

**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**



**CITY OF ST. CHARLES, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2020**

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

**INTRODUCTORY SECTION**

**DECEMBER 31, 2020**

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**CITY OF ST. CHARLES, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2020**

Elected

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

Appointed

Nick Koverman	City Administrator
Melissa Krusmark	Accountant
Janell Dahl	Deputy Clerk

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**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2020**

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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, 2020, 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, 2020, 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, 2019, from which such partial information was derived.

We have previously audited the City's 2019 financial statements and our report dated June 20, 2020, 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, 2019, 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.*

## 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, 2020.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of St. Charles, Minnesota exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,680,372 (*net position*). Of this amount, \$5,763,711 (*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 \$654,064.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$2,343,557. Approximately 81% of this total amount, or \$1,911,424 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 \$682,420 or 39% of total general fund expenditures, excluding COVID related expenditures of \$82,054.

### 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,680,372 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net position (76%) 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.

St. Charles

The balance of *unrestricted net position* (\$5,763,711) 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 \$218,901. 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 \$435,163. The City's electric utility contributed the most significant portion of that increase, or \$143,840.

A condensed version of the Statement of Activities follows:

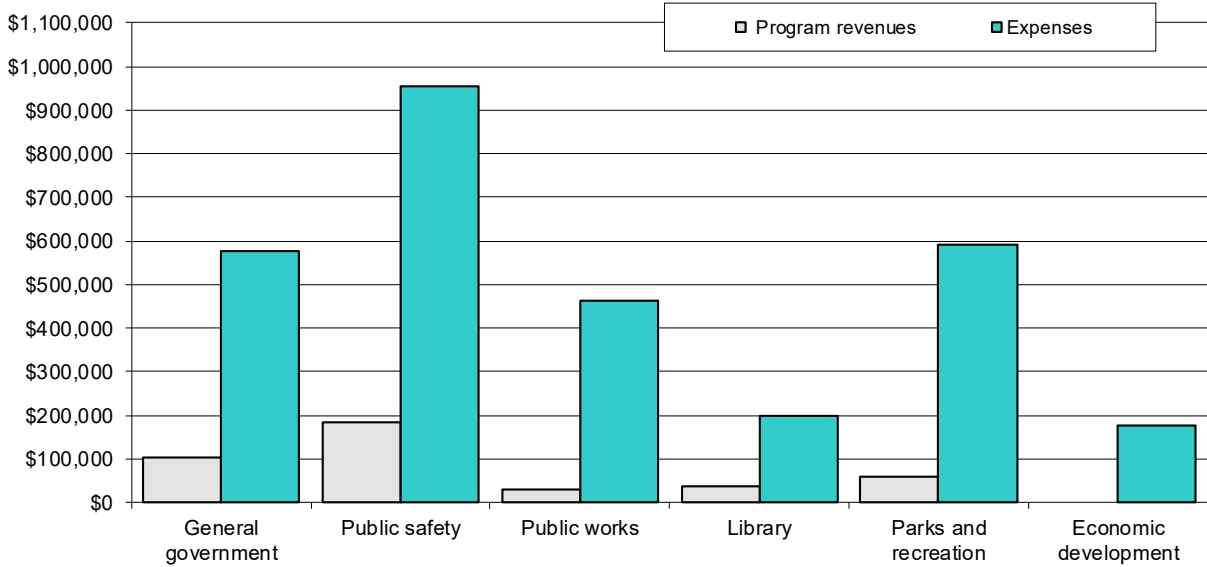
**City of St. Charles, Minnesota's Change in Net Position**

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
Revenue:				
Program revenues:				
Charges for services	\$ 195,588	\$ 5,022,833	\$ 5,218,421	\$ 5,176,870
Operating grants and contributions	181,137	37,925	219,062	223,129
Capital grants and contributions	35,768		35,768	236,442
General revenues:				
Property taxes	1,241,060		1,241,060	1,140,829
TIF proceeds	61,542		61,542	61,080
Franchise fees	55,355		55,355	59,948
Grants and contributions not restricted to specific programs	1,158,835		1,158,835	905,328
Other	86,192	114,311	200,503	464,633
Total revenues	<u>3,015,477</u>	<u>5,175,069</u>	<u>8,190,546</u>	<u>8,268,259</u>
Expenses:				
General government	575,316		575,316	516,080
Public safety	953,246		953,246	1,055,033
Public works	465,032		465,032	627,103
Library	199,990		199,990	208,922
Parks and recreation	593,373		593,373	638,991
Economic development	177,450		177,450	89,020
Interest on long-term debt	62,169		62,169	213,195
Electric		2,808,612	2,808,612	2,826,125
Water		498,629	498,629	537,759
Sewer		714,083	714,083	726,738
Storm water drainage		71,885	71,885	141,638
Waste management		267,389	267,389	251,668
Ambulance		149,308	149,308	186,693
Total expenses	<u>3,026,576</u>	<u>4,509,906</u>	<u>7,536,482</u>	<u>8,018,965</u>
Increase in net position before transfers	(11,099)	665,163	654,064	249,294
Transfers	230,000	(230,000)		
Increase in net position	218,901	435,163	654,064	249,294
Net position, beginning	8,694,819	15,331,489	24,026,308	23,777,014
Net position, end of year	<u>\$ 8,913,720</u>	<u>\$ 15,766,652</u>	<u>\$ 24,680,372</u>	<u>\$ 24,026,308</u>

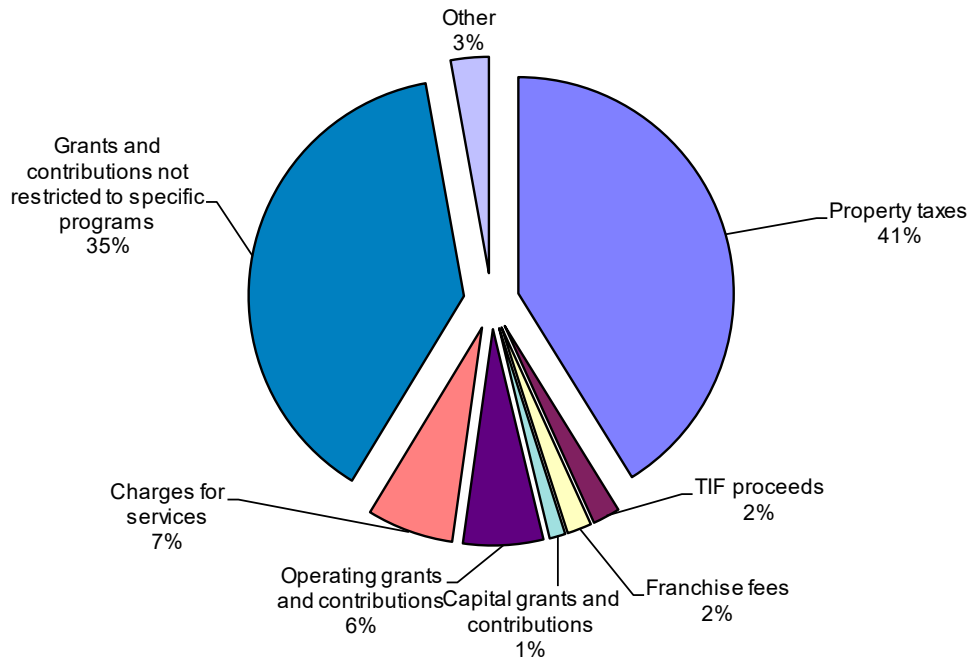
## CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Expenses and Program Revenues - Governmental Activities



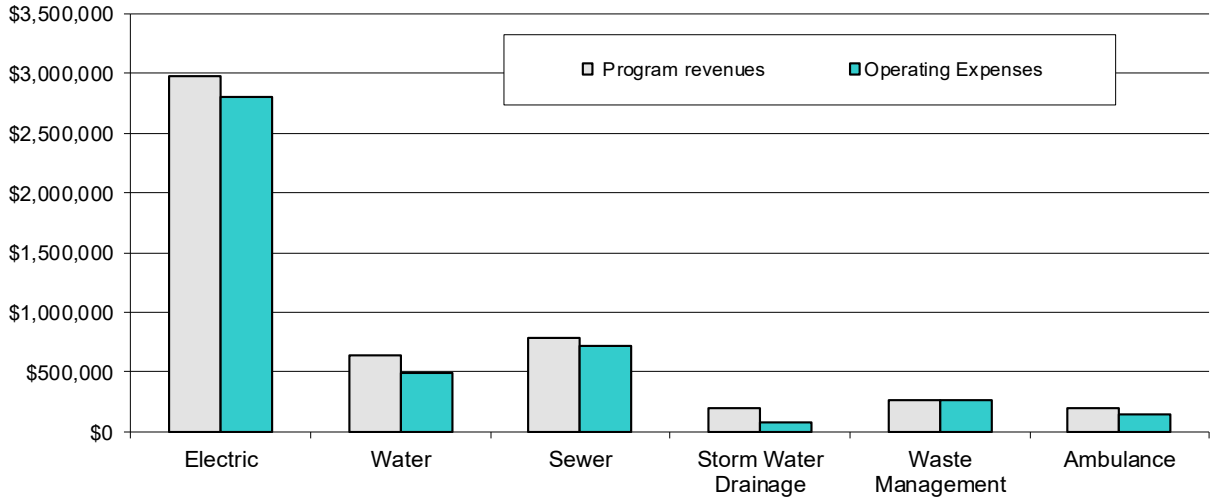
### Revenues by Source - Governmental Activities



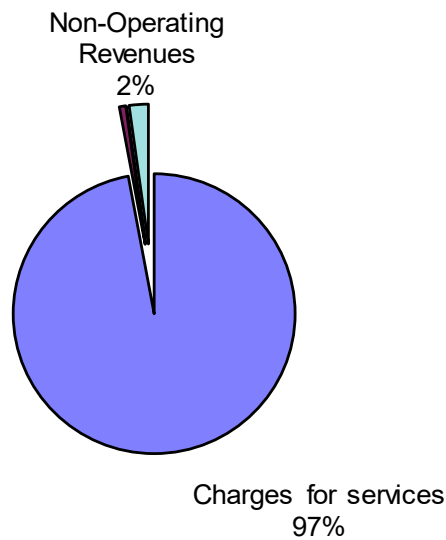
**CITY OF ST. CHARLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their 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 \$2,343,557 an increase of \$782,579 from 2019. Approximately 65% of this balance is either Nonspendable (\$28,289) related to prepaid items, Restricted (\$403,844) related to debt covenants or regulations or Committed (\$1,086,726) 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 \$682,420. 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 39% of total general fund expenditures, excluding COVID related expenditures.

The general fund's total fund balance decreased by \$26,433 during the current fiscal year. This year's decrease was primarily due the national COVID pandemic that began in early March. Due to Executive Orders by Governor Tim Walz, various restrictions with respect to gatherings and social interaction were put into place. As a direct result, Park & Recreation programs were severely cutback and the pool was only allowed to function with limited occupancy, while requiring the need for additional staff and cleaning services. This resulted in substantial losses of revenue for the two departments. Further, a portion of the general fund balance was used to reduce the negative fund balance in the library fund.

The economic development fund increased its fund balance by \$17,010. Due to COVID restrictions, the EDA met infrequently and because businesses were also severely restricted in how they could operate, no requests for loans were received. As part of the City's COVID Relief Funds of \$289,200, the EDA created a \$5,000 grant program for up to 20 businesses, which were completely given out. An additional \$10,000 was used to purchase cleaning supplies, masks, gloves, etc. for local businesses.

The capital improvement fund increased its fund balance by \$317,609 for the year, and ended the year with a fund balance of \$963,801. This increase was primarily due to a land sale in 2020 to DANMAR Properties for \$142,000. In addition, some planned projects for 2020 were not able to be completed and expended.

## **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 - \$7,815,618, Water - \$3,417,939 Sewer - \$3,047,494 , Storm Water - \$1,161,839, Waste Management - \$70,961, Ambulance - \$252,801.

Electric Utility rates remained unchanged for 2020 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 \$109,732, which will be credited into the Upper Midwest Municipal Energy Group's (UMMEG) rate stabilization fund rather than being reimbursed on the 2021 invoices within the first six months of the year. A fund reimbursement request can be made at any time to the UMMEG board. 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 changed in 2020 from \$16.38 in 2019 to \$16.79 in 2020. 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 2020.

Garbage and recycling rates were increased by Advanced Disposal Services 3.8 percent in 2020 – 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 2020 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, 2020, amounts to \$23,069,144 (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 \$776,339.

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

(net of depreciation)

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
Land	\$ 1,767,723	\$ 354,689	\$ 2,122,412	\$ 2,264,462
Construction in process	37,593		37,593	51,873
Buildings and improvements	3,625,044	4,616,428	8,241,472	8,495,195
Machinery and equipment	396,585	7,647,870	8,044,455	8,185,622
Infrastructure	4,623,212		4,623,212	4,848,331
Total	<u>\$ 10,450,157</u>	<u>\$ 12,618,987</u>	<u>\$ 23,069,144</u>	<u>\$ 23,845,483</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 \$4,438,098 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	
			2020	2019
General obligation bonds	\$ 3,450,954	\$ 399,046	\$ 3,850,000	\$ 3,850,000
General obligation revenue bonds		550,000	550,000	810,000
Notes and lease payable	38,098		38,098	59,162
<b>Total</b>	<b>\$ 3,489,052</b>	<b>\$ 949,046</b>	<b>\$ 4,438,098</b>	<b>\$ 4,719,162</b>

The City of St. Charles, Minnesota’s total bonds and notes payable decreased by \$281,064 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 2021 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 2.7 percent in 2020. This rate is the same as Winona County’s average of 4.5 percent, and lower than the State’s average of 6.2 percent.
- The median household income in the City of St. Charles, Minnesota is \$69,216. This is nearly the same as the State of Minnesota’s average income of \$70,315 and slightly above the National average of \$68,400.
- 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 \$61,784 to \$966,750 in 2020. Local Government Aid is increasing \$59,636 in 2021.
- 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 2.75 percent for 2020 . A 1-year contract extension for 2021 was negotiated in light of COVID with an increase of 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, 2020**

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**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2020  
With Comparative Totals for December 31, 2019

	Governmental Activities	Business-Type Activities	Totals	
			2020	2019
<b>ASSETS</b>				
Cash and investments	\$ 2,348,679	\$ 3,725,513	\$ 6,074,192	\$ 4,882,860
Accrued interest receivable	2,172	7,273	9,445	9,688
Receivables (net of allowance for uncollectibles)	123,139	690,736	813,875	842,594
Internal balances	(30,000)	30,000		
Inventory		395,713	395,713	413,806
Prepaid items	28,289	93,826	122,115	133,819
Net pension asset	243,033		243,033	243,033
Capital assets:				
Nondepreciable	1,805,315	354,689	2,160,004	2,316,335
Depreciable, net	8,644,842	12,264,298	20,909,140	21,529,148
Total Assets	<u>13,165,469</u>	<u>17,562,048</u>	<u>30,727,517</u>	<u>30,371,283</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	<u>349,462</u>	<u>90,166</u>	<u>439,628</u>	<u>455,191</u>
<b>LIABILITIES</b>				
Accounts payable	45,569	239,025	284,594	299,139
Deposits payable		19,777	19,777	18,694
Due to other funds				
Accrued interest payable	50,565	12,391	62,956	59,741
Accrued salaries	8,206	7,886	16,092	
Accrued compensated absences	73,732	78,774	152,506	153,923
Noncurrent liabilities:				
Net pension liability	695,117	565,106	1,260,223	1,057,901
Due within one year	437,975	296,796	734,771	281,064
Due in more than one year	3,052,911	646,500	3,699,411	4,431,670
Total Liabilities	<u>4,364,075</u>	<u>1,866,255</u>	<u>6,230,330</u>	<u>6,302,132</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	<u>237,136</u>	<u>19,307</u>	<u>256,443</u>	<u>498,034</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,959,271	11,675,691	18,634,962	19,132,749
Restricted for:				
Debt service	281,699		281,699	53,527
Unrestricted	1,672,750	4,090,961	5,763,711	4,840,032
Total Net Position	<u>\$ 8,913,720</u>	<u>\$ 15,766,652</u>	<u>\$ 24,680,372</u>	<u>\$ 24,026,308</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020  
With Comparative Totals for the Year Ended December 31, 2019

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 575,316	\$ 100,556	\$ 2,247	\$
Public safety	953,246	36,735	135,882	10,927
Public works	465,032		5,359	24,782
Library	199,990	1,250	36,529	59
Parks and recreation	593,373	57,047	1,120	
Economic development	177,450			
Interest on long-term debt	62,169			
<b>Total governmental activities</b>	<b>3,026,576</b>	<b>195,588</b>	<b>181,137</b>	<b>35,768</b>
<b>Business-Type activities:</b>				
Electric	2,834,294	2,975,922		
Water	521,221	638,984		
Sewer	736,940	780,194		
Storm water drainage	71,885	195,278		
Waste management	289,780	270,072		
Ambulance	153,192	162,383	37,925	
<b>Total business-type activities</b>	<b>4,607,312</b>	<b>5,022,833</b>	<b>37,925</b>	
<b>Total</b>	<b>\$ 7,633,888</b>	<b>\$ 5,218,421</b>	<b>\$ 219,062</b>	<b>\$ 35,768</b>

General revenues:

  General property taxes

  Tax increments

  Franchise fees

  Grants and contributions not restricted to specific programs:

    Local government aid

    Coronavirus relief 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	
		2020	2019
\$ (472,513)	\$	\$ (472,513)	\$ (397,143)
(769,702)		(769,702)	(835,283)
(434,891)		(434,891)	(407,900)
(162,152)		(162,152)	(167,250)
(535,206)		(535,206)	(515,741)
(177,450)		(177,450)	(89,020)
(62,169)		(62,169)	(213,195)
<u>(2,614,083)</u>		<u>(2,614,083)</u>	<u>(2,625,532)</u>
	141,628	141,628	159,378
	117,763	117,763	37,680
	43,254	43,254	17,982
	123,393	123,393	11,397
	(19,708)	(19,708)	13,785
	<u>47,116</u>	<u>47,116</u>	<u>2,786</u>
	453,446	453,446	243,008
<u>(2,614,083)</u>	<u>453,446</u>	<u>(2,160,637)</u>	<u>(2,382,524)</u>
1,241,060		1,241,060	1,140,829
61,542		61,542	61,080
55,355		55,355	59,948
966,750		966,750	904,966
191,751	97,406	289,157	
334		334	362
15,965	35,805	51,770	76,036
166		166	329,199
70,061	78,506	148,567	59,398
230,000	(230,000)		
<u>2,832,984</u>	<u>(18,283)</u>	<u>2,814,701</u>	<u>2,631,818</u>
218,901	435,163	654,064	249,294
8,694,819	15,331,489	24,026,308	23,777,014
<u>\$ 8,913,720</u>	<u>\$ 15,766,652</u>	<u>\$ 24,680,372</u>	<u>\$ 24,026,308</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

December 31, 2020

With Comparative Totals for December 31, 2019

	<u>10</u>	Capital Projects	
		<u>25</u> Capital Improvements Fund	<u>42</u> Tax Increment District #8 Fund
<b>ASSETS</b>	General		
Cash and investments	\$ 528,793	\$ 990,219	\$
Accrued interest receivable	1,429	576	
Accounts receivable	21,605		
Loans and contracts receivable			
Taxes receivable delinquent	2,027	567	
Special assessments receivable:			
Deferred		5,146	
Advances from other funds			
Due from other funds	173,547		
Due from other governmental units	2,907	3,006	
Prepaid items	23,359		
<b>TOTAL ASSETS</b>	<b>\$ 753,667</b>	<b>\$ 999,514</b>	<b>\$</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 39,997	\$	\$
Due to other funds			159,262
Accrued salaries	5,864		
Advances from other funds		30,000	
Total Liabilities	45,861	30,000	159,262
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue:			
Property taxes	2,027	567	
Special assessments		5,146	
Loans receivable			
Total Deferred Inflows of Resources	2,027	5,713	
<b>Fund Balance:</b>			
Nonspendable:			
Prepaid items	23,359		
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		963,801	
Assigned			
Unassigned	682,420		(159,262)
Total Fund Balance	705,779	963,801	(159,262)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 753,667</b>	<b>\$ 999,514</b>	<b>\$</b>

**See Notes to Financial Statements**



<u>Debt Service</u>			
<u>60</u> 2011A G.O. & Refunding Bond	Other Governmental Funds	<u>Total Governmental Funds</u>	
		2020	2019
\$ 51,021	\$ 778,646	\$ 2,348,679	\$ 1,558,298
	167	2,172	2,237
	13,659	35,264	23,538
	60,594	60,594	91,723
1,282	5,331	9,207	16,031
		5,146	31,835
		173,547	393,286
27	6,988	12,928	28,026
	4,930	28,289	21,921
<u>\$ 52,330</u>	<u>\$ 870,315</u>	<u>\$ 2,675,826</u>	<u>\$ 2,166,895</u>
\$	\$ 5,572	\$ 45,569	\$ 33,042
	14,285	173,547	393,286
	2,342	8,206	
		30,000	40,000
	22,199	257,322	466,328
1,282	5,331	9,207	16,031
		5,146	31,835
	60,594	60,594	91,723
<u>1,282</u>	<u>65,925</u>	<u>74,947</u>	<u>139,589</u>
	4,930	28,289	21,921
51,048	276,227	327,275	53,527
	76,569	76,569	70,160
	122,925	1,086,726	816,755
	302,531	302,531	264,146
	(991)	522,167	334,469
<u>51,048</u>	<u>782,191</u>	<u>2,343,557</u>	<u>1,560,978</u>
<u>\$ 52,330</u>	<u>\$ 870,315</u>	<u>\$ 2,675,826</u>	<u>\$ 2,166,895</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2020  
With Comparative Totals for the Year Ended December 31, 2019

	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	\$ 326,634	\$ 275,242	\$
Property taxes - Special EDA taxing district			
Tax increments			13,002
Special assessments	1,058	21,741	
Licenses and permits	95,223		
Fines and forfeits	10,192		
Intergovernmental revenues	1,107,469	169	
Charges for services	116,577		
Interest income	22,911	29,572	
Donations			
Loan repayment			
Miscellaneous revenues	22,037	142,216	
<b>TOTAL REVENUES</b>	<u>1,702,101</u>	<u>468,940</u>	<u>13,002</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	458,473	6,498	
Public safety	701,501		
Public works	261,729		
Library			
Parks and recreation	421,631		
Economic development			
<b>Capital Outlay</b>		144,833	
<b>Debt Service</b>			
<b>TOTAL EXPENDITURES</b>	<u>1,843,334</u>	<u>151,331</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(141,233)</u>	<u>317,609</u>	<u>13,002</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	(26,433)	317,609	13,002
<b>FUND BALANCES, beginning</b>	<u>732,212</u>	<u>646,192</u>	<u>(172,264)</u>
<b>FUND BALANCES, ending</b>	<u>\$ 705,779</u>	<u>\$ 963,801</u>	<u>\$ (159,262)</u>

**See Notes to Financial Statements**

Debt Service

60 2011A G.O. & Refunding Bond	Other Governmental Funds	Total Governmental Funds	
		2020	2019
\$	\$ 585,241	\$ 1,187,117	\$ 1,091,884
	49,373	49,373	44,375
	48,540	61,542	61,079
		22,799	1,112
		95,223	88,314
		10,192	13,388
	192,544	1,300,182	1,218,667
	26,333	142,910	241,351
	2,380	54,863	18,003
	48,141	48,141	75,569
	5,280	5,280	41,950
	1,336	165,589	742,919
	959,168	3,143,211	3,638,611
	23,351	488,322	405,245
	150,486	851,987	812,090
		261,729	275,170
	180,209	180,209	176,296
		421,631	446,469
	138,938	138,938	88,940
	40,738	185,571	899,251
	62,245	62,245	647,407
	595,967	2,590,632	3,750,868
	363,201	552,579	(112,257)
			(1,199,824)
			1,035,000
			18,938
	188,504	328,504	1,229,893
	(73,304)	(98,504)	(1,059,893)
	115,200	230,000	24,114
	478,401	782,579	(88,143)
51,048	303,790	1,560,978	1,649,121
\$ 51,048	\$ 782,191	\$ 2,343,557	\$ 1,560,978

**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, 2020**

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

Total governmental fund balances (page 18)	\$	2,343,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	18,389,639
Less: Accumulated depreciation		<u>(7,939,482)</u>
		10,450,157
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$	9,207
Deferred special assessments		5,146
Loans and contracts receivable		<u>60,594</u>
		74,947
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	\$	(3,489,052)
Net pension liability		(582,791)
Net pension asset		243,033
Compensated absences		(73,732)
Accrued interest		(50,565)
Unamortized bond premium		(20,684)
Unamortized bond discount		<u>18,850</u>
		<u>(3,954,941)</u>
Net position of governmental activities (page 14)	\$	<u><u>8,913,720</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, 2020**

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

Net change in fund balances - total governmental funds (page 20)	\$	782,579
<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	\$	163,183
Depreciation expense		<u>(550,202)</u>
		(387,019)
<p>The net effect of various miscellaneous transactions involving  capital assets (i.e., sales, trade-ins, and donations) is to  decrease net position.</p>		
		(171,003)
<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, 2020	\$	74,947
Unavailable revenue December 31, 2019		<u>(139,589)</u>
		(64,642)
<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	\$	6,207
Change in net pension liability		<u>31,719</u>
		37,926
<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	\$	21,064
Change in accrued interest		484
Amortization of bond discount		<u>(488)</u>
		<u>21,060</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>218,901</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, 2020

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

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 321,332	\$ 321,332	\$ 326,634	\$ 5,302	\$ 322,824
<b>Special Assessments</b>					
	500	500	1,058	558	394
<b>Licenses and Permits</b>					
Business and nonbusiness licenses			14,306	14,306	9,453
Building permits	30,000	30,000	80,917	50,917	78,861
Total Licenses and Permits	30,000	30,000	95,223	65,223	88,314
<b>Intergovernmental Revenues</b>					
Local government aid	964,602	964,602	966,750	2,148	904,966
Market value credit					362
Police aid	40,000	40,000	53,306	13,306	48,678
PERA aid	2,412	2,412		(2,412)	2,412
Highway aid	4,500	4,500	5,359	859	4,657
Coronavirus relief aid			82,054	82,054	
Total Intergovernmental Revenues	1,011,514	1,011,514	1,107,469	95,955	961,075
<b>Charges For Services</b>					
Swimming pool	80,400	80,400	34,964	(45,436)	87,823
Park and recreation	33,500	33,500	22,083	(11,417)	35,427
Cable franchise fees	45,000	45,000	39,411	(5,589)	42,357
Senior center rental	3,000	3,000	4,175	1,175	4,088
Natural gas franchise fees	18,000	18,000	15,944	(2,056)	17,591
Total Charges For Services	179,900	179,900	116,577	(63,323)	187,286
<b>Fines and Forfeits</b>					
Court fines and other	10,000	10,000	10,192	192	13,388
<b>Interest Income</b>					
	5,000	5,000	22,911	17,911	10,072
<b>Miscellaneous Revenues</b>					
Other income	750	750	22,037	21,287	21,488
<b>TOTAL REVENUES</b>	<b>\$ 1,558,996</b>	<b>\$ 1,558,996</b>	<b>\$ 1,702,101</b>	<b>\$ 143,105</b>	<b>\$ 1,604,841</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, 2020  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 28,750	\$ 28,750	\$ 27,188	\$ 1,562	\$ 27,248
Transportation and training	1,000	1,000	125	875	1,173
Total Mayor and Council	<u>29,750</u>	<u>29,750</u>	<u>27,313</u>	<u>2,437</u>	<u>28,421</u>
<b>Election and Voter Registration</b>	<u>6,250</u>	<u>6,250</u>	<u>6,816</u>	<u>(566)</u>	<u>673</u>
<b>General and Financial Administration</b>					
Salaries	106,940	106,940	110,887	(3,947)	103,792
Employee benefits and retirement	34,501	34,501	37,970	(3,469)	39,160
Supplies and minor equipment	7,000	7,000	21,732	(14,732)	7,485
Communication	4,000	4,000	3,525	475	4,894
Transportation and training	4,000	4,000	2,735	1,265	6,158
Insurance	5,500	5,500	5,180	320	4,508
Repairs and maintenance	13,000	13,000	27,838	(14,838)	19,361
Assessor	18,500	18,500	19,684	(1,184)	18,531
Accounting and audit	9,000	9,000	10,429	(1,429)	5,403
Legal	17,500	17,500	24,701	(7,201)	32,386
Planning and zoning	1,450	1,450	13,996	(12,546)	4,404
Building inspection	20,000	20,000	35,122	(15,122)	25,511
Other professional services	4,300	4,300	39,276	(34,976)	5,561
Memberships	14,500	14,500	20,565	(6,065)	12,606
Other	9,160	9,160	1,522	7,638	4,878
Total General and Financial Administration	<u>269,351</u>	<u>269,351</u>	<u>375,162</u>	<u>(105,811)</u>	<u>294,638</u>
<b>City Hall</b>					
Salaries	8,685	8,685	6,803	1,882	8,487
Employee benefits and retirement	765	765	1,125	(360)	2,410
Supplies and minor equipment	1,500	1,500	2,362	(862)	1,432
Insurance	1,900	1,900	3,062	(1,162)	1,766
Utilities	17,250	17,250	13,413	3,837	15,485
Repairs and maintenance	10,000	10,000	22,417	(12,417)	13,198
Total City Hall	<u>40,100</u>	<u>40,100</u>	<u>49,182</u>	<u>(9,082)</u>	<u>42,778</u>
Total General Government	<u>\$ 345,451</u>	<u>\$ 345,451</u>	<u>\$ 458,473</u>	<u>\$ (113,022)</u>	<u>\$ 366,510</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, 2020

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

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Public Safety</b>					
<b>Police Department</b>					
Salaries	\$ 415,250	\$ 415,250	\$ 461,646	\$ (46,396)	\$ 402,548
Employee benefits and retirement	132,282	132,282	157,082	(24,800)	156,597
Supplies and minor equipment	26,500	26,500	18,067	8,433	26,674
Professional services	13,150	13,150	15,081	(1,931)	13,735
Communication	6,000	6,000	4,320	1,680	7,008
Transportation and training	8,000	8,000	9,502	(1,502)	9,628
Insurance	16,500	16,500	19,426	(2,926)	15,359
Repairs and maintenance	11,300	11,300	13,279	(1,979)	16,031
Other	2,500	2,500	3,098	(598)	2,287
Total Police Department	<u>631,482</u>	<u>631,482</u>	<u>701,501</u>	<u>(70,019)</u>	<u>649,867</u>
<b>Emergency Management Services</b>					
Supplies and minor equipment					122
Repairs and maintenance	3,000	3,000		3,000	
Professional services	5,900	5,900		5,900	258
Total Emergency Management Services	<u>8,900</u>	<u>8,900</u>		<u>8,900</u>	<u>380</u>
Total Public Safety	<u>640,382</u>	<u>640,382</u>	<u>701,501</u>	<u>(61,119)</u>	<u>650,247</u>
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	97,385	97,385	114,372	(16,987)	95,907
Employee benefits and retirement	30,887	30,887	39,717	(8,830)	29,673
Supplies and minor equipment	24,000	24,000	14,769	9,231	25,163
Professional services	1,500	1,500	10,424	(8,924)	6,679
Communication	800	800	1,727	(927)	1,326
Transportation and training	1,000	1,000	1,820	(820)	1,763
Insurance	6,000	6,000	4,719	1,281	6,092
Utilities	4,000	4,000	1,542	2,458	1,774
Repairs and maintenance	90,300	90,300	71,905	18,395	106,793
Other			734	(734)	
Total Public Works	<u>\$ 255,872</u>	<u>\$ 255,872</u>	<u>\$ 261,729</u>	<u>\$ (5,857)</u>	<u>\$ 275,170</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, 2020  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Recreation</b>					
Salaries	\$ 109,398	\$ 109,398	\$ 102,085	\$ 7,313	\$ 110,246
Employee benefits and retirement	28,065	28,065	26,957	1,108	28,708
Communication	2,000	2,000	984	1,016	2,656
Transportation and training	1,000	1,000	21	979	624
Insurance	2,000	2,000	558	1,442	1,852
Repairs and maintenance			700	(700)	569
Recreation programs	20,000	20,000	17,563	2,437	26,890
Other	2,825	2,825	4,737	(1,912)	2,976
Total Recreation	<u>165,288</u>	<u>165,288</u>	<u>153,605</u>	<u>11,683</u>	<u>174,521</u>
<b>Swimming Pool Program</b>					
Salaries	66,790	66,790	54,600	12,190	65,763
Employee benefits and retirement	7,510	7,510	7,780	(270)	8,351
Supplies and minor equipment	20,300	20,300	6,763	13,537	18,368
Communication	500	500	787	(287)	776
Transportation and training	1,500	1,500	266	1,234	1,477
Insurance	8,000	8,000	9,294	(1,294)	7,534
Utilities	19,000	19,000	9,185	9,815	17,154
Repairs and maintenance	12,000	12,000	10,959	1,041	13,946
Other	3,500	3,500	1,241	2,259	4,433
Total Swimming Pool Program	<u>139,100</u>	<u>139,100</u>	<u>100,875</u>	<u>38,225</u>	<u>137,802</u>
<b>Parks</b>					
Salaries	41,100	41,100	42,337	(1,237)	39,626
Employee benefits and retirement	15,553	15,553	16,710	(1,157)	17,208
Supplies and minor equipment	6,900	6,900	2,985	3,915	8,134
Transportation and training	1,000	1,000	1,770	(770)	2,286
Insurance	3,800	3,800	7,648	(3,848)	3,835
Repairs and maintenance	22,500	22,500	45,191	(22,691)	22,298
Other			3,802	(3,802)	525
Total Parks	<u>\$ 90,853</u>	<u>\$ 90,853</u>	<u>\$ 120,443</u>	<u>\$ (29,590)</u>	<u>\$ 93,912</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, 2020  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Forestry</b>					
Insurance	\$ 100	\$ 100	\$	\$ 100	\$ 29
Repairs and maintenance	16,500	16,500	28,385	(11,885)	22,045
Other	9,000	9,000	9,245	(245)	5,400
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>37,630</u>	<u>(12,030)</u>	<u>27,474</u>
<b>Senior Citizens Center</b>					
Insurance	500	500	111	389	371
Utilities	7,500	7,500	7,750	(250)	7,900
Repairs and maintenance	1,500	1,500	1,217	283	4,489
Total Senior Citizens Center	<u>9,500</u>	<u>9,500</u>	<u>9,078</u>	<u>422</u>	<u>12,760</u>
Total Parks and Recreation	<u>430,341</u>	<u>430,341</u>	<u>421,631</u>	<u>8,710</u>	<u>446,469</u>
<b>TOTAL EXPENDITURES</b>	<u>1,672,046</u>	<u>1,672,046</u>	<u>1,843,334</u>	<u>(171,288)</u>	<u>1,738,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,050)</u>	<u>(113,050)</u>	<u>(141,233)</u>	<u>(28,183)</u>	<u>(133,555)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	120,000	120,000	140,000	20,000	140,000
Transfers out	(25,200)	(25,200)	(25,200)		(25,200)
Total Other Financing Sources (Uses)	<u>94,800</u>	<u>94,800</u>	<u>114,800</u>	<u>20,000</u>	<u>114,800</u>
Net change in fund balances	(18,250)	(18,250)	(26,433)	(8,183)	(18,755)
<b>FUND BALANCES, beginning</b>	<u>732,212</u>	<u>732,212</u>	<u>732,212</u>		<u>750,967</u>
<b>FUND BALANCES, ending</b>	<u>\$ 713,962</u>	<u>\$ 713,962</u>	<u>\$ 705,779</u>	<u>\$ (8,183)</u>	<u>\$ 732,212</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
December 31, 2020  
*With Comparative Totals for December 31, 2019*

	Business-Type Activities - Enterprise Funds			
	70 Electric	71 Water	72 Sewer	73 Storm Water
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,250,297	\$ 1,112,661	\$ 587,549	\$ 264,015
Emergency cash reserve	250,000			
Accrued interest receivable	6,336	677	99	
Accounts receivable, net	255,276	46,909	63,882	13,549
Accrued utility revenue	134,834	27,495	33,935	6,486
Advances to other funds	30,000			
Inventory	374,097	21,616		
Prepaid expenses	86,969	1,654	1,505	
Total Current Assets	<u>2,387,809</u>	<u>1,211,012</u>	<u>686,970</u>	<u>284,050</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable	325,989		28,700	
Depreciable	11,494,367	5,590,818	3,943,703	1,122,701
Less: Accumulated depreciation	5,297,485	2,861,981	1,504,101	244,912
Net Capital Assets	<u>6,522,871</u>	<u>2,728,837</u>	<u>2,468,302</u>	<u>877,789</u>
Total Assets	<u>8,910,680</u>	<u>3,939,849</u>	<u>3,155,272</u>	<u>1,161,839</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	55,608	15,620	8,039	
Total Deferred Outflows of Resources	<u>55,608</u>	<u>15,620</u>	<u>8,039</u>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 8,966,288</u>	<u>\$ 3,955,469</u>	<u>\$ 3,163,311</u>	<u>\$ 1,161,839</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current maturities of bonds payable	\$ 270,000	\$ 26,796		\$
Accounts payable	177,827	1,131	45,320	
Accrued salaries	5,994	1,500	392	
Accrued compensated absences	52,508	19,835	6,431	
Customer deposits	19,777			
Accrued interest payable	1,387	11,004		
Total Current Liabilities	<u>527,493</u>	<u>60,266</u>	<u>52,143</u>	
<b>Noncurrent Liabilities</b>				
Bonds payable, net of current maturities	280,000	372,250		
Net pension liability	337,396	101,545	61,571	
Less: Unamortized bond discount	(5,750)			
Total Noncurrent Liabilities	<u>611,646</u>	<u>473,795</u>	<u>61,571</u>	
Total Liabilities	<u>1,139,139</u>	<u>534,061</u>	<u>113,714</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	11,531	3,469	2,103	
<b>NET POSITION</b>				
Net investment in capital assets	5,978,621	2,329,791	2,468,302	877,789
Unrestricted	1,836,997	1,088,148	579,192	284,050
Total Net Position	<u>7,815,618</u>	<u>3,417,939</u>	<u>3,047,494</u>	<u>1,161,839</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 8,966,288</u>	<u>\$ 3,955,469</u>	<u>\$ 3,163,311</u>	<u>\$ 1,161,839</u>

**See Notes to Financial Statements**

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2020	2019
\$ 42,672	\$ 218,319	\$ 3,475,513	\$ 3,074,559
		250,000	250,000
	161	7,273	7,451
28,717	66,029	474,362	444,528
13,624		216,374	206,913
		30,000	40,000
		395,713	413,806
	3,698	93,826	111,898
<u>85,013</u>	<u>288,207</u>	<u>4,943,061</u>	<u>4,549,155</u>
		354,689	368,969
	350,393	22,501,982	22,102,290
	329,205	10,237,684	9,633,955
	21,188	12,618,987	12,837,304
<u>85,013</u>	<u>309,395</u>	<u>17,562,048</u>	<u>17,386,459</u>
	10,899	90,166	46,783
	10,899	90,166	46,783
<u>\$ 85,013</u>	<u>\$ 320,294</u>	<u>\$ 17,652,214</u>	<u>\$ 17,433,242</u>
\$ 14,052	\$ 695	\$ 296,796	\$ 250,000
		239,025	266,095
		7,886	
		78,774	73,984
		19,777	18,694
		12,391	8,692
<u>14,052</u>	<u>695</u>	<u>654,649</u>	<u>617,465</u>
		652,250	959,046
	64,594	565,106	474,718
		(5,750)	(7,774)
	64,594	1,211,606	1,425,990
<u>14,052</u>	<u>65,289</u>	<u>1,866,255</u>	<u>2,043,455</u>
	2,204	19,307	58,298
	21,188	11,675,691	11,636,032
<u>70,961</u>	<u>231,613</u>	<u>4,090,961</u>	<u>3,695,457</u>
<u>70,961</u>	<u>252,801</u>	<u>15,766,652</u>	<u>15,331,489</u>
<u>\$ 85,013</u>	<u>\$ 320,294</u>	<u>\$ 17,652,214</u>	<u>\$ 17,433,242</u>

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

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

For the Year Ended December 31, 2020

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

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 2,975,922	\$ 577,017	\$ 762,322	\$ 154,613
Access fees		10,828	15,851	
Total Operating Revenue	<u>2,975,922</u>	<u>587,845</u>	<u>778,173</u>	<u>154,613</u>
<b>Operating Expenses</b>				
Purchased utilities	1,315,229		477,687	
Salaries	427,403	139,279	82,742	
Employee benefits and retirement	161,745	50,345	35,343	
Gas and oil	5,951			
Generation fuel	14,019			
Supplies and minor equipment	17,604	24,975	4,732	
Professional services	65,205	59,985	30,042	2,984
Communication	4,694	5,919	1,654	
Transportation and training	11,950	2,070		
Insurance	19,323	4,244	4,239	
Utilities	8,739	36,668	701	
Repairs and maintenance	264,956	34,756	18,127	
Depreciation and amortization	351,206	143,831	81,609	30,426
Bad debts				
Other	152,674	2,580	64	38,475
Total Operating Expenses	<u>2,820,698</u>	<u>504,652</u>	<u>736,940</u>	<u>71,885</u>
Operating Income (Loss)	<u>155,224</u>	<u>83,193</u>	<u>41,233</u>	<u>82,728</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	33,024	2,596	392	
Coronavirus relief aid	25,682	22,592	22,857	
Miscellaneous income (expense)	78,506	51,139	2,021	40,665
Interest and fiscal charges	(13,596)	(16,569)		
Total Nonoperating Revenues (Expenses)	<u>123,616</u>	<u>59,758</u>	<u>25,270</u>	<u>40,665</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>278,840</u>	<u>142,951</u>	<u>66,503</u>	<u>123,393</u>
Transfers out	<u>(135,000)</u>	<u>(60,000)</u>		
<b>CHANGE IN NET POSITION</b>	143,840	82,951	66,503	123,393
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>7,671,778</u>	<u>3,334,988</u>	<u>2,980,991</u>	<u>1,038,446</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 7,815,618</u>	<u>\$ 3,417,939</u>	<u>\$ 3,047,494</u>	<u>\$ 1,161,839</u>

**See Notes to Financial Statements**

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2020	2019		
\$ 273,155	\$ 162,383	\$ 4,905,412	\$ 4,844,712		
		26,679	17,296		
<u>273,155</u>	<u>162,383</u>	<u>4,932,091</u>	<u>4,862,008</u>		
248,351		2,041,267	1,994,420		
	61,557	710,981	719,229		
	23,086	270,519	295,008		
		5,951	8,922		
		14,019			
	18,017	65,328	68,552		
	11,827	170,043	126,584		
	3,058	15,325	18,351		
	1,700	15,720	21,474		
	3,661	31,467	31,853		
	5,639	51,747	53,063		
	8,535	326,374	440,117		
	7,069	614,141	584,245		
			3,252		
41,429	9,043	244,265	267,627		
<u>289,780</u>	<u>153,192</u>	<u>4,577,147</u>	<u>4,632,697</u>		
(16,625)	9,191	354,944	229,311		
	(207)	35,805	59,835		
22,391	3,884	97,406			
(3,083)	37,925	207,173	98,958		
		(30,165)	(56,984)		
<u>19,308</u>	<u>41,602</u>	<u>310,219</u>	<u>101,809</u>		
2,683	50,793	665,163	331,120		
(20,000)	(15,000)	(230,000)	(170,000)		
(17,317)	35,793	435,163	161,120		
88,278	217,008	15,331,489	15,170,369		
<u>\$ 70,961</u>	<u>\$ 252,801</u>	<u>\$ 15,766,652</u>	<u>\$ 15,331,489</u>		

**CITY OF ST. CHARLES, MINNESOTA**

**PROPRIETARY FUNDS**

**Statement of Cash Flows**

For the Year Ended December 31, 2020

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

	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	\$ 2,897,002	\$ 533,676	\$ 758,703	\$ 153,891
Access and other fees received	78,506	61,967	17,872	
Cash paid to suppliers and employees	(2,389,940)	(345,324)	(628,289)	(62,981)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>585,568</u>	<u>250,319</u>	<u>148,286</u>	<u>90,910</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfer out	(135,000)	(60,000)		
<b>Net Cash Used In Noncapital Financing Activities</b>	<u>(135,000)</u>	<u>(60,000)</u>		
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital asset acquisitions	(160,652)	(47,216)	(16,381)	(55,640)
Advances (to) from other funds	10,000			
Proceeds from issuance of bonds				
Principal payments on long-term debt	(260,000)			
Interest payments on long-term debt	(12,222)	(12,220)		
<b>Net Cash Used In Capital and Related Financing Activities</b>	<u>(422,874)</u>	<u>(59,436)</u>	<u>(16,381)</u>	<u>(55,640)</u>
<b>Cash Flows From Investing Activities</b>				
Investment income received	33,184	2,623	384	
<b>Net Cash Provided By Investing Activities</b>	<u>33,184</u>	<u>2,623</u>	<u>384</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	60,878	133,506	132,289	35,270
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,189,419</u>	<u>979,155</u>	<u>455,260</u>	<u>228,745</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,250,297</u>	<u>\$ 1,112,661</u>	<u>\$ 587,549</u>	<u>\$ 264,015</u>

**See Notes to Financial Statements**



<u>23</u>		<u>22</u>		Totals	
Waste	Ambulance	2020	2019		
Management					
\$ 263,556	\$ 182,019	\$ 4,788,847	\$ 4,917,707		
	37,925	196,270	97,194		
(264,737)	(144,544)	(3,835,815)	(4,010,775)		
(1,181)	75,400	1,149,302	1,004,126		
(20,000)	(15,000)	(230,000)	(170,000)		
(20,000)	(15,000)	(230,000)	(170,000)		
		(279,889)	(268,552)		
		10,000			
			425,000		
		(260,000)	(716,130)		
		(24,442)	(61,189)		
		(554,331)	(620,871)		
	(208)	35,983	59,620		
	(208)	35,983	59,620		
(21,181)	60,192	400,954	272,875		
63,853	158,127	3,074,559	2,801,684		
\$ 42,672	\$ 218,319	\$ 3,475,513	\$ 3,074,559		

**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, 2020  
*With Comparative Totals for the Year Ended December 31, 2019*

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
<b>Operating Income (Loss)</b>	\$ 155,224	\$ 83,193	\$ 41,233	\$ 82,728
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	351,206	143,831	81,609	30,426
Bad debt expense				
Miscellaneous nonoperating income	104,188	73,731	24,878	40,665
(Gain) loss on disposal of assets	(38,824)	(40,666)	1,137	(40,665)
Change in net pension liability	1,224	1,749	5,117	
(Increase) Decrease In:				
Accounts receivable	(41,179)	(2,675)	(4,756)	(722)
Inventory	19,562	(1,469)		
Prepaid items	18,706	515	(250)	
Increase (Decrease) In:				
Accounts and contracts payable	6,909	(11,275)	(2,504)	(21,522)
Accrued salaries	5,994	1,500	392	
Accrued compensated absences	1,475	1,885	1,430	
Customer deposits	1,083			
 Net Cash Provided By (Used In) Operating Activities	 \$ 585,568	 \$ 250,319	 \$ 148,286	 \$ 90,910

**See Notes to Financial Statements**

Waste Management		Ambulance	Totals	
			2020	2019
\$	(16,625)	\$ 9,191	\$ 354,944	\$ 248,371
		7,069	614,141	584,245
				3,252
	22,391	41,809	307,662	79,898
		(76)	(119,018)	(10,966)
			8,014	16,536
	(9,599)	19,636	(39,295)	78,555
			18,093	(2,317)
		(899)	18,072	(80,883)
	2,652	(1,330)	(27,070)	40,593
			7,886	
			4,790	44,688
			1,083	2,154
\$	(1,181)	\$ 75,400	\$ 1,149,302	\$ 1,004,126

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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 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 2020. 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)**

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*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.

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.

	<u>Useful Life in Years</u>
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)**

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*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)

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#### 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.

---

### 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, 2020, 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	\$ 4,681
Deposits	None	N/A	4,536,108
Non-Negotiable Certificates of Deposit	May 2020 - September 2020	N/A	217,675
Municipal Bonds	August 2020 - June 2027	AAA	712,890
U.S. Government Securities	May 2020 - May 2027	AAA	571,606
Money Market Funds	None	N/A	31,232
			<u>\$6,074,192</u>
Cash and Investments per Statement of Net Position			<u>\$6,074,192</u>

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Detailed Notes on All Funds

---

##### 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, 2020 and 2019 were as follows:

	At December 31, 2020			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Municipal Bonds	\$ 712,890	\$	\$ 712,890	\$
U.S. Government Securities	571,606		571,606	
	<u>\$ 1,284,496</u>	<u>\$</u>	<u>\$ 1,284,496</u>	<u>\$</u>

	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. Treasury Securities	568,298		568,298	
	<u>\$ 1,213,654</u>	<u>\$</u>	<u>\$ 1,213,654</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	12%
U.S. Government Securities	N/A	9%

*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, 2020 is as follows:

<u>Capital Projects Funds</u>	
Capital Improvements Fund	\$ 5,146
	<u>5,146</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, 2020 are as follows:

Fund	Winona County
General	\$ 2,907
Special Revenue	3,006
Debt Service	4,009
Capital Project	3,006
	<u>\$ 12,928</u>

*E. Capital Assets*

Capital asset activity for the year ended December 31, 2020 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,909,773	\$	\$ 142,050	\$ 1,767,723
Construction in process	37,593			37,593
Total capital assets, not being depreciated	<u>1,947,366</u>		<u>142,050</u>	<u>1,805,316</u>
Capital assets, being depreciated:				
Buildings	6,711,187	24,590		6,735,777
Infrastructure	7,072,607	31,899		7,104,506
Machinery and equipment	2,690,243	106,694	52,897	2,744,040
Total capital assets, being depreciated	<u>16,474,037</u>	<u>163,183</u>	<u>52,897</u>	<u>16,584,323</u>
Less accumulated depreciation for:				
Buildings	2,936,753	173,980		3,110,733
Infrastructure	2,224,276	257,018		2,481,294
Machinery and equipment	2,252,195	119,204	23,944	2,347,455
Total accumulated depreciation	<u>7,413,224</u>	<u>550,202</u>	<u>23,944</u>	<u>7,939,482</u>
Total capital assets, being depreciated, net	<u>9,060,813</u>	<u>(387,019)</u>	<u>28,953</u>	<u>8,644,841</u>
Governmental activities capital assets, net	<u>\$ 11,008,179</u>	<u>\$ (387,019)</u>	<u>\$ 171,003</u>	<u>\$ 10,450,157</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, 2020 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			354,689
Capital assets, being depreciated:				
Buildings and improvements	6,671,138			6,671,138
Machinery and equipment	15,431,152	452,017	52,325	15,830,844
Total capital assets, being depreciated	22,102,290	452,017	52,325	22,501,982
Less accumulated depreciation for:				
Buildings and improvements	1,950,377	104,333		2,054,710
Machinery and equipment	7,683,578	509,808	10,412	8,182,974
Total accumulated depreciation	9,633,955	614,141	10,412	10,237,684
Total capital assets, being depreciated, net	12,468,335	(162,124)	41,913	12,264,298
Business-type activities capital assets, net	<u>\$ 12,823,024</u>	<u>\$ (162,124)</u>	<u>\$ 41,913</u>	<u>\$ 12,618,987</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 41,392
Public safety	151,756
Public works	183,012
Library	23,295
Parks and recreation	150,747
Total depreciation expense - governmental activities	<u>\$ 550,202</u>
<b>Business-Type Activities:</b>	
Electric	\$ 351,206
Water	143,831
Sewer	81,609
Storm water drainage	30,426
Ambulance	7,069
Total depreciation expense - business-type activities	<u>\$ 614,141</u>

**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, 2020, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 173,547	
Library		13,294
Capital Project:		
Tax Increment District #8		159,262
Tax Increment District #7		991
	<u>\$ 173,547</u>	<u>\$ 173,547</u>
<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Capital Projects:		
Capital Improvements	\$	\$ 30,000
Enterprise Funds:		
Electric	30,000	
Total Advances	<u>\$ 30,000</u>	<u>\$ 30,000</u>

Transfers during the year ended December 31, 2020 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 140,000	\$ 25,200
Special Revenue:		
Library	25,200	
Volunteer Fire Department		15,000
Debt Service:		
2018A Street Bond	58,304	
2019A Refunding Bond	60,000	
2015A G.O. Bond	45,000	
Capital Projects:		
2018 Street Construction		58,304
Proprietary Funds:		
Electric		135,000
Water		60,000
Waste Management		20,000
Ambulance		15,000
Total Transfers	<u>\$ 328,504</u>	<u>\$ 328,504</u>

**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 2020 are as follows:

General Fund	\$	171,288
Special Revenue Funds		
Library		4,155
Volunteer Fire Department		7,191
Economic Development		90,123

All excess expenditures were the result of planned processes.

The following funds had a deficit fund balance at December 31, 2020.

Capital Projects		
Tax Increment District #8	\$	159,262
Tax Increment District #7		991

**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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2015A GO Bonds (3.0 - 3.75%)	\$ 2,030,000	\$	\$	\$ 2,030,000	\$ 150,000
2018A Street Reconstruction (3%)	590,000			590,000	60,000
2019 A GO Refunding Bond ( 2.1 - 4.0%)	830,954			830,954	198,204
Less: Unamortized Discount	(20,795)		(1,945)	(18,850)	
Plus: Unamortized Bond Premium	22,141		1,457	20,684	
Notes payable:					
2012 Installment Promissory Note - Winona County (2.0%)					
Vehicle lease payable (2.95%)	42,758		21,064	21,694	21,694
Equipment lease payable (3.050%)	16,404			16,404	8,077
Compensated absences	79,939		6,207	73,732	
Governmental Activities Long-term Liabilities	<u>3,591,401</u>		<u>26,783</u>	<u>3,564,618</u>	<u>437,975</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Payable:					
General Obligation Bonds:					
2019A Water Refunding Bond (2.1 - 4.0%)	399,046			399,046	26,796
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	810,000		260,000	550,000	270,000
Less: Unamortized Discount	(7,774)		(2,024)	(5,750)	
Compensated absences	73,984	4,790		78,774	
Business-type Activities Long-term Liabilities	<u>1,275,256</u>	<u>4,790</u>	<u>257,976</u>	<u>1,022,070</u>	<u>296,796</u>
Total	<u>\$ 4,866,657</u>	<u>\$ 4,790</u>	<u>\$ 284,759</u>	<u>\$ 4,586,688</u>	<u>\$ 734,771</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.

**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, 2020, 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>						
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	204,375	78,256				
2026-2030	995,483	304,912				
2031-2035	618,957	180,686				
2036-2040	600,000	82,781				
2041	135,000	2,531				
Totals	<u>\$ 3,450,954</u>	<u>\$ 1,016,304</u>			<u>\$ 38,098</u>	<u>\$ 1,414</u>
<u>Business-Type Activities</u>						
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	30,625	9,375				
2026-2030	169,517	30,483				
2031-2032	86,043	3,885				
Totals	<u>\$ 399,046</u>	<u>\$ 90,882</u>	<u>\$ 550,000</u>	<u>\$ 25,180</u>		

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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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, 2020.

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 2020 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 2020 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 2020 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 40	
	Economic Development	Capital Improvement	Parkland Dedication	
<u>Committed For:</u>				
Economic Development				
CIP Projects	\$ 105,981	\$	\$	\$ 105,981
Capital Project		963,801		963,801
Parkland Dedication				
CIP Projects			16,944	16,944
	<u>\$ 105,981</u>	<u>\$ 963,801</u>	<u>\$ 16,944</u>	<u>\$ 1,086,726</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 2019 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, 2020, were \$77,847. 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 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$57,166. 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, 2020, the City reported a liability of \$875,337 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 2020. 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 \$26,902. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0146 compared to 0.0133 percent from its proportionate share measured at June 30, 2019.

City's proportionate share of the net pension liability	\$875,337
State of Minnesota's proportionate share of the net Pension liability associated with the City	<u>26,902</u>
Total	<u>\$902,239</u>

For the year ended December 31, 2020, the City recognized pension expense of (\$2,130) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,341 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, 2020, 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	\$ 7,271	\$ 3,312
Difference between projected and actual investment earnings	47,295	
Changes in actuarial assumptions		23,411
Changes in proportion	53,906	3,192
Contributions paid to PERA subsequent to the measurement date	34,263	
Total	<u>\$ 142,735</u>	<u>\$ 29,915</u>

\$34,262 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, 2021. 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
2021	\$ (9,029)
2022	31,765
2023	34,586
2023	21,235

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

At December 31, 2020, the City reported a liability of \$384,887 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2020, the City’s proportionate share was 0.0292 percent which was a decrease of 0.0011 percent from its proportionate share measured at June 30, 2019. The City also recognized \$2,628 for the year ended December 31, 2020, 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, 2020, the City recognized pension expense of (\$2,628) for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2020, 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	\$ 16,086	\$ 15,023
Difference between projected and actual investment earnings	20,588	
Changes in actuarial assumptions	106,014	199,566
Changes in proportion	44,164	11,658
Contributions paid to PERA subsequent to the measurement date	42,731	
Total	<u>\$ 229,583</u>	<u>\$ 226,247</u>

\$42,730 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, 2021. 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
2021	\$ (12,039)
2022	(75,433)
2023	26,875
2024	22,881
2024	(1,679)

*Total Pension Expense*

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was \$1,807.

# 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, 2020 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, 2020 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 2020:

#### Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%
- The payroll growth assumption was decreased from 3.25% to 3.00%
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study.  
The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirement and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females,
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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)

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
	<u>100%</u>	

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	\$ 1,402,861	\$ 875,336	\$ 440,171
City's proportionate share of the PEPFF net pension liability at different discount rates	767,136	384,887	68,644
	<u>\$ 2,169,997</u>	<u>\$ 1,260,223</u>	<u>\$ 508,815</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**

The following information is based upon the St. Charles Firefighter's Relief Association ("Association") actuarial report for the year ended December 31, 2019 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, 2019, the plan covered 31 active firefighters. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G. The December 31, 2019 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, 2019, which was recorded as revenue. The City's made voluntary contributions of \$7,000 to the plan.

Pension Costs

At December 31, 2019, the City reported a net pension asset of \$243,033 for the plan. The net pension asset was measured as of December 31, 2019. 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, 2019. 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 12/31/18	\$ 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 12/31/19	\$ 687,770	\$ 930,803	\$ (243,033)

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

At December 31, 2019, 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	52,049	
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, 2019, 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 2019 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			-0.50%
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, 2019, 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, 2020**

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City Pension Contributions**  
**December 31, 2020**

**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	77,847	77,847		1,037,960	7.50%
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	57,166	57,166		352,877	16.20%
2021					
2022					
2023					

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City and Non-Employer Proportionate Share of Net Pension Liability**  
**December 31, 2020**

**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	0.0146%	875,336	26,902	902,238	1,037,960	86.9%	79.06%
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	0.0292%	384,887	9,071	393,958	352,877	111.6%	87.19%
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, 2020**

**CITY OF ST. CHARLES, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2020**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u> Volunteer Fire Department	<u>31</u> Blandin Foundation	<u>34</u> Economic Development	Total
	Advertising	Celebration	Library				
<b>ASSETS</b>							
Cash and investments	\$ 4,923	\$ 9,057	\$ 25,200	\$ 268,923	\$ 204	\$ 104,583	\$ 412,890
Accrued interest receivable				165			165
Accounts receivable		250		12,609		800	13,659
Loans and contracts receivable						60,594	60,594
Prepaid items			1,464	3,466			4,930
Taxes receivable - delinquent	37		527	412		648	1,624
Advances from other funds							
Due from other governmental units	226	77	1,350	755		598	3,006
<b>TOTAL ASSETS</b>	<b>\$ 5,186</b>	<b>\$ 9,384</b>	<b>\$ 28,541</b>	<b>\$ 286,330</b>	<b>\$ 204</b>	<b>\$ 167,223</b>	<b>\$ 496,868</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,183		\$ 4,057	\$ 332			\$ 5,572
Accrued salaries			2,342				2,342
Due to other funds			13,294				13,294
Total Liabilities	1,183		19,693	332			21,208
<b>Deferred Inflows of Resources:</b>							
Property taxes	37		527	412		648	1,624
Loans receivable						60,594	60,594
Total Deferred Inflows of Resources	37		527	412		61,242	62,218
<b>Fund Balance</b>							
Nonspendable:							
Prepaid items			1,464	3,466			4,930
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects						105,981	105,981
Assigned	3,966	9,384	6,857	282,120	204		302,531
Unassigned							
Total Fund Balance	3,966	9,384	8,321	285,586	204	105,981	413,442
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 5,186</b>	<b>\$ 9,384</b>	<b>\$ 28,541</b>	<b>\$ 286,330</b>	<b>\$ 204</b>	<b>\$ 167,223</b>	<b>\$ 496,868</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	
\$ 56,264	\$ 128,797	\$ 87,184	\$ 272,245	\$ 76,569	\$ 16,942	\$	\$	\$ 93,511	\$ 778,646
					2			2	167
									13,659
									60,594
									4,930
752	1,822	1,133	3,707						5,331
846	2,315	821	3,982						6,988
<u>\$ 57,862</u>	<u>\$ 132,934</u>	<u>\$ 89,138</u>	<u>\$ 279,934</u>	<u>\$ 76,569</u>	<u>\$ 16,944</u>	<u>\$</u>	<u>\$</u>	<u>\$ 93,513</u>	<u>\$ 870,315</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	5,572
									2,342
						991		991	14,285
						991		991	22,199
752	1,822	1,133	3,707						5,331
									60,594
<u>752</u>	<u>1,822</u>	<u>1,133</u>	<u>3,707</u>						<u>65,925</u>
									4,930
57,110	131,112	88,005	276,227						276,227
				76,569				76,569	76,569
					16,944			16,944	122,925
									302,531
						(991)		(991)	(991)
<u>57,110</u>	<u>131,112</u>	<u>88,005</u>	<u>276,227</u>	<u>76,569</u>	<u>16,944</u>	<u>(991)</u>		<u>92,522</u>	<u>782,191</u>
<u>\$ 57,862</u>	<u>\$ 132,934</u>	<u>\$ 89,138</u>	<u>\$ 279,934</u>	<u>\$ 76,569</u>	<u>\$ 16,944</u>	<u>\$</u>	<u>\$</u>	<u>\$ 93,513</u>	<u>\$ 870,315</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, 2020**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u> Volunteer Fire	<u>31</u> Blandin	<u>34</u> Economic	Total
	Advertising	Celebration	Library	Department	Foundation	Development	
<b>REVENUES</b>							
Property tax levy							
Property tax collected	\$ 20,641	\$ 7,062	\$ 123,495	\$ 68,988		\$	\$ 220,186
Property taxes - Special EDA taxing district						49,373	49,373
Tax increments							
Intergovernmental			41,599	50,945		100,000	192,544
Charges for services				26,333			26,333
Interest income				929		1,375	2,304
Loan repayment						5,280	5,280
Donations		548	2,073	45,250			47,871
Miscellaneous			1,309	27			1,336
<b>TOTAL REVENUES</b>	<b>20,641</b>	<b>7,610</b>	<b>168,476</b>	<b>192,472</b>		<b>156,028</b>	<b>545,227</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	20,432	2,919					23,351
Public safety				150,486			150,486
Library			180,209				180,209
Economic development						138,938	138,938
Debt Service							
Principal retirement						80	80
Interest and fiscal charges							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>20,432</b>	<b>2,919</b>	<b>180,209</b>	<b>150,486</b>		<b>139,018</b>	<b>493,064</b>
Excess (deficiency) of revenues over (under) expenditures	209	4,691	(11,733)	41,986		17,010	52,163
<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	209	4,691	13,467	26,986		17,010	62,363
<b>FUND BALANCES, beginning</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>
<b>FUND BALANCES, ending</b>	<b>\$ 3,966</b>	<b>\$ 9,384</b>	<b>\$ 8,321</b>	<b>\$ 285,586</b>	<b>\$ 204</b>	<b>\$ 105,981</b>	<b>\$ 413,442</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	
\$ 78,553	\$ 211,597	\$ 74,905	\$ 365,055	\$	\$	\$	\$	\$	\$ 585,241
				20,826		27,714		48,540	49,373
									48,540
									192,544
									26,333
					76			76	2,380
									5,280
					270			270	48,141
									1,336
<u>78,553</u>	<u>211,597</u>	<u>74,905</u>	<u>365,055</u>	<u>20,826</u>	<u>346</u>	<u>27,714</u>		<u>48,886</u>	<u>959,168</u>
									23,351
									150,486
									180,209
									138,938
									80
9,346	18,440	34,379	62,165						62,165
				14,417	6,690	19,631		40,738	40,738
<u>9,346</u>	<u>18,440</u>	<u>34,379</u>	<u>62,165</u>	<u>14,417</u>	<u>6,690</u>	<u>19,631</u>		<u>40,738</u>	<u>595,967</u>
69,207	193,157	40,526	302,890	6,409	(6,344)	8,083		8,148	363,201
58,304	60,000	45,000	163,304						188,504
							(58,304)	(58,304)	(73,304)
<u>58,304</u>	<u>60,000</u>	<u>45,000</u>	<u>163,304</u>				<u>(58,304)</u>	<u>(58,304)</u>	<u>115,200</u>
127,511	253,157	85,526	466,194	6,409	(6,344)	8,083	(58,304)	(50,156)	478,401
(70,401)	(122,045)	2,479	(189,967)	70,160	23,288	(9,074)	58,304	142,678	303,790
<u>\$ 57,110</u>	<u>\$ 131,112</u>	<u>\$ 88,005</u>	<u>\$ 276,227</u>	<u>\$ 76,569</u>	<u>\$ 16,944</u>	<u>\$ (991)</u>	<u>\$</u>	<u>\$ 92,522</u>	<u>\$ 782,191</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, 2020**  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 20,360	\$ 20,360	\$ 20,641	\$ 281	\$ 21,069
Donations	1,500	1,500		(1,500)	1,970
<b>TOTAL REVENUES</b>	<b>21,860</b>	<b>21,860</b>	<b>20,641</b>	<b>(1,219)</b>	<b>23,039</b>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Fireworks	9,000	9,000	7,800	1,200	9,747
City promotion			84	(84)	1,512
Board reimbursement annual events	360	360	650	(290)	2,119
Advertising	12,500	12,500	11,898	602	3,537
<b>TOTAL EXPENDITURES</b>	<b>21,860</b>	<b>21,860</b>	<b>20,432</b>	<b>1,428</b>	<b>16,915</b>
Excess (deficiency) of revenues over (under) expenditures			209	209	6,124
<b>FUND BALANCES, beginning</b>	<b>3,757</b>	<b>3,757</b>	<b>3,757</b>		<b>(2,367)</b>
<b>FUND BALANCES, ending</b>	<b>\$ 3,757</b>	<b>\$ 3,757</b>	<b>\$ 3,966</b>	<b>\$ 209</b>	<b>\$ 3,757</b>

**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, 2020**  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property tax levy</b>					
Property tax collected	\$ 7,000	\$ 7,000	\$ 7,062	\$ 62	\$ 6,932
Donations	13,700	13,700	548	(13,152)	17,786
<b>TOTAL REVENUES</b>	<u>20,700</u>	<u>20,700</u>	<u>7,610</u>	<u>(13,090)</u>	<u>24,718</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Advertising	3,800	3,800		3,800	3,201
Dance	4,000	4,000	363	3,637	4,852
T-shirts			175	(175)	1,436
Rentals	4,000	4,000		4,000	3,160
Pageants			1,367	(1,367)	3,483
Other	2,300	2,300	1,014	1,286	3,592
<b>TOTAL EXPENDITURES</b>	<u>14,100</u>	<u>14,100</u>	<u>2,919</u>	<u>11,181</u>	<u>19,724</u>
Excess (deficiency) of revenues over (under) expenditures	6,600	6,600	4,691	(1,909)	4,994
<b>FUND BALANCES, beginning</b>	<u>4,693</u>	<u>4,693</u>	<u>4,693</u>		<u>(301)</u>
<b>FUND BALANCES, ending</b>	<u>\$ 11,293</u>	<u>\$ 11,293</u>	<u>\$ 9,384</u>	<u>\$ (1,909)</u>	<u>\$ 4,693</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, 2020**  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 122,108	\$ 122,108	\$ 123,495	\$ 1,387	\$ 113,488
<b>Intergovernmental Revenues</b>					
Interest income			165	165	
Coronavirus relief aid			6,978	6,978	
Library aid	36,000	36,000	34,456	(1,544)	33,460
Intergovernmental Revenues	36,000	36,000	41,599	5,599	33,460
<b>Donations</b>	4,500	4,500	2,073	(2,427)	5,105
<b>Miscellaneous</b>					
Fines	2,000	2,000	134	(1,866)	810
Book sales			81	81	116
Copy machines	1,000	1,000	1,035	35	1,679
Other	700	700	59	(641)	502
Total Miscellaneous Revenues	3,700	3,700	1,309	(2,391)	3,107
<b>TOTAL REVENUES</b>	166,308	166,308	168,476	2,168	155,160
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	96,006	96,006	96,637	(631)	88,935
Employee benefits and retirement	20,958	20,958	23,127	(2,169)	32,869
Supplies and minor equipment	2,540	2,540	3,153	(613)	3,172
Professional services	14,300	14,300	12,557	1,743	12,834
Communications	1,200	1,200	458	742	1,242
Transportation and training	750	750	288	462	72
Insurance	3,300	3,300	3,768	(468)	3,036
Utilities	11,000	11,000	9,336	1,664	10,869
Repairs and maintenance	9,000	9,000	16,806	(7,806)	8,471
Other	1,000	1,000	1,418	(418)	1,835
Capital outlay	16,000	16,000	12,661	3,339	12,961
<b>TOTAL EXPENDITURES</b>	176,054	176,054	180,209	(4,155)	176,296
Deficiency of revenues under expenditures	(9,746)	(9,746)	(11,733)	(1,987)	(21,136)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	25,200	25,200	25,200		25,200
Net change in fund balances	15,454	15,454	13,467	(1,987)	4,064
<b>FUND BALANCES, beginning</b>	(5,146)	(5,146)	(5,146)		(9,210)
<b>FUND BALANCES, ending</b>	\$ 10,308	\$ 10,308	\$ 8,321	\$ (1,987)	\$ (5,146)



**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, 2020  
With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 68,181	\$ 68,181	\$ 68,988	\$ 807	\$ 65,528
<b>Intergovernmental Revenues</b>					
State fire aid	33,000	33,000	48,226	15,226	45,333
Coronavirus relief aid			2,719	2,719	
<b>Charges for Services</b>					
Other local governments	32,114	32,114	16,576	(15,538)	50,360
Fire calls	11,500	11,500	9,757	(1,743)	3,705
<b>Interest income</b>	1,500	1,500	929	(571)	1,373
<b>Donations</b>	9,000	9,000	45,250	36,250	48,108
<b>Miscellaneous Revenues</b>	3,000	3,000	27	(2,973)	15
<b>TOTAL REVENUES</b>	<u>158,295</u>	<u>158,295</u>	<u>192,472</u>	<u>34,177</u>	<u>214,422</u>
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	18,495	18,495	21,360	(2,865)	23,580
Employee benefits and retirement	11,915	11,915	12,627	(712)	12,668
Supplies and minor equipment	14,000	14,000	6,149	7,851	11,953
Professional services	3,000	3,000	3,191	(191)	4,095
Communication	2,500	2,500	3,248	(748)	4,812
Transportation and training	9,300	9,300	6,800	2,500	8,461
Insurance	6,500	6,500	5,042	1,458	5,004
Utilities	6,000	6,000	5,639	361	6,472
Capital outlay	6,800	6,800	31,057	(24,257)	19,234
Repairs and maintenance	13,500	13,500	8,951	4,549	5,061
Fire relief payment	40,000	40,000	44,899	(4,899)	41,689
Other	11,285	11,285	1,523	9,762	18,814
<b>TOTAL EXPENDITURES</b>	<u>143,295</u>	<u>143,295</u>	<u>150,486</u>	<u>(7,191)</u>	<u>161,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>15,000</u>	<u>41,986</u>	<u>26,986</u>	<u>52,579</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
<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			26,986	26,986	37,579
<b>FUND BALANCES, beginning</b>	<u>258,600</u>	<u>258,600</u>	<u>258,600</u>		<u>221,021</u>
<b>FUND BALANCES, ending</b>	<u>\$ 258,600</u>	<u>\$ 258,600</u>	<u>\$ 285,586</u>	<u>\$ 26,986</u>	<u>\$ 258,600</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, 2020**  
*With Comparative Totals for the Year Ended December 31, 2019*

	<u>Budgeted Amounts</u>		<u>2020 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2019 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
<b>EXPENDITURES</b>					
<b>General Government</b>					
Supplies	\$	\$	\$	\$	\$
Public education					34
<b>TOTAL EXPENDITURES</b>					34
Excess (deficiency) of revenues over (under) expenditures					(34)
<b>FUND BALANCES, beginning</b>	204	204	204		238
<b>FUND BALANCES, ending</b>	<u>\$ 204</u>	<u>\$ 204</u>	<u>\$ 204</u>	<u>\$</u>	<u>\$ 204</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, 2020  
*With Comparative Totals for the Year Ended December 31, 2019*

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy -</b>					
Special EDA taxing district	\$ 48,895	\$ 48,895	\$ 49,373	\$ 478	\$ 44,375
<b>Interest Income</b>	2,680	2,680	1,375	(1,305)	2,054
<b>Intergovernmental</b>					
CARES act relief funds			100,000	100,000	
<b>Miscellaneous Revenues</b>					1,986
<b>Loan Repayment</b>	16,675	16,675	5,280	(11,395)	41,950
<b>TOTAL REVENUES</b>	<u>68,250</u>	<u>68,250</u>	<u>156,028</u>	<u>87,778</u>	<u>90,365</u>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services	43,982	43,982	39,018	4,964	38,770
Grants to small business			100,000	(100,000)	
Revolving loans					50,000
Debt service	4,913	4,913		4,913	5,562
Advertising					250
<b>TOTAL EXPENDITURES</b>	<u>48,895</u>	<u>48,895</u>	<u>139,018</u>	<u>(90,123)</u>	<u>94,582</u>
Net change in fund balances	19,355	19,355	17,010	(2,345)	(4,217)
<b>FUND BALANCES, beginning</b>	<u>88,971</u>	<u>88,971</u>	<u>88,971</u>		<u>93,188</u>
<b>FUND BALANCES, ending</b>	<u>\$ 108,326</u>	<u>\$ 108,326</u>	<u>\$ 105,981</u>	<u>\$ (2,345)</u>	<u>\$ 88,971</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2020**

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 ELECTRIC FUND  
 Statement of Net Position  
 December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,250,297	\$ 1,189,419
Emergency cash reserve	250,000	250,000
Accrued interest receivable	6,336	6,496
Accounts receivable, net	255,276	219,397
Accrued utility revenue	134,834	129,534
Advances to other funds	30,000	40,000
Inventory	374,097	393,659
Prepaid expenses	86,969	105,675
Total Current Assets	2,387,809	2,334,180
<b>Capital Assets</b>		
Nondepreciable	325,989	340,269
Depreciable	11,494,367	11,282,139
Less: Accumulated depreciation	5,297,485	4,947,807
Capital Assets, Net	6,522,871	6,674,601
Total Assets	8,910,680	9,008,781
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	55,608	24,541
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 8,966,288	\$ 9,033,322
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 270,000	\$ 250,000
Accounts payable	177,827	170,918
Accrued salaries	5,994	
Accrued compensated absences	52,508	51,033
Customer deposits	19,777	18,694
Accrued interest payable	1,387	2,037
Total Current Liabilities	527,493	492,682
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	280,000	560,000
Net pension liability	337,396	283,430
Less: Unamortized bond discount	(5,750)	(7,774)
Total Noncurrent Liabilities	611,646	835,656
Total Liabilities	1,139,139	1,328,338
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	11,531	33,206
<b>NET POSITION</b>		
Net investment in capital assets	5,978,621	5,872,375
Unrestricted	1,836,997	1,799,403
Total Net Position	7,815,618	7,671,778
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 8,966,288	\$ 9,033,322

**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, 2020**  
**With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 3,074,484	\$ 3,074,484	\$ 2,975,922	\$ (98,562)	\$ 2,985,503
<b>Operating Expenses</b>					
Purchased utilities	1,430,000	1,430,000	1,315,229	114,771	1,303,730
Salaries	396,740	396,740	427,403	(30,663)	420,762
Employee benefits and retirement	158,309	158,309	161,745	(3,436)	188,564
Gas and oil	6,000	6,000	5,951	49	8,922
Generation fuel	30,000	30,000	14,019	15,981	
Supplies and minor equipment	11,850	11,850	17,604	(5,754)	20,861
Professional services	36,500	36,500	65,205	(28,705)	57,884
Communication	7,000	7,000	4,694	2,306	5,612
Transportation and training	8,000	8,000	11,950	(3,950)	5,194
Insurance	22,000	22,000	19,323	2,677	19,571
Utilities	11,000	11,000	8,739	2,261	12,376
Repairs and maintenance	353,000	353,000	264,956	88,044	312,988
Depreciation and amortization	260,000	260,000	351,206	(91,206)	323,927
Bad debts					3,167
Other	100,500	100,500	152,674	(52,174)	128,759
Total Operating Expenses	2,830,899	2,830,899	2,820,698	10,201	2,812,317
Operating Income	243,585	243,585	155,224	(88,361)	173,186
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	10,000	10,000	33,024	23,024	51,083
Coronavirus relief aid			25,682	25,682	
Miscellaneous income	20,000	20,000	78,506	58,506	47,337
Interest and fiscal charges	(25,390)	(25,390)	(13,596)	11,794	(32,868)
Total Nonoperating Revenues (Expenses)	4,610	4,610	123,616	119,006	65,552
<b>INCOME BEFORE TRANSFERS</b>	248,195	248,195	278,840	30,645	238,738
Transfers out	(135,000)	(135,000)	(135,000)		(135,000)
<b>CHANGE IN NET POSITION</b>	113,195	113,195	143,840	30,645	103,738
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	7,671,778	7,671,778	7,671,778		7,568,040
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 7,784,973	\$ 7,784,973	\$ 7,815,618	\$ 30,645	\$ 7,671,778

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**WATER FUND**  
**Statement of Net Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,112,661	\$ 979,155
Accrued interest receivable	677	704
Accounts receivable, net	46,909	47,308
Accrued utility revenue	27,495	24,421
Inventory	21,616	20,147
Prepaid expenses	1,654	2,169
Total Current Assets	1,211,012	1,073,904
<b>Capital Assets</b>		
Depreciable	5,590,818	5,503,319
Less: Accumulated depreciation	2,861,981	2,718,533
Capital Assets, Net	2,728,837	2,784,786
Total Assets	3,939,849	3,858,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	15,620	7,650
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 3,955,469	\$ 3,866,340
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 26,796	\$
Accounts payable	1,131	12,406
Accrued compensated absences	19,835	17,950
Accrued salaries	1,500	
Accrued interest payable	11,004	6,655
Total Current Liabilities	60,266	37,011
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	372,250	399,046
Net pension liability	101,545	85,303
Total Noncurrent Liabilities	473,795	484,349
Total Liabilities	534,061	521,360
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	3,469	9,992
<b>NET POSITION</b>		
Net investment in capital assets	2,329,791	2,385,740
Unrestricted	1,088,148	949,248
Total Net Position	3,417,939	3,334,988
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 3,955,469	\$ 3,866,340



**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, 2020**

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

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 566,857	\$ 566,857	\$ 577,017	\$ 10,160	\$ 542,828
Access fees			10,828	10,828	6,428
Total Operating Revenues	<u>566,857</u>	<u>566,857</u>	<u>587,845</u>	<u>20,988</u>	<u>549,256</u>
<b>Operating Expenses</b>					
Salaries	122,185	122,185	139,279	(17,094)	134,628
Employee benefits and retirement	51,122	51,122	50,345	777	53,011
Supplies and minor equipment	31,500	31,500	24,975	6,525	17,951
Professional services	40,200	40,200	59,985	(19,785)	45,908
Communication	7,500	7,500	5,919	1,581	6,712
Transportation and training	4,000	4,000	2,070	1,930	1,818
Insurance	6,000	6,000	4,244	1,756	5,653
Utilities	35,000	35,000	36,668	(1,668)	33,521
Repairs and maintenance	93,000	93,000	34,756	58,244	73,701
Depreciation and amortization			143,831	(143,831)	140,725
Other			2,580	(2,580)	15
Total Operating Expenses	<u>390,507</u>	<u>390,507</u>	<u>504,652</u>	<u>(114,145)</u>	<u>513,643</u>
Operating Income	<u>176,350</u>	<u>176,350</u>	<u>83,193</u>	<u>(93,157)</u>	<u>35,613</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,000	1,000	2,596	1,596	5,691
Coronavirus relief aid			22,592	22,592	
Miscellaneous income	6,300	6,300	51,139	44,839	26,183
Interest and fiscal charges	(14,896)	(14,896)	(16,569)	(1,673)	(24,116)
Total Nonoperating Revenues (Expenses)	<u>(7,596)</u>	<u>(7,596)</u>	<u>59,758</u>	<u>67,354</u>	<u>7,758</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>168,754</u>	<u>168,754</u>	<u>142,951</u>	<u>(25,803)</u>	<u>43,371</u>
Transfers out			(60,000)	(60,000)	
<b>CHANGE IN NET POSITION</b>	<u>168,754</u>	<u>168,754</u>	<u>82,951</u>	<u>(85,803)</u>	<u>43,371</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>3,334,988</u>	<u>3,334,988</u>	<u>3,334,988</u>		<u>3,291,617</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 3,503,742</u>	<u>\$ 3,503,742</u>	<u>\$ 3,417,939</u>	<u>\$ (85,803)</u>	<u>\$ 3,334,988</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER FUND**  
**Statement of Net Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 587,549	\$ 455,260
Accrued interest receivable	99	91
Accounts receivable	63,882	58,242
Accrued utility revenue	33,935	34,819
Prepaid expenses	1,505	1,255
Total Current Assets	686,970	549,667
<b>Capital Assets</b>		
Nondepreciable	28,700	28,700
Depreciable	3,943,703	3,934,660
Less: Accumulated depreciation	1,504,101	1,428,693
Capital Assets, Net	2,468,302	2,534,667
Total Assets	3,155,272	3,084,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	8,039	9,949
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,163,311</b>	<b>\$ 3,094,283</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 45,320	\$ 47,824
Accrued compensated absences	6,431	5,001
Accrued salaries	392	
Total Current Liabilities	52,143	52,825
<b>Noncurrent Liabilities</b>		
Net pension liability	61,571	51,723
Total Liabilities	113,714	104,548
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	2,103	8,744
<b>NET POSITION</b>		
Investment in capital assets	2,468,302	2,534,667
Unrestricted	579,192	446,324
Total Net Position	3,047,494	2,980,991
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 3,163,311</b>	<b>\$ 3,094,283</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, 2020**  
**With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 759,426	\$ 759,426	\$ 762,322	\$ 2,896	\$ 733,852
Access fee			15,851	15,851	10,868
Total Operating Revenues	<u>759,426</u>	<u>759,426</u>	<u>778,173</u>	<u>18,747</u>	<u>744,720</u>
<b>Operating Expenses</b>					
Purchased utilities	497,291	497,291	477,687	19,604	456,881
Salaries	80,960	80,960	82,742	(1,782)	85,869
Employee benefits and retirement	30,384	30,384	35,343	(4,959)	27,021
Supplies and minor equipment	5,700	5,700	4,732	968	4,235
Professional services	10,650	10,650	30,042	(19,392)	5,160
Communication	2,400	2,400	1,654	746	2,093
Transportation and training	3,000	3,000		3,000	8,174
Insurance	4,000	4,000	4,239	(239)	3,947
Utilities	4,000	4,000	701	3,299	694
Repairs and maintenance	118,000	118,000	18,127	99,873	45,131
Depreciation and amortization			81,609	(81,609)	87,062
Other	1,000	1,000	64	936	471
Total Operating Expenses	<u>757,385</u>	<u>757,385</u>	<u>736,940</u>	<u>20,445</u>	<u>726,738</u>
Operating Income	<u>2,041</u>	<u>2,041</u>	<u>41,233</u>	<u>39,192</u>	<u>17,982</u>
<b>Nonoperating Revenues</b>					
Interest income	500	500	392	(108)	1,276
Coronavirus relief aid			22,857	22,857	
Miscellaneous income			2,021	2,021	
Total Nonoperating Revenues	<u>500</u>	<u>500</u>	<u>25,270</u>	<u>24,770</u>	<u>1,276</u>
<b>CHANGE IN NET POSITION</b>	<u>2,541</u>	<u>2,541</u>	<u>66,503</u>	<u>63,962</u>	<u>19,258</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>2,980,991</u>	<u>2,980,991</u>	<u>2,980,991</u>		<u>2,961,733</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 2,983,532</u>	<u>\$ 2,983,532</u>	<u>\$ 3,047,494</u>	<u>\$ 63,962</u>	<u>\$ 2,980,991</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 STORM WATER FUND  
 Statement of Net Position  
 December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 264,015	\$ 228,745
Accounts receivable	13,549	12,539
Accrued utility revenue	6,486	6,774
Total Current Assets	284,050	248,058
<b>Capital Assets</b>		
Depreciable	1,122,701	1,026,779
Less: Accumulated depreciation	244,912	214,869
Capital Assets, Net	877,789	811,910
Total Assets	\$ 1,161,839	\$ 1,059,968
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$	\$ 21,522
<b>NET POSITION</b>		
Investment in capital assets	877,789	811,910
Unrestricted	284,050	226,536
Total Net Position	1,161,839	1,038,446
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 1,161,839	\$ 1,059,968

**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, 2020  
 With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Storm water fees	\$ 154,245	\$ 154,245	\$ 154,613	\$ 368	\$ 153,035
<b>Operating Expenses</b>					
Salaries					1,860
Employee benefits and retirement					142
Professional services	3,100	3,100	2,984	116	1,704
Depreciation			30,426	(30,426)	24,966
Repairs and maintenance	85,000	85,000	38,475	46,525	112,966
Total Operating Expenses	88,100	88,100	71,885	16,215	141,638
Operating Income	66,145	66,145	82,728	16,583	11,397
<b>Nonoperating Revenues</b>					
Interest income	100	100		(100)	
Miscellaneous income			40,665	40,665	
Total Nonoperating Revenues	100	100	40,665	40,565	
<b>CHANGE IN NET POSITION</b>	66,245	66,245	123,393	57,148	11,397
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	1,038,446	1,038,446	1,038,446		1,027,049
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 1,104,691	\$ 1,104,691	\$ 1,161,839	\$ 57,148	\$ 1,038,446

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WASTE MANAGEMENT FUND  
 Statement of Net Position  
 December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 42,672	\$ 63,853
Accounts receivable	28,717	21,377
Accrued utility revenue	13,624	11,365
Total Current Assets	85,013	96,595
<b>Capital Assets</b>		
Depreciable		5,000
Less: Accumulated depreciation		1,917
Capital Assets, Net		3,083
Total Assets	\$ 85,013	\$ 99,678
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 14,052	\$ 11,400
<b>NET POSITION</b>		
Investment in capital assets		3,083
Unrestricted	70,961	85,195
Total Net Position	70,961	88,278
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 85,013</b>	<b>\$ 99,678</b>

**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, 2020**  
**With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Waste removal	\$ 225,791	\$ 225,791	\$ 262,353	\$ 36,562	\$ 251,434
Compost fees	13,500	13,500	10,802	(2,698)	14,019
Total Operating Revenues	239,291	239,291	273,155	33,864	265,453
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
Garbage removal	218,798	218,798	248,351	(29,553)	233,809
Depreciation					500
City cleanup	11,500	11,500	7,810	3,690	7,846
Compost site expense	6,500	6,500	3,000	3,500	3,430
Other	1,600	1,600	30,619	(29,019)	6,083
Total Operating Expenses	238,398	238,398	289,780	(51,382)	251,668
Operating Income	893	893	(16,625)	(17,518)	13,785
<b>Nonoperating Revenue</b>					
Interest income	500	500		(500)	
Coronavirus relief aid			22,391	22,391	
Other			(3,083)	(3,083)	
Total Nonoperating Revenue	500	500	19,308	18,808	
<b>INCOME BEFORE TRANSFERS</b>	1,393	1,393	2,683	1,290	13,785
Transfers out	(20,000)	(20,000)	(20,000)		(20,000)
<b>CHANGE IN NET POSITION</b>	(18,607)	(18,607)	(17,317)	1,290	(6,215)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	88,278	88,278	88,278		94,493
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 69,671	\$ 69,671	\$ 70,961	\$ 1,290	\$ 88,278

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 AMBULANCE FUND  
 Statement of Net Position  
 December 31, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 218,319	\$ 158,127
Accrued interest receivable	161	160
Accounts receivable	66,029	85,665
Prepaid expense	3,698	2,799
Total Current Assets	288,207	246,751
<b>Capital Assets</b>		
Depreciable	350,393	350,393
Less: Accumulated depreciation	329,205	322,136
Capital Assets, Net	21,188	28,257
Total Assets	309,395	275,008
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	10,899	4,643
Total Deferred Outflows of Resources	10,899	4,643
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 320,294	\$ 279,651
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 695	\$ 2,025
<b>Noncurrent Liabilities</b>		
Net pension liability	64,594	54,262
Total Liabilities	65,289	56,287
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	2,204	6,356
<b>NET POSITION</b>		
Investment in capital assets	21,188	28,257
Unrestricted	231,613	188,751
Total Net Position	252,801	217,008
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 320,294	\$ 279,651



**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, 2020**  
**With Comparative Totals for the Year Ended December 31, 2019**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
<b>Charges for Services</b>					
Ambulance fees	\$ 205,500	\$ 205,500	\$ 162,383	\$ (43,117)	\$ 164,041
<b>Operating Expenses</b>					
Salaries	80,145	80,145	61,557	18,588	76,110
Employee benefits and retirement	22,145	22,145	23,086	(941)	26,270
Supplies and minor equipment	21,500	21,500	18,017	3,483	25,505
Professional services	13,000	13,000	11,827	1,173	15,928
Communication	3,000	3,000	3,058	(58)	3,934
Transportation and training	8,000	8,000	1,700	6,300	6,288
Insurance	3,000	3,000	3,661	(661)	2,682
Utilities	6,000	6,000	5,639	361	6,472
Repairs and maintenance	12,500	12,500	8,535	3,965	8,297
Depreciation			7,069	(7,069)	7,065
Bad debts					85
Other	6,500	6,500	9,043	(2,543)	8,057
<b>Total Operating Expenses</b>	<b>175,790</b>	<b>175,790</b>	<b>153,192</b>	<b>22,598</b>	<b>186,693</b>
Operating Income	29,710	29,710	9,191	(20,519)	(22,652)
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	(207)	(707)	1,785
Coronavirus relief aid			3,884	3,884	
Donations			5,609	5,609	18,943
Miscellaneous	2,000	2,000	9,381	7,381	920
Calendar sales	10,000	10,000	22,935	12,935	5,575
Total Nonoperating Revenues (Expenses)	12,500	12,500	41,602	29,102	27,223
<b>INCOME BEFORE TRANSFERS</b>	<b>42,210</b>	<b>42,210</b>	<b>50,793</b>	<b>8,583</b>	<b>4,571</b>
Transfers out	(15,000)	(15,000)	(15,000)		(15,000)
<b>CHANGE IN NET POSITION</b>	<b>27,210</b>	<b>27,210</b>	<b>35,793</b>	<b>8,583</b>	<b>(10,429)</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b>217,008</b>	<b>217,008</b>	<b>217,008</b>		<b>227,437</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 244,218</b>	<b>\$ 244,218</b>	<b>\$ 252,801</b>	<b>\$ 8,583</b>	<b>\$ 217,008</b>

**CITY OF ST. CHARLES, MINNESOTA**  
**Summary of Cash and Investments**  
**All Fund Types**  
**December 31, 2020**

<b>CASH ON HAND</b>			
Change funds		\$	4,681
<b>CASH IN BANK</b>			
<u>Bremer Bank</u>			
St. Charles, Minnesota:			
General checking			4,196,222
Money Market			339,886
<b>INVESTMENTS</b>			
	<u>Rate</u>	<u>Amount</u>	
<u>Merchants National Bank</u>			
Certificates of Deposit	1.0-1.6%	\$ 217,675	
 <u>Wells Fargo</u>			
Municipal Bonds	2.77-3.26%	712,890	
U.S. Government Securities	2.47-2.69%	571,606	
Money Market Fund	2.28%	<u>31,232</u>	
 <b>TOTAL INVESTMENTS</b>			 <u>1,533,403</u>
 <b>TOTAL CASH AND INVESTMENTS,</b>			
<b>December 31, 2020</b>		\$	<u><u>6,074,192</u></u>

**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2020**

Year	\$2,300,000 General Obligation Bonds, Series 2015A		
	Principal	Interest	Total
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
2025	80,000	57,716	137,716
Thereafter	1,655,000	515,376	2,170,376
<b>Totals</b>	<b>\$ 2,030,000</b>	<b>\$ 826,681</b>	<b>\$ 2,856,681</b>

Year	\$650,000 G.O. Street Construction Plan Bonds, Series 2018A		
	Principal	Interest	Total
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
2025	65,000	9,375	74,375
Thereafter	280,000	17,250	297,250
<b>Totals</b>	<b>\$ 590,000</b>	<b>\$ 82,950</b>	<b>\$ 672,950</b>

Year	\$1,035,000 General Obligation Bonds, Series 2019A		
	Principal	Interest	Total
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
2025	59,375	11,165	70,540
Thereafter	414,440	38,284	452,724
<b>Totals</b>	<b>\$ 830,954</b>	<b>\$ 106,673</b>	<b>\$ 937,627</b>

**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules (Continued)  
December 31, 2020**

Year	\$105,077 Vehicle Lease Payable		
	Principal	Interest	Total
2021	\$ 21,694	\$ 649	\$ 22,343

Year	\$40,075 Equipment Lease Payable		
	Principal	Interest	Total
2021	\$ 8,077	\$ 507	\$ 8,584
2022	8,327	258	8,585
<b>Totals</b>	<b>\$ 16,404</b>	<b>\$ 765</b>	<b>\$ 25,754</b>

**CITY OF ST. CHARLES, MINNESOTA**  
**BUSINESS-TYPE FUNDS**  
**Bond Retirement Schedules**  
**December 31, 2020**

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

Year	Principal	Interest	Total
2021	\$ 270,000	\$ 16,640	\$ 286,640
2022	280,000	8,540	288,540
<b>Totals</b>	<b>\$ 550,000</b>	<b>\$ 25,180</b>	<b>\$ 575,180</b>

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

Year	Principal	Interest	Total
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>\$ 90,882</b>	<b>\$ 489,928</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, 2020, and the related notes to financial statements, and have issued our report thereon dated March 25, 2021.

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  
March 25, 2021