

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2018**

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
List of Elected and Appointed Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	23
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	32
Notes to Financial Statements	36
Required Supplementary Information	
Schedule of City Pension Contributions	
General Employees Retirement Fund	67
Public Employees Police and Fire Fund Pension Plan	67
Schedule of City and Non-Employer Proportionate Share of Net Pension Liability	
General Employees Retirement Fund	68
Public Employees Police and Fire Fund Pension Plan	68
City of St. Charles Fire Relief Association	
Schedule of Changes in Net Pension Liability and Related Ratios for the Fire Relief Association	69
Combining and Individual Nonmajor Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	72

**CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2018**

TABLE OF CONTENTS (CONTINUED)

	PAGE
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Nonmajor Fund Statements and Schedules (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Advertising Fund	74
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Celebration Fund	75
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Library Fund	76
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Volunteer Fire Department Fund	77
Schedule of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - Blandin Foundation Fund	78
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Budget and Actual - Economic Development Fund	79
Supplementary Information	
Electric Fund:	
Statement of Net Position	80
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	81
Water Fund:	
Statement of Net Position	82
Statement of Revenues, Expenses, and Changes in Fund	
Position - Budget and Actual	83
Sewer Fund:	
Statement of Net Position	84
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	85
Storm Water Fund:	
Statement of Net Position	86
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	87
Waste Management Fund:	
Statement of Net Position	88
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	89
Ambulance Fund:	
Statement of Net Position	90
Statement of Revenues, Expenses, and Changes in Fund	
Net Position - Budget and Actual	91
Summary of Cash and Investments - All Fund Types	92
Bond Retirement Schedules - Governmental Funds	93
Bond Retirement Schedules - Business-Type Funds	95
Auditor's Report on Legal Compliance	96

CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2018

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CITY OF ST. CHARLES, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2018

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

DECEMBER 31, 2018

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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, 2018, 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, 2018, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2017, from which such partial information was derived.

We have previously audited the City's 2017 financial statements and our report dated June 1, 2018, 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, 2017, 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, Schaff and Associates, Ltd.

Rochester, Minnesota
June 20, 2019

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, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$23,777,014 (*net position*). Of this amount, \$4,574,567 (*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 \$864,606.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,649,121. Approximately 44% of this total amount, or \$729,190 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 \$732,984 or 46% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The City of St. Charles, Minnesota maintains 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 capital improvements, 2018 street construction, 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 (pages 74-79) to demonstrate compliance with the budget.

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

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

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found beginning on page 36 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 70-73 of this report.

IMPORTANT REMINDERS

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$23,777,014 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net position (80%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of St. Charles, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of St. Charles, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of St. Charles, Minnesota's Net Position		Totals	
	Governmental Activities	Business-Type Activities	2018	2017
Current and other assets	\$ 2,282,090	\$ 4,274,672	\$ 6,556,762	\$ 5,675,648
Capital assets	11,309,281	13,142,031	24,451,312	24,324,296
Total assets	<u>13,591,371</u>	<u>17,416,703</u>	<u>31,008,074</u>	<u>29,999,944</u>
Deferred Outflows of Resources	427,854	86,902	514,756	158,046
Long-term liabilities outstanding	4,102,142	1,490,376	5,592,518	5,482,245
Other liabilities	706,759	762,594	1,469,353	1,591,813
Total liabilities	<u>4,808,901</u>	<u>2,252,970</u>	<u>7,061,871</u>	<u>7,074,058</u>
Deferred Inflows of Resources	603,679	80,266	683,945	171,524
Net position:				
Investment in capital assets	7,289,022	11,651,655	18,940,677	18,842,051
Restricted	261,770		261,770	283,978
Unrestricted	1,055,853	3,518,714	4,574,567	3,786,379
Total net position	<u>\$ 8,606,645</u>	<u>\$ 15,170,369</u>	<u>\$ 23,777,014</u>	<u>\$ 22,912,408</u>

The balance of *unrestricted net position* (\$4,574,567) 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 \$386,156. 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 \$478,450. The City's electric utility contributed the most significant portion of that increase, or \$291,707.

A condensed version of the Statement of Activities follows:

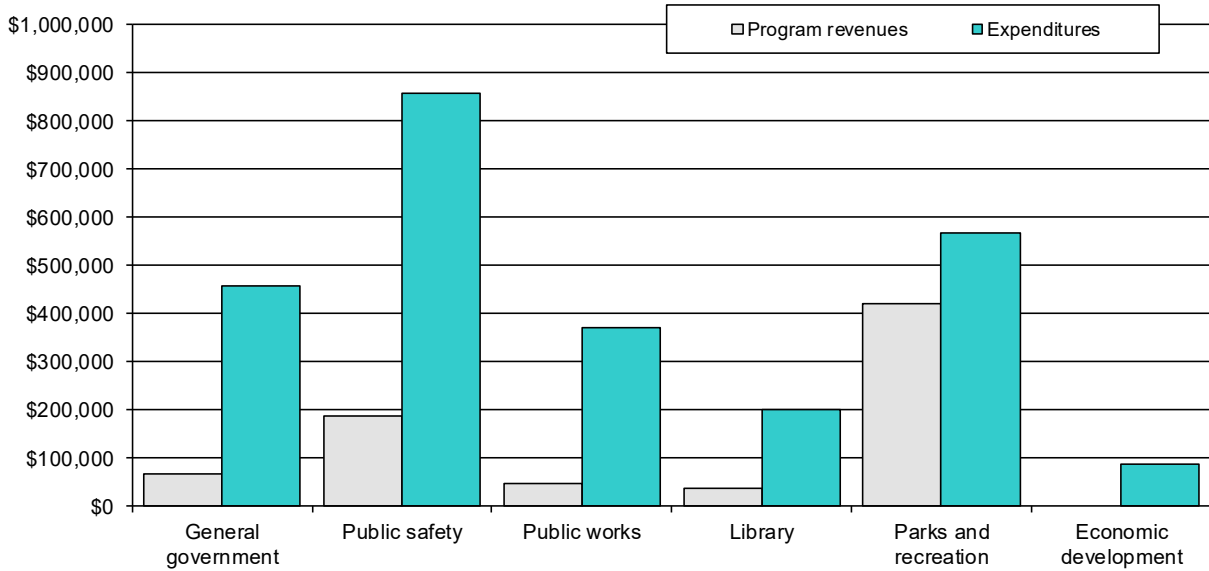
City of St. Charles, Minnesota's Change in Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2018	2017
Revenue:				
Program revenues:				
Charges for services	\$ 232,967	\$ 4,919,820	\$ 5,152,787	\$ 4,944,297
Operating grants and contributions	180,198	21,267	201,465	292,447
Capital grants and contributions	346,358		346,358	41,824
General revenues:				
Property taxes	1,042,739		1,042,739	1,015,757
TIF proceeds	50,656		50,656	52,710
Franchise fees	62,007		62,007	62,787
Grants and contributions not restricted to specific programs	903,538		903,538	880,180
Other	89,684	25,677	115,361	48,721
Total revenues	<u>2,908,147</u>	<u>4,966,764</u>	<u>7,874,911</u>	<u>7,338,723</u>
Expenses:				
General government	456,653		456,653	434,593
Public safety	858,424		858,424	860,372
Public works	369,476		369,476	441,469
Library	201,261		201,261	169,654
Parks and recreation	568,202		568,202	499,016
Economic development	87,670		87,670	92,472
Interest on long-term debt	130,305		130,305	120,841
Electric		2,629,872	2,629,872	2,502,528
Water		500,088	500,088	474,733
Sewer		674,967	674,967	667,292
Storm water drainage		127,480	127,480	30,111
Waste management		230,946	230,946	226,233
Ambulance		174,961	174,961	184,647
Total expenses	<u>2,671,991</u>	<u>4,338,314</u>	<u>7,010,305</u>	<u>6,703,961</u>
Increase in net position before transfers	236,156	628,450	864,606	634,762
Transfers	150,000	(150,000)		
Increase in net position	386,156	478,450	864,606	634,762
Net position, beginning	8,220,489	14,691,919	22,912,408	22,277,646
Net position, end of year	<u>\$ 8,606,645</u>	<u>\$ 15,170,369</u>	<u>\$ 23,777,014</u>	<u>\$ 22,912,408</u>

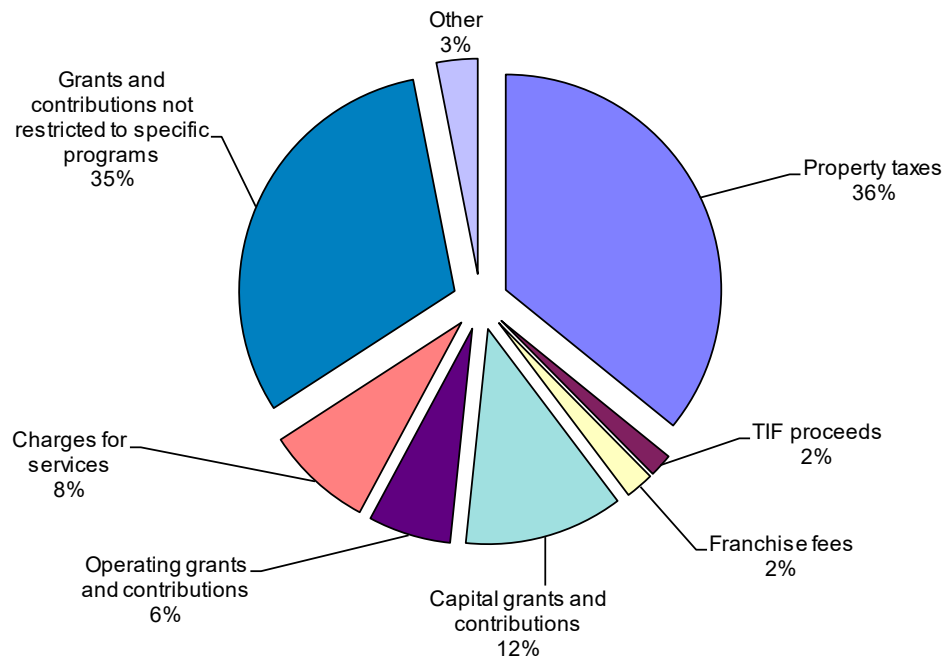
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenditures and Program Revenues - Governmental Activities



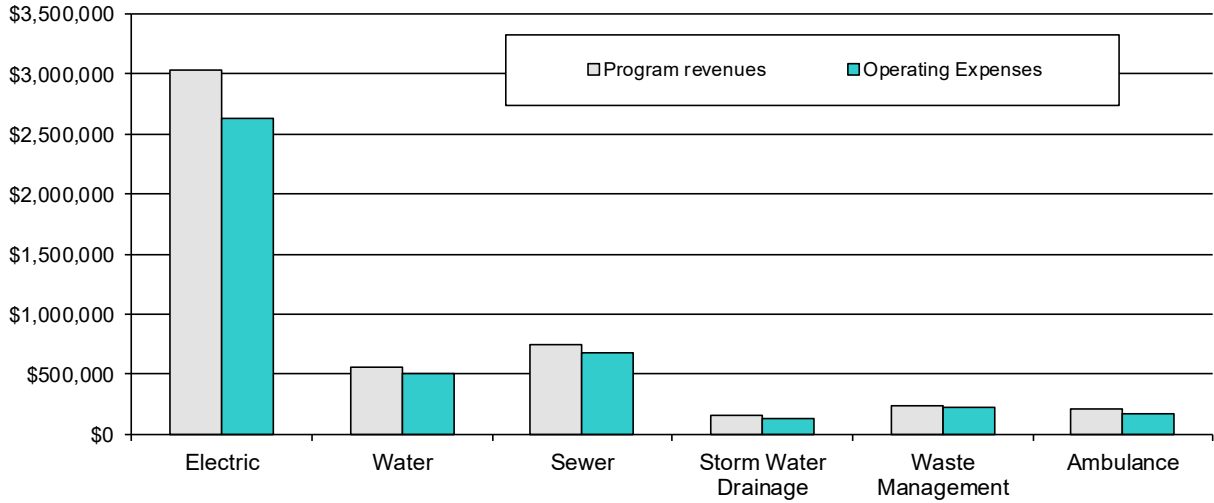
Revenues by Source - Governmental Activities



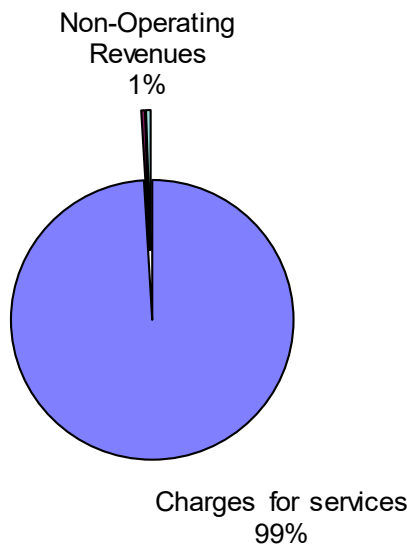
**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,649,121 an increase of \$180,394 from 2017. Approximately 56% of this balance is either Nonspendable (\$22,310) related to prepaid items, Restricted (\$324,264) related to debt covenants or regulations or Committed (\$573,357) 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 \$732,984. 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 46% of total general fund expenditures.

The general fund's total fund balance decreased by \$26,787 during the current fiscal year. This year's decrease was primarily due to using a portion of the general fund balance to reduce the tax levy for citizens at the direction of the City Council.

The economic development fund increased its fund balance by \$9,110, primarily due to early payoff of an EDA loan. 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, Minnesota 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 City of St. Charles also used \$153,010 in 2014 and \$148,282 in 2015 for rehab programs and building permit fees for new work. The remaining dollars were used for commercial rehabilitation of \$8,900 and the final 2016 residential building permit of \$1,275.

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

Governmental funds (Continued)

The capital improvement fund increased its fund balance by \$124,000 for the year, and ended the year with a fund balance of \$366,379. This year's increase was primarily due to a land sale for \$305,000.

The debt service funds have a total fund balance of \$261,770 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 28-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The net position in the respective proprietary funds are Electric - \$7,568,040, Water - \$3,291,617, Sewer - \$2,961,733, Storm Water - \$1,027,049, Waste Management - \$94,493, Ambulance - \$227,437.

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

Base Water Utility rates increased 1 percent in 2018. Water Utility rates were restructured in 2015. The City adopted a tiered rate structure, with water rates being charged based on usage. In the spring of 2011, the State Legislature amended Minnesota Statutes 103G.291 to require public water suppliers serving more than 1,000 residents to encourage water conservation by adopting demand reduction measures, including a water conservation rate or a uniform rate with a conservation program by January 1, 2015.

Sewer Utility rates increased in 2018. Due to the Sewer portion of a City Bond being paid off, the City was able to absorb the 1 percent 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 percent in 2018 – 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 2018 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, 2018, amounts to \$24,451,312 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles, Minnesota reported an increase in its investment in capital assets for the current fiscal year of \$127,016.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
Land	\$ 1,721,254	\$ 354,689	\$ 2,075,943	\$ 2,075,943
Construction in process				
Buildings and improvements	3,951,155	4,640,199	8,591,354	8,933,363
Machinery and equipment	551,467	8,147,143	8,698,610	9,090,242
Infrastructure	5,085,405		5,085,405	4,224,748
Total	\$ 11,309,281	\$ 13,142,031	\$ 24,451,312	\$ 24,324,296

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 48-49 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$4,970,636 in bonds and notes outstanding. All of this debt except the notes and loans payable, is backed by the full faith and credit of the City.

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

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
General obligation bonds	\$ 3,369,824	\$ 440,176	\$ 3,810,000	\$ 4,075,000
General obligation revenue bonds		1,060,000	1,060,000	1,305,000
Notes and lease payable	100,636		100,636	136,958
Total	\$ 3,470,460	\$ 1,500,176	\$ 4,970,636	\$ 5,516,958

The City of St. Charles, Minnesota’s total bonds and notes payable decreased by \$546,322 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 2019 fiscal year. In addition, to deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

- The unemployment rate for the City of St. Charles, Minnesota ended at 2.6 percent in 2018. This rate is lower than Winona County’s average of 2.7 percent, and lower than the State’s average of 2.8 percent and the national average rate of 2.9 percent.
- The median household income in the City of St. Charles, Minnesota is \$65,102. This is nearly the same as the State of Minnesota’s average income of \$65,699 and slightly above the National average of \$63,517.
- 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 61 percent of its General Fund revenues. Local Government Aid increased \$23,362 to \$903,185 in 2018. Local Government Aid is increasing \$1,774 in 2019.
- The City of St. Charles, Minnesota engaged in a Comparable Worth/Salary Study beginning at the end of the 2016 and was finished in 2017. The results of the study will be implemented over a 3-year time span and tied into the labor negotiations with Law Enforcement Labor Services, the International Brotherhood of Electrical Workers, and non-union staff. Union contracts were negotiated for a 3-year term (2018-2020). The negotiated Cost of Living Adjustment for all labor groups was finalized at 2.5 percent.

Requests for Information

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

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CITY OF ST. CHARLES, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
ENDED DECEMBER 31, 2018

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2018
With Comparative Totals for December 31, 2017

	Governmental	Business-Type	Totals	
	Activities	Activities	2018	2017
ASSETS				
Cash and investments	\$ 1,653,183	\$ 3,051,684	\$ 4,704,867	\$ 4,085,371
Accrued interest receivable	2,133	7,236	9,369	8,818
Receivables (net of allowance for uncollectibles)	209,142	733,248	942,390	878,169
Internal balances	(40,000)	40,000		
Due from other governmental units	28,031		28,031	12,075
Inventory		411,489	411,489	328,665
Prepaid items	22,310	31,015	53,325	73,243
Net pension asset	407,291		407,291	289,307
Capital assets:				
Nondepreciable	1,721,254	354,689	2,075,943	2,075,943
Depreciable, net	9,588,027	12,787,342	22,375,369	22,248,353
Total Assets	<u>13,591,371</u>	<u>17,416,703</u>	<u>31,008,074</u>	<u>29,999,944</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	<u>427,854</u>	<u>86,902</u>	<u>514,756</u>	<u>158,046</u>
LIABILITIES				
Accounts payable	83,738	225,502	309,240	271,940
Deposits payable		16,540	16,540	20,150
Accrued interest payable	57,556	14,923	72,479	64,807
Accrued compensated absences	30,033	29,296	59,329	49,057
Noncurrent liabilities:				
Net pension liability	535,432	476,333	1,011,765	1,185,859
Due within one year	288,535	275,104	563,639	546,322
Due in more than one year	3,813,607	1,215,272	5,028,879	4,935,923
Total Liabilities	<u>4,808,901</u>	<u>2,252,970</u>	<u>7,061,871</u>	<u>7,074,058</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	<u>603,679</u>	<u>80,266</u>	<u>683,945</u>	<u>171,524</u>
NET POSITION				
Net investment in capital assets	7,289,022	11,651,655	18,940,677	18,842,051
Restricted for:				
Debt service	261,770		261,770	283,978
Unrestricted	1,055,853	3,518,714	4,574,567	3,786,379
Total Net Position	<u>\$ 8,606,645</u>	<u>\$ 15,170,369</u>	<u>\$ 23,777,014</u>	<u>\$ 22,912,408</u>

See Notes to Financial Statements

CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

<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	\$ 456,653	\$ 49,196	\$ 17,347	\$
Public safety	858,424	64,442	122,218	
Public works	369,476		4,742	41,239
Library	201,261	2,629	35,891	119
Parks and recreation	568,202	116,700		305,000
Economic development	87,670			
Interest on long-term debt	130,305			
Total governmental activities	2,671,991	232,967	180,198	346,358
Business-Type activities:				
Electric	2,629,872	3,032,589		
Water	500,088	558,083		
Sewer	674,967	741,910		
Storm water drainage	127,480	153,130		
Waste management	230,946	244,364		
Ambulance	174,961	189,744	21,267	
Total business-type activities	4,338,314	4,919,820	21,267	
Total	\$ 7,010,305	\$ 5,152,787	\$ 201,465	\$ 346,358

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

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2018	2017
\$ (390,110)	\$	\$ (390,110)	\$ (352,968)
(671,764)		(671,764)	(591,017)
(323,495)		(323,495)	(400,086)
(162,622)		(162,622)	(128,854)
(146,502)		(146,502)	(381,164)
(87,670)		(87,670)	(92,472)
(130,305)		(130,305)	(120,841)
<u>(1,912,468)</u>		<u>(1,912,468)</u>	<u>(2,067,402)</u>
	402,717	402,717	361,347
	57,995	57,995	69,348
	66,943	66,943	70,165
	25,650	25,650	87,336
	13,418	13,418	3,966
	<u>36,050</u>	<u>36,050</u>	<u>49,847</u>
	<u>602,773</u>	<u>602,773</u>	<u>642,009</u>
<u>(1,912,468)</u>	<u>602,773</u>	<u>(1,309,695)</u>	<u>(1,425,393)</u>
1,042,739		1,042,739	1,015,757
50,656		50,656	52,710
62,007		62,007	62,787
903,185		903,185	879,823
353		353	357
12,217	12,708	24,925	26,814
77,467	12,969	90,436	21,907
150,000	(150,000)		
<u>2,298,624</u>	<u>(124,323)</u>	<u>2,174,301</u>	<u>2,060,155</u>
386,156	478,450	864,606	634,762
<u>8,220,489</u>	<u>14,691,919</u>	<u>22,912,408</u>	<u>22,277,646</u>
<u>\$ 8,606,645</u>	<u>\$ 15,170,369</u>	<u>\$ 23,777,014</u>	<u>\$ 22,912,408</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2018

CITY OF ST. CHARLES, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018
With Comparative Totals for December 31, 2017

	<u>10</u>	Capital Projects	
		<u>25</u> Capital Improvements Fund	<u>37</u> 2018 Street Construction
	General		
ASSETS			
Cash and investments	\$ 492,411	\$ 450,181	\$ 97,021
Accrued interest receivable	1,392	554	
Accounts receivable	16,422		
Loans and contracts receivable			
Taxes receivable delinquent	2,024	1,566	
Special assessments receivable:			
Deferred		2,324	
Due from other funds	229,786		
Due from other governmental units	8,982	3,943	
Prepaid items	17,983		
TOTAL ASSETS	<u>\$ 769,000</u>	<u>\$ 458,568</u>	<u>\$ 97,021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 16,009	\$ 48,299	\$ 11,615
Due to other funds			
Advances from other funds		40,000	
Total Liabilities	<u>16,009</u>	<u>88,299</u>	<u>11,615</u>
Deferred Inflows of Resources:			
Unavailable revenue:			
Property taxes	2,024	1,566	
Special assessments		2,324	
Loans receivable			
Total Deferred Inflows of Resources	<u>2,024</u>	<u>3,890</u>	
Fund Balance:			
Nonspendable:			
Prepaid items	17,983		
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		366,379	85,406
Assigned			
Unassigned	732,984		
Total Fund Balance	<u>750,967</u>	<u>366,379</u>	<u>85,406</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 769,000</u>	<u>\$ 458,568</u>	<u>\$ 97,021</u>

See Notes to Financial Statements

<u>42</u> Tax Increment District #8 Fund	Other Governmental Funds	Total Governmental Funds	
		2018	2017
\$	\$ 613,570	\$ 1,653,183	\$ 1,502,938
	187	2,133	2,240
	50,780	67,202	24,421
	129,085	129,085	192,377
	6,941	10,531	2,786
		2,324	5,499
		229,786	228,308
	15,106	28,031	12,075
	4,327	22,310	27,690
<u>\$</u>	<u>\$ 819,996</u>	<u>\$ 2,144,585</u>	<u>\$ 1,998,334</u>
\$	\$ 7,815	\$ 83,738	\$ 50,637
186,044	43,742	229,786	228,308
		40,000	50,000
<u>186,044</u>	<u>51,557</u>	<u>353,524</u>	<u>328,945</u>
	6,941	10,531	2,786
		2,324	5,499
	129,085	129,085	192,377
	136,026	141,940	200,662
	4,327	22,310	27,690
	261,770	261,770	283,978
	62,494	62,494	56,521
	121,572	573,357	360,126
	217,909	217,909	214,680
(186,044)	(35,659)	511,281	525,732
<u>(186,044)</u>	<u>632,413</u>	<u>1,649,121</u>	<u>1,468,727</u>
<u>\$</u>	<u>\$ 819,996</u>	<u>\$ 2,144,585</u>	<u>\$ 1,998,334</u>

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

For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Capital Projects		
	<u>10</u> General	<u>25</u> Capital Improvements Fund	<u>37</u> 2018 Street Construction
REVENUES			
Property taxes	\$ 259,948	\$ 252,350	\$
Property taxes - Special EDA taxing district			
Tax increments			
Special assessments		4,491	
Licenses and permits	43,666		
Fines and forfeits	20,426		
Intergovernmental revenues	951,122	32,130	
Charges for services	181,825		
Interest income	7,194	1,234	
Donations			
Loan repayment			
Miscellaneous revenues	10,650	305,000	
TOTAL REVENUES	1,474,831	595,205	
EXPENDITURES			
Current			
General government	330,684	4,812	
Public safety	591,150		
Public works	264,544		
Library			
Parks and recreation	420,040		
Economic development			
Capital Outlay		446,534	568,117
Debt Service		19,859	
TOTAL EXPENDITURES	1,606,418	471,205	568,117
Excess (deficiency) of revenues over (under) expenditures	(131,587)	124,000	(568,117)
OTHER FINANCING SOURCES (USES)			
Lease proceeds			
Proceeds from issuance of bonds			650,000
Premium on issuance of bonds			3,523
Transfers in	120,000		
Transfers out	(15,200)		
TOTAL OTHER FINANCING SOURCES (USES)	104,800		653,523
Net change in fund balances	(26,787)	124,000	85,406
FUND BALANCES, beginning	777,754	242,379	
FUND BALANCES, ending	\$ 750,967	\$ 366,379	\$ 85,406

See Notes to Financial Statements

42 Tax Increment District #8 Fund	Other Governmental Funds	Total Governmental Funds	
		2018	2017
\$	\$ 486,120	\$ 998,418	\$ 984,832
	39,751	39,751	36,483
7,253	43,403	50,656	52,710
		4,491	916
		43,666	62,801
		20,426	12,867
	68,099	1,051,351	1,028,000
	43,671	225,496	229,658
	3,327	11,755	11,474
	66,827	66,827	153,069
	17,777	17,777	15,832
	2,848	318,498	4,959
7,253	771,823	2,849,112	2,593,601
100	48,075	383,671	372,435
	163,956	755,106	811,413
		264,544	220,466
	175,362	175,362	159,046
		420,040	408,819
	42,155	42,155	71,958
	30,824	1,045,475	380,075
	366,029	385,888	366,378
100	826,401	3,472,241	2,790,590
7,153	(54,578)	(623,129)	(196,989)
			40,075
		650,000	
		3,523	
	60,200	180,200	259,550
	(15,000)	(30,200)	(83,050)
	45,200	803,523	216,575
7,153	(9,378)	180,394	19,586
(193,197)	641,791	1,468,727	1,449,141
\$ (186,044)	\$ 632,413	\$ 1,649,121	\$ 1,468,727

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, 2018

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

Total governmental fund balances (page 18)	\$	1,649,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	18,162,838
Less: Accumulated depreciation		<u>(6,853,557)</u>
		11,309,281
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	\$	10,531
Deferred special assessments		2,324
Contracts receivable		<u>129,085</u>
		141,940
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$	(4,120,460)
Net pension liability		(711,257)
Net pension asset		407,291
Compensated absences		(30,033)
Accrued interest		(57,556)
Unamortized bond premium		(3,523)
Unamortized bond discount		<u>21,841</u>
		<u>(4,493,697)</u>
Net position of governmental activities (page 14)	\$	<u><u>8,606,645</u></u>

CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

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

Net change in fund balances - total governmental funds (page 20)	\$	180,394
<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	\$	1,168,614
Depreciation expense		<u>(543,532)</u>
		625,082
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(50,209)
<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, 2018	\$	141,940
Unavailable revenue December 31, 2017		<u>(200,662)</u>
		(58,722)
<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, 2018	\$	(30,033)
Compensated absences, December 31, 2017		<u>22,228</u>
		(7,805)
<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	\$	277,039
Issuance of debt		(653,523)
Change in net pension asset		117,984
Change in net pension liability		(34,071)
Change in accrued interest		(8,967)
Amortization of bond discount		<u>(1,046)</u>
		<u>(302,584)</u>
Change in net position of governmental activities (pages 16)	\$	<u><u>386,156</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 261,724	\$ 261,724	\$ 259,948	\$ (1,776)	\$ 185,747
Special Assessments	500	500		(500)	154
Licenses and Permits					
Business and nonbusiness licenses	13,250	13,250	13,524	274	10,273
Building permits	35,000	35,000	30,142	(4,858)	52,528
Total Licenses and Permits	48,250	48,250	43,666	(4,584)	62,801
Intergovernmental Revenues					
Local government aid	903,185	903,185	903,185		879,823
Market value credit			353	353	357
Police aid	40,000	40,000	40,430	430	43,343
PERA aid	2,412	2,412	2,412		2,412
Highway aid	4,500	4,500	4,742	242	4,559
Total Intergovernmental Revenues	950,097	950,097	951,122	1,025	930,494
Charges For Services					
Swimming pool	80,400	80,400	85,170	4,770	82,881
Park and recreation	35,500	35,500	31,530	(3,970)	34,971
Cable franchise fees	43,000	43,000	45,009	2,009	45,151
Senior center rental	3,000	3,000	3,118	118	2,009
Natural gas franchise fees	18,000	18,000	16,998	(1,002)	17,636
Total Charges For Services	179,900	179,900	181,825	1,925	182,648
Fines and Forfeits					
Court fines and other	15,000	15,000	20,426	5,426	12,867
Interest Income					
	5,000	5,000	7,194	2,194	6,104
Miscellaneous Revenues					
Other income	850	850	10,650	9,800	1,922
TOTAL REVENUES	\$ 1,461,321	\$ 1,461,321	\$ 1,474,831	\$ 13,510	\$ 1,382,737

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 28,750	\$ 28,750	\$ 27,248	\$ 1,502	\$ 27,396
Transportation and training	2,000	2,000	872	1,128	703
Total Mayor and Council	<u>30,750</u>	<u>30,750</u>	<u>28,120</u>	<u>2,630</u>	<u>28,099</u>
Election and Voter Registration	<u>2,650</u>	<u>2,650</u>	<u>3,800</u>	<u>(1,150)</u>	<u>30</u>
General and Financial Administration					
Salaries	92,829	92,829	88,810	4,019	86,894
Employee benefits and retirement	36,375	36,375	34,155	2,220	32,939
Supplies and minor equipment	7,000	7,000	6,563	437	5,597
Communication	5,000	5,000	4,297	703	4,149
Transportation and training	5,000	5,000	4,191	809	3,967
Insurance	4,800	4,800	5,516	(716)	4,338
Repairs and maintenance	9,000	9,000	13,707	(4,707)	11,829
Assessor	17,500	17,500	18,187	(687)	17,849
Accounting and audit	8,000	8,000	8,825	(825)	6,680
Legal	17,500	17,500	16,333	1,167	20,578
Planning and zoning	1,450	1,450	1,730	(280)	1,942
Building inspection	26,000	26,000	23,656	2,344	32,625
Other professional services	4,300	4,300	5,044	(744)	4,928
Memberships	13,000	13,000	16,027	(3,027)	14,677
Other	18,285	18,285	10,675	7,610	15,125
Total General and Financial Administration	<u>266,039</u>	<u>266,039</u>	<u>257,716</u>	<u>8,323</u>	<u>264,117</u>
City Hall					
Salaries	6,780	6,780	6,266	514	7,131
Employee benefits and retirement	600	600	519	81	574
Supplies and minor equipment	1,500	1,500	1,835	(335)	1,510
Insurance	1,200	1,200	1,727	(527)	1,174
Utilities	17,250	17,250	16,900	350	16,869
Repairs and maintenance	6,000	6,000	13,801	(7,801)	9,153
Total City Hall	<u>33,330</u>	<u>33,330</u>	<u>41,048</u>	<u>(7,718)</u>	<u>36,411</u>
Total General Government	<u>\$ 332,769</u>	<u>\$ 332,769</u>	<u>\$ 330,684</u>	<u>\$ 2,085</u>	<u>\$ 328,657</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 407,580	\$ 407,580	\$ 375,637	\$ 31,943	\$ 332,935
Employee benefits and retirement	128,810	128,810	132,632	(3,822)	111,114
Supplies and minor equipment	28,750	28,750	26,469	2,281	28,974
Professional services	13,150	13,150	14,394	(1,244)	17,412
Communication	6,000	6,000	6,137	(137)	6,573
Transportation and training	8,000	8,000	6,689	1,311	6,349
Insurance	7,500	7,500	11,516	(4,016)	7,291
Repairs and maintenance	13,300	13,300	8,941	4,359	11,930
Other	2,500	2,500	2,477	23	2,399
Total Police Department	<u>615,590</u>	<u>615,590</u>	<u>584,892</u>	<u>30,698</u>	<u>524,977</u>
Emergency Management Services					
Supplies and minor equipment					4,005
Professional services	5,900	5,900	6,258	(358)	12,585
Total Emergency Management Services	<u>5,900</u>	<u>5,900</u>	<u>6,258</u>	<u>(358)</u>	<u>16,590</u>
Total Public Safety	<u>621,490</u>	<u>621,490</u>	<u>591,150</u>	<u>30,340</u>	<u>541,567</u>
Public Works					
Street Department					
Salaries	93,980	93,980	106,266	(12,286)	89,873
Employee benefits and retirement	39,440	39,440	39,421	19	37,890
Supplies and minor equipment	18,750	18,750	21,517	(2,767)	15,110
Professional services	1,500	1,500	1,500		2,778
Communication	800	800	1,708	(908)	1,528
Transportation and training	1,000	1,000	2,080	(1,080)	1,680
Insurance	6,000	6,000	6,035	(35)	4,884
Utilities	4,000	4,000	2,715	1,285	2,331
Repairs and maintenance	73,200	73,200	83,302	(10,102)	64,392
Total Public Works	<u>\$ 238,670</u>	<u>\$ 238,670</u>	<u>\$ 264,544</u>	<u>\$ (25,874)</u>	<u>\$ 220,466</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 98,250	\$ 98,250	\$ 102,117	\$ (3,867)	\$ 96,869
Employee benefits and retirement	30,215	30,215	29,706	509	27,259
Communication	2,000	2,000	1,436	564	2,333
Transportation and training	1,000	1,000	1,499	(499)	1,247
Insurance	2,000	2,000	2,000		2,205
Repairs and maintenance			183	(183)	1,102
Recreation programs	20,000	20,000	26,893	(6,893)	23,055
Other	2,825	2,825	4,193	(1,368)	3,643
Total Recreation	<u>156,290</u>	<u>156,290</u>	<u>168,027</u>	<u>(11,737)</u>	<u>157,713</u>
Swimming Pool Program					
Salaries	59,000	59,000	65,854	(6,854)	67,162
Employee benefits and retirement	7,100	7,100	9,140	(2,040)	7,409
Supplies and minor equipment	20,300	20,300	22,269	(1,969)	18,507
Communication	500	500	781	(281)	732
Transportation and training	1,500	1,500	813	687	853
Insurance	8,000	8,000	8,163	(163)	7,433
Utilities	19,000	19,000	15,004	3,996	16,859
Repairs and maintenance	17,000	17,000	8,031	8,969	8,594
Other	3,500	3,500	3,934	(434)	3,955
Total Swimming Pool Program	<u>135,900</u>	<u>135,900</u>	<u>133,989</u>	<u>1,911</u>	<u>131,504</u>
Parks					
Salaries	35,400	35,400	36,254	(854)	36,113
Employee benefits and retirement	14,765	14,765	17,033	(2,268)	15,155
Supplies and minor equipment	6,900	6,900	3,888	3,012	4,916
Communication					100
Transportation and training	1,000	1,000	1,750	(750)	1,705
Insurance	3,800	3,800	4,504	(704)	3,337
Repairs and maintenance	24,575	24,575	24,590	(15)	22,538
Other			110	(110)	
Total Parks	<u>\$ 86,440</u>	<u>\$ 86,440</u>	<u>\$ 88,129</u>	<u>\$ (1,689)</u>	<u>\$ 83,864</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 100	\$	\$ 65
Repairs and maintenance	16,500	16,500	10,065	6,435	17,585
Other	9,000	9,000	11,319	(2,319)	9,000
Total Forestry	<u>25,600</u>	<u>25,600</u>	<u>21,484</u>	<u>4,116</u>	<u>26,650</u>
Senior Citizens Center					
Insurance	500	500	400	100	400
Utilities	7,000	7,000	7,592	(592)	7,868
Repairs and maintenance	1,500	1,500	419	1,081	820
Total Senior Citizens Center	<u>9,000</u>	<u>9,000</u>	<u>8,411</u>	<u>589</u>	<u>9,088</u>
Total Parks and Recreation	<u>413,230</u>	<u>413,230</u>	<u>420,040</u>	<u>(6,810)</u>	<u>408,819</u>
TOTAL EXPENDITURES	<u>1,606,159</u>	<u>1,606,159</u>	<u>1,606,418</u>	<u>(259)</u>	<u>1,499,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,838)</u>	<u>(144,838)</u>	<u>(131,587)</u>	<u>13,251</u>	<u>(116,772)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	120,000	120,000	120,000		152,813
Transfers out	(15,200)	(15,200)	(15,200)		(22,179)
Total Other Financing Sources (Uses)	<u>104,800</u>	<u>104,800</u>	<u>104,800</u>		<u>130,634</u>
Net change in fund balances	(40,038)	(40,038)	(26,787)	13,251	13,862
FUND BALANCES, beginning	<u>777,754</u>	<u>777,754</u>	<u>777,754</u>		<u>763,892</u>
FUND BALANCES, ending	<u>\$ 737,716</u>	<u>\$ 737,716</u>	<u>\$ 750,967</u>	<u>\$ 13,251</u>	<u>\$ 777,754</u>

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CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2018
With Comparative Totals for December 31, 2017

	Business-Type Activities - Enterprise Funds			
	70 Electric	71 Water	72 Sewer	73 Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 1,089,328	\$ 874,036	\$ 453,683	\$ 178,179
Emergency cash reserve	250,000			
Accrued interest receivable	6,279	706	91	
Accounts receivable, net	271,952	47,717	63,912	13,434
Accrued utility revenue	129,534	22,122	29,571	6,437
Special assessments-deferred				
Advances to other funds	40,000			
Inventory	389,248	22,241		
Prepaid expenses	24,417	2,137	1,310	
Total Current Assets	<u>2,200,758</u>	<u>968,959</u>	<u>548,567</u>	<u>198,050</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	325,989		28,700	
Depreciable	11,190,716	5,465,478	3,831,063	1,026,779
Less: Accumulated depreciation	4,642,811	2,591,254	1,341,631	189,903
Net Capital Assets	<u>6,873,894</u>	<u>2,874,224</u>	<u>2,518,132</u>	<u>836,876</u>
Total Assets	<u>9,074,652</u>	<u>3,843,183</u>	<u>3,066,699</u>	<u>1,034,926</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	52,108	15,607	9,409	
Total Deferred Outflows of Resources	<u>52,108</u>	<u>15,607</u>	<u>9,409</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 9,126,760</u>	<u>\$ 3,858,790</u>	<u>\$ 3,076,108</u>	<u>\$ 1,034,926</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 250,000	\$ 25,104	\$	\$
Accounts payable	135,355	8,744	52,057	7,877
Accrued compensated absences	21,796	5,825	1,675	
Customer deposits	16,540			
Accrued interest payable	2,510	12,413		
Total Current Liabilities	<u>426,201</u>	<u>52,086</u>	<u>53,732</u>	<u>7,877</u>
Noncurrent Liabilities				
Bonds payable, net of current maturities	810,000	415,072		
Net pension liability	284,394	85,593	51,899	
Less: Unamortized bond discount	(9,800)			
Total Noncurrent Liabilities	<u>1,084,594</u>	<u>500,665</u>	<u>51,899</u>	
Total Liabilities	<u>1,510,795</u>	<u>552,751</u>	<u>105,631</u>	<u>7,877</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	47,925	14,422	8,744	
NET POSITION				
Net investment in capital assets	5,823,694	2,434,048	2,518,132	836,876
Unrestricted	1,744,346	857,569	443,601	190,173
Total Net Position	<u>7,568,040</u>	<u>3,291,617</u>	<u>2,961,733</u>	<u>1,027,049</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 9,126,760</u>	<u>\$ 3,858,790</u>	<u>\$ 3,076,108</u>	<u>\$ 1,034,926</u>

See Notes to Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2018	2017
\$ 74,636	\$ 131,822	\$ 2,801,684	\$ 2,332,433
		250,000	250,000
	160	7,236	6,578
23,244	114,110	534,369	491,934
11,215		198,879	155,387
			5,765
		40,000	50,000
		411,489	328,665
	3,151	31,015	45,553
<u>109,095</u>	<u>249,243</u>	<u>4,274,672</u>	<u>3,666,315</u>
		354,689	354,689
5,000	350,393	21,869,429	21,786,860
1,417	315,071	9,082,087	8,551,661
<u>3,583</u>	<u>35,322</u>	<u>13,142,031</u>	<u>13,589,888</u>
<u>112,678</u>	<u>284,565</u>	<u>17,416,703</u>	<u>17,256,203</u>
	9,778	86,902	61,250
	9,778	86,902	61,250
<u>\$ 112,678</u>	<u>\$ 294,343</u>	<u>\$ 17,503,605</u>	<u>\$ 17,317,453</u>
\$ 18,185	\$ 3,284	\$ 275,104	\$ 269,283
		225,502	221,774
		29,296	26,358
		16,540	20,150
		14,923	16,218
<u>18,185</u>	<u>3,284</u>	<u>561,365</u>	<u>553,783</u>
		1,225,072	1,500,176
	54,447	476,333	556,387
		(9,800)	(11,826)
	<u>54,447</u>	<u>1,691,605</u>	<u>2,044,737</u>
<u>18,185</u>	<u>57,731</u>	<u>2,252,970</u>	<u>2,598,520</u>
	9,175	80,266	27,014
3,583	35,322	11,651,655	11,832,255
<u>90,910</u>	<u>192,115</u>	<u>3,518,714</u>	<u>2,859,664</u>
<u>94,493</u>	<u>227,437</u>	<u>15,170,369</u>	<u>14,691,919</u>
<u>\$ 112,678</u>	<u>\$ 294,343</u>	<u>\$ 17,503,605</u>	<u>\$ 17,317,453</u>

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

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

For the Year Ended December 31, 2018

With Comparative Totals for the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 3,032,589	\$ 543,628	\$ 721,270	\$ 153,130
Access fees		4,200	20,640	
	<u>3,032,589</u>	<u>547,828</u>	<u>741,910</u>	<u>153,130</u>
Operating Expenses				
Purchased utilities	1,330,020		459,432	
Salaries	377,836	112,318	67,051	5,064
Employee benefits and retirement	129,467	32,971	17,616	387
Gas and oil	6,811			
Generation fuel	20,485			
Supplies and minor equipment	10,747	17,043	4,109	
Professional services	37,317	28,760	10,197	2,400
Communication	4,385	6,874	2,411	
Transportation and training	8,097	3,523	6,065	
Insurance	18,180	5,153	4,329	
Utilities	9,000	34,865	649	
Repairs and maintenance	230,046	99,853	23,953	
Depreciation and amortization	321,361	143,562	79,138	24,966
Bad debts	(380)			
Other	87,644	134	17	94,663
Total Operating Expenses	<u>2,591,016</u>	<u>485,056</u>	<u>674,967</u>	<u>127,480</u>
Operating Income	<u>441,573</u>	<u>62,772</u>	<u>66,943</u>	<u>25,650</u>
Nonoperating Revenues (Expenses)				
Interest income	11,021	244	780	
Miscellaneous income	12,969	10,255		
Interest and fiscal charges	(38,856)	(15,032)		
Total Nonoperating Revenues (Expenses)	<u>(14,866)</u>	<u>(4,533)</u>	<u>780</u>	
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS				
	426,707	58,239	67,723	25,650
Transfers out	(135,000)			
CHANGE IN NET POSITION				
	291,707	58,239	67,723	25,650
NET POSITION - BEGINNING OF YEAR				
	7,276,333	3,233,378	2,894,010	1,001,399
TOTAL NET POSITION - END OF YEAR				
	<u>\$ 7,568,040</u>	<u>\$ 3,291,617</u>	<u>\$ 2,961,733</u>	<u>\$ 1,027,049</u>

See Notes to Financial Statements

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2018	2017		
\$ 244,364	\$ 189,744	\$ 4,884,725	\$ 4,646,564		
		24,840	37,260		
<u>244,364</u>	<u>189,744</u>	<u>4,909,565</u>	<u>4,683,824</u>		
216,939		2,006,391	1,882,108		
	77,433	639,702	613,876		
	19,294	199,735	265,296		
		6,811	5,241		
		20,485	23,036		
	19,521	51,420	66,289		
	10,562	89,236	105,697		
	3,843	17,513	18,284		
	7,510	25,195	23,574		
	2,433	30,095	34,268		
	6,386	50,900	49,376		
	12,645	366,497	181,996		
500	7,819	577,346	571,263		
	1,005	625	(69)		
13,507	6,510	202,475	185,038		
<u>230,946</u>	<u>174,961</u>	<u>4,284,426</u>	<u>4,025,273</u>		
13,418	14,783	625,139	658,551		
	663	12,708	13,592		
	21,267	44,491	65,626		
		(53,888)	(60,271)		
	<u>21,930</u>	<u>3,311</u>	<u>18,947</u>		
13,418	36,713	628,450	677,498		
	(15,000)	(150,000)	(176,500)		
13,418	21,713	478,450	500,998		
81,075	205,724	14,691,919	14,190,921		
<u>\$ 94,493</u>	<u>\$ 227,437</u>	<u>\$ 15,170,369</u>	<u>\$ 14,691,919</u>		

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,970,389	\$ 538,313	\$ 714,132	\$ 148,274
Access and other fees received	12,969	14,455	20,640	
Cash paid to suppliers and employees	(2,374,224)	(356,988)	(590,549)	(94,637)
Net Cash Provided By Operating Activities	609,134	195,780	144,223	53,637
Cash Flows From Noncapital Financing Activities				
Transfer out	(135,000)			
Net Cash Used In Noncapital Financing Activities	(135,000)			
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(52,560)	(13,184)	(52,779)	
Advances (to) from other funds	10,000			
Principal received on special assessments	2,275			
Principal payments on long-term debt	(245,000)	(24,283)		
Interest payments on long-term debt	(37,440)	(15,717)		
Net Cash Used In Capital and Related Financing Activities	(322,725)	(53,184)	(52,779)	
Cash Flows From Investing Activities				
Investment income received	10,352	388	718	
Net Cash Provided By Investing Activities	10,352	388	718	
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,761	142,984	92,162	53,637
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	927,567	731,052	361,521	124,542
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,089,328	\$ 874,036	\$ 453,683	\$ 178,179

See Notes to Financial Statements

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2018	2017		
\$ 237,697	\$ 178,907	\$ 4,787,712	\$ 4,569,501		
	21,267	69,331	102,886		
(233,056)	(171,700)	(3,821,154)	(3,339,283)		
4,641	28,474	1,035,889	1,333,104		
	(15,000)	(150,000)	(176,500)		
	(15,000)	(150,000)	(176,500)		
		(118,523)	(715,476)		
		10,000	10,000		
		2,275	2,838		
		(269,283)	(263,443)		
		(53,157)	(59,397)		
		(428,688)	(1,025,478)		
	592	12,050	13,315		
	592	12,050	13,315		
4,641	14,066	469,251	144,441		
69,995	117,756	2,332,433	2,187,992		
\$ 74,636	\$ 131,822	\$ 2,801,684	\$ 2,332,433		

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

For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
Operating Income	\$ 441,573	\$ 62,772	\$ 66,943	\$ 25,650
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	321,361	143,562	79,138	24,966
Bad debt expense	(380)			
Miscellaneous nonoperating income	12,969	10,255		
Gain on disposal of assets	(10,966)			
Change in net pension liability	(31,813)	(9,482)	(5,633)	
(Increase) Decrease In:				
Accounts receivable	(47,244)	(5,315)	(7,138)	(4,856)
Inventory	(81,939)	(885)		
Prepaid items	15,349	(513)	69	
Increase (Decrease) In:				
Accounts and contracts payable	(9,104)	(5,212)	11,442	7,877
Accrued compensated absences	2,938	598	(598)	
Customer deposits	(3,610)			
 Net Cash Provided By Operating Activities	 \$ 609,134	 \$ 195,780	 \$ 144,223	 \$ 53,637

Waste Management		Ambulance	Totals	
			2018	2017
\$	13,418	\$ 14,783	\$ 625,139	\$ 658,551
	500	7,819	577,346	571,263
		1,005	625	(69)
		21,267	44,491	65,626
			(10,966)	(29,613)
		(5,526)	(52,454)	31,069
	(6,667)	(11,842)	(83,062)	(47,731)
			(82,824)	(1,165)
		(367)	14,538	1,499
	(2,610)	1,335	3,728	83,324
			2,938	
			(3,610)	350
\$	4,641	\$ 28,474	\$ 1,035,889	\$ 1,333,104

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CITY OF ST. CHARLES, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

The *2018 street construction fund* accounts for the financial resources to be used for street construction.

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)

1. Summary of Significant Accounting Policies (Continued)

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 2018. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

Interfund Balances

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

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

Property Taxes

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Special Assessments

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

Tax Increment Districts

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

Inventory

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

Capital Assets

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

Compensated Absences

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

Long-term Obligations

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

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

Concentration of Credit Risk

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

Deferred Outflows of Resources

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

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

Pensions

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

Net Position / Fund Balance

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance (Continued)

The City classifies governmental fund balances as follows:

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

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

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

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

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

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

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

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

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

B. Firemen's Relief Association of St. Charles

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

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2018, 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	\$ 3,439
Deposits	None	N/A	3,323,304
Non-Negotiable Certificates of Deposit	May 2019 - September 2019	N/A	191,999
Municipal Bonds	August 2019 - June 2026	AAA	730,724
U.S. Government Securities	May 2020 - May 2027	AAA	449,878
Money Market Funds	None	N/A	5,523
			<u>\$ 4,704,867</u>
Cash and Investments per Statement of Net Position			

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds

A. Summary of Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes

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

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

Fair Value Measurement

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

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

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

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

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

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Fair Value Measurement (Continued)

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

The City's investments within the fair value hierarchy at December 31, 2018 and 2017 were as follows:

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

	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>

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

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

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

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

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

<u>Investments</u>	<u>Ratings</u>	<u>% of Total</u>
Municipal Bonds	N/A	16%
U.S. Government 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, 2018 is as follows:

<u>Capital Projects Funds</u>	
Capital Improvements Fund	\$ 2,324
	<u>2,324</u>

C. Loans and Contracts Receivable

The City has made several loans through its economic development program. These loans are payable over terms ranging from 3 to 15 years, with interest rates of 4% over the term of the loan. These loans are recorded in the Special Revenue Fund at the Economic Development individual fund level, and are offset by a deferred inflow of resources account until the repayments are made.

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

3. Detailed Notes on All Funds (Continued)

D. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2018 are as follows:

Fund	Winona County
General	\$ 8,982
Special Revenue	3,646
Debt Service	4,493
Capital Project	10,910
	<u>\$ 28,031</u>

E. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

<u>Governmental Activities</u>	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	6,697,501			6,697,501
Infrastructure	5,999,601	1,054,461		7,054,062
Machinery and equipment	2,665,553	114,153	89,685	2,690,021
Total capital assets, being depreciated	15,362,655	1,168,614	89,685	16,441,584
Less accumulated depreciation for:				
Buildings	2,538,048	208,298		2,746,346
Infrastructure	1,774,853	193,804		1,968,657
Machinery and equipment	2,036,600	141,430	39,476	2,138,554
Total accumulated depreciation	6,349,501	543,532	39,476	6,853,557
Total capital assets, being depreciated, net	9,013,154	625,082	50,209	9,588,027
Governmental activities capital assets, net	<u>\$ 10,734,408</u>	<u>\$ 625,082</u>	<u>\$ 50,209</u>	<u>\$ 11,309,281</u>

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

3. Detailed Notes on All Funds (Continued)

E. Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2018 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 354,689	\$	\$	\$ 354,689
Total capital assets, not being depreciated	<u>354,689</u>			<u>354,689</u>
Capital assets, being depreciated:				
Buildings and improvements	6,486,243			6,486,243
Machinery and equipment	15,300,615	160,187	77,617	15,383,185
Total capital assets, being depreciated	<u>21,786,858</u>	<u>160,187</u>	<u>77,617</u>	<u>21,869,428</u>
Less accumulated depreciation for:				
Buildings and improvements	1,712,333	133,711		1,846,044
Machinery and equipment	6,839,326	443,635	46,919	7,236,042
Total accumulated depreciation	<u>8,551,659</u>	<u>577,346</u>	<u>46,919</u>	<u>9,082,086</u>
Total capital assets, being depreciated, net	<u>13,235,199</u>	<u>(417,159)</u>	<u>30,698</u>	<u>12,787,342</u>
Business-type activities capital assets, net	<u>\$ 13,589,888</u>	<u>\$ (417,159)</u>	<u>\$ 30,698</u>	<u>\$ 13,142,031</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 49,225
Public safety	163,706
Public works	191,732
Library	24,753
Parks and recreation	114,116
	<u>114,116</u>

Total depreciation expense - governmental activities \$ 543,532

Business-Type Activities:

Electric	\$ 321,361
Water	143,562
Sewer	79,138
Storm water drainage	24,966
Ambulance	7,819
Waste Management	500
	<u>500</u>

Total depreciation expense - business-type activities \$ 577,346

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

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2018, 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	\$ 229,786	\$
Special Revenue:		
Advertising		2,770
Celebration		395
Library		10,806
Capital Project:		
Tax Increment District #8		186,044
Tax Increment District #7		29,771
	<u>\$ 229,786</u>	<u>\$ 229,786</u>

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

Transfers during the year ended December 31, 2018 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 120,000	\$ 15,200
Special Revenue:		
Library	15,200	
Volunteer Fire Department		15,000
Debt Service:		
2015A G.O. Bond	45,000	
Enterprise:		
Electric		135,000
Ambulance		15,000
Total Transfers	<u>\$ 180,200</u>	<u>\$ 180,200</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (Continued)

Excess of expenditures over budgeted appropriations at the individual fund level during 2018 are as follows:

General Fund	\$	259
Special Revenue Funds		
Advertising		3,979
Celebration		2,496
Library		14,919
Volunteer Fire Department		28,256
Blandin Foundation		50

All excess expenditures were the result of planned processes.

The following funds had a deficit fund balance at December 31, 2018.

Special Revenue		
Advertising	\$	2,367
Celebration		301
Library		9,210
Capital Projects		
Tax Increment District #8		186,044
Tax Increment District #7		22,804

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 1,375,541		\$ 175,717	\$ 1,199,824	\$ 184,896
2015A GO Bonds (3.0 - 3.75%)	2,235,000		65,000	2,170,000	70,000
2018A Street Reconstruction (3%)		650,000		650,000	
Less: Unamortized Discount	(22,887)		(1,046)	(21,841)	
Plus: Unamortized Bond Premium		3,523		3,523	
Notes payable:					
2012 Installment Promissory Note - Winona County (2.0%)	13,814		8,226	5,588	5,588
Vehicle lease payable (2.95%)	83,069		19,859	63,210	7,599
Equipment lease payable (3.050%)	40,075		8,237	31,838	20,452
Compensated absences	22,228	7,805		30,033	
Governmental Activities Long-term Liabilities	<u>3,746,840</u>	<u>661,328</u>	<u>275,993</u>	<u>4,132,175</u>	<u>288,535</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	464,459		24,283	440,176	25,104
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	1,305,000		245,000	1,060,000	250,000
Less: Unamortized Discount	(11,826)		(2,026)	(9,800)	
Compensated absences	26,358	2,938		29,296	
Business-type Activities Long-term Liabilities	<u>1,783,991</u>	<u>2,938</u>	<u>267,257</u>	<u>1,519,672</u>	<u>275,104</u>
Total	<u>\$ 5,530,831</u>	<u>\$ 664,266</u>	<u>\$ 543,250</u>	<u>\$ 5,651,847</u>	<u>\$ 563,639</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, 2018, 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>						
2019	\$ 254,896	\$ 132,416			\$ 33,639	\$ 2,917
2020	319,046	121,274			28,899	2,029
2021	323,204	112,014			29,771	1,156
2022	182,261	104,519			8,327	258
2023	181,322	98,970				
2024-2028	1,011,410	401,138				
2029-2033	802,685	234,328				
2034-2038	555,000	124,296				
2039-2040	390,000	22,313				
Totals	<u>\$ 4,019,824</u>	<u>\$ 1,351,268</u>			<u>\$ 100,636</u>	<u>\$ 6,360</u>
<u>Business-Type Activities</u>						
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	28,678	11,322				
2024-2028	158,590	41,410				
2029-2032	147,315	12,685				
Totals	<u>\$ 440,176</u>	<u>\$ 119,824</u>	<u>\$ 1,060,000</u>	<u>\$ 80,936</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	22,272	34,358	13,723
Captured gross tax capacity Retained by authority	21,450	25,315	6,295

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, 2018.

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 2018 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 2018 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 2018 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 38 2018	Fund 40	
<u>Committed For:</u>	Economic Development	Capital Improvement	Street Construction	Parkland Dedication	
Economic Development					
CIP Projects	\$ 93,188	\$	\$	\$	\$ 93,188
Capital Project		366,379	85,406		451,785
Parkland Dedication					
CIP Projects				28,384	28,384
	<u>\$ 93,188</u>	<u>\$ 366,379</u>	<u>\$ 85,406</u>	<u>\$ 28,384</u>	<u>\$ 573,357</u>

4. Defined Benefit Pension Plans - Statewide

Plan Description

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

1. General Employees Retirement Fund

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

2. Public Employees Police and Fire Fund

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

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

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

2. Police and Fire Plan Benefits

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$66,869. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$43,861. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$737,829 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$24,138. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0.133 percent which was a decrease of 0.0002 percent from its proportionate share measured at June 30, 2017.

City's proportionate share of the net pension liability	\$737,829
State of Minnesota's proportionate share of the net Pension liability associated with the City	<u>24,138</u>
Total	<u>\$761,967</u>

For the year ended December 31, 2018, the City recognized pension expense of \$103,818 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$5,629 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Pension Cost (Continued)

At December 31, 2018, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,809	\$ 21,515
Difference between projected and actual investment earnings		23,943
Changes in actuarial assumptions	70,479	61,532
Changes in proportion	8,116	17,347
Contributions paid to PERA subsequent to the measurement date	36,639	
Total	<u>\$ 135,043</u>	<u>\$ 124,337</u>

\$36,639 reported as deferred outflows of resources related to pensions is resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2019	\$ 38,861
2020	(19,377)
2021	(43,110)
2022	(2,307)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$273,936 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2018, the City’s proportionate share was 0.0257 percent which was an increase of 0.0017 percent from its proportionate share measured at June 30, 2017. The City also recognized \$2,313 for the year ended December 31, 2018, as revenue and offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Pension Cost (Continued)

For the year ended December 31, 2018, the City recognized pension expense of \$82,707 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2018, the City reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,618	\$ 63,495
Difference between projected and actual investment earnings		56,205
Changes in actuarial assumptions	318,042	377,200
Changes in proportion	19,127	5,681
Contributions paid to PERA subsequent to the measurement date	29,938	
Total	<u>\$ 377,725</u>	<u>\$ 502,581</u>

\$29,938 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2019	\$ (4,991)
2020	(17,364)
2021	(35,986)
2022	(99,380)
2023	2,927

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018 was \$194,467.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- Mortality projection scale was changes from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.5%	Current Discount Rate 7.5%	1% Increase in Discount Rate 8.5%
City's proportionate share of the General Employees Fund net pension liability at different discount rates	\$ 1,199,067	\$ 737,829	\$ 357,091
City's proportionate share of the PEPFF net pension liability at different discount rates	587,335	273,936	14,767
	<u>\$ 1,786,402</u>	<u>\$ 1,011,765</u>	<u>\$ 371,858</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.

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, 2017 which is the latest information available. The City does not believe that the funded status changed significantly during 2018.

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, 2017, the plan covered 31 active firefighters. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G. The December 31, 2017 information is the latest reported for this Plan.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Benefits Provided

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

Contributions

The Plan is funded by fire state aid, investment earnings and, if necessary, City contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$35,395 in state aid to the plan on behalf of the Association for the year ended December 31, 2017, which was recorded as revenue. The City's made voluntary contributions of \$7,000 to the plan.

Pension Costs

At December 31, 2017, the City reported a net pension asset of \$407,291 for the plan. The net pension asset was measured as of December 31, 2017. 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, 2017. 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 12/31/16	\$ 585,284	\$ 874,591	\$ (289,307)
Changes for the year:			
Service cost	24,812		24,812
Interest	40,263		40,263
Differences between expected and actual experience	(10,892)		(10,892)
Changes in assumption	2,244		2,244
Contributions - state and local		42,395	(42,395)
Net investment income		136,316	(136,316)
Benefit payments	(109,500)	(109,500)	
Administrative expense		(4,300)	4,300
Net changes	(53,073)	64,911	(117,984)
Balance End of Year 12/31/17	\$ 532,211	\$ 939,502	\$ (407,291)

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

At December 31, 2017, the City reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability	\$	\$ 9,651
Change in assumptions	1,988	5,025
Net difference between projected and actual investment earnings		42,351
Total	<u>\$ 1,988</u>	<u>\$ 57,027</u>

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ (7,526)
2019	(7,527)
2020	(16,764)
2021	(17,753)
2022	(1,806)
Thereafter	(3,663)

Actuarial Assumptions

The total pension asset at December 31, 2017, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2017 valuation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the Plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6%	Current Discount Rate 7%	1% Increase in Discount Rate 8%
Net pension asset	\$ 392,576	\$ 407,291	\$ 421,715

Plan Investments

Investment Policy:

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Allocation:

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

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic equity	63.00%	5.39%	8.14%
International equity	16.19%	5.20%	7.95%
Fixed income	9.58%	1.98%	4.73%
Real estate and alternatives	1.45%	4.25%	7.00%
Cash and equivalents	9.78%	0.79%	3.54%
Total	100%		7.58%
Reduced for assumed investment expense			-0.50%
Net assumed investment return (rounded to 1/4%)			7.00%

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, 2017, is available in a separately-issued financial report that includes financial statements and required supplementary information.

6. Commitments and Contingencies

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

CITY OF ST. CHARLES, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

CITY OF ST. CHARLES, MINNESOTA
Schedules of City Pension Contributions
December 31, 2018

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2018

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

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

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

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

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

	Fiscal Year Ending December 31	
	2017	2016
Total Pension Liability (TPL, actuarial accrued liability)		
Service cost	\$ 24,812	\$ 27,376
Interest	40,263	37,430
Differences between expected and actual experience	(10,892)	
Changes of assumptions	2,244	(6,665)
Benefit payments, including member contribution refunds	(109,500)	
Net change in total pension liability	(53,073)	58,141
Total pension liability - beginning of year	585,284	527,143
Total pension liability - end of year	\$ 532,211	\$ 585,284
Plan Fiduciary Net Pension (FNP, assets)		
Contributions - state and local	42,395	40,656
Net investment income	136,316	48,903
Benefit payments, including member contribution refunds	(109,500)	
Administrative expense	(4,300)	(4,862)
Net change in plan fiduciary net position	64,911	84,697
Plan fiduciary net position - beginning of year	874,591	789,894
Plan fiduciary net position - end of year	\$ 939,502	\$ 874,591
Net pension liability (NPL) - end of year	\$ (407,291)	\$ (289,307)
FNP as a percentage of the TPL	176.53%	149.43%

CITY OF ST. CHARLES, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2018

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018**

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u>	<u>31</u>	<u>34</u>	
	Advertising	Celebration	Library	Volunteer Fire Department	Blandin Foundation	Economic Development	Total
ASSETS							
Cash and investments	\$ 504	\$	\$ 3,332	\$ 168,503	\$ 238	\$ 92,740	\$ 265,317
Accrued interest receivable				185			185
Accounts receivable				50,780			50,780
Loans and contracts receivable						129,085	129,085
Prepaid items	88		889	3,350			4,327
Taxes receivable - delinquent	121	21	774	578		609	2,103
Due from other governmental units	315	94	1,661	978		598	3,646
TOTAL ASSETS	\$ 1,028	\$ 115	\$ 6,656	\$ 224,374	\$ 238	\$ 223,032	\$ 455,443
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 504	\$	\$ 4,286	\$ 2,775	\$	\$ 150	\$ 7,715
Due to other funds	2,770	395	10,806				13,971
Total Liabilities	3,274	395	15,092	2,775		150	21,686
Deferred Inflows of Resources:							
Property taxes	121	21	774	578		609	2,103
Loans receivable						129,085	129,085
Total Deferred Inflows of Resources	121	21	774	578		129,694	131,188
Fund Balance							
Nonspendable:							
Prepaid items	88		889	3,350			4,327
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects						93,188	93,188
Assigned				217,671	238		217,909
Unassigned	(2,455)	(301)	(10,099)				(12,855)
Total Fund Balance	(2,367)	(301)	(9,210)	221,021	238	93,188	302,569
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,028	\$ 115	\$ 6,656	\$ 224,374	\$ 238	\$ 223,032	\$ 455,443

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	
\$ 150,328	\$ 106,949	\$ 257,277	\$ 62,594	\$ 28,382	\$ 2	\$ 90,976	\$ 613,570
				2		2	187
							50,780
							129,085
							4,327
3,408	1,430	4,838					6,941
3,088	1,405	4,493			6,967	6,967	15,106
<u>\$ 156,824</u>	<u>\$ 109,784</u>	<u>\$ 266,608</u>	<u>\$ 62,594</u>	<u>\$ 28,384</u>	<u>\$ 6,967</u>	<u>\$ 97,945</u>	<u>\$ 819,996</u>
\$	\$	\$	\$ 100	\$	\$	\$ 100	\$ 7,815
					29,771	29,771	43,742
			100		29,771	29,871	51,557
3,408	1,430	4,838					6,941
							129,085
<u>3,408</u>	<u>1,430</u>	<u>4,838</u>					<u>136,026</u>
							4,327
153,416	108,354	261,770					261,770
			62,494			62,494	62,494
				28,384		28,384	121,572
							217,909
					(22,804)	(22,804)	(35,659)
<u>153,416</u>	<u>108,354</u>	<u>261,770</u>	<u>62,494</u>	<u>28,384</u>	<u>(22,804)</u>	<u>68,074</u>	<u>632,413</u>
<u>\$ 156,824</u>	<u>\$ 109,784</u>	<u>\$ 266,608</u>	<u>\$ 62,594</u>	<u>\$ 28,384</u>	<u>\$ 6,967</u>	<u>\$ 97,945</u>	<u>\$ 819,996</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, 2018

	Special Revenue						
	<u>20</u>	<u>24</u>	<u>26</u>	<u>21</u> Volunteer Fire	<u>31</u> Blandin Foundation	<u>34</u> Economic Development	Total
	Advertising	Celebration	Library	Department	Foundation	Development	Total
REVENUES							
Property tax levy							
Property tax collected	\$ 20,094	\$ 5,932	\$ 106,695	\$ 63,005	\$	\$	\$ 195,726
Property taxes - Special EDA taxing district						39,751	39,751
Tax increments							
Intergovernmental			31,921	36,178			68,099
Charges for services				43,671			43,671
Interest income				906		2,164	3,070
Loan repayment						17,777	17,777
Donations	1,295	15,893	3,970	45,510			66,668
Miscellaneous			2,748	100			2,848
TOTAL REVENUES	21,389	21,825	145,334	189,370		59,692	437,610
EXPENDITURES							
Current:							
General government	25,829	22,196				50	48,075
Public safety				163,956			163,956
Library			175,362				175,362
Economic development						42,155	42,155
Debt Service							
Principal retirement						8,226	8,226
Interest and fiscal charges						201	201
Capital outlay							
TOTAL EXPENDITURES	25,829	22,196	175,362	163,956	50	50,582	437,975
Excess (deficiency) of revenues over (under) expenditures	(4,440)	(371)	(30,028)	25,414	(50)	9,110	(365)
OTHER FINANCING SOURCES (USES)							
Transfer in			15,200				15,200
Transfer out				(15,000)			(15,000)
TOTAL OTHER FINANCING SOURCES (USES)			15,200	(15,000)			200
Net change in fund balances	(4,440)	(371)	(14,828)	10,414	(50)	9,110	(165)
FUND BALANCES, beginning	2,073	70	5,618	210,607	288	84,078	302,734
FUND BALANCES, ending	\$ (2,367)	\$ (301)	\$ (9,210)	\$ 221,021	\$ 238	\$ 93,188	\$ 302,569

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	
\$ 196,442	\$ 93,952	\$ 290,394	\$	\$	\$	\$	\$ 486,120
			19,860		23,543	43,403	39,751
							43,403
							68,099
							43,671
				257		257	3,327
							17,777
				159		159	66,827
							2,848
<u>196,442</u>	<u>93,952</u>	<u>290,394</u>	<u>19,860</u>	<u>416</u>	<u>23,543</u>	<u>43,819</u>	<u>771,823</u>
							48,075
							163,956
							175,362
							42,155
175,717	65,000	240,717					248,943
42,698	74,187	116,885					117,086
			13,887	5,701	11,236	30,824	30,824
<u>218,415</u>	<u>139,187</u>	<u>357,602</u>	<u>13,887</u>	<u>5,701</u>	<u>11,236</u>	<u>30,824</u>	<u>826,401</u>
(21,973)	(45,235)	(67,208)	5,973	(5,285)	12,307	12,995	(54,578)
	45,000	45,000					60,200
							(15,000)
	45,000	45,000					45,200
(21,973)	(235)	(22,208)	5,973	(5,285)	12,307	12,995	(9,378)
175,389	108,589	283,978	56,521	33,669	(35,111)	55,079	641,791
<u>\$ 153,416</u>	<u>\$ 108,354</u>	<u>\$ 261,770</u>	<u>\$ 62,494</u>	<u>\$ 28,384</u>	<u>\$ (22,804)</u>	<u>\$ 68,074</u>	<u>\$ 632,413</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 20,350	\$ 20,350	\$ 20,094	\$ (256)	\$ 21,563
Donations	1,500	1,500	1,295	(205)	1,316
TOTAL REVENUES	<u>21,850</u>	<u>21,850</u>	<u>21,389</u>	<u>(461)</u>	<u>22,879</u>
EXPENDITURES					
General Government					
Fireworks	9,000	9,000	6,933	2,067	9,130
City promotion			955	(955)	482
Board reimbursement annual events	350	350	370	(20)	1,413
Professional services			100	(100)	149
Advertising	12,500	12,500	17,471	(4,971)	9,445
TOTAL EXPENDITURES	<u>21,850</u>	<u>21,850</u>	<u>25,829</u>	<u>(3,979)</u>	<u>20,619</u>
Excess (deficiency) of revenues over (under) expenditures			(4,440)	(4,440)	2,260
FUND BALANCES, beginning	<u>2,073</u>	<u>2,073</u>	<u>2,073</u>		<u>(187)</u>
FUND BALANCES, ending	<u>\$ 2,073</u>	<u>\$ 2,073</u>	<u>\$ (2,367)</u>	<u>\$ (4,440)</u>	<u>\$ 2,073</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 6,000	\$ 6,000	\$ 5,932	\$ (68)	\$ 6,595
Donations	13,700	13,700	15,893	2,193	12,765
Other income					1,113
TOTAL REVENUES	<u>19,700</u>	<u>19,700</u>	<u>21,825</u>	<u>2,125</u>	<u>20,473</u>
EXPENDITURES					
General Government					
Advertising	3,800	3,800	1,326	2,474	3,974
Dance	4,000	4,000	4,678	(678)	3,441
T-shirts	1,400	1,400	1,548	(148)	1,012
Rentals	2,700	2,700	4,171	(1,471)	3,580
Pageants	4,500	4,500	3,425	1,075	3,655
Other	3,300	3,300	7,048	(3,748)	4,674
TOTAL EXPENDITURES	<u>19,700</u>	<u>19,700</u>	<u>22,196</u>	<u>(2,496)</u>	<u>20,336</u>
Excess (deficiency) of revenues over (under) expenditures			(371)	(371)	137
FUND BALANCES, beginning	<u>70</u>	<u>70</u>	<u>70</u>		<u>(67)</u>
FUND BALANCES, ending	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ (301)</u>	<u>\$ (371)</u>	<u>\$ 70</u>

CITY OF ST. CHARLES, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 107,745	\$ 107,745	\$ 106,695	\$ (1,050)	\$ 103,003
Intergovernmental Revenues					
Interest income					1
Library aid	30,330	30,330	31,921	1,591	31,518
Intergovernmental Revenues	30,330	30,330	31,921	1,591	31,519
Donations					
	3,500	3,500	3,970	470	6,445
Miscellaneous					
Fines	2,000	2,000	804	(1,196)	1,171
Book sales			215	215	90
Copy machines	1,000	1,000	1,610	610	1,576
Other	700	700	119	(581)	
Total Miscellaneous Revenues	3,700	3,700	2,748	(952)	2,837
TOTAL REVENUES	145,275	145,275	145,334	59	143,804
EXPENDITURES					
Library					
Salaries	76,210	76,210	85,033	(8,823)	73,686
Employee benefits and retirement	30,943	30,943	30,673	270	27,603
Supplies and minor equipment	2,540	2,540	1,893	647	1,937
Professional services	10,800	10,800	12,467	(1,667)	11,011
Communications	1,200	1,200	1,326	(126)	1,325
Transportation and training	750	750	678	72	657
Insurance	3,000	3,000	2,921	79	2,564
Utilities	11,000	11,000	11,480	(480)	11,290
Repairs and maintenance	7,000	7,000	10,394	(3,394)	9,502
Other	1,000	1,000	1,134	(134)	2,363
Capital outlay	16,000	16,000	17,363	(1,363)	17,108
TOTAL EXPENDITURES	160,443	160,443	175,362	(14,919)	159,046
Deficiency of revenues under expenditures	(15,168)	(15,168)	(30,028)	(14,860)	(15,242)
OTHER FINANCING SOURCES					
Transfers in	15,200	15,200	15,200		15,200
Net change in fund balances	32	32	(14,828)	(14,860)	(42)
FUND BALANCES, beginning	5,618	5,618	5,618		5,660
FUND BALANCES, ending	\$ 5,650	\$ 5,650	\$ (9,210)	\$ (14,860)	\$ 5,618

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 63,586	\$ 63,586	\$ 63,005	\$ (581)	\$ 66,866
Intergovernmental Revenues					
State fire aid	30,000	30,000	36,178	6,178	33,395
Charges for Services					
Other local governments	32,114	32,114	31,181	(933)	32,531
Fire calls	11,500	11,500	12,490	990	14,479
Interest income	1,500	1,500	906	(594)	1,033
Donations	9,000	9,000	45,510	36,510	132,375
Miscellaneous Revenues	3,000	3,000	100	(2,900)	200
TOTAL REVENUES	<u>150,700</u>	<u>150,700</u>	<u>189,370</u>	<u>38,670</u>	<u>280,879</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	18,120	(120)	18,700
Employee benefits and retirement	10,400	10,400	12,514	(2,114)	9,573
Supplies and minor equipment	14,000	14,000	17,322	(3,322)	5,503
Professional services	3,000	3,000	3,221	(221)	3,660
Communication	2,500	2,500	2,736	(236)	2,680
Transportation and training	9,300	9,300	3,486	5,814	7,361
Insurance	6,500	6,500	4,790	1,710	4,668
Utilities	6,000	6,000	6,386	(386)	6,112
Capital outlay	6,800	6,800	3,537	3,263	145,336
Repairs and maintenance	13,500	13,500	36,239	(22,739)	20,807
Fire relief payment	34,000	34,000	43,178	(9,178)	40,395
Other	11,700	11,700	12,427	(727)	5,051
TOTAL EXPENDITURES	<u>135,700</u>	<u>135,700</u>	<u>163,956</u>	<u>(28,256)</u>	<u>269,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>15,000</u>	<u>25,414</u>	<u>10,414</u>	<u>11,033</u>
OTHER FINANCING SOURCES (USES)					
Lease proceeds					40,075
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>(15,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>25,075</u>
Net change in fund balances			10,414	10,414	36,108
FUND BALANCES, beginning	<u>210,607</u>	<u>210,607</u>	<u>210,607</u>		<u>174,499</u>
FUND BALANCES, ending	<u>\$ 210,607</u>	<u>\$ 210,607</u>	<u>\$ 221,021</u>	<u>\$ 10,414</u>	<u>\$ 210,607</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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Supplies	\$	\$	\$	\$	\$ 297
Public education			50	(50)	
TOTAL EXPENDITURES			50	(50)	297
Excess (deficiency) of revenues over (under) expenditures			(50)	50	(297)
FUND BALANCES, beginning	288	288	288		585
FUND BALANCES, ending	\$ 288	\$ 288	\$ 238	\$ 50	\$ 288

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 40,240	\$ 40,240	\$ 39,751	\$ (489)	\$ 36,483
Interest Income	2,680	2,680	2,164	(516)	2,240
Loan Repayment	16,675	16,675	17,777	1,102	15,832
TOTAL REVENUES	<u>59,595</u>	<u>59,595</u>	<u>59,692</u>	<u>97</u>	<u>54,555</u>
EXPENDITURES					
Economic Development					
Professional services	36,937	36,937	36,305	632	36,783
Revolving loans					25,000
Commercial rehabilitation and permit reimbursement					10,175
Debt service	19,355	19,355	8,427	10,928	8,427
Advertising			5,850	(5,850)	
TOTAL EXPENDITURES	<u>56,292</u>	<u>56,292</u>	<u>50,582</u>	<u>5,710</u>	<u>80,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,303</u>	<u>3,303</u>	<u>9,110</u>	<u>5,807</u>	<u>(25,830)</u>
OTHER FINANCING SOURCES					
Transfers out					(45,871)
Net change in fund balances	<u>3,303</u>	<u>3,303</u>	<u>9,110</u>	<u>5,807</u>	<u>(71,701)</u>
FUND BALANCES, beginning	<u>84,078</u>	<u>84,078</u>	<u>84,078</u>		<u>155,779</u>
FUND BALANCES, ending	<u>\$ 87,381</u>	<u>\$ 87,381</u>	<u>\$ 93,188</u>	<u>\$ 5,807</u>	<u>\$ 84,078</u>

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CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 ELECTRIC FUND
 Statement of Net Position
 December 31, 2018 and 2017**

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,089,328	\$ 927,567
Emergency cash reserve	250,000	250,000
Accrued interest receivable	6,279	5,610
Accounts receivable, net	271,952	250,259
Accrued utility revenue	129,534	103,603
Special assessments-deferred		2,275
Advances to other funds	40,000	50,000
Inventory	389,248	307,309
Prepaid expenses	24,417	39,766
Total Current Assets	2,200,758	1,936,389
Capital Assets		
Nondepreciable	325,989	325,989
Depreciable	11,190,716	11,174,109
Less: Accumulated depreciation	4,642,811	4,368,369
Capital Assets, Net	6,873,894	7,131,729
Total Assets	9,074,652	9,068,118
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	52,108	36,297
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,126,760	\$ 9,104,415
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 250,000	\$ 245,000
Accounts payable	135,355	144,459
Accrued compensated absences	21,796	18,858
Customer deposits	16,540	20,150
Accrued interest payable	2,510	3,120
Total Current Liabilities	426,201	431,587
Noncurrent Liabilities		
Bonds payable, net of current maturities	810,000	1,060,000
Net pension liability	284,394	332,190
Less: Unamortized bond discount	(9,800)	(11,826)
Total Noncurrent Liabilities	1,084,594	1,380,364
Total Liabilities	1,510,795	1,811,951
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	47,925	16,131
NET POSITION		
Net investment in capital assets	5,823,694	5,838,555
Unrestricted	1,744,346	1,437,778
Total Net Position	7,568,040	7,276,333
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 9,126,760	\$ 9,104,415

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,890,000	\$ 2,890,000	\$ 3,032,589	\$ 142,589	\$ 2,863,875
Operating Expenses					
Purchased utilities	1,430,000	1,430,000	1,330,020	99,980	1,222,317
Salaries	377,090	377,090	377,836	(746)	359,807
Employee benefits and retirement	166,535	166,535	129,467	37,068	165,719
Gas and oil	6,000	6,000	6,811	(811)	5,241
Generation fuel	30,000	30,000	20,485	9,515	23,036
Supplies and minor equipment	11,850	11,850	10,747	1,103	12,008
Professional services	38,000	38,000	37,317	683	46,777
Communication	7,000	7,000	4,385	2,615	5,022
Transportation and training	8,000	8,000	8,097	(97)	9,247
Insurance	22,000	22,000	18,180	3,820	18,715
Utilities	8,000	8,000	9,000	(1,000)	8,542
Repairs and maintenance	291,000	291,000	230,046	60,954	101,996
Depreciation and amortization	245,000	245,000	321,361	(76,361)	317,460
Bad debts			(380)	380	(69)
Other	100,500	100,500	87,644	12,856	162,296
Total Operating Expenses	2,740,975	2,740,975	2,591,016	149,959	2,458,114
Operating Income	149,025	149,025	441,573	292,548	405,761
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	11,021	1,021	14,515
Miscellaneous income	20,000	20,000	12,969	(7,031)	21,897
Interest and fiscal charges	(38,390)	(38,390)	(38,856)	(466)	(44,414)
Total Nonoperating Revenues (Expenses)	(8,390)	(8,390)	(14,866)	(6,476)	(8,002)
INCOME BEFORE TRANSFERS	140,635	140,635	426,707	286,072	397,759
Transfers out	(135,000)	(135,000)	(135,000)		(135,000)
CHANGE IN NET POSITION	5,635	5,635	291,707	286,072	262,759
TOTAL NET POSITION - BEGINNING OF YEAR	7,276,333	7,276,333	7,276,333		7,013,574
TOTAL NET POSITION - END OF YEAR	\$ 7,281,968	\$ 7,281,968	\$ 7,568,040	\$ 286,072	\$ 7,276,333

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WATER FUND
 Statement of Net Position
 December 31, 2018 and 2017**

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 874,036	\$ 731,052
Accrued interest receivable	706	850
Accounts receivable, net	47,717	46,340
Accrued utility revenue	22,122	16,439
Special assessments-deferred		1,745
Inventory	22,241	21,356
Prepaid expenses	2,137	1,624
Total Current Assets	968,959	819,406
Capital Assets		
Depreciable	5,465,478	5,452,295
Less: Accumulated depreciation	2,591,254	2,447,693
Capital Assets, Net	2,874,224	3,004,602
Total Assets	3,843,183	3,824,008
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	15,607	10,941
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,858,790	\$ 3,834,949
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 25,104	\$ 24,283
Accounts payable	8,744	13,956
Accrued compensated absences	5,825	5,227
Accrued interest payable	12,413	13,098
Total Current Liabilities	52,086	56,564
Noncurrent Liabilities		
Bonds payable, net of current maturities	415,072	440,176
Net pension liability	85,593	99,978
Total Noncurrent Liabilities	500,665	540,154
Total Liabilities	552,751	596,718
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	14,422	4,853
NET POSITION		
Net investment in capital assets	2,434,048	2,540,143
Unrestricted	857,569	693,235
Total Net Position	3,291,617	3,233,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,858,790	\$ 3,834,949

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 537,350	\$ 537,350	\$ 543,628	\$ 6,278	\$ 527,369
Access fees			4,200	4,200	6,300
Total Operating Revenues	<u>537,350</u>	<u>537,350</u>	<u>547,828</u>	<u>10,478</u>	<u>533,669</u>
Operating Expenses					
Salaries	119,265	119,265	112,318	6,947	107,641
Employee benefits and retirement	47,950	47,950	32,971	14,979	46,179
Supplies and minor equipment	31,500	31,500	17,043	14,457	28,481
Professional services	40,200	40,200	28,760	11,440	38,580
Communication	7,500	7,500	6,874	626	6,938
Transportation and training	4,000	4,000	3,523	477	2,858
Insurance	6,000	6,000	5,153	847	4,965
Utilities	35,000	35,000	34,865	135	34,004
Repairs and maintenance	138,000	138,000	99,853	38,147	52,530
Depreciation and amortization	44,283	44,283	143,562	(99,279)	144,468
Other			134	(134)	(7,768)
Total Operating Expenses	<u>473,698</u>	<u>473,698</u>	<u>485,056</u>	<u>(11,358)</u>	<u>458,876</u>
Operating Income	<u>63,652</u>	<u>63,652</u>	<u>62,772</u>	<u>(880)</u>	<u>74,793</u>
Nonoperating Revenues (Expenses)					
Interest income	1,000	1,000	244	(756)	(2,180)
Miscellaneous income	6,300	6,300	10,255	3,955	10,412
Interest and fiscal charges	(15,717)	(15,717)	(15,032)	685	(15,857)
Total Nonoperating Revenues (Expenses)	<u>(8,417)</u>	<u>(8,417)</u>	<u>(4,533)</u>	<u>3,884</u>	<u>(7,625)</u>
CHANGE IN NET POSITION	<u>55,235</u>	<u>55,235</u>	<u>58,239</u>	<u>3,004</u>	<u>67,168</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>3,233,378</u>	<u>3,233,378</u>	<u>3,233,378</u>		<u>3,166,210</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 3,288,613</u>	<u>\$ 3,288,613</u>	<u>\$ 3,291,617</u>	<u>\$ 3,004</u>	<u>\$ 3,233,378</u>

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 453,683	\$ 361,521
Accrued interest receivable	91	29
Accounts receivable	63,912	61,687
Accrued utility revenue	29,571	22,913
Special assessments-deferred		1,745
Prepaid expenses	1,310	1,379
Total Current Assets	548,567	449,274
Capital Assets		
Nondepreciable	28,700	28,700
Depreciable	3,831,063	3,778,284
Less: Accumulated depreciation	1,341,631	1,262,493
Capital Assets, Net	2,518,132	2,544,491
Total Assets	3,066,699	2,993,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	9,409	6,696
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 3,076,108	\$ 3,000,461
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 52,057	\$ 40,615
Accrued compensated absences	1,675	2,273
Total Current Liabilities	53,732	42,888
Noncurrent Liabilities		
Net pension liability	51,899	60,621
Total Liabilities	105,631	103,509
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	8,744	2,942
NET POSITION		
Net investment in capital assets	2,518,132	2,544,491
Unrestricted	443,601	349,519
Total Net Position	2,961,733	2,894,010
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
	\$ 3,076,108	\$ 3,000,461

**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, 2018**

With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 700,040	\$ 700,040	\$ 721,270	\$ 21,230	\$ 704,543
Access fee			20,640	20,640	30,960
Total Operating Revenues	<u>700,040</u>	<u>700,040</u>	<u>741,910</u>	<u>41,870</u>	<u>735,503</u>
Operating Expenses					
Purchased utilities	468,610	468,610	459,432	9,178	452,951
Salaries	79,600	79,600	67,051	12,549	66,909
Employee benefits and retirement	27,745	27,745	17,616	10,129	28,201
Supplies and minor equipment	6,400	6,400	4,109	2,291	4,817
Professional services	9,950	9,950	10,197	(247)	7,710
Communication	2,400	2,400	2,411	(11)	2,564
Transportation and training	3,000	3,000	6,065	(3,065)	3,000
Insurance	4,000	4,000	4,329	(329)	7,792
Utilities	4,000	4,000	649	3,351	632
Repairs and maintenance	88,000	88,000	23,953	64,047	15,763
Depreciation and amortization			79,138	(79,138)	76,783
Other	1,000	1,000	17	983	170
Total Operating Expenses	<u>694,705</u>	<u>694,705</u>	<u>674,967</u>	<u>19,738</u>	<u>667,292</u>
Operating Income	<u>5,335</u>	<u>5,335</u>	<u>66,943</u>	<u>61,608</u>	<u>68,211</u>
Nonoperating Revenues					
Interest income	500	500	780	280	596
Miscellaneous income					1,954
Total Nonoperating Revenues	<u>500</u>	<u>500</u>	<u>780</u>	<u>280</u>	<u>2,550</u>
CHANGE IN NET POSITION	<u>5,835</u>	<u>5,835</u>	<u>67,723</u>	<u>61,888</u>	<u>70,761</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>2,894,010</u>	<u>2,894,010</u>	<u>2,894,010</u>		<u>2,823,249</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 2,899,845</u>	<u>\$ 2,899,845</u>	<u>\$ 2,961,733</u>	<u>\$ 61,888</u>	<u>\$ 2,894,010</u>

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Position
 December 31, 2018 and 2017**

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 178,179	\$ 124,542
Accounts receivable	13,434	10,146
Accrued utility revenue	6,437	4,869
Total Current Assets	198,050	139,557
Capital Assets		
Depreciable	1,026,779	1,026,779
Less: Accumulated depreciation	189,903	164,937
Capital Assets, Net	836,876	861,842
Total Assets	\$ 1,034,926	\$ 1,001,399
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 7,877	\$
NET POSITION		
Net investment in capital assets	836,876	861,842
Unrestricted	190,173	139,557
Total Net Position	1,027,049	1,001,399
TOTAL LIABILITIES AND NET POSITION	\$ 1,034,926	\$ 1,001,399

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 154,245	\$ 154,245	\$ 153,130	\$ (1,115)	\$ 117,447
Operating Expenses					
Salaries			5,064	(5,064)	
Employee benefits and retirement			387	(387)	
Professional services	3,100	3,100	2,400	700	1,936
Depreciation			24,966	(24,966)	23,698
Repairs and maintenance	110,000	110,000	94,663	15,337	4,477
Total Operating Expenses	113,100	113,100	127,480	(14,380)	30,111
Operating Income	41,145	41,145	25,650	(15,495)	87,336
Nonoperating Revenues					
Interest income	100	100		(100)	38
CHANGE IN NET POSITION	41,245	41,245	25,650	(15,595)	87,374
TOTAL NET POSITION - BEGINNING OF YEAR	1,001,399	1,001,399	1,001,399		914,025
TOTAL NET POSITION - END OF YEAR	\$ 1,042,644	\$ 1,042,644	\$ 1,027,049	\$ (15,595)	\$ 1,001,399

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Position
 December 31, 2018 and 2017**

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 74,636	\$ 69,995
Accounts receivable	23,244	20,229
Accrued utility revenue	11,215	7,563
Total Current Assets	109,095	97,787
Capital Assets		
Depreciable	5,000	5,000
Less: Accumulated depreciation	1,417	917
Capital Assets, Net	3,583	4,083
Total Assets	\$ 112,678	\$ 101,870
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 18,185	\$ 20,795
NET POSITION		
Net investment in capital assets	3,583	4,083
Unrestricted	90,910	76,992
Total Net Position	94,493	81,075
TOTAL LIABILITIES AND NET POSITION	\$ 112,678	\$ 101,870

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Waste removal	\$ 218,990	\$ 218,990	\$ 223,971	\$ 4,981	\$ 216,516
Compost fees	13,500	13,500	20,393	6,893	13,683
Total Operating Revenues	232,490	232,490	244,364	11,874	230,199
Operating Expenses					
Waste Removal					
Garbage removal	212,220	212,220	216,939	(4,719)	206,840
Depreciation			500	(500)	500
City cleanup	11,500	11,500	7,705	3,795	7,919
Compost site expense	6,500	6,500	3,467	3,033	7,431
Other	1,600	1,600	2,335	(735)	3,543
Total Operating Expenses	231,820	231,820	230,946	874	226,233
Operating Income	670	670	13,418	12,748	3,966
Nonoperating Revenue					
Interest income	500	500		(500)	28
INCOME BEFORE TRANSFERS	1,170	1,170	13,418	12,248	3,994
Transfers out					(20,000)
CHANGE IN NET POSITION	1,170	1,170	13,418	12,248	(16,006)
TOTAL NET POSITION - BEGINNING OF YEAR	81,075	81,075	81,075		97,081
TOTAL NET POSITION - END OF YEAR	\$ 82,245	\$ 82,245	\$ 94,493	\$ 12,248	\$ 81,075

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
AMBULANCE FUND
Statement of Net Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 131,822	\$ 117,756
Accrued interest receivable	160	89
Accounts receivable	114,110	103,273
Prepaid expense	3,151	2,784
Total Current Assets	249,243	223,902
Capital Assets		
Depreciable	350,393	350,393
Less: Accumulated depreciation	315,071	307,252
Capital Assets, Net	35,322	43,141
Total Assets	284,565	267,043
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	9,778	7,316
Total Deferred Outflows of Resources	9,778	7,316
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 294,343	\$ 274,359
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,284	\$ 1,949
Noncurrent Liabilities		
Net pension liability	54,447	63,598
Total Liabilities	57,731	65,547
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	9,175	3,088
NET POSITION		
Net investment in capital assets	35,322	43,141
Unrestricted	192,115	162,583
Total Net Position	227,437	205,724
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 294,343	\$ 274,359

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, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance fees	\$ 205,500	\$ 205,500	\$ 189,744	\$ (15,756)	\$ 203,131
Total Operating Revenues	<u>205,500</u>	<u>205,500</u>	<u>189,744</u>	<u>(15,756)</u>	<u>203,131</u>
Operating Expenses					
Salaries	78,000	78,000	77,433	567	79,519
Employee benefits and retirement	21,100	21,100	19,294	1,806	25,197
Supplies and minor equipment	21,500	21,500	19,521	1,979	20,983
Professional services	12,000	12,000	10,562	1,438	10,694
Communication	3,000	3,000	3,843	(843)	3,760
Transportation and training	10,000	10,000	7,510	2,490	8,469
Insurance	3,000	3,000	2,433	567	2,796
Utilities	6,000	6,000	6,386	(386)	6,198
Repairs and maintenance	11,500	11,500	12,645	(1,145)	11,707
Depreciation			7,819	(7,819)	8,354
Bad debts			1,005	(1,005)	
Other	6,500	6,500	6,510	(10)	6,970
Total Operating Expenses	<u>172,600</u>	<u>172,600</u>	<u>174,961</u>	<u>(2,361)</u>	<u>184,647</u>
Operating Income	<u>32,900</u>	<u>32,900</u>	<u>14,783</u>	<u>(18,117)</u>	<u>18,484</u>
Nonoperating Revenues (Expenses)					
Interest income	500	500	663	163	595
Donations			2,397	2,397	14,200
Miscellaneous	2,000	2,000	275	(1,725)	
Calendar sales	10,000	10,000	18,595	8,595	17,163
Total Nonoperating Revenues (Expenses)	<u>12,500</u>	<u>12,500</u>	<u>21,930</u>	<u>9,430</u>	<u>31,958</u>
INCOME BEFORE TRANSFERS	<u>45,400</u>	<u>45,400</u>	<u>36,713</u>	<u>(8,687)</u>	<u>50,442</u>
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>		<u>(21,500)</u>
CHANGE IN NET POSITION	<u>30,400</u>	<u>30,400</u>	<u>21,713</u>	<u>(8,687)</u>	<u>28,942</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>205,724</u>	<u>205,724</u>	<u>205,724</u>		<u>176,782</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 236,124</u>	<u>\$ 236,124</u>	<u>\$ 227,437</u>	<u>\$ (8,687)</u>	<u>\$ 205,724</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2018

CASH ON HAND
Change funds \$ 3,439

CASH IN BANK
Bremer Bank
St. Charles, Minnesota:
General checking 2,991,389
Money Market 331,915

INVESTMENTS

	Rate	Amount	
<u>Merchants National Bank</u>			
Certificates of Deposit	1.0-1.6%	\$ 191,999	
<u>Wells Fargo</u>			
Municipal Bonds	2.77-3.26%	730,724	
U.S. Government Securities	2.47-2.69%	449,878	
Money Market Fund	2.28%	5,523	
TOTAL INVESTMENTS			1,378,124
TOTAL CASH AND INVESTMENTS, December 31, 2018			\$ 4,704,867

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2018**

Year	\$2,329,755 G.O. Improvement and Refunding Bonds, Series 2011A		
	Principal	Interest	Total
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
2023	46,322	23,479	69,801
Thereafter	539,095	110,992	650,087
Totals	\$ 1,199,824	\$ 260,447	\$ 1,460,271

Year	\$2,300,000 General Obligation Bonds, Series 2015A		
	Principal	Interest	Total
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
2023	75,000	62,291	137,291
Thereafter	1,810,000	633,133	2,443,133
Totals	\$ 2,170,000	\$ 966,413	\$ 3,136,413

Year	\$650,000 G.O. Street Construction Plan Bonds, Series 2018A		
	Principal	Interest	Total
2019	\$	\$ 22,858	\$ 22,858
2020	60,000	18,600	78,600
2021	60,000	16,800	76,800
2022	60,000	15,000	75,000
2023	60,000	13,200	73,200
Thereafter	410,000	37,950	447,950
Totals	\$ 650,000	\$ 124,408	\$ 774,408

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2018**

Year	\$55,000 Installment Promissory Note - Winona County		
	Principal	Interest	Total
2019	\$ 5,588	\$ 42	\$ 5,630
Totals	\$ 5,588	\$ 42	\$ 5,630

Year	\$105,077 Vehicle Lease Payable		
	Principal	Interest	Total
2019	\$ 20,452	\$ 1,890	\$ 22,342
2020	21,064	1,279	22,343
2021	21,694	649	22,343
Totals	\$ 63,210	\$ 3,818	\$ 67,028

Year	\$40,075 Equipment Lease Payable		
	Principal	Interest	Total
2019	\$ 7,599	\$ 985	\$ 8,584
2020	7,835	750	8,585
2021	8,077	507	8,584
2022	8,327	258	8,585
Totals	\$ 31,838	\$ 2,500	\$ 34,338

**CITY OF ST. CHARLES, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2018**

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

Year	Principal	Interest	Total
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
Totals	\$ 1,060,000	\$ 80,936	\$ 1,140,936

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

Year	Principal	Interest	Total
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
2023	28,678	11,322	40,000
Thereafter	305,905	54,095	360,000
Totals	\$ 440,176	\$ 119,824	\$ 560,000

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MINNESOTA LEGAL COMPLIANCE
Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of St. Charles, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, and have issued our report thereon dated June 20, 2019.

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 these specified parties.

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
June 20, 2019