

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2015

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CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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CITY OF ST. CHARLES, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

Elected

John Schaber	Mayor
David Braun	Council/Mayor Pro-Tem
Wayne Getz	Council
David Kramer	Council
Orv Dahl	Council

Appointed

Nick Koverman	Clerk Administrator
Kristine Engstrand	Accountant
Janell Dahl	Deputy Clerk

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of St. Charles, Minnesota as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Economic Development Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

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, 2014, from which such partial information was derived.

We have previously audited the City's 2014 financial statements and our report dated April 8, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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



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, 2015.

New Accounting Pronouncement. The City implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, for the year ended December 31, 2015. These Statements established accounting and financial reporting standards for pensions.

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$22,096,357 (*net position*). Of this amount, \$3,760,563 (*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 \$632,772.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,451,616. Approximately 39% of this total amount, or \$566,372 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 \$702,086 or 51% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of St. Charles, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of St. Charles, Minnesota include general government, public safety, public works, library, parks and recreation and economic development. The business-type activities of the City of St. Charles, Minnesota include the electric, water, sewer, storm water 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 economic development special revenue fund, the capital improvements, EMS building, and I-90 construction capital projects funds, all of which are considered to be major funds. Data from the twelve 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 (page 28 and 73-77) to demonstrate compliance with the budget.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 69-72 of this report.

IMPORTANT REMINDERS

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$22,096,357 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net position (82%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of St. Charles, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of St. Charles, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of St. Charles, Minnesota's Net Position				
	Governmental	Business-Type	Totals	
	Activities	Activities	2015	2014
Current and other assets	\$ 2,454,597	\$ 3,162,911	\$ 5,617,508	\$ 4,684,538
Capital assets	<u>10,951,515</u>	<u>13,433,801</u>	<u>24,385,316</u>	<u>22,287,448</u>
Total assets	<u>13,406,112</u>	<u>16,596,712</u>	<u>30,002,824</u>	<u>26,971,986</u>
Long-term liabilities				
outstanding	4,019,154	2,275,092	6,294,246	4,433,674
Other liabilities	<u>1,048,314</u>	<u>666,583</u>	<u>1,714,897</u>	<u>518,887</u>
Total liabilities	<u>5,067,468</u>	<u>2,941,675</u>	<u>8,009,143</u>	<u>4,952,561</u>
Net position:				
Invested in capital assets,				
net of related debt	6,932,361	11,158,709	18,091,070	17,853,774
Restricted	244,724		244,724	170,161
Unrestricted	<u>1,244,854</u>	<u>2,515,709</u>	<u>3,760,563</u>	<u>3,995,490</u>
Total net position	<u>\$ 8,421,939</u>	<u>\$ 13,674,418</u>	<u>\$ 22,096,357</u>	<u>\$ 22,019,425</u>

The balance of *unrestricted net position* (\$3,760,563) may be used to meet the government's ongoing obligations to citizens and creditors.

In 2015, the City implemented GASB Statement 68 "Accounting and Financial Reporting for Pensions." As required by this new standard, the City recorded its proportionate share of the net pension liability of the General Employees Retirement Fund (GERF) and Public Employees Police and Fire Fund (PEPFF), both statewide cost-sharing defined benefit plans administered by PERA. The restatement to record the City's share of the net pension liability resulted in a decrease in beginning net position of \$707,285.

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 decreased the City of St. Charles, Minnesota's net position by \$57,430. 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 \$575,342. The City's electric utility contributed the most significant portion of that increase, or \$358,746.

A condensed version of the Statement of Activities follows:

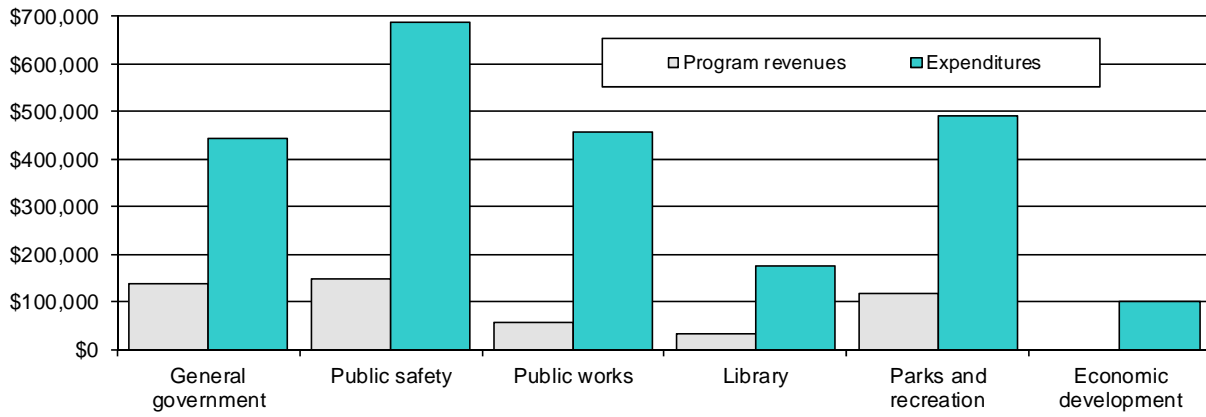
City of St. Charles, Minnesota's Change in Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2015	2014
Revenue:				
Program revenues:				
Charges for services	\$ 229,967	\$ 4,521,093	\$ 4,751,060	\$ 4,795,559
Operating grants and contributions	215,993	16,883	232,876	137,865
Capital grants and contributions	51,507		51,507	237,771
General revenues:				
Property taxes	871,770		871,770	870,961
TIF proceeds	29,703		29,703	20,716
Franchise fees	57,379		57,379	53,863
Grants and contributions not restricted to specific programs	875,376		875,376	861,229
Other	13,412	37,763	51,175	56,888
Total revenues	<u>2,345,107</u>	<u>4,575,739</u>	<u>6,920,846</u>	<u>7,034,852</u>
Expenses:				
General government	444,313		444,313	443,275
Public safety	688,400		688,400	613,560
Public works	457,458		457,458	456,154
Library	176,883		176,883	170,846
Parks and recreation	490,432		490,432	471,433
Economic development	101,680		101,680	91,374
Interest on long-term debt	80,311		80,311	45,437
Electric		2,336,424	2,336,424	2,591,083
Water		461,033	461,033	413,777
Sewer		626,868	626,868	586,190
Storm water drainage		24,133	24,133	21,344
Waste management		208,079	208,079	193,798
Ambulance		192,060	192,060	190,916
Total expenses	<u>2,439,477</u>	<u>3,848,597</u>	<u>6,288,074</u>	<u>6,289,187</u>
Increase in net position before transfers	(94,370)	727,142	632,772	745,665
Transfers	151,800	(151,800)		
Increase in net position	57,430	575,342	632,772	745,665
Net position as restated, beginning	8,364,509	13,099,076	21,463,585	21,273,760
Net position, end of year	<u>\$ 8,421,939</u>	<u>\$ 13,674,418</u>	<u>\$ 22,096,357</u>	<u>\$ 22,019,425</u>

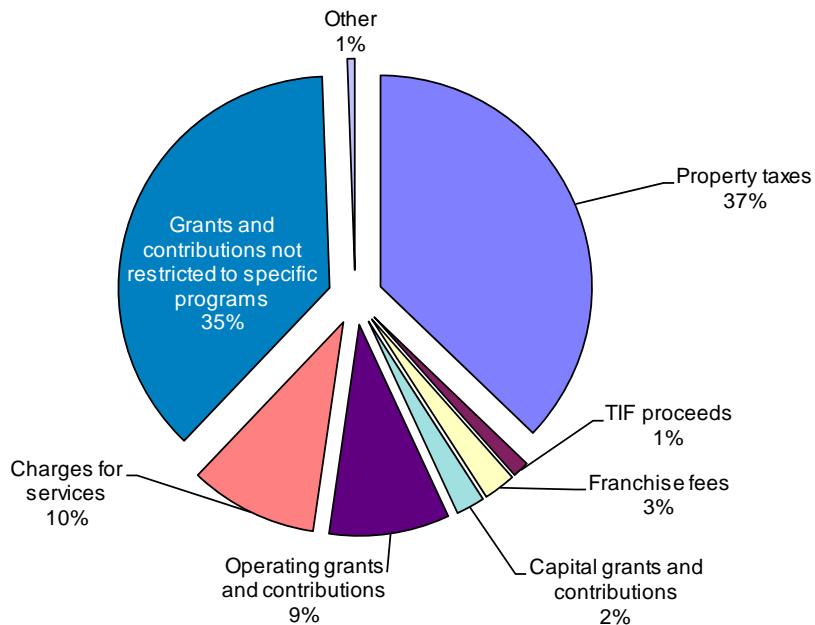
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenditures and Program Revenues - Governmental Activities



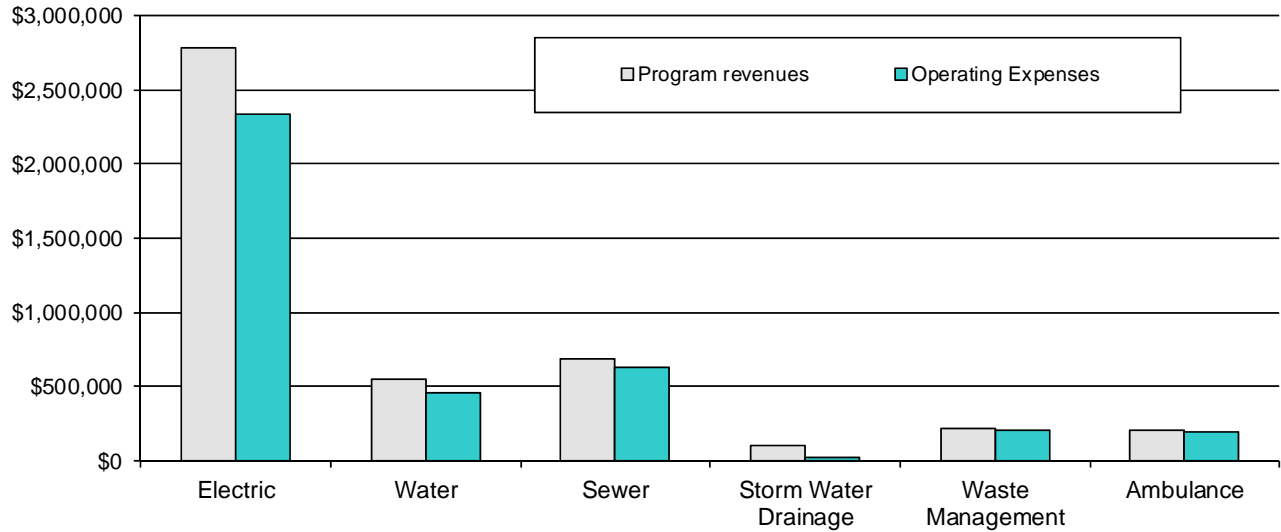
Revenues by Source - Governmental Activities



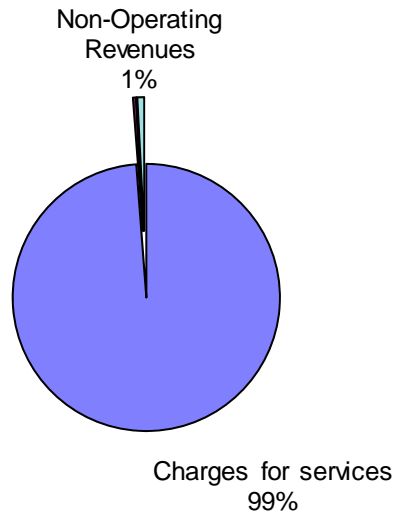
**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,451,616, an increase of \$60,906. Approximately 61% of this balance is either Nonspendable (\$214,065) related to advances or prepaid items, Restricted (\$290,643) related to debt covenants or regulations or (\$380,536) Committed to projects by Council. The remainder is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$702,086. 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 51% of total general fund expenditures.

The general fund's total fund balance increased by \$54,260 during the current fiscal year. This year's increase was primarily due to the receipt of the Assistance to Small Cities grant of \$50,957. In addition, building permit fees were higher than expected, with 14 new single family units and 6 commercial buildings/improvements issued in 2015.

The economic development fund decreased its fund balance by \$119,188 as part of the programs initiated by the Economic Development Authority, resulting from the \$0.05 sales tax referendum by the City of Rochester. In an agreement set forth by the City of Rochester, the dollars must be used for economic development purposes. The use of the funds was left up to each respective city. Seventeen cities surrounding Rochester were the recipients of \$5 million of the tax generated by the ten year sales tax extension.

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

Governmental funds (continued).

The City of St. Charles received a total of \$399,901.50 in 2013 and 2014. The first half payment of those dollars was received in July of 2013 for \$199,950.75; the second half was received in July of 2014 in the same amount. The Economic Development Authority recommended to the City Council two programs to be implemented in 2014. The first program focused on waiving the new home construction building permit fee and utilizing the Rochester Sales Tax dollars to reimburse the city for those expenditures. Through that program in 2015, fourteen new housing units were created. In 2014, there were seventeen new housing units created. The second program was designed as a 5-year forgivable loan/grant to create private investment into Main Street and the City's commercial business owners. The design of the program was a matching 50/50 grant up to \$10,000 (max) for commercial/industrial renovations and improvements within the City's business/commercial districts. A few of the projects will be completed in 2016, but the vast majority were done in 2015 and 2014. By year end, just over \$300,000 was committed to this program with over \$700,000 in private investment being made by local business owners. A small portion of the dollars (\$14,000.00) was committed to a Downtown Beautification Plan, while additional proceeds were used to make payment toward costs (engineering, legal, appraisals) associated with the planning of a trail from St. Charles to Whitewater State Park as well as support to the public transit program of Rolling Hills Transit through SEMCAC.

The capital improvement fund increased its fund balance by \$26,451 for the year, and ended the year with a fund balance of \$298,156. This year's increase was primarily due to less spending than originally projected for capital projects.

The I-90 construction fund decreased its fund balance by \$397 and ended the year with a negative fund balance of \$195,983. This year's decrease was primarily due to a \$9,000 payment of Minnesota Energy Resources for contribution in aid of construction and fees for water retention and drain tiling.

The EMS building fund decreased its fund balance by \$79,570 and ended the year with a negative fund balance of \$79,570. This year's decrease was due to expenses for construction of the new EMS building.

The debt service funds have a total fund balance of \$244,724 all of which is restricted for the payment of debt service on outstanding bonds and notes payable.

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

The unrestricted position in the respective proprietary funds are Electric - \$1,623,766, Water - \$406,977, Sewer - \$193,674, Storm Water - \$50,811, Waste Management - \$86,465, Ambulance - \$154,016.

Electric Utility rates remained unchanged for 2015 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 \$128,690.60, which will be credited on the 2016 invoices from Dairyland. The City continues to design programs in an effort to adhere to the State's mandated energy conservation requirements, which is to spend roughly 1.5% of gross revenues, in order to reduce consumption by approximately 340,000 kWh per year based on current figures.

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 had no increase for 2015. Due to the Sewer portion of a City Bond being paid off, the City was able to absorb the 5% increase in fees from the Dover-Eyota Sanitary District.

Garbage and recycling rates were increased by Advanced Disposal Services 4.5% in 2015 – 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 2014 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, 2015, amounts to \$24,385,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles reported an increase in its investment in capital assets for the current fiscal year of \$2,097,868.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
Land	\$ 1,798,702	\$ 142,189	\$ 1,940,891	\$ 1,940,891
Construction in process	2,319,484		2,319,484	13,234
Buildings and improvements	1,829,691	4,662,096	6,491,787	6,690,105
Machinery and equipment	467,884	8,629,516	9,097,400	9,048,874
Infrastructure	4,535,754		4,535,754	4,594,344
Total	<u>\$ 10,951,515</u>	<u>\$ 13,433,801</u>	<u>\$ 24,385,316</u>	<u>\$ 22,287,448</u>

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

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

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$6,334,756 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

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

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
General obligation bonds	\$ 4,014,377	\$ 510,623	\$ 4,525,000	\$ 2,415,000
General obligation revenue bonds		1,780,000	1,780,000	2,010,000
Notes payable	29,756		29,756	51,663
Total	\$ 4,044,133	\$ 2,290,623	\$ 6,334,756	\$ 4,476,663

The City of St. Charles, Minnesota's total bonds and notes payable increased by \$1,858,093 during the current fiscal year as the City issued 2015 GO Bonds of \$2,300,000. 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 2015 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 2.9 percent in 2015. This rate is slightly lower than Winona County's average of 3.2 percent, and lower than the State's average of 3.6 percent and the national average rate of 5.0 percent.
- The median household income in City of St. Charles, Minnesota is \$58,388. This is similar to the Minnesota average and 8.8% greater than the National average.
- The City of St. Charles, Minnesota's population is 3,742 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 8.4 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 64 percent of its General Fund revenues. Local Government Aid increased \$64,801 to \$925,786 in 2015. The increase was primarily due to the Assistance to Small Cities Grant issued by the State of MN in order to improve streets.(\$50,957). The outlook for 2016 is that the 2015 figure would remain relatively stagnant.

Requests for Information

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

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2015
With Comparative Totals for December 31, 2014

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
ASSETS				
Cash and investments	\$ 1,892,716	\$ 2,126,428	\$ 4,019,144	\$ 3,324,607
Accrued interest receivable	2,146	7,175	9,321	8,741
Receivables (net of allowance for uncollectibles)	327,967	559,116	887,083	824,997
Internal balances	(70,000)	70,000		
Due from other governmental units	21,379		21,379	40,166
Inventory		324,342	324,342	376,741
Prepaid items	17,638	75,850	93,488	109,286
Net pension asset	262,751		262,751	
Capital assets:				
Nondepreciable	4,118,186	142,189	4,260,375	1,954,125
Depreciable, net	6,833,329	13,291,612	20,124,941	20,333,323
Total Assets	13,406,112	16,596,712	30,002,824	26,971,986
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	154,719	65,472	220,191	
LIABILITIES				
Accounts payable	443,311	135,855	579,166	407,250
Deposits payable		20,475	20,475	18,875
Accrued interest payable	40,219	18,361	58,580	35,720
Unearned revenue	500		500	499
Accrued compensated absences	24,917	26,829	51,746	56,543
Noncurrent liabilities:				
Net pension liability	539,367	465,063	1,004,430	
Due within one year	175,182	257,721	432,903	441,920
Due in more than one year	3,843,972	2,017,371	5,861,343	3,991,754
Total Liabilities	5,067,468	2,941,675	8,009,143	4,952,561
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	71,424	46,091	117,515	
NET POSITION				
Net investment in capital assets	6,932,361	11,158,709	18,091,070	17,853,774
Restricted for:				
Debt service	244,724		244,724	170,161
Unrestricted	1,244,854	2,515,709	3,760,563	3,995,490
Total Net Position	\$ 8,421,939	\$ 13,674,418	\$ 22,096,357	\$ 22,019,425

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 444,313	\$ 50,071	\$ 88,012	\$
Public safety	688,400	58,701	90,986	
Public works	457,458		4,624	50,957
Library	176,883	2,571	32,371	4
Parks and recreation	490,432	118,624		546
Economic development	101,680			
Interest on long-term debt	80,311			
Total governmental activities	2,439,477	229,967	215,993	51,507
Business-Type activities:				
Electric	2,336,424	2,780,177		
Water	461,033	545,771		
Sewer	626,868	690,535		
Storm water drainage	24,133	101,149		
Waste management	208,079	215,120		
Ambulance	192,060	188,341	16,883	
Total business-type activities	3,848,597	4,521,093	16,883	
Total	\$ 6,288,074	\$ 4,751,060	\$ 232,876	\$ 51,507

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

Change in net position

Net position - beginning, as originally stated
 Restatement due to change in accounting standards (Note 7)

Net position - beginning, as restated

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2015	2014
\$ (306,230)		\$ (306,230)	\$ (371,497)
(538,713)		(538,713)	(487,605)
(401,877)		(401,877)	(439,685)
(141,937)		(141,937)	(136,364)
(371,262)		(371,262)	(355,272)
(101,680)		(101,680)	108,577
(80,311)		(80,311)	(45,437)
<u>(1,942,010)</u>		<u>(1,942,010)</u>	<u>(1,727,283)</u>
	\$ 443,753	443,753	272,304
	84,738	84,738	124,147
	63,667	63,667	110,238
	77,016	77,016	64,434
	7,041	7,041	8,294
	13,164	13,164	29,874
	<u>689,379</u>	<u>689,379</u>	<u>609,291</u>
<u>(1,942,010)</u>	<u>689,379</u>	<u>(1,252,631)</u>	<u>(1,117,992)</u>
871,770		871,770	870,961
29,703		29,703	20,716
57,379		57,379	53,863
875,376		875,376	861,229
8,984	18,191	27,175	42,808
4,428	19,572	24,000	14,080
151,800	(151,800)		
<u>1,999,440</u>	<u>(114,037)</u>	<u>1,885,403</u>	<u>1,863,657</u>
57,430	575,342	632,772	745,665
8,507,957	13,511,468	22,019,425	21,273,760
(143,448)	(412,392)	(555,840)	
<u>8,364,509</u>	<u>13,099,076</u>	<u>21,463,585</u>	<u>21,273,760</u>
<u>\$ 8,421,939</u>	<u>\$ 13,674,418</u>	<u>\$ 22,096,357</u>	<u>\$ 22,019,425</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

CITY OF ST. CHARLES, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals for December 31, 2014

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Economic Development	Capital Improvements Fund
ASSETS			
Cash and investments	\$ 623,812	\$ 184,856	\$ 252,452
Accrued interest receivable	1,268		649
Accounts receivable	15,070	10,000	
Loans and contracts receivable		287,236	
Taxes receivable delinquent	852		2,177
Special assessments receivable:			
Deferred	220		2,726
Due from other funds	83,436		
Advances to other funds			196,427
Due from other governmental units	926	278	2,352
Prepaid items	13,922		
TOTAL ASSETS	\$ 739,506	\$ 482,370	\$ 456,783
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 22,426	\$	\$ 83,724
Due to other funds			
Advances from other funds			70,000
Unearned revenue			
Total Liabilities	<u>22,426</u>		<u>153,724</u>
Deferred Inflows of Resources:			
Unavailable revenue:			
Property taxes	852		2,177
Special assessments	220		2,726
Loans receivable		287,236	
Total Deferred Inflows of Resources	<u>1,072</u>	<u>287,236</u>	<u>4,903</u>
Fund Balance:			
Nonspendable:			
Prepaid items	13,922		
Advances			196,427
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		195,134	101,729
Assigned			
Unassigned	702,086		
Total Fund Balance	<u>716,008</u>	<u>195,134</u>	<u>298,156</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 739,506	\$ 482,370	\$ 456,783

See Notes to the Financial Statements

Capital Projects

<u>28</u> I-90 Construction Fund	<u>38</u> EMS Building	Other Governmental Funds	Total Governmental Funds	
			2015	2014
\$ 944	\$ 248,717	\$ 581,935	\$ 1,892,716	\$ 1,458,606
		229	2,146	1,618
		6,477	31,547	27,162
			287,236	215,744
		3,209	6,238	3,379
			2,946	3,870
			83,436	124,712
			196,427	196,427
		17,824	21,380	40,167
		3,716	17,638	17,928
<u>\$ 944</u>	<u>\$ 248,717</u>	<u>\$ 613,390</u>	<u>\$ 2,541,710</u>	<u>\$ 2,089,613</u>
\$	\$ 328,287	\$ 8,874	\$ 443,311	\$ 74,271
		83,436	83,436	124,712
196,427			266,427	276,427
500			500	500
<u>196,927</u>	<u>328,287</u>	<u>92,310</u>	<u>793,674</u>	<u>475,910</u>
		3,209	6,238	3,379
			2,946	3,870
			287,236	215,744
		<u>3,209</u>	<u>296,420</u>	<u>222,993</u>
		3,716	17,638	17,928
			196,427	196,427
		244,724	244,724	170,161
		45,919	45,919	40,125
		83,673	380,536	411,667
		225,454	225,454	196,738
(195,983)	(79,570)	(85,615)	340,918	357,664
<u>(195,983)</u>	<u>(79,570)</u>	<u>517,871</u>	<u>1,451,616</u>	<u>1,390,710</u>
<u>\$ 944</u>	<u>\$ 248,717</u>	<u>\$ 613,390</u>	<u>\$ 2,541,710</u>	<u>\$ 2,089,613</u>

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

For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Economic Development	Capital Improvements Fund
REVENUES			
Property taxes	\$ 114,927	\$	\$ 291,610
Property taxes - Special EDA taxing district		34,252	
Tax increments			
Special assessments			
Licenses and permits	44,776		
Fines and forfeits	13,056		
Intergovernmental revenues	966,843		
Charges for services	179,114		
Interest income	3,222	2,410	1,987
Donations			
Loan repayment		34,631	
Miscellaneous revenues	3,216		546
TOTAL REVENUES	<u>1,325,154</u>	<u>71,293</u>	<u>294,143</u>
EXPENDITURES			
Current			
General government	292,944		2,104
Public safety	476,168		
Public works	221,095		
Library			
Parks and recreation	391,987		
Economic development		207,355	
Capital Outlay			265,588
Debt Service		8,426	
TOTAL EXPENDITURES	<u>1,382,194</u>	<u>215,781</u>	<u>267,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,040)</u>	<u>(144,488)</u>	<u>26,451</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in	126,500	25,300	
Transfers out	(15,200)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>111,300</u>	<u>25,300</u>	
Net change in fund balances	54,260	(119,188)	26,451
FUND BALANCES, beginning	<u>661,748</u>	<u>314,322</u>	<u>271,705</u>
FUND BALANCES, ending	<u>\$ 716,008</u>	<u>\$ 195,134</u>	<u>\$ 298,156</u>

See Notes to the Financial Statements

Capital Projects				
<u>28</u> I-90 Construction Fund	<u>38</u> EMS Building	Other Governmental Funds	Total Governmental Funds	
			2015	2014
\$	\$	\$ 429,042	\$ 835,579	\$ 842,150
			34,252	33,855
		29,703	29,703	20,716
				3,837
			44,776	49,541
			13,056	12,512
		61,899	1,028,742	1,154,820
		45,425	224,539	221,798
1	619	745	8,984	10,028
	761	113,446	114,207	31,826
			34,631	43,828
		2,875	6,637	11,290
<u>1</u>	<u>1,380</u>	<u>683,135</u>	<u>2,375,106</u>	<u>2,436,201</u>
		44,196	339,244	357,134
		124,741	600,909	577,175
			221,095	238,355
		153,936	153,936	149,775
			391,987	371,448
			207,355	242,956
398	2,306,250	34,912	2,607,148	323,899
		235,001	243,427	237,525
<u>398</u>	<u>2,306,250</u>	<u>592,786</u>	<u>4,765,101</u>	<u>2,498,267</u>
<u>(397)</u>	<u>(2,304,870)</u>	<u>90,349</u>	<u>(2,389,995)</u>	<u>(62,066)</u>
	2,225,300	73,801	2,299,101	
		32,186	183,986	236,486
		(16,986)	(32,186)	(109,986)
	<u>2,225,300</u>	<u>89,001</u>	<u>2,450,901</u>	<u>126,500</u>
(397)	(79,570)	179,350	60,906	64,434
(195,586)		338,521	1,390,710	1,326,276
<u>\$ (195,983)</u>	<u>\$ (79,570)</u>	<u>\$ 517,871</u>	<u>\$ 1,451,616</u>	<u>\$ 1,390,710</u>

**CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2015**

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

Total governmental fund balances (page 18)		\$ 1,451,616
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 16,729,447	
Less: Accumulated depreciation	(5,777,932)	
		10,951,515
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 6,238	
Deferred special assessments	2,946	
Contracts receivable	287,236	
		296,420
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	\$ (4,044,133)	
Net pension liability	(456,073)	
Net pension asset	262,751	
Compensated absences	(24,917)	
Accrued interest	(40,219)	
Unamortized bond discount	24,979	
		(4,277,612)
Net position of governmental activities (page 14)		\$ 8,421,939

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2015

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

Net change in fund balances - total governmental funds (page 20)	\$	60,906
<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	\$	2,550,707
Depreciation expense		<u>(433,739)</u>
		2,116,968
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		(13,204)
<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, 2015	\$	296,420
Unavailable revenue December 31, 2014		<u>(222,993)</u>
		73,427
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2015	\$	(24,917)
Compensated absences, December 31, 2014		<u>29,714</u>
		4,797
<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	\$	189,930
Issuance of debt		(2,299,101)
Change in net pension liability		(49,874)
Change in accrued interest		(25,409)
Amortization of bond discount		<u>(1,010)</u>
		<u>(2,185,464)</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>57,430</u></u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 113,592	\$ 113,592	\$ 114,927	\$ 1,335	\$ 139,390
Special Assessments	1,000	1,000		(1,000)	2,572
Licenses and Permits					
Business and nonbusiness licenses	7,250	7,250	8,196	946	13,626
Building permits	21,000	21,000	36,580	15,580	35,915
Total Licenses and Permits	28,250	28,250	44,776	16,526	49,541
Intergovernmental Revenues					
Local government aid	874,829	874,829	874,829		860,985
Small city assistance			50,957	50,957	
Market value credit			547	547	244
Police aid	29,000	29,000	33,474	4,474	19,675
PERA aid	2,412	2,412	2,412		2,412
Highway	4,000	4,000	4,624	624	4,767
Total Intergovernmental Revenues	910,241	910,241	966,843	56,602	888,083
Charges For Services					
Street					198
Swimming pool	78,900	78,900	85,541	6,641	79,079
Park and recreation	39,500	39,500	33,083	(6,417)	37,017
Cable franchise fees	32,000	32,000	40,148	8,148	36,926
Senior center rental	3,000	3,000	3,111	111	3,247
Natural gas franchise fees	16,500	16,500	17,231	731	16,937
Total Charges For Services	169,900	169,900	179,114	9,214	173,404
Fines and Forfeits					
Court fines and other	10,000	10,000	13,056	3,056	12,512
Interest Income	7,000	7,000	3,222	(3,778)	4,416
Miscellaneous Revenues					
Other	1,350	1,350	3,216	1,866	7,906
TOTAL REVENUES	\$ 1,241,333	\$ 1,241,333	\$ 1,325,154	\$ 83,821	\$ 1,277,824

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 28,750	\$ 28,750	\$ 27,248	\$ 1,502	\$ 27,319
Transportation and training	2,000	2,000	924	1,076	975
Printing and publication	300	300	100	200	260
Total Mayor and Council	<u>31,050</u>	<u>31,050</u>	<u>28,272</u>	<u>2,778</u>	<u>28,554</u>
Election and Voter Registration	<u>800</u>	<u>800</u>	<u>463</u>	<u>337</u>	<u>3,037</u>
General and Financial Administration					
Salaries	83,115	83,115	81,282	1,833	78,209
Employee benefits and retirement	32,425	32,425	29,667	2,758	27,971
Supplies and minor equipment	7,000	7,000	5,848	1,152	6,375
Communication	5,000	5,000	4,527	473	4,120
Transportation and training	6,500	6,500	3,462	3,038	4,416
Insurance	4,800	4,800	3,055	1,745	3,172
Repairs and maintenance	9,000	9,000	8,220	780	9,004
Assessor	16,500	16,500	17,331	(831)	16,752
Accounting and audit	8,000	8,000	7,750	250	8,015
Legal	17,500	17,500	8,107	9,393	20,264
Planning and zoning	1,450	1,450	1,642	(192)	1,802
Building inspection	21,000	21,000	33,269	(12,269)	29,671
Other professional services	6,300	6,300	3,999	2,301	6,213
Memberships	12,500	12,500	12,332	168	12,003
Other	17,285	17,285	15,896	1,389	15,604
Total General and Financial Administration	<u>248,375</u>	<u>248,375</u>	<u>236,387</u>	<u>11,988</u>	<u>243,591</u>
City Hall					
Salaries	5,800	5,800	3,290	2,510	4,689
Employee benefits and retirement	545	545	274	271	382
Supplies and minor equipment	1,500	1,500	1,225	275	1,193
Insurance	1,000	1,000	745	255	928
Utilities	17,250	17,250	14,253	2,997	15,418
Repairs and maintenance	6,000	6,000	8,035	(2,035)	7,778
Total City Hall	<u>32,095</u>	<u>32,095</u>	<u>27,822</u>	<u>4,273</u>	<u>30,388</u>
Total General Government	<u>\$ 312,320</u>	<u>\$ 312,320</u>	<u>\$ 292,944</u>	<u>\$ 19,376</u>	<u>\$ 305,570</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 281,785	\$ 281,785	\$ 307,362	\$ (25,577)	\$ 276,992
Employee benefits and retirement	105,100	105,100	103,252	1,848	93,204
Supplies and minor equipment	27,950	27,950	23,004	4,946	27,164
Professional services	11,650	11,650	9,946	1,704	11,496
Communication	4,000	4,000	6,189	(2,189)	4,920
Transportation and training	6,000	6,000	4,251	1,749	4,963
Insurance	5,500	5,500	7,662	(2,162)	8,109
Repairs and maintenance	10,300	10,300	11,866	(1,566)	8,961
Other	4,500	4,500	2,636	1,864	3,319
Total Police Department	<u>456,785</u>	<u>456,785</u>	<u>476,168</u>	<u>(19,383)</u>	<u>439,128</u>
Total Public Safety	<u>456,785</u>	<u>456,785</u>	<u>476,168</u>	<u>(19,383)</u>	<u>439,128</u>
Public Works					
Street Department					
Salaries	83,595	83,595	86,426	(2,831)	80,442
Employee benefits and retirement	36,565	36,565	37,553	(988)	42,232
Supplies and minor equipment	20,750	20,750	16,050	4,700	21,533
Professional services	500	500	1,166	(666)	1,823
Communication	800	800	651	149	460
Transportation and training	1,000	1,000	1,005	(5)	815
Insurance	6,000	6,000	4,047	1,953	4,902
Utilities	6,500	6,500	8,407	(1,907)	9,621
Repairs and maintenance	69,700	69,700	65,790	3,910	76,527
Other	150	150		150	
Total Public Works	<u>\$ 225,560</u>	<u>\$ 225,560</u>	<u>\$ 221,095</u>	<u>\$ 4,465</u>	<u>\$ 238,355</u>

See Notes to the Financial Statements

**CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND**

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

For the Fiscal Year Ended December 31, 2015

With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 87,250	\$ 87,250	\$ 86,295	\$ 955	\$ 84,313
Employee benefits and retirement	26,985	26,985	25,825	1,160	23,945
Supplies and minor equipment					20
Communication	2,000	2,000	2,249	(249)	2,324
Transportation and training	2,000	2,000	1,900	100	901
Insurance	3,000	3,000	1,967	1,033	2,430
Repairs and maintenance	575	575	356	219	207
Recreation programs	20,000	20,000	20,277	(277)	22,387
Other	2,600	2,600	2,859	(259)	2,997
Total Recreation	<u>144,410</u>	<u>144,410</u>	<u>141,728</u>	<u>2,682</u>	<u>139,524</u>
Swimming Pool Program					
Salaries	54,500	54,500	60,093	(5,593)	52,412
Employee benefits and retirement	6,500	6,500	6,130	370	5,542
Supplies and minor equipment	19,300	19,300	21,266	(1,966)	17,862
Communication	500	500	497	3	547
Transportation and training	1,500	1,500	934	566	1,610
Insurance	9,000	9,000	5,981	3,019	7,412
Utilities	19,000	19,000	20,889	(1,889)	25,578
Repairs and maintenance	17,000	17,000	16,844	156	15,150
Other	4,000	4,000	4,049	(49)	3,381
Total Swimming Pool Program	<u>131,300</u>	<u>131,300</u>	<u>136,683</u>	<u>(5,383)</u>	<u>129,494</u>
Parks					
Salaries	31,185	31,185	32,063	(878)	32,915
Employee benefits and retirement	11,415	11,415	11,623	(208)	11,005
Supplies and minor equipment	6,900	6,900	6,320	580	6,572
Communication	500	500	325	175	225
Transportation and training	1,000	1,000	958	42	1,000
Insurance	3,200	3,200	2,741	459	3,040
Repairs and maintenance	24,575	24,575	26,147	(1,572)	21,142
Total Parks	<u>\$ 78,775</u>	<u>\$ 78,775</u>	<u>\$ 80,177</u>	<u>\$ (1,402)</u>	<u>\$ 75,899</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 49	\$ 51	\$ 51
Repairs and maintenance	16,500	16,500	16,388	112	10,378
Other	9,000	9,000	8,955	45	8,375
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>25,392</u>	<u>208</u>	<u>18,804</u>
Senior Citizens Center					
Insurance	820	820	318	502	398
Utilities	8,000	8,000	6,544	1,456	7,191
Repairs and maintenance	1,500	1,500	1,145	355	138
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>8,007</u>	<u>2,313</u>	<u>7,727</u>
Total Parks and Recreation	<u>390,405</u>	<u>390,405</u>	<u>391,987</u>	<u>(1,582)</u>	<u>371,448</u>
TOTAL EXPENDITURES	<u>1,385,070</u>	<u>1,385,070</u>	<u>1,382,194</u>	<u>2,876</u>	<u>1,354,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,737)</u>	<u>(143,737)</u>	<u>(57,040)</u>	<u>86,697</u>	<u>(76,677)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	136,500	136,500	126,500	(10,000)	126,500
Transfers out	<u>(15,200)</u>	<u>(15,200)</u>	<u>(15,200)</u>		<u>(15,200)</u>
Total Other Financing Sources (Uses)	<u>121,300</u>	<u>121,300</u>	<u>111,300</u>	<u>(10,000)</u>	<u>111,300</u>
Net change in fund balances	(22,437)	(22,437)	54,260	76,697	34,623
FUND BALANCES, beginning	<u>661,748</u>	<u>661,748</u>	<u>661,748</u>		<u>627,125</u>
FUND BALANCES, ending	<u>\$ 639,311</u>	<u>\$ 639,311</u>	<u>\$ 716,008</u>	<u>\$ 76,697</u>	<u>\$ 661,748</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 33,497	\$ 33,497	\$ 34,252	\$ 755	\$ 33,855
Intergovernmental Revenues					
City of Rochester					199,951
Interest Income	3,128	3,128	2,410	(718)	2,766
Loan Repayment	17,239	17,239	34,631	17,392	43,828
TOTAL REVENUES	<u>53,864</u>	<u>53,864</u>	<u>71,293</u>	<u>17,429</u>	<u>280,400</u>
EXPENDITURES					
Economic Development					
Professional services	35,460	35,460	33,360	2,100	39,946
Revolving loans			125,992	(125,992)	151,582
Permit reimbursement			47,590	(47,590)	51,428
Debt service			8,426	(8,426)	8,476
Other	8,427	8,427	413	8,014	
TOTAL EXPENDITURES	<u>43,887</u>	<u>43,887</u>	<u>215,781</u>	<u>(171,894)</u>	<u>251,432</u>
Excess (deficiency) of revenues over (under) expenditures			(144,488)	(154,465)	28,968
OTHER FINANCING SOURCES					
Transfers in			25,300	25,300	
Net change in fund balances	9,977	9,977	(119,188)	(129,165)	28,968
FUND BALANCES, beginning	<u>314,322</u>	<u>314,322</u>	<u>314,322</u>		<u>285,354</u>
FUND BALANCES, ending	<u>\$ 324,299</u>	<u>\$ 324,299</u>	<u>\$ 195,134</u>	<u>\$ (129,165)</u>	<u>\$ 314,322</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2015
With Comparative Totals for December 31, 2014

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 930,707	\$ 431,226	\$ 190,764	\$ 80,712
Emergency cash reserve	250,000			
Accrued interest receivable	6,046	871	66	
Accounts receivable, net	217,025	43,763	58,793	8,725
Grants receivable				
Accrued utility revenue	104,729	17,770	23,857	3,264
Special assessments-deferred		6,718	6,718	
Taxes receivable-delinquent				
Advances to other funds	70,000			
Inventory	305,683	18,659		
Prepaid expenses	70,269	2,456	1,135	
Total Current Assets	<u>1,954,459</u>	<u>521,463</u>	<u>281,333</u>	<u>92,701</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	10,501,759	5,371,903	3,643,468	896,500
Less: Accumulated depreciation	<u>3,777,427</u>	<u>2,198,659</u>	<u>1,109,677</u>	<u>118,702</u>
Net Capital Assets	<u>6,837,821</u>	<u>3,173,244</u>	<u>2,562,491</u>	<u>777,798</u>
Total Assets	<u>8,792,280</u>	<u>3,694,707</u>	<u>2,843,824</u>	<u>870,499</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>38,875</u>	<u>11,697</u>	<u>7,085</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,831,155</u>	<u>\$ 3,706,404</u>	<u>\$ 2,850,909</u>	<u>\$ 870,499</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 235,000	\$ 22,721	\$ 39,140	\$ 41,890
Accounts payable	39,888	19,915		
Customer deposits	20,475			
Accrued interest payable	3,962	14,399		
Total Current Liabilities	<u>299,325</u>	<u>57,035</u>	<u>39,140</u>	<u>41,890</u>
Noncurrent Liabilities				
Bonds payable, net of current maturities	1,545,000	487,902		
Net pension liability	277,665	83,568	50,671	
Less: Unamortized bond discount	<u>(15,531)</u>			
Total Noncurrent Liabilities	<u>1,807,134</u>	<u>571,470</u>	<u>50,671</u>	
Total Liabilities	<u>2,106,459</u>	<u>628,505</u>	<u>89,811</u>	<u>41,890</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	<u>27,578</u>	<u>8,301</u>	<u>4,933</u>	
NET POSITION				
Net investment in capital assets	5,073,352	2,662,621	2,562,491	777,798
Unrestricted	<u>1,623,766</u>	<u>406,977</u>	<u>193,674</u>	<u>50,811</u>
Total Net Position	<u>6,697,118</u>	<u>3,069,598</u>	<u>2,756,165</u>	<u>828,609</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 8,831,155</u>	<u>\$ 3,706,404</u>	<u>\$ 2,850,909</u>	<u>\$ 870,499</u>

See Notes to the Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2015	2014
\$ 80,185	\$ 162,834	\$ 1,876,428	\$ 1,616,001
		250,000	250,000
	192	7,175	7,123
20,541	41,191	390,038	384,865
			24,163
6,022		155,642	150,807
		13,436	15,002
			5
		70,000	80,000
		324,342	376,741
	1,990	75,850	91,358
<u>106,748</u>	<u>206,207</u>	<u>3,162,911</u>	<u>2,996,065</u>
		142,189	142,189
	350,393	20,764,023	20,327,482
	267,946	7,472,411	7,029,974
	<u>82,447</u>	<u>13,433,801</u>	<u>13,439,697</u>
<u>106,748</u>	<u>288,654</u>	<u>16,596,712</u>	<u>16,435,762</u>
	7,815	65,472	
<u>\$ 106,748</u>	<u>\$ 296,469</u>	<u>\$ 16,662,184</u>	<u>\$ 16,435,762</u>
\$ 20,283	\$ 1,568	\$ 257,721	\$ 251,977
		162,684	359,808
		20,475	18,875
		18,361	20,910
<u>20,283</u>	<u>1,568</u>	<u>459,241</u>	<u>651,570</u>
		2,032,902	2,290,623
	53,159	465,063	
		(15,531)	(17,899)
	<u>53,159</u>	<u>2,482,434</u>	<u>2,272,724</u>
<u>20,283</u>	<u>54,727</u>	<u>2,941,675</u>	<u>2,924,294</u>
	5,279	46,091	
	82,447	11,158,709	10,914,996
<u>86,465</u>	<u>154,016</u>	<u>2,515,709</u>	<u>2,596,472</u>
<u>86,465</u>	<u>236,463</u>	<u>13,674,418</u>	<u>13,511,468</u>
<u>\$ 106,748</u>	<u>\$ 296,469</u>	<u>\$ 16,662,184</u>	<u>\$ 16,435,762</u>

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

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

For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 2,780,177	\$ 531,955	\$ 684,321	\$ 101,149
Operating Expenses				
Purchased utilities	1,102,184		425,665	
Salaries	340,902	101,627	61,899	
Employee benefits and retirement	153,233	44,031	24,574	
Gas and oil	4,301			
Generation fuel	21,166			
Supplies and minor equipment	12,432	26,556	6,306	
Professional services	41,924	40,047	7,247	2,125
Communication	6,058	6,528	2,548	
Transportation and training	10,197	3,186	3,115	
Printing and publishing				
Insurance	13,006	3,681	2,473	
Utilities	7,145	39,674	2,965	
Repairs and maintenance	112,043	35,608	15,471	
Depreciation and amortization	291,212	137,103	74,304	20,395
Bad debts	10,081			
Other	157,962	5,589	301	1,613
Total Operating Expenses	<u>2,283,846</u>	<u>443,630</u>	<u>626,868</u>	<u>24,133</u>
Operating Income (Loss)	<u>496,331</u>	<u>88,325</u>	<u>57,453</u>	<u>77,016</u>
Nonoperating Revenues (Expenses)				
Interest income	15,421	1,772	365	31
Availability charges				
Miscellaneous income	19,572	13,816	6,214	
Grant income				
Interest and fiscal charges	(52,578)	(17,403)		
Total Nonoperating Revenues (Expenses)	<u>(17,585)</u>	<u>(1,815)</u>	<u>6,579</u>	<u>31</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	478,746	86,510	64,032	77,047
Transfers out	(120,000)	(13,300)	(12,000)	
CHANGE IN NET POSITION	<u>358,746</u>	<u>73,210</u>	<u>52,032</u>	<u>77,047</u>
NET POSITION - BEGINNING, as originally stated	6,584,591	3,070,491	2,749,065	751,562
Restatement (Note 7)	(246,219)	(74,103)	(44,932)	
NET POSITION - BEGINNING, as restated	<u>6,338,372</u>	<u>2,996,388</u>	<u>2,704,133</u>	<u>751,562</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 6,697,118</u>	<u>\$ 3,069,598</u>	<u>\$ 2,756,165</u>	<u>\$ 828,609</u>

See Notes to the Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2015	2014
\$ 215,120	\$ 188,341	\$ 4,501,063	\$ 4,528,712
188,710		1,716,559	2,043,543
	74,761	579,189	561,889
	20,309	242,147	184,039
		4,301	7,005
		21,166	24,997
	18,576	63,870	58,134
	10,642	101,985	101,226
	2,633	17,767	17,071
	13,717	30,215	20,789
	2,077	21,237	29,849
		49,784	58,138
	10,049	173,171	159,623
	31,545	554,559	523,409
		10,081	5,703
19,369	7,751	192,585	127,873
208,079	192,060	3,778,616	3,923,288
7,041	(3,719)	722,447	605,424
54	548	18,191	32,780
			5,280
	16,883	56,485	59,868
			26,163
		(69,981)	(79,099)
54	17,431	4,695	44,992
7,095	13,712	727,142	650,416
	(6,500)	(151,800)	(126,500)
7,095	7,212	575,342	523,916
79,370	276,389	13,511,468	12,987,552
	(47,138)	(412,392)	
79,370	229,251	13,099,076	12,987,552
\$ 86,465	\$ 236,463	\$ 13,674,418	\$ 13,511,468

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

For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,862,913	\$ 559,179	\$ 680,100	\$ 99,652
Access and other fees received	19,572	13,816	6,214	
Cash paid to suppliers and employees	(2,155,133)	(295,324)	(544,762)	38,041
Net Cash Provided By Operating Activities	727,352	277,671	141,552	137,693
Cash Flows From Noncapital Financing Activities				
Transfer out	(120,000)	(13,300)	(12,000)	
Net Cash Used In Noncapital Financing Activities	(120,000)	(13,300)	(12,000)	
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(304,204)	(208,930)	(65,476)	(64,925)
Advances (to) from other funds	10,000			
Principal payments on long-term debt	(230,000)	(21,977)		
Interest payments on long-term debt	(52,139)	(18,023)		
Net Cash Used In Capital and Related Financing Activities	(576,343)	(248,930)	(65,476)	(64,925)
Cash Flows From Investing Activities				
Investment income received	15,829	1,465	367	31
Net Cash Provided By Investing Activities	15,829	1,465	367	31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,838	16,906	64,443	72,799
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	883,869	414,320	126,321	7,913
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 930,707	\$ 431,226	\$ 190,764	\$ 80,712

See Notes to the Financial Statements

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2015	2014	2015	2014
\$ 212,880	\$ 198,537	\$ 4,613,261	\$ 4,531,377		
	16,883	56,485	59,868		
(205,834)	(156,972)	(3,319,984)	(3,471,773)		
<u>7,046</u>	<u>58,448</u>	<u>1,349,762</u>	<u>1,119,472</u>		
	(6,500)	(151,800)	(126,500)		
	(6,500)	(151,800)	(126,500)		
		(643,535)	(1,113,569)		
		10,000	10,000		
		(251,977)	(390,010)		
		(70,162)	(80,590)		
		(955,674)	(1,574,169)		
<u>54</u>	<u>393</u>	<u>18,139</u>	<u>31,493</u>		
<u>54</u>	<u>393</u>	<u>18,139</u>	<u>31,493</u>		
7,100	52,341	260,427	(549,704)		
<u>73,085</u>	<u>110,493</u>	<u>1,616,001</u>	<u>2,165,705</u>		
<u>\$ 80,185</u>	<u>\$ 162,834</u>	<u>\$ 1,876,428</u>	<u>\$ 1,616,001</u>		

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
Operating Income (Loss)	\$ 496,331	\$ 88,325	\$ 57,453	\$ 77,016
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	291,212	137,103	74,304	20,395
Bad debt expense	10,081			
Compost fees				
Miscellaneous nonoperating income	19,572	13,816	6,214	
Availability charges				
Loss on disposal of assets	68,561	26,311		
Change in net pension liability	20,149	6,069	3,587	
Grant income				
(Increase) Decrease In:				
Accounts receivable	2,494	913	(4,221)	(1,497)
Accrued interest receivable				
Inventory	52,533	(134)		
Prepaid items	15,834	(420)	(34)	
Increase (Decrease) In:				
Accounts and contracts payable	(251,015)	5,688	4,249	41,779
Customer deposits	1,600			
 Net Cash Provided By Operating Activities	 <u>\$ 727,352</u>	 <u>\$ 277,671</u>	 <u>\$ 141,552</u>	 <u>\$ 137,693</u>

See Notes to the Financial Statements

Waste Management		Ambulance	Totals	
			2015	2014
\$	7,041	\$ (3,719)	\$ 722,447	\$ 605,423
		31,545	554,559	523,409
			10,081	5,703
		16,883	56,485	59,868
				5,280
			94,872	10,298
		3,485	33,290	
				26,163
	(2,240)	10,196	5,645	(45,329)
			52,399	4,114
		128	15,508	(76,385)
	2,245	(70)	(197,124)	378
			1,600	550
<u>\$</u>	<u>7,046</u>	<u>\$ 58,448</u>	<u>\$ 1,349,762</u>	<u>\$ 1,119,472</u>

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The *EMS Building fund* accounts for the financial resources to be used for the EMS Building.

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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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

Cash and Investments

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance 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.

Special Assessments

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Tax Increment Districts

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

Inventory

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-term Obligations

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

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

Concentration of Credit Risk

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

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. 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

E. Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

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

B. Firemen's Relief Association of St. Charles

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2015, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$	1,541
Deposits		2,693,880
Certificates of deposit		957,871
U.S. Treasury Securities		200,845
Money Market Funds		<u>165,007</u>
Total Cash on Hand and Deposits	\$	<u>4,019,144</u>

Investments Authorized by Minnesota Statutes

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2015, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. Deferred Special Assessments Receivable

Deferred assessments receivable represent levies made on the property of owners benefited by public improvement projects. Assessments are payable over various periods and interest is charged at rates coinciding with improvement bonds. A summary of the deferred special assessments excluding interest charges, as of December 31, 2015 is as follows:

<u>General Fund</u>		
2005 Public Improvement Project		\$ 220
Total General Fund		<u>220</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>2,726</u>
<u>Enterprise Funds</u>		
Water Fund		6,718
Sewer Fund		<u>6,718</u>
Total Enterprise Funds		<u>13,436</u>
Total		<u>\$ 16,382</u>

C. Loans and Contracts Receivable

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

D. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2015 are as follows:

<u>Fund</u>	Winona County	Townships	Total
General	\$ 926	\$	\$ 926
Special Revenue	1,959	14,359	16,318
Debt Service	1,784		1,784
Capital Project	<u>2,352</u>		<u>2,352</u>
	<u>\$ 7,021</u>	<u>\$ 14,359</u>	<u>\$ 21,380</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,798,702		\$	\$ 1,798,702
Construction in process	13,234	2,306,250		2,319,484
Total capital assets, not being depreciated	1,811,936	2,306,250		4,118,186
Capital assets, being depreciated:				
Buildings	4,392,269		355,318	4,036,951
Infrastructure	5,844,914	122,672		5,967,586
Machinery and equipment	2,523,514	121,786	38,576	2,606,724
Total capital assets, being depreciated	12,760,697	244,458	393,894	12,611,261
Less accumulated depreciation for:				
Buildings	2,419,308	130,065	342,113	2,207,260
Infrastructure	1,250,570	181,262		1,431,832
Machinery and equipment	2,055,004	122,412	38,576	2,138,840
Total accumulated depreciation	5,724,882	433,739	380,689	5,777,932
Total capital assets, being depreciated, net	7,035,815	(189,281)	13,205	6,833,329
Governmental activities capital assets, net	<u>\$ 8,847,751</u>	<u>\$ 2,116,969</u>	<u>\$ 13,205</u>	<u>\$ 10,951,515</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 142,189	\$	\$	\$ 142,189
Total capital assets, not being depreciated	142,189			142,189
Capital assets, being depreciated:				
Buildings and improvements	6,127,824	30,594		6,158,418
Machinery and equipment	14,199,659	612,941	206,994	14,605,606
Total capital assets, being depreciated	20,327,483	643,535	206,994	20,764,024
Less accumulated depreciation for:				
Buildings and improvements	1,410,680	85,642		1,496,322
Machinery and equipment	5,619,295	468,917	112,122	5,976,090
Total accumulated depreciation	7,029,975	554,559	112,122	7,472,412
Total capital assets, being depreciated, net	13,297,508	88,976	94,872	13,291,612
Business-type activities capital assets, net	<u>\$ 13,439,697</u>	<u>\$ 88,976</u>	<u>\$ 94,872</u>	<u>\$ 13,433,801</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. *Capital Assets (continued)*

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 54,754
Public safety	53,302
Public works	202,334
Library	28,418
Parks and recreation	<u>94,931</u>
Total depreciation expense - governmental activities	<u><u>\$ 433,739</u></u>
 Business-Type Activities:	
Electric	\$ 291,212
Water	137,103
Sewer	74,304
Storm water drainage	20,395
Ambulance	<u>31,545</u>
Total depreciation expense - business-type activities	<u><u>\$ 554,559</u></u>

F. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2015, 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	\$ 83,436	\$
Special Revenue:		
Celebration		966
Capital Project:		
Tax Increment District #8		10,496
Tax Increment District #7		<u>71,974</u>
	<u>\$ 83,436</u>	<u>\$ 83,436</u>
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Capital Projects:		
Capital Improvements	\$ 196,427	\$ 70,000
I-90 Construction		196,427
Enterprise Funds:		
Electric	<u>70,000</u>	
Total Advances	<u><u>\$ 266,427</u></u>	<u><u>\$ 266,427</u></u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (continued)

Transfers during the year ended December 31, 2015 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 126,500	\$ 15,200
Special Revenue:		
Library	15,200	
Economic Development	25,300	
Advertising	2,200	
Volunteer Fire Department		16,986
Debt Service:		
Fire Tanker Truck Loan	14,786	
Enterprise:		
Electric		120,000
Water		13,300
Sewer		12,000
Ambulance		6,500
Total Transfers	<u>\$ 183,986</u>	<u>\$ 183,986</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2015 are as follows:

Special Revenue Funds	
Economic Development	\$ 171,894
Library	1,216
Volunteer Fire Department	641
Enterprise Funds	
Waste Management	12,544
Ambulance	25,960

All excess expenditures were the result of planned processes.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 1,882,400		\$ 168,023	\$ 1,714,377	\$ 167,279
2015A GO Bonds (3.0 - 3.75%)		\$ 2,300,000		2,300,000	
Less: Unamortized Discount	(25,090)	(899)	(1,010)	(24,979)	
Notes payable:					
2010 Tanker Truck Loan (4.25%)	14,173		14,173		
2012 Installment Promissory Note - Winona County (2.0%)	37,490		7,734	29,756	7,903
Long-term Liabilities	<u>1,923,146</u>	<u>2,299,101</u>	<u>188,920</u>	<u>4,019,154</u>	<u>175,182</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	532,600		21,977	510,623	22,721
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	2,010,000		230,000	1,780,000	235,000
Less: Unamortized Discount	(17,899)		(2,368)	(15,531)	
Long-term Liabilities	<u>2,524,701</u>		<u>249,609</u>	<u>2,275,092</u>	<u>257,721</u>
Total	<u>\$ 4,447,847</u>	<u>\$ 2,299,101</u>	<u>\$ 438,529</u>	<u>\$ 6,294,246</u>	<u>\$ 432,903</u>

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015, 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>						
2016	\$ 167,279	\$ 134,458			\$ 7,903	\$ 523
2017	236,557	120,899			8,063	364
2018	240,717	115,639			8,226	201
2019	254,896	109,558			5,564	42
2020	259,046	102,674				
2021-2041	2,855,882	1,014,628				
Totals	<u>\$ 4,014,377</u>	<u>\$ 1,597,856</u>			<u>\$ 29,756</u>	<u>\$ 1,130</u>
<u>Business-Type Activities</u>						
2016	\$ 22,721	\$ 17,279	\$ 235,000	\$ 47,540		
2017	23,443	16,557	240,000	42,840		
2018	24,283	15,717	245,000	37,440		
2019	25,104	14,896	250,000	31,316		
2020	25,954	14,046	260,000	24,440		
2021-2032	389,118	90,882	550,000	25,179		
Totals	<u>\$ 510,623</u>	<u>\$ 169,377</u>	<u>\$ 1,780,000</u>	<u>\$ 208,755</u>		

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

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

Municipal Development District No. 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.

	Municipal District #6	Municipal District #7	Municipal District #8
Original gross tax capacity, including modifications	\$ 822	\$ 9,043	\$ 7,428
Current gross tax capacity	20,364	20,605	7,428
Captured gross tax capacity Retained by authority	19,542	11,562	-

H. Fund Equity

	Committed Fund Balance				Total
	Fund 34 Economic Development	Fund 25 Capital Improvement	Fund 27 Emergency Management Services	Fund 40 Parkland Dedication	
Committed					
Economic Development					
CIP Projects	\$ 195,134				\$ 195,134
Capital Project		101,729			101,729
Emergency Management					
CIP Projects			8,982		8,982
Parkland Dedication					
CIP Projects				74,691	74,691
	<u>\$ 195,134</u>	<u>\$ 101,729</u>	<u>\$ 8,982</u>	<u>\$ 74,691</u>	<u>\$ 380,536</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (GERF) - All full-time and certain part-time employees of the City of Houston are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF) - The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (continued)

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$61,140. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City's was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$42,454. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$720,370 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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 proportion 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0149% at the end of the measurement period and .0139% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$84,280 for its proportionate share of the GERF's pension expense.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (continued)

At December 31, 2015, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 36,319
Difference between projected and actual investment earnings	68,194	
Changes in proportion		35,231
Contributions paid to PERA subsequent to the measurement date	<u>32,946</u>	
Total	<u>\$ 101,140</u>	<u>\$ 71,550</u>

Included in deferred outflows of resources related to pensions is \$32,946 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ (6,801)
2017	(6,801)
2018	(6,801)
2019	17,047

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$284,059 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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 proportion 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .024% at the end of the measurement period and .025% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$50,750 for its proportionate share of the PEPFF's pension expense. The City also recognized \$2,250 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (continued)

At December 31, 2015, the City reported its proportionate share of the PEPFF'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	\$	\$ 46,065
Difference between projected and actual investment earnings	49,494	
Changes in proportion	9,000	
Contributions paid to PERA subsequent to the measurement date	23,606	
Total	<u>\$ 82,100</u>	<u>\$ 46,065</u>

Included in deferred outflows of resources related to pensions is \$23,606 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	Pension Expense Amount
2016	\$ 4,960
2017	4,960
2018	4,960
2019	4,961
2020	(7,413)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%	Per year
Active Member Payroll Growth	3.50%	Per year
Investment Rate of Return	7.90%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (continued)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GEF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. 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 on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 THE 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERF net pension liability	\$ 553,633	\$ 284,059	\$ 61,343
City's proportionate share of the PEPFF net pension liability	1,132,678	720,370	379,867
	<u>\$ 1,686,311</u>	<u>\$ 1,004,429</u>	<u>\$ 441,210</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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

5. Defined Benefit Pension Plans – Volunteer Fire Relief Association

Plan Description

The City contributes to the St. Charles Volunteer Firefighter's Relief Association ("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, 2015, the plan covered 29 active firefighters.

Benefits Provided

Volunteer firefighters of the City are members of the Association. Association members are eligible to receive a lump sum pension benefit of \$1,800 per person per year of service 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 \$34,462 in state aid to the plan on behalf of the Association for the year ended December 31, 2015, which was recorded as revenue. The City's made voluntary contributions of \$7,000 to the plan.

Pension Costs

At December 31, 2015, the City reported a net pension asset of \$262,751 for the plan. The net pension asset was measured as of December 31, 2015. 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, 2015. 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 12/31/14	\$ 540,996	\$ 821,026	\$ (280,030)
Changes for the Year:			
Service cost	24,959		24,959
Interest on pension liability	35,688		35,688
Net investment income		5,506	(5,506)
Contributions (Employer)		7,000	(7,000)
Contributions (State)		34,462	(34,462)
Benefit Payouts	(74,500)	(74,500)	
Administrative Fee		(3,600)	3,600
Net Changes	(13,853)	(31,132)	17,279
Balance End of Year 12/31/15	<u>\$ 527,143</u>	<u>\$ 789,894</u>	<u>\$ (262,751)</u>

For the year ended December 31, 2015, the City recognized pension expense of \$7,000.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

At December 31, 2015, 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 projected and actual investment earnings	\$ 36,951	\$
Total	<u>\$ 36,951</u>	<u>\$</u>

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

<u>Year December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 9,238
2017	9,238
2018	9,238
2019	9,237

Actuarial Assumptions

The total pension liability at December 31, 2015, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.75%
- Cost of living increases 2.75%

There were no changes in actuarial assumptions in 2015.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 247,857	\$ 262,751	\$ 277,295

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.

Asset Allocation:

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

Asset Class	Allocation	Long-Term Expected Real Rate of Return	Long Term Expected Nominal Rate of Return
Domestic equity	62.57%	5.25%	8.00%
International equity	12.88%	5.25%	8.00%
Fixed income	10.84%	1.75%	4.50%
Real estate and alternatives	1.84%	3.75%	6.50%
Cash and equivalents	11.87%	0.25%	3.00%
Total	100%		7.00%
Reduced for assumed investment expense			-0.20%
Net assumed investment return (weighted avg, rounded to 1/4%)			6.75%

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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, 2014, is available in a separately-issued financial report that includes financial statements and required supplementary information.

6. Commitments and Contingencies

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Changes in Accounting Standards

During the Year Ended December 31, 2015, the City implemented Governmental Accounting Standards (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Restatement of all prior periods presented is not practical, therefore the cumulative effect of applying this statement is reported as a restatement of beginning net position for the current period.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

<u>Activities/Fund</u>	<u>Net Position December 31, 2014 as Previously Reported</u>	<u>Restatement for Net Pension Liability</u>	<u>Net Position December 31, 2014 as Restated</u>
Governmental Activities	\$ 8,507,957	\$ (143,448)	\$ 8,364,509
Business Type Activities	13,511,468	(412,392)	13,099,076
Proprietary Funds:			
Ambulance	276,389	(47,138)	229,251
Waste Management	79,370		79,370
Electric	6,584,591	(246,219)	6,338,372
Water	3,070,491	(74,103)	2,996,388
Sewer	2,749,065	(44,932)	2,704,133
Storm Water	751,562		751,562
Total Proprietary Funds	13,511,468	(412,392)	13,099,076

**CITY OF ST. CHARLES, MINNESOTA,
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

CITY OF ST. CHARLES, MINNESOTA
Schedules of City Contributions
December 31, 2015

Schedule of City Contributions
PERA General Employees Retirement Fund

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 56,648	\$ 56,648	\$	\$ 788,876	7.2%
2015	60,090	60,090		837,459	7.2%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee {Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 32,175	\$ 32,175	\$	\$ 218,695	14.7%
2015	36,291	36,291		236,990	15.3%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF ST. CHARLES, MINNESOTA
Schedules of Proportionate Share of Net Pension Liability
December 31, 2015

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered-Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0149%	\$ 699,927	\$ 788,876	88.7%	78.7%
2015	0.0139%	720,370	837,459	86.0%	78.2%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered-Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.024%	\$ 259,210	\$ 218,695	118.5%	87.1%
2015	0.025%	284,059	236,990	119.9%	86.6%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF ST. CHARLES, , MINNESOTA
Schedule of Funding Progress for the Fire Relief Association
December 31, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Valuation of Plan Assets (a)</u>	<u>Actuarial Valuation of Plan Assets (b)</u>	<u>Net Pension Liability (Asset) (a-b)</u>
12/31/2014	\$ 540,996	\$ 821,026	\$ (280,030)
12/31/2015	527,143	789,894	(262,751)

CITY OF ST. CHARLES, MINNESOTA
Schedule of Employer Contributions
December 31, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contributions:	\$	\$
Actual contributions paid	<u>(7,000)</u>	<u>(7,000)</u>
Contributions Deficiency/(excess)	<u>\$ (7,000)</u>	<u>\$ (7,000)</u>

CITY OF ST. CHARLES, MINNESOTA

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015**

	Special Revenue					Debt Service	
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck
ASSETS							
Cash and investments	\$ 3		\$ 1,388	\$ 208,097	\$ 8,897	\$ 218,385	\$
Accrued interest receivable				229		229	
Accounts receivable			457	6,020		6,477	
Prepaid items	175		756	2,785		3,716	
Taxes receivable - delinquent	152	49	771	506	79	1,557	
Due from other governmental units	165	53	832	14,905	85	16,040	
TOTAL ASSETS	<u>\$ 495</u>	<u>\$ 102</u>	<u>\$ 4,204</u>	<u>\$ 232,542</u>	<u>\$ 9,061</u>	<u>\$ 246,404</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 2,264	\$ 136	\$ 1,663	\$ 4,811		\$ 8,874	\$
Due to other funds		966				966	
Total Liabilities	<u>2,264</u>	<u>1,102</u>	<u>1,663</u>	<u>4,811</u>		<u>9,840</u>	
Deferred Inflows of Resources:							
Unavailable revenue							
Property taxes	152	49	771	506	79	1,557	
Total Deferred Inflows of Resources	<u>152</u>	<u>49</u>	<u>771</u>	<u>506</u>	<u>79</u>	<u>1,557</u>	
Fund Balance							
Nonspendable:							
Prepaid items	175		756	2,785		3,716	
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects					8,982	8,982	
Assigned			1,014	224,440		225,454	
Unassigned	(2,096)	(1,049)				(3,145)	
Total Fund Balance	<u>(1,921)</u>	<u>(1,049)</u>	<u>1,770</u>	<u>227,225</u>	<u>8,982</u>	<u>235,007</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 495</u>	<u>\$ 102</u>	<u>\$ 4,204</u>	<u>\$ 232,542</u>	<u>\$ 9,061</u>	<u>\$ 246,404</u>	<u>\$</u>

Debt Service			Capital Projects				Total	Total Nonmajor Governmental Funds
<u>60</u> 2011A 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>42</u> Tax Increment District #8 Fund		
\$ 169,865	\$ 73,075	\$ 242,940	\$ 45,919	\$ 74,691	\$	\$	\$ 120,610	\$ 581,935
								229
								6,477
								3,716
1,652		1,652						3,209
1,784		1,784						17,824
<u>\$ 173,301</u>	<u>\$ 73,075</u>	<u>\$ 246,376</u>	<u>\$ 45,919</u>	<u>\$ 74,691</u>	<u>\$</u>	<u>\$</u>	<u>\$ 120,610</u>	<u>\$ 613,390</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$ 8,874
					71,974	10,496	82,470	83,436
					71,974	10,496	82,470	92,310
1,652		1,652						3,209
1,652		1,652						3,209
								3,716
171,649	73,075	244,724						244,724
			45,919				45,919	45,919
				74,691			74,691	83,673
								225,454
					(71,974)	(10,496)	(82,470)	(85,615)
<u>171,649</u>	<u>73,075</u>	<u>244,724</u>	<u>45,919</u>	<u>74,691</u>	<u>(71,974)</u>	<u>(10,496)</u>	<u>38,140</u>	<u>517,871</u>
<u>\$ 173,301</u>	<u>\$ 73,075</u>	<u>\$ 246,376</u>	<u>\$ 45,919</u>	<u>\$ 74,691</u>	<u>\$</u>	<u>\$</u>	<u>\$ 120,610</u>	<u>\$ 613,390</u>

**CITY OF ST. CHARLES, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2015**

	Special Revenue					Debt Service	
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck
REVENUES							
Property tax levy							
Property tax collected	\$ 20,367	\$ 6,535	\$ 103,058	\$ 67,678	\$ 10,514	\$ 208,152	\$
Tax increments							
Intergovernmental			28,437	33,462		61,899	
Charges for services				45,425		45,425	
Interest income				607	1	608	
Donations	1,721	11,105	3,934	21,500		38,260	
Miscellaneous			2,575	300		2,875	
TOTAL REVENUES	<u>22,088</u>	<u>17,640</u>	<u>138,004</u>	<u>168,972</u>	<u>10,515</u>	<u>357,219</u>	
EXPENDITURES							
Current:							
General government	25,140	19,056				44,196	
Public safety				122,291	2,450	124,741	
Library			153,936			153,936	
Principal retirement							14,172
Interest and fiscal charges							614
Capital outlay							
TOTAL EXPENDITURES	<u>25,140</u>	<u>19,056</u>	<u>153,936</u>	<u>122,291</u>	<u>2,450</u>	<u>322,873</u>	<u>14,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,052)</u>	<u>(1,416)</u>	<u>(15,932)</u>	<u>46,681</u>	<u>8,065</u>	<u>34,346</u>	<u>(14,786)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds							
Transfer in	2,200		15,200			17,400	14,786
Transfer out				(16,986)		(16,986)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,200</u>		<u>15,200</u>	<u>(16,986)</u>		<u>414</u>	<u>14,786</u>
Net change in fund balances	(852)	(1,416)	(732)	29,695	8,065	34,760	
FUND BALANCES, beginning	<u>(1,069)</u>	<u>367</u>	<u>2,502</u>	<u>197,530</u>	<u>917</u>	<u>200,247</u>	
FUND BALANCES, ending	<u>\$ (1,921)</u>	<u>\$ (1,049)</u>	<u>\$ 1,770</u>	<u>\$ 227,225</u>	<u>\$ 8,982</u>	<u>\$ 235,007</u>	<u>\$</u>

Debt Service			Capital Projects					Total Nonmajor Governmental Funds
<u>60</u> 2011A 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>42</u> Tax Increment District #8 Fund	Total	
\$ 220,890	\$	\$ 220,890	\$ 18,662	\$	\$ 11,041	\$	\$ 29,703	\$ 429,042
								29,703
								61,899
								45,425
63	24	87	25	25			50	745
				75,186			75,186	113,446
								2,875
<u>220,953</u>	<u>24</u>	<u>220,977</u>	<u>18,687</u>	<u>75,211</u>	<u>11,041</u>		<u>104,939</u>	<u>683,135</u>
								44,196
								124,741
								153,936
168,023		182,195						182,195
51,442	750	52,806						52,806
			12,893	21,670	349		34,912	34,912
<u>219,465</u>	<u>750</u>	<u>235,001</u>	<u>12,893</u>	<u>21,670</u>	<u>349</u>		<u>34,912</u>	<u>592,786</u>
<u>1,488</u>	<u>(726)</u>	<u>(14,024)</u>	<u>5,794</u>	<u>53,541</u>	<u>10,692</u>		<u>70,027</u>	<u>90,349</u>
	73,801	73,801						73,801
		14,786						32,186
								(16,986)
	73,801	88,587						89,001
1,488	73,075	74,563	5,794	53,541	10,692		70,027	179,350
<u>170,161</u>		<u>170,161</u>	<u>40,125</u>	<u>21,150</u>	<u>(82,666)</u>	<u>(10,496)</u>	<u>(31,887)</u>	<u>338,521</u>
<u>\$ 171,649</u>	<u>\$ 73,075</u>	<u>\$ 244,724</u>	<u>\$ 45,919</u>	<u>\$ 74,691</u>	<u>\$ (71,974)</u>	<u>\$ (10,496)</u>	<u>\$ 38,140</u>	<u>\$ 517,871</u>

CITY OF ST. CHARLES, MINNESOTA
ADVERTISING FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 22,275	\$ 22,275	\$ 20,367	\$ (1,908)	\$ 20,488
Donations	3,000	3,000	1,721	(1,279)	1,500
TOTAL REVENUES	<u>25,275</u>	<u>25,275</u>	<u>22,088</u>	<u>(3,187)</u>	<u>21,988</u>
EXPENDITURES					
General Government					
Fireworks	8,000	8,000	9,047	(1,047)	8,318
City promotion	2,675	2,675	2,049	626	2,400
Board reimbursement annual events	2,100	2,100	1,408	692	3,286
Advertising	12,500	12,500	12,636	(136)	12,925
TOTAL EXPENDITURES	<u>25,275</u>	<u>25,275</u>	<u>25,140</u>	<u>135</u>	<u>26,929</u>
Excess (deficiency) of revenues over (under) expenditures			(3,052)	(3,052)	(4,941)
OTHER FINANCING SOURCES					
Transfers in			2,200	2,200	
Net change in fund balances			(852)	(852)	(4,941)
FUND BALANCES, beginning	<u>(1,069)</u>	<u>(1,069)</u>	<u>(1,069)</u>		<u>3,872</u>
FUND BALANCES, ending	<u>\$ (1,069)</u>	<u>\$ (1,069)</u>	<u>\$ (1,921)</u>	<u>\$ (852)</u>	<u>\$ (1,069)</u>

**CITY OF ST. CHARLES, MINNESOTA
CELEBRATION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 6,500	\$ 6,500	\$ 6,535	\$ 35	\$ 6,613
Donations	16,500	16,500	11,105	(5,395)	12,311
Interest income					6
TOTAL REVENUES	<u>23,000</u>	<u>23,000</u>	<u>17,640</u>	<u>(5,360)</u>	<u>18,930</u>
EXPENDITURES					
General Government					
Advertising	2,800	2,800	3,671	(871)	3,024
Dance	6,300	6,300	3,810	2,490	6,682
T-shirts	1,900	1,900	2,102	(202)	735
Rentals	3,700	3,700	940	2,760	3,000
Pageants	4,500	4,500	3,552	948	5,264
Other	3,800	3,800	4,981	(1,181)	4,180
TOTAL EXPENDITURES	<u>23,000</u>	<u>23,000</u>	<u>19,056</u>	<u>3,944</u>	<u>22,885</u>
Net change in fund balances			(1,416)	(1,416)	(3,955)
FUND BALANCES, beginning	<u>367</u>	<u>367</u>	<u>367</u>		<u>4,322</u>
FUND BALANCES, ending	<u>\$ 367</u>	<u>\$ 367</u>	<u>\$ (1,049)</u>	<u>\$ (1,416)</u>	<u>\$ 367</u>

CITY OF ST. CHARLES, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 102,638	\$ 102,638	\$ 103,058	\$ 420	\$ 97,786
Intergovernmental Revenues					
Library aid	27,682	27,682	28,437	755	28,069
Intergovernmental Revenues	27,682	27,682	28,437	755	28,069
Donations					
	3,500	3,500	3,934	434	3,595
Miscellaneous					
Fines	2,000	2,000	1,385	(615)	1,638
Book sales			122	122	86
Copy machines	1,000	1,000	1,064	64	1,006
Other	700	700	4	(696)	88
Total Miscellaneous Revenues	3,700	3,700	2,575	(1,125)	2,818
TOTAL REVENUES	137,520	137,520	138,004	484	132,268
EXPENDITURES					
Library					
Salaries	68,630	68,630	68,550	80	67,506
Employee benefits and retirement	35,100	35,100	31,886	3,214	30,636
Supplies and minor equipment	2,540	2,540	2,299	241	1,954
Professional services	9,500	9,500	9,003	497	8,719
Communications	1,200	1,200	1,525	(325)	1,316
Transportation and training	750	750	1,075	(325)	824
Insurance	3,000	3,000	1,922	1,078	2,148
Utilities	8,000	8,000	11,439	(3,439)	12,122
Repairs and maintenance	7,000	7,000	6,113	887	7,367
Other	1,000	1,000	1,150	(150)	1,041
Capital outlay	16,000	16,000	18,974	(2,974)	16,142
TOTAL EXPENDITURES	152,720	152,720	153,936	(1,216)	149,775
Excess (deficiency) of revenues over (under) expenditures	(15,200)	(15,200)	(15,932)	(732)	(17,507)
OTHER FINANCING SOURCES					
Transfers in	15,200	15,200	15,200		15,200
Net change in fund balances			(732)	(732)	(2,307)
FUND BALANCES, beginning	2,502	2,502	2,502		4,809
FUND BALANCES, ending	\$ 2,502	\$ 2,502	\$ 1,770	\$ (732)	\$ 2,502

CITY OF ST. CHARLES, MINNESOTA
VOLUNTEER FIRE DEPARTMENT FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 67,400	\$ 67,400	\$ 67,678	\$ 278	\$ 66,253
Intergovernmental Revenues					
State fire aid	21,000	21,000	33,462	12,462	32,478
Charges for Services					
Other local governments	32,114	32,114	31,935	(179)	33,249
Fire calls	11,500	11,500	13,490	1,990	15,145
Interest income	1,500	1,500	607	(893)	633
Donations			21,500	21,500	14,225
Miscellaneous Revenues	3,000	3,000	300	(2,700)	501
TOTAL REVENUES	<u>136,514</u>	<u>136,514</u>	<u>168,972</u>	<u>32,458</u>	<u>162,484</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	20,990	(2,990)	19,950
Employee benefits and retirement	6,900	6,900	7,300	(400)	7,028
Supplies and minor equipment	18,450	18,450	16,854	1,596	14,274
Professional services	3,000	3,000	1,799	1,201	1,912
Communication	2,000	2,000	2,104	(104)	1,706
Transportation and training	9,300	9,300	4,426	4,874	7,827
Insurance	9,500	9,500	4,116	5,384	5,437
Utilities	5,500	5,500	3,010	2,490	5,638
Capital outlay	4,800	4,800	2,867	1,933	14,670
Repairs and maintenance	13,500	13,500	11,345	2,155	10,973
Fire relief payment	28,000	28,000	40,462	(12,462)	39,478
Other	2,700	2,700	7,018	(4,318)	4,829
TOTAL EXPENDITURES	<u>121,650</u>	<u>121,650</u>	<u>122,291</u>	<u>(641)</u>	<u>133,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,864</u>	<u>14,864</u>	<u>46,681</u>	<u>31,817</u>	<u>28,762</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(14,786)</u>	<u>(14,786)</u>	<u>(16,986)</u>	<u>(2,200)</u>	<u>(14,786)</u>
Net change in fund balances	78	78	29,695	29,617	13,976
FUND BALANCES, beginning	<u>197,530</u>	<u>197,530</u>	<u>197,530</u>		<u>183,554</u>
FUND BALANCES, ending	<u>\$ 197,608</u>	<u>\$ 197,608</u>	<u>\$ 227,225</u>	<u>\$ 29,617</u>	<u>\$ 197,530</u>

CITY OF ST. CHARLES, MINNESOTA
EMERGENCY MANAGEMENT SERVICES
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 10,500	\$ 10,500	\$ 10,514	\$ 14	\$ 10,486
Interest Income			1	1	
TOTAL REVENUES	<u>10,500</u>	<u>10,500</u>	<u>10,515</u>	<u>15</u>	<u>10,486</u>
EXPENDITURES					
Public Safety					
Supplies and minor equipment	5,000	5,000		5,000	
Professional services	5,000	5,000	2,450	2,550	2,450
Other	500	500	0	500	1,875
TOTAL EXPENDITURES	<u>10,500</u>	<u>10,500</u>	<u>2,450</u>	<u>8,050</u>	<u>4,325</u>
Net change in fund balances			8,065	8,065	6,161
FUND BALANCES, beginning	<u>917</u>	<u>917</u>	<u>917</u>		<u>(5,244)</u>
FUND BALANCES, ending	<u>\$ 917</u>	<u>\$ 917</u>	<u>\$ 8,982</u>	<u>\$ 8,065</u>	<u>\$ 917</u>

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
ELECTRIC FUND
Statement of Net Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 930,707	\$ 883,869
Emergency cash reserve	250,000	250,000
Accrued interest receivable	6,046	6,454
Accounts receivable, net	217,025	231,330
Accrued utility revenue	104,729	102,999
Advances to other funds	70,000	80,000
Inventory	305,683	358,216
Prepaid expenses	70,269	86,103
Total Current Assets	1,954,459	1,998,971
Capital Assets		
Nondepreciable	113,489	113,489
Depreciable	10,501,759	10,329,322
Less: Accumulated depreciation	3,777,427	3,549,421
Capital Assets, Net	6,837,821	6,893,390
Total Assets	8,792,280	8,892,361
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	38,875	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,831,155	\$ 8,892,361
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 235,000	\$ 230,000
Accounts payable	39,888	290,903
Customer deposits	20,475	18,875
Accrued interest payable	3,962	5,891
Total Current Liabilities	299,325	545,669
Noncurrent Liabilities		
Bonds payable, net of current maturities	1,545,000	1,780,000
Net pension liability	277,665	
Less: Unamortized bond discount	(15,531)	(17,899)
Total Noncurrent Liabilities	1,807,134	1,762,101
Total Liabilities	2,106,459	2,307,770
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	27,578	
NET POSITION		
Net investment in capital assets	5,073,352	4,901,289
Unrestricted	1,623,766	1,683,302
Total Net Position	6,697,118	6,584,591
TOTAL LIABILITIES AND NET POSITION	\$ 8,831,155	\$ 8,892,361

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
ELECTRIC FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,890,000	\$ 2,890,000	\$ 2,780,177	\$ (109,823)	\$ 2,863,387
Operating Expenses					
Purchased utilities	1,500,000	1,500,000	1,102,184	397,816	1,452,301
Salaries	347,700	347,700	340,902	6,798	337,454
Employee benefits and retirement	139,790	139,790	153,233	(13,443)	115,924
Gas and oil	9,500	9,500	4,301	5,199	7,005
Generation fuel	40,000	40,000	21,166	18,834	24,997
Supplies and minor equipment	11,850	11,850	12,432	(582)	9,788
Professional services	31,000	31,000	41,924	(10,924)	52,658
Communication	7,000	7,000	6,058	942	6,014
Transportation and training	10,000	10,000	10,197	(197)	7,616
Printing and publishing	1,100	1,100		1,100	
Insurance	22,000	22,000	13,006	8,994	18,053
Utilities	5,000	5,000	7,145	(2,145)	6,018
Repairs and maintenance	271,000	271,000	112,043	158,957	116,521
Depreciation and amortization	230,000	230,000	291,212	(61,212)	273,745
Bad debts			10,081	(10,081)	4,997
Other	96,500	96,500	157,962	(61,462)	97,847
Total Operating Expenses	2,722,440	2,722,440	2,283,846	438,594	2,530,938
Operating Income	167,560	167,560	496,331	328,771	332,449
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	15,421	5,421	28,515
Miscellaneous income	25,000	25,000	19,572	(5,428)	8,344
Interest and fiscal charges	(53,090)	(53,090)	(52,578)	512	(60,145)
Total Nonoperating Revenues (Expenses)	(18,090)	(18,090)	(17,585)	505	(23,286)
INCOME BEFORE TRANSFERS	149,470	149,470	478,746	329,276	309,163
Transfers in	10,000	10,000		(10,000)	
Transfers out	(120,000)	(120,000)	(120,000)		(120,000)
CHANGE IN NET POSITION	39,470	39,470	358,746	319,276	189,163
TOTAL NET POSITION - BEGINNING, as originally stated	6,584,591	6,584,591	6,584,591		6,395,428
Restatement (Note 7)			(246,219)	(246,219)	
TOTAL NET POSITION - BEGINNING, as restated	6,584,591	6,584,591	6,338,372	(246,219)	6,395,428
TOTAL NET POSITION - END OF YEAR	\$ 6,624,061	\$ 6,624,061	\$ 6,697,118	\$ 73,057	\$ 6,584,591

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WATER FUND
 Statement of Net Position
 December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 431,226	\$ 414,320
Accrued interest receivable	871	564
Accounts receivable, net	43,763	45,109
Accrued utility revenue	17,770	16,554
Special assessments-deferred	6,718	7,501
Inventory	18,659	18,525
Prepaid expenses	2,456	2,036
Total Current Assets	521,463	504,609
Capital Assets		
Depreciable	5,371,903	5,238,200
Less: Accumulated depreciation	2,198,659	2,110,472
Capital Assets, Net	3,173,244	3,127,728
Total Assets	3,694,707	3,632,337
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	11,697	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,706,404	\$ 3,632,337
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 22,721	\$ 21,977
Accounts payable	19,915	14,227
Accrued interest payable	14,399	15,019
Total Current Liabilities	57,035	51,223
Noncurrent Liabilities		
Bonds payable, net of current maturities	487,902	510,623
Net pension liability	83,568	
Total Noncurrent Liabilities	571,470	510,623
Total Liabilities	628,505	561,846
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	8,301	
NET POSITION		
Net investment in capital assets	2,662,621	2,595,128
Unrestricted	406,977	475,363
Total Net Position	3,069,598	3,070,491
TOTAL LIABILITIES AND NET POSITION	\$ 3,706,404	\$ 3,632,337

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 532,030	\$ 532,030	\$ 531,955	\$ (75)	\$ 514,499
Operating Expenses					
Salaries	105,670	105,670	101,627	4,043	95,832
Employee benefits and retirement	39,055	39,055	44,031	(4,976)	33,361
Supplies and minor equipment	32,000	32,000	26,556	5,444	23,122
Professional services	40,200	40,200	40,047	153	28,758
Communication	5,000	5,000	6,528	(1,528)	6,114
Transportation and training	4,000	4,000	3,186	814	1,451
Insurance	6,000	6,000	3,681	2,319	4,954
Utilities	50,000	50,000	39,674	10,326	48,018
Repairs and maintenance	210,900	210,900	35,608	175,292	24,453
Depreciation and amortization	21,977	21,977	137,103	(115,126)	128,952
Other	500	500	5,589	(5,089)	132
Total Operating Expenses	515,302	515,302	443,630	71,672	395,147
Operating Income	16,728	16,728	88,325	71,597	119,352
Nonoperating Revenues (Expenses)					
Interest income	2,000	2,000	1,772	(228)	2,770
Miscellaneous income	6,300	6,300	13,816	7,516	23,425
Interest and fiscal charges	(18,023)	(18,023)	(17,403)	620	(18,630)
Total Nonoperating Revenues (Expenses)	(9,723)	(9,723)	(1,815)	7,908	7,565
INCOME BEFORE TRANSFERS	7,005	7,005	86,510	79,505	126,917
Transfers out			(13,300)	(13,300)	
CHANGE IN NET POSITION	7,005	7,005	73,210	66,205	126,917
TOTAL NET POSITION - BEGINNING, as originally stated	3,070,491	3,070,491	3,070,491		2,943,574
Restatement (Note 7)			(74,103)	(74,103)	
TOTAL NET POSITION - BEGINNING, as restated	3,070,491	3,070,491	2,996,388	(74,103)	2,943,574
TOTAL NET POSITION - END OF YEAR	\$ 3,077,496	\$ 3,077,496	\$ 3,069,598	\$ (7,898)	\$ 3,070,491

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 SEWER FUND
 Statement of Net Position
 December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 190,764	\$ 126,321
Accrued interest receivable	66	68
Accounts receivable	58,793	55,131
Accrued utility revenue	23,857	22,515
Special assessments-deferred	6,718	7,501
Prepaid expenses	1,135	1,101
Total Current Assets	281,333	212,637
Capital Assets		
Nondepreciable	28,700	28,700
Depreciable	3,643,468	3,577,992
Less: Accumulated depreciation	1,109,677	1,035,373
Capital Assets, Net	2,562,491	2,571,319
Total Assets	2,843,824	2,783,956
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	7,085	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,850,909	\$ 2,783,956
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 39,140	\$ 34,891
Total Current Liabilities	39,140	34,891
Noncurrent Liabilities		
Net pension liability	50,671	
Total Liabilities	89,811	34,891
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	4,933	
NET POSITION		
Net investment in capital assets	2,562,491	2,571,319
Unrestricted	193,674	177,746
Total Net Position	2,756,165	2,749,065
TOTAL LIABILITIES AND NET POSITION	\$ 2,850,909	\$ 2,783,956

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 693,110	\$ 693,110	\$ 684,321	\$ (8,789)	\$ 688,878
Operating Expenses					
Purchased utilities	459,375	459,375	425,665	33,710	411,809
Salaries	71,235	71,235	61,899	9,336	55,117
Employee benefits and retirement	26,245	26,245	24,574	1,671	17,841
Supplies and minor equipment	6,400	6,400	6,306	94	3,405
Professional services	9,950	9,950	7,247	2,703	8,538
Communication	2,400	2,400	2,548	(148)	2,412
Transportation and training	3,500	3,500	3,115	385	790
Insurance	4,000	4,000	2,473	1,527	3,390
Utilities	4,000	4,000	2,965	1,035	4,102
Repairs and maintenance	92,000	92,000	15,471	76,529	10,738
Depreciation and amortization			74,304	(74,304)	72,546
Other	1,000	1,000	301	699	458
Total Operating Expenses	680,105	680,105	626,868	53,237	591,146
Operating Income	13,005	13,005	57,453	44,448	97,732
Nonoperating Revenues (Expenses)					
Interest income	1,000	1,000	365	(635)	729
Sewer availability charges					5,280
Miscellaneous income			6,214	6,214	7,550
Interest and fiscal charges					(324)
Total Nonoperating Revenues (Expenses)	1,000	1,000	6,579	5,579	13,235
INCOME BEFORE TRANSFERS	14,005	14,005	64,032	50,027	110,967
Transfers out			(12,000)	(12,000)	
CHANGE IN NET POSITION	14,005	14,005	52,032	38,027	110,967
TOTAL NET POSITION - BEGINNING, as originally stated	2,749,065	2,749,065	2,749,065		2,638,098
Restatement (Note 7)			(44,932)	(44,932)	
TOTAL NET POSITION - BEGINNING, as restated	2,749,065	2,749,065	2,704,133	(44,932)	2,638,098
TOTAL NET POSITION - END OF YEAR	\$ 2,763,070	\$ 2,763,070	\$ 2,756,165	\$ (6,905)	\$ 2,749,065

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Position
 December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 80,712	\$ 7,913
Accounts receivable	8,725	7,775
Accrued utility revenue	3,264	2,717
Total Current Assets	92,701	18,405
Capital Assets		
Depreciable	896,500	831,575
Less: Accumulated depreciation	118,702	98,307
Capital Assets, Net	777,798	733,268
Total Assets	\$ 870,499	\$ 751,673
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 41,890	\$ 111
NET POSITION		
Net investment in capital assets	777,798	733,268
Unrestricted	50,811	18,294
Total Net Position	828,609	751,562
TOTAL LIABILITIES AND NET POSITION	\$ 870,499	\$ 751,673

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2015
 With Comparative Totals for the Year Ended December 31, 2014**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 97,805	\$ 97,805	\$ 101,149	\$ 3,344	\$ 85,778
Operating Expenses					
Professional services	3,100	3,100	2,125	975	744
Depreciation			20,395	(20,395)	18,386
Repairs and maintenance	75,000	75,000	1,613	73,387	2,214
Total Operating Expenses	78,100	78,100	24,133	53,967	21,344
Operating Income	19,705	19,705	77,016	57,311	64,434
Nonoperating Revenues (Expenses)					
Interest income	400	400	31	(369)	46
CHANGE IN NET POSITION	20,105	20,105	77,047	56,942	64,480
TOTAL NET POSITION - BEGINNING OF YEAR	751,562	751,562	751,562		687,082
TOTAL NET POSITION - END OF YEAR	\$ 771,667	\$ 771,667	\$ 828,609	\$ 56,942	\$ 751,562

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Position
 December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 80,185	\$ 73,085
Accounts receivable	26,563	24,323
Total Assets	\$ 106,748	\$ 97,408
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 20,283	\$ 18,038
 NET POSITION		
Unrestricted	86,465	79,370
 TOTAL LIABILITIES AND NET POSITION	\$ 106,748	\$ 97,408

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Waste removal	\$ 196,875	\$ 196,875	\$ 201,588	\$ 4,713	\$ 188,913
Compost fees			13,532	13,532	13,179
Total Operating Revenues	<u>196,875</u>	<u>196,875</u>	<u>215,120</u>	<u>18,245</u>	<u>202,092</u>
Operating Expenses					
Waste Removal					
Garbage removal	188,935	188,935	188,710	225	179,433
City cleanup	5,000	5,000	11,407	(6,407)	6,755
Compost site expense			5,399	(5,399)	5,547
Other	1,600	1,600	2,563	(963)	2,062
Total Operating Expenses	<u>195,535</u>	<u>195,535</u>	<u>208,079</u>	<u>(12,544)</u>	<u>193,797</u>
Operating Income	<u>1,340</u>	<u>1,340</u>	<u>7,041</u>	<u>5,701</u>	<u>8,295</u>
Nonoperating Revenue					
Interest income	<u>500</u>	<u>500</u>	<u>54</u>	<u>(446)</u>	<u>135</u>
CHANGE IN NET POSITION	<u>1,840</u>	<u>1,840</u>	<u>7,095</u>	<u>5,255</u>	<u>8,430</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>79,370</u>	<u>79,370</u>	<u>79,370</u>		<u>70,940</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 81,210</u>	<u>\$ 81,210</u>	<u>\$ 86,465</u>	<u>\$ 5,255</u>	<u>\$ 79,370</u>

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 AMBULANCE FUND
 Statement of Net Position
 December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 162,834	\$ 110,493
Accrued interest receivable	192	37
Accounts receivable	41,191	27,219
Grants receivable		24,163
Taxes receivable - delinquent		5
Prepaid expense	1,990	2,118
Total Current Assets	206,207	164,035
Capital Assets		
Depreciable	350,393	350,393
Less: Accumulated depreciation	267,946	236,401
Capital Assets, Net	82,447	113,992
Total Assets	288,654	278,027
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	7,815	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 296,469	\$ 278,027
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,568	\$ 1,638
Total Current Liabilities	1,568	1,638
Noncurrent Liabilities		
Net pension liability	53,159	
Total Liabilities	54,727	1,638
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	5,279	
NET POSITION		
Investment in capital assets	82,447	113,992
Unrestricted	154,016	162,397
Total Net Position	236,463	276,389
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
	\$ 296,469	\$ 278,027

CITY OF ST. CHARLES, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position- Budget and Actual
For the Fiscal Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance service contracts	\$ 500	\$ 500	\$ 600	\$ 100	\$ 600
Ambulance fees	180,000	180,000	187,741	7,741	173,478
Total Operating Revenues	<u>180,500</u>	<u>180,500</u>	<u>188,341</u>	<u>7,841</u>	<u>174,078</u>
Operating Expenses					
Salaries	78,000	78,000	74,761	3,239	73,486
Employee benefits and retirement	18,600	18,600	20,309	(1,709)	16,913
Supplies and minor equipment	25,000	25,000	18,576	6,424	21,819
Professional services	12,000	12,000	10,642	1,358	10,528
Communication	3,000	3,000	2,633	367	2,531
Transportation and training	8,000	8,000	13,717	(5,717)	10,932
Insurance	3,000	3,000	2,077	923	3,452
Repairs and maintenance	12,500	12,500	10,049	2,451	7,911
Depreciation			31,545	(31,545)	29,780
Bad debts					706
Other	6,000	6,000	7,751	(1,751)	12,858
Total Operating Expenses	<u>166,100</u>	<u>166,100</u>	<u>192,060</u>	<u>(25,960)</u>	<u>190,916</u>
Operating Income (Loss)	<u>14,400</u>	<u>14,400</u>	<u>(3,719)</u>	<u>(18,119)</u>	<u>(16,838)</u>
Nonoperating Revenues (Expenses)					
Interest income	2,000	2,000	548	(1,452)	585
Donations			1,700	1,700	3,893
Miscellaneous	8,500	8,500	345	(8,155)	1,576
Calendar sales			14,838	14,838	15,080
SE MN EMS Grant					26,163
Total Nonoperating Revenues (Expenses)	<u>10,500</u>	<u>10,500</u>	<u>17,431</u>	<u>6,931</u>	<u>47,297</u>
INCOME BEFORE TRANSFERS	<u>24,900</u>	<u>24,900</u>	<u>13,712</u>	<u>(11,188)</u>	<u>30,459</u>
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>		<u>(6,500)</u>
CHANGE IN NET POSITION	<u>18,400</u>	<u>18,400</u>	<u>7,212</u>	<u>(11,188)</u>	<u>23,959</u>
TOTAL NET POSITION - BEGINNING, as originally stated	<u>276,389</u>	<u>276,389</u>	<u>276,389</u>		<u>252,430</u>
Restatement (Note 7)			<u>(47,138)</u>	<u>(47,138)</u>	
TOTAL NET POSITION - BEGINNING, as restated	<u>276,389</u>	<u>276,389</u>	<u>229,251</u>	<u>(47,138)</u>	<u>252,430</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 294,789</u>	<u>\$ 294,789</u>	<u>\$ 236,463</u>	<u>\$ (58,326)</u>	<u>\$ 276,389</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2015

CASH ON HAND

Change funds	\$	1,541
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CASH IN BANK

Bremer Bank

St. Charles, Minnesota:

General checking (.01%) and
savings (.25%)

2,368,541

Money Market (.31%)

325,339

INVESTMENTS

	Rate		Amount
<u>Merchants National Bank</u>			
Certificates of Deposit	0.40 - 0.80%	\$	187,523
<u>Wells Fargo</u>			
Municipal Bonds	1.48-1.95%		770,348
U.S. Government Securities	1.99-3.93%		200,845
Money Market Fund	0.01%		165,007

TOTAL INVESTMENTS

1,323,723

**TOTAL CASH AND INVESTMENTS,
December 31, 2015**

\$ 4,019,144

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2015**

\$2,329,755 G.O. Improvement and Refunding Bonds, Series 2011A				
Year	Principal		Interest	Total
2016	\$ 167,279	\$	48,898	\$ 216,177
2017	171,557		46,008	217,565
2018	175,717		42,698	218,415
2019	184,896		38,642	223,538
2020	189,046		33,858	222,904
Thereafter	825,882		187,946	1,013,828
Totals	\$ 1,714,377	\$	398,050	\$ 2,112,427

\$2,300,000 General Obligation Bonds, Series 2015A				
Year	Principal		Interest	Total
2016	\$	\$	85,560	\$ 85,560
2017	65,000		74,891	139,891
2018	65,000		72,941	137,941
2019	70,000		70,916	140,916
2020	70,000		68,816	138,816
Thereafter	2,030,000		826,682	2,856,682
Totals	\$ 2,300,000	\$	1,199,806	\$ 3,499,806

\$55,000 Installment Promissory Note - Winona County				
Year	Principal		Interest	Total
2016	\$ 7,903	\$	523	\$ 8,426
2017	8,063		364	8,427
2018	8,226		201	8,427
2019	5,564		42	5,606
Totals	\$ 29,756	\$	1,130	\$ 30,886

**CITY OF ST. CHARLES, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2015**

\$2,660,000 Electric Revenue Refunding Bonds, Series 2011 B			
Year	Principal	Interest	Total
2016	\$ 235,000	\$ 47,540	\$ 282,540
2017	240,000	42,840	282,840
2018	245,000	37,440	282,440
2019	250,000	31,316	281,316
2020	260,000	24,440	284,440
Thereafter	550,000	25,179	575,179
Totals	\$ 1,780,000	\$ 208,755	\$ 1,988,755

\$976,464 Water G.O. Improvement and Refunding Bonds, Series 2011A			
Year	Principal	Interest	Total
2016	\$ 22,721	\$ 17,279	\$ 40,000
2017	23,443	16,557	40,000
2018	24,283	15,717	40,000
2019	25,104	14,896	40,000
2020	25,954	14,046	40,000
Thereafter	389,118	90,882	480,000
Totals	\$ 510,623	\$ 169,377	\$ 680,000

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, 2015 and the related notes to the financial statements, and have issued our report thereon dated April 15, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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.

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 those specified parties.

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
April 15, 2016