

**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**



**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2016**

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CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2016

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**CITY OF ST. CHARLES, MINNESOTA**  
**INTRODUCTORY SECTION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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**CITY OF ST. CHARLES, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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, 2016**

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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, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of St. Charles, Minnesota as of December 31, 2016, 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.

**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, 2015, from which such partial information was derived.

We have previously audited the City's 2015 financial statements and our report dated April 15, 2016, 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, 2015, 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.

*Smith, Schaff and Associates, Ltd.*

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

As management of the City of St. Charles, Minnesota, we offer readers of the City of St. Charles, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of St. Charles, Minnesota for the fiscal year ended December 31, 2016.

### FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$22,277,646 (*net position*). Of this amount, \$3,737,287 (*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 \$181,289.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,479,141. Approximately 46% of this total amount, or \$669,864 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 \$748,532 or 54% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The *statement of net position* presents information on all of the City of St. Charles, Minnesota's assets 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 TIF District No. 8 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 73-78) 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 financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page 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 \$22,277,723 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.

	<b>City of St. Charles, Minnesota's Net Position</b>		<b>Totals</b>	
	Governmental Activities	Business-Type Activities	2016	2015
Current and other assets	\$ 2,005,815	\$ 3,486,965	\$ 5,492,780	\$ 5,617,508
Capital assets	10,812,670	13,416,062	24,228,732	24,385,316
Total assets	<u>12,818,485</u>	<u>16,903,027</u>	<u>29,721,512</u>	<u>30,002,824</u>
Deferred Outflows of Resources	<u>865,824</u>	<u>293,608</u>	<u>1,159,432</u>	<u>220,191</u>
Long-term liabilities outstanding	3,950,107	2,019,052	5,969,159	6,294,246
Other liabilities	1,477,991	899,139	2,377,130	1,714,897
Total liabilities	<u>5,428,098</u>	<u>2,918,191</u>	<u>8,346,289</u>	<u>8,009,143</u>
Deferred Inflows of Resources	<u>169,486</u>	<u>87,523</u>	<u>257,009</u>	<u>117,515</u>
Net position:				
Invested in capital assets, net of related debt	6,862,563	11,397,010	18,259,573	18,091,070
Restricted	280,786		280,786	244,724
Unrestricted	943,376	2,793,911	3,737,287	3,760,563
Total net position	<u>\$ 8,086,725</u>	<u>\$ 14,190,921</u>	<u>\$ 22,277,646</u>	<u>\$ 22,096,357</u>

The balance of *unrestricted net position* (\$3,737,287) may be used to meet the government's ongoing obligations to citizens and creditors.

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



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

**Governmental activities.** Governmental activities decreased the City of St. Charles, Minnesota's net position by \$335,214. 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 \$516,503. The City's electric utility contributed the most significant portion of that increase, or \$316,456.

A condensed version of the Statement of Activities follows:

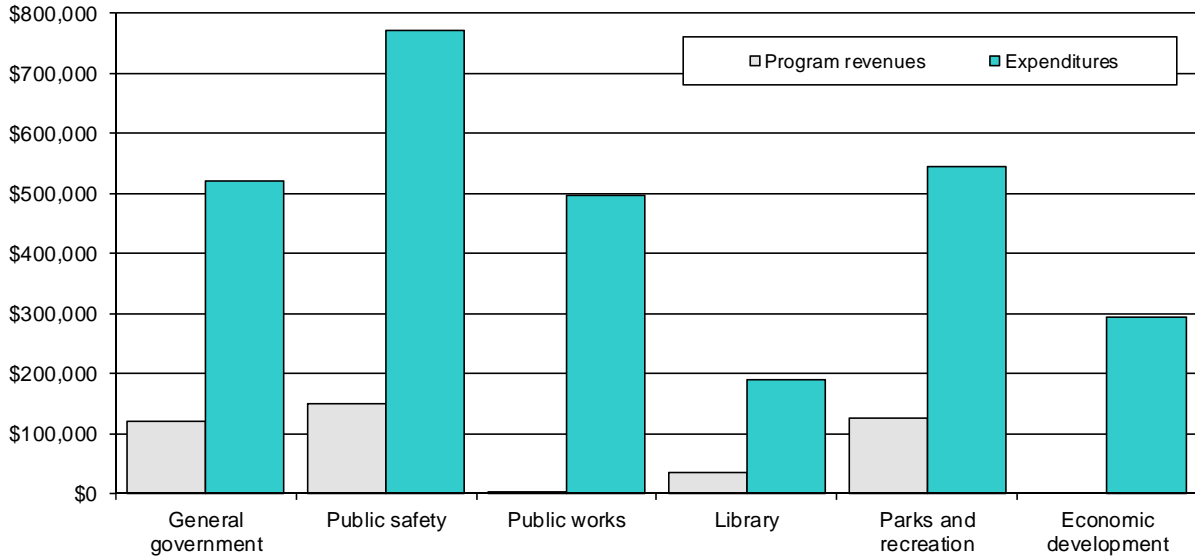
**City of St. Charles, Minnesota's Change in Net Position**

	Governmental	Business-Type	Totals	
	Activities	Activities	2016	2015
Revenue:				
Program revenues:				
Charges for services	\$ 260,488	\$ 4,660,824	\$ 4,921,312	\$ 4,751,060
Operating grants and contributions	172,046	16,323	188,369	232,876
Capital grants and contributions	7,736		7,736	51,507
General revenues:				
Property taxes	935,815		935,815	871,770
TIF proceeds	50,165		50,165	29,703
Franchise fees	61,227		61,227	57,379
Grants and contributions not restricted to specific programs	878,403		878,403	875,376
Other	9,468	32,852	42,320	51,175
Total revenues	<u>2,375,348</u>	<u>4,709,999</u>	<u>7,085,347</u>	<u>6,920,846</u>
Expenses:				
General government	521,895		521,895	444,313
Public safety	770,635		770,635	688,400
Public works	497,751		497,751	457,458
Library	189,755		189,755	176,883
Parks and recreation	544,412		544,412	490,432
Economic development	295,299		295,299	101,680
Interest on long-term debt	147,315		147,315	80,311
Electric		2,368,853	2,368,853	2,336,424
Water		464,897	464,897	461,033
Sewer		631,144	631,144	626,868
Storm water drainage		29,208	29,208	24,133
Waste management		213,508	213,508	208,079
Ambulance		229,386	229,386	192,060
Total expenses	<u>2,967,062</u>	<u>3,936,996</u>	<u>6,904,058</u>	<u>6,288,074</u>
Increase in net position before transfers	(591,714)	773,003	181,289	632,772
Transfers	256,500	(256,500)		
Increase in net position	(335,214)	516,503	181,289	632,772
Net position, beginning	8,421,939	13,674,418	22,096,357	21,463,585
Net position, end of year	<u>\$ 8,086,725</u>	<u>\$ 14,190,921</u>	<u>\$ 22,277,646</u>	<u>\$ 22,096,357</u>

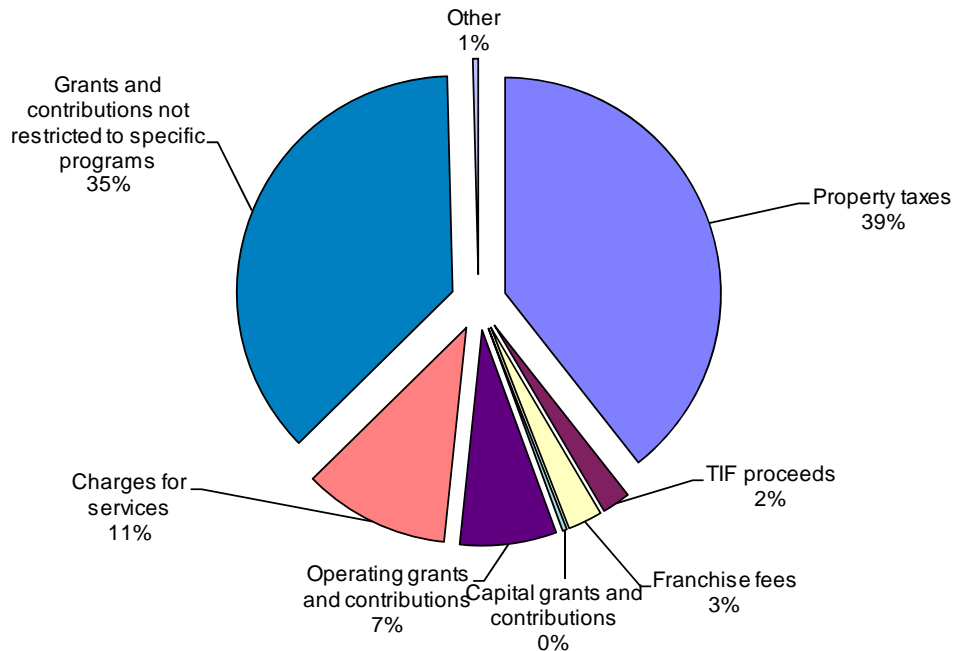
## CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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**



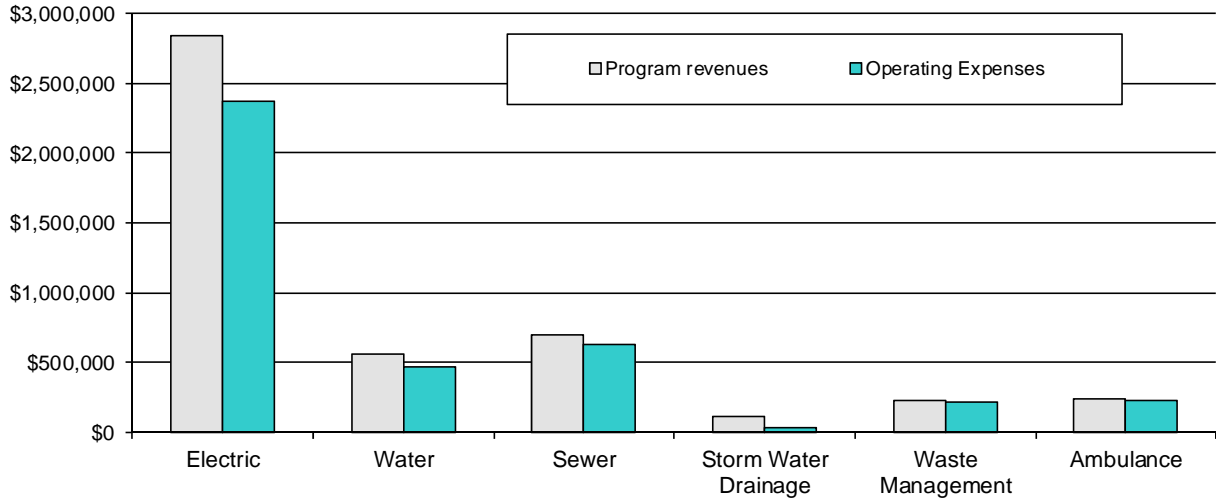
**Revenues by Source - Governmental Activities**



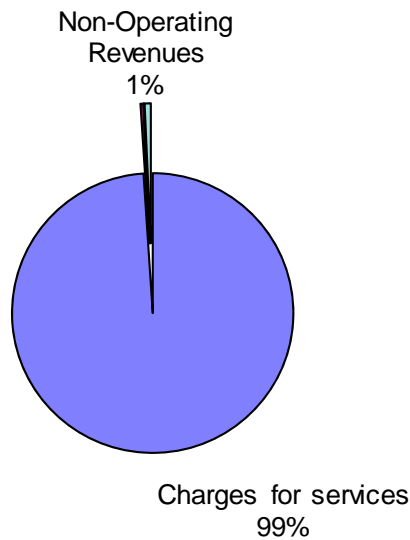
**CITY OF ST. CHARLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$1,449,141 a decrease of \$2,475 from 2015. Approximately 54% of this balance is either Nonspendable (\$19,583) related to prepaid items, Restricted (\$332,035) related to debt covenants or regulations or Committed (\$427,659) 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 \$748,532. 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 54% of total general fund expenditures.

The general fund's total fund balance increased by \$47,884 during the current fiscal year. This year's increase was primarily due to a substantial increase in building permit fees, with 26 new single family units and 2 commercial buildings/improvements issued in 2016.

The economic development fund decreased its fund balance by \$39,355 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 \$399,902 in 2013 and 2014. The first half payment of those dollars was received in July of 2013 for \$199,951; 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 decreased its fund balance by \$92,264 for the year, and ended the year with a fund balance of \$205,892. This year's decrease was primarily due to an anticipated cost of the police garage remodel using funds from the capital improvement to finish the remodel project with the construction of the garage addition.

The EMS building fund was closed out in 2016 as the project was completed.

The debt service funds have a total fund balance of \$280,786 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 net position in the respective proprietary funds are Electric - \$7,013,574, Water - \$3,166,210, Sewer - \$2,823,249, Storm Water - \$914,025, Waste Management - \$97,081, Ambulance - \$176,782.

Electric Utility rates remained unchanged for 2016 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 \$154,927, which will be credited on the 2017 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 2016. Due to the Sewer portion of a City Bond being paid off, the City was able to absorb the 1% increase in fees from the Dover-Eyota Sanitary District.

Garbage and recycling rates were increased by Advanced Disposal Services 3.0% in 2016 – 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 2016 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, 2016, amounts to \$24,228,732 (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 decrease in its investment in capital assets for the current fiscal year of \$156,584.

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

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Land	\$ 1,721,254	\$ 142,189	\$ 1,863,443	\$ 1,940,891
Construction in process				2,319,484
Buildings and improvements	4,364,653	4,783,169	9,147,822	6,491,787
Machinery and equipment	492,797	8,490,704	8,983,501	9,097,400
Infrastructure	4,233,966		4,233,966	4,535,754
<b>Total</b>	<b>\$ 10,812,670</b>	<b>\$ 13,416,062</b>	<b>\$ 24,228,732</b>	<b>\$ 24,385,316</b>

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 \$6,006,942 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	
			2016	2015
General obligation bonds	\$ 3,847,098	\$ 487,902	\$ 4,335,000	\$ 4,525,000
General obligation revenue bonds		1,545,000	1,545,000	1,780,000
Notes payable	126,942		126,942	29,756
<b>Total</b>	<b>\$ 3,974,040</b>	<b>\$ 2,032,902</b>	<b>\$ 6,006,942</b>	<b>\$ 6,334,756</b>

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$327,814 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 52.

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

The City of St. Charles, Minnesota maintains an AA2 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 2016 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 4.1 percent in 2016. This rate is higher than Winona County's average of 3.2 percent, and lower than the State's average of 4.5 percent and the national average rate of 4.5 percent.
- The median household income in City of St. Charles, Minnesota is \$56,425. This is lower than the State of Minnesota's average income of \$58,476 and similar to the National average of \$56,516.
- The City of St. Charles, Minnesota's population is 3,735 people. The City has seen a slight increase from the 2013 Census data 3,695. However, since 2000 the City has had a population growth of 9.7 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 66 percent of its General Fund revenues. Local Government Aid increased \$3,220 to \$878,049 in 2016. The outlook for 2017 is that the 2016 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, 2016**

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**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2016

With Comparative Totals for December 31, 2015

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
<b>ASSETS</b>				
Cash and investments	\$ 1,480,270	\$ 2,437,992	\$ 3,918,262	\$ 4,019,144
Accrued interest receivable	1,851	6,297	8,148	9,321
Receivables (net of allowance for uncollectibles)	254,939	608,124	863,063	887,083
Internal balances	(60,000)	60,000		
Due from other governmental units	46,421		46,421	21,379
Inventory		327,500	327,500	324,342
Prepaid items	19,583	47,052	66,635	93,488
Net pension asset	262,751		262,751	262,751
Capital assets:				
Nondepreciable	1,721,254	142,189	1,863,443	4,260,375
Depreciable, net	9,091,416	13,273,873	22,365,289	20,124,941
<b>Total Assets</b>	<b>12,818,485</b>	<b>16,903,027</b>	<b>29,721,512</b>	<b>30,002,824</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	865,824	293,608	1,159,432	220,191
<b>LIABILITIES</b>				
Accounts payable	54,827	137,974	192,801	579,166
Deposits payable		19,800	19,800	20,475
Accrued interest payable	50,781	17,368	68,149	58,580
Unearned revenue				500
Accrued compensated absences	26,493	26,829	53,322	51,746
Noncurrent liabilities:				
Net pension liability	1,345,890	697,168	2,043,058	1,004,430
Due within one year	266,628	263,443	530,071	432,903
Due in more than one year	3,683,479	1,755,609	5,439,088	5,861,343
<b>Total Liabilities</b>	<b>5,428,098</b>	<b>2,918,191</b>	<b>8,346,289</b>	<b>8,009,143</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	169,486	87,523	257,009	117,515
<b>NET POSITION</b>				
Net investment in capital assets	6,862,563	11,397,010	18,259,573	18,091,070
Restricted for:				
Debt service	280,786		280,786	244,724
Unrestricted	943,376	2,793,911	3,737,287	3,760,563
<b>Total Net Position</b>	<b>\$ 8,086,725</b>	<b>\$ 14,190,921</b>	<b>\$ 22,277,646</b>	<b>\$ 22,096,357</b>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 521,895	\$ 79,376	\$ 42,045	\$
Public safety	770,635	58,195	93,112	
Public works	497,751		3,809	869
Library	189,755	2,965	33,080	
Parks and recreation	544,412	119,952		6,867
Economic development	295,299			
Interest on long-term debt	147,315			
Total governmental activities	<u>2,967,062</u>	<u>260,488</u>	<u>172,046</u>	<u>7,736</u>
Business-Type activities:				
Electric	2,368,853	2,841,046		
Water	464,897	558,172		
Sewer	631,144	698,345		
Storm water drainage	29,208	114,596		
Waste management	213,508	224,086		
Ambulance	229,386	224,579	16,323	
Total business-type activities	<u>3,936,996</u>	<u>4,660,824</u>	<u>16,323</u>	
Total	<u>\$ 6,904,058</u>	<u>\$ 4,921,312</u>	<u>\$ 188,369</u>	<u>\$ 7,736</u>

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

Change in net position  
 Net position - beginning  
 Net position - ending

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2016	2015
\$ (400,474)		\$ (400,474)	\$ (306,230)
(619,328)		(619,328)	(538,713)
(493,073)		(493,073)	(401,877)
(153,710)		(153,710)	(141,937)
(417,593)		(417,593)	(371,262)
(295,299)		(295,299)	(101,680)
(147,315)		(147,315)	(80,311)
<u>(2,526,792)</u>		<u>(2,526,792)</u>	<u>(1,942,010)</u>
	\$ 472,193	472,193	443,753
	93,275	93,275	84,738
	67,201	67,201	63,667
	85,388	85,388	77,016
	10,578	10,578	7,041
	11,516	11,516	13,164
	<u>740,151</u>	<u>740,151</u>	<u>689,379</u>
<u>(2,526,792)</u>	<u>740,151</u>	<u>(1,786,641)</u>	<u>(1,252,631)</u>
935,815		935,815	871,770
50,165		50,165	29,703
61,227		61,227	57,379
878,049		878,049	874,829
354		354	547
12,591	21,632	34,223	27,175
(3,123)	11,220	8,097	24,000
256,500	(256,500)		
<u>2,191,578</u>	<u>(223,648)</u>	<u>1,967,930</u>	<u>1,885,403</u>
(335,214)	516,503	181,289	632,772
<u>8,421,939</u>	<u>13,674,418</u>	<u>22,096,357</u>	<u>21,463,585</u>
<u>\$ 8,086,725</u>	<u>\$ 14,190,921</u>	<u>\$ 22,277,646</u>	<u>\$ 22,096,357</u>

**See Notes to Financial Statements**

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**CITY OF ST. CHARLES, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**CITY OF ST. CHARLES, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2016  
With Comparative Totals for December 31, 2015

	<u>10</u>	<u>Special Revenue</u> <u>34</u>	<u>Capital Projects</u> <u>25</u>
	General	Economic Development	Capital Improvements Fund
<b>ASSETS</b>			
Cash and investments	\$ 501,425	\$ 155,200	\$ 284,294
Accrued interest receivable	1,156		579
Accounts receivable	15,843		
Loans and contracts receivable		228,723	
Taxes receivable delinquent	326	374	1,855
Special assessments receivable:			
Deferred	220		1,809
Due from other funds	254,952		
Advances to other funds			
Due from other governmental units	2,159	579	4,823
Prepaid items	15,360		
<b>TOTAL ASSETS</b>	<b>\$ 791,441</b>	<b>\$ 384,876</b>	<b>\$ 293,360</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 27,003	\$	\$ 23,804
Due to other funds			
Advances from other funds			60,000
Unearned revenue			
Total Liabilities	<u>27,003</u>		<u>83,804</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue:			
Property taxes	326	374	1,855
Special assessments	220		1,809
Loans receivable		228,723	
Total Deferred Inflows of Resources	<u>546</u>	<u>229,097</u>	<u>3,664</u>
<b>Fund Balance:</b>			
Nonspendable:			
Prepaid items	15,360		
Advances			
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		155,779	205,892
Assigned			
Unassigned	748,532		
Total Fund Balance	<u>763,892</u>	<u>155,779</u>	<u>205,892</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 791,441</b>	<b>\$ 384,876</b>	<b>\$ 293,360</b>

**See Notes to Financial Statements**



Capital Projects				
<u>38</u>	<u>42</u>		Total Governmental Funds	
EMS Building	Tax Increment District #8 Fund	Other Governmental Funds	2016	2015
\$	\$	\$ 539,351	\$ 1,480,270	\$ 1,892,716
		116	1,851	2,146
			15,843	31,547
			228,723	287,236
		5,789	8,344	6,238
			2,029	2,946
			254,952	83,436
				196,427
		38,860	46,421	21,380
		4,223	19,583	17,638
<u>\$</u>	<u>\$</u>	<u>\$ 588,339</u>	<u>\$ 2,058,016</u>	<u>\$ 2,541,710</u>
\$	\$	\$ 4,020	\$ 54,827	\$ 443,311
	202,580	52,372	254,952	83,436
			60,000	266,427
				500
	202,580	56,392	369,779	793,674
		5,789	8,344	6,238
			2,029	2,946
			228,723	287,236
		5,789	239,096	296,420
		4,223	19,583	17,638
				196,427
		280,786	280,786	244,724
		51,249	51,249	45,919
		65,988	427,659	380,536
		176,111	176,111	225,454
	(202,580)	(52,199)	493,753	340,918
	(202,580)	526,158	1,449,141	1,451,616
<u>\$</u>	<u>\$</u>	<u>\$ 588,339</u>	<u>\$ 2,058,016</u>	<u>\$ 2,541,710</u>

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

For the Fiscal Year Ended December 31, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	<u>10</u>	<u>34</u>	<u>25</u>
	<u>General</u>	<u>Economic Development</u>	<u>Capital Improvements Fund</u>
<b>REVENUES</b>			
Property taxes	\$ 131,682	\$	\$ 276,143
Property taxes - Special EDA taxing district		34,886	
Tax increments			
Special assessments	252		869
Licenses and permits	73,865		
Fines and forfeits	17,440		
Intergovernmental revenues	923,016		
Charges for services	184,026		
Interest income	7,364	1,850	1,527
Donations			
Loan repayment		13,669	
Miscellaneous revenues	(4,590)		6,867
<b>TOTAL REVENUES</b>	<u>1,333,055</u>	<u>50,405</u>	<u>285,406</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	315,941		2,262
Public safety	480,419		
Public works	214,319		
Library			
Parks and recreation	382,756		
Economic development		81,334	
<b>Capital Outlay</b>			202,661
<b>Debt Service</b>		8,426	
<b>TOTAL EXPENDITURES</b>	<u>1,393,435</u>	<u>89,760</u>	<u>204,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,380)</u>	<u>(39,355)</u>	<u>80,483</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds			105,077
Transfers in	126,500		197
Transfers out	(18,236)		(278,021)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>108,264</u>		<u>(172,747)</u>
Net change in fund balances	47,884	(39,355)	(92,264)
<b>FUND BALANCES, beginning</b>	<u>716,008</u>	<u>195,134</u>	<u>298,156</u>
<b>FUND BALANCES, ending</b>	<u>\$ 763,892</u>	<u>\$ 155,779</u>	<u>\$ 205,892</u>

**See Notes to Financial Statements**

Capital Projects				
<u>38</u>	<u>42</u>		Total Governmental Funds	
EMS Building	Tax Increment District #8 Fund	Other Governmental Funds	2016	2015
\$	\$	\$ 491,915	\$ 899,740	\$ 835,579
			34,886	34,252
	7,826	42,339	50,165	29,703
			1,121	
			73,865	44,776
			17,440	13,056
		62,710	985,726	1,028,742
		40,420	224,446	224,539
		(168)	10,573	8,984
2,650		44,494	47,144	114,207
			13,669	34,631
		26,106	28,383	6,637
<u>2,650</u>	<u>7,826</u>	<u>707,816</u>	<u>2,387,158</u>	<u>2,375,106</u>
		45,781	363,984	339,244
		156,999	637,418	600,909
			214,319	221,095
		153,423	153,423	153,936
			382,756	391,987
			81,334	207,355
351,101		49,275	603,037	2,607,148
	4,230	302,283	314,939	243,427
<u>351,101</u>	<u>4,230</u>	<u>707,761</u>	<u>2,751,210</u>	<u>4,765,101</u>
<u>(348,451)</u>	<u>3,596</u>	<u>55</u>	<u>(364,052)</u>	<u>(2,389,995)</u>
			105,077	2,299,101
428,021		258,916	813,634	183,986
	(195,680)	(65,197)	(557,134)	(32,186)
<u>428,021</u>	<u>(195,680)</u>	<u>193,719</u>	<u>361,577</u>	<u>2,450,901</u>
79,570	(192,084)	193,774	(2,475)	60,906
<u>(79,570)</u>	<u>(10,496)</u>	<u>332,384</u>	<u>1,451,616</u>	<u>1,390,710</u>
<u>\$</u>	<u>\$ (202,580)</u>	<u>\$ 526,158</u>	<u>\$ 1,449,141</u>	<u>\$ 1,451,616</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, 2016**

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

Total governmental fund balances (page 18)	\$	1,449,141
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	16,699,839
Less: Accumulated depreciation		<u>(5,887,169)</u>
		10,812,670
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	\$	8,344
Deferred special assessments		2,029
Contracts receivable		<u>228,723</u>
		239,096
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$	(3,974,040)
Net pension liability		(649,552)
Net pension asset		262,751
Compensated absences		(26,493)
Accrued interest		(50,781)
Unamortized bond discount		<u>23,933</u>
		<u>(4,414,182)</u>
Net position of governmental activities (page 14)	\$	<u><u>8,086,725</u></u>

**CITY OF ST. CHARLES, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended December 31, 2016**

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

Net change in fund balances - total governmental funds (page 20)	\$	(2,475)
<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	\$	493,142
Depreciation expense		<u>(420,923)</u>
		72,219
<p>The net effect of various miscellaneous transactions involving  capital assets (i.e., sales, trade-ins, and donations) is to  decrease net position.</p>		
		(211,064)
<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, 2016	\$	239,096
Unavailable revenue December 31, 2015		<u>(296,420)</u>
		(57,324)
<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, 2016	\$	(26,493)
Compensated absences, December 31, 2015		<u>24,917</u>
		(1,576)
<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	\$	175,170
Issuance of debt		(105,077)
Change in net pension liability		(193,479)
Change in accrued interest		(10,562)
Amortization of bond discount		<u>(1,046)</u>
		(134,994)
Change in net position of governmental activities (pages 16)	\$	<u><u>(335,214)</u></u>

**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, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 131,285	\$ 131,285	\$ 131,682	\$ 397	\$ 114,927
<b>Special Assessments</b>					
	1,000	1,000	252	(748)	
<b>Licenses and Permits</b>					
Business and nonbusiness licenses	7,250	7,250	14,303	7,053	8,196
Building permits	30,000	30,000	59,562	29,562	36,580
Total Licenses and Permits	37,250	37,250	73,865	36,615	44,776
<b>Intergovernmental Revenues</b>					
Local government aid	878,049	878,049	878,049		874,829
Small city assistance					50,957
Market value credit			354	354	547
Police aid	29,000	29,000	38,392	9,392	33,474
PERA aid	2,412	2,412	2,412		2,412
Highway	4,500	4,500	3,809	(691)	4,624
Total Intergovernmental Revenues	913,961	913,961	923,016	9,055	966,843
<b>Charges For Services</b>					
Swimming pool	78,900	78,900	87,031	8,131	85,541
Park and recreation	38,500	38,500	32,921	(5,579)	33,083
Cable franchise fees	36,000	36,000	43,813	7,813	40,148
Senior center rental	3,000	3,000	2,847	(153)	3,111
Natural gas franchise fees	16,500	16,500	17,414	914	17,231
Total Charges For Services	172,900	172,900	184,026	11,126	179,114
<b>Fines and Forfeits</b>					
Court fines and other	10,000	10,000	17,440	7,440	13,056
<b>Interest Income</b>					
	5,000	5,000	7,364	2,364	3,222
<b>Miscellaneous Revenues</b>					
Other	1,350	1,350	(4,590)	(5,940)	3,216
<b>TOTAL REVENUES</b>	<b>\$ 1,272,746</b>	<b>\$ 1,272,746</b>	<b>\$ 1,333,055</b>	<b>\$ 60,309</b>	<b>\$ 1,325,154</b>

**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, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 28,750	\$ 28,750	\$ 28,425	\$ 325	\$ 27,248
Transportation and training	2,000	2,000	970	1,030	924
Printing and publication	300	300	100	200	100
Total Mayor and Council	<u>31,050</u>	<u>31,050</u>	<u>29,495</u>	<u>1,555</u>	<u>28,272</u>
<b>Election and Voter Registration</b>	<u>800</u>	<u>800</u>	<u>1,875</u>	<u>(1,075)</u>	<u>463</u>
<b>General and Financial Administration</b>					
Salaries	83,115	83,115	86,328	(3,213)	81,282
Employee benefits and retirement	32,425	32,425	30,502	1,923	29,667
Supplies and minor equipment	7,000	7,000	5,114	1,886	5,848
Communication	5,000	5,000	3,500	1,500	4,527
Transportation and training	6,500	6,500	5,931	569	3,462
Insurance	4,800	4,800	2,432	2,368	3,055
Repairs and maintenance	9,000	9,000	8,408	592	8,220
Assessor	16,500	16,500	17,614	(1,114)	17,331
Accounting and audit	8,000	8,000	7,310	690	7,750
Legal	17,500	17,500	17,336	164	8,107
Planning and zoning	1,450	1,450	1,630	(180)	1,642
Building inspection	21,000	21,000	28,076	(7,076)	33,269
Other professional services	6,300	6,300	5,087	1,213	3,999
Memberships	12,500	12,500	12,512	(12)	12,332
Other	17,285	17,285	18,239	(954)	15,896
Total General and Financial Administration	<u>248,375</u>	<u>248,375</u>	<u>250,019</u>	<u>(1,644)</u>	<u>236,387</u>
<b>City Hall</b>					
Salaries	5,800	5,800	6,197	(397)	3,290
Employee benefits and retirement	545	545	477	68	274
Supplies and minor equipment	1,500	1,500	733	767	1,225
Insurance	1,000	1,000	641	359	745
Utilities	17,250	17,250	15,912	1,338	14,253
Repairs and maintenance	6,000	6,000	10,592	(4,592)	8,035
Total City Hall	<u>32,095</u>	<u>32,095</u>	<u>34,552</u>	<u>(2,457)</u>	<u>27,822</u>
Total General Government	<u>\$ 312,320</u>	<u>\$ 312,320</u>	<u>\$ 315,941</u>	<u>\$ (3,621)</u>	<u>\$ 292,944</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Fiscal Year Ended December 31, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Public Safety</b>					
<b>Police Department</b>					
Salaries	\$ 281,785	\$ 281,785	\$ 305,362	\$ (23,577)	\$ 307,362
Employee benefits and retirement	105,100	105,100	105,965	(865)	103,252
Supplies and minor equipment	27,950	27,950	20,926	7,024	23,004
Professional services	11,650	11,650	13,576	(1,926)	9,946
Communication	4,000	4,000	6,551	(2,551)	6,189
Transportation and training	6,000	6,000	6,633	(633)	4,251
Insurance	5,500	5,500	5,042	458	7,662
Repairs and maintenance	10,300	10,300	13,528	(3,228)	11,866
Other	4,500	4,500	2,836	1,664	2,636
Total Police Department	<u>456,785</u>	<u>456,785</u>	<u>480,419</u>	<u>(23,634)</u>	<u>476,168</u>
Total Public Safety	<u>456,785</u>	<u>456,785</u>	<u>480,419</u>	<u>(23,634)</u>	<u>476,168</u>
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	83,595	83,595	89,851	(6,256)	86,426
Employee benefits and retirement	36,565	36,565	39,102	(2,537)	37,553
Supplies and minor equipment	20,750	20,750	13,243	7,507	16,050
Professional services	500	500	2,097	(1,597)	1,166
Communication	800	800	621	179	651
Transportation and training	1,000	1,000	1,650	(650)	1,005
Insurance	6,000	6,000	2,795	3,205	4,047
Utilities	6,500	6,500	1,491	5,009	8,407
Repairs and maintenance	69,700	69,700	63,469	6,231	65,790
Other	150	150		150	
Total Public Works	<u>\$ 225,560</u>	<u>\$ 225,560</u>	<u>\$ 214,319</u>	<u>\$ 11,241</u>	<u>\$ 221,095</u>

**See Notes to Financial Statements**



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

For the Fiscal Year Ended December 31, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Recreation</b>					
Salaries	\$ 87,250	\$ 87,250	\$ 91,365	\$ (4,115)	\$ 86,295
Employee benefits and retirement	26,985	26,985	24,706	2,279	25,825
Communication	2,000	2,000	1,913	87	2,249
Transportation and training	2,000	2,000	620	1,380	1,900
Insurance	3,000	3,000	1,244	1,756	1,967
Repairs and maintenance	575	575	184	391	356
Recreation programs	20,000	20,000	17,745	2,255	20,277
Other	2,600	2,600	3,303	(703)	2,859
Total Recreation	<u>144,410</u>	<u>144,410</u>	<u>141,080</u>	<u>3,330</u>	<u>141,728</u>
<b>Swimming Pool Program</b>					
Salaries	54,500	54,500	65,297	(10,797)	60,093
Employee benefits and retirement	6,500	6,500	7,102	(602)	6,130
Supplies and minor equipment	19,300	19,300	19,111	189	21,266
Communication	500	500	657	(157)	497
Transportation and training	1,500	1,500	660	840	934
Insurance	9,000	9,000	4,309	4,691	5,981
Utilities	19,000	19,000	15,735	3,265	20,889
Repairs and maintenance	17,000	17,000	7,769	9,231	16,844
Other	4,000	4,000	3,135	865	4,049
Total Swimming Pool Program	<u>131,300</u>	<u>131,300</u>	<u>123,775</u>	<u>7,525</u>	<u>136,683</u>
<b>Parks</b>					
Salaries	31,185	31,185	33,217	(2,032)	32,063
Employee benefits and retirement	11,415	11,415	13,085	(1,670)	11,623
Supplies and minor equipment	6,900	6,900	4,291	2,609	6,320
Communication	500	500	20	480	325
Transportation and training	1,000	1,000	1,650	(650)	958
Insurance	3,200	3,200	1,457	1,743	2,741
Repairs and maintenance	24,575	24,575	31,418	(6,843)	26,147
Total Parks	<u>\$ 78,775</u>	<u>\$ 78,775</u>	<u>\$ 85,138</u>	<u>\$ (6,363)</u>	<u>\$ 80,177</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Fiscal Year Ended December 31, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Forestry</b>					
Insurance	\$ 100	\$ 100	\$ 35	\$ 65	\$ 49
Repairs and maintenance	16,500	16,500	16,675	(175)	16,388
Other	9,000	9,000	7,425	1,575	8,955
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>24,135</u>	<u>1,465</u>	<u>25,392</u>
<b>Senior Citizens Center</b>					
Insurance	820	820	275	545	318
Utilities	8,000	8,000	7,302	698	6,544
Repairs and maintenance	1,500	1,500	1,051	449	1,145
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>8,628</u>	<u>1,692</u>	<u>8,007</u>
Total Parks and Recreation	<u>390,405</u>	<u>390,405</u>	<u>382,756</u>	<u>7,649</u>	<u>391,987</u>
<b>TOTAL EXPENDITURES</b>	<u>1,385,070</u>	<u>1,385,070</u>	<u>1,393,435</u>	<u>(8,365)</u>	<u>1,382,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(112,324)</u>	<u>(112,324)</u>	<u>(60,380)</u>	<u>51,944</u>	<u>(57,040)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	166,500	166,500	126,500	(40,000)	126,500
Transfers out	<u>(15,200)</u>	<u>(15,200)</u>	<u>(18,236)</u>	<u>(3,036)</u>	<u>(15,200)</u>
Total Other Financing Sources (Uses)	<u>151,300</u>	<u>151,300</u>	<u>108,264</u>	<u>(43,036)</u>	<u>111,300</u>
Net change in fund balances	38,976	38,976	47,884	8,908	54,260
<b>FUND BALANCES, beginning</b>	<u>716,008</u>	<u>716,008</u>	<u>716,008</u>		<u>661,748</u>
<b>FUND BALANCES, ending</b>	<u>\$ 754,984</u>	<u>\$ 754,984</u>	<u>\$ 763,892</u>	<u>\$ 8,908</u>	<u>\$ 716,008</u>

**See Notes to 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, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy -</b>					
Special EDA taxing district	\$ 34,859	\$ 34,859	\$ 34,886	\$ 27	\$ 34,252
<b>Interest Income</b>	1,934	1,934	1,850	(84)	2,410
<b>Loan Repayment</b>	13,512	13,512	13,669	157	34,631
<b>TOTAL REVENUES</b>	<u>50,305</u>	<u>50,305</u>	<u>50,405</u>	<u>100</u>	<u>71,293</u>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services	35,460	35,460	34,272	1,188	33,360
Revolving loans					125,992
Permit reimbursement			47,062	(47,062)	47,590
Debt service	8,427	8,427	8,426	1	8,426
Other					413
<b>TOTAL EXPENDITURES</b>	<u>43,887</u>	<u>43,887</u>	<u>89,760</u>	<u>(45,873)</u>	<u>215,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,418</u>	<u>6,418</u>	<u>(39,355)</u>	<u>(45,773)</u>	<u>(144,488)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in					25,300
Net change in fund balances	<u>6,418</u>	<u>6,418</u>	<u>(39,355)</u>	<u>(45,773)</u>	<u>(119,188)</u>
<b>FUND BALANCES, beginning</b>	<u>195,134</u>	<u>195,134</u>	<u>195,134</u>		<u>314,322</u>
<b>FUND BALANCES, ending</b>	<u>\$ 201,552</u>	<u>\$ 201,552</u>	<u>\$ 155,779</u>	<u>\$ (45,773)</u>	<u>\$ 195,134</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
December 31, 2016  
*With Comparative Totals for December 31, 2015*

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,029,634	\$ 568,518	\$ 294,445	\$ 101,616
Emergency cash reserve	250,000			
Accrued interest receivable	5,377	773	70	
Accounts receivable, net	235,907	44,606	58,778	10,024
Accrued utility revenue	101,194	18,101	22,913	3,704
Special assessments-deferred	5,113	4,036	4,036	
Advances to other funds	60,000			
Inventory	305,933	21,567		
Prepaid expenses	40,075	2,422	1,675	
Total Current Assets	<u>2,033,233</u>	<u>660,023</u>	<u>381,917</u>	<u>115,344</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	10,834,099	5,419,005	3,717,207	951,420
Less: Accumulated depreciation	4,065,703	2,311,284	1,185,710	141,239
Net Capital Assets	<u>6,881,885</u>	<u>3,107,721</u>	<u>2,560,197</u>	<u>810,181</u>
Total Assets	<u>8,915,118</u>	<u>3,767,744</u>	<u>2,942,114</u>	<u>925,525</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	174,974	52,697	31,982	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 9,090,092</u>	<u>\$ 3,820,441</u>	<u>\$ 2,974,096</u>	<u>\$ 925,525</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current maturities of bonds payable	\$ 240,000	\$ 23,443	\$	\$
Accounts payable	53,498	11,528	65,352	11,500
Customer deposits	19,800			
Accrued interest payable	3,570	13,798		
Total Current Liabilities	<u>316,868</u>	<u>48,769</u>	<u>65,352</u>	<u>11,500</u>
<b>Noncurrent Liabilities</b>				
Bonds payable, net of current maturities	1,305,000	464,459		
Net pension liability	416,243	125,276	75,960	
Less: Unamortized bond discount	(13,850)			
Total Noncurrent Liabilities	<u>1,707,393</u>	<u>589,735</u>	<u>75,960</u>	
Total Liabilities	<u>2,024,261</u>	<u>638,504</u>	<u>141,312</u>	<u>11,500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	52,257	15,727	9,535	
<b>NET POSITION</b>				
Net investment in capital assets	5,350,735	2,619,819	2,560,197	810,181
Unrestricted	1,662,839	546,391	263,052	103,844
Total Net Position	<u>7,013,574</u>	<u>3,166,210</u>	<u>2,823,249</u>	<u>914,025</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 9,090,092</u>	<u>\$ 3,820,441</u>	<u>\$ 2,974,096</u>	<u>\$ 925,525</u>

**See Notes to Financial Statements**

<u>19 &amp; 23</u>		<u>22</u>		Totals	
Compost & Waste Management		Ambulance		2016	2015
\$	85,374	\$	108,405	\$ 2,187,992	\$ 1,876,428
				250,000	250,000
			77	6,297	7,175
	20,207		72,178	441,700	388,822
	6,890		437	153,239	156,858
				13,185	13,436
				60,000	70,000
				327,500	324,342
			2,880	47,052	75,850
	<u>112,471</u>		<u>183,977</u>	<u>3,486,965</u>	<u>3,162,911</u>
				142,189	142,189
	5,000		350,393	21,277,124	20,764,023
	417		298,898	8,003,251	7,472,411
	<u>4,583</u>		<u>51,495</u>	<u>13,416,062</u>	<u>13,433,801</u>
	<u>117,054</u>		<u>235,472</u>	<u>16,903,027</u>	<u>16,596,712</u>
			33,955	293,608	65,472
\$	<u>117,054</u>	\$	<u>269,427</u>	\$ <u>17,196,635</u>	\$ <u>16,662,184</u>
\$		\$		\$ 263,443	\$ 257,721
	19,973		2,952	164,803	162,684
				19,800	20,475
				17,368	18,361
	<u>19,973</u>		<u>2,952</u>	<u>465,414</u>	<u>459,241</u>
				1,769,459	2,032,902
			79,689	697,168	465,063
				(13,850)	(15,531)
			<u>79,689</u>	<u>2,452,777</u>	<u>2,482,434</u>
	<u>19,973</u>		<u>82,641</u>	<u>2,918,191</u>	<u>2,941,675</u>
			10,004	87,523	46,091
	4,583		51,495	11,397,010	11,158,709
	<u>92,498</u>		<u>125,287</u>	<u>2,793,911</u>	<u>2,515,709</u>
	<u>97,081</u>		<u>176,782</u>	<u>14,190,921</u>	<u>13,674,418</u>
\$	<u>117,054</u>	\$	<u>269,427</u>	\$ <u>17,196,635</u>	\$ <u>16,662,184</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, 2016  
With Comparative Totals for the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
<b>Operating Revenues</b>				
Consumer sales and rentals	\$ 2,841,046	\$ 531,399	\$ 697,959	\$ 114,596
<b>Operating Expenses</b>				
Purchased utilities	1,147,837		431,088	
Salaries	353,538	108,654	66,443	
Employee benefits and retirement	168,880	49,842	27,218	
Gas and oil	3,629			
Generation fuel	12,721			
Supplies and minor equipment	12,533	17,009	2,584	
Professional services	37,081	29,145	4,588	
Communication	5,800	6,432	2,435	
Transportation and training	8,648	2,687	2,605	
Insurance	10,299	2,591	2,419	
Utilities	8,123	33,686	601	
Repairs and maintenance	111,670	55,824	15,021	
Depreciation and amortization	297,764	141,728	76,033	22,537
Bad debts	447			
Other	141,054	621	109	6,671
Total Operating Expenses	<u>2,320,024</u>	<u>448,219</u>	<u>631,144</u>	<u>29,208</u>
Operating Income (Loss)	<u>521,022</u>	<u>83,180</u>	<u>66,815</u>	<u>85,388</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	18,043	3,337	(117)	28
Miscellaneous income	11,220	26,773	386	
Interest and fiscal charges	(48,829)	(16,678)		
Total Nonoperating Revenues (Expenses)	<u>(19,566)</u>	<u>13,432</u>	<u>269</u>	<u>28</u>
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	501,456	96,612	67,084	85,416
Transfers out	<u>(185,000)</u>			
<b>CHANGE IN NET POSITION</b>	316,456	96,612	67,084	85,416
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,697,118</u>	<u>3,069,598</u>	<u>2,756,165</u>	<u>828,609</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 7,013,574</u>	<u>\$ 3,166,210</u>	<u>\$ 2,823,249</u>	<u>\$ 914,025</u>

**See Notes to Financial Statements**

<u>19 &amp; 23</u> Compost & Waste Management	<u>22</u> Ambulance	Totals	
		2016	2015
\$ 224,086	\$ 224,579	\$ 4,633,665	\$ 4,501,063
197,310		1,776,235	1,716,559
	80,229	608,864	579,189
	26,731	272,671	242,147
		3,629	4,301
		12,721	21,166
	28,272	60,398	63,870
	13,918	84,732	101,985
	3,347	18,014	17,767
	11,524	25,464	30,215
	1,086	16,395	21,237
		42,410	49,784
	21,267	203,782	173,171
417	30,951	569,430	554,559
		447	10,081
15,781	12,061	176,297	187,626
<u>213,508</u>	<u>229,386</u>	<u>3,871,489</u>	<u>3,773,657</u>
10,578	(4,807)	762,176	727,406
38	303	21,632	18,191
	16,323	54,702	51,526
		(65,507)	(69,981)
<u>38</u>	<u>16,626</u>	<u>10,827</u>	<u>(264)</u>
10,616	11,819	773,003	727,142
	(71,500)	(256,500)	(151,800)
10,616	(59,681)	516,503	575,342
<u>86,465</u>	<u>236,463</u>	<u>13,674,418</u>	<u>13,099,076</u>
\$ 97,081	\$ 176,782	\$ 14,190,921	\$ 13,674,418

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

**Statement of Cash Flows**

For the Fiscal Year Ended December 31, 2016  
 With Comparative Totals for the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 2,810,058	\$ 515,702	\$ 701,600	\$ 112,857
Access and other fees received	11,220	26,773	386	
Cash paid to suppliers and employees	(1,951,548)	(309,618)	(525,470)	(37,061)
Net Cash Provided By Operating Activities	869,730	232,857	176,516	75,796
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfer out	(185,000)			
Net Cash Used In Noncapital Financing Activities	(185,000)			
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital asset acquisitions	(331,975)	(59,000)	(73,739)	(54,920)
Advances (to) from other funds	10,000			
Principal payments on long-term debt	(235,000)	(22,721)		
Interest payments on long-term debt	(47,540)	(17,279)		
Net Cash Used In Capital and Related Financing Activities	(604,515)	(99,000)	(73,739)	(54,920)
<b>Cash Flows From Investing Activities</b>				
Investment income received	18,712	3,435	904	28
Net Cash Provided By (Used In) Investing Activities	18,712	3,435	904	28
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	98,927	137,292	103,681	20,904
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	930,707	431,226	190,764	80,712
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,029,634	\$ 568,518	\$ 294,445	\$ 101,616

**See Notes to Financial Statements**



<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2016	2015		
\$ 223,552	\$ 193,155	\$ 4,556,924	\$ 4,613,261		
	16,323	54,702	56,485		
(213,401)	(192,825)	(3,229,923)	(3,319,984)		
10,151	16,653	1,381,703	1,349,762		
	(71,500)	(256,500)	(151,800)		
	(71,500)	(256,500)	(151,800)		
(5,000)		(524,634)	(643,535)		
		10,000	10,000		
		(257,721)	(251,977)		
		(64,819)	(70,162)		
(5,000)		(837,174)	(955,674)		
38	418	23,535	18,139		
38	418	23,535	18,139		
5,189	(54,429)	311,564	260,427		
80,185	162,834	1,876,428	1,616,001		
\$ 85,374	\$ 108,405	\$ 2,187,992	\$ 1,876,428		

**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, 2016  
*With Comparative Totals for the Year Ended December 31, 2015*

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
<b>Operating Income (Loss)</b>	\$ 521,022	\$ 83,180	\$ 66,815	\$ 85,388
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	297,764	141,728	76,033	22,537
Bad debt expense	447			
Miscellaneous nonoperating income	11,220	26,773	386	
(Gain) Loss on disposal of assets	(14,966)	(17,205)		
Change in net pension liability	27,158	8,134	4,994	
Change in fair value			(1,025)	
(Increase) Decrease In:				
Accounts receivable	(15,794)	1,508	3,641	(1,739)
Inventory	(250)	(2,908)		
Prepaid items	30,194	34	(540)	
Increase (Decrease) In:				
Accounts and contracts payable	13,610	(8,387)	26,212	(30,390)
Customer deposits	(675)			
 Net Cash Provided By Operating Activities	 <u>\$ 869,730</u>	 <u>\$ 232,857</u>	 <u>\$ 176,516</u>	 <u>\$ 75,796</u>

**See Notes to Financial Statements**

Waste Management		Ambulance	Totals	
			2016	2015
\$	10,578	\$ (4,807)	\$ 762,176	\$ 722,447
	417	30,951	569,430	554,559
			447	10,081
		16,323	54,702	56,485
			(32,171)	94,872
		5,116	45,402	33,290
			(1,025)	
	(534)	(31,424)	(44,342)	5,645
			(3,158)	52,399
		(890)	28,798	15,508
	(310)	1,384	2,119	(197,124)
			(675)	1,600
\$	10,151	\$ 16,653	\$ 1,381,703	\$ 1,349,762

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

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

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

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

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

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

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

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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



# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### Cash and Investments

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

##### Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

##### Interfund Balances

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance non-spendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

##### Property Taxes

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

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

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

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

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.

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 in Years
Buildings	10 - 40
Infrastructure	15 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

##### Compensated Absences

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

##### Long-term Obligations

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

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

##### Concentration of Credit Risk

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

##### Pensions

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

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

###### 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 assign fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the following: city administrator.

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

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

##### E. Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Stewardship, Compliance, and Accountability**

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A. Budgetary Information

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

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

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

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 FINANCIAL STATEMENTS (CONTINUED)**

**3. Detailed Notes on All Funds**

*A. Implementation of New Accounting Principles*

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. This statement generally requires investments to be measured at fair value and requires disclosures to be made about fair value measurements including the level of fair value hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement establishes the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. This statement requires the disclosure of information related to tax abatement agreements entered into by the City such as the financial statement impact, amount of taxes the City has promised to forego, and commitments made, under the agreements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, Pension Issues – an amendment of GASB Statements No.67, No.68 and No.73. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementation of the three standards listed above. One of the significant changes included in this statement clarifies the presentation of covered payroll in the required supplementary information to reflect the amount of payroll on which contributions made to the pension plan are based.

*Summary of Cash and Investments*

As of December 31, 2016, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 2,378
Deposits	None	N/A	2,579,501
Non-negotiable			
Certificates of Deposit	October 2016 - May 2018	N/A	189,022
Municipal Bonds	June 2017 - August 2025	AAA	836,906
U.S. Treasury Securities	November 2018 - February 2024	AAA	283,958
Money Market Funds	None	N/A	<u>26,497</u>
Cash and Investments per Statement of Net Position			<u><u>\$ 3,918,262</u></u>

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### Investments Authorized by Minnesota Statutes

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

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

##### Fair Value Measurement

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

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

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

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

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

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

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

The City's investments within the fair value hierarchy at December 31, 2016 and 2015 were as follows:

	At December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Municipal Bonds	\$ 836,906		\$ 836,906	
U.S. Treasury Securities	283,958		283,958	
	<u>\$ 1,120,864</u>	<u>\$</u>	<u>\$ 1,120,864</u>	<u>\$</u>

	At December 31, 2015			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 200,845		\$ 200,845	
	<u>\$ 200,845</u>	<u>\$</u>	<u>\$ 200,845</u>	<u>\$</u>

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

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

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.



**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments greater than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>% of Total</u>
Municipal Bonds	N/A	21%
U.S. Treasury Securities	N/A	7%

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, 2016 is as follows:

<u>General Fund</u>		
2005 Public Improvement Project		<u>\$ 220</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>1,809</u>
<u>Enterprise Funds</u>		
Electric Fund		5,113
Water Fund		4,036
Sewer Fund		<u>4,036</u>
Total Enterprise Funds		<u>13,185</u>
Total		<u><u>\$ 15,214</u></u>

C. Loans and Contracts Receivable

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

D. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2016 are as follows:

<u>Fund</u>	Winona		<u>Total</u>
	County	Townships	
General	\$ 2,159	\$ 31,848	\$ 2,159
Special Revenue	2,817		34,665
Debt Service	4,774		4,774
Capital Project	4,823		<u>4,823</u>
	<u>\$ 14,573</u>	<u>\$ 31,848</u>	<u>\$ 46,421</u>

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

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

**E. Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,798,702	\$	\$ 77,448	\$ 1,721,254
Construction in process	2,319,484		2,319,484	
Total capital assets, not being depreciated	4,118,186		2,396,932	1,721,254
Capital assets, being depreciated:				
Buildings	4,036,951	2,657,352		6,694,303
Infrastructure	5,967,586	35,311	179,537	5,823,360
Machinery and equipment	2,606,724	197,411	343,213	2,460,922
Total capital assets, being depreciated	12,611,261	2,890,074	522,750	14,978,585
Less accumulated depreciation for:				
Buildings	2,207,260	122,390		2,329,650
Infrastructure	1,431,832	186,765	29,203	1,589,394
Machinery and equipment	2,138,840	111,768	282,483	1,968,125
Total accumulated depreciation	5,777,932	420,923	311,686	5,887,169
Total capital assets, being depreciated, net	6,833,329	2,469,151	211,064	9,091,416
Governmental activities capital assets, net	\$ 10,951,515	\$ 2,469,151	\$ 2,607,996	\$ 10,812,670

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
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	6,158,418	241,039		6,399,457
Machinery and equipment	14,605,606	346,020	73,959	14,877,667
Total capital assets, being depreciated	20,764,024	587,059	73,959	21,277,124
Less accumulated depreciation for:				
Buildings and improvements	1,496,322	119,966		1,616,288
Machinery and equipment	5,976,090	449,464	38,591	6,386,963
Total accumulated depreciation	7,472,412	569,430	38,591	8,003,251
Total capital assets, being depreciated, net	13,291,612	17,629	35,368	13,273,873
Business-type activities capital assets, net	\$ 13,433,801	\$ 17,629	\$ 35,368	\$ 13,416,062

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

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

E. *Capital Assets (continued)*

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 47,387
Public safety	54,040
Public works	194,472
Library	25,718
Parks and recreation	<u>99,306</u>
Total depreciation expense - governmental activities	<u>\$ 420,923</u>
<b>Business-Type Activities:</b>	
Electric	\$ 297,764
Water	141,728
Sewer	76,033
Storm water drainage	22,537
Ambulance	30,951
Waste Management	<u>417</u>
Total depreciation expense - business-type activities	<u>\$ 569,430</u>

F. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2016, 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	\$ 254,952	\$
Special Revenue:		
Emergency Management Services		683
Capital Project:		
Tax Increment District #7		51,689
Tax Increment District #8		<u>202,580</u>
	<u>\$ 254,952</u>	<u>\$ 254,952</u>
	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Capital Projects:		
Capital Improvements	\$	\$ 60,000
Enterprise Funds:		
Electric	<u>60,000</u>	
Total Advances	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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

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

F. *Interfund Balances and Transfers (continued)*

Transfers during the year ended December 31, 2016 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 126,500	\$ 18,236
Special Revenue:		
EMS Building	428,021	
Library	15,200	
Advertising	2,842	
Volunteer Fire Department Celebration	194	65,000
I-90 Construction	195,680	197
Debt Service:		
2015A G.O. Bond	45,000	
Capital Projects:		
Capital Improvements	197	278,021
TIF District #8		195,680
Enterprise:		
Electric		185,000
Ambulance		71,500
Total Transfers	<u>\$ 813,634</u>	<u>\$ 813,634</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2016 are as follows:

General Fund	\$ 8,365
Special Revenue Funds	
Economic Development	45,873
Library	703
Volunteer Fire Department	25,633
Blandin Foundation	1,665
Enterprise Funds	
Waste Management	5,973
Ambulance	63,286

All excess expenditures were the result of planned processes.

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

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

The following funds had a deficit fund balance at December 31, 2016.

Special Revenue Funds		
Advertising	\$	187
Celebration		67
Emergency Management Services		666
Capital Projects		
Tax Increment District #8		202,580
Tax Increment District #7		51,689

**G. Long-term debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 1,714,377		\$ 167,279	\$ 1,547,098	\$ 171,557
2015A GO Bonds (3.0 - 3.75%)	2,300,000			2,300,000	65,000
Less: Unamortized Discount	(24,979)		(1,046)	(23,933)	
Notes payable:					
2012 Installment Promissory Note - Winona County (2.0%)	29,756		7,891	21,865	8,063
Vehicle lease payable (2.95%)		105,077		105,077	22,008
Long-term Liabilities	<u>4,019,154</u>	<u>105,077</u>	<u>174,124</u>	<u>3,950,107</u>	<u>266,628</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	510,623		22,721	487,902	23,443
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	1,780,000		235,000	1,545,000	240,000
Less: Unamortized Discount	(15,531)		(1,681)	(13,850)	
Long-term Liabilities	<u>2,275,092</u>		<u>256,040</u>	<u>2,019,052</u>	<u>263,443</u>
Total	<u>\$ 6,294,246</u>	<u>\$ 105,077</u>	<u>\$ 430,164</u>	<u>\$ 5,969,159</u>	<u>\$ 530,071</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 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, 2016, 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>						
2017	\$ 236,557	\$ 120,899			\$ 30,071	\$ 699
2018	240,717	115,639			28,085	2,685
2019	254,896	109,558			26,028	1,932
2020	259,046	102,674			21,064	1,279
2021	263,204	95,214			21,694	649
2022-2026	636,622	407,808				
2027-2031	744,747	289,067				
2032-2036	586,309	162,365				
2037-2040	625,000	60,174				
Totals	<u>\$ 3,847,098</u>	<u>\$ 1,463,398</u>			<u>\$ 126,942</u>	<u>\$ 7,244</u>
<u>Business-Type Activities</u>						
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	26,796	13,204	270,000	16,640		
2022-2026	148,378	51,622	280,000	8,540		
2027-2031	175,253	24,747				
2032	38,691	1,309				
Totals	<u>\$ 487,902</u>	<u>\$ 152,098</u>	<u>\$ 1,545,000</u>	<u>\$ 161,216</u>		

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

Municipal Development District No. 6 – The District is of the redevelopment type, authorized under Minnesota law Chapter 472(A), established in 2005 to last until the year 2030.

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

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

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

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

G. Long-term debt (continued)

	Municipal District #6	Municipal District #7	Municipal District #8
Original gross tax capacity, including modifications	\$ 822	\$ 9,043	\$ 7,428
Current gross tax capacity	20,370	31,668	7,428
Captured gross tax capacity Retained by authority	19,548	22,625	

H. Tax Abatement

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

The City has made no commitments, other than tax abatement, under the agreements. The taxpayer submits property taxes annually and is reimbursed by the City for the abatement amount if the taxpayer has filed reports substantiating that it has met the employment levels stipulated in the agreement. The City had the following tax abatement agreements as of December 31, 2016.

Assisted Living/Medical Clinic – Parkway First Addition

The City entered into a tax abatement agreement in June 2002 for the purpose of constructing an assisted living facility with approximately 20 units. Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2004. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$4,000 per year. The amount of tax abated in 2016 totaled \$4,000.

The City also entered into a tax abatement agreement in 2002 for the purpose of building a 4,300 square foot building to be used as a Medical Clinic (Olmsted Medical Center). Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2004. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$2,453 per year. The amount of tax abated in 2016 totaled \$2,453.

Soppa Assisted Living Project Phase II – Parkway First Addition

The City entered into a tax abatement agreement in April 2003 for the purpose of constructing an assisted living facility with approximately 20 units. Under the agreement, the City has agreed to abate the project's property taxes for 15 years beginning in 2005. The amount of the abatement is 100% of the City's share of new property taxes from the project not to exceed \$3,960 per year. The amount of tax abated in 2016 totaled \$3,960.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

*1. Fund Equity*

	Committed Fund Balance			Total
	Fund 34	Fund 25	Fund 40	
	Economic Development	Capital Improvement	Parkland Dedication	
Committed				
Economic Development				
CIP Projects	\$ 155,779	\$	\$	\$ 155,779
Capital Project		205,892		205,892
Parkland Dedication				
CIP Projects			65,988	65,988
	<u>\$ 155,779</u>	<u>\$ 205,892</u>	<u>\$ 65,988</u>	<u>\$ 427,659</u>

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

*Plan Description*

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

1. General Employees Retirement Fund (GERF) - All full-time and certain part-time employees of the City of St. Charles 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.



**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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Benefits Provided (Continued)

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.

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 2016. 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, 2016, were \$61,989. 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 2016. The City 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, 2016, were \$37,081. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

Pension Costs

1. GERF Pension Costs

At December 31, 2016, the City reported a liability of \$1,079,894 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0133% at the end of the measurement period and .0139% for the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$141,903 for its proportionate share of the GERF's pension expense.

At December 31, 2016, the City reported its proportionate share of the GERF'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	\$	\$ 88,769
Difference between projected and actual investment earnings	207,176	
Changes in actuarial assumptions	211,444	
Changes in proportion		46,806
Contributions paid to PERA subsequent to the measurement date	36,149	
Total	<u>\$ 454,769</u>	<u>\$ 135,575</u>

Included in deferred outflows of resources related to pensions is \$36,149 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, 2017. 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>
2017	\$ 73,395
2018	73,395
2019	97,244
2020	39,011

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

*Pension Cost (Continued)*

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$963,162 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0240% at the end of the measurement period and .0250% for the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$161,882 for its proportionate share of the PEPFF's pension expense. The City also recognized \$2,160 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.

At December 31, 2016, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 111,966
Difference between projected and actual investment earnings	148,471	
Changes in actuarial assumptions	530,070	
Changes in proportion		9,468
Contributions paid to PERA subsequent to the measurement date	<u>26,122</u>	
Total	<u>\$ 704,663</u>	<u>\$ 121,434</u>

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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Included in deferred outflows of resources related to pensions is \$26,122 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, 2017. 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</u> <u>Amount</u>
2017	\$ 120,096
2018	120,096
2019	120,094
2020	107,720
2021	89,101

#### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for GERF and RP-2000 tables for PEPFF for males or females, as appropriate, with slight adjustments. Cost of living increases for retirees are assumed to be 1% per year for all future years for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study in PEPFF was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016.

#### 1. GERF

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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4. Defined Benefit Pension Plans – Statewide (continued)

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2. PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from 7.9% used in 2015. 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 Minnesota Statutes. Based on these assumptions, the fiduciary net position of GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In PEPFF the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. A single discount rate of 5.60% for PEPFF was determined that produced approximately the same value of projected benefits when applied to all years of projected benefits as present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.5%	7.5%	8.5%
City's proportionate share of the GERP net pension liability	\$ 1,533,770	\$ 1,079,894	\$ 720,370
	4.6%	5.6%	6.6%
City's proportionate share of the PEPFF net pension liability	1,348,299	963,162	284,059
	<u>\$ 2,882,069</u>	<u>\$ 2,043,056</u>	<u>\$ 1,004,429</u>

Pension Plan Fiduciary Net Position

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

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

The following information is based upon the St. Charles Firefighter's Relief Association ("Association") actuarial report for the year ended December 31, 2015 which is the latest information available. The City does not believe that the funded status changed significantly during 2016.

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

Plan Description

The City contributes to the Association, a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters. As of December 31, 2015, the plan covered 29 active firefighters. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G. The December 31, 2015 information is the latest reported for this Plan.

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.

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	\$ 527,143	\$ 789,894	\$ (262,751)

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO 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 age 50 (50%), 51-56 (20%), thereafter (100%)
- Investment rate of return of 5.75%
- 20-Year Municipal bond yield 3.5%
- Salary increase 2.5%
- Cost of living increases 0.00% future annual increase to eligible deferred pension amounts

There were no changes in actuarial assumptions in 2015 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. 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 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	Discount Rate	1% Increase in Discount Rate
	5.75%	6.75%	7.75%
Net pension 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 FINANCIAL STATEMENTS (CONTINUED)**

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

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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, 2015, is available in a separately-issued financial report that includes financial statements and required supplementary information.

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**6. Commitments and Contingencies**

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

**CITY OF ST. CHARLES, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City Pension Contributions**  
**December 31, 2016**

**Schedule of City Pension Contributions**  
**PERA General Employees Retirement Fund**

Year Ended December 31	Contributions in Relation to				
	Statutorily Required Contribution (a)	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	61,989	61,989		826,520	7.5%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

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

Year Ended December 31	Contributions in Relation to				
	Statutorily Required Contribution (a)	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	37,081	37,081		228,895	16.2%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2016**

**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	813,168	88.6%	78.2%
2016	0.0133%	1,079,894	831,990	129.8%	68.9%
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	0.0240%	\$ 259,210	\$ 218,695	118.5%	87.1%
2015	0.0250%	284,059	227,843	124.7%	86.6%
2016	0.0240%	963,162	232,943	413.5%	63.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF ST. CHARLES, , MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2016**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)Valuation of Plan Assets (a)	Actuarial Valuation of Plan Assets (b)	Net Pension Liability (Asset) (a-b)
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, 2016**

	2016	2015
Actuarially determined contributions:	\$	\$
Actual contributions paid	(7,000)	(7,000)
Contributions Deficiency/(excess)	\$ (7,000)	\$ (7,000)

**CITY OF ST. CHARLES, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**CITY OF ST. CHARLES, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2016**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u>	<u>27</u>	<u>31</u>	
	Advertising	Celebration	Library	Volunteer Fire Department	Emergency Management Services	Blandin Foundation	Total
<b>ASSETS</b>							
Cash and investments	\$	\$	\$ 5,210	\$ 140,307	\$	\$ 585	\$ 146,102
Accrued interest receivable				116			116
Accounts receivable							
Prepaid items	175		894	3,154			4,223
Taxes receivable - delinquent	131	38	728	559	28		1,484
Due from other governmental units	353	108	1,760	31,848	17		34,086
<b>TOTAL ASSETS</b>	<u>\$ 659</u>	<u>\$ 146</u>	<u>\$ 8,592</u>	<u>\$ 175,984</u>	<u>\$ 45</u>	<u>\$ 585</u>	<u>\$ 186,011</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 715	\$ 175	\$ 2,204	\$ 926	\$	\$	\$ 4,020
Due to other funds					683		683
Total Liabilities	<u>715</u>	<u>175</u>	<u>2,204</u>	<u>926</u>	<u>683</u>		<u>4,703</u>
<b>Deferred Inflows of Resources:</b>							
Property taxes	131	38	728	559	28		1,484
Total Deferred Inflows of Resources	<u>131</u>	<u>38</u>	<u>728</u>	<u>559</u>	<u>28</u>		<u>1,484</u>
<b>Fund Balance</b>							
Nonspendable:							
Prepaid items	175		894	3,154			4,223
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects							
Assigned			4,766	171,345			176,111
Unassigned	(362)	(67)			(666)	585	(510)
Total Fund Balance	<u>(187)</u>	<u>(67)</u>	<u>5,660</u>	<u>174,499</u>	<u>(666)</u>	<u>585</u>	<u>179,824</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 659</u>	<u>\$ 146</u>	<u>\$ 8,592</u>	<u>\$ 175,984</u>	<u>\$ 45</u>	<u>\$ 585</u>	<u>\$ 186,011</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>28</u> I-90 Construction Fund		
\$ 168,956	\$ 107,056	\$ 276,012	\$ 51,249	\$ 65,988	\$	\$	\$ 117,237	\$ 539,351 116
3,490	815	4,305						4,223
3,617	1,157	4,774						5,789
								38,860
<u>\$ 176,063</u>	<u>\$ 109,028</u>	<u>\$ 285,091</u>	<u>\$ 51,249</u>	<u>\$ 65,988</u>	<u>\$</u>	<u>\$</u>	<u>\$ 117,237</u>	<u>\$ 588,339</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$ 4,020
					51,689		51,689	52,372
					51,689		51,689	56,392
3,490	815	4,305						5,789
3,490	815	4,305						5,789
172,573	108,213	280,786	51,249	65,988	(51,689)		65,548	280,786
								4,223
								280,786
								51,249
								65,988
								65,988
								176,111
								(52,199)
<u>172,573</u>	<u>108,213</u>	<u>280,786</u>	<u>51,249</u>	<u>65,988</u>	<u>(51,689)</u>		<u>65,548</u>	<u>526,158</u>
<u>\$ 176,063</u>	<u>\$ 109,028</u>	<u>\$ 285,091</u>	<u>\$ 51,249</u>	<u>\$ 65,988</u>	<u>\$</u>	<u>\$</u>	<u>\$ 117,237</u>	<u>\$ 588,339</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, 2016**

	Special Revenue						Total
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	<u>31</u> Blandin Foundation	
<b>REVENUES</b>							
Property tax levy							
Property tax collected	\$ 21,289	\$ 6,509	\$ 106,068	\$ 64,672	\$ 66	\$	\$ 198,604
Tax increments							
Intergovernmental			29,054	33,656			62,710
Charges for services				40,420			40,420
Interest income				(255)	2		(253)
Donations	1,848	14,150	4,026	423		250	20,697
Miscellaneous			2,965	20,641		2,000	25,606
<b>TOTAL REVENUES</b>	<u>23,137</u>	<u>20,659</u>	<u>142,113</u>	<u>159,557</u>	<u>68</u>	<u>2,250</u>	<u>347,784</u>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	24,245	19,871				1,665	45,781
Public safety				147,283	9,716		156,999
Library			153,423				153,423
Principal retirement							
Interest and fiscal charges							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<u>24,245</u>	<u>19,871</u>	<u>153,423</u>	<u>147,283</u>	<u>9,716</u>	<u>1,665</u>	<u>356,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,108)</u>	<u>788</u>	<u>(11,310)</u>	<u>12,274</u>	<u>(9,648)</u>	<u>585</u>	<u>(8,419)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer in	2,842	194	15,200				18,236
Transfer out				(65,000)			(65,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,842</u>	<u>194</u>	<u>15,200</u>	<u>(65,000)</u>			<u>(46,764)</u>
Net change in fund balances	1,734	982	3,890	(52,726)	(9,648)	585	(55,183)
<b>FUND BALANCES, beginning</b>	<u>(1,921)</u>	<u>(1,049)</u>	<u>1,770</u>	<u>227,225</u>	<u>8,982</u>		<u>235,007</u>
<b>FUND BALANCES, ending</b>	<u>\$ (187)</u>	<u>\$ (67)</u>	<u>\$ 5,660</u>	<u>\$ 174,499</u>	<u>\$ (666)</u>	<u>\$ 585</u>	<u>\$ 179,824</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>28</u> I-90 Construction Fund	Total	
\$ 217,083	\$ 76,228	\$ 293,311	\$ 19,064	\$	\$ 23,275	\$	\$ 42,339	\$ 491,915
								42,339
								62,710
19	15	34	20	31			51	40,420
				23,797			23,797	(168)
						500	500	44,494
								26,106
<u>217,102</u>	<u>76,243</u>	<u>293,345</u>	<u>19,084</u>	<u>23,828</u>	<u>23,275</u>	<u>500</u>	<u>66,687</u>	<u>707,816</u>
								45,781
								156,999
167,279		167,279						153,423
48,899	86,105	135,004						167,279
			13,754	32,531	2,990		49,275	135,004
								49,275
<u>216,178</u>	<u>86,105</u>	<u>302,283</u>	<u>13,754</u>	<u>32,531</u>	<u>2,990</u>		<u>49,275</u>	<u>707,761</u>
924	(9,862)	(8,938)	5,330	(8,703)	20,285	500	17,412	55
	45,000	45,000				195,680	195,680	258,916
						(197)	(197)	(65,197)
	45,000	45,000				195,483	195,483	193,719
924	35,138	36,062	5,330	(8,703)	20,285	195,983	212,895	193,774
171,649	73,075	244,724	45,919	74,691	(71,974)	(195,983)	(147,347)	332,384
<u>\$ 172,573</u>	<u>\$ 108,213</u>	<u>\$ 280,786</u>	<u>\$ 51,249</u>	<u>\$ 65,988</u>	<u>\$ (51,689)</u>	<u>\$</u>	<u>\$ 65,548</u>	<u>\$ 526,158</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, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property Tax Levy					
Property tax collected	\$ 21,275	\$ 21,275	\$ 21,289	\$ 14	\$ 20,367
Donations	4,000	4,000	1,848	(2,152)	1,721
<b>TOTAL REVENUES</b>	<u>25,275</u>	<u>25,275</u>	<u>23,137</u>	<u>(2,138)</u>	<u>22,088</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Fireworks	8,000	8,000	9,145	(1,145)	9,047
City promotion	2,675	2,675	322	2,353	2,049
Board reimbursement					
annual events	2,100	2,100	1,946	154	1,408
Advertising	12,500	12,500	12,832	(332)	12,636
<b>TOTAL EXPENDITURES</b>	<u>25,275</u>	<u>25,275</u>	<u>24,245</u>	<u>1,030</u>	<u>25,140</u>
Excess (deficiency) of revenues over (under) expenditures			(1,108)	(1,108)	(3,052)
<b>OTHER FINANCING SOURCES</b>					
Transfers in			2,842	2,842	2,200
Net change in fund balances			1,734	1,734	(852)
<b>FUND BALANCES, beginning</b>	<u>(1,921)</u>	<u>(1,921)</u>	<u>(1,921)</u>		<u>(1,069)</u>
<b>FUND BALANCES, ending</b>	<u>\$ (1,921)</u>	<u>\$ (1,921)</u>	<u>\$ (187)</u>	<u>\$ 1,734</u>	<u>\$ (1,921)</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, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property tax levy					
Property tax collected	\$ 6,500	\$ 6,500	\$ 6,509	\$ 9	\$ 6,535
Donations	16,500	16,500	14,150	(2,350)	11,105
<b>TOTAL REVENUES</b>	<u>23,000</u>	<u>23,000</u>	<u>20,659</u>	<u>(2,341)</u>	<u>17,640</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Advertising	2,800	2,800	3,838	(1,038)	3,671
Dance	6,300	6,300	4,136	2,164	3,810
T-shirts	1,900	1,900	1,352	548	2,102
Rentals	3,700	3,700	2,760	940	940
Pageants	4,500	4,500	3,671	829	3,552
Other	3,800	3,800	4,114	(314)	4,981
<b>TOTAL EXPENDITURES</b>	<u>23,000</u>	<u>23,000</u>	<u>19,871</u>	<u>3,129</u>	<u>19,056</u>
Excess (deficiency) of revenues over (under) expenditures			788	788	(1,416)
<b>OTHER FINANCING SOURCES</b>					
Transfers in			194	194	
Net change in fund balances			982	982	(1,416)
<b>FUND BALANCES, beginning</b>	<u>(1,049)</u>	<u>(1,049)</u>	<u>(1,049)</u>		<u>367</u>
<b>FUND BALANCES, ending</b>	<u>\$ (1,049)</u>	<u>\$ (1,049)</u>	<u>\$ (67)</u>	<u>\$ 982</u>	<u>\$ (1,049)</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, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 106,000	\$ 106,000	\$ 106,068	\$ 68	\$ 103,058
<b>Intergovernmental Revenues</b>					
Library aid	27,682	27,682	29,054	1,372	28,437
Intergovernmental Revenues	27,682	27,682	29,054	1,372	28,437
<b>Donations</b>	3,500	3,500	4,026	526	3,934
<b>Miscellaneous</b>					
Fines	2,000	2,000	1,527	(473)	1,385
Book sales			108	108	122
Copy machines	1,000	1,000	1,330	330	1,064
Other	700	700		(700)	4
Total Miscellaneous Revenues	3,700	3,700	2,965	(735)	2,575
<b>TOTAL REVENUES</b>	140,882	140,882	142,113	1,231	138,004
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	68,630	68,630	72,729	(4,099)	68,550
Employee benefits and retirement	35,100	35,100	29,398	5,702	31,886
Supplies and minor equipment	2,540	2,540	1,847	693	2,299
Professional services	9,500	9,500	10,444	(944)	9,003
Communications	1,200	1,200	1,279	(79)	1,525
Transportation and training	750	750	751	(1)	1,075
Insurance	3,000	3,000	1,577	1,423	1,922
Utilities	8,000	8,000	11,155	(3,155)	11,439
Repairs and maintenance	7,000	7,000	7,552	(552)	6,113
Other	1,000	1,000	1,640	(640)	1,150
Capital outlay	16,000	16,000	15,051	949	18,974
<b>TOTAL EXPENDITURES</b>	152,720	152,720	153,423	(703)	153,936
Excess (deficiency) of revenues over (under) expenditures	(11,838)	(11,838)	(11,310)	528	(15,932)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	15,200	15,200	15,200		15,200
Net change in fund balances	3,362	3,362	3,890	528	(732)
<b>FUND BALANCES, beginning</b>	1,770	1,770	1,770		2,502
<b>FUND BALANCES, ending</b>	\$ 5,132	\$ 5,132	\$ 5,660	\$ 528	\$ 1,770

**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, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 64,600	\$ 64,600	\$ 64,672	\$ 72	\$ 67,678
<b>Intergovernmental Revenues</b>					
State fire aid	30,000	30,000	33,656	3,656	33,462
<b>Charges for Services</b>					
Other local governments	32,114	32,114	32,035	(79)	31,935
Fire calls	11,500	11,500	8,385	(3,115)	13,490
<b>Interest income</b>	1,500	1,500	(255)	(1,755)	607
<b>Donations</b>			423	423	1,500
<b>Miscellaneous Revenues</b>	3,000	3,000	20,641	17,641	20,300
<b>TOTAL REVENUES</b>	<u>142,714</u>	<u>142,714</u>	<u>159,557</u>	<u>16,843</u>	<u>168,972</u>
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	18,000	18,000	18,160	(160)	20,990
Employee benefits and retirement	6,900	6,900	10,667	(3,767)	7,300
Supplies and minor equipment	18,450	18,450	21,631	(3,181)	16,854
Professional services	3,000	3,000	5,652	(2,652)	1,799
Communication	2,000	2,000	2,427	(427)	2,104
Transportation and training	9,300	9,300	5,802	3,498	4,426
Insurance	9,500	9,500	2,670	6,830	4,116
Utilities	5,500	5,500	5,655	(155)	3,010
Capital outlay	4,800	4,800	4,734	66	2,867
Repairs and maintenance	13,500	13,500	22,549	(9,049)	11,345
Fire relief payment	28,000	28,000	40,656	(12,656)	40,462
Other	2,700	2,700	6,680	(3,980)	7,018
<b>TOTAL EXPENDITURES</b>	<u>121,650</u>	<u>121,650</u>	<u>147,283</u>	<u>(25,633)</u>	<u>122,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,064</u>	<u>21,064</u>	<u>12,274</u>	<u>(8,790)</u>	<u>46,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(14,786)</u>	<u>(14,786)</u>	<u>(65,000)</u>	<u>(50,214)</u>	<u>(16,986)</u>
Net change in fund balances	6,278	6,278	(52,726)	(59,004)	29,695
<b>FUND BALANCES, beginning</b>	<u>227,225</u>	<u>227,225</u>	<u>227,225</u>		<u>197,530</u>
<b>FUND BALANCES, ending</b>	<u>\$ 233,503</u>	<u>\$ 233,503</u>	<u>\$ 174,499</u>	<u>\$ (59,004)</u>	<u>\$ 227,225</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, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$	\$	\$ 66	\$ 66	\$ 10,514
<b>Interest Income</b>			2	2	1
<b>TOTAL REVENUES</b>			68	68	10,515
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Professional services	10,000	10,000	9,517	483	2,450
Other			199	(199)	
<b>TOTAL EXPENDITURES</b>	10,000	10,000	9,716	284	2,450
Net change in fund balances	(10,000)	(10,000)	(9,648)	352	8,065
<b>FUND BALANCES, beginning</b>	8,982	8,982	8,982		917
<b>FUND BALANCES, ending</b>	\$ (1,018)	\$ (1,018)	\$ (666)	\$ 352	\$ 8,982



**CITY OF ST. CHARLES, MINNESOTA**  
**BLANDIN FOUNDATION FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended December 31, 2016**  
*With Comparative Totals for the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>2016 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2015 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Donations	\$	\$	\$ 250	\$ 250	\$
Miscellaneous			2,000	2,000	
<b>TOTAL REVENUES</b>			<u>2,250</u>	<u>2,250</u>	
<b>EXPENDITURES</b>					
<b>General Government</b>					
Supplies			40	(40)	
Public education			1,625	(1,625)	
<b>TOTAL EXPENDITURES</b>			<u>1,665</u>	<u>(1,665)</u>	
Excess (deficiency) of revenues over (under) expenditures			<u>585</u>	<u>3,915</u>	
Net change in fund balances			585	3,915	
<b>FUND BALANCES, beginning</b>					
<b>FUND BALANCES, ending</b>	<u>\$</u>	<u>\$</u>	<u>\$ 585</u>	<u>\$ 3,915</u>	<u>\$</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 ELECTRIC FUND  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,029,634	\$ 930,707
Emergency cash reserve	250,000	250,000
Accrued interest receivable	5,377	6,046
Accounts receivable, net	235,907	217,025
Accrued utility revenue	101,194	104,729
Special assessments-deferred	5,113	
Advances to other funds	60,000	70,000
Inventory	305,933	305,683
Prepaid expenses	40,075	70,269
Total Current Assets	2,033,233	1,954,459
<b>Capital Assets</b>		
Nondepreciable	113,489	113,489
Depreciable	10,834,099	10,501,759
Less: Accumulated depreciation	4,065,703	3,777,427
Capital Assets, Net	6,881,885	6,837,821
Total Assets	8,915,118	8,792,280
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	174,974	38,875
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 9,090,092	\$ 8,831,155
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 240,000	\$ 235,000
Accounts payable	53,498	39,888
Customer deposits	19,800	20,475
Accrued interest payable	3,570	3,962
Total Current Liabilities	316,868	299,325
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	1,305,000	1,545,000
Net pension liability	416,243	277,665
Less: Unamortized bond discount	(13,850)	(15,531)
Total Noncurrent Liabilities	1,707,393	1,807,134
Total Liabilities	2,024,261	2,106,459
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	52,257	27,578
<b>NET POSITION</b>		
Net investment in capital assets	5,350,735	5,073,352
Unrestricted	1,662,839	1,623,766
Total Net Position	7,013,574	6,697,118
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 9,090,092	\$ 8,831,155

**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, 2016**  
**With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 2,890,000	\$ 2,890,000	\$ 2,841,046	\$ (48,954)	\$ 2,780,177
<b>Operating Expenses</b>					
Purchased utilities	1,500,000	1,500,000	1,147,837	352,163	1,102,184
Salaries	347,700	347,700	353,538	(5,838)	340,902
Employee benefits and retirement	139,790	139,790	168,880	(29,090)	153,233
Gas and oil	9,500	9,500	3,629	5,871	4,301
Generation fuel	40,000	40,000	12,721	27,279	21,166
Supplies and minor equipment	11,850	11,850	12,533	(683)	12,432
Professional services	31,000	31,000	37,081	(6,081)	41,924
Communication	7,000	7,000	5,800	1,200	6,058
Transportation and training	10,000	10,000	8,648	1,352	10,197
Printing and publishing	1,100	1,100		1,100	
Insurance	22,000	22,000	10,299	11,701	13,006
Utilities	5,000	5,000	8,123	(3,123)	7,145
Repairs and maintenance	271,000	271,000	111,670	159,330	112,043
Depreciation and amortization	230,000	230,000	297,764	(67,764)	291,212
Bad debts			447	(447)	10,081
Other	96,500	96,500	141,054	(44,554)	157,962
Total Operating Expenses	<u>2,722,440</u>	<u>2,722,440</u>	<u>2,320,024</u>	<u>402,416</u>	<u>2,283,846</u>
Operating Income	<u>167,560</u>	<u>167,560</u>	<u>521,022</u>	<u>353,462</u>	<u>496,331</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	10,000	10,000	18,043	8,043	15,421
Miscellaneous income	20,000	20,000	11,220	(8,780)	19,572
Interest and fiscal charges	(53,090)	(53,090)	(48,829)	4,261	(52,578)
Total Nonoperating Revenues (Expenses)	<u>(23,090)</u>	<u>(23,090)</u>	<u>(19,566)</u>	<u>3,524</u>	<u>(17,585)</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>144,470</u>	<u>144,470</u>	<u>501,456</u>	<u>356,986</u>	<u>478,746</u>
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(185,000)</u>	<u>(65,000)</u>	<u>(120,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>24,470</u>	<u>24,470</u>	<u>316,456</u>	<u>291,986</u>	<u>358,746</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>6,697,118</u>	<u>6,697,118</u>	<u>6,697,118</u>		<u>6,338,372</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 6,721,588</u>	<u>\$ 6,721,588</u>	<u>\$ 7,013,574</u>	<u>\$ 291,986</u>	<u>\$ 6,697,118</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WATER FUND  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 568,518	\$ 431,226
Accrued interest receivable	773	871
Accounts receivable, net	44,606	43,763
Accrued utility revenue	18,101	17,770
Special assessments-deferred	4,036	6,718
Inventory	21,567	18,659
Prepaid expenses	2,422	2,456
Total Current Assets	660,023	521,463
<b>Capital Assets</b>		
Depreciable	5,419,005	5,371,903
Less: Accumulated depreciation	2,311,284	2,198,659
Capital Assets, Net	3,107,721	3,173,244
Total Assets	3,767,744	3,694,707
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	52,697	11,697
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 3,820,441	\$ 3,706,404
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 23,443	\$ 22,721
Accounts payable	11,528	19,915
Accrued interest payable	13,798	14,399
Total Current Liabilities	48,769	57,035
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	464,459	487,902
Net pension liability	125,276	83,568
Total Noncurrent Liabilities	589,735	571,470
Total Liabilities	638,504	628,505
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	15,727	8,301
<b>NET POSITION</b>		
Net investment in capital assets	2,619,819	2,662,621
Unrestricted	546,391	406,977
Total Net Position	3,166,210	3,069,598
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 3,820,441	\$ 3,706,404

**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, 2016  
 With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 532,030	\$ 532,030	\$ 531,399	\$ (631)	\$ 531,955
<b>Operating Expenses</b>					
Salaries	105,670	105,670	108,654	(2,984)	101,627
Employee benefits and retirement	39,055	39,055	49,842	(10,787)	44,031
Supplies and minor equipment	32,000	32,000	17,009	14,991	26,556
Professional services	40,200	40,200	29,145	11,055	40,047
Communication	5,000	5,000	6,432	(1,432)	6,528
Transportation and training	4,000	4,000	2,687	1,313	3,186
Insurance	6,000	6,000	2,591	3,409	3,681
Utilities	50,000	50,000	33,686	16,314	39,674
Repairs and maintenance	210,900	210,900	55,824	155,076	35,608
Depreciation and amortization	21,977	21,977	141,728	(119,751)	137,103
Other	500	500	621	(121)	630
Total Operating Expenses	515,302	515,302	448,219	67,083	438,671
Operating Income	16,728	16,728	83,180	66,452	93,284
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,000	1,000	3,337	2,337	1,772
Miscellaneous income	6,300	6,300	26,773	20,473	8,857
Interest and fiscal charges	(18,023)	(18,023)	(16,678)	1,345	(17,403)
Total Nonoperating Revenues (Expenses)	(10,723)	(10,723)	13,432	24,155	(6,774)
<b>INCOME BEFORE TRANSFERS</b>	6,005	6,005	96,612	90,607	86,510
Transfers out					(13,300)
<b>CHANGE IN NET POSITION</b>	6,005	6,005	96,612	90,607	73,210
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	3,069,598	3,069,598	3,069,598		2,996,388
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 3,075,603	\$ 3,075,603	\$ 3,166,210	\$ 90,607	\$ 3,069,598

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 SEWER FUND  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 294,445	\$ 190,764
Accrued interest receivable	70	66
Accounts receivable	58,778	58,793
Accrued utility revenue	22,913	23,857
Special assessments-deferred	4,036	6,718
Prepaid expenses	1,675	1,135
Total Current Assets	381,917	281,333
<b>Capital Assets</b>		
Nondepreciable	28,700	28,700
Depreciable	3,717,207	3,643,468
Less: Accumulated depreciation	1,185,710	1,109,677
Capital Assets, Net	2,560,197	2,562,491
Total Assets	2,942,114	2,843,824
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	31,982	7,085
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,974,096</b>	<b>\$ 2,850,909</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 65,352	\$ 39,140
Total Current Liabilities	65,352	39,140
<b>Noncurrent Liabilities</b>		
Net pension liability	75,960	50,671
Total Liabilities	141,312	89,811
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	9,535	4,933
<b>NET POSITION</b>		
Net investment in capital assets	2,560,197	2,562,491
Unrestricted	263,052	193,674
Total Net Position	2,823,249	2,756,165
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 2,974,096</b>	<b>\$ 2,850,909</b>



**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**SEWER FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Fiscal Year Ended December 31, 2016**  
**With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 693,110	\$ 693,110	\$ 697,959	\$ 4,849	\$ 684,321
<b>Operating Expenses</b>					
Purchased utilities	459,375	459,375	431,088	28,287	425,665
Salaries	71,235	71,235	66,443	4,792	61,899
Employee benefits and retirement	26,245	26,245	27,218	(973)	24,574
Supplies and minor equipment	6,400	6,400	2,584	3,816	6,306
Professional services	9,950	9,950	4,588	5,362	7,247
Communication	2,400	2,400	2,435	(35)	2,548
Transportation and training	3,500	3,500	2,605	895	3,115
Insurance	4,000	4,000	2,419	1,581	2,473
Utilities	4,000	4,000	601	3,399	2,965
Repairs and maintenance	92,000	92,000	15,021	76,979	15,471
Depreciation and amortization			76,033	(76,033)	74,304
Other	1,000	1,000	109	891	301
Total Operating Expenses	680,105	680,105	631,144	48,961	626,868
Operating Income	13,005	13,005	66,815	53,810	57,453
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	(117)	(617)	365
Miscellaneous income			386	386	6,214
Total Nonoperating Revenues (Expenses)	500	500	269	(231)	6,579
<b>INCOME BEFORE TRANSFERS</b>	13,505	13,505	67,084	53,579	64,032
Transfers out					(12,000)
<b>CHANGE IN NET POSITION</b>	13,505	13,505	67,084	53,579	52,032
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	2,756,165	2,756,165	2,756,165		2,704,133
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 2,769,670	\$ 2,769,670	\$ 2,823,249	\$ 53,579	\$ 2,756,165

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 STORM WATER FUND  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 101,616	\$ 80,712
Accounts receivable	10,024	8,725
Accrued utility revenue	3,704	3,264
Total Current Assets	115,344	92,701
<b>Capital Assets</b>		
Depreciable	951,420	896,500
Less: Accumulated depreciation	141,239	118,702
Capital Assets, Net	810,181	777,798
Total Assets	\$ 925,525	\$ 870,499
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,500	\$ 41,890
<b>NET POSITION</b>		
Net investment in capital assets	810,181	777,798
Unrestricted	103,844	50,811
Total Net Position	914,025	828,609
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 925,525</b>	<b>\$ 870,499</b>

**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, 2016**  
**With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Storm water fees	\$ 110,515	\$ 110,515	\$ 114,596	\$ 4,081	\$ 101,149
<b>Operating Expenses</b>					
Professional services	3,100	3,100		3,100	2,125
Depreciation			22,537	(22,537)	20,395
Repairs and maintenance	75,000	75,000	6,671	68,329	1,613
Total Operating Expenses	78,100	78,100	29,208	48,892	24,133
Operating Income	32,415	32,415	85,388	52,973	77,016
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	100	100	28	(72)	31
<b>CHANGE IN NET POSITION</b>	32,515	32,515	85,416	52,901	77,047
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	828,609	828,609	828,609		751,562
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 861,124	\$ 861,124	\$ 914,025	\$ 52,901	\$ 828,609

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 COMPOST AND WASTE MANAGEMENT FUNDS  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 85,374	\$ 80,185
Accounts receivable	27,097	26,563
Total Current Assets	112,471	106,748
<b>Capital Assets</b>		
Depreciable	5,000	
Less: Accumulated depreciation	417	
Capital Assets, Net	4,583	
Total Assets	\$ 117,054	\$ 106,748
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 19,973	\$ 20,283
 <b>NET POSITION</b>		
Net investment in capital assets	4,583	
Unrestricted	92,498	86,465
Total Net Position	97,081	86,465
 <b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 117,054	\$ 106,748

**CITY OF ST. CHARLES, MINNESOTA**  
**COMPOST AND WASTE MANAGEMENT FUNDS**  
**Schedule of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Fiscal Year Ended December 31, 2016**  
**With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Waste removal	\$ 207,530	\$ 207,530	\$ 210,485	\$ 2,955	\$ 201,588
Compost fees	13,500	13,500	13,601	101	13,532
<b>Total Operating Revenues</b>	<u>221,030</u>	<u>221,030</u>	<u>224,086</u>	<u>3,056</u>	<u>215,120</u>
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
Garbage removal	188,935	188,935	197,310	(8,375)	188,710
Depreciation			417	(417)	
City cleanup	10,500	10,500	12,786	(2,286)	11,407
Compost site expense	6,500	6,500		6,500	5,399
Other	1,600	1,600	2,995	(1,395)	2,563
<b>Total Operating Expenses</b>	<u>207,535</u>	<u>207,535</u>	<u>213,508</u>	<u>(5,973)</u>	<u>208,079</u>
Operating Income	<u>13,495</u>	<u>13,495</u>	<u>10,578</u>	<u>(2,917)</u>	<u>7,041</u>
<b>Nonoperating Revenue</b>					
Interest income	<u>500</u>	<u>500</u>	<u>38</u>	<u>(462)</u>	<u>54</u>
<b>CHANGE IN NET POSITION</b>	<u>13,995</u>	<u>13,995</u>	<u>10,616</u>	<u>(3,379)</u>	<u>7,095</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>86,465</u>	<u>86,465</u>	<u>86,465</u>		<u>79,370</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 100,460</u>	<u>\$ 100,460</u>	<u>\$ 97,081</u>	<u>\$ (3,379)</u>	<u>\$ 86,465</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 AMBULANCE FUND  
 Statement of Net Position  
 December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 108,405	\$ 162,834
Accrued interest receivable	77	192
Accounts receivable	72,615	41,191
Prepaid expense	2,880	1,990
Total Current Assets	183,977	206,207
<b>Capital Assets</b>		
Depreciable	350,393	350,393
Less: Accumulated depreciation	298,898	267,946
Capital Assets, Net	51,495	82,447
Total Assets	235,472	288,654
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	33,955	7,815
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 269,427	\$ 296,469
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,952	\$ 1,568
Total Current Liabilities	2,952	1,568
<b>Noncurrent Liabilities</b>		
Net pension liability	79,689	53,159
Total Liabilities	82,641	54,727
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	10,004	5,279
<b>NET POSITION</b>		
Net investment in capital assets	51,495	82,447
Unrestricted	125,287	154,016
Total Net Position	176,782	236,463
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 269,427	\$ 296,469

**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, 2016**  
**With Comparative Totals for the Year Ended December 31, 2015**

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
<b>Charges for Services</b>					
Ambulance service contracts	\$ 500	\$ 500	\$	\$ (500)	\$ 600
Ambulance fees	195,000	195,000	224,579	29,579	187,741
<b>Total Operating Revenues</b>	<u>195,500</u>	<u>195,500</u>	<u>224,579</u>	<u>29,079</u>	<u>188,341</u>
<b>Operating Expenses</b>					
Salaries	78,000	78,000	80,229	(2,229)	74,761
Employee benefits and retirement	18,600	18,600	26,731	(8,131)	20,309
Supplies and minor equipment	25,000	25,000	28,272	(3,272)	18,576
Professional services	12,000	12,000	13,918	(1,918)	10,642
Communication	3,000	3,000	3,347	(347)	2,633
Transportation and training	8,000	8,000	11,524	(3,524)	13,717
Insurance	3,000	3,000	1,086	1,914	2,077
Repairs and maintenance	12,500	12,500	21,267	(8,767)	10,049
Depreciation			30,951	(30,951)	31,545
Other	6,000	6,000	12,061	(6,061)	7,751
<b>Total Operating Expenses</b>	<u>166,100</u>	<u>166,100</u>	<u>229,386</u>	<u>(63,286)</u>	<u>192,060</u>
Operating Income (Loss)	<u>29,400</u>	<u>29,400</u>	<u>(4,807)</u>	<u>(34,207)</u>	<u>(3,719)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	303	(197)	548
Donations			2,818	2,818	1,700
Miscellaneous	2,000	2,000	50	(1,950)	345
Calendar sales	10,000	10,000	13,455	3,455	14,838
Total Nonoperating Revenues (Expenses)	<u>12,500</u>	<u>12,500</u>	<u>16,626</u>	<u>4,126</u>	<u>17,431</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>41,900</u>	<u>41,900</u>	<u>11,819</u>	<u>(30,081)</u>	<u>13,712</u>
Transfers out	<u>(71,500)</u>	<u>(71,500)</u>	<u>(71,500)</u>		<u>(6,500)</u>
<b>CHANGE IN NET POSITION</b>	<u>(29,600)</u>	<u>(29,600)</u>	<u>(59,681)</u>	<u>(30,081)</u>	<u>7,212</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>236,463</u>	<u>236,463</u>	<u>236,463</u>		<u>229,251</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 206,863</u>	<u>\$ 206,863</u>	<u>\$ 176,782</u>	<u>\$ (30,081)</u>	<u>\$ 236,463</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**Summary of Cash and Investments**  
**All Fund Types**  
**December 31, 2016**

**CASH ON HAND**

Change funds \$ 2,378

**CASH IN BANK**

Bremer Bank

St. Charles, Minnesota:

General checking (.01%) and savings (.25%) 2,254,099

Money Market (.050%) 325,402

**INVESTMENTS**

	Rate	Amount
<u>Merchants National Bank</u>		
Certificates of Deposit	0.40-0.80%	\$ 189,022
<u>Wells Fargo</u>		
Municipal Bonds	1.48-1.95%	836,906
U.S. Government Securities	1.99-3.93%	283,958
Money Market Fund	0.01%	26,497

**TOTAL INVESTMENTS** 1,336,383

**TOTAL CASH AND INVESTMENTS,**  
**December 31, 2016** \$ 3,918,262



**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2016**

\$2,329,755 G.O. Improvement  
and Refunding Bonds, Series 2011A

Year	Principal	Interest	Total
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
2021	193,204	28,498	221,702
Thereafter	632,678	159,448	792,126
<b>Totals</b>	<b>\$ 1,547,098</b>	<b>\$ 349,152</b>	<b>\$ 1,896,250</b>

\$2,300,000 General Obligation Bonds, Series 2015A

Year	Principal	Interest	Total
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
2021	70,000	66,716	136,716
Thereafter	1,960,000	759,966	2,719,966
<b>Totals</b>	<b>\$ 2,300,000</b>	<b>\$ 1,114,246</b>	<b>\$ 3,414,246</b>

\$55,000 Installment Promissory Note - Winona County

Year	Principal	Interest	Total
2017	\$ 8,063	\$ 364	\$ 8,427
2018	8,226	201	8,427
2019	5,576	42	5,618
<b>Totals</b>	<b>\$ 21,865</b>	<b>\$ 607</b>	<b>\$ 22,472</b>

\$105,077 Vehicle Lease Payable

Year	Principal	Interest	Total
2017	\$ 22,008	\$ 335	\$ 22,343
2018	19,859	2,484	22,343
2019	20,452	1,890	22,342
2020	21,064	1,279	22,343
2021	21,694	649	22,343
<b>Totals</b>	<b>\$ 105,077</b>	<b>\$ 6,637</b>	<b>\$ 111,714</b>

**CITY OF ST. CHARLES, MINNESOTA  
BUSINESS-TYPE FUNDS  
Bond Retirement Schedules  
December 31, 2016**

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

Year	Principal	Interest	Total
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
2021	270,000	16,640	286,640
Thereafter	280,000	8,540	288,540
<b>Totals</b>	<b>\$ 1,545,000</b>	<b>\$ 161,216</b>	<b>\$ 1,706,216</b>

\$976,464 Water G.O. Improvement  
and Refunding Bonds, Series 2011A

Year	Principal	Interest	Total
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
2021	26,796	13,204	40,000
Thereafter	362,322	77,678	440,000
<b>Totals</b>	<b>\$ 487,902</b>	<b>\$ 152,098</b>	<b>\$ 640,000</b>

## 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, 2016 and the related notes to financial statements, and have issued our report thereon dated April 14, 2017.

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 14, 2017