advances to other funds | 36,182 | 50,282 |
| Inventory | 321,151 | 307,495 |
| Prepaid expenses | 7,498 | 7,571 |
| Total Current Assets | <u>1,307,334</u> | <u>1,217,057</u> |
| Capital Assets | | |
| Nondepreciable | 113,489 | 113,489 |
| Depreciable | 9,043,405 | 8,977,232 |
| Less: Accumulated depreciation | <u>2,464,491</u> | <u>2,227,408</u> |
| Capital Assets, Net | <u>6,692,403</u> | <u>6,863,313</u> |
| Total Assets | <u>7,999,737</u> | <u>8,080,370</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Current maturities of bonds payable | 175,000 | 170,000 |
| Accounts payable | 252,639 | 287,214 |
| Customer deposits | 18,250 | 17,050 |
| Accrued interest payable | 10,234 | 10,659 |
| Total Current Liabilities | <u>456,123</u> | <u>484,923</u> |
| Noncurrent Liabilities | | |
| Bonds payable, net of current maturities | 2,795,000 | 2,970,000 |
| Less: Unamortized bond discount | <u>(54,907)</u> | <u>(59,158)</u> |
| Total Noncurrent Liabilities | <u>2,740,093</u> | <u>2,910,842</u> |
| Total Liabilities | <u>3,196,216</u> | <u>3,395,765</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 3,777,310 | 3,782,471 |
| Unrestricted | <u>1,026,211</u> | <u>902,134</u> |
| Total Net Assets | <u>\$ 4,803,521</u> | <u>\$ 4,684,605</u> |

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

**Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008**

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|---------------------|---------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Consumer sales | \$ 3,406,265 | \$ 3,406,265 | \$ 2,763,154 | \$ (643,111) | \$ 3,068,180 |
| Operating Expenses | | | | | |
| Purchased utilities | 2,081,250 | 2,081,250 | 1,560,552 | 520,698 | 1,914,270 |
| Salaries | 294,502 | 294,502 | 293,661 | 841 | 256,987 |
| Employee benefits and retirement | 84,872 | 84,372 | 84,511 | (139) | 73,748 |
| Gas and oil | 9,000 | 7,500 | 6,071 | 1,429 | 8,475 |
| Generation fuel | 55,000 | 55,000 | 12,082 | 42,918 | 50,296 |
| Supplies and minor equipment | 9,850 | 9,850 | 9,885 | (35) | 11,257 |
| Professional services | 51,000 | 51,000 | 56,272 | (5,272) | 46,711 |
| Communication | 7,000 | 7,000 | 6,705 | 295 | 7,980 |
| Transportation and training | 10,000 | 10,000 | 10,023 | (23) | 32,725 |
| Printing and publishing | 1,100 | 1,100 | | 1,100 | |
| Insurance | 21,583 | 21,583 | 18,371 | 3,212 | 18,892 |
| Utilities | 3,500 | 3,500 | 1,867 | 1,633 | 1,751 |
| Repairs and maintenance | 256,498 | 256,098 | 108,832 | 147,266 | 90,793 |
| Depreciation and amortization | 170,000 | 170,000 | 241,334 | (71,334) | 241,416 |
| Bad debts | | | 3,520 | (3,520) | 1,533 |
| Other | 135,250 | 137,650 | 35,711 | 101,939 | 38,512 |
| Total Operating Expenses | <u>3,190,405</u> | <u>3,190,405</u> | <u>2,449,397</u> | <u>741,008</u> | <u>2,795,346</u> |
| Operating Income | <u>215,860</u> | <u>215,860</u> | <u>313,757</u> | <u>97,897</u> | <u>272,834</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest income | 20,000 | 20,000 | 21,471 | 1,471 | 12,882 |
| FEMA grant | | | | | 12,500 |
| MISO income | | | | | 7,831 |
| Miscellaneous income | 40,000 | 40,000 | 1,602 | (38,398) | 38,822 |
| Interest and fiscal charges | (128,858) | (128,858) | (127,914) | 944 | (132,445) |
| Total Nonoperating Revenues (Expenses) | <u>(68,858)</u> | <u>(68,858)</u> | <u>(104,841)</u> | <u>(35,983)</u> | <u>(60,410)</u> |
| INCOME BEFORE TRANSFERS | <u>147,002</u> | <u>147,002</u> | <u>208,916</u> | <u>61,914</u> | <u>212,424</u> |
| Transfers in | 10,000 | 10,000 | | (10,000) | |
| Transfers out | (90,000) | (90,000) | (90,000) | | (90,000) |
| CHANGE IN NET ASSETS | <u>67,002</u> | <u>67,002</u> | <u>118,916</u> | <u>51,914</u> | <u>122,424</u> |
| TOTAL NET ASSETS - BEGINNING OF YEAR | <u>4,684,605</u> | <u>4,684,605</u> | <u>4,684,605</u> | | <u>4,562,181</u> |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 4,751,607</u> | <u>\$ 4,751,607</u> | <u>\$ 4,803,521</u> | <u>\$ 51,914</u> | <u>\$ 4,684,605</u> |

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Assets
December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 372,156 | \$ 297,027 |
| Accounts receivable, net | 56,548 | 61,075 |
| Accrued utility revenue | 7,441 | 7,347 |
| Advances to other funds | 8,494 | 18,494 |
| Inventory | 11,569 | 15,898 |
| Prepaid expenses | 1,766 | 1,742 |
| Total Current Assets | <u>457,974</u> | <u>401,583</u> |
| Property and Equipment | | |
| Property and equipment | 4,215,965 | 4,175,710 |
| Less: Accumulated depreciation | <u>1,602,156</u> | <u>1,503,563</u> |
| Property, Plant and Equipment, Net | <u>2,613,809</u> | <u>2,672,147</u> |
| Total Assets | <u>3,071,783</u> | <u>3,073,730</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Current maturities of bonds payable | 120,700 | 115,700 |
| Accounts payable | 19,283 | 10,703 |
| Accrued interest payable | <u>8,592</u> | <u>11,041</u> |
| Total Current Liabilities | <u>148,575</u> | <u>137,444</u> |
| Noncurrent Liabilities | | |
| Bonds payable, net of current maturities | 462,650 | 555,350 |
| Less: Unamortized bond discount | <u>(12,016)</u> | <u>(15,477)</u> |
| Total Noncurrent Liabilities | <u>450,634</u> | <u>539,873</u> |
| Total Liabilities | <u>599,209</u> | <u>677,317</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,042,475 | 2,016,574 |
| Unrestricted | <u>430,099</u> | <u>379,839</u> |
| Total Net Assets | <u>\$ 2,472,574</u> | <u>\$ 2,396,413</u> |

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

**Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008**

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|------------------|--------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Consumer sales | \$ 457,854 | \$ 457,854 | \$ 409,955 | \$ (47,899) | \$ 434,010 |
| Operating Expenses | | | | | |
| Salaries | 92,636 | 92,636 | 91,541 | 1,095 | 87,059 |
| Employee benefits and retirement | 25,708 | 25,708 | 24,180 | 1,528 | 22,645 |
| Supplies and minor equipment | 27,000 | 27,000 | 19,239 | 7,761 | 27,970 |
| Professional services | 17,200 | 17,200 | 16,003 | 1,197 | 14,796 |
| Communication | 5,000 | 5,000 | 4,410 | 590 | 4,291 |
| Transportation and training | 4,000 | 4,000 | 2,946 | 1,054 | 3,996 |
| Insurance | 4,900 | 5,500 | 4,455 | 1,045 | 4,278 |
| Utilities | 65,000 | 65,000 | 49,846 | 15,154 | 56,904 |
| Repairs and maintenance | 66,650 | 66,050 | 25,523 | 40,527 | 34,106 |
| Depreciation and amortization | 131,100 | 131,100 | 102,054 | 29,046 | 107,236 |
| Other | 3,050 | 3,050 | 911 | 2,139 | 1,017 |
| Total Operating Expenses | 442,244 | 442,244 | 341,108 | 101,136 | 364,298 |
| Operating Income | 15,610 | 15,610 | 68,847 | 53,237 | 69,712 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest income | 8,000 | 8,000 | 16,348 | 8,348 | 9,062 |
| Water availability charges | 5,000 | 5,000 | 5,624 | 624 | (8,812) |
| Miscellaneous income | 9,500 | 9,500 | 7,426 | (2,074) | 8,723 |
| Interest and fiscal charges | (24,533) | (24,533) | (22,084) | 2,449 | (26,777) |
| Total Nonoperating Revenues (Expenses) | (2,033) | (2,033) | 7,314 | 9,347 | (17,804) |
| INCOME BEFORE TRANSFERS | 13,577 | 13,577 | 76,161 | 62,584 | 51,908 |
| Transfers out | (30,000) | (30,000) | | 30,000 | (30,000) |
| CHANGE IN NET ASSETS | (16,423) | (16,423) | 76,161 | 92,584 | 21,908 |
| TOTAL NET ASSETS - BEGINNING OF YEAR | 2,396,413 | 2,396,413 | 2,396,413 | | 2,374,505 |
| TOTAL NET ASSETS - END OF YEAR | \$ 2,379,990 | \$ 2,379,990 | \$ 2,472,574 | \$ 92,584 | \$ 2,396,413 |

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Assets
December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 129,070 | \$ 166,659 |
| Accounts receivable | 77,666 | 49,379 |
| Accrued utility revenue | 16,631 | 17,683 |
| Special assessments-deferred | 667 | 800 |
| Advances to other funds | 13,042 | 24,042 |
| Prepaid expenses | 249 | 272 |
| Total Current Assets | <u>237,325</u> | <u>258,835</u> |
| Property and Equipment | | |
| Nondepreciable | 28,700 | 28,700 |
| Depreciable | 3,242,185 | 3,114,484 |
| Less: Accumulated depreciation | <u>690,139</u> | <u>626,453</u> |
| Property, Plant and Equipment, Net | <u>2,580,746</u> | <u>2,516,731</u> |
| Total Assets | <u>2,818,071</u> | <u>2,775,566</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Current maturities of bonds payable | 119,300 | 114,300 |
| Current maturities of notes payable | 38,000 | |
| Accounts payable | 4,289 | 5,245 |
| Deferred revenue | 667 | 800 |
| Accrued interest payable | 7,903 | 8,329 |
| Total Current Liabilities | <u>170,159</u> | <u>128,674</u> |
| Noncurrent Liabilities | | |
| Bonds payable, net of current maturities | 442,350 | 589,650 |
| Less: Unamortized bond discount | <u>(11,555)</u> | <u>(15,070)</u> |
| Total Noncurrent Liabilities | <u>430,795</u> | <u>574,580</u> |
| Total Liabilities | <u>600,954</u> | <u>703,254</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 1,992,651 | 1,827,851 |
| Unrestricted | 224,466 | 244,461 |
| Total Net Assets | <u>\$ 2,217,117</u> | <u>\$ 2,072,312</u> |

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

**Statement of Revenues, Expenses
and Changes in Fund Net Assets - Budget and Actual
For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008**

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|------------------|--------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Consumer sales | \$ 624,903 | \$ 624,903 | \$ 556,305 | \$ (68,598) | \$ 536,449 |
| Operating Expenses | | | | | |
| Purchased utilities | 288,152 | 288,152 | 286,819 | 1,333 | 283,635 |
| Salaries | 41,223 | 41,223 | 40,469 | 754 | 37,274 |
| Employee benefits and retirement | 10,833 | 10,833 | 10,579 | 254 | 9,152 |
| Supplies and minor equipment | 6,400 | 6,400 | 5,682 | 718 | 5,333 |
| Professional services | 15,700 | 16,200 | 5,565 | 10,635 | 6,251 |
| Communication | 2,400 | 2,400 | 2,813 | (413) | 1,902 |
| Transportation and training | 4,000 | 4,000 | 2,720 | 1,280 | 714 |
| Printing and publishing | 750 | 750 | | 750 | |
| Insurance | 500 | 500 | 436 | 64 | 554 |
| Utilities | 3,000 | 3,000 | 3,510 | (510) | 2,966 |
| Repairs and maintenance | 139,000 | 139,000 | 17,722 | 121,278 | 34,243 |
| Depreciation and amortization | 98,900 | 98,900 | 67,202 | 31,698 | 63,687 |
| FEMA project | | | 5,895 | (5,895) | 1,128 |
| Other | 1,650 | 1,150 | 998 | 152 | 897 |
| Total Operating Expenses | 612,508 | 612,508 | 450,410 | 162,098 | 447,736 |
| Operating Income | 12,395 | 12,395 | 105,895 | 93,500 | 88,713 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest income | 5,000 | 5,000 | 1,572 | (3,428) | 4,737 |
| Sewer availability charges | 8,210 | 8,210 | 5,069 | (3,141) | (15,862) |
| Miscellaneous income | 5,000 | 5,000 | 50,350 | 45,350 | 28,027 |
| Interest and fiscal charges | (18,507) | (18,507) | (18,081) | 426 | (20,199) |
| Total Nonoperating Revenues (Expenses) | (297) | (297) | 38,910 | 39,207 | (3,297) |
| INCOME BEFORE TRANSFERS | 12,098 | 12,098 | 144,805 | 132,707 | 85,416 |
| Transfers in | | | | | 25,799 |
| CHANGE IN NET ASSETS | 12,098 | 12,098 | 144,805 | 132,707 | 111,215 |
| NET ASSETS - BEGINNING OF YEAR | 2,072,312 | 2,072,312 | 2,072,312 | | 1,961,097 |
| TOTAL NET ASSETS - END OF YEAR | \$ 2,084,410 | \$ 2,084,410 | \$ 2,217,117 | \$ 132,707 | \$ 2,072,312 |

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
STORM WATER FUND
Statement of Net Assets
December 31, 2009 and 2008

| | 2009 | 2008 |
|--|------------|------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 8,007 | \$ 22,090 |
| Accounts receivable | 30,544 | 4,066 |
| Accrued utility revenue | 2,674 | 2,657 |
| Total Current Assets | 41,225 | 28,813 |
| Property and Equipment | | |
| Property and equipment | 423,281 | 349,914 |
| Less: Accumulated depreciation | 23,495 | 14,360 |
| Property, Plant and Equipment, Net | 399,786 | 335,554 |
| Total Assets | 441,011 | 364,367 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 8,714 | 6,925 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 399,786 | 335,554 |
| Unrestricted | 32,511 | 21,888 |
| Total Net Assets | \$ 432,297 | \$ 357,442 |

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Assets - Budget and Actual
 For the Fiscal Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|------------------|------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Storm water fees | \$ 82,668 | \$ 82,668 | \$ 82,757 | \$ 89 | \$ 46,737 |
| Operating Expenses | | | | | |
| Salaries | | | 4,673 | (4,673) | |
| Employee benefits and retirement | | | 357 | (357) | |
| Professional services | 2,600 | 3,100 | 2,964 | 136 | 600 |
| Depreciation | | | 9,135 | (9,135) | 7,598 |
| FEMA project | | | | | 2,205 |
| Repairs and maintenance | 75,500 | 75,000 | 14,100 | 60,900 | |
| Total Operating Expenses | 78,100 | 78,100 | 31,229 | 46,871 | 10,403 |
| Operating Income | 4,568 | 4,568 | 51,528 | 46,960 | 36,334 |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest income | 155 | 155 | 360 | 205 | 659 |
| FEMA grant | | | 22,967 | 22,967 | |
| CHANGE IN NET ASSETS | 4,723 | 4,723 | 74,855 | 70,132 | 36,993 |
| TOTAL NET ASSETS - BEGINNING OF YEAR | 357,442 | 357,442 | 357,442 | | 320,449 |
| TOTAL NET ASSETS - END OF YEAR | \$ 362,165 | \$ 362,165 | \$ 432,297 | \$ 70,132 | \$ 357,442 |

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Assets
 December 31, 2009 and 2008**

| | 2009 | 2008 |
|----------------------------|-----------|-----------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 24,098 | \$ 23,194 |
| Accounts receivable | 27,126 | 19,309 |
| Total Assets | 51,224 | 42,503 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 14,862 | 13,170 |
| NET ASSETS | | |
| Unrestricted | \$ 36,362 | \$ 29,333 |

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
Schedule of Revenues, Expenses
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|---|------------------|------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Charges for Services | \$ 128,900 | \$ 128,900 | \$ 132,136 | \$ 3,236 | \$ 118,510 |
| Operating Expenses | | | | | |
| Waste Removal | | | | | |
| Garbage removal | 153,500 | 153,500 | 154,064 | (564) | 146,895 |
| City cleanup | 5,000 | 5,000 | 8,285 | (3,285) | 4,759 |
| Compost site expense | 2,500 | 2,500 | 3,119 | (619) | |
| Other | | 450 | 300 | 150 | 450 |
| Total Operating Expenses | 161,000 | 161,450 | 165,768 | (4,318) | 152,104 |
| Operating Income | (32,100) | (32,550) | (33,632) | (1,082) | (33,594) |
| Nonoperating Revenue | | | | | |
| Interest income | 500 | 500 | 275 | (225) | 772 |
| Compost fees | 13,000 | 13,000 | 12,550 | (450) | 11,039 |
| Recycling fees | 31,900 | 31,900 | 27,836 | (4,064) | 26,860 |
| Total Nonoperating Revenue | 45,400 | 45,400 | 40,661 | (4,739) | 38,671 |
| INCOME BEFORE TRANSFERS | 13,300 | 12,850 | 7,029 | (5,821) | 5,077 |
| Transfers out | (1,350) | (1,350) | | 1,350 | (12,350) |
| CHANGE IN NET ASSETS | 11,950 | 11,500 | 7,029 | (4,471) | (7,273) |
| TOTAL NET ASSETS - BEGINNING OF YEAR | 29,333 | 29,333 | 29,333 | | (2,012) |
| Prior period adjustment (Note 5) | | | | | 38,618 |
| TOTAL NET ASSETS - BEGINNING OF YEAR AS RESTATED | 29,333 | 29,333 | 29,333 | | 36,606 |
| TOTAL NET ASSETS - END OF YEAR | \$ 41,283 | \$ 40,833 | \$ 36,362 | \$ (4,471) | \$ 29,333 |

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
AMBULANCE FUND
Statement of Net Assets
December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 114,325 | \$ 175,526 |
| Accounts receivable | 68,571 | 39,539 |
| Taxes receivable - delinquent | 15 | 53 |
| Prepaid expense | 1,195 | 651 |
| Due from other governmental units | | 39 |
| Total Current Assets | <u>184,106</u> | <u>215,808</u> |
| Capital Assets | | |
| Depreciable | 302,200 | 157,335 |
| Less: Accumulated depreciation | 101,513 | 84,841 |
| Capital Assets, Net | <u>200,687</u> | <u>72,494</u> |
| Total Assets | <u>384,793</u> | <u>288,302</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Current maturities of notes payable | 14,655 | 20,013 |
| Accounts payable | 2,891 | 3,232 |
| Deferred revenue | 15 | 53 |
| Total Current Liabilities | <u>17,561</u> | <u>23,298</u> |
| Noncurrent Liabilities | | |
| Notes payable | <u>75,515</u> | |
| Total Liabilities | <u>93,076</u> | <u>23,298</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 110,517 | 52,481 |
| Unrestricted | 181,200 | 212,523 |
| Total Net Assets | <u>\$ 291,717</u> | <u>\$ 265,004</u> |

CITY OF ST. CHARLES, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenses
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

| | Budgeted Amounts | | 2009 Actual Amounts | Variance with Final Budget - Positive (Negative) | 2008 Actual Amounts |
|--|------------------|------------------|---------------------------|---|---------------------------|
| | Original | Final | | | |
| Operating Revenue | | | | | |
| Property Tax Levy | | | | | |
| Property tax collected | \$ | \$ | \$ 1 | \$ 1 | \$ 39 |
| Charges for Services | | | | | |
| Ambulance service contracts | 1,800 | 1,800 | 600 | (1,200) | 600 |
| Ambulance fees | 168,000 | 168,000 | 175,484 | 7,484 | 162,429 |
| Total Operating Revenues | <u>169,800</u> | <u>169,800</u> | <u>176,085</u> | <u>6,285</u> | <u>163,068</u> |
| Operating Expenses | | | | | |
| Salaries | 59,000 | 59,000 | 70,225 | (11,225) | 67,290 |
| Employee benefits and retirement | 10,560 | 10,560 | 12,316 | (1,756) | 11,183 |
| Supplies and minor equipment | 19,700 | 22,200 | 19,135 | 3,065 | 20,608 |
| Professional services | 10,050 | 10,050 | 14,796 | (4,746) | 10,003 |
| Communication | 3,000 | 3,000 | 3,052 | (52) | 1,992 |
| Transportation and training | 10,000 | 10,000 | 12,578 | (2,578) | 8,877 |
| Insurance | 1,800 | 1,800 | 879 | 921 | 1,153 |
| Repairs and maintenance | 4,500 | 4,500 | 3,972 | 528 | 9,772 |
| Depreciation | | | 16,672 | (16,672) | 21,084 |
| Bad debts | | | 992 | (992) | 5,375 |
| Other | 5,500 | 5,500 | 7,406 | (1,906) | 2,787 |
| Total Operating Expenses | <u>124,110</u> | <u>126,610</u> | <u>162,023</u> | <u>(35,413)</u> | <u>160,124</u> |
| Operating Income | <u>45,690</u> | <u>43,190</u> | <u>14,062</u> | <u>(29,128)</u> | <u>2,944</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest Income | 2,000 | 2,000 | 1,839 | (161) | 4,146 |
| Donations | | | 3,808 | 3,808 | 870 |
| Miscellaneous | | | 14,515 | 14,515 | 9,900 |
| Interest expense | | | (1,011) | (1,011) | (2,581) |
| Total Nonoperating Revenues (Expenses) | <u>2,000</u> | <u>2,000</u> | <u>19,151</u> | <u>17,151</u> | <u>12,335</u> |
| INCOME BEFORE TRANSFERS AND CONTRIBUTIONS | <u>47,690</u> | <u>45,190</u> | <u>33,213</u> | <u>(11,977)</u> | <u>15,279</u> |
| Contributed capital | | | | | 60,677 |
| Transfers in | | | | | 195,548 |
| Transfers out | <u>(21,970)</u> | <u>(21,970)</u> | <u>(6,500)</u> | <u>15,470</u> | <u>(6,500)</u> |
| CHANGE IN NET ASSETS | <u>25,720</u> | <u>23,220</u> | <u>26,713</u> | <u>3,493</u> | <u>265,004</u> |
| TOTAL NET ASSETS - BEGINNING OF YEAR | | | <u>265,004</u> | | |
| TOTAL NET ASSETS - END OF YEAR | <u>\$ 25,720</u> | <u>\$ 23,220</u> | <u>\$ 291,717</u> | <u>\$ 3,493</u> | <u>\$ 265,004</u> |

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2009

CASH ON HAND

| | | |
|--------------|----|-------|
| Change funds | \$ | 2,183 |
|--------------|----|-------|

CASH IN BANK

Eastwood State Bank

| | | |
|---|--|-----------|
| St. Charles, Minnesota: General checking (.05%) and savings (1.50%) | | 1,316,436 |
|---|--|-----------|

Merchants National Bank

| | | |
|---|--|--------|
| St. Charles, Minnesota: MISO Account | | 70,636 |
|---|--|--------|

INVESTMENTS

Eastwood State Bank

| | Rate | Amount |
|-------------------------|-------|------------|
| St. Charles, Minnesota: | | |
| Certificates of Deposit | 1.36% | \$ 314,870 |

Merchants National Bank

| | | |
|-------------------------|-------|---------|
| Certificates of Deposit | 1.59% | 109,115 |
|-------------------------|-------|---------|

Salomon Smith Barney

| | | |
|--------------------------|------------|---------|
| Certificates of Deposit | 3.05-5.05% | 726,888 |
| U.S. Government Security | 3.00-4.00% | 263,541 |
| Money Market Fund | 1.82% | 27,000 |

| | | |
|--------------------------|--|-----------|
| TOTAL INVESTMENTS | | 1,441,414 |
|--------------------------|--|-----------|

| | | |
|---|--|--------------|
| TOTAL CASH AND INVESTMENTS, December 31, 2009 | | \$ 2,830,669 |
|---|--|--------------|

SCHEDULE 14

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2009**

| Year | \$687,000 General Obligation Bonds of 1983 | | |
|---------------|---|-----------------|------------------|
| | Principal | Interest | Total |
| 2010 | \$ 43,000 | \$ 3,900 | \$ 46,900 |
| 2011 | 35,000 | 1,750 | 36,750 |
| Totals | \$ 78,000 | \$ 5,650 | \$ 83,650 |

| Year | \$1,785,000 G.O. Street Reconstruction/ Tax Abatement Bonds of 2005 | | |
|---------------|--|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ 100,000 | \$ 54,925 | \$ 154,925 |
| 2011 | 105,000 | 51,594 | 156,594 |
| 2012 | 110,000 | 47,963 | 157,963 |
| 2013 | 115,000 | 44,025 | 159,025 |
| 2014 | 115,000 | 39,856 | 154,856 |
| Thereafter | 950,000 | 139,050 | 1,089,050 |
| Totals | \$ 1,495,000 | \$ 377,413 | \$ 1,872,413 |

| Year | \$465,000 General Obligation Refunding Tax Increment Bonds of 2004 | | |
|---------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| 2010 | \$ 40,000 | \$ 11,060 | \$ 51,060 |
| 2011 | 40,000 | 9,690 | 49,690 |
| 2012 | 40,000 | 8,230 | 48,230 |
| 2013 | 45,000 | 6,623 | 51,623 |
| 2014 | 45,000 | 4,867 | 49,867 |
| Thereafter | 95,000 | 4,095 | 99,095 |
| Totals | \$ 305,000 | \$ 44,565 | \$ 349,565 |

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2009**

| Year | \$100,000 Fire Truck Loan | | |
|---------------|---------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2010 | \$ 10,614 | \$ 2,104 | \$ 12,718 |
| 2011 | 11,105 | 1,613 | 12,718 |
| 2012 | 11,618 | 1,099 | 12,717 |
| 2013 | 12,154 | 564 | 12,718 |
| Totals | \$ 45,491 | \$ 5,380 | \$ 50,871 |

SCHEDULE 15

CITY OF ST. CHARLES, MINNESOTA
 BUSINESS-TYPE FUNDS
 Bond Retirement Schedules
 December 31, 2009

| Year | \$1,060,000 General Obligation Utility Revenue Bonds of 2002 | | |
|---------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| 2010 | \$ 115,000 | \$ 14,384 | \$ 129,384 |
| 2011 | 120,000 | 10,622 | 130,622 |
| 2012 | 125,000 | 6,579 | 131,579 |
| 2013 | 130,000 | 2,242 | 132,242 |
| Totals | \$ 490,000 | \$ 33,827 | \$ 523,827 |

| Year | \$1,205,000 General Obligation Utility Revenue Bonds of 2004 | | |
|---------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| 2010 | \$ 125,000 | \$ 21,395 | \$ 146,395 |
| 2011 | 125,000 | 17,270 | 142,270 |
| 2012 | 130,000 | 12,870 | 142,870 |
| 2013 | 135,000 | 8,098 | 143,098 |
| 2014 | 140,000 | 2,800 | 142,800 |
| Totals | \$ 655,000 | \$ 62,433 | \$ 717,433 |

| Year | \$3,790,000 General Obligation Utility Revenue Bonds of 2004 | | |
|---------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ 175,000 | \$ 122,808 | \$ 297,808 |
| 2011 | 180,000 | 117,120 | 297,120 |
| 2012 | 190,000 | 111,270 | 301,270 |
| 2013 | 195,000 | 104,620 | 299,620 |
| 2014 | 205,000 | 97,307 | 302,307 |
| Thereafter | 2,025,000 | 430,766 | 2,455,766 |
| Totals | \$ 2,970,000 | \$ 983,891 | \$ 3,953,891 |

| Year | \$90,170 Ambulance Note Payable of 2009 | | |
|---------------|---|------------------|-------------------|
| | Principal | Interest | Total |
| 2010 | \$ 14,665 | \$ 4,419 | \$ 19,084 |
| 2011 | 16,919 | 3,900 | 20,819 |
| 2012 | 17,918 | 2,901 | 20,819 |
| 2013 | 18,976 | 1,844 | 20,820 |
| 2014 | 20,096 | 723 | 20,819 |
| Thereafter | 1,596 | 8 | 1,604 |
| Totals | \$ 90,170 | \$ 13,795 | \$ 103,965 |

| Year | \$38,000 Sewer Cleaner Loan of 2009 | | |
|------|-------------------------------------|----------|-----------|
| | Principal | Interest | Total |
| 2010 | \$ 38,000 | \$ 1,422 | \$ 39,422 |

(This Page Left Blank Intentionally)



AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the general purpose financial statements of the City of St. Charles, Minnesota as of and for the year ended December 31, 2009 and have issued our report thereon dated April 9, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force 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 Local Governments* 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
April 9, 2010