

**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



**CITY OF ST. CHARLES, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2019**

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FINANCIAL STATEMENTS  
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**CITY OF ST. CHARLES, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2019**

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**CITY OF ST. CHARLES, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2019**

Elected

John Schaber	Mayor
David Braun	Council
Wayne Getz	Council
David Kramer	Council
Craig Hilmer	Council

Appointed

Nick Koverman	City Administrator
Shawn Elsbury	Accountant
Janell Dahl	Deputy Clerk

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**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Charles, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of St. Charles, Minnesota, as of December 31, 2019, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited the City's 2018 financial statements and our report dated June 20, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Supplementary Information in Relation to the Financial Statements as a Whole*

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

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

The introductory and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
June 15, 2020

## 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, 2019.

### FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$24,026,308 (*net position*). Of this amount, \$4,840,032 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$249,294.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,560,978. Approximately 38% of this total amount, or \$598,615 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$714,312 or 41% 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 financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

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

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

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

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

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

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

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

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

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

The City of St. Charles, Minnesota maintains seventeen 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 capital improvements, TIF District No. 8 capital projects funds, and 2011A General Obligation Refunding Bond debt service fund, all of which are considered to be major funds. Data from the thirteen other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of St. Charles, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 23-27) and the special revenue funds (pages 74-79) to demonstrate compliance with the budget.

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

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

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

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

The proprietary fund financial statements can be found on pages 28-35 of this report.

**Notes to 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 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 70-73 of this report.

### **IMPORTANT REMINDERS**

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$24,026,308 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net position (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.

	<b>City of St. Charles, Minnesota's Net Position</b>		<b>Totals</b>	
	Governmental Activities	Business-Type Activities	2019	2018
Current and other assets	\$ 1,976,645	\$ 4,549,155	\$ 6,525,800	\$ 6,556,762
Capital assets	11,008,179	12,837,304	23,845,483	24,451,312
Total assets	<u>12,984,824</u>	<u>17,386,459</u>	<u>30,371,283</u>	<u>31,008,074</u>
Deferred Outflows of Resources	408,408	46,783	455,191	514,756
Long-term liabilities outstanding	3,511,462	1,201,272	4,712,734	5,592,518
Other liabilities	747,215	842,183	1,589,398	1,469,353
Total liabilities	<u>4,258,677</u>	<u>2,043,455</u>	<u>6,302,132</u>	<u>7,061,871</u>
Deferred Inflows of Resources	439,736	58,298	498,034	683,945
Net position:				
Investment in capital assets	7,496,717	11,636,032	19,132,749	18,940,677
Restricted	53,527		53,527	261,770
Unrestricted	1,144,575	3,695,457	4,840,032	4,574,567
Total net position	<u>\$ 8,694,819</u>	<u>\$ 15,331,489</u>	<u>\$ 24,026,308</u>	<u>\$ 23,777,014</u>

The balance of *unrestricted net position* (\$4,840,032) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

**Governmental activities.** Governmental activities increased the City of St. Charles, Minnesota's net position by \$88,174. The most significant change in governmental net position is due to the effect of accounting for net position under full accrual accounting, current year infrastructure capital outlay, which was funded during the year, will be expensed over its useful life and capital assets constructed by developers and contributed to the City are recorded as increases in net position.

**Business-type activities.** Business-type activities increased the City of St. Charles, Minnesota's net position by \$161,120. The City's electric utility contributed the most significant portion of that increase, or \$103,738.

A condensed version of the Statement of Activities follows:

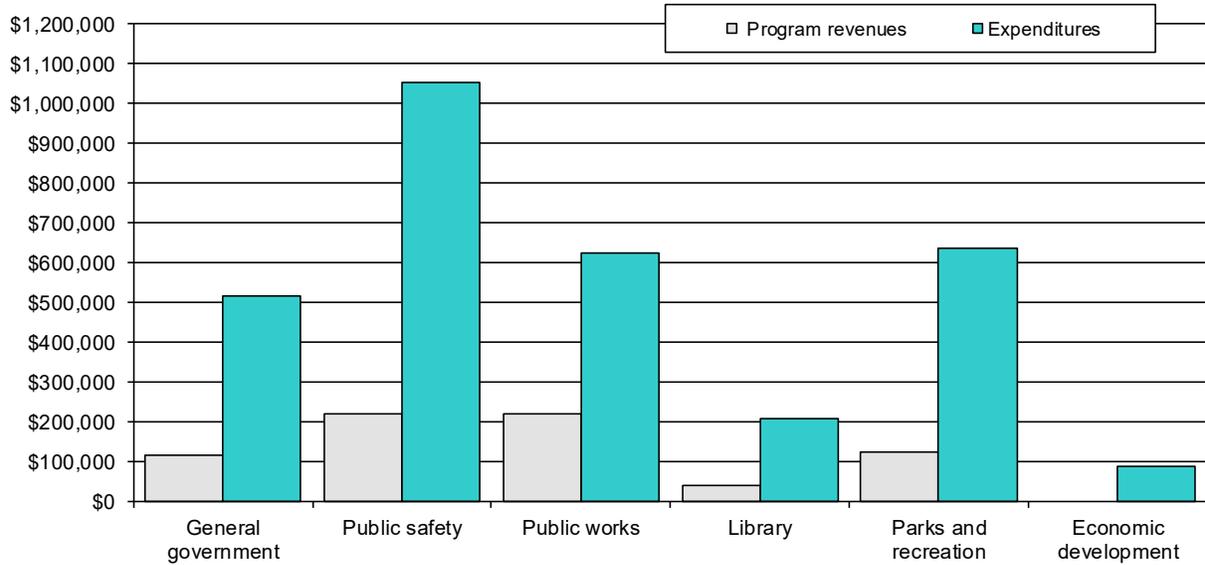
**City of St. Charles, Minnesota's Change in Net Position**

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
Revenue:				
Program revenues:				
Charges for services	\$ 288,679	\$ 4,888,191	\$ 5,176,870	\$ 5,152,787
Operating grants and contributions	197,691	25,438	223,129	201,465
Capital grants and contributions	236,442		236,442	346,358
General revenues:				
Property taxes	1,140,829		1,140,829	1,042,739
TIF proceeds	61,080		61,080	50,656
Franchise fees	59,948		59,948	62,007
Grants and contributions not restricted to specific programs	905,328		905,328	903,538
Other	376,521	88,112	464,633	115,361
Total revenues	<u>3,266,518</u>	<u>5,001,741</u>	<u>8,268,259</u>	<u>7,874,911</u>
Expenses:				
General government	516,080		516,080	456,653
Public safety	1,055,033		1,055,033	858,424
Public works	627,103		627,103	369,476
Library	208,922		208,922	201,261
Parks and recreation	638,991		638,991	568,202
Economic development	89,020		89,020	87,670
Interest on long-term debt	213,195		213,195	130,305
Electric		2,826,125	2,826,125	2,629,872
Water		537,759	537,759	500,088
Sewer		726,738	726,738	674,967
Storm water drainage		141,638	141,638	127,480
Waste management		251,668	251,668	230,946
Ambulance		186,693	186,693	174,961
Total expenses	<u>3,348,344</u>	<u>4,670,621</u>	<u>8,018,965</u>	<u>7,010,305</u>
Increase in net position before transfers	(81,826)	331,120	249,294	864,606
Transfers	170,000	(170,000)		
Increase in net position	88,174	161,120	249,294	864,606
Net position, beginning	8,606,645	15,170,369	23,777,014	22,912,408
Net position, end of year	<u>\$ 8,694,819</u>	<u>\$ 15,331,489</u>	<u>\$ 24,026,308</u>	<u>\$ 23,777,014</u>

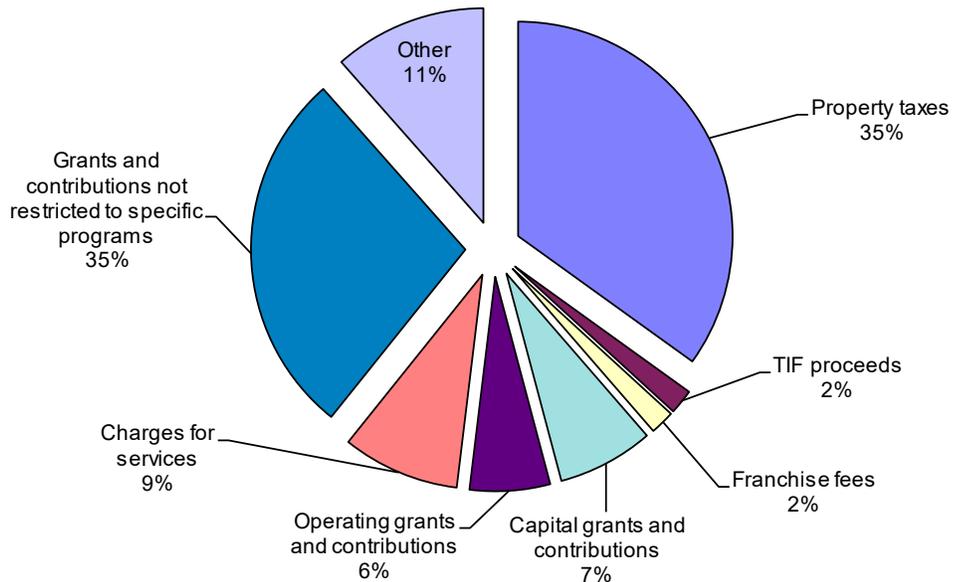
## CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Expenditures and Program Revenues - Governmental Activities**



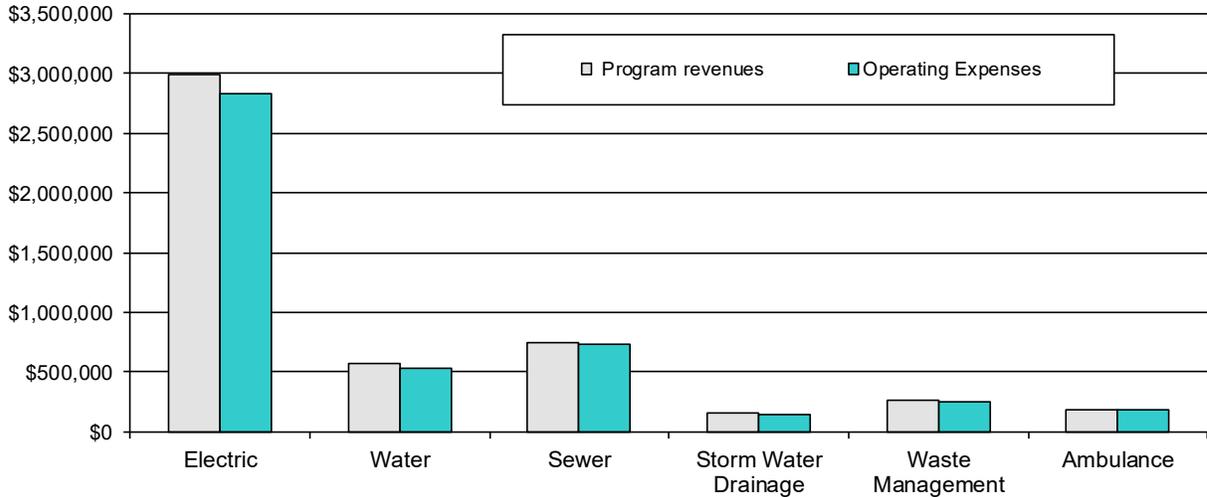
**Revenues by Source - Governmental Activities**



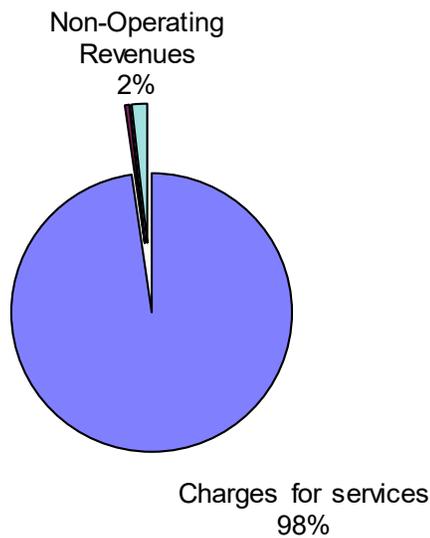
**CITY OF ST. CHARLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



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

## FUND BASIS FINANCIAL ANALYSIS

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

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

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

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

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

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

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

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

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

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,560,978 a decrease of \$88,143 from 2018. Approximately 62% of this balance is either Nonspendable (\$21,921) related to prepaid items, Restricted (\$123,687) related to debt covenants or regulations or Committed (\$816,755) to projects by Council. The remainder is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$714,312. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures.

The general fund's total fund balance decreased by \$18,755 during the current fiscal year. This year's decrease was primarily due to using a portion of the general fund balance to reduce the tax levy for citizens at the direction of the City Council. Further, a portion of the general fund balance was used to reduce the negative fund balance in the library fund.

The economic development fund decreased its fund balance by \$4,217. This decrease was primarily due to the issuance of two additional loans in 2019, which were partially offset by the early repayment of two other loans.

The capital improvement fund increased its fund balance by \$279,813 for the year, and ended the year with a fund balance of \$646,192. This year's increase was primarily due to a land sale for \$683,000.

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

**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 net position in the respective proprietary funds are Electric - \$7,671,778, Water - \$3,334,988, Sewer - \$2,980,991, Storm Water - \$1,038,446, Waste Management - \$88,278, Ambulance - \$217,008.

Electric Utility rates remained unchanged for 2019 as determined by staff and electrical engineer's recommendation. The market associated contract with Dairyland created a reduction in the cost of purchased power; therefore, the City will see a reduction of \$23,875, which will be credited on the 2020 invoices from Dairyland. The City continues to design programs in an effort to adhere to the State's mandated energy conservation requirements, which is to spend roughly 1.5% of gross revenues, in order to reduce consumption by approximately 322,000 kWh per year based on current figures. The City of St. Charles, Minnesota, along with the majority of members of the Upper Midwest Municipal Energy Group, entertained and engaged in a long-term Purchase Power Agreement with OneEnergy/Butter Solar to develop 22MW of solar in 2018. The City of St. Charles, Minnesota signed a 25-year agreement for the solar output as a hedge against future market costs. In addition, the City purchased a 17-acre site for \$212,500 as the location for the 2MW facility.

Base Water Utility rates did not change from 2018. Water Utility rates were restructured in 2015. The City adopted a tiered rate structure, with water rates being charged based on usage. In the spring of 2011, the State Legislature amended Minnesota Statutes 103G.291 to require public water suppliers serving more than 1,000 residents to encourage water conservation by adopting demand reduction measures, including a water conservation rate or a uniform rate with a conservation program by January 1, 2015.

Sewer Utility rates were increased 2% in 2019.

Garbage and recycling rates were increased by Advanced Disposal Services 3.8 percent in 2019 – the rate increase was passed on to the users.

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

**General Fund Budgetary Highlights**

The City has remained consistent in spending within established budget guidelines. No amendments were made to the original 2019 budget.

**Capital Asset and Debt Administration**

**Capital assets.** The City of St. Charles, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$23,845,483 (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, Minnesota reported a decrease in its investment in capital assets for the current fiscal year of \$605,829.

**City of St. Charles, Minnesota's Capital Assets**

(net of depreciation)

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
Land	\$ 1,909,773	\$ 354,689	\$ 2,264,462	\$ 2,075,943
Construction in process	37,593	14,280	51,873	
Buildings and improvements	3,774,434	4,720,761	8,495,195	8,591,354
Machinery and equipment	438,048	7,747,574	8,185,622	8,698,610
Infrastructure	4,848,331		4,848,331	5,085,405
Total	<u>\$ 11,008,179</u>	<u>\$ 12,837,304</u>	<u>\$ 23,845,483</u>	<u>\$ 24,451,312</u>

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 48-49 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 \$4,719,162 in bonds and notes outstanding. All of this debt except the notes and loans payable, is backed by the full faith and credit of the City.

**City of St. Charles, Minnesota's Outstanding Debt**  
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities	Business-Type Activities	Totals	
			2019	2018
General obligation bonds	\$ 3,450,954	\$ 399,046	\$ 3,850,000	\$ 3,810,000
General obligation revenue bonds		810,000	810,000	1,060,000
Notes and lease payable	59,162		59,162	100,636
<b>Total</b>	<b>\$ 3,510,116</b>	<b>\$ 1,209,046</b>	<b>\$ 4,719,162</b>	<b>\$ 4,970,636</b>

The City of St. Charles, Minnesota’s total bonds and notes payable decreased by \$251,474 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 52.

**Economic Factors and Next Year’s Budgets and Rates**

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 Poor’s.

All of the following factors were considered in preparing the City of St. Charles, Minnesota’s budget for the 2020 fiscal year. In addition, 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 2.6 percent in 2019. This rate is the same as Winona County’s average of 2.6 percent, and lower than the State’s average of 3.2 percent and the national average rate of 3.5 percent.
- The median household income in the City of St. Charles, Minnesota is \$63,936. This is nearly the same as the State of Minnesota’s average income of \$71,817 and slightly above the National average of \$63,030.
- The City of St. Charles, Minnesota’s population is 3,781 people. The City has seen a slight increase from the 2013 Census data 3,695. However, since 2000 the City has had a population growth of 9.7 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 52 percent of its General Fund revenues. Local Government Aid increased \$1,774 to \$904,966 in 2019. Local Government Aid is increasing \$59,636 in 2020.
- The City of St. Charles, Minnesota engaged in a Comparable Worth/Salary Study beginning at the end of the 2016 and was finished in 2017. The results of the study will be implemented over a 3-year time span and tied into the labor negotiations with Law Enforcement Labor Services, the International Brotherhood of Electrical Workers, and non-union staff. Union contracts were negotiated for a 3-year term (2018-2020). The negotiated Cost of Living Adjustment for all labor groups was finalized at 2.5 percent.

**Requests for Information**

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

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**CITY OF ST. CHARLES, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**ENDED DECEMBER 31, 2019**

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**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2019  
With Comparative Totals for December 31, 2018

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
<b>ASSETS</b>				
Cash and investments	\$ 1,558,301	\$ 3,324,559	\$ 4,882,860	\$ 4,704,867
Accrued interest receivable	2,237	7,451	9,688	9,369
Receivables (net of allowance for uncollectibles)	174,503	651,441	825,944	942,390
Internal balances	(40,000)	40,000		
Due from other governmental units	16,650		16,650	28,031
Inventory		413,806	413,806	411,489
Prepaid items	21,921	111,898	133,819	53,325
Net pension asset	243,033		243,033	407,291
Capital assets:				
Nondepreciable	1,947,366	368,969	2,316,335	2,075,943
Depreciable, net	9,060,813	12,468,335	21,529,148	22,375,369
Total Assets	<u>12,984,824</u>	<u>17,386,459</u>	<u>30,371,283</u>	<u>31,008,074</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	<u>408,408</u>	<u>46,783</u>	<u>455,191</u>	<u>514,756</u>
<b>LIABILITIES</b>				
Accounts payable	33,044	266,095	299,139	309,240
Deposits payable		18,694	18,694	16,540
Accrued interest payable	51,049	8,692	59,741	72,479
Accrued compensated absences	79,939	73,984	153,923	59,329
Noncurrent liabilities:				
Net pension liability	583,183	474,718	1,057,901	1,011,765
Due within one year	21,064	260,000	281,064	563,639
Due in more than one year	3,490,398	941,272	4,431,670	5,028,879
Total Liabilities	<u>4,258,677</u>	<u>2,043,455</u>	<u>6,302,132</u>	<u>7,061,871</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	<u>439,736</u>	<u>58,298</u>	<u>498,034</u>	<u>683,945</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,496,717	11,636,032	19,132,749	18,940,677
Restricted for:				
Debt service	53,527		53,527	261,770
Unrestricted	1,144,575	3,695,457	4,840,032	4,574,567
Total Net Position	<u>\$ 8,694,819</u>	<u>\$ 15,331,489</u>	<u>\$ 24,026,308</u>	<u>\$ 23,777,014</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

<u>Functions/Programs</u>	<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	\$ 516,080	\$ 95,208	\$ 23,729	\$
Public safety	1,055,033	67,616	131,490	20,644
Public works	627,103		4,657	214,546
Library	208,922	2,605	37,815	1,252
Parks and recreation	638,991	123,250		
Economic development	89,020			
Interest on long-term debt	213,195			
Total governmental activities	<u>3,348,344</u>	<u>288,679</u>	<u>197,691</u>	<u>236,442</u>
Business-Type activities:				
Electric	2,826,125	2,985,503		
Water	537,759	575,439		
Sewer	726,738	744,720		
Storm water drainage	141,638	153,035		
Waste management	251,668	265,453		
Ambulance	186,693	164,041	25,438	
Total business-type activities	<u>4,670,621</u>	<u>4,888,191</u>	<u>25,438</u>	
Total	<u>\$ 8,018,965</u>	<u>\$ 5,176,870</u>	<u>\$ 223,129</u>	<u>\$ 236,442</u>

General revenues:

    General property taxes

    Tax increments

    Franchise fees

Grants and contributions not restricted to specific programs:

    Local government aid

    Other state aid

    Interest earnings

    Gain on sale of land

    Miscellaneous

Transfers

    Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (397,143)	\$	\$ (397,143)	\$ (390,110)
(835,283)		(835,283)	(671,764)
(407,900)		(407,900)	(323,495)
(167,250)		(167,250)	(162,622)
(515,741)		(515,741)	(146,502)
(89,020)		(89,020)	(87,670)
(213,195)		(213,195)	(130,305)
<u>(2,625,532)</u>		<u>(2,625,532)</u>	<u>(1,912,468)</u>
	159,378	159,378	402,717
	37,680	37,680	57,995
	17,982	17,982	66,943
	11,397	11,397	25,650
	13,785	13,785	13,418
	2,786	2,786	36,050
	<u>243,008</u>	<u>243,008</u>	<u>602,773</u>
<u>(2,625,532)</u>	<u>243,008</u>	<u>(2,382,524)</u>	<u>(1,309,695)</u>
1,140,829		1,140,829	1,042,739
61,080		61,080	50,656
59,948		59,948	62,007
904,966		904,966	903,185
362		362	353
16,201	59,835	76,036	24,925
329,199		329,199	
31,121	28,277	59,398	90,436
170,000	(170,000)		
<u>2,713,706</u>	<u>(81,888)</u>	<u>2,631,818</u>	<u>2,174,301</u>
88,174	161,120	249,294	864,606
<u>8,606,645</u>	<u>15,170,369</u>	<u>23,777,014</u>	<u>22,912,408</u>
<u>\$ 8,694,819</u>	<u>\$ 15,331,489</u>	<u>\$ 24,026,308</u>	<u>\$ 23,777,014</u>

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**CITY OF ST. CHARLES, MINNESOTA**

**FUND FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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

December 31, 2019

With Comparative Totals for December 31, 2018

	<u>10</u>	Capital Projects	
		<u>25</u> Capital Improvements Fund	<u>42</u> Tax Increment District #8 Fund
	General		
<b>ASSETS</b>			
Cash and investments	\$ 329,238	\$ 684,324	\$
Accrued interest receivable	1,496	554	
Accounts receivable	14,223		
Loans and contracts receivable			
Taxes receivable delinquent	3,908	2,461	
Special assessments receivable:			
Deferred		31,835	
Due from other funds	393,286		
Due from other governmental units	2,649	2,548	
Prepaid items	17,900		
<b>TOTAL ASSETS</b>	<b>\$ 762,700</b>	<b>\$ 721,722</b>	<b>\$</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 26,580	\$ 1,234	\$
Due to other funds			172,264
Advances from other funds		40,000	
<b>Total Liabilities</b>	<b>26,580</b>	<b>41,234</b>	<b>172,264</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue:			
Property taxes	3,908	2,461	
Special assessments		31,835	
Loans receivable			
<b>Total Deferred Inflows of Resources</b>	<b>3,908</b>	<b>34,296</b>	
<b>Fund Balance:</b>			
Nonspendable:			
Prepaid items	17,900		
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		646,192	
Assigned			
Unassigned	714,312		(172,264)
<b>Total Fund Balance</b>	<b>732,212</b>	<b>646,192</b>	<b>(172,264)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 762,700</b>	<b>\$ 721,722</b>	<b>\$</b>

**See Notes to Financial Statements**

<u>Debt Service</u>			
<u>60</u>		<u>Total Governmental Funds</u>	
<u>2011A</u>	<u>Other</u>	<u>2019</u>	<u>2018</u>
<u>G.O. &amp; Refunding</u>	<u>Governmental</u>		
<u>Bond</u>	<u>Funds</u>		
\$ 51,021	\$ 493,715	\$ 1,558,298	\$ 1,653,183
	187	2,237	2,133
	9,315	23,538	67,202
	91,723	91,723	129,085
4,276	5,386	16,031	10,531
		31,835	2,324
		393,286	229,786
27	22,802	28,026	28,031
	4,021	21,921	22,310
<u>\$ 55,324</u>	<u>\$ 627,149</u>	<u>\$ 2,166,895</u>	<u>\$ 2,144,585</u>
\$	\$ 5,228	\$ 33,042	\$ 83,738
	221,022	393,286	229,786
		40,000	40,000
	226,250	466,328	353,524
4,276	5,386	16,031	10,531
		31,835	2,324
	91,723	91,723	129,085
<u>4,276</u>	<u>97,109</u>	<u>139,589</u>	<u>141,940</u>
	4,021	21,921	22,310
51,048	2,479	53,527	261,770
	70,160	70,160	62,494
	170,563	816,755	573,357
	264,146	264,146	217,909
	(207,579)	334,469	511,281
<u>51,048</u>	<u>303,790</u>	<u>1,560,978</u>	<u>1,649,121</u>
<u>\$ 55,324</u>	<u>\$ 627,149</u>	<u>\$ 2,166,895</u>	<u>\$ 2,144,585</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2019  
With Comparative Totals for the Year Ended December 31, 2018

	Capital Projects		
	<u>10</u> General	<u>25</u> Capital Improvements Fund	<u>42</u> Tax Increment District #8 Fund
<b>REVENUES</b>			
Property taxes	\$ 322,824	\$ 242,423	\$
Property taxes - Special EDA taxing district			
Tax increments			13,780
Special assessments	394	718	
Licenses and permits	88,314		
Fines and forfeits	13,388		
Intergovernmental revenues	961,075	178,799	
Charges for services	187,286		
Interest income	10,072	4,229	
Donations			
Loan repayment			
Miscellaneous revenues	21,488	716,323	
<b>TOTAL REVENUES</b>	<u>1,604,841</u>	<u>1,142,492</u>	<u>13,780</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	366,510	2,062	
Public safety	650,247		
Public works	275,170		
Library			
Parks and recreation	446,469		
Economic development			
<b>Capital Outlay</b>		838,275	
<b>Debt Service</b>		22,342	
<b>TOTAL EXPENDITURES</b>	<u>1,738,396</u>	<u>862,679</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(133,555)</u>	<u>279,813</u>	<u>13,780</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Repayment on refunded bond			
Proceeds from issuance of bonds			
Premium on issuance of bonds			
Transfers in	140,000		
Transfers out	(25,200)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>114,800</u>		
Net change in fund balances	(18,755)	279,813	13,780
<b>FUND BALANCES, beginning</b>	<u>750,967</u>	<u>366,379</u>	<u>(186,044)</u>
<b>FUND BALANCES, ending</b>	<u>\$ 732,212</u>	<u>\$ 646,192</u>	<u>\$ (172,264)</u>

**See Notes to Financial Statements**

Debt Service

2011A G.O. & Refunding Bond	Other Governmental Funds	Total Governmental Funds	
		2019	2018
\$ 96,235	\$ 430,402	\$ 1,091,884	\$ 998,418
	44,375	44,375	39,751
	47,299	61,079	50,656
		1,112	4,491
		88,314	43,666
		13,388	20,426
	78,793	1,218,667	1,051,351
	54,065	241,351	225,496
	3,702	18,003	11,755
	75,569	75,569	66,827
	41,950	41,950	17,777
	5,108	742,919	318,498
<u>96,235</u>	<u>781,263</u>	<u>3,638,611</u>	<u>2,849,112</u>
	36,673	405,245	383,671
	161,843	812,090	755,106
		275,170	264,544
	176,296	176,296	175,362
		446,469	420,040
	88,940	88,940	42,155
	60,976	899,251	1,045,475
18,472	606,593	647,407	385,888
<u>18,472</u>	<u>1,131,321</u>	<u>3,750,868</u>	<u>3,472,241</u>
<u>77,763</u>	<u>(350,058)</u>	<u>(112,257)</u>	<u>(623,129)</u>
(1,199,824)		(1,199,824)	
	1,035,000	1,035,000	650,000
	18,938	18,938	3,523
1,019,693	70,200	1,229,893	180,200
	(1,034,693)	(1,059,893)	(30,200)
<u>(180,131)</u>	<u>89,445</u>	<u>24,114</u>	<u>803,523</u>
(102,368)	(260,613)	(88,143)	180,394
<u>153,416</u>	<u>564,403</u>	<u>1,649,121</u>	<u>1,468,727</u>
<u>\$ 51,048</u>	<u>\$ 303,790</u>	<u>\$ 1,560,978</u>	<u>\$ 1,649,121</u>

**CITY OF ST. CHARLES, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
December 31, 2019**

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

Total governmental fund balances (page 18)	\$	1,560,978
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	18,421,403
Less: Accumulated depreciation		<u>(7,413,224)</u>
		11,008,179
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$	16,031
Deferred special assessments		31,835
Loans and contracts receivable		<u>91,723</u>
		139,589
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	\$	(3,510,116)
Net pension liability		(614,510)
Net pension asset		243,033
Compensated absences		(79,939)
Accrued interest		(51,049)
Unamortized bond premium		(22,141)
Unamortized bond discount		<u>20,795</u>
		<u>(4,013,927)</u>
Net position of governmental activities (page 14)	\$	<u><u>8,694,819</u></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 Year Ended December 31, 2019**

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

Net change in fund balances - total governmental funds (page 20)	\$	(88,143)
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay capitalized	\$	717,458
Depreciation expense		<u>(575,330)</u>
		142,128
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(443,229)
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue December 31, 2019	\$	139,589
Unavailable revenue December 31, 2018		<u>(141,940)</u>
		(2,351)
<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	\$	(49,906)
Change in net pension asset		(181,744)
Change in net pension liability		<u>114,232</u>
		(117,418)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal retirement on long-term debt	\$	1,645,344
Issuance of debt		(1,053,938)
Change in accrued interest		6,507
Amortization of bond discount		<u>(726)</u>
		<u>597,187</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>88,174</u></u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 312,537	\$ 312,537	\$ 322,824	\$ 10,287	\$ 259,948
<b>Special Assessments</b>	500	500	394	(106)	
<b>Licenses and Permits</b>					
Business and nonbusiness licenses	14,250	14,250	9,453	(4,797)	13,524
Building permits	30,000	30,000	78,861	48,861	30,142
Total Licenses and Permits	44,250	44,250	88,314	44,064	43,666
<b>Intergovernmental Revenues</b>					
Local government aid	904,966	904,966	904,966		903,185
Market value credit			362	362	353
Police aid	40,000	40,000	48,678	8,678	40,430
PERA aid	2,412	2,412	2,412		2,412
Highway aid	4,500	4,500	4,657	157	4,742
Total Intergovernmental Revenues	951,878	951,878	961,075	9,197	951,122
<b>Charges For Services</b>					
Swimming pool	80,400	80,400	87,823	7,423	85,170
Park and recreation	35,500	35,500	35,427	(73)	31,530
Cable franchise fees	45,000	45,000	42,357	(2,643)	45,009
Senior center rental	3,000	3,000	4,088	1,088	3,118
Natural gas franchise fees	18,000	18,000	17,591	(409)	16,998
Total Charges For Services	181,900	181,900	187,286	5,386	181,825
<b>Fines and Forfeits</b>					
Court fines and other	15,000	15,000	13,388	(1,612)	20,426
<b>Interest Income</b>					
	5,000	5,000	10,072	5,072	7,194
<b>Miscellaneous Revenues</b>					
Other income	850	850	21,488	20,638	10,650
<b>TOTAL REVENUES</b>	<b>\$ 1,511,915</b>	<b>\$ 1,511,915</b>	<b>\$ 1,604,841</b>	<b>\$ 92,926</b>	<b>\$ 1,474,831</b>

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 28,750	\$ 28,750	\$ 27,248	\$ 1,502	\$ 27,248
Transportation and training	1,000	1,000	1,173	(173)	872
Total Mayor and Council	<u>29,750</u>	<u>29,750</u>	<u>28,421</u>	<u>1,329</u>	<u>28,120</u>
<b>Election and Voter Registration</b>	<u>600</u>	<u>600</u>	<u>673</u>	<u>(73)</u>	<u>3,800</u>
<b>General and Financial Administration</b>					
Salaries	104,070	104,070	103,792	278	88,810
Employee benefits and retirement	38,655	38,655	39,160	(505)	34,155
Supplies and minor equipment	7,000	7,000	7,485	(485)	6,563
Communication	4,000	4,000	4,894	(894)	4,297
Transportation and training	4,000	4,000	6,158	(2,158)	4,191
Insurance	4,800	4,800	4,508	292	5,516
Repairs and maintenance	12,000	12,000	19,361	(7,361)	13,707
Assessor	17,500	17,500	18,531	(1,031)	18,187
Accounting and audit	8,000	8,000	5,403	2,597	8,825
Legal	17,500	17,500	32,386	(14,886)	16,333
Planning and zoning	1,450	1,450	4,404	(2,954)	1,730
Building inspection	20,000	20,000	25,511	(5,511)	23,656
Other professional services	4,300	4,300	5,561	(1,261)	5,044
Memberships	14,500	14,500	12,606	1,894	16,027
Other	9,160	9,160	4,878	4,282	10,675
Total General and Financial Administration	<u>266,935</u>	<u>266,935</u>	<u>294,638</u>	<u>(27,703)</u>	<u>257,716</u>
<b>City Hall</b>					
Salaries	8,450	8,450	8,487	(37)	6,266
Employee benefits and retirement	750	750	2,410	(1,660)	519
Supplies and minor equipment	1,500	1,500	1,432	68	1,835
Insurance	1,200	1,200	1,766	(566)	1,727
Utilities	17,250	17,250	15,485	1,765	16,900
Repairs and maintenance	6,000	6,000	13,198	(7,198)	13,801
Total City Hall	<u>35,150</u>	<u>35,150</u>	<u>42,778</u>	<u>(7,628)</u>	<u>41,048</u>
Total General Government	<u>\$ 332,435</u>	<u>\$ 332,435</u>	<u>\$ 366,510</u>	<u>\$ (34,075)</u>	<u>\$ 330,684</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Public Safety</b>					
<b>Police Department</b>					
Salaries	\$ 404,430	\$ 404,430	\$ 402,548	\$ 1,882	\$ 375,637
Employee benefits and retirement	141,740	141,740	156,597	(14,857)	132,632
Supplies and minor equipment	26,500	26,500	26,674	(174)	24,341
Professional services	13,150	13,150	13,735	(585)	14,394
Communication	6,000	6,000	7,008	(1,008)	6,137
Transportation and training	8,000	8,000	9,628	(1,628)	6,689
Insurance	10,500	10,500	15,359	(4,859)	11,516
Repairs and maintenance	11,300	11,300	16,031	(4,731)	8,941
Other	2,500	2,500	2,287	213	2,477
Total Police Department	<u>624,120</u>	<u>624,120</u>	<u>649,867</u>	<u>(25,747)</u>	<u>582,764</u>
<b>Emergency Management Services</b>					
Supplies and minor equipment			122	(122)	
Repairs and maintenance	3,000	3,000		3,000	
Professional services	5,900	5,900	258	5,642	6,258
Total Emergency Management Services	<u>8,900</u>	<u>8,900</u>	<u>380</u>	<u>8,520</u>	<u>6,258</u>
Total Public Safety	<u>633,020</u>	<u>633,020</u>	<u>650,247</u>	<u>(17,227)</u>	<u>589,022</u>
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	94,775	94,775	95,907	(1,132)	106,266
Employee benefits and retirement	32,640	32,640	29,673	2,967	39,421
Supplies and minor equipment	21,000	21,000	25,163	(4,163)	23,645
Professional services	1,500	1,500	6,679	(5,179)	1,500
Communication	800	800	1,326	(526)	1,708
Transportation and training	1,000	1,000	1,763	(763)	2,080
Insurance	6,000	6,000	6,092	(92)	6,035
Utilities	4,000	4,000	1,774	2,226	2,715
Repairs and maintenance	78,200	78,200	106,793	(28,593)	83,302
Total Public Works	<u>\$ 239,915</u>	<u>\$ 239,915</u>	<u>\$ 275,170</u>	<u>\$ (35,255)</u>	<u>\$ 266,672</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Recreation</b>					
Salaries	\$ 106,470	\$ 106,470	\$ 110,246	\$ (3,776)	\$ 102,117
Employee benefits and retirement	32,610	32,610	28,708	3,902	29,706
Communication	2,000	2,000	2,656	(656)	1,436
Transportation and training	1,000	1,000	624	376	1,499
Insurance	2,000	2,000	1,852	148	2,000
Repairs and maintenance			569	(569)	183
Recreation programs	20,000	20,000	26,890	(6,890)	26,893
Other	2,825	2,825	2,976	(151)	4,193
Total Recreation	<u>166,905</u>	<u>166,905</u>	<u>174,521</u>	<u>(7,616)</u>	<u>168,027</u>
<b>Swimming Pool Program</b>					
Salaries	65,000	65,000	65,763	(763)	65,854
Employee benefits and retirement	7,300	7,300	8,351	(1,051)	9,140
Supplies and minor equipment	20,300	20,300	18,368	1,932	22,269
Communication	500	500	776	(276)	781
Transportation and training	1,500	1,500	1,477	23	813
Insurance	8,000	8,000	7,534	466	8,163
Utilities	19,000	19,000	17,154	1,846	15,004
Repairs and maintenance	12,000	12,000	13,946	(1,946)	8,031
Other	3,500	3,500	4,433	(933)	3,934
Total Swimming Pool Program	<u>137,100</u>	<u>137,100</u>	<u>137,802</u>	<u>(702)</u>	<u>133,989</u>
<b>Parks</b>					
Salaries	40,000	40,000	39,626	374	36,254
Employee benefits and retirement	17,040	17,040	17,208	(168)	17,033
Supplies and minor equipment	6,900	6,900	8,134	(1,234)	3,888
Transportation and training	1,000	1,000	2,286	(1,286)	1,750
Insurance	3,800	3,800	3,835	(35)	4,504
Repairs and maintenance	22,500	22,500	22,298	202	24,590
Other			525	(525)	110
Total Parks	<u>\$ 91,240</u>	<u>\$ 91,240</u>	<u>\$ 93,912</u>	<u>\$ (2,672)</u>	<u>\$ 88,129</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Forestry</b>					
Insurance	\$ 100	\$ 100	\$ 29	\$ 71	\$ 100
Repairs and maintenance	16,500	16,500	22,045	(5,545)	10,065
Other	9,000	9,000	5,400	3,600	11,319
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>27,474</u>	<u>(1,874)</u>	<u>21,484</u>
<b>Senior Citizens Center</b>					
Insurance	500	500	371	129	400
Utilities	7,500	7,500	7,900	(400)	7,592
Repairs and maintenance	1,500	1,500	4,489	(2,989)	419
Total Senior Citizens Center	<u>9,500</u>	<u>9,500</u>	<u>12,760</u>	<u>(3,260)</u>	<u>8,411</u>
Total Parks and Recreation	<u>430,345</u>	<u>430,345</u>	<u>446,469</u>	<u>(16,124)</u>	<u>420,040</u>
<b>TOTAL EXPENDITURES</b>	<u>1,635,715</u>	<u>1,635,715</u>	<u>1,738,396</u>	<u>(102,681)</u>	<u>1,606,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,800)</u>	<u>(123,800)</u>	<u>(133,555)</u>	<u>(9,755)</u>	<u>(131,587)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	140,000	140,000	140,000		120,000
Transfers out	(15,200)	(15,200)	(25,200)	(10,000)	(15,200)
Total Other Financing Sources (Uses)	<u>124,800</u>	<u>124,800</u>	<u>114,800</u>	<u>(10,000)</u>	<u>104,800</u>
Net change in fund balances	1,000	1,000	(18,755)	(19,755)	(26,787)
<b>FUND BALANCES, beginning</b>	<u>750,967</u>	<u>750,967</u>	<u>750,967</u>		<u>777,754</u>
<b>FUND BALANCES, ending</b>	<u>\$ 751,967</u>	<u>\$ 751,967</u>	<u>\$ 732,212</u>	<u>\$ (19,755)</u>	<u>\$ 750,967</u>

**See Notes to Financial Statements**

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**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
December 31, 2019  
*With Comparative Totals for December 31, 2018*

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,189,419	\$ 979,155	\$ 455,260	\$ 228,745
Emergency cash reserve	250,000			
Accrued interest receivable	6,496	704	91	
Accounts receivable, net	209,309	47,308	58,242	12,539
Accrued utility revenue	139,622	24,421	34,819	6,774
Advances to other funds	40,000			
Inventory	393,659	20,147		
Prepaid expenses	105,675	2,169	1,255	
Total Current Assets	<u>2,334,180</u>	<u>1,073,904</u>	<u>549,667</u>	<u>248,058</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable	340,269		28,700	
Depreciable	11,282,139	5,503,319	3,934,660	1,026,779
Less: Accumulated depreciation	4,947,807	2,718,533	1,428,693	214,869
Net Capital Assets	<u>6,674,601</u>	<u>2,784,786</u>	<u>2,534,667</u>	<u>811,910</u>
Total Assets	<u>9,008,781</u>	<u>3,858,690</u>	<u>3,084,334</u>	<u>1,059,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	24,541	7,650	9,949	
Total Deferred Outflows of Resources	<u>24,541</u>	<u>7,650</u>	<u>9,949</u>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 9,033,322</u>	<u>\$ 3,866,340</u>	<u>\$ 3,094,283</u>	<u>\$ 1,059,968</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current maturities of bonds payable	\$ 260,000			\$ 21,522
Accounts payable	170,918	12,406	47,824	
Accrued compensated absences	51,033	17,950	5,001	
Customer deposits	18,694			
Accrued interest payable	2,037	6,655		
Total Current Liabilities	<u>502,682</u>	<u>37,011</u>	<u>52,825</u>	<u>21,522</u>
<b>Noncurrent Liabilities</b>				
Bonds payable, net of current maturities	550,000	399,046		
Net pension liability	283,430	85,303	51,723	
Less: Unamortized bond discount	(7,774)			
Total Noncurrent Liabilities	<u>825,656</u>	<u>484,349</u>	<u>51,723</u>	
Total Liabilities	<u>1,328,338</u>	<u>521,360</u>	<u>104,548</u>	<u>21,522</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	33,206	9,992	8,744	
<b>NET POSITION</b>				
Net investment in capital assets	5,872,375	2,385,740	2,534,667	811,910
Unrestricted	1,799,403	949,248	446,324	226,536
Total Net Position	<u>7,671,778</u>	<u>3,334,988</u>	<u>2,980,991</u>	<u>1,038,446</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 9,033,322</u>	<u>\$ 3,866,340</u>	<u>\$ 3,094,283</u>	<u>\$ 1,059,968</u>

**See Notes to Financial Statements**

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2019	2018		
\$ 63,853	\$ 158,127	\$ 3,074,559	\$ 2,801,684		
		250,000	250,000		
	160	7,451	7,236		
21,377	85,665	434,440	534,369		
11,365		217,001	198,879		
		40,000	40,000		
		413,806	411,489		
	2,799	111,898	31,015		
<u>96,595</u>	<u>246,751</u>	<u>4,549,155</u>	<u>4,274,672</u>		
		368,969	354,689		
5,000	350,393	22,102,290	21,869,429		
1,917	322,136	9,633,955	9,082,087		
<u>3,083</u>	<u>28,257</u>	<u>12,837,304</u>	<u>13,142,031</u>		
<u>99,678</u>	<u>275,008</u>	<u>17,386,459</u>	<u>17,416,703</u>		
	4,643	46,783	86,902		
	4,643	46,783	86,902		
<u>\$ 99,678</u>	<u>\$ 279,651</u>	<u>\$ 17,433,242</u>	<u>\$ 17,503,605</u>		
\$ 11,400	\$ 2,025	\$ 260,000	\$ 275,104		
		266,095	225,502		
		73,984	29,296		
		18,694	16,540		
		8,692	14,923		
<u>11,400</u>	<u>2,025</u>	<u>627,465</u>	<u>561,365</u>		
		949,046	1,225,072		
	54,262	474,718	476,333		
		(7,774)	(9,800)		
	<u>54,262</u>	<u>1,415,990</u>	<u>1,691,605</u>		
<u>11,400</u>	<u>56,287</u>	<u>2,043,455</u>	<u>2,252,970</u>		
	6,356	58,298	80,266		
3,083	28,257	11,636,032	11,651,655		
<u>85,195</u>	<u>188,751</u>	<u>3,695,457</u>	<u>3,518,714</u>		
<u>88,278</u>	<u>217,008</u>	<u>15,331,489</u>	<u>15,170,369</u>		
<u>\$ 99,678</u>	<u>\$ 279,651</u>	<u>\$ 17,433,242</u>	<u>\$ 17,503,605</u>		

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

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

For the Year Ended December 31, 2019

*With Comparative Totals for the Year Ended December 31, 2018*

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 2,985,503	\$ 542,828	\$ 733,852	\$ 153,035
Access fees		6,428	10,868	
	2,985,503	549,256	744,720	153,035
<b>Operating Expenses</b>				
Purchased utilities	1,303,730		456,881	
Salaries	420,762	134,628	85,869	1,860
Employee benefits and retirement	188,564	53,011	27,021	142
Gas and oil	8,922			
Generation fuel				
Supplies and minor equipment	20,861	17,951	4,235	
Professional services	57,884	45,908	5,160	1,704
Communication	5,612	6,712	2,093	
Transportation and training	5,194	1,818	8,174	
Insurance	19,571	5,653	3,947	
Utilities	12,376	33,521	694	
Repairs and maintenance	312,988	73,701	45,131	
Depreciation and amortization	323,927	140,725	87,062	24,966
Bad debts	3,167			
Other	109,699	15	471	112,966
Total Operating Expenses	2,793,257	513,643	726,738	141,638
Operating Income (Loss)	192,246	35,613	17,982	11,397
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	51,083	5,691	1,276	
Miscellaneous income	28,277	26,183		
Interest and fiscal charges	(32,868)	(24,116)		
Total Nonoperating Revenues (Expenses)	46,492	7,758	1,276	
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	238,738	43,371	19,258	11,397
Transfers out	(135,000)			
<b>CHANGE IN NET POSITION</b>	103,738	43,371	19,258	11,397
<b>NET POSITION - BEGINNING OF YEAR</b>	7,568,040	3,291,617	2,961,733	1,027,049
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 7,671,778	\$ 3,334,988	\$ 2,980,991	\$ 1,038,446

**See Notes to Financial Statements**

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2019	2018		
\$ 265,453	\$ 164,041	\$ 4,844,712	\$ 4,884,725		
		17,296	24,840		
<u>265,453</u>	<u>164,041</u>	<u>4,862,008</u>	<u>4,909,565</u>		
233,809		1,994,420	2,006,391		
	76,110	719,229	639,702		
	26,270	295,008	199,735		
		8,922	6,811		
			20,485		
	25,505	68,552	51,420		
	15,928	126,584	89,236		
	3,934	18,351	17,513		
	6,288	21,474	25,195		
	2,682	31,853	30,095		
	6,472	53,063	50,900		
	8,297	440,117	366,497		
500	7,065	584,245	577,346		
	85	3,252	625		
17,359	8,057	248,567	202,475		
<u>251,668</u>	<u>186,693</u>	<u>4,613,637</u>	<u>4,284,426</u>		
13,785	(22,652)	248,371	625,139		
	1,785	59,835	12,708		
	25,438	79,898	44,491		
		(56,984)	(53,888)		
	<u>27,223</u>	<u>82,749</u>	<u>3,311</u>		
13,785	4,571	331,120	628,450		
(20,000)	(15,000)	(170,000)	(150,000)		
(6,215)	(10,429)	161,120	478,450		
<u>94,493</u>	<u>227,437</u>	<u>15,170,369</u>	<u>14,691,919</u>		
<u>\$ 88,278</u>	<u>\$ 217,008</u>	<u>\$ 15,331,489</u>	<u>\$ 15,170,369</u>		

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

**Statement of Cash Flows**

For the Year Ended December 31, 2019

*With Comparative Totals for the Year Ended December 31, 2018*

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 3,029,246	\$ 540,938	\$ 734,274	\$ 153,593
Access and other fees received	28,277	32,611	10,868	
Cash paid to suppliers and employees	(2,478,315)	(351,832)	(641,244)	(103,027)
Net Cash Provided By (Used In) Operating Activities	579,208	221,717	103,898	50,566
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfer out	(135,000)			
Net Cash Used In Noncapital Financing Activities	(135,000)			
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital asset acquisitions	(113,668)	(51,287)	(103,597)	
Advances (to) from other funds		425,000		
Proceeds from issuance of bonds		425,000		
Principal received on special assessments				
Principal payments on long-term debt	(250,000)	(466,130)		
Interest payments on long-term debt	(31,315)	(29,874)		
Net Cash Used In Capital and Related Financing Activities	(394,983)	(122,291)	(103,597)	
<b>Cash Flows From Investing Activities</b>				
Investment income received	50,866	5,693	1,276	
Net Cash Provided By Investing Activities	50,866	5,693	1,276	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	100,091	105,119	1,577	50,566
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,089,328	874,036	453,683	178,179
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,189,419	\$ 979,155	\$ 455,260	\$ 228,745

**See Notes to Financial Statements**

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2019	2018		
\$ 267,170	\$ 192,486	\$ 4,917,707	\$ 4,787,712		
	25,438	97,194	69,331		
(257,953)	(178,404)	(4,010,775)	(3,821,154)		
9,217	39,520	1,004,126	1,035,889		
(20,000)	(15,000)	(170,000)	(150,000)		
(20,000)	(15,000)	(170,000)	(150,000)		
		(268,552)	(118,523)		
			10,000		
		425,000			
			2,275		
		(716,130)	(269,283)		
		(61,189)	(53,157)		
		(620,871)	(428,688)		
	1,785	59,620	12,050		
	1,785	59,620	12,050		
(10,783)	26,305	272,875	469,251		
74,636	131,822	2,801,684	2,332,433		
\$ 63,853	\$ 158,127	\$ 3,074,559	\$ 2,801,684		

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**RECONCILIATION OF OPERATING INCOME**  
**TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
<b>Operating Income (Loss)</b>	\$ 192,246	\$ 35,613	\$ 17,982	\$ 11,397
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	323,927	140,725	87,062	24,966
Bad debt expense	3,167			
Miscellaneous nonoperating income	28,277	26,183		
Gain on disposal of assets	(10,966)			
Change in net pension liability	11,884	3,237	(716)	
(Increase) Decrease In:				
Accounts receivable	49,388	(1,890)	422	558
Inventory	(4,411)	2,094		
Prepaid items	(81,258)	(32)	55	
Increase (Decrease) In:				
Accounts and contracts payable	35,563	3,662	(4,233)	13,645
Accrued compensated absences	29,237	12,125	3,326	
Customer deposits	2,154			
 Net Cash Provided By (Used In) Operating Activities	 \$ 579,208	 \$ 221,717	 \$ 103,898	 \$ 50,566

**See Notes to Financial Statements**

Waste Management		Ambulance	Totals	
			2019	2018
\$	13,785	\$ (22,652)	\$ 248,371	\$ 658,551
	500	7,065	584,245	571,263
		85	3,252	(69)
		25,438	79,898	65,626
			(10,966)	(29,613)
		2,131	16,536	31,069
	1,717	28,360	78,555	(47,731)
			(2,317)	(1,165)
		352	(80,883)	1,499
	(6,785)	(1,259)	40,593	83,324
			44,688	
			2,154	350
\$	9,217	\$ 39,520	\$ 1,004,126	\$ 1,333,104

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

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

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

#### B. Government-wide and Fund Financial Statements

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

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

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

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

The *Tax Increment District #8 fund* accounts for the activities of Municipal Development District No.8.

The *2011A General Obligation Refunding Bond debt service fund* accounts for the financial resources to be used for street construction.

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.

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.

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.

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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

##### Cash and Investments

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

##### Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

##### 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 non-spendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

##### Property Taxes

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

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

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

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

---

**1. Summary of Significant Accounting Policies (Continued)**

---

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

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%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Tax Increment Districts

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

Inventory

The inventory, representing electric and water utility supplies in the Enterprise Fund, is valued at cost 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 acquisition 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 in Years
Buildings	10 - 40
Infrastructure	15 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

---

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

Capital Assets (Continued)

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.

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Concentration of Credit Risk

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net pension that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

---

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

##### Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows of resources. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position.

##### Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end in June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### Net Position / Fund Balance

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

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

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

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

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

---

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

##### Net Position / Fund Balance (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

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### 2. Stewardship, Compliance, and Accountability

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#### 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.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance, and Accountability (Continued)**

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*A. Budgetary Information (Continued)*

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.

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**3. Detailed Notes on All Funds**

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*A. Summary of Cash and Investments*

As of December 31, 2019, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 4,622
Deposits	None	N/A	3,440,470
Non-Negotiable Certificates of Deposit	May 2020 - September 2020	N/A	194,368
Municipal Bonds	August 2020 - June 2027	AAA	645,356
U.S. Government Securities	May 2020 - May 2027	AAA	568,298
Money Market Funds	None	N/A	29,746
			<u>\$ 4,882,860</u>
Cash and Investments per Statement of Net Position			<u>\$ 4,882,860</u>

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds

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##### A. Summary of Cash and Investments (Continued)

##### 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.

##### Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*A. Summary of Cash and Investments (Continued)*

*Fair Value Measurement (Continued)*

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City's investments within the fair value hierarchy at December 31, 2019 and 2018 were as follows:

	At December 31, 2019			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Municipal Bonds	\$ 645,356	\$	\$ 645,356	\$
U.S. Government Securities	568,298		568,298	
	<u>\$ 1,213,654</u>	<u>\$</u>	<u>\$ 1,213,654</u>	<u>\$</u>

	At December 31, 2018			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Municipal Bonds	\$ 730,724	\$	\$ 730,724	\$
U.S. Treasury Securities	449,878		449,878	
	<u>\$ 1,180,602</u>	<u>\$</u>	<u>\$ 1,180,602</u>	<u>\$</u>

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 of 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.

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*A. Summary of Cash and Investments (Continued)*

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. Investments greater than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>% of Total</u>
Municipal Bonds	N/A	13%
U.S. Government Securities	N/A	12%

*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, 2019 is as follows:

<u>Capital Projects Funds</u>	
Capital Improvements Fund	\$ 31,835
	<u>31,835</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 of 4% 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 inflow of resources account until the repayments are made.

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*D. Due From Other Governmental Units*

Amounts due from other governmental units at December 31, 2019 are as follows:

Fund	Winona County
General	\$ 2,649
Special Revenue	19,449
Debt Service	3,380
Capital Project	2,548
	<u>\$ 28,026</u>

*E. Capital Assets*

Capital asset activity for the year ended December 31, 2019 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,721,254	\$ 575,643	\$ 387,124	\$ 1,909,773
Construction in process		37,593		37,593
Total capital assets, not being depreciated	<u>1,721,254</u>	<u>613,236</u>	<u>387,124</u>	<u>1,947,366</u>
Capital assets, being depreciated:				
Buildings	6,697,499	13,688		6,711,187
Infrastructure	7,054,063	18,544		7,072,607
Machinery and equipment	2,690,021	71,990	71,768	2,690,243
Total capital assets, being depreciated	<u>16,441,583</u>	<u>104,222</u>	<u>71,768</u>	<u>16,474,037</u>
Less accumulated depreciation for:				
Buildings	2,746,346	190,407		2,936,753
Infrastructure	1,968,657	255,619		2,224,276
Machinery and equipment	2,138,554	129,304	15,663	2,252,195
Total accumulated depreciation	<u>6,853,557</u>	<u>575,330</u>	<u>15,663</u>	<u>7,413,224</u>
Total capital assets, being depreciated, net	<u>9,588,026</u>	<u>(471,108)</u>	<u>56,105</u>	<u>9,060,813</u>
Governmental activities capital assets, net	<u>\$ 11,309,280</u>	<u>\$ 142,128</u>	<u>\$ 443,229</u>	<u>\$ 11,008,179</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*E. Capital Assets (Continued)*

Capital asset activity for the year ended December 31, 2019 was as follows:

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 354,689	\$	\$	\$ 354,689
Construction in process		14,280		14,280
Total capital assets, not being depreciated	354,689	14,280		368,969
Capital assets, being depreciated:				
Buildings and improvements	6,486,243	184,895		6,671,138
Machinery and equipment	15,383,185	193,917	145,950	15,431,152
Total capital assets, being depreciated	21,869,428	378,812	145,950	22,102,290
Less accumulated depreciation for:				
Buildings and improvements	1,846,044	104,333		1,950,377
Machinery and equipment	7,236,042	479,912	32,376	7,683,578
Total accumulated depreciation	9,082,086	584,245	32,376	9,633,955
Total capital assets, being depreciated, net	12,787,342	(205,433)	113,574	12,468,335
Business-type activities capital assets, net	<u>\$ 13,142,031</u>	<u>\$ (191,153)</u>	<u>\$ 113,574</u>	<u>\$ 12,837,304</u>

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 57,294
Public safety	158,015
Public works	187,757
Library	23,561
Parks and recreation	148,703
	<u>148,703</u>

Total depreciation expense - governmental activities \$ 575,330

**Business-Type Activities:**

Electric	\$ 323,927
Water	140,725
Sewer	87,062
Storm water drainage	24,966
Ambulance	7,065
Waste Management	500
	<u>500</u>

Total depreciation expense - business-type activities \$ 584,245

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*F. Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2019, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
General Fund	\$ 393,286	\$
Special Revenue:		
Library		17,146
Debt Service Fund:		
2019A Refunding Bond		124,163
2018A Street Bond		70,639
Capital Project:		
Tax Increment District #8		172,264
Tax Increment District #7		9,074
	\$ 393,286	\$ 393,286

Funds	Advances To Other Funds	Advances From Other Funds
Capital Projects:		
Capital Improvements	\$	\$ 40,000
Enterprise Funds:		
Electric	40,000	
Total Advances	\$ 40,000	\$ 40,000

Transfers during the year ended December 31, 2019 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 140,000	\$ 25,200
Special Revenue:		
Library	25,200	
Volunteer Fire Department		15,000
Debt Service:		
2011A Refunding Bond	1,019,693	
2019A Refunding Bond		1,019,693
2015A G.O. Bond	45,000	
Enterprise:		
Electric		135,000
Waste Management		20,000
Ambulance		15,000
Total Transfers	\$ 1,229,893	\$ 1,229,893

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Detailed Notes on All Funds (Continued)**

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*F. Interfund Balances and Transfers (Continued)*

Excess of expenditures over budgeted appropriations at the individual fund level during 2019 are as follows:

General Fund	\$	102,681
Special Revenue Funds		
Library		6,501
Volunteer Fire Department		20,558
Blandin Foundation		34
Economic Development		49,687

All excess expenditures were the result of planned processes.

The following funds had a deficit fund balance at December 31, 2019.

Special Revenue		
Library	\$	5,146
Capital Projects		
Tax Increment District #8		172,264
Tax Increment District #7		9,074
Debt Service		
2018A Street Bond		70,401

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO 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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 1,199,824	\$	\$ 1,199,824	\$	\$
2015A GO Bonds (3.0 - 3.75%)	2,170,000		140,000	2,030,000	
2018A Street Reconstruction (3%)	650,000		60,000	590,000	
2019 A GO Refunding Bond ( 2.1 - 4.0%)		1,035,000	204,046	830,954	
Less: Unamortized Discount	(21,841)		(1,046)	(20,795)	
Plus: Unamortized Bond Premium	3,523	18,938	320	22,141	
Notes payable:					
2012 Installment Promissory Note - Winona County (2.0%)	5,588		5,588		
Vehicle lease payable (2.95%)	63,210		20,452	42,758	21,064
Equipment lease payable (3.050%)	31,838		15,434	16,404	
Compensated absences	30,033	49,906		79,939	
Governmental Activities Long-term Liabilities	<u>4,132,175</u>	<u>1,103,844</u>	<u>1,644,618</u>	<u>3,591,401</u>	<u>21,064</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	440,176		440,176		
2019A Water Fund (2.1 - 4.0%)		425,000	25,954	399,046	
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	1,060,000		250,000	810,000	260,000
Less: Unamortized Discount	(9,800)		(2,026)	(7,774)	
Compensated absences	29,296	44,688		73,984	
Business-type Activities Long-term Liabilities	<u>1,519,672</u>	<u>469,688</u>	<u>714,104</u>	<u>1,275,256</u>	<u>260,000</u>
Total	<u>\$ 5,651,847</u>	<u>\$ 1,573,532</u>	<u>\$ 2,358,722</u>	<u>\$ 4,866,657</u>	<u>\$ 281,064</u>

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

2019A GO Refunding Bond – On April 9, 2019 the City issued \$1,460,000 of General Obligation Refunding Bond, Series 2019A. The proceeds from this issue will be used to refund the outstanding principal and interest of the 2011A Improvement and Refunding Bonds on May 15, 2019. The refunding resulted in an economic savings of \$74,649 with a present value of \$63,105 for the City.

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO 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, 2019, over the life of the debt, are summarized below:

Years	General Obligation Improvement and Refunding Bonds		General Obligation Revenue Bonds		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2020	\$	\$ 51,682			\$ 21,064	\$ 2,029
2021	328,204	101,702			29,771	1,156
2022	187,261	93,330			8,327	258
2023	186,322	88,539				
2024	195,352	83,567				
2025-2029	1,046,057	334,165				
2030-2034	772,758	229,689				
2035-2039	600,000	82,781				
2040-2041	1,655,000	515,376				
Totals	\$ 4,970,954	\$ 1,580,831			\$ 59,162	\$ 3,443
<u>Business-Type Activities</u>						
2020	\$	\$ 8,996	\$ 260,000	\$ 24,440		
2021	26,796	13,204	270,000	16,640		
2022	27,739	12,261	280,000	8,540		
2023	28,678	11,322				
2024	29,648	10,352				
2025-2029	163,943	36,057				
2030-2032	122,242	7,686				
Totals	\$ 399,046	\$ 99,878	\$ 810,000	\$ 49,620		

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

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 Development District No. 7 – The District is of the redevelopment type, authorized under Minnesota Law Sections 469.174-469.1799 both inclusive, established in 2012 to last until the year 2022.

Municipal Development District No. 8 – The District is of the redevelopment type, authorized under Minnesota Law Sections 469.174-469.1799 both inclusive, established in 2014 to last until the year 2024.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Detailed Notes on All Funds (Continued)**

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G. Long-term debt (Continued)

	Municipal District #6	Municipal District #7	Municipal District #8
Original gross tax capacity, including modifications	\$ 822	\$ 9,043	\$ 7,428
Current gross tax capacity	22,176	35,579	17,134
Captured gross tax capacity Retained by authority	21,354	26,536	15,183

H. Tax Abatement

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the City qualifies for tax abatement. The City negotiates tax abatement agreements on an individual basis generally with the purpose of adding employment and or increasing the tax capacity of the parcel.

The City has made no commitments, other than tax abatement, under the agreements. The taxpayer submits property taxes annually and is reimbursed by the City for the abatement amount if the taxpayer has filed reports substantiating that it has met the employment levels stipulated in the agreement. The City had the following tax abatement agreements as of December 31, 2019.

Assisted Living/Medical Clinic – Parkway First Addition

The City entered into a tax abatement agreement in June 2002 for the purpose of constructing an assisted living facility with approximately 20 units. Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2004. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$4,000 per year. The amount of tax abated in 2019 totaled \$4,000.

The City also entered into a tax abatement agreement in 2002 for the purpose of building a 4,300-square foot building to be used as a Medical Clinic (Olmsted Medical Center). Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2004. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$2,453 per year. The amount of tax abated in 2019 totaled \$2,453.

Soppa Assisted Living Project Phase II – Parkway First Addition

The City entered into a tax abatement agreement in April 2003 for the purpose of constructing an assisted living facility with approximately 20 units. Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2005. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$3,960 per year. The amount of tax abated in 2019 totaled \$3,960.

**CITY OF ST. CHARLES, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds (Continued)**

*1. Fund Equity*

	Committed Fund Balance				Total
	Fund 34	Fund 25	Fund 37	Fund 40	
	Economic Development	Capital Improvement	2018 Street Construction	Parkland Dedication	
<u>Committed For:</u>					
Economic Development CIP Projects	\$ 88,971	\$	\$	\$	\$ 88,971
Capital Project		646,192	58,304		704,496
Parkland Dedication CIP Projects				23,288	23,288
	<u>\$ 88,971</u>	<u>\$ 646,192</u>	<u>\$ 58,304</u>	<u>\$ 23,288</u>	<u>\$ 816,755</u>

**4. Defined Benefit Pension Plans - Statewide**

*Plan Description*

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund

All full-time and certain part-time employees of the City of St. Charles, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 4. Defined Benefit Pension Plans – Statewide (Continued)

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##### Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. 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.

##### 1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

##### 2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Defined Benefit Pension Plans – Statewide (Continued)**

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Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$70,504. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$52,895. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$735,327 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,832. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0133 percent which was the same percentage from its proportionate share measured at June 30, 2018.

City's proportionate share of the net pension liability	\$735,327
State of Minnesota's proportionate share of the net Pension liability associated with the City	<u>22,832</u>
Total	<u>\$758,159</u>

For the year ended December 31, 2019, the City recognized pension expense of \$103,818 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,710 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. Defined Benefit Pension Plans – Statewide (Continued)**

*Pension Cost (Continued)*

At December 31, 2019, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,518	\$
Difference between projected and actual investment earnings		36,366
Changes in actuarial assumptions		43,407
Changes in proportion	4,059	6,384
Contributions paid to PERA subsequent to the measurement date	40,282	
Total	<u>\$ 64,859</u>	<u>\$ 86,157</u>

\$40,282 reported as deferred outflows of resources related to pensions is resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2020	\$ (19,377)
2021	(43,110)
2022	(2,307)
2023	3,214

**2. Police and Fire Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$322,574 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the City’s proportionate share was 0.0303 percent which was an increase of 0.0046 percent from its proportionate share measured at June 30, 2018. The City also recognized \$4,090 for the year ended December 31, 2019, as revenue and offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. Defined Benefit Pension Plans – Statewide (Continued)**

*Pension Cost (Continued)*

For the year ended December 31, 2019, the City recognized pension expense of \$13,144 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2019, the City reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,855	\$ 39,259
Difference between projected and actual investment earnings		54,668
Changes in actuarial assumptions	212,028	288,382
Changes in proportion	56,161	3,787
Contributions paid to PERA subsequent to the measurement date	42,978	
Total	<u>\$ 323,022</u>	<u>\$ 386,096</u>

\$42,978 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2020	\$ (17,364)
2021	(35,986)
2022	(99,380)
2023	2,927
2024	43,751

*Total Pension Expense*

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 was \$194,467.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Defined Benefit Pension Plans – Statewide (Continued)**

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Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method the following actuarial assumptions:

Inflation	2.50%
Active Member Payroll Growth	3.25%
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males and females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

- Mortality projection scale was changes from MP-2017 to MP-2018
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

- The mortality projection scale was changed from MP-2017 to MP-2018.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Defined Benefit Pension Plans – Statewide (Continued)

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Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.90%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. Defined Benefit Pension Plans – Statewide (Continued)**

*Pension Liability Sensitivity*

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 6.5%	Current Discount Rate 7.5%	1% Increase in Discount Rate 8.5%
City's proportionate share of the General Employees Fund net pension liability at different discount rates	\$ 1,208,838	\$ 735,327	\$ 344,350
City's proportionate share of the PEPFF net pension liability at different discount rates	705,087	322,574	6
	<u>\$ 1,913,925</u>	<u>\$ 1,057,901</u>	<u>\$ 344,356</u>

*Pension Plan Fiduciary Net Position*

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**5. Defined Benefit Pension Plans – Volunteer Fire Relief Association (Continued)**

The following information is based upon the St. Charles Firefighter’s Relief Association (“Association”) actuarial report for the year ended December 31, 2018 as the city has elected to use the GASB 68 “look-back” method.

*Plan Description*

The City contributes to the Association, a single employer public employee retirement system that acts as a common investment and administrator for the City’s firefighters. As of December 31, 2018, the plan covered 31 active firefighters. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G. The December 31, 2018 information is the latest reported for this Plan.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Defined Benefit Pension Plans – Volunteer Fire Relief Association (Continued)**

Benefits Provided

Volunteer firefighters of the City are members of the Association. Association members are eligible to receive a lump sum pension benefit of \$2,000 per person per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000 after reaching a minimum retirement age of 50 and at least 20 years of service with 10 years of membership in the association. Association members are eligible to receive partial pension benefits for service of 10 to 20 years with 10 years of membership in the Association. Partial vesting begins at 60% in the tenth year and increases 4% per year of additional service until fully vested. These benefit provisions are consistent with enabling State statutes.

Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, City contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$41,178 in state aid to the plan on behalf of the Association for the year ended December 31, 2018, which was recorded as revenue. The City's made voluntary contributions of \$7,000 to the plan.

Pension Costs

At December 31, 2018, the City reported a net pension asset of \$243,033 for the plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined applying an actuarial formula to specific census data as of December 31, 2018. The following table presents the changes in the net pension asset during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/17	\$ 532,211	\$ 939,502	\$ (407,291)
Changes for the year:			
Service cost	27,854		27,854
Interest	39,205		39,205
Differences between expected and actual experience	(14,831)		(14,831)
Changes in assumption	15,239		15,239
Changes of benefit terms	88,092		88,092
Contributions - state and local		41,178	(41,178)
Net investment income		(44,717)	44,717
Benefit payments			
Administrative expense		(5,160)	5,160
Net changes	155,559	(8,699)	164,258
Balance End of Year 12/31/18	<u>\$ 687,770</u>	<u>\$ 930,803</u>	<u>\$ (243,033)</u>

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Defined Benefit Pension Plans – Volunteer Fire Relief Association (Continued)**

At December 31, 2018, the City reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability	\$	\$ 21,576
Change in assumptions	15,261	4,205
Net difference between projected and actual investment earnings	<u>52,049</u>	
Total	<u>\$ 67,310</u>	<u>\$ 25,781</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 14,688
2021	5,452
2022	4,460
2023	20,409
2024	(1,760)
Thereafter	(1,720)

**Actuarial Assumptions**

The total pension asset at December 31, 2018, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Investment rate of return of 7.0%
- 20-Year Municipal bond yield 3.31%
- Salary increase 2.75%

There were no changes in actuarial assumptions in 2018 valuation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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5. Defined Benefit Pension Plans – Volunteer Fire Relief Association (Continued)

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Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the Plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the City's net pension asset for the Association's plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	1% Decrease in Discount Rate 5.25%	Current Discount Rate 6.25%	1% Increase in Discount Rate 7.25%
Net pension asset	\$ 224,188	\$ 243,033	\$ 261,608

Plan Investments

*Investment Policy:*

All investments undertaken by the Plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the Plan establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**5. Defined Benefit Pension Plans – Volunteer Fire Relief Association (Continued)**

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*Asset Allocation:*

The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic equity	59.25%	4.95%	7.45%
International equity	14.72%	5.24%	7.74%
Fixed income	9.36%	1.99%	4.49%
Real estate and alternatives	1.25%	4.19%	6.69%
Cash and equivalents	15.42%	0.58%	3.08%
Total	100%		6.85%
Reduced for assumed investment expense			<u>-0.50%</u>
Net assumed investment return (rounded to 1/4%)			6.25%

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Description of significant investment policy changes during the year:

The Plan made no significant changes to their investment policy during the year.

Pension Plan Fiduciary Net Position

Detailed information about the Association plan's fiduciary net position as of **December 31, 2018**, is available in a separately-issued financial report that includes financial statements and required supplementary information.

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**6. Commitments and Contingencies**

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

**CITY OF ST. CHARLES, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City Pension Contributions**  
**December 31, 2019**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 56,648	\$ 56,648	\$	\$ 781,352	7.25%
2015	60,090	60,090		801,200	7.50%
2016	61,989	61,989		826,520	7.50%
2017	65,363	65,363		871,507	7.50%
2018	66,869	66,869		891,587	7.50%
2019	70,504	70,504		940,053	7.50%
2020					
2021					
2022					
2023					

**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 32,175	\$ 32,175	\$	\$ 210,294	15.30%
2015	36,291	36,291		224,019	16.20%
2016	37,081	37,081		228,895	16.20%
2017	40,076	40,076		247,383	16.20%
2018	43,861	43,861		270,747	16.20%
2019	52,895	52,895		326,512	16.20%
2020					
2021					
2022					
2023					

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City and Non-Employer Proportionate Share of Net Pension Liability**  
**December 31, 2019**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	City's	
						Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0149%	\$ 699,927	\$	\$ 699,927	\$ 781,352	89.6%	78.70%
2015	0.0139%	720,370		720,370	801,200	89.9%	78.20%
2016	0.0133%	1,079,894	14,131	1,094,025	826,520	132.4%	68.90%
2017	0.0135%	861,830	10,859	872,689	871,507	100.1%	75.90%
2018	0.0133%	737,829	24,138	761,967	891,587	85.5%	79.53%
2019	0.0133%	735,327	22,832	758,159	940,053	80.7%	80.23%
2020							
2021							
2022							
2023							

**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	City's	
						Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0240%	\$ 259,210	\$	\$ 259,210	\$ 210,294	123.3%	87.10%
2015	0.0250%	284,059		284,059	224,019	126.8%	86.60%
2016	0.0240%	963,162	2,160	965,322	228,895	421.7%	63.90%
2017	0.0240%	324,029	2,160	326,189	247,383	131.9%	85.40%
2018	0.0257%	273,936	2,313	276,249	270,747	102.0%	88.84%
2019	0.0303%	322,574	4,090	326,664	326,512	100.0%	89.26%
2020							
2021							
2022							
2023							

**CITY OF ST. CHARLES, , MINNESOTA**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Fire Relief Association**

	Fiscal Year Ending December 31		
	2018	2017	2016
Total Pension Liability (TPL, actuarial accrued liability)			
Service cost	\$ 27,854	\$ 24,812	\$ 27,376
Interest	39,205	40,263	37,403
Differences between expected and actual experience	(14,831)	(10,892)	
Changes of assumptions	15,239	2,244	(6,665)
Changes of benefit terms	88,092		
Benefit payments, including member contribution refunds		(109,500)	
Net change in total pension liability	<u>155,559</u>	<u>(53,073)</u>	<u>58,114</u>
Total pension liability - beginning of year	532,211	585,284	527,143
Total pension liability - end of year	\$ 687,770	\$ 532,211	\$ 585,284
Plan Fiduciary Net Pension (FNP, assets)			
Contributions - state and local	41,178	42,395	40,656
Net investment income	(44,717)	136,316	48,903
Benefit payments, including member contribution refunds		(109,500)	
Administrative expense	(5,160)	(4,300)	(4,862)
Net change in plan fiduciary net position	<u>(8,699)</u>	<u>64,911</u>	<u>84,697</u>
Plan fiduciary net position - beginning of year	939,502	874,591	789,894
Plan fiduciary net position - end of year	\$ 930,803	\$ 939,502	\$ 874,591
Net pension liability (NPL) - end of year	\$ (243,033)	\$ (407,291)	\$ (298,307)
FNP as a percentage of the TPL	135.34%	176.53%	149.43%

**CITY OF ST. CHARLES, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2019**

**CITY OF ST. CHARLES, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2019**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u>	<u>31</u>	<u>34</u>	
	Advertising	Celebration	Library	Volunteer Fire Department	Blandin Foundation	Economic Development	Total
<b>ASSETS</b>							
Cash and investments	\$ 3,952	\$ 4,370	\$ 12,165	\$ 232,219	\$ 204	\$ 87,573	\$ 340,483
Accrued interest receivable				185			185
Accounts receivable		250		8,265		800	9,315
Loans and contracts receivable						91,723	91,723
Prepaid items	84		913	3,024			4,021
Taxes receivable - delinquent	216		1,307	872		843	3,238
Due from other governmental units	221	73	1,192	17,365		598	19,449
<b>TOTAL ASSETS</b>	<b>\$ 4,473</b>	<b>\$ 4,693</b>	<b>\$ 15,577</b>	<b>\$ 261,930</b>	<b>\$ 204</b>	<b>\$ 181,537</b>	<b>\$ 468,414</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 500		\$ 2,270	\$ 2,458			\$ 5,228
Due to other funds			17,146				17,146
Total Liabilities	500		19,416	2,458			22,374
<b>Deferred Inflows of Resources:</b>							
Property taxes	216		1,307	872		843	3,238
Loans receivable						91,723	91,723
Total Deferred Inflows of Resources	216		1,307	872		92,566	94,961
<b>Fund Balance</b>							
Nonspendable:							
Prepaid items	84		913	3,024			4,021
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects						88,971	88,971
Assigned	3,673	4,693		255,576	204		264,146
Unassigned			(6,059)				(6,059)
Total Fund Balance	3,757	4,693	(5,146)	258,600	204	88,971	351,079
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,473</b>	<b>\$ 4,693</b>	<b>\$ 15,577</b>	<b>\$ 261,930</b>	<b>\$ 204</b>	<b>\$ 181,537</b>	<b>\$ 468,414</b>

Debt Service				Capital Projects					Total Nonmajor Governmental Funds
<u>58</u> 2018A Street Bond Fund	<u>61</u> 2019A G.O. Refunding Bond	<u>55</u> 2015A G.O. Bond	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>41</u> Tax Increment District #7 Fund	<u>37</u> 2018 Street Construction	Total	
\$	\$	\$ 1,482	\$ 1,482	\$ 70,160	\$ 23,286 2	\$	\$ 58,304	\$ 151,750 2	\$ 493,715 187 9,315 91,723 4,021 5,386 22,802
304		1,844	2,148						5,386
238	2,118	997	3,353						22,802
<u>\$ 542</u>	<u>\$ 2,118</u>	<u>\$ 4,323</u>	<u>\$ 6,983</u>	<u>\$ 70,160</u>	<u>\$ 23,288</u>	<u>\$</u>	<u>\$ 58,304</u>	<u>\$ 151,752</u>	<u>\$ 627,149</u>

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,228
70,639	124,163		194,802			9,074		9,074	221,022
70,639	124,163		194,802			9,074		9,074	226,250

304		1,844	2,148						5,386
									91,723
304		1,844	2,148						97,109

									4,021
		2,479	2,479						2,479
				70,160				70,160	70,160
					23,288		58,304	81,592	170,563
									264,146
(70,401)	(122,045)		(192,446)			(9,074)		(9,074)	(207,579)
(70,401)	(122,045)	2,479	(189,967)	70,160	23,288	(9,074)	58,304	142,678	303,790
<u>\$ 542</u>	<u>\$ 2,118</u>	<u>\$ 4,323</u>	<u>\$ 6,983</u>	<u>\$ 70,160</u>	<u>\$ 23,288</u>	<u>\$</u>	<u>\$ 58,304</u>	<u>\$ 151,752</u>	<u>\$ 627,149</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2019**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u> Volunteer Fire	<u>31</u> Blandin	<u>34</u> Economic	
	Advertising	Celebration	Library	Department	Foundation	Development	Total
<b>REVENUES</b>							
Property tax levy							
Property tax collected	\$ 21,069	\$ 6,932	\$ 113,488	\$ 65,528	\$	\$	\$ 207,017
Property taxes - Special EDA taxing district						44,375	44,375
Tax increments							
Intergovernmental			33,460	45,333			78,793
Charges for services				54,065			54,065
Interest income				1,373		2,054	3,427
Loan repayment						41,950	41,950
Donations	1,970	17,786	5,105	48,108			72,969
Miscellaneous			3,107	15		1,986	5,108
<b>TOTAL REVENUES</b>	<b>23,039</b>	<b>24,718</b>	<b>155,160</b>	<b>214,422</b>		<b>90,365</b>	<b>507,704</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	16,915	19,724				34	36,673
Public safety				161,843			161,843
Library			176,296				176,296
Economic development						88,940	88,940
Debt Service							
Principal retirement						5,588	5,588
Interest and fiscal charges						54	54
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>16,915</b>	<b>19,724</b>	<b>176,296</b>	<b>161,843</b>	<b>34</b>	<b>94,582</b>	<b>469,394</b>
Excess (deficiency) of revenues over (under) expenditures	6,124	4,994	(21,136)	52,579	(34)	(4,217)	38,310
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from issuance of bonds							
Premium on issuance of bonds							
Transfer in			25,200				25,200
Transfer out				(15,000)			(15,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>25,200</b>	<b>(15,000)</b>			<b>10,200</b>
Net change in fund balances	6,124	4,994	4,064	37,579	(34)	(4,217)	48,510
<b>FUND BALANCES, beginning</b>	<b>(2,367)</b>	<b>(301)</b>	<b>(9,210)</b>	<b>221,021</b>	<b>238</b>	<b>93,188</b>	<b>302,569</b>
<b>FUND BALANCES, ending</b>	<b>\$ 3,757</b>	<b>\$ 4,693</b>	<b>\$ (5,146)</b>	<b>\$ 258,600</b>	<b>\$ 204</b>	<b>\$ 88,971</b>	<b>\$ 351,079</b>

Debt Service				Capital Projects					Total Nonmajor Governmental Funds
<u>58</u> 2018A Street Bond Fund	<u>61</u> 2019A G.O. Refunding Bond	<u>55</u> 2015A G.O. Bond	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>41</u> Tax Increment District #7 Fund	<u>37</u> 2018 Street Construction	Total	
\$ 22,702	\$ 105,214	\$ 95,469	\$ 223,385	\$	\$	\$	\$	\$	\$ 430,402
				20,920		26,379		47,299	44,375
									47,299
									78,793
									54,065
					275			275	3,702
									41,950
					2,600			2,600	75,569
									5,108
<u>22,702</u>	<u>105,214</u>	<u>95,469</u>	<u>223,385</u>	<u>20,920</u>	<u>2,875</u>	<u>26,379</u>		<u>50,174</u>	<u>781,263</u>
									36,673
									161,843
									176,296
									88,940
60,000	204,046	140,000	404,046						409,634
33,103	57,458	106,344	196,905						196,959
				13,254	7,971	12,649	27,102	60,976	60,976
<u>93,103</u>	<u>261,504</u>	<u>246,344</u>	<u>600,951</u>	<u>13,254</u>	<u>7,971</u>	<u>12,649</u>	<u>27,102</u>	<u>60,976</u>	<u>1,131,321</u>
(70,401)	(156,290)	(150,875)	(377,566)	7,666	(5,096)	13,730	(27,102)	(10,802)	(350,058)
	1,035,000		1,035,000						1,035,000
	18,938		18,938						18,938
		45,000	45,000						70,200
	(1,019,693)		(1,019,693)						(1,034,693)
	34,245	45,000	79,245						89,445
(70,401)	(122,045)	(105,875)	(298,321)	7,666	(5,096)	13,730	(27,102)	(10,802)	(260,613)
		108,354	108,354	62,494	28,384	(22,804)	85,406	153,480	564,403
<u>\$ (70,401)</u>	<u>\$ (122,045)</u>	<u>\$ 2,479</u>	<u>\$ (189,967)</u>	<u>\$ 70,160</u>	<u>\$ 23,288</u>	<u>\$ (9,074)</u>	<u>\$ 58,304</u>	<u>\$ 142,678</u>	<u>\$ 303,790</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**ADVERTISING FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2019**  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property Tax Levy					
Property tax collected	\$ 20,350	\$ 20,350	\$ 21,069	\$ 719	\$ 20,094
Donations	1,500	1,500	1,970	470	1,295
<b>TOTAL REVENUES</b>	<u>21,850</u>	<u>21,850</u>	<u>23,039</u>	<u>1,189</u>	<u>21,389</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Fireworks	9,000	9,000	9,747	(747)	6,933
City promotion			1,512	(1,512)	955
Board reimbursement annual events	350	350	2,119	(1,769)	370
Professional services					100
Advertising	12,500	12,500	3,537	8,963	17,471
<b>TOTAL EXPENDITURES</b>	<u>21,850</u>	<u>21,850</u>	<u>16,915</u>	<u>4,935</u>	<u>25,829</u>
Excess (deficiency) of revenues over (under) expenditures			6,124	6,124	(4,440)
<b>FUND BALANCES, beginning</b>	<u>(2,367)</u>	<u>(2,367)</u>	<u>(2,367)</u>		<u>2,073</u>
<b>FUND BALANCES, ending</b>	<u>\$ (2,367)</u>	<u>\$ (2,367)</u>	<u>\$ 3,757</u>	<u>\$ 6,124</u>	<u>\$ (2,367)</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**CELEBRATION FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2019**  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property tax levy					
Property tax collected	\$ 7,000	\$ 7,000	\$ 6,932	\$ (68)	\$ 5,932
Donations	13,700	13,700	17,786	4,086	15,893
<b>TOTAL REVENUES</b>	<u>20,700</u>	<u>20,700</u>	<u>24,718</u>	<u>4,018</u>	<u>21,825</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Advertising	3,800	3,800	3,201	599	1,326
Dance	4,000	4,000	4,852	(852)	4,678
T-shirts	1,400	1,400	1,436	(36)	1,548
Rentals	4,000	4,000	3,160	840	4,171
Pageants	4,000	4,000	3,483	517	3,425
Other	3,300	3,300	3,592	(292)	7,048
<b>TOTAL EXPENDITURES</b>	<u>20,500</u>	<u>20,500</u>	<u>19,724</u>	<u>776</u>	<u>22,196</u>
Excess (deficiency) of revenues over (under) expenditures	200	200	4,994	4,794	(371)
<b>FUND BALANCES, beginning</b>	<u>(301)</u>	<u>(301)</u>	<u>(301)</u>		<u>70</u>
<b>FUND BALANCES, ending</b>	<u>\$ (101)</u>	<u>\$ (101)</u>	<u>\$ 4,693</u>	<u>\$ 4,794</u>	<u>\$ (301)</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**LIBRARY FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2019**  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 114,565	\$ 114,565	\$ 113,488	\$ (1,077)	\$ 106,695
<b>Intergovernmental Revenues</b>					
Interest income					
Library aid	30,330	30,330	33,460	3,130	31,921
Intergovernmental Revenues	30,330	30,330	33,460	3,130	31,921
<b>Donations</b>					
	6,000	6,000	5,105	(895)	3,970
<b>Miscellaneous</b>					
Fines	2,000	2,000	810	(1,190)	804
Book sales			116	116	215
Copy machines	1,000	1,000	1,679	679	1,610
Other	700	700	502	(198)	119
Total Miscellaneous Revenues	3,700	3,700	3,107	(593)	2,748
<b>TOTAL REVENUES</b>	<b>154,595</b>	<b>154,595</b>	<b>155,160</b>	<b>565</b>	<b>145,334</b>
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	82,310	82,310	88,935	(6,625)	85,033
Employee benefits and retirement	33,195	33,195	32,869	326	30,673
Supplies and minor equipment	2,540	2,540	3,172	(632)	1,893
Professional services	10,800	10,800	12,834	(2,034)	12,467
Communications	1,200	1,200	1,242	(42)	1,326
Transportation and training	750	750	72	678	678
Insurance	3,000	3,000	3,036	(36)	2,921
Utilities	11,000	11,000	10,869	131	11,480
Repairs and maintenance	8,000	8,000	8,471	(471)	10,394
Other	1,000	1,000	1,835	(835)	1,134
Capital outlay	16,000	16,000	12,961	3,039	17,363
<b>TOTAL EXPENDITURES</b>	<b>169,795</b>	<b>169,795</b>	<b>176,296</b>	<b>(6,501)</b>	<b>175,362</b>
Deficiency of revenues under expenditures	(15,200)	(15,200)	(21,136)	(5,936)	(30,028)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	25,200	25,200	25,200		15,200
Net change in fund balances	10,000	10,000	4,064	(5,936)	(14,828)
<b>FUND BALANCES, beginning</b>	<b>(9,210)</b>	<b>(9,210)</b>	<b>(9,210)</b>		<b>5,618</b>
<b>FUND BALANCES, ending</b>	<b>\$ 790</b>	<b>\$ 790</b>	<b>\$ (5,146)</b>	<b>\$ (5,936)</b>	<b>\$ (9,210)</b>

**CITY OF ST. CHARLES, MINNESOTA**  
**VOLUNTEER FIRE DEPARTMENT FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2019**  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 66,171	\$ 66,171	\$ 65,528	\$ (643)	\$ 63,005
<b>Intergovernmental Revenues</b>					
State fire aid	33,000	33,000	45,333	12,333	36,178
<b>Charges for Services</b>					
Other local governments	32,114	32,114	50,360	18,246	31,181
Fire calls	11,500	11,500	3,705	(7,795)	12,490
<b>Interest income</b>	1,500	1,500	1,373	(127)	906
<b>Donations</b>	9,000	9,000	48,108	39,108	45,510
<b>Miscellaneous Revenues</b>	3,000	3,000	15	(2,985)	100
<b>TOTAL REVENUES</b>	<u>156,285</u>	<u>156,285</u>	<u>214,422</u>	<u>58,137</u>	<u>189,370</u>
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	18,000	18,000	23,580	(5,580)	18,120
Employee benefits and retirement	10,400	10,400	12,668	(2,268)	12,514
Supplies and minor equipment	14,000	14,000	11,953	2,047	17,322
Professional services	3,000	3,000	4,095	(1,095)	3,221
Communication	2,500	2,500	4,812	(2,312)	2,736
Transportation and training	9,300	9,300	8,461	839	3,486
Insurance	6,500	6,500	5,004	1,496	4,790
Utilities	6,000	6,000	6,472	(472)	6,386
Capital outlay	6,800	6,800	19,234	(12,434)	3,537
Repairs and maintenance	13,500	13,500	5,061	8,439	36,239
Fire relief payment	40,000	40,000	41,689	(1,689)	43,178
Other	11,285	11,285	18,814	(7,529)	12,427
<b>TOTAL EXPENDITURES</b>	<u>141,285</u>	<u>141,285</u>	<u>161,843</u>	<u>(20,558)</u>	<u>163,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>15,000</u>	<u>52,579</u>	<u>37,579</u>	<u>25,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>(15,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>(15,000)</u>
Net change in fund balances			37,579	37,579	10,414
<b>FUND BALANCES, beginning</b>	<u>221,021</u>	<u>221,021</u>	<u>221,021</u>		<u>210,607</u>
<b>FUND BALANCES, ending</b>	<u>\$ 221,021</u>	<u>\$ 221,021</u>	<u>\$ 258,600</u>	<u>\$ 37,579</u>	<u>\$ 221,021</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**BLANDIN FOUNDATION FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2019**  
*With Comparative Totals for the Year Ended December 31, 2018*

	<u>Budgeted Amounts</u>		<u>2019 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2018 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
<b>EXPENDITURES</b>					
<b>General Government</b>					
Supplies	\$	\$	\$	\$	\$
Public education			34	(34)	50
<b>TOTAL EXPENDITURES</b>			34	(34)	50
Excess (deficiency) of revenues over (under) expenditures			(34)	(34)	(50)
<b>FUND BALANCES, beginning</b>	238	238	238		288
<b>FUND BALANCES, ending</b>	<u>\$ 238</u>	<u>\$ 238</u>	<u>\$ 204</u>	<u>\$ (34)</u>	<u>\$ 238</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**ECONOMIC DEVELOPMENT FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2019  
*With Comparative Totals for the Year Ended December 31, 2018*

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy -</b>					
Special EDA taxing district	\$ 45,250	\$ 45,250	\$ 44,375	\$ (875)	\$ 39,751
<b>Interest Income</b>	2,680	2,680	2,054	(626)	2,164
<b>Miscellaneous Revenues</b>			1,986	1,986	
<b>Loan Repayment</b>	16,675	16,675	41,950	25,275	17,777
<b>TOTAL REVENUES</b>	<u>64,605</u>	<u>64,605</u>	<u>90,365</u>	<u>25,760</u>	<u>59,692</u>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services	39,982	39,982	38,770	1,212	36,305
Revolving loans			50,000	(50,000)	(10,175)
Commercial rehabilitation and permit reimbursement					10,175
Debt service	4,913	4,913	5,562	(649)	8,427
Advertising			250	(250)	5,850
<b>TOTAL EXPENDITURES</b>	<u>44,895</u>	<u>44,895</u>	<u>94,582</u>	<u>(49,687)</u>	<u>50,582</u>
Net change in fund balances	<u>19,710</u>	<u>19,710</u>	<u>(4,217)</u>	<u>(23,927)</u>	<u>9,110</u>
<b>FUND BALANCES, beginning</b>	<u>93,188</u>	<u>93,188</u>	<u>93,188</u>		<u>84,078</u>
<b>FUND BALANCES, ending</b>	<u>\$ 112,898</u>	<u>\$ 112,898</u>	<u>\$ 88,971</u>	<u>\$ (23,927)</u>	<u>\$ 93,188</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**ELECTRIC FUND**  
**Statement of Net Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,189,419	\$ 1,089,328
Emergency cash reserve	250,000	250,000
Accrued interest receivable	6,496	6,279
Accounts receivable, net	209,309	271,952
Accrued utility revenue	139,622	129,534
Special assessments-deferred		
Advances to other funds	40,000	40,000
Inventory	393,659	389,248
Prepaid expenses	105,675	24,417
<b>Total Current Assets</b>	2,334,180	2,200,758
<b>Capital Assets</b>		
Nondepreciable	340,269	325,989
Depreciable	11,282,139	11,190,716
Less: Accumulated depreciation	4,947,807	4,642,811
<b>Capital Assets, Net</b>	6,674,601	6,873,894
<b>Total Assets</b>	9,008,781	9,074,652
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	24,541	52,108
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 9,033,322	\$ 9,126,760
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 260,000	\$ 250,000
Accounts payable	170,918	135,355
Accrued compensated absences	51,033	21,796
Customer deposits	18,694	16,540
Accrued interest payable	2,037	2,510
<b>Total Current Liabilities</b>	502,682	426,201
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	550,000	810,000
Net pension liability	283,430	284,394
Less: Unamortized bond discount	(7,774)	(9,800)
<b>Total Noncurrent Liabilities</b>	825,656	1,084,594
<b>Total Liabilities</b>	1,328,338	1,510,795
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	33,206	47,925
<b>NET POSITION</b>		
Net investment in capital assets	5,872,375	5,823,694
Unrestricted	1,799,403	1,744,346
<b>Total Net Position</b>	7,671,778	7,568,040
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 9,033,322	\$ 9,126,760

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**ELECTRIC FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 2,890,000	\$ 2,890,000	\$ 2,985,503	\$ 95,503	\$ 3,032,589
<b>Operating Expenses</b>					
Purchased utilities	1,430,000	1,430,000	1,303,730	126,270	1,330,020
Salaries	386,120	386,120	420,762	(34,642)	377,836
Employee benefits and retirement	170,935	170,935	188,564	(17,629)	129,467
Gas and oil	6,000	6,000	8,922	(2,922)	6,811
Generation fuel	30,000	30,000		30,000	20,485
Supplies and minor equipment	11,850	11,850	20,861	(9,011)	10,747
Professional services	38,000	38,000	57,884	(19,884)	37,317
Communication	7,000	7,000	5,612	1,388	4,385
Transportation and training	8,000	8,000	5,194	2,806	8,097
Insurance	22,000	22,000	19,571	2,429	18,180
Utilities	8,000	8,000	12,376	(4,376)	9,000
Repairs and maintenance	319,000	319,000	312,988	6,012	230,046
Depreciation and amortization	250,000	250,000	323,927	(73,927)	321,361
Bad debts			3,167	(3,167)	(380)
Other	100,500	100,500	109,699	(9,199)	87,644
Total Operating Expenses	2,787,405	2,787,405	2,793,257	(5,852)	2,591,016
Operating Income	102,595	102,595	192,246	89,651	441,573
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	10,000	10,000	51,083	41,083	11,021
Miscellaneous income	20,000	20,000	28,277	8,277	12,969
Interest and fiscal charges	(32,266)	(32,266)	(32,868)	(602)	(38,856)
Total Nonoperating Revenues (Expenses)	(2,266)	(2,266)	46,492	48,758	(14,866)
<b>INCOME BEFORE TRANSFERS</b>	100,329	100,329	238,738	138,409	426,707
Transfers out	(135,000)	(135,000)	(135,000)		(135,000)
<b>CHANGE IN NET POSITION</b>	(34,671)	(34,671)	103,738	138,409	291,707
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	7,568,040	7,568,040	7,568,040		7,276,333
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 7,533,369	\$ 7,533,369	\$ 7,671,778	\$ 138,409	\$ 7,568,040

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WATER FUND  
 Statement of Net Position  
 December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 979,155	\$ 874,036
Accrued interest receivable	704	706
Accounts receivable, net	47,308	47,717
Accrued utility revenue	24,421	22,122
Inventory	20,147	22,241
Prepaid expenses	2,169	2,137
Total Current Assets	1,073,904	968,959
<b>Capital Assets</b>		
Depreciable	5,503,319	5,465,478
Less: Accumulated depreciation	2,718,533	2,591,254
Capital Assets, Net	2,784,786	2,874,224
Total Assets	3,858,690	3,843,183
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	7,650	15,607
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 3,866,340	\$ 3,858,790
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$	\$ 25,104
Accounts payable	12,406	8,744
Accrued compensated absences	17,950	5,825
Accrued interest payable	6,655	12,413
Total Current Liabilities	37,011	52,086
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	399,046	415,072
Net pension liability	85,303	85,593
Total Noncurrent Liabilities	484,349	500,665
Total Liabilities	521,360	552,751
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	9,992	14,422
<b>NET POSITION</b>		
Net investment in capital assets	2,385,740	2,434,048
Unrestricted	949,248	857,569
Total Net Position	3,334,988	3,291,617
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 3,866,340	\$ 3,858,790

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 537,350	\$ 537,350	\$ 542,828	\$ 5,478	\$ 543,628
Access fees			6,428	6,428	4,200
Total Operating Revenues	<u>537,350</u>	<u>537,350</u>	<u>549,256</u>	<u>11,906</u>	<u>547,828</u>
<b>Operating Expenses</b>					
Salaries	118,910	118,910	134,628	(15,718)	112,318
Employee benefits and retirement	48,960	48,960	53,011	(4,051)	32,971
Supplies and minor equipment	31,500	31,500	17,951	13,549	17,043
Professional services	40,200	40,200	45,908	(5,708)	28,760
Communication	7,500	7,500	6,712	788	6,874
Transportation and training	4,000	4,000	1,818	2,182	3,523
Insurance	6,000	6,000	5,653	347	5,153
Utilities	35,000	35,000	33,521	1,479	34,865
Repairs and maintenance	113,000	113,000	73,701	39,299	99,853
Depreciation and amortization	45,104	45,104	140,725	(95,621)	143,562
Other			15	(15)	134
Total Operating Expenses	<u>450,174</u>	<u>450,174</u>	<u>513,643</u>	<u>(63,469)</u>	<u>485,056</u>
Operating Income	<u>87,176</u>	<u>87,176</u>	<u>35,613</u>	<u>(51,563)</u>	<u>62,772</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,000	1,000	5,691	4,691	244
Miscellaneous income	6,300	6,300	26,183	19,883	10,255
Interest and fiscal charges	(14,896)	(14,896)	(24,116)	(9,220)	(15,032)
Total Nonoperating Revenues (Expenses)	<u>(7,596)</u>	<u>(7,596)</u>	<u>7,758</u>	<u>15,354</u>	<u>(4,533)</u>
<b>CHANGE IN NET POSITION</b>	<u>79,580</u>	<u>79,580</u>	<u>43,371</u>	<u>(36,209)</u>	<u>58,239</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>3,291,617</u>	<u>3,291,617</u>	<u>3,291,617</u>		<u>3,233,378</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 3,371,197</u>	<u>\$ 3,371,197</u>	<u>\$ 3,334,988</u>	<u>\$ (36,209)</u>	<u>\$ 3,291,617</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 SEWER FUND  
 Statement of Net Position  
 December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 455,260	\$ 453,683
Accrued interest receivable	91	91
Accounts receivable	58,242	63,912
Accrued utility revenue	34,819	29,571
Prepaid expenses	1,255	1,310
Total Current Assets	549,667	548,567
<b>Capital Assets</b>		
Nondepreciable	28,700	28,700
Depreciable	3,934,660	3,831,063
Less: Accumulated depreciation	1,428,693	1,341,631
Capital Assets, Net	2,534,667	2,518,132
Total Assets	3,084,334	3,066,699
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	9,949	9,409
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,094,283</b>	<b>\$ 3,076,108</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 47,824	\$ 52,057
Accrued compensated absences	5,001	1,675
Total Current Liabilities	52,825	53,732
<b>Noncurrent Liabilities</b>		
Net pension liability	51,723	51,899
Total Liabilities	104,548	105,631
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	8,744	8,744
<b>NET POSITION</b>		
Investment in capital assets	2,534,667	2,518,132
Unrestricted	446,324	443,601
Total Net Position	2,980,991	2,961,733
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 3,094,283</b>	<b>\$ 3,076,108</b>

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

**Statement of Revenues, Expenses  
 and Changes in Fund Net Position - Budget and Actual  
 For the Year Ended December 31, 2019**

**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 742,600	\$ 742,600	\$ 733,852	\$ (8,748)	\$ 721,270
Access fee			10,868	10,868	20,640
Total Operating Revenues	<u>742,600</u>	<u>742,600</u>	<u>744,720</u>	<u>2,120</u>	<u>741,910</u>
<b>Operating Expenses</b>					
Purchased utilities	487,540	487,540	456,881	30,659	459,432
Salaries	78,790	78,790	85,869	(7,079)	67,051
Employee benefits and retirement	25,975	25,975	27,021	(1,046)	17,616
Supplies and minor equipment	6,400	6,400	4,235	2,165	4,109
Professional services	9,950	9,950	5,160	4,790	10,197
Communication	2,400	2,400	2,093	307	2,411
Transportation and training	3,000	3,000	8,174	(5,174)	6,065
Insurance	4,000	4,000	3,947	53	4,329
Utilities	4,000	4,000	694	3,306	649
Repairs and maintenance	113,000	113,000	45,131	67,869	23,953
Depreciation and amortization			87,062	(87,062)	79,138
Other	1,000	1,000	471	529	17
Total Operating Expenses	<u>736,055</u>	<u>736,055</u>	<u>726,738</u>	<u>9,317</u>	<u>674,967</u>
Operating Income	<u>6,545</u>	<u>6,545</u>	<u>17,982</u>	<u>11,437</u>	<u>66,943</u>
<b>Nonoperating Revenues</b>					
Interest income	<u>500</u>	<u>500</u>	<u>1,276</u>	<u>776</u>	<u>780</u>
<b>CHANGE IN NET POSITION</b>	<u>7,045</u>	<u>7,045</u>	<u>19,258</u>	<u>12,213</u>	<u>67,723</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>2,961,733</u>	<u>2,961,733</u>	<u>2,961,733</u>		<u>2,894,010</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 2,968,778</u>	<u>\$ 2,968,778</u>	<u>\$ 2,980,991</u>	<u>\$ 12,213</u>	<u>\$ 2,961,733</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 STORM WATER FUND  
 Statement of Net Position  
 December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 228,745	\$ 178,179
Accounts receivable	12,539	13,434
Accrued utility revenue	6,774	6,437
Total Current Assets	248,058	198,050
<b>Capital Assets</b>		
Depreciable	1,026,779	1,026,779
Less: Accumulated depreciation	214,869	189,903
Capital Assets, Net	811,910	836,876
Total Assets	\$ 1,059,968	\$ 1,034,926
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 21,522	\$ 7,877
<b>NET POSITION</b>		
Investment in capital assets	811,910	836,876
Unrestricted	226,536	190,173
Total Net Position	1,038,446	1,027,049
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 1,059,968	\$ 1,034,926

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STORM WATER FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Storm water fees	\$ 154,245	\$ 154,245	\$ 153,035	\$ (1,210)	\$ 153,130
<b>Operating Expenses</b>					
Salaries			1,860	(1,860)	5,064
Employee benefits and retirement			142	(142)	387
Professional services	3,100	3,100	1,704	1,396	2,400
Depreciation			24,966	(24,966)	24,966
Repairs and maintenance	85,000	85,000	112,966	(27,966)	94,663
Total Operating Expenses	88,100	88,100	141,638	(53,538)	127,480
Operating Income	66,145	66,145	11,397	(54,748)	25,650
<b>Nonoperating Revenues</b>					
Interest income	100	100		(100)	
<b>CHANGE IN NET POSITION</b>	66,245	66,245	11,397	(54,848)	25,650
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	1,027,049	1,027,049	1,027,049		1,001,399
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 1,093,294	\$ 1,093,294	\$ 1,038,446	\$ (54,848)	\$ 1,027,049

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WASTE MANAGEMENT FUND  
 Statement of Net Position  
 December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 63,853	\$ 74,636
Accounts receivable	21,377	23,244
Accrued utility revenue	11,365	11,215
Total Current Assets	96,595	109,095
<b>Capital Assets</b>		
Depreciable	5,000	5,000
Less: Accumulated depreciation	1,917	1,417
Capital Assets, Net	3,083	3,583
Total Assets	\$ 99,678	\$ 112,678
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,400	\$ 18,185
 <b>NET POSITION</b>		
Net investment in capital assets	3,083	3,583
Unrestricted	85,195	90,910
Total Net Position	88,278	94,493
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 \$ 99,678	 \$ 112,678

**CITY OF ST. CHARLES, MINNESOTA**  
**WASTE MANAGEMENT FUND**  
**Schedule of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Waste removal	\$ 218,990	\$ 218,990	\$ 251,434	\$ 32,444	\$ 223,971
Compost fees	13,500	13,500	14,019	519	20,393
<b>Total Operating Revenues</b>	<b>232,490</b>	<b>232,490</b>	<b>265,453</b>	<b>32,963</b>	<b>244,364</b>
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
Garbage removal	212,219	212,219	233,809	(21,590)	216,939
Depreciation			500	(500)	500
City cleanup	11,500	11,500	7,846	3,654	7,705
Compost site expense	6,500	6,500	3,430	3,070	3,467
Other	1,600	1,600	6,083	(4,483)	2,335
<b>Total Operating Expenses</b>	<b>231,819</b>	<b>231,819</b>	<b>251,668</b>	<b>(19,849)</b>	<b>230,946</b>
Operating Income	671	671	13,785	13,114	13,418
<b>Nonoperating Revenue</b>					
Interest income	500	500		(500)	
<b>INCOME BEFORE TRANSFERS</b>	<b>1,171</b>	<b>1,171</b>	<b>13,785</b>	<b>12,614</b>	<b>13,418</b>
Transfers out	(20,000)	(20,000)	(20,000)		
<b>CHANGE IN NET POSITION</b>	<b>(18,829)</b>	<b>(18,829)</b>	<b>(6,215)</b>	<b>12,614</b>	<b>13,418</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b>94,493</b>	<b>94,493</b>	<b>94,493</b>		<b>81,075</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 75,664</b>	<b>\$ 75,664</b>	<b>\$ 88,278</b>	<b>\$ 12,614</b>	<b>\$ 94,493</b>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 AMBULANCE FUND  
 Statement of Net Position  
 December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 158,127	\$ 131,822
Accrued interest receivable	160	160
Accounts receivable	85,665	114,110
Prepaid expense	2,799	3,151
Total Current Assets	246,751	249,243
<b>Capital Assets</b>		
Depreciable	350,393	350,393
Less: Accumulated depreciation	322,136	315,071
Capital Assets, Net	28,257	35,322
Total Assets	275,008	284,565
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	4,643	9,778
Total Deferred Outflows of Resources	4,643	9,778
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 279,651	\$ 294,343
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,025	\$ 3,284
<b>Noncurrent Liabilities</b>		
Net pension liability	54,262	54,447
Total Liabilities	56,287	57,731
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	6,356	9,175
<b>NET POSITION</b>		
Investment in capital assets	28,257	35,322
Unrestricted	188,751	192,115
Total Net Position	217,008	227,437
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 279,651	\$ 294,343

**CITY OF ST. CHARLES, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenses**  
**and Changes in Fund Net Position- Budget and Actual**  
**For the Year Ended December 31, 2019**  
**With Comparative Totals for the Year Ended December 31, 2018**

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
<b>Charges for Services</b>					
Ambulance fees	\$ 205,500	\$ 205,500	\$ 164,041	\$ (41,459)	\$ 189,744
<b>Total Operating Revenues</b>	<u>205,500</u>	<u>205,500</u>	<u>164,041</u>	<u>(41,459)</u>	<u>189,744</u>
<b>Operating Expenses</b>					
Salaries	78,000	78,000	76,110	1,890	77,433
Employee benefits and retirement	21,100	21,100	26,270	(5,170)	19,294
Supplies and minor equipment	21,500	21,500	25,505	(4,005)	19,521
Professional services	12,000	12,000	15,928	(3,928)	10,562
Communication	3,000	3,000	3,934	(934)	3,843
Transportation and training	10,000	10,000	6,288	3,712	7,510
Insurance	3,000	3,000	2,682	318	2,433
Utilities	6,000	6,000	6,472	(472)	6,386
Repairs and maintenance	11,500	11,500	8,297	3,203	12,645
Depreciation			7,065	(7,065)	7,819
Bad debts			85	(85)	1,005
Other	6,500	6,500	8,057	(1,557)	6,510
<b>Total Operating Expenses</b>	<u>172,600</u>	<u>172,600</u>	<u>186,693</u>	<u>(14,093)</u>	<u>174,961</u>
Operating Income	<u>32,900</u>	<u>32,900</u>	<u>(22,652)</u>	<u>(55,552)</u>	<u>14,783</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	1,785	1,285	663
Donations			18,943	18,943	2,397
Miscellaneous	2,000	2,000	920	(1,080)	275
Calendar sales	10,000	10,000	5,575	(4,425)	18,595
Total Nonoperating Revenues (Expenses)	<u>12,500</u>	<u>12,500</u>	<u>27,223</u>	<u>14,723</u>	<u>21,930</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>45,400</u>	<u>45,400</u>	<u>4,571</u>	<u>(40,829)</u>	<u>36,713</u>
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>(15,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>30,400</u>	<u>30,400</u>	<u>(10,429)</u>	<u>(40,829)</u>	<u>21,713</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>227,437</u>	<u>227,437</u>	<u>227,437</u>		<u>205,724</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 257,837</u>	<u>\$ 257,837</u>	<u>\$ 217,008</u>	<u>\$ (40,829)</u>	<u>\$ 227,437</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**Summary of Cash and Investments**  
**All Fund Types**  
**December 31, 2019**

<b>CASH ON HAND</b>			
Change funds		\$	4,622
<b>CASH IN BANK</b>			
<u>Bremer Bank</u>			
St. Charles, Minnesota:			
General checking			3,102,102
Money Market			338,368
<b>INVESTMENTS</b>			
	<u>Rate</u>	<u>Amount</u>	
<u>Merchants National Bank</u>			
Certificates of Deposit	1.0-1.6%	\$ 194,368	
 <u>Wells Fargo</u>			
Municipal Bonds	2.77-3.26%	645,356	
U.S. Government Securities	2.47-2.69%	568,298	
Money Market Fund	2.28%	<u>29,746</u>	
 <b>TOTAL INVESTMENTS</b>			 <u>1,437,768</u>
 <b>TOTAL CASH AND INVESTMENTS,</b>			
<b>December 31, 2019</b>		\$	<u><u>4,882,860</u></u>

**CITY OF ST. CHARLES, MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2019**

Year	\$2,300,000 General Obligation Bonds, Series 2015A		
	Principal	Interest	Total
2020	\$	\$ 33,883	\$ 33,883
2021	70,000	66,716	136,716
2022	75,000	64,541	139,541
2023	75,000	62,291	137,291
2024	75,000	60,041	135,041
Thereafter	1,735,000	573,092	2,308,092
<b>Totals</b>	<b>\$ 2,030,000</b>	<b>\$ 860,564</b>	<b>\$ 2,890,564</b>

Year	\$650,000 G.O. Street Construction Plan Bonds, Series 2018A		
	Principal	Interest	Total
2020	\$	\$ 8,850	\$ 8,850
2021	60,000	16,800	76,800
2022	60,000	15,000	75,000
2023	60,000	13,200	73,200
2024	65,000	11,325	76,325
Thereafter	345,000	26,625	371,625
<b>Totals</b>	<b>\$ 590,000</b>	<b>\$ 91,800</b>	<b>\$ 681,800</b>

Year	\$1,035,000 General Obligation Bonds, Series 2019A		
	Principal	Interest	Total
2020	\$	\$ 8,949	\$ 8,949
2021	198,204	18,186	216,390
2022	52,261	13,789	66,050
2023	51,322	13,048	64,370
2024	55,352	12,201	67,553
Thereafter	473,815	49,449	523,264
<b>Totals</b>	<b>\$ 830,954</b>	<b>\$ 115,622</b>	<b>\$ 946,576</b>

**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules (Continued)  
December 31, 2019**

Year	\$105,077 Vehicle Lease Payable		
	Principal	Interest	Total
2020	\$ 21,064	\$ 1,279	\$ 22,343
2021	21,694	649	22,343
<b>Totals</b>	<b>\$ 42,758</b>	<b>\$ 1,928</b>	<b>\$ 44,686</b>

Year	\$40,075 Equipment Lease Payable		
	Principal	Interest	Total
2020	\$	\$ 750	\$ 8,585
2021	8,077	507	8,584
2022	8,327	258	8,585
<b>Totals</b>	<b>\$ 16,404</b>	<b>\$ 1,515</b>	<b>\$ 25,754</b>

**CITY OF ST. CHARLES, MINNESOTA  
BUSINESS-TYPE FUNDS  
Bond Retirement Schedules  
December 31, 2019**

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

Year	Principal	Interest	Total
2020	\$ 260,000	\$ 24,440	\$ 284,440
2021	270,000	16,640	286,640
2022	280,000	8,540	288,540
<b>Totals</b>	<b>\$ 810,000</b>	<b>\$ 49,620</b>	<b>\$ 859,620</b>

\$425,000 Water G.O. Improvement  
and Refunding Bonds, Series 2019A

Year	Principal	Interest	Total
2020	\$	\$ 8,996	\$ 8,996
2021	26,796	13,204	40,000
2022	27,739	12,261	40,000
2023	28,678	11,322	40,000
2024	29,648	10,352	40,000
Thereafter	286,185	43,743	329,928
<b>Totals</b>	<b>\$ 399,046</b>	<b>\$ 99,878</b>	<b>\$ 498,924</b>

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of St. Charles, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, and have issued our report thereon dated June 15, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of St. Charles, Minnesota, failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of St. Charles, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City of St. Charles, Minnesota and the State Auditor, 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  
June 15, 2020