

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

CITY OF ST. CHARLES, MINNESOTA

**FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2010**

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
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CITY OF ST. CHARLES, MINNESOTA
INTRODUCTORY SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

William J. Spitzer	Mayor
John Schaber	Council/Mayor Pro-Tem
Wayne Getz	Council
David Braun	Council
Orv Dahl	Council
Nick Koverman	Clerk Administrator
Kristine Huinker	Accountant
Janell Dahl	Deputy Clerk

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL SECTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

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

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 City of St. Charles, Minnesota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated April 9, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the City of St. Charles, Minnesota as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Charles, Minnesota's basic financial statements. 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 basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 7, 2011

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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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$18,157,069 (*net assets*). Of this amount, \$3,781,039 (unrestricted net assets) 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 assets increased by \$715,717.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,729,466. Approximately 93% of this total amount, or \$1,604,264 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$610,228 or 51% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The *statement of net assets* presents information on all of the City of St. Charles, Minnesota's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, waste management utilities and ambulance services. The government-wide financial statements can be found on pages 13-15 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 twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development special revenue fund and the capital improvements fund all of which are considered to be major funds. Data from the other nineteen 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 22-26) and the special revenue funds (page 27 and 61-65) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 16-19 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 the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 36 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 57-60 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 assets 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 \$18,157,069 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Charles, Minnesota's net assets (79%) 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 Assets

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
Current and other assets	\$ 1,888,788	\$ 2,364,135	\$ 4,252,923	\$ 4,021,014
Capital assets	<u>7,404,871</u>	<u>12,301,010</u>	<u>19,705,881</u>	<u>19,924,287</u>
Total assets	<u>9,293,659</u>	<u>14,665,145</u>	<u>23,958,804</u>	<u>23,945,301</u>
Long-term liabilities				
outstanding	1,727,872	3,708,232	5,436,104	6,051,914
Other liabilities	<u>99,908</u>	<u>265,723</u>	<u>365,631</u>	<u>452,035</u>
Total liabilities	<u>1,827,780</u>	<u>3,973,955</u>	<u>5,801,735</u>	<u>6,503,949</u>
Net assets:				
Invested in capital assets,				
net of related debt	5,676,999	8,592,778	14,269,777	13,872,373
Restricted	106,253		106,253	154,028
Unrestricted	<u>1,682,627</u>	<u>2,098,412</u>	<u>3,781,039</u>	<u>3,414,951</u>
Total net assets	<u>\$ 7,465,879</u>	<u>\$ 10,691,190</u>	<u>\$ 18,157,069</u>	<u>\$ 17,441,352</u>

The balance of *unrestricted net assets* (\$3,781,039) 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 assets, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of St. Charles, Minnesota's net assets by \$278,115. The most significant change in governmental net assets is due to the effect of accounting for net assets 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 assets.

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

Business-type activities. Business-type activities increased the City of St. Charles, Minnesota's net assets by \$437,602. The City's electric, water and sewer utilities contributed the most significant portion of that increase, or \$379,872.

A condensed version of the Statement of Activities follows:

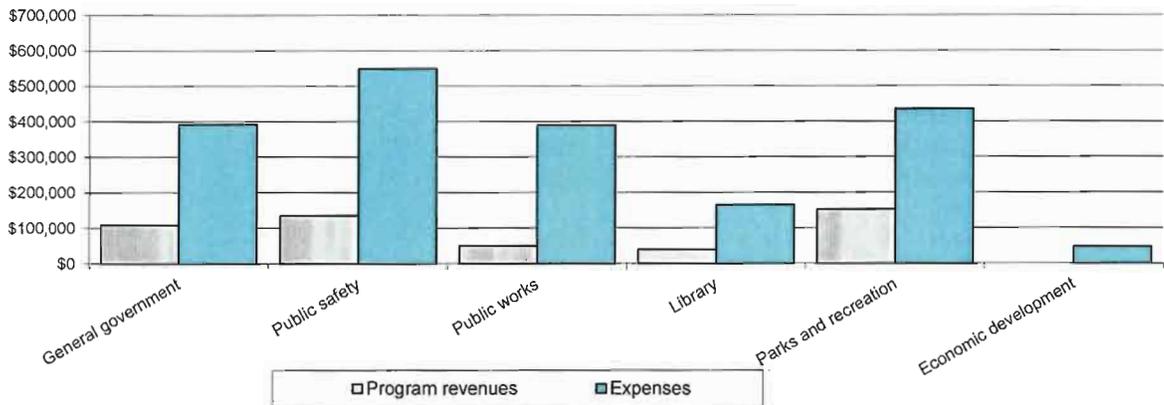
City of St. Charles, Minnesota's Change in Net Assets

	Governmental	Business-Type	Totals	
	Activities	Activities	2010	2009
Revenue:				
Program revenues:				
Charges for services	\$ 233,999	\$ 4,441,527	\$ 4,675,526	\$ 4,493,062
Operating grants and contributions	120,250	19,311	139,561	128,096
Capital grants and contributions	129,369		129,369	231,391
General revenues:				
Property taxes	731,841		731,841	660,985
TIF proceeds	180,688		180,688	174,462
Franchise fees	48,680		48,680	47,311
Grants and contributions not restricted to specific programs	790,083		790,083	939,203
Other	(9,185)	26,413	17,228	81,829
Total revenues	<u>2,225,725</u>	<u>4,487,251</u>	<u>6,712,976</u>	<u>6,756,339</u>
Expenses:				
General government	391,299		391,299	421,424
Public safety	548,254		548,254	585,688
Public works	389,492		389,492	404,477
Library	165,078		165,078	151,772
Parks and recreation	434,920		434,920	622,651
Economic development	46,453		46,453	31,036
Interest on long-term debt	80,517		80,517	85,916
Electric		2,621,268	2,621,268	2,577,311
Water		374,720	374,720	357,568
Sewer		518,321	518,321	463,422
Storm water drainage		24,584	24,584	31,229
Waste management		173,606	173,606	165,768
Ambulance		228,747	228,747	163,034
Total expenses	<u>2,056,013</u>	<u>3,941,246</u>	<u>5,997,259</u>	<u>6,061,296</u>
Increase in net assets before transfers	169,712	546,005	715,717	695,043
Transfers	108,403	(108,403)		
Increase in net assets	278,115	437,602	715,717	695,043
Net assets, beginning of year	7,187,764	10,253,588	17,441,352	16,746,309
Net assets, end of year	<u>\$ 7,465,879</u>	<u>\$ 10,691,190</u>	<u>\$ 18,157,069</u>	<u>\$ 17,441,352</u>

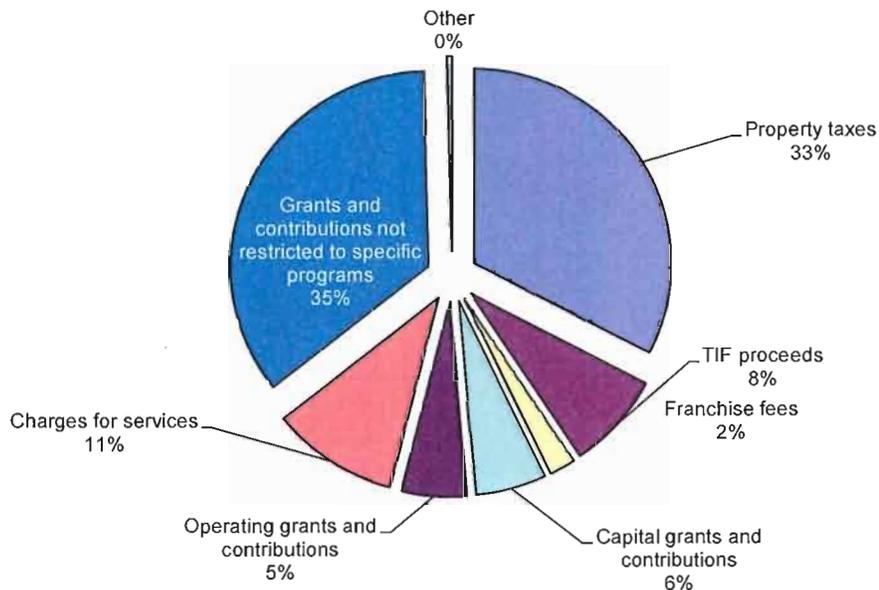
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



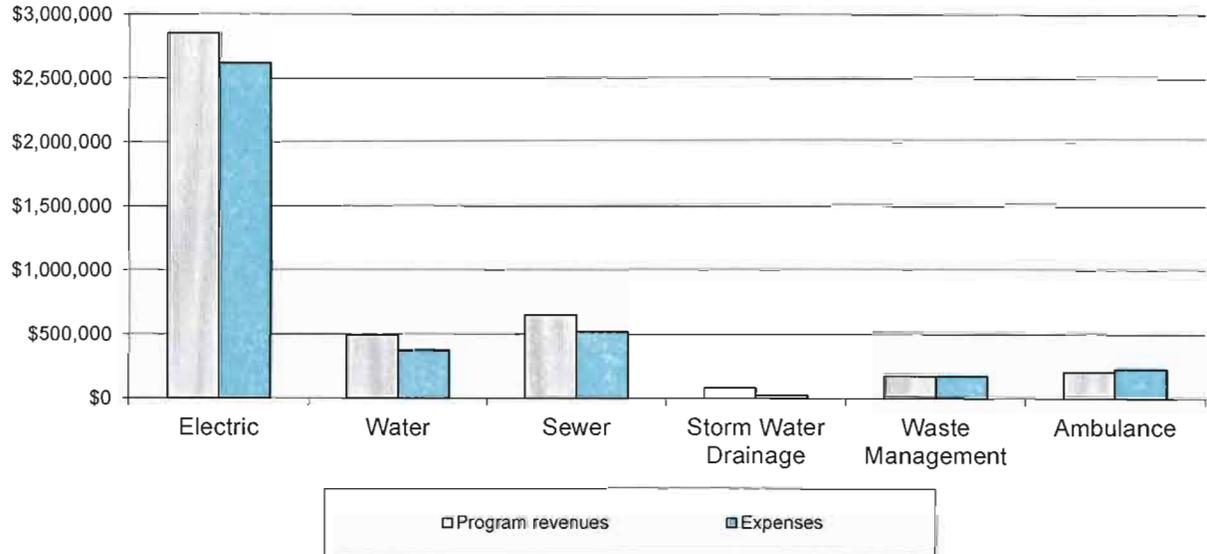
Revenues by Source - Governmental Activities



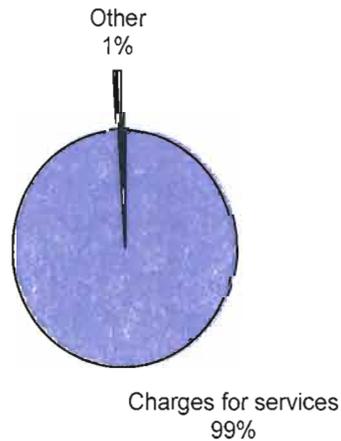
**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,729,466, an increase of \$155,566. Approximately 93% of this total amount, or \$1,604,264, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unreserved fund balance of the general fund was \$610,228. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 51% of total general fund expenditures.

The general fund's total fund balance increased by \$129,814 during the current fiscal year. This year's increase was primarily due to Police Aid revenue increase (\$12,027) and Governor Pawlenty and the legislature were discussing additional cuts to LGA which did not occur. The City prepared for over \$70,000 in cuts to Local Government Aid in December. It was decided by the legislature and Governor to not follow through; however, the Council maintained the cuts, thereby contributing to the unreserved fund balance.

The economic development fund increased its fund balance by \$4,309 due to a separate planned property tax levy. Previously the City levied for economic development through the general fund and transferred those property tax revenues. This change to a separate planned property tax levy makes the use of those dollars more transparent.

The capital improvement fund decreased its fund balance by \$1,213 for the year, and ended the year with a balance of \$208,836. This year's decrease was primarily due to the United Church of Christ construction project, in which the City received a grant from the Minnesota Department of Employment and Economic Development (DEED) to help offset construction costs. The total project cost was \$90,653; the City was responsible for fifty percent (\$45,326) of the cost of the project. However, as a partnership with the St. Charles School District 25 percent of the City's share was reimbursed by the District.

The debt service funds have a total fund balance of \$106,253 all of which is reserved for the payment of debt service on outstanding bonds and notes payable, including tax increment bonds.

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 unrestricted assets in the respective proprietary funds are Electric - \$1,169,977, Water - \$484,931, Sewer - \$234,927, Storm Water - \$7,247, Waste Management - \$36,842, Ambulance - \$164,488.

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

Proprietary funds (continued). Rates increased in the Electric, Water, Sewer, Storm Water and Waste Management proprietary funds during 2010 in order to maintain infrastructure and allow for future improvements. As part of the state mandated conservation improvement program (1.5 percent of gross revenues), \$100,000 of electric proprietary funds were budgeted and saved in 2009 to expend during the 2010 calendar year for electric reduction programs. This will be on an annual ongoing program as mandated by the State of Minnesota. However, after the loss North Star Foods in 2009, our anticipated savings will be reduced based on total gross revenues.

The Ambulance proprietary fund experienced a substantial increase in bad debt account write offs (\$46,515), which caused the fund to experience a fund decrease for 2010.

General Fund Budgetary Highlights

The City amended its budget to recognize additional unplanned obligations during the year and offset this somewhat with additional revenue sources.

Differences between the original budget and the final budget for the general fund can be briefly summarized as follows:

- A full time administrative staff position was vacated in April 2010; this position was unfilled from May – July 2010.
- Department heads were successful in reducing their budgeted expenditures by 5% per department in order to prepare for possible future LGA cuts.

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, 2010, amounts to \$19,705,881 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles reported a decrease in it's investment in capital assets for the current fiscal year of \$218,406.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
Land	\$ 1,043,289	\$ 142,189	\$ 1,185,478	\$ 1,185,478
Construction in process	13,234		13,234	
Buildings and improvements	2,253,335	4,711,461	6,964,796	7,085,064
Machinery and equipment	606,682	7,447,360	8,054,042	8,193,407
Infrastructure	3,488,331		3,488,331	3,460,338
Total	\$ 7,404,871	\$ 12,301,010	\$ 19,705,881	\$ 19,924,287

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 46-47 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$5,535,697 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of St. Charles, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
General obligation bonds	\$ 1,430,000	\$	\$ 1,430,000	\$ 1,573,000
General obligation tax increment bonds	265,000		265,000	305,000
General obligation revenue bonds		3,700,000	3,700,000	4,115,000
Notes payable	65,214	75,483	140,697	173,661
Total	\$ 1,760,214	\$ 3,775,483	\$ 5,535,697	\$ 6,166,661

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$630,964 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 50.

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.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City of St. Charles, Minnesota's budget for the 2011 fiscal year. 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 6.6 percent in 2010. This rate is lower than the State's average of 7.4 percent and the national average rate of 10.2 percent.
- As of the 2010 Census, City of St. Charles, Minnesota's population is 3,735 people. Since 2000, it has had a population growth of 11 percent.
- Compared to the rest of the country, City of St. Charles, Minnesota's cost of living is 14.2 percent lower than the U.S. average.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 63 percent of its General Fund revenues. Due to recent budget cuts at the state level, the City has taken measures to adjust its 2010 budget to reflect the effects of this change.

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

Economic Factors and Next Year's Budgets and Rates (Continued)

- In April of 2009 North Star Foods, LLC suffered a fire which resulted in a total loss of the business. At the time North Star Foods was the City's largest consumer of electric, water, and sewer as well as its largest employer with 250 employees. To adjust for the losses, budgets and capital improvement projects were immediately frozen or cut to try and offset the anticipated losses. City Council elected not to raise rates to offset any losses until the company made a final determination of whether they would rebuild or not. In January of 2010 the company announced it would not rebuild. A blend of new rates and past operating reductions were adopted to help offset losses. With the loss of North Star Foods, the City will continue to evaluate the economic impact and long term viability and sustainability of its enterprise and general operating funds. After working with its financial advisors, recommended rate increases were made in January of 2010 and 2011 in order to maintain the City's financial obligations.

Requests for Information

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

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CITY OF ST. CHARLES, MINNESOTA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2010
With Comparative Totals for December 31, 2009

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
ASSETS				
Cash and investments	\$ 1,751,641	\$ 1,253,037	\$ 3,004,678	\$ 2,830,669
Receivables (net of allowance for uncollectibles)	156,002	661,463	817,465	793,857
Internal balances	(80,451)	80,451		
Due from other governmental units	42,647		42,647	36,320
Inventory		356,691	356,691	332,720
Prepaid items	18,949	12,493	31,442	27,448
Capital assets:				
Nondepreciable	1,056,523	142,189	1,198,712	1,185,478
Depreciable, net	6,348,348	12,158,821	18,507,169	18,738,809
Total Assets	<u>9,293,659</u>	<u>14,665,145</u>	<u>23,958,804</u>	<u>23,945,301</u>
LIABILITIES				
Accounts payable	42,212	206,509	248,721	328,537
Deposits payable		17,350	17,350	18,250
Accrued interest payable	30,545	23,454	53,999	63,371
Unearned revenue		3,365	3,365	682
Accrued compensated absences	27,151	15,045	42,196	41,195
Noncurrent liabilities:				
Due within one year	191,960	441,919	633,879	661,269
Due in more than one year	1,535,912	3,266,313	4,802,225	5,390,645
Total Liabilities	<u>1,827,780</u>	<u>3,973,955</u>	<u>5,801,735</u>	<u>6,503,949</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,676,999	8,592,778	14,269,777	13,872,373
Restricted for:				
Debt service	106,253		106,253	154,028
Unrestricted	1,682,627	2,098,412	3,781,039	3,414,951
Total Net Assets	<u>\$ 7,465,879</u>	<u>\$ 10,691,190</u>	<u>\$ 18,157,069</u>	<u>\$ 17,441,352</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

<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	\$ 391,299	\$ 42,481	\$ 15,946	\$ 50,000
Public safety	548,254	68,636	66,476	
Public works	389,492	625	3,608	45,436
Library	165,078	4,098	34,220	3
Parks and recreation	434,920	118,159		33,930
Economic development	46,453			
Interest on long-term debt	80,517			
Total governmental activities	<u>2,056,013</u>	<u>233,999</u>	<u>120,250</u>	<u>129,369</u>
Business-Type activities:				
Electric	2,621,268	2,855,510		
Water	374,720	495,581		
Sewer	518,321	648,993		
Storm water drainage	24,584	82,589		
Waste management	173,606	173,857		
Ambulance	228,747	184,997	19,311	
Total business-type activities	<u>3,941,246</u>	<u>4,441,527</u>	<u>19,311</u>	
Total	<u>\$ 5,997,259</u>	<u>\$ 4,675,526</u>	<u>\$ 139,561</u>	<u>\$ 129,369</u>

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

Change in net assets
Net assets - beginning
Net assets - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2010	2009
\$ (282,872)		\$ (282,872)	\$ (369,147)
(413,142)		(413,142)	(411,691)
(339,823)		(339,823)	(377,587)
(126,757)		(126,757)	(117,525)
(282,831)		(282,831)	(318,959)
(46,453)		(46,453)	(31,036)
(80,517)		(80,517)	(85,916)
<u>(1,572,395)</u>		<u>(1,572,395)</u>	<u>(1,711,861)</u>
	\$ 234,242	234,242	187,445
	120,861	120,861	59,813
	130,672	130,672	143,233
	58,005	58,005	74,495
	251	251	6,754
	<u>(24,439)</u>	<u>(24,439)</u>	<u>31,374</u>
	519,592	519,592	503,114
<u>(1,572,395)</u>	<u>519,592</u>	<u>(1,052,803)</u>	<u>(1,208,747)</u>
731,841		731,841	660,985
180,688		180,688	174,462
48,680		48,680	47,311
790,083		790,083	939,203
20,824	26,413	47,237	78,253
7,214		7,214	3,576
(37,223)		(37,223)	
108,403	(108,403)		
<u>1,850,510</u>	<u>(81,990)</u>	<u>1,768,520</u>	<u>1,903,790</u>
278,115	437,602	715,717	695,043
<u>7,187,764</u>	<u>10,253,588</u>	<u>17,441,352</u>	<u>16,746,309</u>
<u>\$ 7,465,879</u>	<u>\$ 10,691,190</u>	<u>\$ 18,157,069</u>	<u>\$ 17,441,352</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

CITY OF ST. CHARLES, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
With Comparative Totals for December 31, 2009

	10 General	34 Economic Development	25 Capital Improvements Fund
ASSETS			
Cash and investments	\$ 614,329	\$ 83,372	\$ 259,255
Accounts receivable	12,301		22,723
Loans and contracts receivable		90,381	
Taxes receivable delinquent	3,916	26	6,395
Special assessments receivable: Deferred	4,403		2,821
Due from other funds			
Due from other governmental units	2,033	456	2,812
Advances from other funds			
Prepaid items	14,207		
TOTAL ASSETS	\$ 651,189	\$ 174,235	\$ 294,006
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 15,474		\$ 11,823
Due to other funds			
Due to other governmental units	2,962	642	4,130
Advances from other funds		20,451	60,000
Deferred revenue	8,318	90,406	9,217
Total Liabilities	26,754	111,499	85,170
Fund Balance:			
Reserved for:			
Advances			
Prepaid items	14,207		
Debt service			
Unreserved, designated	27,151	62,736	208,836
Unreserved, undesignated, reported in:			
General fund	583,077		
Special revenue funds			
Total Fund Balance	624,435	62,736	208,836
TOTAL LIABILITIES AND FUND BALANCE	\$ 651,189	\$ 174,235	\$ 294,006

See Notes to the Financial Statements

FORM B-1

Other Governmental Funds	Total Governmental Funds	
	2010	2009
\$ 794,685	\$ 1,751,641	\$ 1,565,966
3,868	38,892	52,571
	90,381	100,469
9,168	19,505	18,568
	7,224	8,910
		15,891
50,632	55,933	36,320
		50,000
4,742	18,949	16,740
<u>\$ 863,095</u>	<u>\$ 1,982,525</u>	<u>\$ 1,865,435</u>
\$ 14,915	\$ 42,212	\$ 39,981
		15,891
5,552	13,286	
	80,451	107,718
9,169	117,110	127,945
<u>29,636</u>	<u>253,059</u>	<u>291,535</u>
		50,000
4,742	18,949	16,740
106,253	106,253	154,028
571,731	870,454	668,309
	583,077	481,377
150,733	150,733	203,446
<u>833,459</u>	<u>1,729,466</u>	<u>1,573,900</u>
<u>\$ 863,095</u>	<u>\$ 1,982,525</u>	<u>\$ 1,865,435</u>

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

For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	10 General	34 Economic Development	25 Capital Improvements Fund
REVENUES			
Property taxes	\$ 161,977	\$	\$ 228,032
Property taxes - Special EDA taxing district		35,935	
Tax increments			
Special assessments	688		1,110
Licenses and permits	34,003		
Fines and forfeits	12,696		
Intergovernmental revenues	799,782		104,353
Charges for services	171,732		
Interest income	6,798	4,769	2,093
Donations			
Loan repayment		19,787	
Miscellaneous revenues	3,914		33,930
TOTAL REVENUES	1,191,590	60,491	369,518
EXPENDITURES			
Current			
General government	273,647		2,850
Public safety	376,269		
Public works	227,853		
Library			
Parks and recreation	323,489		
Economic development		56,182	
Capital Outlay			269,045
Debt Service			
TOTAL EXPENDITURES	1,201,258	56,182	271,895
Excess (deficiency) of revenues over (under) expenditures	(9,668)	4,309	97,623
OTHER FINANCING SOURCES (USES)			
Refund of unused tax increments			
Issuance of debt			
Transfers in	145,982		
Transfers out	(6,500)		(98,836)
TOTAL OTHER FINANCING SOURCES (USES)	139,482		(98,836)
Net change in fund balances	129,814	4,309	(1,213)
FUND BALANCES, beginning	494,621	58,427	210,049
FUND BALANCES, ending	\$ 624,435	\$ 62,736	\$ 208,836

See Notes to the Financial Statements

FORM B-2

Other Governmental Funds	Total Governmental Funds	
	2010	2009
\$ 304,099	\$ 694,108	\$ 624,317
	35,935	34,634
180,688	180,688	174,462
	1,798	2,017
	34,003	29,558
	12,696	9,887
67,557	971,692	1,195,663
55,765	227,497	272,671
7,164	20,824	36,388
28,286	28,286	24,860
	19,787	22,712
12,321	50,165	46,716
<u>655,880</u>	<u>2,277,479</u>	<u>2,473,885</u>
44,422	320,919	335,059
217,647	593,916	515,055
	227,853	235,909
133,883	133,883	120,577
	323,489	358,463
	56,182	31,036
27,953	296,998	486,556
319,853	319,853	277,432
<u>743,758</u>	<u>2,273,093</u>	<u>2,360,087</u>
<u>(87,878)</u>	<u>4,386</u>	<u>113,798</u>
(37,223)	(37,223)	
80,000	80,000	
203,758	349,740	183,487
<u>(136,001)</u>	<u>(241,337)</u>	<u>(86,987)</u>
<u>110,534</u>	<u>151,180</u>	<u>96,500</u>
22,656	155,566	210,298
810,803	1,573,900	1,363,602
<u>\$ 833,459</u>	<u>\$ 1,729,466</u>	<u>\$ 1,573,900</u>

CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2010

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

Total governmental fund balances (page 17)		\$ 1,729,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 11,503,371	
Less: Accumulated depreciation	(4,098,500)	7,404,871
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 19,505	
Deferred special assessments	7,224	
Contracts receivable	90,381	117,110
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	\$ (1,760,214)	
Compensated absences	(27,151)	
Accrued interest	(30,545)	
Unamortized bond issuance costs	32,342	(1,785,568)
Net assets of governmental activities (page 13)		\$ 7,465,879

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2010

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

Net change in fund balances - total governmental funds (page 19)	\$	155,566
<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	\$	361,289
Depreciation expense		<u>(393,274)</u>
		(31,985)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets</p>		
Other		(156)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue December 31, 2010	\$	117,110
Deferred revenue December 31, 2009		<u>(127,945)</u>
		(10,835)
<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, 2010	\$	27,151
Compensated absences, December 31, 2009		<u>(27,073)</u>
		78
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$	239,350
Issuance of debt		(80,000)
Change in accrued interest		<u>6,097</u>
		<u>165,447</u>
Change in net assets of governmental activities (pages 15)	\$	<u><u>278,115</u></u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 161,647	\$ 161,647	\$ 161,977	\$ 330	\$ 98,693
Special Assessments	5,000	5,000	688	(4,312)	736
Licenses and Permits					
Business and nonbusiness licenses	10,800	10,800	12,303	1,503	6,208
Building permits	20,000	20,000	21,700	1,700	23,350
Total Licenses and Permits	30,800	30,800	34,003	3,203	29,558
Intergovernmental Revenues					
Local government aid	757,339	700,010	757,339	57,329	856,623
Market value credit	15,952	15,952	6,396	(9,556)	15,952
Police aid	18,000	18,000	30,027	12,027	28,910
PERA aid	2,412	2,412	2,412		2,412
Highway	5,000	5,000	3,608	(1,392)	8,330
FEMA grant					18,440
Total Intergovernmental Revenues	798,703	741,374	799,782	58,408	930,667
Charges For Services					
Street	500	500	625	125	120
Swimming pool	71,700	71,700	79,632	7,932	78,409
Park and recreation	41,000	41,000	38,527	(2,473)	35,394
Cable franchise fees	30,000	30,000	31,789	1,789	30,472
Senior center rental	3,000	3,000	4,268	1,268	3,857
Natural gas franchise fees	16,500	16,500	16,891	391	16,839
Other					254
Total Charges For Services	162,700	162,700	171,732	9,032	165,345
Fines and Forfeits					
Court fines and other	10,000	10,000	12,696	2,696	9,887
Interest Income					
	7,000	7,000	6,798	(202)	16,968
Miscellaneous Revenues					
Other	1,450	1,450	3,914	2,464	4,242
TOTAL REVENUES	\$ 1,177,300	\$ 1,119,971	\$ 1,191,590	\$ 71,619	\$ 1,256,096

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 27,400	\$ 24,400	\$ 24,018	\$ 382	\$ 26,828
Transportation and training	2,000	2,000	1,473	527	2,298
Printing and publication	300	300		300	80
Total Mayor and Council	<u>29,700</u>	<u>26,700</u>	<u>25,491</u>	<u>1,209</u>	<u>29,206</u>
Election and Voter Registration	<u>3,945</u>	<u>3,945</u>	<u>3,075</u>	<u>870</u>	
General and Financial Administration					
Salaries	78,659	73,074	74,518	(1,444)	74,143
Employee benefits and retirement	21,938	21,938	21,640	298	20,754
Supplies and minor equipment	7,000	7,000	6,141	859	6,990
Communication	5,000	5,000	4,760	240	5,071
Transportation and training	3,000	3,000	4,355	(1,355)	2,588
Insurance	5,700	5,700	4,258	1,442	4,754
Repairs and maintenance	7,500	7,500	9,282	(1,782)	8,024
Assessor	15,000	15,000	16,420	(1,420)	16,200
Accounting and audit	9,000	9,000	8,290	710	8,880
Legal	18,000	18,000	14,476	3,524	16,415
Planning and zoning	2,000	2,000	53	1,947	1,000
Building inspection	20,000	20,000	20,818	(818)	26,091
Other professional services	5,800	4,800	3,491	1,309	2,940
Memberships	10,500	10,500	10,704	(204)	10,414
Other	14,606	14,606	15,730	(1,124)	19,077
Total General and Financial Administration	<u>223,703</u>	<u>217,118</u>	<u>214,936</u>	<u>2,182</u>	<u>223,341</u>
City Hall					
Salaries	4,500	4,500	2,190	2,310	2,598
Employee benefits and retirement	450	450	180	270	339
Supplies and minor equipment	1,000	1,000	1,939	(939)	1,876
Insurance	1,000	1,000	872	128	861
Utilities	17,250	17,250	17,087	163	17,250
Repairs and maintenance	6,000	6,000	7,877	(1,877)	8,063
Total City Hall	<u>30,200</u>	<u>30,200</u>	<u>30,145</u>	<u>55</u>	<u>30,987</u>
Total General Government	<u>\$ 287,548</u>	<u>\$ 277,963</u>	<u>\$ 273,647</u>	<u>\$ 4,316</u>	<u>\$ 283,534</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 233,728	\$ 233,728	\$ 249,521	\$ (15,793)	\$ 239,280
Employee benefits and retirement	69,986	66,986	73,912	(6,926)	72,584
Supplies and minor equipment	20,850	18,100	22,644	(4,544)	15,348
Professional services	10,150	6,650	4,274	2,376	7,658
Communication	6,100	3,600	4,015	(415)	4,070
Transportation and training	4,000	3,000	2,880	120	2,544
Printing and publication	200	200	62	138	192
Insurance	7,000	7,000	5,273	1,727	5,117
Repairs and maintenance	10,050	8,050	7,633	417	12,239
Other	4,750	4,750	6,055	(1,305)	4,568
Total Police Department	<u>366,814</u>	<u>352,064</u>	<u>376,269</u>	<u>(24,205)</u>	<u>363,600</u>
Total Public Safety	<u>366,814</u>	<u>352,064</u>	<u>376,269</u>	<u>(24,205)</u>	<u>363,600</u>
Public Works					
Street Department					
Salaries	90,462	90,462	92,815	(2,353)	90,685
Employee benefits and retirement	35,477	35,477	33,859	1,618	35,480
Supplies and minor equipment	15,750	15,750	14,753	997	12,937
Professional services	1,500	1,500		1,500	903
Communication	800	800	834	(34)	1,234
Transportation and training	1,500	1,500	1,302	198	2,097
Printing and publication	100	100		100	
Insurance	6,000	6,000	4,957	1,043	4,949
Utilities	6,500	6,500	5,186	1,314	5,445
Repairs and maintenance	82,330	77,330	74,147	3,183	82,144
Other	150	150		150	35
Total Public Works	<u>\$ 240,569</u>	<u>\$ 235,569</u>	<u>\$ 227,853</u>	<u>\$ 7,716</u>	<u>\$ 235,909</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 83,763	\$ 81,608	\$ 83,986	\$ (2,378)	\$ 81,569
Employee benefits and retirement	18,184	18,184	18,526	(342)	16,443
Supplies and minor equipment	500				292
Communication	2,000	2,000	2,341	(341)	2,054
Transportation and training	3,100	2,000	2,211	(211)	2,541
Insurance	3,000	3,000	1,875	1,125	2,486
Repairs and maintenance	700	700	629	71	
Recreation programs	23,500	20,000	16,208	3,792	22,696
Other	1,975	1,975	2,185	(210)	3,113
Total Recreation	<u>136,722</u>	<u>129,467</u>	<u>127,961</u>	<u>1,506</u>	<u>131,194</u>
Swimming Pool Program					
Salaries	48,500	42,075	48,542	(6,467)	55,186
Employee benefits and retirement	6,060	6,060	5,682	378	6,297
Supplies and minor equipment	18,800	18,800	17,527	1,273	18,769
Communication	500	500	484	16	498
Transportation and training	2,500	1,500	1,228	272	700
Insurance	9,000	9,000	6,787	2,213	7,021
Utilities	22,000	22,000	14,951	7,049	18,623
Repairs and maintenance	10,500	10,500	9,792	708	8,819
Other	4,000	4,000	3,804	196	3,991
Total Swimming Pool Program	<u>121,860</u>	<u>114,435</u>	<u>108,797</u>	<u>5,638</u>	<u>119,904</u>
Parks					
Salaries	26,873	25,113	25,972	(859)	26,843
Employee benefits and retirement	8,413	8,278	9,091	(813)	8,829
Supplies and minor equipment	6,950	5,850	4,120	1,730	6,155
Communication	500	500	295	205	350
Transportation and training	400		844	(844)	20
Printing and publication	200				
Insurance	3,200	3,200	2,466	734	2,791
Repairs and maintenance	23,975	21,675	22,662	(987)	35,641
Other	1,400	1,400	1,346	54	1,542
Total Parks	<u>\$ 71,911</u>	<u>\$ 66,016</u>	<u>\$ 66,796</u>	<u>\$ (780)</u>	<u>\$ 82,171</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 57	\$ 43	\$ 57
Repairs and maintenance	12,500	7,500	5,695	1,805	14,391
Other	2,500	2,500	3,206	(706)	349
Total Forestry	<u>15,100</u>	<u>10,100</u>	<u>8,958</u>	<u>1,142</u>	<u>14,797</u>
Senior Citizens Center					
Insurance	820	820	693	127	659
Utilities	8,000	8,000	8,869	(869)	8,135
Repairs and maintenance	1,500	1,500	1,415	85	1,603
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>10,977</u>	<u>(657)</u>	<u>10,397</u>
Total Parks and Recreation	<u>355,913</u>	<u>330,338</u>	<u>323,489</u>	<u>6,849</u>	<u>358,463</u>
TOTAL EXPENDITURES	<u>1,250,844</u>	<u>1,195,934</u>	<u>1,201,258</u>	<u>(5,324)</u>	<u>1,241,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,544)</u>	<u>(75,963)</u>	<u>(9,668)</u>	<u>66,295</u>	<u>14,590</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	111,500	153,782	145,982	(7,800)	96,500
Transfers out	(6,500)	(6,500)	(6,500)		(6,500)
Total Other Financing Sources (Uses)	<u>105,000</u>	<u>147,282</u>	<u>139,482</u>	<u>(7,800)</u>	<u>90,000</u>
Net change in fund balances	31,456	71,319	129,814	58,495	104,590
FUND BALANCES, beginning	<u>494,621</u>	<u>494,621</u>	<u>494,621</u>		<u>390,031</u>
FUND BALANCES, ending	<u>\$ 526,077</u>	<u>\$ 565,940</u>	<u>\$ 624,435</u>	<u>\$ 58,495</u>	<u>\$ 494,621</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
ECONOMIC DEVELOPMENT FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 41,000	\$ 41,000	\$ 35,935	\$ (5,065)	\$ 34,634
Interest Income	3,650	3,650	4,769	1,119	5,987
Loan Repayment	20,572	20,572	19,787	(785)	22,712
TOTAL REVENUES	<u>65,222</u>	<u>65,222</u>	<u>60,491</u>	<u>(4,731)</u>	<u>63,333</u>
EXPENDITURES					
Economic Development					
Professional services	32,403	32,403	45,264	(12,861)	31,036
Office supplies			252	(252)	
Revolving loans	4,267	4,267	10,000	(5,733)	
Other			666	(666)	
TOTAL EXPENDITURES	<u>36,670</u>	<u>36,670</u>	<u>56,182</u>	<u>(19,512)</u>	<u>31,036</u>
Net change in fund balances	28,552	28,552	4,309	(24,243)	32,297
FUND BALANCES, beginning	<u>58,427</u>	<u>58,427</u>	<u>58,427</u>		<u>26,130</u>
FUND BALANCES, ending	<u>\$ 86,979</u>	<u>\$ 86,979</u>	<u>\$ 62,736</u>	<u>\$ (24,243)</u>	<u>\$ 58,427</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2010
With Comparative Totals for December 31, 2009

	Business-Type Activities - Enterprise Funds			
	70 Electric	71 Water	72 Sewer	73 Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 620,362	\$ 346,071	\$ 116,010	\$
Accounts receivable, net	260,830	87,189	142,026	7,431
Accrued utility revenue	92,975	4,812	13,016	2,691
Special assessments-deferred		1,406	1,940	
Taxes receivable-delinquent				
Advances to other funds	40,451	40,000		
Inventory	336,658	20,033		
Prepaid expenses	8,410	1,981	200	
Total Current Assets	<u>1,359,686</u>	<u>501,492</u>	<u>273,192</u>	<u>10,122</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	9,095,472	4,251,572	3,279,774	543,725
Less: Accumulated depreciation	2,705,422	1,691,482	756,105	34,136
Net Capital Assets	<u>6,503,539</u>	<u>2,560,090</u>	<u>2,552,369</u>	<u>509,589</u>
Total Assets	<u>\$ 7,863,225</u>	<u>\$ 3,061,582</u>	<u>\$ 2,825,561</u>	<u>\$ 519,711</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 180,000	\$ 122,850	\$ 122,150	\$
Current maturities of notes payable				
Accounts payable	162,599	8,191	29,969	2,875
Deferred revenue		1,406	1,940	
Customer deposits	17,350			
Accrued interest payable	9,760	6,964	6,356	
Total Current Liabilities	<u>369,709</u>	<u>139,411</u>	<u>160,415</u>	<u>2,875</u>
Noncurrent Liabilities				
Notes payable, net of current maturities				
Bonds payable, net of current maturities	2,615,000	339,250	320,750	
Less: Unamortized bond discount	(50,657)	(8,555)	(8,039)	
Total Noncurrent Liabilities	<u>2,564,343</u>	<u>330,695</u>	<u>312,711</u>	
Total Liabilities	<u>2,934,052</u>	<u>470,106</u>	<u>473,126</u>	<u>2,875</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,759,196	2,106,545	2,117,508	509,589
Unrestricted	1,169,977	484,931	234,927	7,247
Total Net Assets	<u>4,929,173</u>	<u>2,591,476</u>	<u>2,352,435</u>	<u>516,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,863,225</u>	<u>\$ 3,061,582</u>	<u>\$ 2,825,561</u>	<u>\$ 519,711</u>

See Notes to the Financial Statements

FORM C-1

23		22		Totals	
Waste Management	Ambulance	2010	2009		
\$ 29,616	\$ 140,978	\$ 1,253,037	\$ 1,264,703		
22,306	24,822	544,604	493,262		
		113,494	119,395		
		3,346	667		
	19	19	15		
		80,451	57,718		
		356,691	332,720		
	1,902	12,493	10,708		
<u>51,922</u>	<u>167,721</u>	<u>2,364,135</u>	<u>2,279,188</u>		
		142,189	142,189		
	302,200	17,472,743	17,227,036		
	126,777	5,313,922	4,881,794		
	<u>175,423</u>	<u>12,301,010</u>	<u>12,487,431</u>		
<u>\$ 51,922</u>	<u>\$ 343,144</u>	<u>\$ 14,665,145</u>	<u>\$ 14,766,619</u>		
\$	\$	\$ 425,000	\$ 415,000		
	16,919	16,919	52,655		
15,080	2,840	221,554	302,678		
	19	3,365	682		
		17,350	18,250		
	374	23,454	26,729		
<u>15,080</u>	<u>20,152</u>	<u>707,642</u>	<u>815,994</u>		
	58,564	58,564	75,515		
		3,275,000	3,700,000		
		(67,251)	(78,478)		
	<u>58,564</u>	<u>3,266,313</u>	<u>3,697,037</u>		
<u>15,080</u>	<u>78,716</u>	<u>3,973,955</u>	<u>4,513,031</u>		
	99,940	8,592,778	8,360,739		
36,842	164,488	2,098,412	1,892,849		
<u>36,842</u>	<u>264,428</u>	<u>10,691,190</u>	<u>10,253,588</u>		
<u>\$ 51,922</u>	<u>\$ 343,144</u>	<u>\$ 14,665,145</u>	<u>\$ 14,766,619</u>		

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

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

For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Business-Type Activities - Enterprise Funds			
	70 Electric	71 Water	72 Sewer	73 Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 2,836,318	\$ 487,955	\$ 635,929	\$ 82,589
Operating Expenses				
Purchased utilities	1,558,472		319,000	
Salaries	309,405	91,680	39,083	
Employee benefits and retirement	92,874	24,393	9,884	
Gas and oil	10,517			
Generation fuel	8,488			
Supplies and minor equipment	10,391	18,883	6,183	
Professional services	20,840	14,735	6,882	2,750
Communication	7,581	4,841	2,991	
Transportation and training	10,756	2,916	3,623	
Insurance	19,112	4,437	540	
Utilities	1,903	43,469	4,162	
Repairs and maintenance	159,830	49,502	44,961	
Depreciation and amortization	245,182	102,893	69,482	10,641
Bad debts	2,201			
FEMA project				
Other	40,519	777	1,102	11,193
Total Operating Expenses	2,498,071	358,526	507,893	24,584
Operating Income (Loss)	338,247	129,429	128,036	58,005
Nonoperating Revenues (Expenses)				
Interest income	12,883	4,741	4,646	264
Availability charges		700	5,280	
FEMA grant				
Compost fees				
Miscellaneous income	19,192	7,626	13,064	
Interest and fiscal charges	(123,197)	(16,894)	(15,708)	
Total Nonoperating Revenues (Expenses)	(91,122)	(3,827)	7,282	264
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	247,125	125,602	135,318	58,269
Transfers in				26,270
Transfers out	(121,473)	(6,700)		
CHANGE IN NET ASSETS	125,652	118,902	135,318	84,539
NET ASSETS - BEGINNING OF YEAR	4,803,521	2,472,574	2,217,117	432,297
TOTAL NET ASSETS - END OF YEAR	\$ 4,929,173	\$ 2,591,476	\$ 2,352,435	\$ 516,836

See Notes to the Financial Statements

FORM C-2

23 Waste Management	22 Ambulance	Totals	
		2010	2009
\$ 162,612	\$ 184,997	\$ 4,390,400	\$ 4,148,227
173,156		2,050,628	2,012,839
	72,634	512,802	500,569
	14,716	141,867	131,943
		10,517	6,071
		8,488	12,082
	22,001	57,458	53,941
	11,212	56,419	95,600
	2,645	18,058	16,980
	4,160	21,455	28,267
	1,983	26,072	24,141
		49,534	55,223
	16,909	271,202	156,049
	25,264	453,462	436,397
	46,515	48,716	4,512
			5,895
450	5,937	59,978	59,426
173,606	223,976	3,786,656	3,599,935
(10,994)	(38,979)	603,744	548,292
229	3,650	26,413	41,865
		5,980	10,693
			22,967
11,245		11,245	12,550
	19,311	59,193	77,702
	(4,771)	(160,570)	(169,090)
11,474	18,190	(57,739)	(3,313)
480	(20,789)	546,005	544,979
		26,270	
	(6,500)	(134,673)	(96,500)
480	(27,289)	437,602	448,479
36,362	291,717	10,253,588	9,805,109
\$ 36,842	\$ 264,428	\$ 10,691,190	\$ 10,253,588

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

For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,807,069	\$ 460,643	\$ 580,464	\$ 105,685
Access and other fees received	19,192	7,626	13,064	
Cash paid to suppliers and employees	<u>(2,359,348)</u>	<u>(275,404)</u>	<u>(412,682)</u>	<u>(19,782)</u>
Net Cash Provided By Operating Activities	<u>466,913</u>	<u>192,865</u>	<u>180,846</u>	<u>85,903</u>
Cash Flows From Noncapital Financing Activities				
Transfer in				26,270
Transfer out	<u>(121,473)</u>	<u>(6,700)</u>		
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(121,473)</u>	<u>(6,700)</u>		<u>26,270</u>
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(52,068)	(45,713)	(37,589)	(120,444)
Advances (to) from other funds	(4,269)	(31,506)	13,042	
Proceeds from issuance of long-term debt				
Principal payments on long-term debt	(175,000)	(121,250)	(156,750)	
Interest payments on long-term debt	<u>(123,671)</u>	<u>(18,522)</u>	<u>(17,255)</u>	
Net Cash Used In Capital and Related Financing Activities	<u>(355,008)</u>	<u>(216,991)</u>	<u>(198,552)</u>	<u>(120,444)</u>
Cash Flows From Investing Activities				
Investment income received	<u>12,883</u>	<u>4,741</u>	<u>4,646</u>	<u>264</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,315	(26,085)	(13,060)	(8,007)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>617,047</u>	<u>372,156</u>	<u>129,070</u>	<u>8,007</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 620,362</u>	<u>\$ 346,071</u>	<u>\$ 116,010</u>	<u>\$</u>

See Notes to the Financial Statements

<u>Waste Management</u>		<u>Totals</u>	
<u>Ambulance</u>		<u>2010</u>	<u>2009</u>
\$ 167,432	\$ 228,742	\$ 4,350,035	\$ 4,098,427
11,245	19,311	70,438	113,256
(173,388)	(199,092)	(3,439,696)	(3,197,186)
<u>5,289</u>	<u>48,961</u>	<u>980,777</u>	<u>1,014,497</u>
		26,270	
	(6,500)	(134,673)	(96,500)
	<u>(6,500)</u>	<u>(108,403)</u>	<u>(96,500)</u>
		(255,814)	(452,362)
		(22,733)	35,100
			128,170
	(14,687)	(467,687)	(420,013)
	(4,771)	(164,219)	(172,390)
	<u>(19,458)</u>	<u>(910,453)</u>	<u>(881,495)</u>
<u>229</u>	<u>3,650</u>	<u>26,413</u>	<u>41,865</u>
5,518	26,653	(11,666)	78,367
<u>24,098</u>	<u>114,325</u>	<u>1,264,703</u>	<u>1,186,336</u>
<u>\$ 29,616</u>	<u>\$ 140,978</u>	<u>\$ 1,253,037</u>	<u>\$ 1,264,703</u>

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

For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Operating Income (Loss)	\$ 338,247	\$ 129,429	\$ 128,036	\$ 58,005
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	245,182	102,893	69,482	10,641
Bad debt expense	2,201			
Compost fees				
Miscellaneous nonoperating income	19,192	7,626	13,064	
Availability charges		700	5,280	
FEMA grant				
(Increase) Decrease In:				
Accounts receivable	(30,550)	(28,012)	(60,745)	23,096
Due from other governmental units				
Inventory	(15,507)	(8,464)		
Prepaid items	(912)	(215)	49	
Increase (Decrease) In:				
Accounts and contracts payable	(90,040)	(11,092)	25,680	(5,839)
Customer deposits	(900)			
 Net Cash Provided By Operating Activities	 <u>\$ 466,913</u>	 <u>\$ 192,865</u>	 <u>\$ 180,846</u>	 <u>\$ 85,903</u>
 Noncash Capital and Related Financing Activities				
Utility capital assets acquired by-				
Contributed capital assets	\$	\$	\$	\$

FORM C-3

Waste Management		Totals	
Ambulance		2010	2009
\$ (10,994)	\$ (38,979)	\$ 603,744	\$ 548,292
	25,264	453,462	436,397
	46,515	48,716	
11,245		11,245	12,550
	19,311	59,193	77,702
		5,980	10,693
			22,967
4,820	(2,770)	(94,161)	(61,695)
			39
		(23,971)	(9,327)
	(707)	(1,785)	(472)
218	327	(80,746)	(23,849)
		(900)	1,200
<u>\$ 5,289</u>	<u>\$ 48,961</u>	<u>\$ 980,777</u>	<u>\$ 1,014,497</u>

\$ \$ \$ \$

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds (continued):

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Assets 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Interfund Balances

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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 revenue in the governmental fund types because they are not known to be available to finance current expenditures.

Special Assessments

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from three to fifteen years with interest charges of 6.0% to 7.7%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred revenue 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.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Inventory

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

Capital Assets

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

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The revenue is recognized as intergovernmental revenue by the City when received.

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

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from enterprise fund operations are accounted for in those funds.

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.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources

E. Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

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

B. Firemen's Relief Association of St. Charles

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2010, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$ 1,074
Deposits	2,072,019
Certificates of deposit	463,239
U.S. Treasury Securities	384,905
Money Market Funds	<u>83,441</u>
Total Cash on Hand and Deposits	<u>\$ 3,004,678</u>

Investments Authorized by Minnesota Statutes

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

Collateralization of Cash Deposits

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

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

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. At December 31, 2010, there were no individual investments greater than 5 percent of the City's total investments.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

B. *Deferred Special Assessments Receivable*

Deferred assessments receivable represent levies made on the property of owners benefited by public improvement projects. Assessments are payable over various periods and interest is charged at rates coinciding with improvement bonds. A summary of the deferred special assessments excluding interest charges, as of December 31, 2010 is as follows:

<u>General Fund</u>		
1979 Public Improvement Project		\$ 595
2004 Public Improvement Project		1,500
2005 Public Improvement Project		<u>2,308</u>
Total General Fund		<u>4,403</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>2,821</u>
<u>Enterprise Funds</u>		
Water Fund		1,406
Sewer Fund		<u>1,940</u>
Total Enterprise Funds		<u>3,346</u>
Total		<u>\$ 10,570</u>

C. *Loans and Contracts Receivable*

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

D. *Due From Other Governmental Units*

Amounts due from other governmental units at December 31, 2010 are as follows:

<u>Fund</u>	Winona <u>County</u>	Townships	Total
General	\$ 2,033	\$	\$ 2,033
Special Revenue	2,206	44,361	46,567
Debt Service	2,040		2,040
Capital Project	5,293		5,293
	<u>\$ 11,572</u>	<u>\$ 44,361</u>	<u>\$ 55,933</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,043,289	\$	\$	\$ 1,043,289
Construction in process		13,234		13,234
Total capital assets, not being depreciated	1,043,289	13,234		1,056,523
Capital assets, being depreciated:				
Buildings	4,163,160			4,163,160
Infrastructure	3,952,300	147,959		4,100,259
Machinery and equipment	2,038,782	200,096	55,449	2,183,429
Total capital assets, being depreciated	10,154,242	348,055	55,449	10,446,848
Less accumulated depreciation for:				
Buildings	1,787,673	122,152		1,909,825
Infrastructure	491,962	119,966		611,928
Machinery and equipment	1,481,040	151,156	55,449	1,576,747
Total accumulated depreciation	3,760,675	393,274	55,449	4,098,500
Total capital assets, being depreciated, net	6,393,567	(45,219)		6,348,348
Governmental activities capital assets, net	\$ 7,436,856	\$ (31,985)	\$	\$ 7,404,871
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 142,189	\$	\$	\$ 142,189
Total capital assets, not being depreciated	142,189			142,189
Capital assets, being depreciated:				
Buildings and improvements	5,492,801	120,444		5,613,245
Machinery and equipment	11,734,233	135,369	10,106	11,859,496
Total capital assets, being depreciated	17,227,034	255,813	10,106	17,472,741
Less accumulated depreciation for:				
Buildings and improvements	783,224	118,560		901,784
Machinery and equipment	4,098,568	323,674	10,106	4,412,136
Total accumulated depreciation	4,881,792	442,234	10,106	5,313,920
Total capital assets, being depreciated, net	12,345,242	(186,421)		12,158,821
Business-type activities capital assets, net	\$ 12,487,431	\$ (186,421)	\$	\$ 12,301,010

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. *Capital Assets (continued)*

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 59,286
Public safety	31,195
Public works	90,636
Library	70,036
Parks and recreation	<u>142,121</u>
Total depreciation expense - governmental activities	<u>\$ 393,274</u>
Business-Type Activities:	
Electric	240,931
Water	99,432
Sewer	65,966
Storm water drainage	10,641
Ambulance	<u>25,264</u>
Total depreciation expense - business-type activities	<u>\$ 442,234</u>

F. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2010, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue:		
Economic Development	\$	\$ 20,451
Capital Projects:		
Capital Improvements		60,000
Enterprise Funds:		
Electric	40,451	
Water	<u>40,000</u>	
Total Advances	<u>\$ 80,451</u>	<u>\$ 80,451</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. *Interfund Balances and Transfers (continued)*

Transfers during the year ended December 31, 2010 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 145,982	\$ 6,500
Special Revenue:		
Library	6,835	
Flood Relief		4,282
Volunteer Fire Department		50,609
Debt Service:		
Fire Tanker Truck Loan	15,019	
Tax Increment Districts	51,491	
G.O Water Improvement	952	952
Fire Truck Lease	34,867	
Capital Project:		
Parkland Dedication	388	
MN DNR Trail Grant	14,066	
Capital Improvements		98,836
Tax Increment District #1		3,792
Tax Increment District #2		68,735
Tax Increment District #3		7,631
Tax Increment District #4	28,667	
Tax Increment District #5	51,473	
Enterprise:		
Electric		121,473
Water		6,700
Storm Water	26,270	
Ambulance		6,500
Total Transfers	<u>\$ 376,010</u>	<u>\$ 376,010</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. *Interfund Balances and Transfers (continued)*

Excess of expenditures over budgeted appropriations at the individual fund level during 2010 are as follows:

Special Revenue Funds		
Economic Development	\$	19,512
Volunteer Fire Department		89,699
Celebration Fund		3,809
Library		7,174
Emergency Management Services		2,198
Enterprise Funds		
Waste Management		15,106
Ambulance		65,988

All excess expenditures were the result of planned processes.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
1983 Water Improvement (5%)	\$ 78,000	\$	\$ 43,000	\$ 35,000	\$ 35,000
2005A Street Improvement (3.0 - 4.0%)	1,495,000		100,000	1,395,000	105,000
Tax Increment Bond:					
2004 Refunding Tax Increment (2.7 - 4.2%)	305,000		40,000	265,000	40,000
Less: Unamortized Issuance Costs	(36,269)		(3,927)	(32,342)	
Notes payable:					
2003 Fire Truck Loan (4.625%)	45,491		45,491		
2010 Tanker Truck Loan (4.25%)		80,000	14,786	65,214	11,960
Long-term Liabilities	<u>1,887,222</u>	<u>80,000</u>	<u>239,350</u>	<u>1,727,872</u>	<u>191,960</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2002 Water Fund (1.4 - 3.45%)	210,000		50,000	160,000	51,600
2002 Sewer Fund (1.4 - 3.45%)	280,000		65,000	215,000	68,400
2004 Water Fund (1.5 - 4.0%)	373,350		71,250	302,100	71,250
2004 Sewer Fund (1.5 - 4.0%)	281,650		53,750	227,900	53,750
2004 Electric Revenue (2.0 - 4.6%)	2,970,000		175,000	2,795,000	180,000
Less: Unamortized Discount	(78,478)		(11,227)	(67,251)	
Notes Payable:					
2009 Sewer Cleaner Loan (5.5%)	38,000		38,000		
2009 Ambulance Loan (5.75%)	90,170		14,687	75,483	16,919
Long-term Liabilities	<u>4,164,692</u>		<u>456,460</u>	<u>3,708,232</u>	<u>441,919</u>
Total	<u>\$ 6,051,914</u>	<u>\$ 80,000</u>	<u>\$ 695,810</u>	<u>\$ 5,436,104</u>	<u>\$ 633,879</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2010, over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Obligation Tax Increment Bonds		General Obligation Revenue Bonds		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2011	\$ 140,000	\$ 53,344	\$ 40,000	\$ 9,690			\$ 11,960	\$ 2,826
2012	110,000	47,963	40,000	8,230			12,479	2,307
2013	115,000	44,025	45,000	6,623			13,019	1,767
2014	115,000	39,856	45,000	4,867			13,584	1,202
2015	120,000	35,450	45,000	3,045			14,172	614
2016-2020	675,000	100,500	50,000	1,050				
2021	155,000	3,100						
Totals	\$ 1,430,000	\$ 324,238	\$ 265,000	\$ 33,505			\$ 65,214	\$ 8,716
<u>Business-Type Activities</u>								
2011					\$ 425,000	\$ 145,012	\$ 16,919	\$ 3,900
2012					445,000	130,719	17,918	2,901
2013					460,000	114,960	18,976	1,844
2014					345,000	100,107	20,096	723
2015					215,000	89,107	1,574	8
2016-2020					1,230,000	301,409		
2021-2022					580,000	40,250		
Totals					\$ 3,700,000	\$ 921,564	\$ 75,483	\$ 9,376

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

Municipal Development District No. 1 – The District is the housing type, authorized under Minnesota law Chapter 472(A), this district was decertified in 2010.

The Central Business District Redevelopment District (Municipal Development District No. 2) - The District is of the redevelopment type, authorized under Minnesota law, Chapter 472 (A), established in 1984 to last until the year 2011.

Municipal Development District No. 3 – The District is of the housing type, authorized under Minnesota law Chapter 472(A), established in 1988 to last until the year 2016.

Municipal Development District No. 4 – The District is of the redevelopment type, authorized under Minnesota law Chapter 472(A), established in 1994 to last until the year 2022. This District was decertified in 2010.

Municipal Development District No. 5 – The District is of the economic development type, authorized under Minnesota law Chapter 469, established in 2000 to last until the year 2011. This District was decertified in 2010.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

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.

	<u>Municipal District #2</u>	<u>Municipal District #3</u>	<u>Municipal District #6</u>
Original gross tax capacity, including modifications	\$ 67,208	\$ 94	\$ 822
Current gross tax capacity	161,892	7,085	21,024
Captured gross tax capacity Retained by authority	94,684	6,991	20,202
Outstanding Bonds and Loans as of December 31, 2010	\$ 265,000		

H. Fund Balance

The City has reserved portions of the fund equity in several funds. The reserved fund equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of reserved and designated fund equity as of December 31, 2010 is as follows:

<u>Reserved for Debt Service</u>	<u>Fund Balance</u>
Debt Service Funds	\$ 106,253
<u>Reserved for Prepaid items</u>	
General Fund	\$ 14,207
Special Revenue Funds	4,742
	<u>\$ 18,949</u>
<u>Designated for Future Capital Expenditures</u>	
Special Revenue Funds	\$ 88,917
Capital Project Funds	754,386
	<u>\$ 843,303</u>
<u>Designated for Future Compensated Absences</u>	
General Fund	<u>\$ 27,151</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information

A. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of St. Charles, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Plan Description (continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members are required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City of St. Charles, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan GERS, 7% for Coordinated Plan GERS members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$55,754, \$52,317, and \$48,544, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2010, 2009, and 2008, were \$32,426, \$32,333, and \$28,913, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Volunteer Fire Relief Association

Plan Description

The City contributes to the City of St. Charles Fire Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters. Volunteer firefighters of the City are members of the St. Charles Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit after reaching a minimum retirement age of 50 and at least 10 years of service. After 20 years of service, the lump sum benefit increases by \$1,650 for each year of service over 20. These benefit provisions are consistent with enabling state statutes.

Volunteers of the fire department are not required to contribute to the relief association. If a member leaves the department before 10 years of service, they are not eligible for any pension benefit. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes.

Related Party Investments

During 2010 and as of December 31, 2010 the Association held no securities issued by the City or other related parties.

Funding Status and Progress

Financial requirements of the relief association are determined using the State of Minnesota Schedules I-II-III for lump sum pension plans used for computation of State Fire Aids. The computations are not based upon actuarial computations and no attempts have been made to provide such analysis. The estimated pension benefit obligation as of December 31, 2009 (latest information available) is shown below:

Total plan assets	\$ 617,674
Total accrued liability	<u>615,849</u>
Assets in Excess of Accrued Liability	<u>\$ 1,825</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

B. Defined Benefit Pension Plan – Volunteer Fire Relief Association

Contributions Required and Contributions Made

Financial requirements of the relief association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. Total contributions made by the City to the Association in 2010 amounted to \$27,384. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2010.

The computation of the pension contribution requirements for 2010 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

Ten-Year Historical Trend Information

Ten-year historical trend information related to the pension plan is unavailable.

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

D. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2010.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2010. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF ST. CHARLES, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

CITY OF ST. CHARLES, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2010

	Special Revenue						Debt Service			
	20 Advertising	24 Celebration	26 Library	21 Volunteer Fire Department	27 Emergency Management Services	38 Flood Relief	Total	58 Fire Tanker Truck	59 Tax Increment District	56 G.O. Water Improvement
ASSETS										
Cash and investments	\$ 3,991	\$ 434	\$ 2,704	\$ 113,354	\$ 26,181	\$	\$ 146,664	\$	\$	\$ 3,238
Accounts receivable				1,617			1,617			
Prepaid expense	394		763	3,585			4,742			
Taxes receivable - delinquent	530	191	1,948	931			3,600			606
Due from other governmental units	220	84	976	44,831			46,111			356
TOTAL ASSETS	\$ 5,135	\$ 709	\$ 6,391	\$ 164,318	\$ 26,181	\$	\$ 202,734	\$	\$	\$ 4,200
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable	\$ 682	\$	\$ 1,153	\$ 13,080	\$	\$	\$ 14,915	\$	\$	\$
Deferred revenue	530	191	1,948	931			3,600			607
Due to other governmental units	323	119	1,430	691			2,563			2,473
Total Liabilities	1,535	310	4,531	14,702			21,078			3,080
Fund Balance										
Reserved	394		763	3,585			4,742			1,120
Unreserved										
Designated					26,181		26,181			
Undesignated	3,206	399	1,097	146,031			150,733			
Total Fund Balance	3,600	399	1,860	149,616	26,181		181,656			1,120
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,135	\$ 709	\$ 6,391	\$ 164,318	\$ 26,181	\$	\$ 202,734	\$	\$	\$ 4,200

Capital Project												Total Nonmajor Governmental Funds
52 Fire Truck	57 2005A Street Bond	Total	42 Tax Increment District #1 Fund	50 Tax Increment District #2 Fund	48 Tax Increment District #3 Fund	49 Tax Increment District #4 Fund	44 Tax Increment District #5 Fund	47 Tax Increment District #6 Fund	40 Parkland Dedication	30 MN DNR Trail Grant	Total	
\$	\$ 103,965	\$ 107,203	\$	\$ 504,149	\$	\$	\$	\$ 8,698	\$ 27,971 2,251	\$	\$ 540,818 2,251	\$ 794,685 3,868
	3,624	4,230		1,338							1,338	4,742
	1,684	2,040		2,481							2,481	9,168
												50,632
<u>\$</u>	<u>\$ 109,273</u>	<u>\$ 113,473</u>	<u>\$</u>	<u>\$ 507,968</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,698</u>	<u>\$ 30,222</u>	<u>\$</u>	<u>\$ 546,888</u>	<u>\$ 863,095</u>
\$	\$ 3,624	\$ 4,231	\$	\$ 1,338	\$	\$	\$	\$	\$	\$	\$ 1,338	\$ 14,915
	516	2,989										9,169
	4,140	7,220		1,338							1,338	5,552
												29,636
	105,133	106,253										110,995
				506,630				8,698	30,222		545,550	571,731
	105,133	106,253		506,630				8,698	30,222		545,550	150,733
												833,459
<u>\$</u>	<u>\$ 109,273</u>	<u>\$ 113,473</u>	<u>\$</u>	<u>\$ 507,968</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,698</u>	<u>\$ 30,222</u>	<u>\$</u>	<u>\$ 546,888</u>	<u>\$ 863,095</u>

CITY OF ST. CHARLES, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2010

	Special Revenue						Debt Service			
	20 Advertising	24 Celebration	26 Library	21 Volunteer Fire Department	27 Emergency Management Services	38 Flood Relief	Total	58 Fire Tanker Truck	59 Tax Increment District	56 G.O. Water Improvement
REVENUES										
Property tax levy										
Property tax collected	\$ 17,802	\$ 6,550	\$ 78,285	\$ 37,894	\$	\$	\$ 140,531	\$	\$	\$ 26,082
Tax increments										
Intergovernmental	698	257	33,968	20,738			55,661			
Charges for services				55,765			55,765			
Interest income	(31)	9	(74)	390	1,518	51	1,863			(469)
Donations	1,142	14,024	3,340	9,000			27,506			
Miscellaneous			4,101	8,203			12,304	17		
TOTAL REVENUES	19,611	20,840	119,620	131,990	1,518	51	293,630	17		25,613
EXPENDITURES										
Current:										
General government	22,313	22,109					44,422			
Public safety				201,449	16,198		217,647			
Library			133,883				133,883			
Debt service										
Principal retirement								14,786	40,000	43,000
Interest and fiscal charges								250	11,491	4,800
Capital outlay										
TOTAL EXPENDITURES	22,313	22,109	133,883	201,449	16,198		395,952	15,036	51,491	47,800
Excess (deficiency) of revenues over (under) expenditures	(2,702)	(1,269)	(14,263)	(69,459)	(14,680)	51	(102,322)	(15,019)	(51,491)	(22,187)
OTHER FINANCING SOURCES (USES)										
Refund of unused tax increments										
Issuance of debt				80,000			80,000			
Transfer in			6,835				6,835	15,019	51,491	952
Transfer out				(50,609)		(4,282)	(54,891)			(952)
TOTAL OTHER FINANCING SOURCES (USES)			6,835	29,391		(4,282)	31,944	15,019	51,491	
Net change in fund balances	(2,702)	(1,269)	(7,428)	(40,068)	(14,680)	(4,231)	(70,378)			(22,187)
FUND BALANCES, beginning	6,302	1,668	9,288	189,684	40,861	4,231	252,034			23,307
FUND BALANCES, ending	\$ 3,600	\$ 399	\$ 1,860	\$ 149,616	\$ 26,181	\$	\$ 181,656	\$	\$	\$ 1,120

Capital Project												Total Nonmajor Governmental Funds	
52 Fire Truck	57 2005A Street Bond	Total	42 Tax Increment District #1 Fund	50 Tax Increment District #2 Fund	48 Tax Increment District #3 Fund	49 Tax Increment District #4 Fund	44 Tax Increment District #5 Fund	47 Tax Increment District #6 Fund	40 Parkland Dedication	30 MN DNR Trail Grant	Total		
\$	\$ 137,486	\$ 163,568	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	304,099
	6,455	6,455	3,757	109,272 5,441	7,578	6,895	31,581	21,605			180,688 5,441		180,688 67,557 55,765
4	182	(283)	2	4,632	19	14	16	12	889 780		5,584 780		7,164 28,286 12,321
		17											
4	144,123	169,757	3,759	119,345	7,597	6,909	31,597	21,617	1,669		192,493		655,880
													44,422 217,647 133,883
45,491 2,864	100,000 56,227	243,277 75,632		780			164	11,094	16,859		27,953		243,277 76,576 27,953
48,355	156,227	318,909		780			164	11,094	16,859		28,897		743,758
(48,351)	(12,104)	(149,152)	3,759	118,565	7,597	6,909	31,433	10,523	(15,190)		163,596		(87,878)
							(37,223)				(37,223)		(37,223) 80,000 203,758 (136,001)
34,867		102,329 (952)	(3,792)	(68,735)	(7,631)	28,667	51,473		388	14,066	94,594 (80,158)		
34,867		101,377	(3,792)	(68,735)	(7,631)	(8,556)	51,473		388	14,066	(22,787)		110,534
(13,484)	(12,104)	(47,775)	(33)	49,830	(34)	(1,647)	82,906	10,523	(14,802)	14,066	140,809		22,656
13,484	117,237	154,028	33	456,800	34	1,647	(82,906)	(1,825)	45,024	(14,066)	404,741		810,803
\$	\$ 105,133	\$ 106,253	\$	\$ 506,630	\$	\$	\$	\$ 8,698	\$ 30,222	\$	\$ 545,550	\$	\$ 833,459

CITY OF ST. CHARLES, MINNESOTA
ADVERTISING FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 17,899	\$ 17,899	\$ 17,802	\$ (97)	\$ 26,158
Market value credit	2,451	2,451	698	(1,753)	2,451
Interest Income			(31)	(31)	78
Donations	6,000	6,000	1,142	(4,858)	940
TOTAL REVENUES	<u>26,350</u>	<u>26,350</u>	<u>19,611</u>	<u>(6,739)</u>	<u>29,627</u>
EXPENDITURES					
General Government					
Fireworks	7,000	7,000	4,966	2,034	6,000
City promotion	1,175	1,175	2,071	(896)	4,102
Board reimbursement annual events	1,800	1,800	1,566	234	1,345
Professional services	425	425		425	398
Advertising	15,950	13,450	13,710	(260)	17,326
TOTAL EXPENDITURES	<u>26,350</u>	<u>23,850</u>	<u>22,313</u>	<u>1,537</u>	<u>29,171</u>
Net change in fund balances		2,500	(2,702)	(5,202)	456
FUND BALANCES, beginning	<u>6,302</u>	<u>6,302</u>	<u>6,302</u>		<u>5,846</u>
FUND BALANCES, ending	<u>\$ 6,302</u>	<u>\$ 8,802</u>	<u>\$ 3,600</u>	<u>\$ (5,202)</u>	<u>\$ 6,302</u>

**CITY OF ST. CHARLES, MINNESOTA
CELEBRATION FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009**

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 6,775	\$ 6,775	\$ 6,550	\$ (225)	\$ 8,049
Market value credit	725	725	257	(468)	725
Donations	12,500	12,500	14,024	1,524	12,757
Interest income			9	9	12
TOTAL REVENUES	<u>20,000</u>	<u>20,000</u>	<u>20,840</u>	<u>840</u>	<u>21,543</u>
EXPENDITURES					
General Government					
Advertising	2,500	2,500	3,305	(805)	3,083
Dance	5,500	5,500	4,540	960	5,830
T-shirts	1,500	1,500	2,430	(930)	1,542
Rentals	2,000	2,000	2,569	(569)	1,349
Pageants	4,500	4,500	3,275	1,225	3,468
Other	3,600	2,300	5,990	(3,690)	4,287
TOTAL EXPENDITURES	<u>19,600</u>	<u>18,300</u>	<u>22,109</u>	<u>(3,809)</u>	<u>19,559</u>
Net change in fund balances	400	1,700	(1,269)	(2,969)	1,984
FUND BALANCES, beginning	<u>1,668</u>	<u>1,668</u>	<u>1,668</u>		<u>(316)</u>
FUND BALANCES, ending	<u>\$ 2,068</u>	<u>\$ 3,368</u>	<u>\$ 399</u>	<u>\$ (2,969)</u>	<u>\$ 1,668</u>

CITY OF ST. CHARLES, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 81,154	\$ 81,154	\$ 78,285	\$ (2,869)	\$ 73,245
Intergovernmental Revenues					
Market value credit	8,899	8,899	3,088	(5,811)	8,899
Library aid	27,506	27,506	30,880	3,374	28,769
Intergovernmental Revenues	36,405	36,405	33,968	(2,437)	37,668
Donations					
	1,000	1,000	3,340	2,340	2,197
Miscellaneous					
Fines	1,800	1,800	2,945	1,145	2,368
Book sales			99	99	3
Copy machines	500	500	1,054	554	815
Interest income			(74)	(74)	1,372
Other	700	700	3	(697)	95
Total Miscellaneous Revenues	3,000	3,000	4,027	1,027	4,653
TOTAL REVENUES	121,559	121,559	119,620	(1,939)	117,763
EXPENDITURES					
Library					
Salaries	59,042	59,042	63,649	(4,607)	58,792
Employee benefits and retirement	23,467	23,467	23,686	(219)	20,275
Supplies and minor equipment	1,200	1,200	1,688	(488)	2,728
Professional services	8,000	8,000	8,308	(308)	7,145
Communications	1,200	1,200	1,058	142	1,190
Transportation and training	1,000	750	895	(145)	494
Printing and publication					
Insurance	3,000	3,000	2,120	880	1,910
Utilities	11,000	11,000	7,033	3,967	8,840
Repairs and maintenance	2,050	2,050	4,460	(2,410)	3,000
Other	1,100	1,000	1,440	(440)	87
Capital outlay	17,000	16,000	19,546	(3,546)	16,116
TOTAL EXPENDITURES	128,059	126,709	133,883	(7,174)	120,577
Excess (deficiency) of revenues over (under) expenditures	(6,500)	(5,150)	(14,263)	(9,113)	(2,814)
OTHER FINANCING SOURCES					
Transfers in	6,500	6,500	6,835	335	6,500
Net change in fund balances		1,350	(7,428)	(8,778)	3,686
FUND BALANCES, beginning	9,288	9,288	9,288		5,602
FUND BALANCES, ending	\$ 9,288	\$ 10,638	\$ 1,860	\$ (8,778)	\$ 9,288

CITY OF ST. CHARLES, MINNESOTA
VOLUNTEER FIRE DEPARTMENT FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 39,295	\$ 39,295	\$ 37,894	\$ (1,401)	\$ 43,377
Intergovernmental Revenues					
Fire aid	21,000	21,000	19,246	(1,754)	18,903
Market value credit	4,205	4,205	1,492	(2,713)	4,205
Charges for Services					
Other local governments	40,949	40,949	42,891	1,942	38,598
Fire calls	11,500	11,500	12,874	1,374	68,728
Interest income	5,000	5,000	390	(4,610)	3,284
Donations			9,000	9,000	2,174
Miscellaneous Revenues	3,000	3,000	8,203	5,203	100
TOTAL REVENUES	<u>124,949</u>	<u>124,949</u>	<u>131,990</u>	<u>7,041</u>	<u>179,369</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	21,845	(3,845)	32,513
Employee benefits and retirement	4,600	4,600	5,958	(1,358)	5,596
Supplies and minor equipment	20,450	20,450	21,133	(683)	6,362
Professional services	3,000	3,000	3,847	(847)	34,249
Communication	2,000	2,000	1,770	230	1,765
Transportation and training	5,000	5,000	4,715	285	4,468
Insurance	9,500	9,500	6,569	2,931	5,497
Utilities	6,900	6,900	4,577	2,323	5,186
Capital outlay	5,500	5,500	81,029	(75,529)	2,726
Repairs and maintenance	6,100	6,100	20,571	(14,471)	7,216
Fire relief payment	28,000	28,000	27,384	616	32,045
Other	2,700	2,700	2,051	649	5,104
TOTAL EXPENDITURES	<u>111,750</u>	<u>111,750</u>	<u>201,449</u>	<u>(89,699)</u>	<u>142,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,199</u>	<u>13,199</u>	<u>(69,459)</u>	<u>(82,658)</u>	<u>36,642</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt			80,000	80,000	
Transfers in					15,000
Transfers out	(12,716)	(12,716)	(50,609)	(37,893)	(12,716)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,716)</u>	<u>(12,716)</u>	<u>29,391</u>	<u>42,107</u>	<u>2,284</u>
Net change in fund balances	483	483	(40,068)	(40,551)	38,926
FUND BALANCES, beginning	<u>189,684</u>	<u>189,684</u>	<u>189,684</u>		<u>150,758</u>
FUND BALANCES, ending	<u>\$ 190,167</u>	<u>\$ 190,167</u>	<u>\$ 149,616</u>	<u>\$ (40,551)</u>	<u>\$ 189,684</u>

CITY OF ST. CHARLES, MINNESOTA
EMERGENCY MANAGEMENT SERVICES
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$ 500		\$ 1,518	\$ 1,518	\$ 532
Miscellaneous					6,756
TOTAL REVENUES	<u>500</u>	<u></u>	<u>1,518</u>	<u>1,518</u>	<u>7,288</u>
EXPENDITURES					
Public Safety					
Supplies and minor equipment	14,000	14,000	15,698	(1,698)	2,420
Transportation and training	2,000				1,655
Professional services			500	(500)	1,110
Utilities					2,818
Repairs and maintenance					725
TOTAL EXPENDITURES	<u>16,000</u>	<u>14,000</u>	<u>16,198</u>	<u>(2,198)</u>	<u>8,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,500)</u>	<u>(14,000)</u>	<u>(14,680)</u>	<u>(680)</u>	<u>(1,440)</u>
Net change in fund balances	(15,500)	(14,000)	(14,680)	(680)	(1,440)
FUND BALANCES, beginning	<u>40,861</u>	<u>40,861</u>	<u>40,861</u>		<u>42,301</u>
FUND BALANCES, ending	<u>\$ 25,361</u>	<u>\$ 26,861</u>	<u>\$ 26,181</u>	<u>\$ (680)</u>	<u>\$ 40,861</u>

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 ELECTRIC FUND
 Statement of Net Assets
 December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 620,362	\$ 617,047
Accounts receivable, net	260,830	232,807
Accrued utility revenue	92,975	92,649
Advances to other funds	40,451	36,182
Inventory	336,658	321,151
Prepaid expenses	8,410	7,498
Total Current Assets	<u>1,359,686</u>	<u>1,307,334</u>
Capital Assets		
Nondepreciable	113,489	113,489
Depreciable	9,095,472	9,043,405
Less: Accumulated depreciation	<u>2,705,422</u>	<u>2,464,491</u>
Capital Assets, Net	<u>6,503,539</u>	<u>6,692,403</u>
Total Assets	<u>\$ 7,863,225</u>	<u>\$ 7,999,737</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 180,000	\$ 175,000
Accounts payable	162,599	252,639
Customer deposits	17,350	18,250
Accrued interest payable	9,760	10,234
Total Current Liabilities	<u>369,709</u>	<u>456,123</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	2,615,000	2,795,000
Less: Unamortized bond discount	<u>(50,657)</u>	<u>(54,907)</u>
Total Noncurrent Liabilities	<u>2,564,343</u>	<u>2,740,093</u>
Total Liabilities	<u>2,934,052</u>	<u>3,196,216</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,759,196	3,777,310
Unrestricted	<u>1,169,977</u>	<u>1,026,211</u>
Total Net Assets	<u>4,929,173</u>	<u>4,803,521</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,863,225</u>	<u>\$ 7,999,737</u>

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 ELECTRIC FUND

Statement of Revenues, Expenses
 and Changes in Fund Net Assets - Budget and Actual
 For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,975,117	\$ 2,975,117	\$ 2,836,318	\$ (138,799)	\$ 2,763,154
Operating Expenses					
Purchased utilities	1,615,281	1,615,281	1,558,472	56,809	1,560,552
Salaries	298,662	298,662	309,405	(10,743)	293,661
Employee benefits and retirement	92,945	92,945	92,874	71	84,511
Gas and oil	7,500	7,500	10,517	(3,017)	6,071
Generation fuel	30,000	30,000	8,488	21,512	12,082
Supplies and minor equipment	9,850	9,850	10,391	(541)	9,885
Professional services	84,500	84,500	20,840	63,660	56,272
Communication	7,000	7,000	7,581	(581)	6,705
Transportation and training	10,000	10,000	10,756	(756)	10,023
Printing and publishing	1,100	1,100		1,100	
Insurance	21,583	21,583	19,112	2,471	18,371
Utilities	3,500	3,500	1,903	1,597	1,867
Repairs and maintenance	190,000	222,000	159,830	62,170	108,832
Depreciation and amortization	175,000	175,000	245,182	(70,182)	241,334
Bad debts			2,201	(2,201)	3,520
Other	85,400	85,400	40,519	44,881	35,711
Total Operating Expenses	<u>2,632,321</u>	<u>2,664,321</u>	<u>2,498,071</u>	<u>166,250</u>	<u>2,449,397</u>
Operating Income	<u>342,796</u>	<u>310,796</u>	<u>338,247</u>	<u>27,451</u>	<u>313,757</u>
Nonoperating Revenues (Expenses)					
Interest income	20,000	20,000	12,883	(7,117)	21,471
Miscellaneous income	40,000	40,000	19,192	(20,808)	1,602
Interest and fiscal charges	(123,758)	(123,758)	(123,197)	561	(127,914)
Total Nonoperating Revenues (Expenses)	<u>(63,758)</u>	<u>(63,758)</u>	<u>(91,122)</u>	<u>(27,364)</u>	<u>(104,841)</u>
INCOME BEFORE TRANSFERS	<u>279,038</u>	<u>247,038</u>	<u>247,125</u>	<u>87</u>	<u>208,916</u>
Transfers out	<u>(100,000)</u>	<u>(120,000)</u>	<u>(121,473)</u>	<u>(1,473)</u>	<u>(90,000)</u>
CHANGE IN NET ASSETS	<u>179,038</u>	<u>127,038</u>	<u>125,652</u>	<u>(1,386)</u>	<u>118,916</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>4,803,521</u>	<u>4,803,521</u>	<u>4,803,521</u>		<u>4,684,605</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 4,982,559</u>	<u>\$ 4,930,559</u>	<u>\$ 4,929,173</u>	<u>\$ (1,386)</u>	<u>\$ 4,803,521</u>

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Assets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 346,071	\$ 372,156
Accounts receivable, net	87,189	56,548
Accrued utility revenue	4,812	7,441
Special assessments-deferred	1,406	
Advances to other funds	40,000	8,494
Inventory	20,033	11,569
Prepaid expenses	1,981	1,766
Total Current Assets	<u>501,492</u>	<u>457,974</u>
Property and Equipment		
Property and equipment	4,251,572	4,215,965
Less: Accumulated depreciation	<u>1,691,482</u>	<u>1,602,156</u>
Property, Plant and Equipment, Net	<u>2,560,090</u>	<u>2,613,809</u>
Total Assets	<u>\$ 3,061,582</u>	<u>\$ 3,071,783</u>
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 122,850	\$ 120,700
Accounts payable	8,191	19,283
Deferred revenue	1,406	
Accrued interest payable	6,964	8,592
Total Current Liabilities	<u>139,411</u>	<u>148,575</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	339,250	462,650
Less: Unamortized bond discount	<u>(8,555)</u>	<u>(12,016)</u>
Total Noncurrent Liabilities	<u>330,695</u>	<u>450,634</u>
Total Liabilities	<u>470,106</u>	<u>599,209</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,106,545	2,042,475
Unrestricted	<u>484,931</u>	<u>430,099</u>
Total Net Assets	<u>2,591,476</u>	<u>2,472,574</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,061,582</u>	<u>\$ 3,071,783</u>

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WATER FUND

Statement of Revenues, Expenses
 and Changes in Fund Net Assets - Budget and Actual
 For the Fiscal Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 540,349	\$ 540,349	\$ 487,955	\$ (52,394)	\$ 409,955
Operating Expenses					
Salaries	94,453	94,453	91,680	2,773	91,541
Employee benefits and retirement	26,536	26,536	24,393	2,143	24,180
Supplies and minor equipment	27,000	26,000	18,883	7,117	19,239
Professional services	17,200	16,200	14,735	1,465	16,003
Communication	5,000	5,000	4,841	159	4,410
Transportation and training	4,000	4,000	2,916	1,084	2,946
Insurance	5,500	5,500	4,437	1,063	4,455
Utilities	65,000	65,000	43,469	21,531	49,846
Repairs and maintenance	111,600	106,900	49,502	57,398	25,523
Depreciation and amortization	136,800	136,800	102,893	33,907	102,054
Other	3,050	3,050	777	2,273	911
Total Operating Expenses	496,139	489,439	358,526	130,913	341,108
Operating Income	44,210	50,910	129,429	78,519	68,847
Nonoperating Revenues (Expenses)					
Interest income	8,000	8,000	4,741	(3,259)	16,348
Water availability charges			700	700	5,624
Miscellaneous income	9,500	9,500	7,626	(1,874)	7,426
Interest and fiscal charges	(20,394)	(20,394)	(16,894)	3,500	(22,084)
Total Nonoperating Revenues (Expenses)	(2,894)	(2,894)	(3,827)	(933)	7,314
INCOME BEFORE TRANSFERS	41,316	48,016	125,602	77,586	76,161
Transfers out		(6,700)	(6,700)		
CHANGE IN NET ASSETS	41,316	41,316	118,902	77,586	76,161
TOTAL NET ASSETS - BEGINNING OF YEAR	2,472,574	2,472,574	2,472,574		2,396,413
TOTAL NET ASSETS - END OF YEAR	\$ 2,513,890	\$ 2,513,890	\$ 2,591,476	\$ 77,586	\$ 2,472,574

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Assets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 116,010	\$ 129,070
Accounts receivable	142,026	77,666
Accrued utility revenue	13,016	16,631
Special assessments-deferred	1,940	667
Advances to other funds		13,042
Prepaid expenses	200	249
Total Current Assets	273,192	237,325
Property and Equipment		
Nondepreciable	28,700	28,700
Depreciable	3,279,774	3,242,185
Less: Accumulated depreciation	756,105	690,139
Property, Plant and Equipment, Net	2,552,369	2,580,746
Total Assets	\$ 2,825,561	\$ 2,818,071
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 122,150	\$ 119,300
Current maturities of notes payable		38,000
Accounts payable	29,969	4,289
Deferred revenue	1,940	667
Accrued interest payable	6,356	7,903
Total Current Liabilities	160,415	170,159
Noncurrent Liabilities		
Bonds payable, net of current maturities	320,750	442,350
Less: Unamortized bond discount	(8,039)	(11,555)
Total Noncurrent Liabilities	312,711	430,795
Total Liabilities	473,126	600,954
NET ASSETS		
Invested in capital assets, net of related debt	2,117,508	2,030,651
Unrestricted	234,927	186,466
Total Net Assets	2,352,435	2,217,117
TOTAL LIABILITIES AND NET ASSETS	\$ 2,825,561	\$ 2,818,071

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 SEWER FUND

Statement of Revenues, Expenses
 and Changes in Fund Net Assets - Budget and Actual
 For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 596,096	\$ 596,096	\$ 635,929	\$ 39,833	\$ 556,305
Operating Expenses					
Purchased utilities	288,152	288,152	319,000	(30,848)	286,819
Salaries	43,233	43,233	39,083	4,150	40,469
Employee benefits and retirement	12,113	12,113	9,884	2,229	10,579
Supplies and minor equipment	6,400	6,400	6,183	217	5,682
Professional services	16,200	14,200	6,882	7,318	5,565
Communication	2,400	2,400	2,991	(591)	2,813
Transportation and training	4,000	3,500	3,623	(123)	2,720
Printing and publishing	750	750		750	
Insurance	500	500	540	(40)	436
Utilities	3,000	3,000	4,162	(1,162)	3,510
Repairs and maintenance	94,000	92,000	44,961	47,039	17,722
Depreciation and amortization	103,200	103,200	69,482	33,718	67,202
FEMA project					5,895
Other	1,150	1,150	1,102	48	998
Total Operating Expenses	575,098	570,598	507,893	62,705	450,410
Operating Income	20,998	25,498	128,036	102,538	105,895
Nonoperating Revenues (Expenses)					
Interest income	5,000	5,000	4,646	(354)	1,572
Sewer availability charges			5,280	5,280	5,069
Miscellaneous income	5,000	5,000	13,064	8,064	50,350
Interest and fiscal charges	(15,385)	(15,385)	(15,708)	(323)	(18,081)
Total Nonoperating Revenues (Expenses)	(5,385)	(5,385)	7,282	12,667	38,910
CHANGE IN NET ASSETS	15,613	20,113	135,318	115,205	144,805
NET ASSETS - BEGINNING OF YEAR	2,217,117	2,217,117	2,217,117		2,072,312
TOTAL NET ASSETS - END OF YEAR	\$ 2,232,730	\$ 2,237,230	\$ 2,352,435	\$ 115,205	\$ 2,217,117

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Assets
 December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$	\$ 8,007
Accounts receivable	7,431	30,544
Accrued utility revenue	2,691	2,674
Total Current Assets	<u>10,122</u>	<u>41,225</u>
Property and Equipment		
Property and equipment	543,725	423,281
Less: Accumulated depreciation	<u>34,136</u>	<u>23,495</u>
Property, Plant and Equipment, Net	<u>509,589</u>	<u>399,786</u>
Total Assets	<u>\$ 519,711</u>	<u>\$ 441,011</u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>\$ 2,875</u>	<u>\$ 8,714</u>
NET ASSETS		
Invested in capital assets, net of related debt	509,589	399,786
Unrestricted	<u>7,247</u>	<u>32,511</u>
Total Net Assets	<u>516,836</u>	<u>432,297</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 519,711</u>	<u>\$ 441,011</u>

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND

Statement of Revenues, Expenses
 and Changes in Fund Net Assets - Budget and Actual
 For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 82,668	\$ 82,668	\$ 82,589	\$ (79)	\$ 82,757
Operating Expenses					
Salaries					4,673
Employee benefits and retirement					357
Professional services	3,100	3,100	2,750	350	2,964
Depreciation			10,641	(10,641)	9,135
Repairs and maintenance	75,000	75,000	11,193	63,807	14,100
Total Operating Expenses	78,100	78,100	24,584	53,516	31,229
Operating Income	4,568	4,568	58,005	53,437	51,528
Nonoperating Revenues (Expenses)					
Interest income	155	155	264	109	360
FEMA grant					22,967
INCOME BEFORE TRANSFERS	4,723	4,723	58,269	53,546	74,855
Transfers in			26,270	26,270	
CHANGE IN NET ASSETS	4,723	4,723	84,539	79,816	74,855
TOTAL NET ASSETS - BEGINNING OF YEAR	432,297	432,297	432,297		357,442
TOTAL NET ASSETS - END OF YEAR	\$ 437,020	\$ 437,020	\$ 516,836	\$ 79,816	\$ 432,297

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Assets
 December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 29,616	\$ 24,098
Accounts receivable	22,306	27,126
Total Assets	<u>\$ 51,922</u>	<u>\$ 51,224</u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>\$ 15,080</u>	<u>\$ 14,862</u>
NET ASSETS		
Unrestricted	<u>36,842</u>	<u>36,362</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,922</u>	<u>\$ 51,224</u>

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
 Schedule of Revenues, Expenses
 and Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services	\$ 160,800	\$ 160,800	\$ 162,612	\$ 1,812	\$ 159,972
Operating Expenses					
Waste Removal					
Garbage removal	153,500	153,500	161,387	(7,887)	154,064
City cleanup	5,000	5,000	11,769	(6,769)	8,285
Compost site expense					3,119
Other			450	(450)	300
Total Operating Expenses	158,500	158,500	173,606	(15,106)	165,768
Operating Income	2,300	2,300	(10,994)	(13,294)	(5,796)
Nonoperating Revenue					
Interest income	500	500	229	(271)	275
Compost fees			11,245	11,245	12,550
Total Nonoperating Revenue	500	500	11,474	10,974	12,825
CHANGE IN NET ASSETS	2,800	2,800	480	(2,320)	7,029
TOTAL NET ASSETS - BEGINNING OF YEAR	36,362	36,362	36,362		29,333
TOTAL NET ASSETS - END OF YEAR	\$ 39,162	\$ 39,162	\$ 36,842	\$ (2,320)	\$ 36,362

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 AMBULANCE FUND
 Statement of Net Assets
 December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 140,978	\$ 114,325
Accounts receivable	24,822	68,571
Taxes receivable - delinquent	19	15
Prepaid expense	1,902	1,195
Total Current Assets	167,721	184,106
Capital Assets		
Depreciable	302,200	302,200
Less: Accumulated depreciation	126,777	101,513
Capital Assets, Net	175,423	200,687
Total Assets	\$ 343,144	\$ 384,793
LIABILITIES		
Current Liabilities		
Current maturities of notes payable	\$ 16,919	\$ 14,655
Accounts payable	2,840	2,891
Accrued interest payable	374	
Deferred revenue	19	15
Total Current Liabilities	20,152	17,561
Noncurrent Liabilities		
Notes payable	58,564	75,515
Total Liabilities	78,716	93,076
NET ASSETS		
Invested in capital assets, net of related debt	99,940	110,517
Unrestricted	164,488	181,200
Total Net Assets	264,428	291,717
TOTAL LIABILITIES AND NET ASSETS	\$ 343,144	\$ 384,793

CITY OF ST. CHARLES, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenses
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance service contracts	\$ 1,800	\$ 1,800	\$ 600	\$ (1,200)	\$ 600
Ambulance fees	185,000	185,000	184,397	(603)	175,484
Total Operating Revenues	<u>186,800</u>	<u>186,800</u>	<u>184,997</u>	<u>(1,803)</u>	<u>176,084</u>
Operating Expenses					
Salaries	63,000	68,585	72,634	(4,049)	70,225
Employee benefits and retirement	12,870	12,870	14,716	(1,846)	12,316
Supplies and minor equipment	39,683	39,683	22,001	17,682	19,135
Professional services	10,050	10,050	11,212	(1,162)	14,796
Communication	3,000	3,000	2,645	355	3,052
Transportation and training	10,000	10,000	4,160	5,840	12,578
Insurance	2,800	2,800	1,983	817	879
Repairs and maintenance	6,000	6,000	16,909	(10,909)	3,972
Depreciation			25,264	(25,264)	16,672
Bad debts			46,515	(46,515)	992
Other	5,000	5,000	5,937	(937)	7,406
Total Operating Expenses	<u>152,403</u>	<u>157,988</u>	<u>223,976</u>	<u>(65,988)</u>	<u>162,023</u>
Operating Income	<u>34,397</u>	<u>28,812</u>	<u>(38,979)</u>	<u>(67,791)</u>	<u>14,061</u>
Nonoperating Revenues (Expenses)					
Interest Income	2,000	2,000	3,650	1,650	1,839
Donations			11,130	11,130	3,808
Miscellaneous			8,181	8,181	14,516
Interest expense			(4,771)	(4,771)	(1,011)
Total Nonoperating Revenues (Expenses)	<u>2,000</u>	<u>2,000</u>	<u>18,190</u>	<u>16,190</u>	<u>19,152</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	<u>36,397</u>	<u>30,812</u>	<u>(20,789)</u>	<u>(51,601)</u>	<u>33,213</u>
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>		<u>(6,500)</u>
CHANGE IN NET ASSETS	<u>29,897</u>	<u>24,312</u>	<u>(27,289)</u>	<u>(51,601)</u>	<u>26,713</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>291,717</u>	<u>291,717</u>	<u>291,717</u>		<u>265,004</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 321,614</u>	<u>\$ 316,029</u>	<u>\$ 264,428</u>	<u>\$ (51,601)</u>	<u>\$ 291,717</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2010

CASH ON HAND

Change funds	\$	1,074
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CASH IN BANK

Eastwood State Bank

St. Charles, Minnesota:		
General checking (.05%) and savings (.75%)		1,653,365
Money Market (1.01%)		346,474

Merchants National Bank

St. Charles, Minnesota:		
MISO Account		72,180

INVESTMENTS

	Rate	Amount	
<u>Merchants National Bank</u>			
Certificates of Deposit	1.146%	\$ 110,717	
<u>Morgan Stanley Smith Barney</u>			
Certificates of Deposit	3.05-4.5%	352,522	
U.S. Government Security	2.50-4.00%	384,905	
Money Market Fund	0.03%	83,441	
TOTAL INVESTMENTS			931,585
TOTAL CASH AND INVESTMENTS,			
December 31, 2010			\$ 3,004,678

CITY OF ST. CHARLES, MINNESOTA
 GOVERNMENTAL FUNDS
 Bond Retirement Schedules
 December 31, 2010

Year	\$687,000 General Obligation Bonds of 1983		
	Principal	Interest	Total
2011	\$ 35,000	\$ 1,750	\$ 36,750
Totals	\$ 35,000	\$ 1,750	\$ 36,750

Year	\$1,785,000 G.O. Street Reconstruction/ Tax Abatement Bonds of 2005		
	Principal	Interest	Total
2011	\$ 105,000	\$ 51,594	\$ 156,594
2012	110,000	47,963	157,963
2013	115,000	44,025	159,025
2014	115,000	39,856	154,856
2015	120,000	35,450	155,450
Thereafter	830,000	103,600	933,600
Totals	\$ 1,395,000	\$ 322,488	\$ 1,717,488

Year	\$465,000 General Obligation Refunding Tax Increment Bonds of 2004		
	Principal	Interest	Total
2011	\$ 40,000	\$ 9,690	\$ 49,690
2012	40,000	8,230	48,230
2013	45,000	6,623	51,623
2014	45,000	4,867	49,867
2015	45,000	3,045	48,045
Thereafter	50,000	1,050	51,050
Totals	\$ 265,000	\$ 33,505	\$ 298,505

CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules (Continued)
December 31, 2010

Year	<u>\$80,000 Fire Tanker Truck Loan</u>		
	Principal	Interest	Total
2011	\$ 11,960	\$ 2,826	\$ 14,786
2012	12,479	2,307	14,786
2013	13,019	1,767	14,786
2014	13,584	1,202	14,786
2015	14,172	614	14,786
Totals	<u>\$ 65,214</u>	<u>\$ 8,716</u>	<u>\$ 73,930</u>

CITY OF ST. CHARLES, MINNESOTA
 BUSINESS-TYPE FUNDS
 Bond Retirement Schedules
 December 31, 2010

Year	\$1,060,000 General Obligation Utility Revenue Bonds of 2002		
	Principal	Interest	Total
2011	\$ 120,000	\$ 10,622	\$ 130,622
2012	125,000	6,579	131,579
2013	130,000	2,242	132,242
Totals	\$ 375,000	\$ 19,443	\$ 394,443

Year	\$1,205,000 General Obligation Utility Revenue Bonds of 2004		
	Principal	Interest	Total
2011	\$ 125,000	\$ 17,270	\$ 142,270
2012	130,000	12,870	142,870
2013	135,000	8,098	143,098
2014	140,000	2,800	142,800
Totals	\$ 530,000	\$ 41,038	\$ 571,038

Year	\$3,790,000 General Obligation Utility Revenue Bonds of 2004		
	Principal	Interest	Total
2011	\$ 180,000	\$ 117,120	\$ 297,120
2012	190,000	111,270	301,270
2013	195,000	104,620	299,620
2014	205,000	97,307	302,307
2015	215,000	89,107	304,107
Thereafter	1,810,000	341,659	2,151,659
Totals	\$ 2,795,000	\$ 861,083	\$ 3,656,083

Year	\$90,170 Ambulance Note Payable of 2009		
	Principal	Interest	Total
2011	\$ 16,919	\$ 3,900	\$ 20,819
2012	17,918	2,901	20,819
2013	18,976	1,844	20,820
2014	20,096	723	20,819
2015	1,574	8	1,582
Totals	\$ 75,483	\$ 9,376	\$ 84,859

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the general purpose financial statements of the City of St. Charles, Minnesota as of and for the year ended December 31, 2010 and have issued our report thereon dated April 7, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers seven main 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 study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of St. Charles, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 7, 2011

