

**CITY OF ST. CHARLES, MINNESOTA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**



CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2017

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CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS  
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**CITY OF ST. CHARLES, MINNESOTA**  
**INTRODUCTORY SECTION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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**CITY OF ST. CHARLES, MINNESOTA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Elected

John Schaber	Mayor
David Braun	Council/Mayor Pro-Tem
Wayne Getz	Council
David Kramer	Council
Craig Hilmer	Council

Appointed

Nick Koverman	City 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, 2017**

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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, 2017, 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, 2017, 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, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report dated April 14, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

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

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

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

*Smith, Schafn 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, 2017.

### FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$22,912,408 (*net position*). Of this amount, \$3,786,379 (*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 \$634,762.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,468,727. Approximately 50% of this total amount, or \$740,412 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 \$753,752 or 50% 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 fifteen 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, and TIF District No. 8 capital projects funds, all of which are considered to be major funds. Data from the eleven 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 74-79) to demonstrate compliance with the budget.

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

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

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

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

The proprietary fund financial statements can be found on pages 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 70-73 of this report.

### **IMPORTANT REMINDERS**

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$22,912,408 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	2017	2016
Current and other assets	\$ 2,009,333	\$ 3,666,315	\$ 5,675,648	\$ 5,492,780
Capital assets	<u>10,734,408</u>	<u>13,589,888</u>	<u>24,324,296</u>	<u>24,228,732</u>
Total assets	<u>12,743,741</u>	<u>17,256,203</u>	<u>29,999,944</u>	<u>29,721,512</u>
Deferred Outflows of Resources	<u>96,796</u>	<u>61,250</u>	<u>158,046</u>	<u>1,159,432</u>
Long-term liabilities outstanding	3,724,612	1,757,633	5,482,245	5,969,159
Other liabilities	<u>750,926</u>	<u>840,887</u>	<u>1,591,813</u>	<u>2,377,130</u>
Total liabilities	<u>4,475,538</u>	<u>2,598,520</u>	<u>7,074,058</u>	<u>8,346,289</u>
Deferred Inflows of Resources	<u>144,510</u>	<u>27,014</u>	<u>171,524</u>	<u>257,009</u>
Net position:				
Invested in capital assets, net of related debt	7,009,796	11,832,255	18,842,051	18,259,573
Restricted	283,978		283,978	280,786
Unrestricted	<u>926,715</u>	<u>2,859,664</u>	<u>3,786,379</u>	<u>3,737,287</u>
Total net position	<u>\$ 8,220,489</u>	<u>\$ 14,691,919</u>	<u>\$ 22,912,408</u>	<u>\$ 22,277,646</u>

The balance of *unrestricted net position* (\$3,786,379) may be used to meet the government's ongoing obligations to citizens and creditors.

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



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

**Governmental activities.** Governmental activities increased the City of St. Charles, Minnesota's net position by \$133,764. 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 \$500,998. The City's electric utility contributed the most significant portion of that increase, or \$262,759.

A condensed version of the Statement of Activities follows:

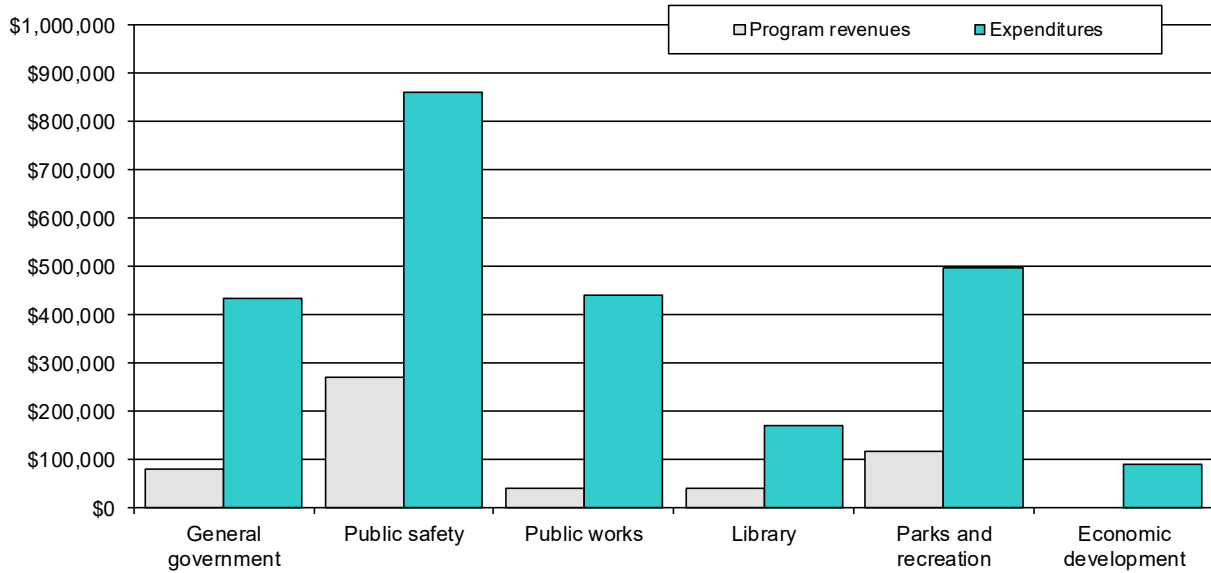
**City of St. Charles, Minnesota's Change in Net Position**

	Governmental	Business-Type	Totals	
	Activities	Activities	2017	2016
Revenue:				
Program revenues:				
Charges for services	\$ 248,107	\$ 4,696,190	\$ 4,944,297	\$ 4,921,312
Operating grants and contributions	261,084	31,363	292,447	188,369
Capital grants and contributions	41,824		41,824	7,736
General revenues:				
Property taxes	1,015,757		1,015,757	935,815
TIF proceeds	52,710		52,710	50,165
Franchise fees	62,787		62,787	61,227
Grants and contributions not restricted to specific programs	880,180		880,180	878,403
Other	13,232	35,489	48,721	42,320
Total revenues	<u>2,575,681</u>	<u>4,763,042</u>	<u>7,338,723</u>	<u>7,085,347</u>
Expenses:				
General government	434,593		434,593	521,895
Public safety	860,372		860,372	770,635
Public works	441,469		441,469	497,751
Library	169,654		169,654	189,755
Parks and recreation	499,016		499,016	544,412
Economic development	92,472		92,472	295,299
Interest on long-term debt	120,841		120,841	147,315
Electric		2,502,528	2,502,528	2,368,853
Water		474,733	474,733	464,897
Sewer		667,292	667,292	631,144
Storm water drainage		30,111	30,111	29,208
Waste management		226,233	226,233	213,508
Ambulance		184,647	184,647	229,386
Total expenses	<u>2,618,417</u>	<u>4,085,544</u>	<u>6,703,961</u>	<u>6,904,058</u>
Increase in net position before transfers	(42,736)	677,498	634,762	181,289
Transfers	176,500	(176,500)		
Increase in net position	133,764	500,998	634,762	181,289
Net position, beginning	8,086,725	14,190,921	22,277,646	22,096,357
Net position, end of year	<u>\$ 8,220,489</u>	<u>\$ 14,691,919</u>	<u>\$ 22,912,408</u>	<u>\$ 22,277,646</u>

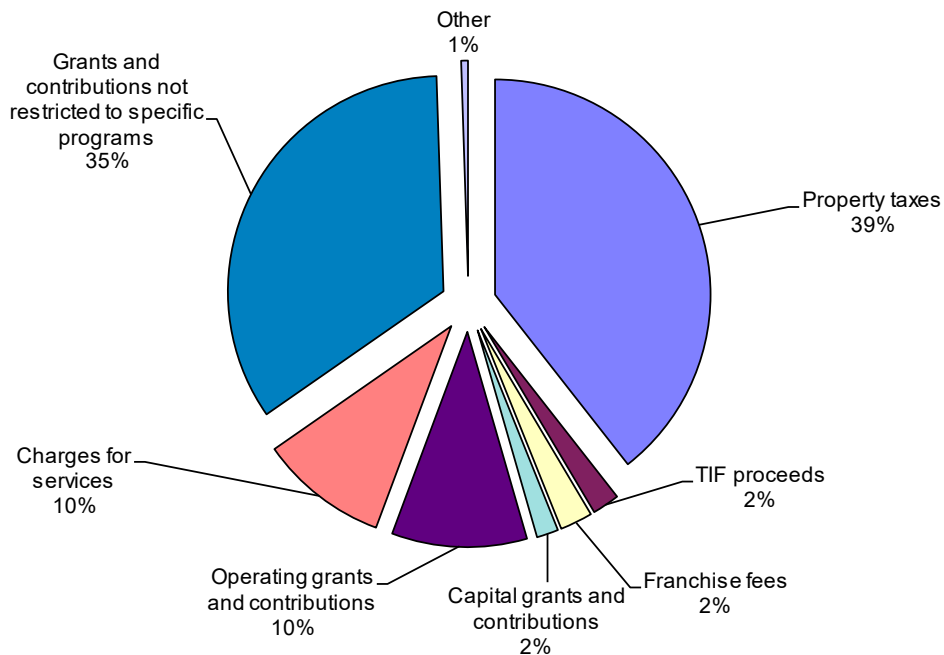
## CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



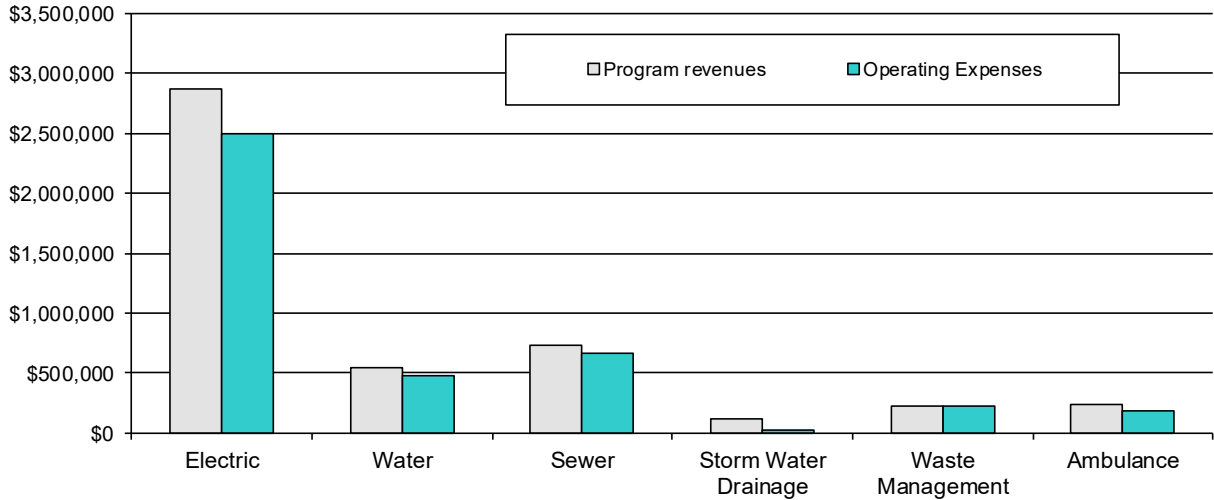
### Revenues by Source - Governmental Activities



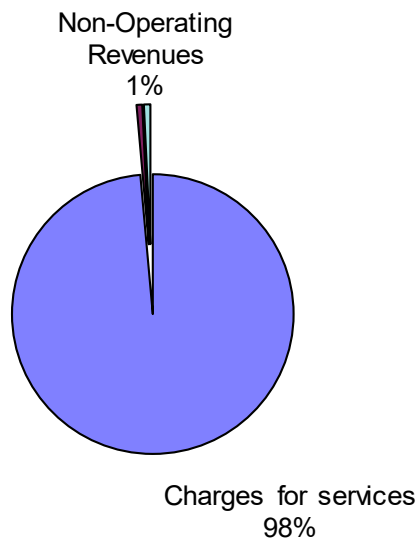
**CITY OF ST. CHARLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$1,468,727 an increase of \$19,586 from 2016. Approximately 50% of this balance is either Nonspendable (\$27,690) related to prepaid items, Restricted (\$340,499) related to debt covenants or regulations or Committed (\$360,126) 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 \$753,752. 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 50% of total general fund expenditures.

The general fund's total fund balance increased by \$13,862 during the current fiscal year. This year's increase was primarily due to an increase in building permit fees and cable franchise fees.

The economic development fund decreased its fund balance by \$71,701, with the majority of monies spent on programs initiated by the Economic Development Authority. In 2013, the Economic Development Authority received funds 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. The City of St. Charles received a total of \$399,902. 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. In 2017, \$56,046 of those dollars were spent on various projects in the community. Of those dollars, \$45,871 was used in the purchase/removal of the former Greenway gas station for the 2018 Safe Routes To School project as an economic redevelopment project. The remaining dollars were used for commercial rehabilitation of \$8,900 and the final 2016 residential building permit of \$1,275. In addition, a loan was issued to a small business in the amount of \$25,000.

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

### Governmental funds (continued)

The capital improvement fund increased its fund balance by \$36,487 for the year, and ended the year with a fund balance of \$242,379. This year's increase was primarily due to the Small Cities Assistance Grant of \$32,592 received from the State of Minnesota.

The debt service funds have a total fund balance of \$283,978 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 - \$7,276,333, Water - \$3,233,278, Sewer - \$2,894,010, Storm Water - \$1,001,399, Waste Management - \$81,075, Ambulance - \$205,724.

Electric Utility rates remained unchanged for 2017 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 \$19,453, which will be credited on the 2018 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. St. Charles, along with the majority of members of the Upper Midwest Municipal Energy Group, entertained and engaged in a long-term Purchase Power Agreement with OneEnergy/Butter Solar to develop 22MW of solar. St. Charles signed a 25-year agreement for the solar output as a hedge against future market costs. In addition, the City purchased a 17-acre site for \$212,500 as the location for the 2MW facility.

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.

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 increased in 2017. 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. However, the Dover-Eyota Sanitary District's 1 percent volumetric charge increase was passed on to the users.

Garbage and recycling rates were increased by Advanced Disposal Services 2.0% in 2017 – 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 2017 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, 2017, amounts to \$24,324,883 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles reported an increase in its investment in capital assets for the current fiscal year of \$95,564.

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

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Land	\$ 1,721,254	\$ 354,689	\$ 2,075,943	\$ 1,863,443
Construction in process				
Buildings and improvements	4,159,453	4,773,910	8,933,363	9,147,822
Machinery and equipment	628,953	8,461,289	9,090,242	8,983,501
Infrastructure	4,224,748		4,224,748	4,233,966
<b>Total</b>	<b>\$ 10,734,408</b>	<b>\$ 13,589,888</b>	<b>\$ 24,324,296</b>	<b>\$ 24,228,732</b>

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 50-51 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 \$5,516,958 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	
			2017	2016
General obligation bonds	\$ 3,610,541	\$ 464,459	\$ 4,075,000	\$ 4,335,000
General obligation revenue bonds		1,305,000	1,305,000	1,545,000
Notes and lease payable	136,958		136,958	126,942
<b>Total</b>	<b>\$ 3,747,499</b>	<b>\$ 1,769,459</b>	<b>\$ 5,516,958</b>	<b>\$ 6,006,942</b>

The City of St. Charles, Minnesota’s total bonds and notes payable decreased by \$489,984 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 52.

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

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

All of the following factors were considered in preparing the City of St. Charles, Minnesota’s budget for the 2017 fiscal year. In addition, to deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

- The unemployment rate for the City of St. Charles, Minnesota ended at 2.5 percent in 2017. This rate is the same as Winona County’s average of 2.5 percent, and lower than the State’s average of 3.7 percent and the national average rate of 4.5 percent.
- The median household income in the City of St. Charles, Minnesota is \$59,815. This is higher than the State of Minnesota’s average income of \$58,476 and the National average of \$56,516.
- The City of St. Charles, Minnesota’s population is 3,781 people. The City has seen a slight increase from the 2013 Census data 3,695. However, since 2000 the City has had a population growth of 9.7 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 64 percent of its General Fund revenues. Local Government Aid increased \$1,774 to \$879,823 in 2017. LGA is increasing by \$23,362 in 2018.
- The City of St. Charles engaged in a Comparable Worth/Salary Study beginning at the end of the 2016 and was finished in 2017. The results of the study will be implemented over a 3-year time span and tied into the labor negotiations with Law Enforcement Labor Services, the International Brotherhood of Electrical Workers, and non-union staff. Union contracts were negotiated for a 3-year term (2018-2020). The negotiated Cost of Living Adjustment for all labor groups was finalized at 2.5 percent.

**Requests for Information**

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

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**CITY OF ST. CHARLES, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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**CITY OF ST. CHARLES, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2017  
With Comparative Totals for December 31, 2016

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
<b>ASSETS</b>				
Cash and investments	\$ 1,502,938	\$ 2,582,433	\$ 4,085,371	\$ 3,918,262
Accrued interest receivable	2,240	6,578	8,818	8,148
Receivables (net of allowance for uncollectibles)	225,083	653,086	878,169	863,063
Internal balances	(50,000)	50,000		
Due from other governmental units	12,075		12,075	46,421
Inventory		328,665	328,665	327,500
Prepaid items	27,690	45,553	73,243	66,635
Net pension asset	289,307		289,307	262,751
Capital assets:				
Nondepreciable	1,721,254	354,689	2,075,943	1,863,443
Depreciable, net	9,013,154	13,235,199	22,248,353	22,365,289
Total Assets	<u>12,743,741</u>	<u>17,256,203</u>	<u>29,999,944</u>	<u>29,721,512</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	<u>96,796</u>	<u>61,250</u>	<u>158,046</u>	<u>1,159,432</u>
<b>LIABILITIES</b>				
Accounts payable	50,637	221,303	271,940	192,801
Deposits payable		20,150	20,150	19,800
Accrued interest payable	48,589	16,218	64,807	68,149
Accrued compensated absences	22,228	26,829	49,057	53,322
Noncurrent liabilities:				
Net pension liability	629,472	556,387	1,185,859	2,043,058
Due within one year	277,039	269,283	546,322	530,071
Due in more than one year	3,447,573	1,488,350	4,935,923	5,439,088
Total Liabilities	<u>4,475,538</u>	<u>2,598,520</u>	<u>7,074,058</u>	<u>8,346,289</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	<u>144,510</u>	<u>27,014</u>	<u>171,524</u>	<u>257,009</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,009,796	11,832,255	18,842,051	18,259,573
Restricted for:				
Debt service	283,978		283,978	280,786
Unrestricted	926,715	2,859,664	3,786,379	3,737,287
Total Net Position	<u>\$ 8,220,489</u>	<u>\$ 14,691,919</u>	<u>\$ 22,912,408</u>	<u>\$ 22,277,646</u>

**See Notes to Financial Statements**

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

For the Year Ended December 31, 2017  
With Comparative Totals for the Year Ended December 31, 2016

<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	\$ 434,593	\$ 67,376	\$ 14,249	\$
Public safety	860,372	60,042	205,313	4,000
Public works	441,469		4,559	36,824
Library	169,654	2,837	36,963	1,000
Parks and recreation	499,016	117,852		
Economic development	92,472			
Interest on long-term debt	120,841			
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	2,618,417	248,107	261,084	41,824
	<hr/>	<hr/>	<hr/>	<hr/>
Business-Type activities:				
Electric	2,502,528	2,863,875		
Water	474,733	544,081		
Sewer	667,292	737,457		
Storm water drainage	30,111	117,447		
Waste management	226,233	230,199		
Ambulance	184,647	203,131	31,363	
	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities	4,085,544	4,696,190	31,363	
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 6,703,961	\$ 4,944,297	\$ 292,447	\$ 41,824

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

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (352,968)		\$ (352,968)	\$ (400,474)
(591,017)		(591,017)	(619,328)
(400,086)		(400,086)	(493,073)
(128,854)		(128,854)	(153,710)
(381,164)		(381,164)	(417,593)
(92,472)		(92,472)	(295,299)
(120,841)		(120,841)	(147,315)
<u>(2,067,402)</u>		<u>(2,067,402)</u>	<u>(2,526,792)</u>
	\$ 361,347	361,347	472,193
	69,348	69,348	93,275
	70,165	70,165	67,201
	87,336	87,336	85,388
	3,966	3,966	10,578
	<u>49,847</u>	<u>49,847</u>	<u>11,516</u>
	642,009	642,009	740,151
<u>(2,067,402)</u>	<u>642,009</u>	<u>(1,425,393)</u>	<u>(1,786,641)</u>
1,015,757		1,015,757	935,815
52,710		52,710	50,165
62,787		62,787	61,227
879,823		879,823	878,049
357		357	354
13,222	13,592	26,814	34,223
10	21,897	21,907	8,097
176,500	(176,500)		
<u>2,201,166</u>	<u>(141,011)</u>	<u>2,060,155</u>	<u>1,967,930</u>
133,764	500,998	634,762	181,289
<u>8,086,725</u>	<u>14,190,921</u>	<u>22,277,646</u>	<u>22,096,357</u>
<u>\$ 8,220,489</u>	<u>\$ 14,691,919</u>	<u>\$ 22,912,408</u>	<u>\$ 22,277,646</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, 2017**

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

December 31, 2017

With Comparative Totals for December 31, 2016

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Special Revenue Economic Development	Capital Projects Capital Improvements Fund
<b>ASSETS</b>			
Cash and investments	\$ 524,906	\$ 83,692	\$ 314,997
Accrued interest receivable	1,498		614
Accounts receivable	15,625		
Loans and contracts receivable		192,377	
Taxes receivable delinquent	18	227	
Special assessments receivable:			
Deferred			5,349
Due from other funds	228,308		
Due from other governmental units	2,389	386	3,158
Prepaid items	24,002		
<b>TOTAL ASSETS</b>	<b>\$ 796,746</b>	<b>\$ 276,682</b>	<b>\$ 324,118</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 18,974	\$	\$ 26,390
Due to other funds			
Advances from other funds			50,000
Total Liabilities	18,974		76,390
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue:			
Property taxes	18	227	
Special assessments			5,349
Loans receivable		192,377	
Total Deferred Inflows of Resources	18	192,604	5,349
<b>Fund Balance:</b>			
Nonspendable:			
Prepaid items	24,002		
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		84,078	242,379
Assigned			
Unassigned	753,752		
Total Fund Balance	777,754	84,078	242,379
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 796,746</b>	<b>\$ 276,682</b>	<b>\$ 324,118</b>

**See Notes to Financial Statements**



Capital Projects

42

Tax Increment District #8 Fund	Other Governmental Funds	Total Governmental Funds	
		2017	2016
\$	\$ 579,343	\$ 1,502,938	\$ 1,480,270
	128	2,240	1,851
	8,796	24,421	15,843
		192,377	228,723
	2,541	2,786	8,344
	150	5,499	2,029
		228,308	254,952
	6,142	12,075	46,421
	3,688	27,690	19,583
<u>\$</u>	<u>\$ 600,788</u>	<u>\$ 1,998,334</u>	<u>\$ 2,058,016</u>
\$	\$ 5,273	\$ 50,637	\$ 54,827
193,197	35,111	228,308	254,952
		50,000	60,000
<u>193,197</u>	<u>40,384</u>	<u>328,945</u>	<u>369,779</u>
	2,541	2,786	8,344
	150	5,499	2,029
		192,377	228,723
	<u>2,691</u>	<u>200,662</u>	<u>239,096</u>
	3,688	27,690	19,583
	283,978	283,978	280,786
	56,521	56,521	51,249
	33,669	360,126	427,659
	214,680	214,680	176,111
<u>(193,197)</u>	<u>(34,823)</u>	<u>525,732</u>	<u>493,753</u>
<u>(193,197)</u>	<u>557,713</u>	<u>1,468,727</u>	<u>1,449,141</u>
<u>\$</u>	<u>\$ 600,788</u>	<u>\$ 1,998,334</u>	<u>\$ 2,058,016</u>

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

For the Year Ended December 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Economic Development	Capital Improvements Fund
<b>REVENUES</b>			
Property taxes	\$ 185,747	\$	\$ 284,927
Property taxes - Special EDA taxing district		36,483	
Tax increments			
Special assessments	154		762
Licenses and permits	62,801		
Fines and forfeits	12,867		
Intergovernmental revenues	930,494		32,592
Charges for services	182,648		
Interest income	6,104	2,240	880
Donations			
Loan repayment		15,832	
Miscellaneous revenues	1,922		
<b>TOTAL REVENUES</b>	<u>1,382,737</u>	<u>54,555</u>	<u>319,161</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	328,657		2,310
Public safety	541,567		
Public works	220,466		
Library			
Parks and recreation	408,819		
Economic development		71,958	
<b>Capital Outlay</b>			326,235
<b>Debt Service</b>		8,427	
<b>TOTAL EXPENDITURES</b>	<u>1,499,509</u>	<u>80,385</u>	<u>328,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(116,772)</u>	<u>(25,830)</u>	<u>(9,384)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease proceeds			
Transfers in	152,813		45,871
Transfers out	(22,179)	(45,871)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>130,634</u>	<u>(45,871)</u>	<u>45,871</u>
Net change in fund balances	13,862	(71,701)	36,487
<b>FUND BALANCES, beginning</b>	<u>763,892</u>	<u>155,779</u>	<u>205,892</u>
<b>FUND BALANCES, ending</b>	<u>\$ 777,754</u>	<u>\$ 84,078</u>	<u>\$ 242,379</u>

**See Notes to Financial Statements**

Capital Projects

<u>42</u> Tax Increment District #8 Fund	Other Governmental Funds	Total Governmental Funds	
		2017	2016
\$	\$ 514,158	\$ 984,832	\$ 899,740
		36,483	34,886
9,599	43,111	52,710	50,165
		916	1,121
		62,801	73,865
		12,867	17,440
	64,914	1,028,000	985,726
	47,010	229,658	224,446
	2,250	11,474	10,573
	153,069	153,069	47,144
		15,832	13,669
	3,037	4,959	28,383
<u>9,599</u>	<u>827,549</u>	<u>2,593,601</u>	<u>2,387,158</u>
216	41,252	372,435	363,984
	269,846	811,413	637,418
		220,466	214,319
	159,046	159,046	153,423
		408,819	382,756
		71,958	81,334
	53,840	380,075	603,037
	357,951	366,378	314,939
<u>216</u>	<u>881,935</u>	<u>2,790,590</u>	<u>2,751,210</u>
9,383	(54,386)	(196,989)	(364,052)
	40,075	40,075	105,077
	60,866	259,550	813,634
	(15,000)	(83,050)	(557,134)
	85,941	216,575	361,577
9,383	31,555	19,586	(2,475)
(202,580)	526,158	1,449,141	1,451,616
<u>\$ (193,197)</u>	<u>\$ 557,713</u>	<u>\$ 1,468,727</u>	<u>\$ 1,449,141</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, 2017**

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

Total governmental fund balances (page 18)		\$ 1,468,727
--	--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 17,083,909	
Less: Accumulated depreciation	(6,349,501)	
		10,734,408

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	\$ 2,786	
Deferred special assessments	5,499	
Contracts receivable	192,377	
		200,662

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	\$ (3,747,499)	
Net pension liability	(677,186)	
Net pension asset	289,307	
Compensated absences	(22,228)	
Accrued interest	(48,589)	
Unamortized bond discount	22,887	
		(4,183,308)

Net position of governmental activities (page 14)		\$ <u>8,220,489</u>
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**CITY OF ST. CHARLES, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

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

Net change in fund balances - total governmental funds (page 20)	\$	19,586
<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	\$	443,639
Depreciation expense		<u>(521,901)</u>
		(78,262)
<p>The net effect of various miscellaneous transactions involving  capital assets (i.e., sales, trade-ins, and donations) is to  decrease net position.</p>		
<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, 2017	\$	200,662
Unavailable revenue December 31, 2016		<u>(239,096)</u>
		(38,434)
<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, 2017	\$	(22,228)
Compensated absences, December 31, 2016		<u>26,493</u>
		4,265
<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	\$	266,616
Issuance of debt		(40,075)
Change in net pension asset		26,556
Change in net pension liability		(27,634)
Change in accrued interest		2,192
Amortization of bond discount		<u>(1,046)</u>
		<u>226,609</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>133,764</u></u>

**See Notes to Financial Statements**

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

For the Year Ended December 31, 2017

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

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 182,922	\$ 182,922	\$ 185,747	\$ 2,825	\$ 131,682
<b>Special Assessments</b>	1,000	1,000	154	(846)	252
<b>Licenses and Permits</b>					
Business and nonbusiness licenses	7,250	7,250	10,273	3,023	14,303
Building permits	30,000	30,000	52,528	22,528	59,562
Total Licenses and Permits	37,250	37,250	62,801	25,551	73,865
<b>Intergovernmental Revenues</b>					
Local government aid	879,826	879,826	879,823	(3)	878,049
Market value credit			357	357	354
Police aid	30,000	30,000	43,343	13,343	38,392
PERA aid	2,412	2,412	2,412		2,412
Highway aid	4,500	4,500	4,559	59	3,809
Total Intergovernmental Revenues	916,738	916,738	930,494	13,756	923,016
<b>Charges For Services</b>					
Swimming pool	83,400	83,400	82,881	(519)	87,031
Park and recreation	35,500	35,500	34,971	(529)	32,921
Cable franchise fees	40,000	40,000	45,151	5,151	43,813
Senior center rental	3,000	3,000	2,009	(991)	2,847
Natural gas franchise fees	17,000	17,000	17,636	636	17,414
Total Charges For Services	178,900	178,900	182,648	3,748	184,026
<b>Fines and Forfeits</b>					
Court fines and other	10,000	10,000	12,867	2,867	17,440
<b>Interest Income</b>					
	5,000	5,000	6,104	1,104	7,364
<b>Miscellaneous Revenues</b>					
Other income (expense)	5,350	5,350	1,922	(3,428)	(4,590)
<b>TOTAL REVENUES</b>	<b>\$ 1,337,160</b>	<b>\$ 1,337,160</b>	<b>\$ 1,382,737</b>	<b>\$ 45,577</b>	<b>\$ 1,333,055</b>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries	\$ 28,750	\$ 28,750	\$ 27,396	\$ 1,354	\$ 28,425
Transportation and training	2,000	2,000	703	1,297	970
Printing and publication					100
Total Mayor and Council	<u>30,750</u>	<u>30,750</u>	<u>28,099</u>	<u>2,651</u>	<u>29,495</u>
<b>Election and Voter Registration</b>	<u>450</u>	<u>450</u>	<u>30</u>	<u>420</u>	<u>1,875</u>
<b>General and Financial Administration</b>					
Salaries	88,310	88,310	86,894	1,416	86,328
Employee benefits and retirement	32,075	32,075	32,939	(864)	30,502
Supplies and minor equipment	7,000	7,000	5,597	1,403	5,114
Communication	5,000	5,000	4,149	851	3,500
Transportation and training	6,000	6,000	3,967	2,033	5,931
Insurance	4,800	4,800	4,338	462	2,432
Repairs and maintenance	9,000	9,000	11,829	(2,829)	8,408
Assessor	17,500	17,500	17,849	(349)	17,614
Accounting and audit	8,000	8,000	6,680	1,320	7,310
Legal	17,500	17,500	20,578	(3,078)	17,336
Planning and zoning	1,450	1,450	1,942	(492)	1,630
Building inspection	26,000	26,000	32,625	(6,625)	28,076
Other professional services	4,300	4,300	4,928	(628)	5,087
Memberships	12,500	12,500	14,677	(2,177)	12,512
Other	14,685	14,685	15,125	(440)	18,239
Total General and Financial Administration	<u>254,120</u>	<u>254,120</u>	<u>264,117</u>	<u>(9,997)</u>	<u>250,019</u>
<b>City Hall</b>					
Salaries	5,000	5,000	7,131	(2,131)	6,197
Employee benefits and retirement	480	480	574	(94)	477
Supplies and minor equipment	1,500	1,500	1,510	(10)	733
Insurance	1,200	1,200	1,174	26	641
Utilities	17,250	17,250	16,869	381	15,912
Repairs and maintenance	6,000	6,000	9,153	(3,153)	10,592
Total City Hall	<u>31,430</u>	<u>31,430</u>	<u>36,411</u>	<u>(4,981)</u>	<u>34,552</u>
Total General Government	<u>\$ 316,750</u>	<u>\$ 316,750</u>	<u>\$ 328,657</u>	<u>\$ (11,907)</u>	<u>\$ 315,941</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Public Safety</b>					
<b>Police Department</b>					
Salaries	\$ 322,840	\$ 322,840	\$ 332,935	\$ (10,095)	\$ 305,362
Employee benefits and retirement	118,000	118,000	111,114	6,886	105,965
Supplies and minor equipment	26,450	26,450	28,974	(2,524)	20,926
Professional services	13,150	13,150	17,412	(4,262)	13,576
Communication	6,000	6,000	6,573	(573)	6,551
Transportation and training	6,000	6,000	6,349	(349)	6,633
Insurance	7,500	7,500	7,291	209	5,042
Repairs and maintenance	11,300	11,300	11,930	(630)	13,528
Other	2,500	2,500	2,399	101	2,836
Total Police Department	<u>513,740</u>	<u>513,740</u>	<u>524,977</u>	<u>(11,237)</u>	<u>480,419</u>
<b>Emergency Management Services</b>					
Supplies and minor equipment			4,005	(4,005)	
Professional services			12,585	(12,585)	
Total Emergency Management Services			<u>16,590</u>	<u>(16,590)</u>	
Total Public Safety	<u>513,740</u>	<u>513,740</u>	<u>541,567</u>	<u>(27,827)</u>	<u>480,419</u>
<b>Public Works</b>					
<b>Street Department</b>					
Salaries	86,750	86,750	89,873	(3,123)	89,851
Employee benefits and retirement	39,625	39,625	37,890	1,735	39,102
Supplies and minor equipment	18,750	18,750	15,110	3,640	13,243
Professional services	1,500	1,500	2,778	(1,278)	2,097
Communication	800	800	1,528	(728)	621
Transportation and training	1,000	1,000	1,680	(680)	1,650
Insurance	6,000	6,000	4,884	1,116	2,795
Utilities	4,000	4,000	2,331	1,669	1,491
Repairs and maintenance	73,200	73,200	64,392	8,808	63,469
Total Public Works	<u>\$ 231,625</u>	<u>\$ 231,625</u>	<u>\$ 220,466</u>	<u>\$ 11,159</u>	<u>\$ 214,319</u>

**See Notes to Financial Statements**



**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Parks and Recreation</b>					
<b>Recreation</b>					
Salaries	\$ 92,330	\$ 92,330	\$ 96,869	\$ (4,539)	\$ 91,365
Employee benefits and retirement	28,000	28,000	27,259	741	24,706
Communication	2,000	2,000	2,333	(333)	1,913
Transportation and training	2,000	2,000	1,247	753	620
Insurance	3,000	3,000	2,205	795	1,244
Repairs and maintenance	575	575	1,102	(527)	184
Recreation programs	20,000	20,000	23,055	(3,055)	17,745
Other	2,750	2,750	3,643	(893)	3,303
Total Recreation	<u>150,655</u>	<u>150,655</u>	<u>157,713</u>	<u>(7,058)</u>	<u>141,080</u>
<b>Swimming Pool Program</b>					
Salaries	59,000	59,000	67,162	(8,162)	65,297
Employee benefits and retirement	6,900	6,900	7,409	(509)	7,102
Supplies and minor equipment	19,300	19,300	18,507	793	19,111
Communication	500	500	732	(232)	657
Transportation and training	1,500	1,500	853	647	660
Insurance	9,000	9,000	7,433	1,567	4,309
Utilities	19,000	19,000	16,859	2,141	15,735
Repairs and maintenance	17,000	17,000	8,594	8,406	7,769
Other	4,000	4,000	3,955	45	3,135
Total Swimming Pool Program	<u>136,200</u>	<u>136,200</u>	<u>131,504</u>	<u>4,696</u>	<u>123,775</u>
<b>Parks</b>					
Salaries	34,175	34,175	36,113	(1,938)	33,217
Employee benefits and retirement	13,940	13,940	15,155	(1,215)	13,085
Supplies and minor equipment	6,900	6,900	4,916	1,984	4,291
Communication	500	500	100	400	20
Transportation and training	1,000	1,000	1,705	(705)	1,650
Insurance	3,800	3,800	3,337	463	1,457
Repairs and maintenance	24,575	24,575	22,538	2,037	31,418
Total Parks	<u>\$ 84,890</u>	<u>\$ 84,890</u>	<u>\$ 83,864</u>	<u>\$ 1,026</u>	<u>\$ 85,138</u>

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
<b>Forestry</b>					
Insurance	\$ 100	\$ 100	\$ 65	\$ 35	\$ 35
Repairs and maintenance	16,500	16,500	17,585	(1,085)	16,675
Other	9,000	9,000	9,000		7,425
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>26,650</u>	<u>(1,050)</u>	<u>24,135</u>
<b>Senior Citizens Center</b>					
Insurance	500	500	400	100	275
Utilities	7,000	7,000	7,868	(868)	7,302
Repairs and maintenance	1,500	1,500	820	680	1,051
Total Senior Citizens Center	<u>9,000</u>	<u>9,000</u>	<u>9,088</u>	<u>(88)</u>	<u>8,628</u>
Total Parks and Recreation	<u>406,345</u>	<u>406,345</u>	<u>408,819</u>	<u>(2,474)</u>	<u>382,756</u>
<b>TOTAL EXPENDITURES</b>	<u>1,468,460</u>	<u>1,468,460</u>	<u>1,499,509</u>	<u>(31,049)</u>	<u>1,393,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,300)</u>	<u>(131,300)</u>	<u>(116,772)</u>	<u>14,528</u>	<u>(60,380)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	146,500	146,500	152,813	6,313	126,500
Transfers out	<u>(15,200)</u>	<u>(15,200)</u>	<u>(22,179)</u>	<u>(6,979)</u>	<u>(18,236)</u>
Total Other Financing Sources (Uses)	<u>131,300</u>	<u>131,300</u>	<u>130,634</u>	<u>(666)</u>	<u>108,264</u>
Net change in fund balances			13,862	13,862	47,884
<b>FUND BALANCES, beginning</b>	<u>763,892</u>	<u>763,892</u>	<u>763,892</u>		<u>716,008</u>
<b>FUND BALANCES, ending</b>	<u>\$ 763,892</u>	<u>\$ 763,892</u>	<u>\$ 777,754</u>	<u>\$ 13,862</u>	<u>\$ 763,892</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 Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy -</b>					
Special EDA taxing district	\$ 34,859	\$ 34,859	\$ 36,483	\$ 1,624	\$ 34,886
<b>Interest Income</b>	1,472	1,472	2,240	768	1,850
<b>Loan Repayment</b>	13,562	13,562	15,832	2,270	13,669
<b>TOTAL REVENUES</b>	49,893	49,893	54,555	4,662	50,405
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Professional services	36,937	36,937	36,783	154	34,272
Revolving loans			25,000	(25,000)	
Commercial rehabilitation and permit reimbursement			10,175	(10,175)	47,062
Debt service	7,760	7,760	8,427	(667)	8,426
<b>TOTAL EXPENDITURES</b>	44,697	44,697	80,385	(35,688)	89,760
Excess (deficiency) of revenues over (under) expenditures	5,196	5,196	(25,830)	(31,026)	(39,355)
<b>OTHER FINANCING SOURCES</b>					
Transfers out			(45,871)	(45,871)	
Net change in fund balances	5,196	5,196	(71,701)	(76,897)	(39,355)
<b>FUND BALANCES, beginning</b>	155,779	155,779	155,779		195,134
<b>FUND BALANCES, ending</b>	\$ 160,975	\$ 160,975	\$ 84,078	\$ (76,897)	\$ 155,779

**See Notes to Financial Statements**

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Position**  
December 31, 2017  
*With Comparative Totals for December 31, 2016*

	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	\$ 927,567	\$ 731,052	\$ 361,521	\$ 124,542
Emergency cash reserve	250,000			
Accrued interest receivable	5,610	850	29	
Accounts receivable, net	250,259	46,340	63,375	10,146
Accrued utility revenue	103,603	16,439	21,225	4,869
Special assessments-deferred	2,275	1,745	1,745	
Advances to other funds	50,000			
Inventory	307,309	21,356		
Prepaid expenses	39,766	1,624	1,379	
Total Current Assets	<u>1,936,389</u>	<u>819,406</u>	<u>449,274</u>	<u>139,557</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable	325,989		28,700	
Depreciable	11,174,109	5,452,295	3,778,284	1,026,779
Less: Accumulated depreciation	4,368,369	2,447,693	1,262,493	164,937
Net Capital Assets	<u>7,131,729</u>	<u>3,004,602</u>	<u>2,544,491</u>	<u>861,842</u>
Total Assets	<u>9,068,118</u>	<u>3,824,008</u>	<u>2,993,765</u>	<u>1,001,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	36,297	10,941	6,696	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 9,104,415</u>	<u>\$ 3,834,949</u>	<u>\$ 3,000,461</u>	<u>\$ 1,001,399</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current maturities of bonds payable	\$ 245,000	\$ 24,283	\$	\$
Accounts payable	163,317	19,183	42,888	
Customer deposits	20,150			
Accrued interest payable	3,120	13,098		
Total Current Liabilities	<u>431,587</u>	<u>56,564</u>	<u>42,888</u>	
<b>Noncurrent Liabilities</b>				
Bonds payable, net of current maturities	1,060,000	440,176		
Net pension liability	332,190	99,978	60,621	
Less: Unamortized bond discount	(11,826)			
Total Noncurrent Liabilities	<u>1,380,364</u>	<u>540,154</u>	<u>60,621</u>	
Total Liabilities	<u>1,811,951</u>	<u>596,718</u>	<u>103,509</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	16,131	4,853	2,942	
<b>NET POSITION</b>				
Net investment in capital assets	5,838,555	2,540,143	2,544,491	861,842
Unrestricted	1,437,778	693,235	349,519	139,557
Total Net Position	<u>7,276,333</u>	<u>3,233,378</u>	<u>2,894,010</u>	<u>1,001,399</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 9,104,415</u>	<u>\$ 3,834,949</u>	<u>\$ 3,000,461</u>	<u>\$ 1,001,399</u>

**See Notes to Financial Statements**

<u>19 &amp; 23</u>		<u>22</u>		Totals	
Compost & Waste Management	Ambulance	2017	2016		
\$ 69,995	\$ 117,756	\$ 2,332,433	\$ 2,187,992		
		250,000	250,000		
	89	6,578	6,297		
27,792	103,273	501,185	441,700		
		146,136	153,239		
		5,765	13,185		
		50,000	60,000		
		328,665	327,500		
	2,784	45,553	47,052		
<u>97,787</u>	<u>223,902</u>	<u>3,666,315</u>	<u>3,486,965</u>		
		354,689	142,189		
5,000	350,393	21,786,860	21,277,124		
917	307,252	8,551,661	8,003,251		
<u>4,083</u>	<u>43,141</u>	<u>13,589,888</u>	<u>13,416,062</u>		
<u>101,870</u>	<u>267,043</u>	<u>17,256,203</u>	<u>16,903,027</u>		
	7,316	61,250	293,608		
<u>\$ 101,870</u>	<u>\$ 274,359</u>	<u>\$ 17,317,453</u>	<u>\$ 17,196,635</u>		
\$ 20,795	\$ 1,949	\$ 269,283	\$ 263,443		
		248,132	164,803		
		20,150	19,800		
		16,218	17,368		
<u>20,795</u>	<u>1,949</u>	<u>553,783</u>	<u>465,414</u>		
		1,500,176	1,769,459		
	63,598	556,387	697,168		
		(11,826)	(13,850)		
	<u>63,598</u>	<u>2,044,737</u>	<u>2,452,777</u>		
<u>20,795</u>	<u>65,547</u>	<u>2,598,520</u>	<u>2,918,191</u>		
	3,088	27,014	87,523		
4,083	43,141	11,832,255	11,397,010		
<u>76,992</u>	<u>162,583</u>	<u>2,859,664</u>	<u>2,793,911</u>		
<u>81,075</u>	<u>205,724</u>	<u>14,691,919</u>	<u>14,190,921</u>		
<u>\$ 101,870</u>	<u>\$ 274,359</u>	<u>\$ 17,317,453</u>	<u>\$ 17,196,635</u>		

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

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

For the Year Ended December 31, 2017

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

	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	\$ 2,863,875	\$ 527,369	\$ 704,543	\$ 117,447
Access fees		6,300	30,960	
	<u>2,863,875</u>	<u>533,669</u>	<u>735,503</u>	<u>117,447</u>
<b>Operating Expenses</b>				
Purchased utilities	1,222,317		452,951	
Salaries	359,807	107,641	66,909	
Employee benefits and retirement	165,719	46,179	28,201	
Gas and oil	5,241			
Generation fuel	23,036			
Supplies and minor equipment	12,008	28,481	4,817	
Professional services	46,777	38,580	7,710	1,936
Communication	5,022	6,938	2,564	
Transportation and training	9,247	2,858	3,000	
Insurance	18,715	4,965	7,792	
Utilities	8,542	34,004	632	
Repairs and maintenance	101,996	52,530	15,763	
Depreciation and amortization	317,460	144,468	76,783	23,698
Bad debts	(69)			
Other	162,296	(7,768)	170	4,477
Total Operating Expenses	<u>2,458,114</u>	<u>458,876</u>	<u>667,292</u>	<u>30,111</u>
Operating Income (Loss)	<u>405,761</u>	<u>74,793</u>	<u>68,211</u>	<u>87,336</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	14,515	(2,180)	596	38
Miscellaneous income	21,897	10,412	1,954	
Interest and fiscal charges	(44,414)	(15,857)		
Total Nonoperating Revenues (Expenses)	<u>(8,002)</u>	<u>(7,625)</u>	<u>2,550</u>	<u>38</u>
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	397,759	67,168	70,761	87,374
Transfers in				
Transfers out	(135,000)			
<b>CHANGE IN NET POSITION</b>	262,759	67,168	70,761	87,374
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>7,013,574</u>	<u>3,166,210</u>	<u>2,823,249</u>	<u>914,025</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 7,276,333</u>	<u>\$ 3,233,378</u>	<u>\$ 2,894,010</u>	<u>\$ 1,001,399</u>

**See Notes to Financial Statements**

<u>19 &amp; 23</u>		<u>22</u>		Totals	
Compost & Waste Management	Ambulance	2017	2016		
\$ 230,199	\$ 203,131	\$ 4,646,564	\$ 4,633,665		
		37,260			
<u>230,199</u>	<u>203,131</u>	<u>4,683,824</u>	<u>4,633,665</u>		
206,840		1,882,108	1,776,235		
	79,519	613,876	608,864		
	25,197	265,296	272,671		
		5,241	3,629		
		23,036	12,721		
	20,983	66,289	60,398		
	10,694	105,697	84,732		
	3,760	18,284	18,014		
	8,469	23,574	25,464		
	2,796	34,268	16,395		
	6,198	49,376	48,122		
	11,707	181,996	203,782		
500	8,354	571,263	569,430		
		(69)	447		
18,893	6,970	185,038	170,585		
<u>226,233</u>	<u>184,647</u>	<u>4,025,273</u>	<u>3,871,489</u>		
3,966	18,484	658,551	762,176		
28	595	13,592	21,632		
	31,363	65,626	54,702		
		(60,271)	(65,507)		
<u>28</u>	<u>31,958</u>	<u>18,947</u>	<u>10,827</u>		
3,994	50,442	677,498	773,003		
(20,000)	(21,500)	(176,500)	(256,500)		
(16,006)	28,942	500,998	516,503		
97,081	176,782	14,190,921	13,674,418		
<u>\$ 81,075</u>	<u>\$ 205,724</u>	<u>\$ 14,691,919</u>	<u>\$ 14,190,921</u>		

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2017  
*With Comparative Totals for the Year Ended December 31, 2016*

	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	\$ 2,826,168	\$ 521,271	\$ 703,925	\$ 116,160
Access and other fees received	21,897	16,712	32,914	
Cash paid to suppliers and employees	(2,013,404)	(300,160)	(609,323)	(17,913)
Net Cash Provided By Operating Activities	834,661	237,823	127,516	98,247
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfer out	(135,000)			
Net Cash Used In Noncapital Financing Activities	(135,000)			
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital asset acquisitions	(546,008)	(33,032)	(61,077)	(75,359)
Advances (to) from other funds	10,000			
Principal received on special assessments	2,838			
Principal payments on long-term debt	(240,000)	(23,443)		
Interest payments on long-term debt	(42,840)	(16,557)		
Net Cash Used In Capital and Related Financing Activities	(816,010)	(73,032)	(61,077)	(75,359)
<b>Cash Flows From Investing Activities</b>				
Investment income received	14,282	(2,257)	637	38
Net Cash Provided By (Used In) Investing Activities	14,282	(2,257)	637	38
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(102,067)	162,534	67,076	22,926
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,029,634	568,518	294,445	101,616
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 927,567	\$ 731,052	\$ 361,521	\$ 124,542

**See Notes to Financial Statements**



<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2017	2016		
\$ 229,504	\$ 172,473	\$ 4,569,501	\$ 4,556,924		
	31,363	102,886	54,702		
(224,911)	(173,572)	(3,339,283)	(3,229,923)		
4,593	30,264	1,333,104	1,381,703		
(20,000)	(21,500)	(176,500)	(256,500)		
(20,000)	(21,500)	(176,500)	(256,500)		
		(715,476)	(524,634)		
		10,000	10,000		
		(263,443)	(257,721)		
		(59,397)	(64,819)		
		(1,028,316)	(837,174)		
28	587	13,315	23,535		
28	587	13,315	23,535		
(15,379)	9,351	144,441	311,564		
85,374	108,405	2,187,992	1,876,428		
\$ 69,995	\$ 117,756	\$ 2,332,433	\$ 2,187,992		

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

For the Year Ended December 31, 2017

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

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
<b>Operating Income (Loss)</b>	\$ 405,761	\$ 74,793	\$ 68,211	\$ 87,336
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	317,460	144,468	76,783	23,698
Bad debt expense	(69)			
Miscellaneous nonoperating income	21,897	10,412	1,954	
Gain on disposal of assets	(21,296)	(8,317)		
Change in net pension liability	18,498	5,584	3,354	
Change in fair value				
(Increase) Decrease In:				
Accounts receivable	(16,692)	2,219	(618)	(1,287)
Inventory	(1,376)	211		
Prepaid items	309	798	296	
Increase (Decrease) In:				
Accounts and contracts payable	109,819	7,655	(22,464)	(11,500)
Customer deposits	350			
 Net Cash Provided By Operating Activities	 \$ 834,661	 \$ 237,823	 \$ 127,516	 \$ 98,247

**See Notes to Financial Statements**

Waste Management		Totals	
Ambulance		2017	2016
\$ 3,966	\$ 18,484	\$ 658,551	\$ 762,176
500	8,354	571,263	569,430
		(69)	447
	31,363	65,626	54,702
		(29,613)	(32,171)
	3,633	31,069	45,402
			(1,025)
(695)	(30,658)	(47,731)	(44,342)
		(1,165)	(3,158)
	96	1,499	28,798
822	(1,008)	83,324	2,119
		350	(675)
<u>\$ 4,593</u>	<u>\$ 30,264</u>	<u>\$ 1,333,104</u>	<u>\$ 1,381,703</u>

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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 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 2017. 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%. 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.

#### *Deferred Outflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net pension that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

# CITY OF ST. CHARLES, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

---

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

##### Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of this item, which arises only under a modified actual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, loans receivable, and special assessments. These amounts are recognized as an inflow of resources in the period that amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial assumptions.

##### Pensions

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

##### Net Position / Fund Balance

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

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

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

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

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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

*Net Position / Fund Balance (Continued)*

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

*E. Reclassifications*

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 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. *Summary of Cash and Investments*

As of December 31, 2017, 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	\$ 3,747
Deposits	None	N/A	2,725,016
Non-negotiable			
Certificates of Deposit	October 2016 - May 2018	N/A	190,123
Municipal Bonds	June 2017 - August 2025	AAA	735,757
U.S. Treasury Securities	November 2018 - February 2024	AAA	413,902
Money Market Funds	None	N/A	16,826
			\$4,085,371
Cash and Investments per Statement of Net Position			\$4,085,371

*Investments Authorized by Minnesota Statutes*

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

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

## CITY OF ST. CHARLES, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### *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, 2017 and 2016 were as follows:

	At December 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Municipal Bonds	\$ 735,757		\$ 735,757	
U.S. Treasury Securities	413,902		413,902	
	<u>\$ 1,149,659</u>	<u>\$</u>	<u>\$ 1,149,659</u>	<u>\$</u>

	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>\$ 836,906</u>	<u>\$</u>	<u>\$ 836,906</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	18%
U.S. Treasury Securities	N/A	10%

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, 2017 is as follows:

<u>Capital Projects Funds</u>		
Parkland Dedication Fund		\$ 150
Capital Improvements Fund		5,349
		<u>5,499</u>
<u>Enterprise Funds</u>		
Electric Fund		2,275
Water Fund		1,745
Sewer Fund		1,745
Total Enterprise Funds		<u>5,765</u>
Total		<u>\$ 11,264</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 2% to 4% over the term of the loan. These loans are recorded in the Special Revenue Fund at the Economic Development individual fund level, and are offset by a deferred inflow of resources account until the repayments are made.

D. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2017 are as follows:

<u>Fund</u>	Winona		<u>Total</u>
	County	Townships	
General	\$ 2,389	\$	\$ 2,389
Special Revenue	1,761	1,489	3,250
Debt Service	3,278		3,278
Capital Project	3,158		3,158
	<u>\$ 10,586</u>	<u>\$ 1,489</u>	<u>\$ 12,075</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, 2017 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,721,254	\$	\$	\$ 1,721,254
Total capital assets, not being depreciated	1,721,254			1,721,254
Capital assets, being depreciated:				
Buildings	6,694,303	3,198		6,697,501
Infrastructure	5,823,360	176,241		5,999,601
Machinery and equipment	2,460,922	264,200	59,569	2,665,553
Total capital assets, being depreciated	14,978,585	443,639	59,569	15,362,655
Less accumulated depreciation for:				
Buildings	2,329,650	208,398		2,538,048
Infrastructure	1,589,394	185,459		1,774,853
Machinery and equipment	1,968,125	128,044	59,569	2,036,600
Total accumulated depreciation	5,887,169	521,901	59,569	6,349,501
Total capital assets, being depreciated, net	9,091,416	(78,262)		9,013,154
Governmental activities capital assets, net	\$ 10,812,670	\$ (78,262)	\$	\$ 10,734,408

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 142,189	\$ 212,500	\$	\$ 354,689
Total capital assets, not being depreciated	142,189	212,500		354,689
Capital assets, being depreciated:				
Buildings and improvements	6,399,457	86,786		6,486,243
Machinery and equipment	14,877,667	525,515	102,567	15,300,615
Total capital assets, being depreciated	21,277,124	612,301	102,567	21,786,858
Less accumulated depreciation for:				
Buildings and improvements	1,616,288	96,045		1,712,333
Machinery and equipment	6,386,963	475,216	22,853	6,839,326
Total accumulated depreciation	8,003,251	571,261	22,853	8,551,659
Total capital assets, being depreciated, net	13,273,873	41,040	79,714	13,235,199
Business-type activities capital assets, net	\$ 13,416,062	\$ 253,540	\$ 79,714	\$ 13,589,888

**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	\$ 48,121
Public safety	155,080
Public works	189,924
Library	25,205
Parks and recreation	<u>103,571</u>
Total depreciation expense - governmental activities	<u>\$ 521,901</u>
 <b>Business-Type Activities:</b>	
Electric	\$ 317,459
Water	144,467
Sewer	76,783
Storm water drainage	23,698
Ambulance	8,354
Waste Management	<u>500</u>
Total depreciation expense - business-type activities	<u>\$ 571,261</u>

*F. Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2017, 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	\$ 228,308	\$
Capital Project:		
Tax Increment District #8		193,197
Tax Increment District #7		<u>35,111</u>
	<u>\$ 228,308</u>	<u>\$ 228,308</u>
<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Capital Projects:		
Capital Improvements	\$	\$ 50,000
Enterprise Funds:		
Electric	<u>50,000</u>	
Total Advances	<u>\$ 50,000</u>	<u>\$ 50,000</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, 2017 were as follows:

<u>Funds</u>	Transfers In	Transfers Out
General Fund	\$ 152,813	\$ 22,179
Special Revenue:		
Library	15,200	
Economic Development		45,871
Volunteer Fire Department		15,000
Emergency Management Service	666	
Debt Service:		
2015A G.O. Bond	45,000	
Capital Projects:		
Capital Improvements	45,871	
Enterprise:		
Electric		135,000
Compost and Waste Management		20,000
Ambulance		21,500
Total Transfers	<u>\$ 259,550</u>	<u>\$ 259,550</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2017 are as follows:

General Fund	\$ 31,049
Special Revenue Funds	
Economic Development	35,688
Celebration	1,336
Library	6,906
Volunteer Fire Department	140,696
Blandin Foundation	297
Enterprise Funds	
Water	42,073
Compost and Waste Management	8,133
Ambulance	12,047

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, 2017.

Capital Projects		
Tax Increment District #8	\$	193,197
Tax Increment District #7		35,111

**G. Long-term debt**

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2017:

	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%)	\$ 1,547,098	\$	\$ 171,557	\$ 1,375,541	\$ 175,717
2015A GO Bonds (3.0 - 3.75%)	2,300,000		65,000	2,235,000	65,000
Less: Unamortized Discount	(23,933)		(1,046)	(22,887)	
Notes payable:					
2012 Installment Promissory Note - Winona County (2.0%)	21,865		8,051	13,814	8,226
Vehicle lease payable (2.95%)	105,077		22,008	83,069	19,859
Equipment lease payable (3.050%)		40,075		40,075	8,237
Long-term Liabilities	<u>3,950,107</u>	<u>40,075</u>	<u>265,570</u>	<u>3,724,612</u>	<u>277,039</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	487,902		23,443	464,459	24,283
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	1,545,000		240,000	1,305,000	245,000
Less: Unamortized Discount	(13,850)		(2,024)	(11,826)	
Long-term Liabilities	<u>2,019,052</u>		<u>261,419</u>	<u>1,757,633</u>	<u>269,283</u>
Total	<u>\$ 5,969,159</u>	<u>\$ 40,075</u>	<u>\$ 526,989</u>	<u>\$ 5,482,245</u>	<u>\$ 546,322</u>

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

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

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

G. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2017, 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>						
2018	\$ 240,717	\$ 115,639			\$ 36,322	\$ 3,032
2019	254,896	109,558			33,639	2,917
2020	259,046	102,674			28,899	2,029
2021	263,204	95,214			29,771	1,156
2022	122,261	89,519			8,327	258
2023-2027	651,601	386,686				
2028-2032	773,816	260,760				
2033-2037	535,000	143,336				
2038-2040	510,000	39,114				
Totals	<u>\$ 3,610,541</u>	<u>\$ 1,342,500</u>			<u>\$ 136,958</u>	<u>\$ 9,392</u>
<u>Business-Type Activities</u>						
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	27,739	12,261	280,000	8,540		
2023-2027	153,399	46,601				
2028-2032	181,184	18,816				
Totals	<u>\$ 464,459</u>	<u>\$ 135,541</u>	<u>\$ 1,305,000</u>	<u>\$ 118,376</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	20,554	31,894	10,052
Captured gross tax capacity Retained by authority	19,732	22,851	2,624

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, 2017.

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 2017 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 2017 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 2017 totaled \$3,960.



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

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

*1. Fund Equity*

	Committed Fund Balance			Total
	Fund 34	Fund 25	Fund 40	
	Economic Development	Capital Improvement	Parkland Dedication	
<u>Committed For:</u>				
Economic Development				
CIP Projects	\$ 84,078	\$	\$	\$ 84,078
Capital Project		242,379		242,379
Parkland Dedication				
CIP Projects			33,669	33,669
	<u>\$ 84,078</u>	<u>\$ 242,379</u>	<u>\$ 33,669</u>	<u>\$ 360,126</u>

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

*Plan Description*

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

1. General Employees Retirement Fund - All full-time and certain part-time employees of the City of St. Charles are covered by the General Employees Retirement Fund. General Employees Retirement Fund 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 - The Public Employees Police and Fire Fund, 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 Public Employees Police and Fire Fund 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. General Employees Retirement Fund Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

##### 2. Public Employees Police and Fire Fund Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members 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. General Employees Retirement Fund 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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Retirement Fund for the year ended December 31, 2017, were \$65,363. The City's contributions were equal to the required contributions as set by state statute.

##### 2. Public Employees Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for Public Employees Police and Fire Fund members in calendar year 2017. The City's contributions to the Public Employees Police and Fire Fund for the year ended December 31, 2017, were \$40,076. 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. General Employees Retirement Fund Pension Costs

At December 31, 2017, the City reported a liability of \$861,831 for its proportionate share of the General Employees Retirement Fund’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the City’s proportion was .0135% at the end of the measurement period and .0133% for the beginning of the period.

For the year ended December 31, 2017, the City recognized pension expense of \$39,410 for its proportionate share of the General Employees Retirement Fund’s pension expense. In addition, the City recognized an additional \$314 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Retirement Fund’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 26,743
Difference between projected and actual investment earnings	4,787	
Changes in actuarial assumptions	54,564	
Changes in proportion		15,111
Contributions paid to PERA subsequent to the measurement date	35,243	
Total	<u>\$ 94,594</u>	<u>\$ 41,854</u>

Included in deferred outflows of resources related to pensions is \$35,243 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 21,540
2018	45,389
2019	(12,849)
2020	(36,583)

**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

*Pension Cost (Continued)*

2. Public Employees Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$324,029 for its proportionate share of the Public Employees Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the City’s proportion was .0240% at the end of the measurement period and .0240% for the beginning of the period.

For the year ended December 31, 2017, the City recognized pension expense of \$41,653 for its proportionate share of the Public Employees Police and Fire Fund’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 Public Employees Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of the Public Employees Police and Fire Fund’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$	\$ 80,273
Difference between projected and actual investment earnings	5,440	
Changes in actuarial assumptions		35,977
Changes in proportion		7,575
Contributions paid to PERA subsequent to the measurement date	26,338	
Total	<u>\$ 31,778</u>	<u>\$ 123,825</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 \$26,338 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$ 3,875
2018	3,873
2019	(8,500)
2020	(27,122)
2021	(90,511)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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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Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

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	39%	5.50%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund 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.

**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 GERF net pension liability	\$ 1,336,764	\$ 861,830	\$ 473,012
	6.5%	7.5%	8.5%
City's proportionate share of the PEPFF net pension liability	610,240	324,029	87,745
	<u>\$ 1,947,004</u>	<u>\$ 1,185,859</u>	<u>\$ 560,757</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, 2016 which is the latest information available. The City does not believe that the funded status changed significantly during 2017.

**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, 2016, the plan covered 29 active firefighters. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G. The December 31, 2016 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 or \$2,000 (effective January 1, 2016) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000 after reaching a minimum retirement age of 50 and at least 20 years of service with 10 years of membership in the association. Association members are eligible to receive partial pension benefits for service of 10 to 20 years with 10 years of membership in the Association. Partial vesting begins at 60% in the tenth year and increases 4% per year of additional service until fully vested. These benefit provisions are consistent with enabling State statutes.

Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, City contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$33,656 in state aid to the plan on behalf of the Association for the year ended December 31, 2016, which was recorded as revenue. The City's made voluntary contributions of \$7,000 to the plan.

Pension Costs

At December 31, 2016, the City reported a net pension asset of \$289,307 for the plan. The net pension asset was measured as of December 31, 2016. 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, 2016. 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 12/31/15	\$ 527,143	\$ 789,894	\$ (262,751)
Changes for the Year:			
Service cost	27,376		27,376
Interest on pension liability	37,430		37,430
Changes in assumption	(6,665)		(6,665)
Net investment income		48,903	(48,903)
Contributions (State)		40,656	(40,656)
Administrative Fee		(4,862)	4,862
Net Changes	58,141	84,697	(26,556)
Balance End of Year 12/31/16	<u>\$ 585,284</u>	<u>\$ 874,591</u>	<u>\$ (289,307)</u>



**CITY OF ST. CHARLES, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

At December 31, 2016, 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>
Change in assumptions	\$	\$ 5,845
Net difference between projected and actual investment earnings	31,674	
Total	<u>\$ 31,674</u>	<u>\$ 5,845</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>
2017	\$ 9,408
2018	9,408
2019	9,407
2020	171
2021	(820)
Thereafter	(1,745)

Actuarial Assumptions

The total pension liability at December 31, 2016, 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 7.25%
- 20-Year Municipal bond yield 3.78%
- Salary increase 2.75%
- Cost of living increases 0.00% future annual increase to eligible deferred pension amounts

There were no changes in actuarial assumptions in 2016 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the Plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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
	6.25%	7.25%	8.25%
Net pension asset	\$ 275,895	\$ 289,307	\$ 302,331

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	61.55%	5.58%	8.33%
International equity	13.78%	5.71%	8.46%
Fixed income	11.15%	2.27%	5.02%
Real estate and alternatives	1.84%	4.44%	7.19%
Cash and equivalents	11.64%	0.84%	3.59%
Total	100%		7.69%
Reduced for assumed investment expense			-0.50%
Net assumed investment return (weighted avg, rounded to 1/4%)			7.25%

**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, 2016, 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.

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**CITY OF ST. CHARLES, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017**

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of City Pension Contributions**  
**December 31, 2017**

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

Year Ended December 31	Contributions in Relation to			Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
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	65,363	65,363		871,507	7.5%
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			Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
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	40,076	40,076		247,383	16.2%
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2017**

**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	0.0135%	861,830	822,579	104.8%	75.9%
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	0.0240%	324,029	230,393	140.6%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF ST. CHARLES, , MINNESOTA**  
**Schedule of Funding Progress for the Fire Relief Association**  
**December 31, 2017**

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)
12/31/2016	585,284	874,591	(289,307)

**CITY OF ST. CHARLES, MINNESOTA**  
**Schedule of Employer Contributions**  
**December 31, 2017**

	2017	2016
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, 2017**

**CITY OF ST. CHARLES, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2017**

	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>ASSETS</b>							
Cash and investments	\$ 2,590		\$ 1,273	\$ 204,302		\$ 288	\$ 208,453
Accrued interest receivable				128			128
Accounts receivable			4,326	4,470			8,796
Prepaid items			878	2,810			3,688
Taxes receivable - delinquent				77			77
Special assessments receivable:							
Deferred							
Due from other governmental units	225	70	1,080	1,489			2,864
<b>TOTAL ASSETS</b>	<b>\$ 2,815</b>	<b>\$ 70</b>	<b>\$ 7,557</b>	<b>\$ 213,276</b>	<b>\$</b>	<b>\$ 288</b>	<b>\$ 224,006</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 742		\$ 1,939	\$ 2,592			\$ 5,273
Due to other funds							
Total Liabilities	742		1,939	2,592			5,273
<b>Deferred Inflows of Resources:</b>							
Property taxes				77			77
Special assessments							
Total Deferred Inflows of Resources				77			77
<b>Fund Balance</b>							
Nonspendable:							
Prepaid items			878	2,810			3,688
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects							
Assigned	2,073	70	4,740	207,797			214,680
Unassigned						288	288
Total Fund Balance	2,073	70	5,618	210,607		288	218,656
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,815</b>	<b>\$ 70</b>	<b>\$ 7,557</b>	<b>\$ 213,276</b>	<b>\$</b>	<b>\$ 288</b>	<b>\$ 224,006</b>

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	Total	
\$ 173,060	\$ 107,640	\$ 280,700	\$ 56,521	\$ 33,669	\$	\$ 90,190	\$ 579,343
							128
							8,796
1,899	565	2,464					3,688
							2,541
				150		150	150
2,329	949	3,278					6,142
<u>\$ 177,288</u>	<u>\$ 109,154</u>	<u>\$ 286,442</u>	<u>\$ 56,521</u>	<u>\$ 33,819</u>	<u>\$</u>	<u>\$ 90,340</u>	<u>\$ 600,788</u>
\$	\$	\$	\$	\$	\$	\$	5,273
					35,111	35,111	35,111
					35,111	35,111	40,384
1,899	565	2,464					2,541
				150		150	150
1,899	565	2,464		150		150	2,691
							3,688
175,389	108,589	283,978					283,978
			56,521			56,521	56,521
				33,669		33,669	33,669
							214,680
					(35,111)	(35,111)	(34,823)
175,389	108,589	283,978	56,521	33,669	(35,111)	55,079	557,713
<u>\$ 177,288</u>	<u>\$ 109,154</u>	<u>\$ 286,442</u>	<u>\$ 56,521</u>	<u>\$ 33,819</u>	<u>\$</u>	<u>\$ 90,340</u>	<u>\$ 600,788</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	<u>31</u> Blandin Foundation	Total
	Advertising	Celebration	Library				
<b>REVENUES</b>							
Property tax levy							
Property tax collected	\$ 21,563	\$ 6,595	\$ 103,003	\$ 66,866	\$	\$	\$ 198,027
Tax increments							
Intergovernmental			31,519	33,395			64,914
Charges for services				47,010			47,010
Interest income		1,113		1,033			2,146
Donations	1,316	12,765	6,445	132,375			152,901
Miscellaneous			2,837	200			3,037
<b>TOTAL REVENUES</b>	<b>22,879</b>	<b>20,473</b>	<b>143,804</b>	<b>280,879</b>			<b>468,035</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	20,619	20,336				297	41,252
Public safety				269,846			269,846
Library			159,046				159,046
Principal retirement							
Interest and fiscal charges							
Capital outlay							
<b>TOTAL EXPENDITURES</b>	<b>20,619</b>	<b>20,336</b>	<b>159,046</b>	<b>269,846</b>		<b>297</b>	<b>470,144</b>
Excess (deficiency) of revenues over (under) expenditures	2,260	137	(15,242)	11,033		(297)	(2,109)
<b>OTHER FINANCING SOURCES (USES)</b>							
Lease proceeds				40,075			40,075
Transfer in			15,200		666		15,866
Transfer out				(15,000)			(15,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>15,200</b>	<b>25,075</b>	<b>666</b>		<b>40,941</b>
Net change in fund balances	2,260	137	(42)	36,108	666	(297)	38,832
<b>FUND BALANCES, beginning</b>	<b>(187)</b>	<b>(67)</b>	<b>5,660</b>	<b>174,499</b>	<b>(666)</b>	<b>585</b>	<b>179,824</b>
<b>FUND BALANCES, ending</b>	<b>\$ 2,073</b>	<b>\$ 70</b>	<b>\$ 5,618</b>	<b>\$ 210,607</b>	<b>\$</b>	<b>\$ 288</b>	<b>\$ 218,656</b>

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	Total	
\$ 220,375	\$ 95,756	\$ 316,131	\$	\$	\$	\$	\$ 514,158
			19,244		23,867	43,111	43,111
							64,914
							47,010
6	6	12	15	77		92	2,250
				168		168	153,069
							3,037
<u>220,381</u>	<u>95,762</u>	<u>316,143</u>	<u>19,259</u>	<u>245</u>	<u>23,867</u>	<u>43,371</u>	<u>827,549</u>
							41,252
							269,846
							159,046
171,557	65,000	236,557					236,557
46,008	75,386	121,394					121,394
			13,987	32,564	7,289	53,840	53,840
<u>217,565</u>	<u>140,386</u>	<u>357,951</u>	<u>13,987</u>	<u>32,564</u>	<u>7,289</u>	<u>53,840</u>	<u>881,935</u>
2,816	(44,624)	(41,808)	5,272	(32,319)	16,578	(10,469)	(54,386)
							40,075
	45,000	45,000					60,866
							(15,000)
	45,000	45,000					85,941
2,816	376	3,192	5,272	(32,319)	16,578	(10,469)	31,555
<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>\$ 175,389</u>	<u>\$ 108,589</u>	<u>\$ 283,978</u>	<u>\$ 56,521</u>	<u>\$ 33,669</u>	<u>\$ (35,111)</u>	<u>\$ 55,079</u>	<u>\$ 557,713</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**ADVERTISING FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property Tax Levy					
Property tax collected	\$ 21,275	\$ 21,275	\$ 21,563	\$ 288	\$ 21,289
Donations	4,000	4,000	1,316	(2,684)	1,848
<b>TOTAL REVENUES</b>	<u>25,275</u>	<u>25,275</u>	<u>22,879</u>	<u>(2,396)</u>	<u>23,137</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Fireworks	8,500	8,500	9,130	(630)	9,145
City promotion	2,625	2,625	482	2,143	322
Board reimbursement					
annual events	1,650	1,650	1,413	237	1,946
Professional services			149	(149)	
Advertising	12,500	12,500	9,445	3,055	12,832
<b>TOTAL EXPENDITURES</b>	<u>25,275</u>	<u>25,275</u>	<u>20,619</u>	<u>4,656</u>	<u>24,245</u>
Excess (deficiency) of revenues over (under) expenditures			2,260	2,260	(1,108)
<b>OTHER FINANCING SOURCES</b>					
Transfers in					2,842
Net change in fund balances			2,260	2,260	1,734
<b>FUND BALANCES, beginning</b>	<u>(187)</u>	<u>(187)</u>	<u>(187)</u>		<u>(1,921)</u>
<b>FUND BALANCES, ending</b>	<u>\$ (187)</u>	<u>\$ (187)</u>	<u>\$ 2,073</u>	<u>\$ 2,260</u>	<u>\$ (187)</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**CELEBRATION FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property tax levy					
Property tax collected	\$ 6,500	\$ 6,500	\$ 6,595	\$ 95	\$ 6,509
Donations	12,500	12,500	12,765	265	14,150
Other income			1,113	1,113	
<b>TOTAL REVENUES</b>	<b>19,000</b>	<b>19,000</b>	<b>20,473</b>	<b>1,473</b>	<b>20,659</b>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Advertising	2,800	2,800	3,974	(1,174)	3,838
Dance	5,000	5,000	3,441	1,559	4,136
T-shirts	900	900	1,012	(112)	1,352
Rentals	2,700	2,700	3,580	(880)	2,760
Pageants	4,500	4,500	3,655	845	3,671
Other	3,100	3,100	4,674	(1,574)	4,114
<b>TOTAL EXPENDITURES</b>	<b>19,000</b>	<b>19,000</b>	<b>20,336</b>	<b>(1,336)</b>	<b>19,871</b>
Excess (deficiency) of revenues over (under) expenditures			137	137	788
<b>OTHER FINANCING SOURCES</b>					
Transfers in					194
Net change in fund balances			137	137	982
<b>FUND BALANCES, beginning</b>	<b>(67)</b>	<b>(67)</b>	<b>(67)</b>		<b>(1,049)</b>
<b>FUND BALANCES, ending</b>	<b>\$ (67)</b>	<b>\$ (67)</b>	<b>\$ 70</b>	<b>\$ 137</b>	<b>\$ (67)</b>

**CITY OF ST. CHARLES, MINNESOTA**  
**LIBRARY FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 101,640	\$ 101,640	\$ 103,003	\$ 1,363	\$ 106,068
<b>Intergovernmental Revenues</b>					
Interest income			1	1	
Library aid	28,100	28,100	31,518	3,418	29,054
Intergovernmental Revenues	28,100	28,100	31,519	3,419	29,054
<b>Donations</b>					
	3,500	3,500	6,445	2,945	4,026
<b>Miscellaneous</b>					
Fines	2,000	2,000	1,171	(829)	1,527
Book sales			90	90	108
Copy machines	1,000	1,000	1,576	576	1,330
Other	700	700		(700)	
Total Miscellaneous Revenues	3,700	3,700	2,837	(863)	2,965
<b>TOTAL REVENUES</b>	<b>136,940</b>	<b>136,940</b>	<b>143,804</b>	<b>6,864</b>	<b>142,113</b>
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries	72,950	72,950	73,686	(736)	72,729
Employee benefits and retirement	26,400	26,400	27,603	(1,203)	29,398
Supplies and minor equipment	2,540	2,540	1,937	603	1,847
Professional services	10,300	10,300	11,011	(711)	10,444
Communications	1,200	1,200	1,325	(125)	1,279
Transportation and training	750	750	657	93	751
Insurance	3,000	3,000	2,564	436	1,577
Utilities	11,000	11,000	11,290	(290)	11,155
Repairs and maintenance	7,000	7,000	9,502	(2,502)	7,552
Other	1,000	1,000	2,363	(1,363)	1,640
Capital outlay	16,000	16,000	17,108	(1,108)	15,051
<b>TOTAL EXPENDITURES</b>	<b>152,140</b>	<b>152,140</b>	<b>159,046</b>	<b>(6,906)</b>	<b>153,423</b>
Excess (deficiency) of revenues over (under) expenditures	(15,200)	(15,200)	(15,242)	(42)	(11,310)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	15,200	15,200	15,200		15,200
Net change in fund balances			(42)	(42)	3,890
<b>FUND BALANCES, beginning</b>	<b>5,660</b>	<b>5,660</b>	<b>5,660</b>		<b>1,770</b>
<b>FUND BALANCES, ending</b>	<b>\$ 5,660</b>	<b>\$ 5,660</b>	<b>\$ 5,618</b>	<b>\$ (42)</b>	<b>\$ 5,660</b>



**CITY OF ST. CHARLES, MINNESOTA  
VOLUNTEER FIRE DEPARTMENT FUND  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2017  
With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 66,036	\$ 66,036	\$ 66,866	\$ 830	\$ 64,672
<b>Intergovernmental Revenues</b>					
State fire aid	30,000	30,000	33,395	3,395	33,656
<b>Charges for Services</b>					
Other local governments	32,114	32,114	32,531	417	32,035
Fire calls	11,500	11,500	14,479	2,979	8,385
<b>Interest income</b>	1,500	1,500	1,033	(467)	(255)
<b>Donations</b>			132,375	132,375	20,423
<b>Miscellaneous Revenues</b>	3,000	3,000	200	(2,800)	641
<b>TOTAL REVENUES</b>	<u>144,150</u>	<u>144,150</u>	<u>280,879</u>	<u>136,729</u>	<u>159,557</u>
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries	18,000	18,000	18,700	(700)	18,160
Employee benefits and retirement	10,400	10,400	9,573	827	10,667
Supplies and minor equipment	13,450	13,450	5,503	7,947	21,199
Professional services	3,000	3,000	3,660	(660)	5,652
Communication	2,500	2,500	2,680	(180)	2,427
Transportation and training	9,300	9,300	7,361	1,939	5,802
Insurance	6,500	6,500	4,668	1,832	2,670
Utilities	6,000	6,000	6,112	(112)	5,655
Capital outlay	9,800	9,800	145,336	(135,536)	5,166
Repairs and maintenance	13,500	13,500	20,807	(7,307)	22,549
Fire relief payment	34,000	34,000	40,395	(6,395)	40,656
Other	2,700	2,700	5,051	(2,351)	6,680
<b>TOTAL EXPENDITURES</b>	<u>129,150</u>	<u>129,150</u>	<u>269,846</u>	<u>(140,696)</u>	<u>147,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>15,000</u>	<u>11,033</u>	<u>(3,967)</u>	<u>12,274</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease proceeds			40,075	40,075	
Transfers out	(15,000)	(15,000)	(15,000)		(65,000)
Net change in fund balances			36,108	36,108	(52,726)
<b>FUND BALANCES, beginning</b>	<u>174,499</u>	<u>174,499</u>	<u>174,499</u>		<u>227,225</u>
<b>FUND BALANCES, ending</b>	<u>\$ 174,499</u>	<u>\$ 174,499</u>	<u>\$ 210,607</u>	<u>\$ 36,108</u>	<u>\$ 174,499</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**EMERGENCY MANAGEMENT SERVICES**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$	\$	\$	\$	\$ 66
<b>Interest Income</b>					2
<b>TOTAL REVENUES</b>					68
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Professional services					9,517
Other					199
<b>TOTAL EXPENDITURES</b>					9,716
Excess (deficiency) of revenues over (under) expenditures					(9,648)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in			666	666	
Net change in fund balances	(15,000)	(15,000)	666	15,666	(9,648)
<b>FUND BALANCES, beginning</b>	(666)	(666)	(666)		8,982
<b>FUND BALANCES, ending</b>	<u>\$ (15,666)</u>	<u>\$ (15,666)</u>	<u>\$</u>	<u>\$ 15,666</u>	<u>\$ (666)</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**BLANDIN FOUNDATION FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2017**  
*With Comparative Totals for the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>2017 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2016 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Donations	\$	\$	\$	\$	\$ 250
Miscellaneous					2,000
<b>TOTAL REVENUES</b>					<u>2,250</u>
<b>EXPENDITURES</b>					
<b>General Government</b>					
Supplies			297	(297)	40
Public education					1,625
<b>TOTAL EXPENDITURES</b>			<u>297</u>	<u>(297)</u>	<u>1,665</u>
Excess (deficiency) of revenues over (under) expenditures			<u>(297)</u>	<u>297</u>	<u>585</u>
Net change in fund balances			(297)	297	585
<b>FUND BALANCES, beginning</b>	<u>585</u>	<u>585</u>	<u>585</u>		
<b>FUND BALANCES, ending</b>	<u>\$ 585</u>	<u>\$ 585</u>	<u>\$ 288</u>	<u>\$ 297</u>	<u>\$ 585</u>

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**CITY OF ST. CHARLES, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**ELECTRIC FUND**  
**Statement of Net Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 927,567	\$ 1,029,634
Emergency cash reserve	250,000	250,000
Accrued interest receivable	5,610	5,377
Accounts receivable, net	250,259	235,907
Accrued utility revenue	103,603	101,194
Special assessments-deferred	2,275	5,113
Advances to other funds	50,000	60,000
Inventory	307,309	305,933
Prepaid expenses	39,766	40,075
Total Current Assets	1,936,389	2,033,233
<b>Capital Assets</b>		
Nondepreciable	325,989	113,489
Depreciable	11,174,109	10,834,099
Less: Accumulated depreciation	4,368,369	4,065,703
Capital Assets, Net	7,131,729	6,881,885
Total Assets	9,068,118	8,915,118
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	36,297	174,974
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 9,104,415	\$ 9,090,092
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 245,000	\$ 240,000
Accounts payable	163,317	53,498
Customer deposits	20,150	19,800
Accrued interest payable	3,120	3,570
Total Current Liabilities	431,587	316,868
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	1,060,000	1,305,000
Net pension liability	332,190	416,243
Less: Unamortized bond discount	(11,826)	(13,850)
Total Noncurrent Liabilities	1,380,364	1,707,393
Total Liabilities	1,811,951	2,024,261
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	16,131	52,257
<b>NET POSITION</b>		
Net investment in capital assets	5,838,555	5,350,735
Unrestricted	1,437,778	1,662,839
Total Net Position	7,276,333	7,013,574
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 9,104,415	\$ 9,090,092

**CITY OF ST. CHARLES, MINNESOTA**  
**PROPRIETARY FUNDS**  
**ELECTRIC FUND**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position - Budget and Actual**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 2,890,000	\$ 2,890,000	\$ 2,863,875	\$ (26,125)	\$ 2,841,046
<b>Operating Expenses</b>					
Purchased utilities	1,450,000	1,450,000	1,222,317	227,683	1,147,837
Salaries	362,730	362,730	359,807	2,923	353,538
Employee benefits and retirement	153,830	153,830	165,719	(11,889)	168,880
Gas and oil	6,000	6,000	5,241	759	3,629
Generation fuel	30,000	30,000	23,036	6,964	12,721
Supplies and minor equipment	11,850	11,850	12,008	(158)	12,533
Professional services	36,000	36,000	46,777	(10,777)	37,081
Communication	7,000	7,000	5,022	1,978	5,800
Transportation and training	8,000	8,000	9,247	(1,247)	8,648
Insurance	22,000	22,000	18,715	3,285	10,299
Utilities	7,000	7,000	8,542	(1,542)	8,123
Repairs and maintenance	291,000	291,000	101,996	189,004	111,670
Depreciation and amortization	240,000	240,000	317,460	(77,460)	297,764
Bad debts			(69)	69	447
Other	100,500	100,500	162,296	(61,796)	141,054
Total Operating Expenses	2,725,910	2,725,910	2,458,114	267,796	2,320,024
Operating Income	164,090	164,090	405,761	241,671	521,022
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	10,000	10,000	14,515	4,515	18,043
Miscellaneous income	20,000	20,000	21,897	1,897	11,220
Interest and fiscal charges	(43,790)	(43,790)	(44,414)	(624)	(48,829)
Total Nonoperating Revenues (Expenses)	(13,790)	(13,790)	(8,002)	5,788	(19,566)
<b>INCOME BEFORE TRANSFERS</b>	150,300	150,300	397,759	247,459	501,456
Transfers out	(135,000)	(135,000)	(135,000)		(185,000)
<b>CHANGE IN NET POSITION</b>	15,300	15,300	262,759	247,459	316,456
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	7,013,574	7,013,574	7,013,574		6,697,118
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 7,028,874	\$ 7,028,874	\$ 7,276,333	\$ 247,459	\$ 7,013,574

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WATER FUND  
 Statement of Net Position  
 December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 731,052	\$ 568,518
Accrued interest receivable	850	773
Accounts receivable, net	46,340	44,606
Accrued utility revenue	16,439	18,101
Special assessments-deferred	1,745	4,036
Inventory	21,356	21,567
Prepaid expenses	1,624	2,422
Total Current Assets	819,406	660,023
<b>Capital Assets</b>		
Depreciable	5,452,295	5,419,005
Less: Accumulated depreciation	2,447,693	2,311,284
Capital Assets, Net	3,004,602	3,107,721
Total Assets	3,824,008	3,767,744
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	10,941	52,697
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
	\$ 3,834,949	\$ 3,820,441
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 24,283	\$ 23,443
Accounts payable	19,183	11,528
Accrued interest payable	13,098	13,798
Total Current Liabilities	56,564	48,769
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	440,176	464,459
Net pension liability	99,978	125,276
Total Noncurrent Liabilities	540,154	589,735
Total Liabilities	596,718	638,504
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	4,853	15,727
<b>NET POSITION</b>		
Net investment in capital assets	2,540,143	2,619,819
Unrestricted	693,235	546,391
Total Net Position	3,233,378	3,166,210
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
	\$ 3,834,949	\$ 3,820,441



**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 WATER FUND  
 Statement of Revenues, Expenses  
 and Changes in Fund Net Position - Budget and Actual  
 For the Year Ended December 31, 2017  
 With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 532,030	\$ 532,030	\$ 527,369	\$ (4,661)	\$ 531,399
Access fees			6,300	6,300	
Total Operating Revenues	<u>\$ 532,030</u>	<u>\$ 532,030</u>	<u>\$ 533,669</u>	<u>\$ 1,639</u>	<u>\$ 531,399</u>
<b>Operating Expenses</b>					
Salaries	110,700	110,700	107,641	3,059	108,654
Employee benefits and retirement	42,960	42,960	46,179	(3,219)	49,842
Supplies and minor equipment	31,500	31,500	28,481	3,019	17,009
Professional services	40,200	40,200	38,580	1,620	29,145
Communication	5,000	5,000	6,938	(1,938)	6,432
Transportation and training	4,000	4,000	2,858	1,142	2,687
Insurance	6,000	6,000	4,965	1,035	2,591
Utilities	40,000	40,000	34,004	5,996	33,686
Repairs and maintenance	113,000	113,000	52,530	60,470	55,824
Depreciation and amortization	23,443	23,443	144,468	(121,025)	141,728
Other			(7,768)	7,768	621
Total Operating Expenses	<u>416,803</u>	<u>416,803</u>	<u>458,876</u>	<u>(42,073)</u>	<u>448,219</u>
Operating Income	<u>115,227</u>	<u>115,227</u>	<u>74,793</u>	<u>43,712</u>	<u>83,180</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	1,000	1,000	(2,180)	(3,180)	3,337
Miscellaneous income	6,300	6,300	10,412	4,112	26,773
Interest and fiscal charges	(16,557)	(16,557)	(15,857)	700	(16,678)
Total Nonoperating Revenues (Expenses)	<u>(9,257)</u>	<u>(9,257)</u>	<u>(7,625)</u>	<u>1,632</u>	<u>13,432</u>
<b>CHANGE IN NET POSITION</b>	<u>105,970</u>	<u>105,970</u>	<u>67,168</u>	<u>45,344</u>	<u>96,612</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>3,166,210</u>	<u>3,166,210</u>	<u>3,166,210</u>		<u>3,069,598</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 3,272,180</u>	<u>\$ 3,272,180</u>	<u>\$ 3,233,378</u>	<u>\$ 45,344</u>	<u>\$ 3,166,210</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 SEWER FUND  
 Statement of Net Position  
 December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 361,521	\$ 294,445
Accrued interest receivable	29	70
Accounts receivable	63,375	58,778
Accrued utility revenue	21,225	22,913
Special assessments-deferred	1,745	4,036
Prepaid expenses	1,379	1,675
Total Current Assets	449,274	381,917
<b>Capital Assets</b>		
Nondepreciable	28,700	28,700
Depreciable	3,778,284	3,717,207
Less: Accumulated depreciation	1,262,493	1,185,710
Capital Assets, Net	2,544,491	2,560,197
Total Assets	2,993,765	2,942,114
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	6,696	31,982
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,000,461</b>	<b>\$ 2,974,096</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 42,888	\$ 65,352
<b>Noncurrent Liabilities</b>		
Net pension liability	60,621	75,960
Total Liabilities	103,509	141,312
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	2,942	9,535
<b>NET POSITION</b>		
Net investment in capital assets	2,544,491	2,560,197
Unrestricted	349,519	263,052
Total Net Position	2,894,010	2,823,249
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 3,000,461</b>	<b>\$ 2,974,096</b>

**CITY OF ST. CHARLES, MINNESOTA**

**PROPRIETARY FUNDS**

**SEWER FUND**

**Statement of Revenues, Expenses  
and Changes in Fund Net Position - Budget and Actual  
For the Year Ended December 31, 2017**

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

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Consumer sales	\$ 693,110	\$ 693,110	\$ 704,543	\$ 11,433	\$ 697,959
Access fee			30,960	30,960	
Total Operating Revenues	<u>\$ 693,110</u>	<u>\$ 693,110</u>	<u>\$ 735,503</u>	<u>\$ 42,393</u>	<u>\$ 697,959</u>
<b>Operating Expenses</b>					
Purchased utilities	468,610	468,610	452,951	15,659	431,088
Salaries	74,970	74,970	66,909	8,061	66,443
Employee benefits and retirement	25,480	25,480	28,201	(2,721)	27,218
Supplies and minor equipment	6,400	6,400	4,817	1,583	2,584
Professional services	9,950	9,950	7,710	2,240	4,588
Communication	2,400	2,400	2,564	(164)	2,435
Transportation and training	3,000	3,000	3,000		2,605
Insurance	4,000	4,000	7,792	(3,792)	2,419
Utilities	4,000	4,000	632	3,368	601
Repairs and maintenance	93,000	93,000	15,763	77,237	15,021
Depreciation and amortization			76,783	(76,783)	76,033
Other	1,000	1,000	170	830	109
Total Operating Expenses	<u>692,810</u>	<u>692,810</u>	<u>667,292</u>	<u>25,518</u>	<u>631,144</u>
Operating Income	<u>300</u>	<u>300</u>	<u>68,211</u>	<u>16,875</u>	<u>66,815</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	596	96	(117)
Miscellaneous income			1,954	1,954	386
Total Nonoperating Revenues (Expenses)	<u>500</u>	<u>500</u>	<u>2,550</u>	<u>2,050</u>	<u>269</u>
<b>CHANGE IN NET POSITION</b>	<u>800</u>	<u>800</u>	<u>70,761</u>	<u>18,925</u>	<u>67,084</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>2,823,249</u>	<u>2,823,249</u>	<u>2,823,249</u>		<u>2,756,165</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 2,824,049</u>	<u>\$ 2,824,049</u>	<u>\$ 2,894,010</u>	<u>\$ 18,925</u>	<u>\$ 2,823,249</u>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 STORM WATER FUND  
 Statement of Net Position  
 December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 124,542	\$ 101,616
Accounts receivable	10,146	10,024
Accrued utility revenue	4,869	3,704
Total Current Assets	139,557	115,344
<b>Capital Assets</b>		
Depreciable	1,026,779	951,420
Less: Accumulated depreciation	164,937	141,239
Capital Assets, Net	861,842	810,181
Total Assets	\$ 1,001,399	\$ 925,525
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$	\$ 11,500
<b>NET POSITION</b>		
Net investment in capital assets	861,842	810,181
Unrestricted	139,557	103,844
Total Net Position	1,001,399	914,025
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 1,001,399	\$ 925,525

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 STORM WATER FUND  
 Statement of Revenues, Expenses  
 and Changes in Fund Net Position - Budget and Actual  
 For the Year Ended December 31, 2017  
 With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Storm water fees	\$ 110,515	\$ 110,515	\$ 117,447	\$ 6,932	\$ 114,596
<b>Operating Expenses</b>					
Professional services	3,100	3,100	1,936	1,164	
Depreciation			23,698	(23,698)	22,537
Repairs and maintenance	75,000	75,000	4,477	70,523	6,671
Total Operating Expenses	78,100	78,100	30,111	47,989	29,208
Operating Income	32,415	32,415	87,336	54,921	85,388
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	100	100	38	(62)	28
<b>CHANGE IN NET POSITION</b>	32,515	32,515	87,374	54,859	85,416
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	914,025	914,025	914,025		828,609
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 946,540	\$ 946,540	\$ 1,001,399	\$ 54,859	\$ 914,025

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 COMPOST AND WASTE MANAGEMENT FUNDS  
 Statement of Net Position  
 December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 69,995	\$ 85,374
Accounts receivable	27,792	27,097
Total Current Assets	97,787	112,471
<b>Capital Assets</b>		
Depreciable	5,000	5,000
Less: Accumulated depreciation	917	417
Capital Assets, Net	4,083	4,583
Total Assets	\$ 101,870	\$ 117,054
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 20,795	\$ 19,973
 <b>NET POSITION</b>		
Net investment in capital assets	4,083	4,583
Unrestricted	76,992	92,498
Total Net Position	81,075	97,081
 <b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 101,870	\$ 117,054

**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 Year Ended December 31, 2017**  
**With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
Waste removal	\$ 206,840	\$ 206,840	\$ 216,516	\$ 9,676	\$ 210,485
Compost fees	13,500	13,500	13,683	183	13,601
<b>Total Operating Revenues</b>	<b>220,340</b>	<b>220,340</b>	<b>230,199</b>	<b>9,859</b>	<b>224,086</b>
<b>Operating Expenses</b>					
<b>Waste Removal</b>					
Garbage removal	198,500	198,500	206,840	(8,340)	197,310
Depreciation			500	(500)	417
City cleanup	11,500	11,500	7,919	3,581	12,786
Compost site expense	6,500	6,500	7,431	(931)	
Other	1,600	1,600	3,543	(1,943)	2,995
<b>Total Operating Expenses</b>	<b>218,100</b>	<b>218,100</b>	<b>226,233</b>	<b>(8,133)</b>	<b>213,508</b>
Operating Income	2,240	2,240	3,966	1,726	10,578
<b>Nonoperating Revenue</b>					
Interest income	500	500	28	(472)	38
<b>INCOME BEFORE TRANSFERS</b>	<b>2,740</b>	<b>2,740</b>	<b>3,994</b>	<b>1,254</b>	<b>10,616</b>
Transfers out	(20,000)	(20,000)	(20,000)		
<b>CHANGE IN NET POSITION</b>	<b>(17,260)</b>	<b>(17,260)</b>	<b>(16,006)</b>	<b>1,254</b>	<b>10,616</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b>97,081</b>	<b>97,081</b>	<b>97,081</b>	<b>4,505</b>	<b>86,465</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 79,821</b>	<b>\$ 79,821</b>	<b>\$ 81,075</b>	<b>\$ 5,759</b>	<b>\$ 97,081</b>

**CITY OF ST. CHARLES, MINNESOTA  
 PROPRIETARY FUNDS  
 AMBULANCE FUND  
 Statement of Net Position  
 December 31, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 117,756	\$ 108,405
Accrued interest receivable	89	77
Accounts receivable	103,273	72,615
Prepaid expense	2,784	2,880
Total Current Assets	223,902	183,977
<b>Capital Assets</b>		
Depreciable	350,393	350,393
Less: Accumulated depreciation	307,252	298,898
Capital Assets, Net	43,141	51,495
Total Assets	267,043	235,472
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	7,316	33,955
Total Deferred Outflows of Resources	7,316	33,955
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 274,359	\$ 269,427
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,949	\$ 2,952
<b>Noncurrent Liabilities</b>		
Net pension liability	63,598	79,689
Total Liabilities	65,547	82,641
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	3,088	10,004
<b>NET POSITION</b>		
Net investment in capital assets	43,141	51,495
Unrestricted	162,583	125,287
Total Net Position	205,724	176,782
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 274,359	\$ 269,427



**CITY OF ST. CHARLES, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenses**  
**and Changes in Fund Net Position- Budget and Actual**  
**For the Year Ended December 31, 2017**  
**With Comparative Totals for the Year Ended December 31, 2016**

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Operating Revenue</b>					
<b>Charges for Services</b>					
Ambulance fees	\$ 205,000	\$ 205,000	\$ 203,131	\$ (1,869)	\$ 224,579
<b>Total Operating Revenues</b>	<u>205,000</u>	<u>205,000</u>	<u>203,131</u>	<u>(1,869)</u>	<u>224,579</u>
<b>Operating Expenses</b>					
Salaries	78,000	78,000	79,519	(1,519)	80,229
Employee benefits and retirement	21,100	21,100	25,197	(4,097)	26,731
Supplies and minor equipment	21,500	21,500	20,983	517	28,272
Professional services	12,000	12,000	10,694	1,306	13,918
Communication	3,000	3,000	3,760	(760)	3,347
Transportation and training	10,000	10,000	8,469	1,531	11,524
Insurance	3,000	3,000	2,796	204	1,086
Utilities	6,000	6,000	6,198	(198)	5,712
Repairs and maintenance	11,500	11,500	11,707	(207)	21,267
Depreciation			8,354	(8,354)	30,951
Other	6,500	6,500	6,970	(470)	6,349
<b>Total Operating Expenses</b>	<u>172,600</u>	<u>172,600</u>	<u>184,647</u>	<u>(12,047)</u>	<u>229,386</u>
Operating Income (Loss)	<u>32,400</u>	<u>32,400</u>	<u>18,484</u>	<u>(13,916)</u>	<u>(4,807)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	500	500	595	95	303
Donations	500	500	14,200	13,700	2,818
Miscellaneous	1,500	1,500		(1,500)	50
Calendar sales	10,000	10,000	17,163	7,163	13,455
Total Nonoperating Revenues (Expenses)	<u>12,500</u>	<u>12,500</u>	<u>31,958</u>	<u>19,458</u>	<u>16,626</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>44,900</u>	<u>44,900</u>	<u>50,442</u>	<u>5,542</u>	<u>11,819</u>
Transfers out	<u>(21,500)</u>	<u>(21,500)</u>	<u>(21,500)</u>		<u>(71,500)</u>
<b>CHANGE IN NET POSITION</b>	<u>23,400</u>	<u>23,400</u>	<u>28,942</u>	<u>5,542</u>	<u>(59,681)</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>176,782</u>	<u>176,782</u>	<u>176,782</u>		<u>236,463</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 200,182</u>	<u>\$ 200,182</u>	<u>\$ 205,724</u>	<u>\$ 5,542</u>	<u>\$ 176,782</u>

**CITY OF ST. CHARLES, MINNESOTA**  
**Summary of Cash and Investments**  
**All Fund Types**  
**December 31, 2017**

<b>CASH ON HAND</b>			
Change funds		\$	3,747
<b>CASH IN BANK</b>			
<u>Bremer Bank</u>			
St. Charles, Minnesota:			
General checking (.01%) and savings (.25%)			2,398,210
Money Market (.050%)			326,806
<b>INVESTMENTS</b>			
	<u>Rate</u>	<u>Amount</u>	
<u>Merchants National Bank</u>			
Certificates of Deposit	0.40-0.80%	\$ 190,123	
 <u>Wells Fargo</u>			
Municipal Bonds	1.48-1.95%	735,757	
U.S. Government Securities	1.99-3.93%	413,902	
Money Market Fund	0.01%	<u>16,826</u>	
 <b>TOTAL INVESTMENTS</b>			 <u>1,356,608</u>
 <b>TOTAL CASH AND INVESTMENTS,</b>			
<b>December 31, 2017</b>		<b>\$</b>	<b><u><u>4,085,371</u></u></b>

**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2017**

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

Year	Principal	Interest	Total
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
2022	47,261	24,978	72,239
Thereafter	585,417	134,472	719,889
<b>Totals</b>	<b>\$ 1,375,541</b>	<b>\$ 303,146</b>	<b>\$ 1,678,687</b>

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

Year	Principal	Interest	Total
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
2022	75,000	64,541	139,541
Thereafter	1,885,000	695,424	2,580,424
<b>Totals</b>	<b>\$ 2,235,000</b>	<b>\$ 1,039,354</b>	<b>\$ 3,274,354</b>

\$55,000 Installment Promissory Note - Winona County

Year	Principal	Interest	Total
2018	\$ 8,226	\$ 201	\$ 8,427
2019	5,588	42	5,630
<b>Totals</b>	<b>\$ 13,814</b>	<b>\$ 243</b>	<b>\$ 14,057</b>

\$105,077 Vehicle Lease Payable

Year	Principal	Interest	Total
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>\$ 83,069</b>	<b>\$ 6,302</b>	<b>\$ 89,371</b>

**CITY OF ST. CHARLES, MINNESOTA  
GOVERNMENTAL FUNDS  
Bond Retirement Schedules  
December 31, 2017**

Year	\$40,075 Equipment Lease Payable		
	Principal	Interest	Total
2018	\$ 8,237	\$ 347	\$ 8,584
2019	7,599	985	8,584
2020	7,835	750	8,585
2021	8,077	507	8,584
2022	8,327	258	8,585
<b>Totals</b>	<b>\$ 40,075</b>	<b>\$ 2,847</b>	<b>\$ 42,922</b>

**CITY OF ST. CHARLES, MINNESOTA  
BUSINESS-TYPE FUNDS  
Bond Retirement Schedules  
December 31, 2017**

Year	\$2,660,000 Electric Revenue Refunding Bonds, Series 2011B		
	Principal	Interest	Total
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
2022	280,000	8,540	288,540
<b>Totals</b>	<b>\$ 1,305,000</b>	<b>\$ 118,376</b>	<b>\$ 1,423,376</b>

Year	\$976,464 Water G.O. Improvement and Refunding Bonds, Series 2011A		
	Principal	Interest	Total
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
2022	27,739	12,261	40,000
Thereafter	334,583	65,417	400,000
<b>Totals</b>	<b>\$ 464,459</b>	<b>\$ 135,541</b>	<b>\$ 600,000</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, 2017 and the related notes to financial statements, and have issued our report thereon dated June 1, 2018.

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  
June 1, 2018