

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2011

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CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

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, 2011

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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 the City of St. Charles, Minnesota as of and for the year ended December 31, 2011, 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 2010 financial statements and, in our report dated April 7, 2011, 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, 2011, 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.

As discussed in the notes to the financial statements, the City of St. Charles, Minnesota adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the City reporting nonspendable, restricted, assigned and unassigned fund balances in its governmental funds.

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 listed in the table of contents 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, is 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 6, 2012

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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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$19,324,527 (*net assets*). Of this amount, \$3,407,848 (*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 \$1,167,458.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,225,196. Approximately 62% of this total amount, or \$760,060 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$594,508 or 48% 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 nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development special revenue fund, the capital improvements and I-90 construction capital projects funds and the 2005A street bond debt service fund, all of which are considered to be major funds. Data from the other fourteen 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 62-66) 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 58-61 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 \$19,324,527 at the close of the most recent fiscal year.

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

City of St. Charles, Minnesota's Net Assets				
	Governmental	Business-Type	Totals	
	Activities	Activities	2011	2010
	_____	_____	_____	_____
Current and other assets	\$ 1,542,650	\$ 2,756,710	\$ 4,299,360	\$ 4,252,923
Capital assets	9,072,771	12,962,993	22,035,764	19,705,881
Total assets	<u>10,615,421</u>	<u>15,719,703</u>	<u>26,335,124</u>	<u>23,958,804</u>
Long-term liabilities				
outstanding	2,320,760	3,919,483	6,240,243	5,436,104
Other liabilities	215,238	555,116	770,354	365,631
Total liabilities	<u>2,535,998</u>	<u>4,474,599</u>	<u>7,010,597</u>	<u>5,801,735</u>
Net assets:				
Invested in capital assets,				
net of related debt	6,752,011	9,043,510	15,795,521	14,269,777
Restricted	121,158		121,158	106,253
Unrestricted	1,206,254	2,201,594	3,407,848	3,781,039
Total net assets	<u>\$ 8,079,423</u>	<u>\$ 11,245,104</u>	<u>\$ 19,324,527</u>	<u>\$ 18,157,069</u>

The balance of *unrestricted net assets* (\$3,407,848) 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 \$613,544. 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 \$553,914. The City's electric, water, sewer and storm water utilities contributed the most significant portion of that increase, or \$551,319.

A condensed version of the Statement of Activities follows:

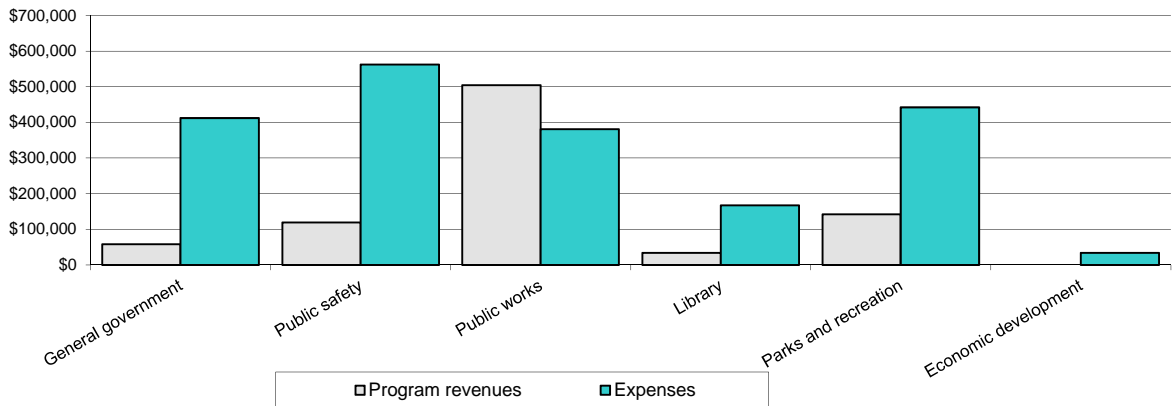
City of St. Charles, Minnesota's Change in Net Assets

	Governmental	Business-Type	Totals	
	Activities	Activities	2011	2010
Revenue:				
Program revenues:				
Charges for services	\$ 217,762	\$ 4,496,908	\$ 4,714,670	\$ 4,675,526
Operating grants and contributions	118,165	6,909	125,074	139,561
Capital grants and contributions	520,769	2,000	522,769	129,369
General revenues:				
Property taxes	756,663		756,663	731,841
TIF proceeds	120,922		120,922	180,688
Franchise fees	48,128		48,128	48,680
Grants and contributions not restricted to specific programs	794,807		794,807	790,083
Other	26,573	28,091	54,664	17,228
Total revenues	<u>2,603,789</u>	<u>4,533,908</u>	<u>7,137,697</u>	<u>6,712,976</u>
Expenses:				
General government	412,007		412,007	391,299
Public safety	562,408		562,408	548,254
Public works	380,686		380,686	389,492
Library	167,139		167,139	165,078
Parks and recreation	442,391		442,391	434,920
Economic development	33,751		33,751	46,453
Interest on long-term debt	72,993		72,993	80,517
Electric		2,577,083	2,577,083	2,621,268
Water		378,924	378,924	374,720
Sewer		540,384	540,384	518,321
Storm water drainage		26,963	26,963	24,584
Waste management		172,791	172,791	173,606
Ambulance		202,719	202,719	228,747
Total expenses	<u>2,071,375</u>	<u>3,898,864</u>	<u>5,970,239</u>	<u>5,997,259</u>
Increase in net assets before transfers	532,414	635,044	1,167,458	715,717
Transfers	81,130	(81,130)		
Increase in net assets	613,544	553,914	1,167,458	715,717
Net assets, beginning of year	7,465,879	10,691,190	18,157,069	17,441,352
Net assets, end of year	<u>\$ 8,079,423</u>	<u>\$ 11,245,104</u>	<u>\$ 19,324,527</u>	<u>\$ 18,157,069</u>

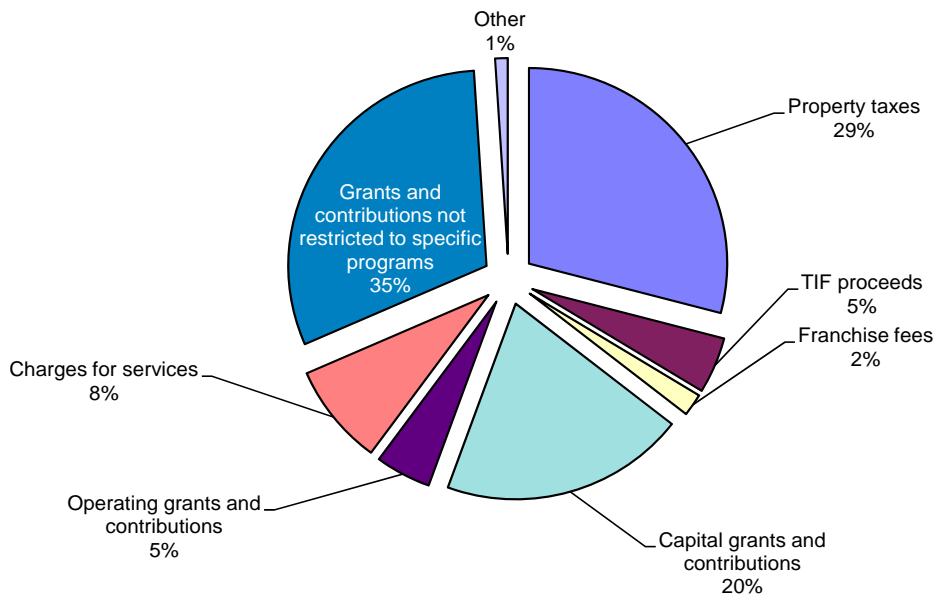
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



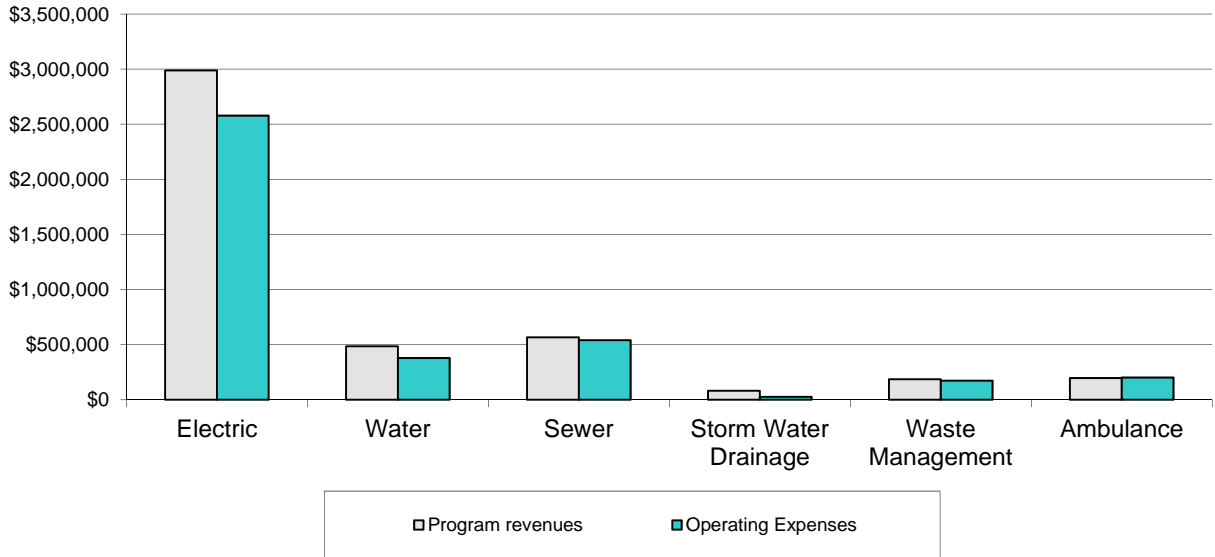
Revenues by Source - Governmental Activities



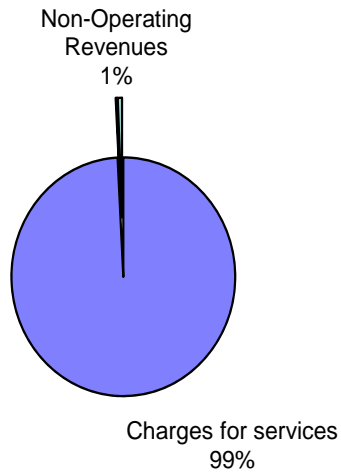
**CITY OF ST. CHARLES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, unassigned and assigned fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, implemented this year have redefined the fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

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

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

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

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

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

Detailed information regarding the fund balance classifications are found in Note 5 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,225,196, a decrease of \$504,270. Approximately 38% of this balance is either Nonspendable (\$19,427) related to prepaid items, Restricted (\$139,559) related to debt covenants or regulations or (\$306,150) Committed to projects by Council. The remainder is available for spending at the City's discretion.

The general fund is the chief operating fund of the City of St. Charles, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$594,508. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48% of total general fund expenditures.

The general fund's total fund balance increased by \$2,811 during the current fiscal year. This year's increase was primarily due to transfers in from other funds (\$131,500).

The economic development fund decreased its fund balance by \$14,673 due to issuing revolving loans in the amount of \$45,000, this was partially offset by repayments made on loans in the amount of \$15,650.

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

Governmental funds (continued).

The capital improvement fund decreased its fund balance by \$131,340 for the year, and ended the year with a fund balance of \$77,496. This year's decrease was primarily due to investing in the creation of a 35-acre business park along the I-90 corridor.

The I-90 construction fund is a new fund for 2011 and ended the year with a fund balance of \$144,656.

The debt service funds have a total fund balance of \$121,158 all of which is restricted 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 - \$1,356,626, Water - \$493,639, Sewer - \$141,337, Storm Water - \$14,099, Waste Management - \$50,131, Ambulance - \$145,762.

Electric Utility rates were adjusted in 2011 to absorb the increased cost of purchased power from Dairyland Power, the City's power supply provider. A tiered rate system was developed based on power usage in an effort to promote energy conservation and to protect lower energy users, typically the elderly and small businesses. Usage under 500 kWh remained at the 2010 rate, whereas usage over 500 kWh was charged at a 15% higher rate. This was established due to recommendations from Dairyland Power and the City's electrical engineer. The City continues to design programs in an effort to adhere to the State's mandated energy conservation requirements, which is to spend roughly 1.5% of gross revenues, or approximately 340,000 kWh per year.

Water Utility rates were increased in 2011, with the base rate and usage rate seeing a 1% increase over the previous year. Rates were increased in order to plan for future capital projects and upkeep.

Sewer Utility rates were increased 6% in 2011 on the base rate as well as usage rates. Sanitary District fees were reviewed, projecting a 15% increase in cost to the City due to scheduled upgrades to the 30 year old wastewater treatment plant. In addition, rates were increased to cover future capital projects and upkeep.

Garbage and recycling rates were adjusted to reflect the 3.8% cost increase from Veolia Environmental Services. In addition, the City adjusted administrative rates to help offset the costs of the annual citywide cleanup and service delivery.

General Fund Budgetary Highlights

The City has remained consistent in spending within established budget guidelines. Local Government Aid (LGA) has remained the same for 2010 and 2011. No amendments were made to the original 2011 budget.

Capital Asset and Debt Administration

Capital assets. The City of St. Charles, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$22,035,764 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges. The City of St. Charles reported an increase in its investment in capital assets for the current fiscal year of \$2,329,883.

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

Capital Asset and Debt Administration

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental	Business-Type	Totals	
	Activities	Activities	2011	2010
Land	\$ 1,792,776	\$ 142,189	\$ 1,934,965	\$ 1,185,478
Construction in process	13,234		13,234	13,234
Buildings and improvements	2,186,693	4,815,507	7,002,200	6,964,796
Machinery and equipment	581,365	8,005,297	8,586,662	8,054,042
Infrastructure	4,498,703		4,498,703	3,488,331
Total	<u>\$ 9,072,771</u>	<u>\$ 12,962,993</u>	<u>\$ 22,035,764</u>	<u>\$ 19,705,881</u>

Additional information on the City of St. Charles, Minnesota's capital assets can be found in Note 3E on pages 47-48 of this report.

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$6,351,872 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	Business-Type	Totals	
	Activities	Activities	2011	2010
General obligation bonds	\$ 2,329,755	\$ 1,250,245	\$ 3,580,000	\$ 1,430,000
General obligation tax increment bonds				265,000
General obligation revenue bonds		2,660,000	2,660,000	3,700,000
Notes payable	53,254	58,618	111,872	140,697
Total	<u>\$ 2,383,009</u>	<u>\$ 3,968,863</u>	<u>\$ 6,351,872</u>	<u>\$ 5,535,697</u>

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$816,175 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.

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

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 2012 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 4.7 percent in 2011. This rate is lower than the State's average of 5.6 percent and the national average rate of 8.3 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.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 57 percent of its General Fund revenues. Local Government Aid has remained at the same amount since 2010.

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, 2011

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2011
With Comparative Totals for December 31, 2010

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
ASSETS				
Cash and investments	\$ 978,198	\$ 1,580,020	\$ 2,558,218	\$ 3,004,678
Accrued interest receivable		2,591	2,591	
Receivables (net of allowance for uncollectibles)	166,877	662,425	829,302	817,465
Internal balances	(150,000)	150,000		
Due from other governmental units	528,148		528,148	42,647
Inventory		348,288	348,288	356,691
Prepaid items	19,427	13,386	32,813	31,442
Capital assets:				
Nondepreciable	1,806,010	142,189	1,948,199	1,198,712
Depreciable, net	7,266,761	12,820,804	20,087,565	18,507,169
Total Assets	<u>10,615,421</u>	<u>15,719,703</u>	<u>26,335,124</u>	<u>23,958,804</u>
LIABILITIES				
Accounts payable	168,856	466,580	635,436	248,721
Deposits payable		16,400	16,400	17,350
Accrued interest payable	27,198	28,564	55,762	53,999
Unearned revenue		31,040	31,040	3,365
Accrued compensated absences	19,184	12,532	31,716	42,196
Noncurrent liabilities:				
Due within one year	197,228	481,260	678,488	633,879
Due in more than one year	2,123,532	3,438,223	5,561,755	4,802,225
Total Liabilities	<u>2,535,998</u>	<u>4,474,599</u>	<u>7,010,597</u>	<u>5,801,735</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,752,011	9,043,510	15,795,521	14,269,777
Restricted for:				
Debt service	121,158		121,158	106,253
Unrestricted	1,206,254	2,201,594	3,407,848	3,781,039
Total Net Assets	<u>\$ 8,079,423</u>	<u>\$ 11,245,104</u>	<u>\$ 19,324,527</u>	<u>\$ 18,157,069</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 412,007	\$ 36,573	\$ 20,993	\$
Public safety	562,408	57,064	62,042	
Public works	380,686		4,509	500,000
Library	167,139	3,138	30,621	
Parks and recreation	442,391	120,987		20,769
Economic development	33,751			
Interest on long-term debt	72,993			
Total governmental activities	2,071,375	217,762	118,165	520,769
Business-Type activities:				
Electric	2,577,083	2,988,396		
Water	378,924	484,785		
Sewer	540,384	566,139		
Storm water drainage	26,963	83,205		
Waste management	172,791	185,886		
Ambulance	202,719	188,497	6,909	2,000
Total business-type activities	3,898,864	4,496,908	6,909	2,000
Total	\$ 5,970,239	\$ 4,714,670	\$ 125,074	\$ 522,769

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	
		2011	2010
\$ (354,441)		\$ (354,441)	\$ (282,872)
(443,302)		(443,302)	(413,142)
123,823		123,823	(339,823)
(133,380)		(133,380)	(126,757)
(300,635)		(300,635)	(282,831)
(33,751)		(33,751)	(46,453)
(72,993)		(72,993)	(80,517)
<u>(1,214,679)</u>		<u>(1,214,679)</u>	<u>(1,572,395)</u>
	\$ 411,313	411,313	234,242
	105,861	105,861	120,861
	25,755	25,755	130,672
	56,242	56,242	58,005
	13,095	13,095	251
	<u>(5,313)</u>	<u>(5,313)</u>	<u>(24,439)</u>
	606,953	606,953	519,592
<u>(1,214,679)</u>	<u>606,953</u>	<u>(607,726)</u>	<u>(1,052,803)</u>
756,663		756,663	731,841
120,922		120,922	180,688
48,128		48,128	48,680
794,807		794,807	790,083
26,019	13,899	39,918	47,237
554	14,192	14,746	7,214
			(37,223)
<u>81,130</u>	<u>(81,130)</u>		
<u>1,828,223</u>	<u>(53,039)</u>	<u>1,775,184</u>	<u>1,768,520</u>
613,544	553,914	1,167,458	715,717
<u>7,465,879</u>	<u>10,691,190</u>	<u>18,157,069</u>	<u>17,441,352</u>
<u>\$ 8,079,423</u>	<u>\$ 11,245,104</u>	<u>\$ 19,324,527</u>	<u>\$ 18,157,069</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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

December 31, 2011

With Comparative Totals for December 31, 2010

	<u>10</u> General	<u>34</u> Economic Development	<u>25</u> Capital Improvements Fund
		<u>Special Revenue</u>	<u>Capital</u>
ASSETS			
Cash and investments	\$ 578,200	\$ 7,482	\$ 83,843
Accounts receivable	12,507		
Loans and contracts receivable		117,798	
Taxes receivable delinquent	5,554	603	8,519
Special assessments receivable:			
Deferred	2,251		2,824
Due from other funds	50,000	40,000	289,487
Due from other governmental units	2,598	581	3,667
Prepaid items	13,552		
TOTAL ASSETS	<u>\$ 664,662</u>	<u>\$ 166,464</u>	<u>\$ 388,340</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 29,611		\$ 64,501
Due to other funds			85,000
Due to other governmental units			
Advances from other funds			150,000
Deferred revenue	7,805	118,401	11,343
Total Liabilities	<u>37,416</u>	<u>118,401</u>	<u>310,844</u>
Fund Balance:			
Nonspendable:			
Prepaid items	13,552		
Restricted:			
Creditors (debt covenants)			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		48,063	77,496
Assigned	19,186		
Unassigned	594,508		
Total Fund Balance	<u>627,246</u>	<u>48,063</u>	<u>77,496</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 664,662</u>	<u>\$ 166,464</u>	<u>\$ 388,340</u>

See Notes to the Financial Statements

<u>Projects</u>	<u>Debt Service</u>		<u>Total Governmental Funds</u>	
<u>28</u> I-90 Construction Fund	<u>57</u> 2005A Street Bond	Other Governmental Funds	2011	2010
\$ 2,488	\$	\$ 306,185	\$ 978,198	\$ 1,751,641
		5,772	18,279	38,892
	5,004	6,045	117,798	90,381
			25,725	19,505
			5,075	7,224
500,000	2,208	7,030	386,517	
		19,094	528,148	55,933
		5,875	19,427	18,949
<u>\$ 502,488</u>	<u>\$ 7,212</u>	<u>\$ 350,001</u>	<u>\$ 2,079,167</u>	<u>\$ 1,982,525</u>
\$ 63,345	\$	\$ 11,399	\$ 168,856	\$ 42,212
294,487		7,030	386,517	
				13,286
			150,000	80,451
	5,004	6,045	148,598	117,110
<u>357,832</u>	<u>5,004</u>	<u>24,474</u>	<u>853,971</u>	<u>253,059</u>
		5,875	19,427	18,949
	2,208	118,950	121,158	106,253
		18,401	18,401	506,630
144,656		35,935	306,150	336,673
		149,591	168,777	177,884
		(3,225)	591,283	583,077
<u>144,656</u>	<u>2,208</u>	<u>325,527</u>	<u>1,225,196</u>	<u>1,729,466</u>
<u>\$ 502,488</u>	<u>\$ 7,212</u>	<u>\$ 350,001</u>	<u>\$ 2,079,167</u>	<u>\$ 1,982,525</u>

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

For the Fiscal Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Economic Development	Capital Improvements Fund
REVENUES			
Property taxes	\$ 167,945	\$	\$ 232,221
Property taxes - Special EDA taxing district		37,077	
Tax increments			
Special assessments	660		596
Licenses and permits	29,207		
Fines and forfeits	9,208		
Intergovernmental revenues	800,283	5,000	9,008
Charges for services	172,813		
Interest income	7,645	4,970	602
Donations			
Loan repayment		15,650	
Miscellaneous revenues	2,057		20,769
TOTAL REVENUES	<u>1,189,818</u>	<u>62,697</u>	<u>263,196</u>
EXPENDITURES			
Current			
General government	268,773		3,250
Public safety	385,309		
Public works	229,638		
Library			
Parks and recreation	346,074		
Economic development		77,370	
Capital Outlay			785,986
Debt Service			
TOTAL EXPENDITURES	<u>1,229,794</u>	<u>77,370</u>	<u>789,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,976)</u>	<u>(14,673)</u>	<u>(526,040)</u>
OTHER FINANCING SOURCES (USES)			
Refund of unused tax increments			
Issuance of debt			
Transfers in	131,500		400,000
Transfers out	(88,713)		(5,300)
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,787</u>		<u>394,700</u>
Net change in fund balances	2,811	(14,673)	(131,340)
FUND BALANCES, beginning	<u>624,435</u>	<u>62,736</u>	<u>208,836</u>
FUND BALANCES, ending	<u>\$ 627,246</u>	<u>\$ 48,063</u>	<u>\$ 77,496</u>

See Notes to the Financial Statements

<u>Projects</u>	<u>Debt Service</u>		<u>Total Governmental Funds</u>	
<u>28</u> I-90 Construction Fund	<u>57</u> 2005A Street Bond	Other Governmental Funds	2011	2010
\$	\$ 139,235	\$ 176,691	\$ 716,092	\$ 694,108
			37,077	35,935
		120,922	120,922	180,688
			1,256	1,798
			29,207	34,003
			9,208	12,696
500,000	6,543	59,706	1,380,540	971,692
		47,776	220,589	227,497
9,412	31	1,936	24,596	20,824
		34,744	34,744	28,286
			15,650	19,787
		3,238	26,064	50,165
<u>509,412</u>	<u>145,809</u>	<u>445,013</u>	<u>2,615,945</u>	<u>2,277,479</u>
3,692		48,023	323,738	320,919
		125,689	510,998	593,916
			229,638	227,853
		134,814	134,814	133,883
			346,074	323,489
			77,370	56,182
1,295,948		13,302	2,095,236	296,998
	1,451,554	333,396	1,784,950	319,853
<u>1,299,640</u>	<u>1,451,554</u>	<u>655,224</u>	<u>5,502,818</u>	<u>2,273,093</u>
<u>(790,228)</u>	<u>(1,305,745)</u>	<u>(210,211)</u>	<u>(2,886,873)</u>	<u>4,386</u>
				(37,223)
980,254	1,290,000	31,219	2,301,473	80,000
		400,313	931,813	349,740
(45,370)	(87,180)	(624,120)	(850,683)	(241,337)
<u>934,884</u>	<u>1,202,820</u>	<u>(192,588)</u>	<u>2,382,603</u>	<u>151,180</u>
144,656	(102,925)	(402,799)	(504,270)	155,566
	105,133	728,326	1,729,466	1,573,900
<u>\$ 144,656</u>	<u>\$ 2,208</u>	<u>\$ 325,527</u>	<u>\$ 1,225,196</u>	<u>\$ 1,729,466</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, 2011

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

Total governmental fund balances (page 17)		\$ 1,225,196
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 13,566,585	
Less: Accumulated depreciation	(4,493,814)	
		9,072,771
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	\$ 25,725	
Deferred special assessments	5,075	
Contracts receivable	117,798	
		148,598
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	\$ (2,383,009)	
Compensated absences	(19,184)	
Accrued interest	(27,198)	
Unamortized bond issuance costs	62,249	
		(2,367,142)
Net assets of governmental activities (page 13)		\$ 8,079,423

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, 2011

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

Net change in fund balances - total governmental funds (page 19)	\$	(504,270)
<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	\$	2,095,236
Depreciation expense		<u>(412,379)</u>
		1,682,857
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets</p>		
Other		2,602
<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, 2011	\$	148,598
Deferred revenue December 31, 2010		<u>(117,110)</u>
		31,488
<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, 2011	\$	19,184
Compensated absences, December 31, 2010		<u>(27,151)</u>
		(7,967)
<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	\$	1,706,960
Issuance of debt		(2,301,473)
Change in accrued interest		<u>3,347</u>
		<u>(591,166)</u>
Change in net assets of governmental activities (pages 15)	\$	<u><u>613,544</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 177,853	\$ 177,853	\$ 167,945	\$ (9,908)	\$ 161,977
Special Assessments	1,000	1,000	660	(340)	688
Licenses and Permits					
Business and nonbusiness licenses	4,800	4,800	8,184	3,384	12,303
Building permits	20,000	20,000	21,023	1,023	21,700
Total Licenses and Permits	24,800	24,800	29,207	4,407	34,003
Intergovernmental Revenues					
Local government aid	757,339	757,339	757,339		757,339
Market value credit	6,396	6,396	6,384	(12)	6,396
Police aid	28,000	28,000	29,639	1,639	30,027
PERA aid	2,412	2,412	2,412		2,412
Highway	5,000	5,000	4,509	(491)	3,608
Total Intergovernmental Revenues	799,147	799,147	800,283	1,136	799,782
Charges For Services					
Street	500	500		(500)	625
Swimming pool	71,700	71,700	81,521	9,821	79,632
Park and recreation	41,000	41,000	39,466	(1,534)	38,527
Cable franchise fees	30,000	30,000	31,280	1,280	31,789
Senior center rental	3,000	3,000	3,698	698	4,268
Natural gas franchise fees	16,500	16,500	16,848	348	16,891
Total Charges For Services	162,700	162,700	172,813	10,113	171,732
Fines and Forfeits					
Court fines and other	10,000	10,000	9,208	(792)	12,696
Interest Income	7,000	7,000	7,645	645	6,798
Miscellaneous Revenues					
Other	1,450	1,450	2,057	607	3,914
TOTAL REVENUES	\$ 1,183,950	\$ 1,183,950	\$ 1,189,818	\$ 5,868	\$ 1,191,590

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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 27,200	\$ 27,200	\$ 27,248	\$ (48)	\$ 24,018
Transportation and training	2,000	2,000	1,214	786	1,473
Printing and publication	300	300		300	
Total Mayor and Council	<u>29,500</u>	<u>29,500</u>	<u>28,462</u>	<u>1,038</u>	<u>25,491</u>
Election and Voter Registration	<u>445</u>	<u>445</u>	<u>445</u>		<u>3,075</u>
General and Financial Administration					
Salaries	68,389	68,389	71,294	(2,905)	74,518
Employee benefits and retirement	22,685	22,685	22,949	(264)	21,640
Supplies and minor equipment	7,000	7,000	5,873	1,127	6,141
Communication	5,000	5,000	3,726	1,274	4,760
Transportation and training	3,000	3,000	3,305	(305)	4,355
Insurance	4,800	4,800	4,632	168	4,258
Repairs and maintenance	7,000	7,000	8,271	(1,271)	9,282
Assessor	16,500	16,500	16,420	80	16,420
Accounting and audit	9,000	9,000	9,000		8,290
Legal	17,500	17,500	17,270	230	14,476
Planning and zoning	1,450	1,450	575	875	53
Building inspection	20,000	20,000	19,453	547	20,818
Other professional services	4,800	4,800	1,988	2,812	3,491
Memberships	11,000	11,000	10,647	353	10,704
Other	14,606	14,606	14,320	286	15,730
Total General and Financial Administration	<u>212,730</u>	<u>212,730</u>	<u>209,723</u>	<u>3,007</u>	<u>214,936</u>
City Hall					
Salaries	4,000	4,000	3,686	314	2,190
Employee benefits and retirement	450	450	312	138	180
Supplies and minor equipment	1,500	1,500	1,569	(69)	1,939
Insurance	1,000	1,000	944	56	872
Utilities	17,250	17,250	16,767	483	17,087
Repairs and maintenance	6,000	6,000	6,865	(865)	7,877
Total City Hall	<u>30,200</u>	<u>30,200</u>	<u>30,143</u>	<u>57</u>	<u>30,145</u>
Total General Government	<u>\$ 272,875</u>	<u>\$ 272,875</u>	<u>\$ 268,773</u>	<u>\$ 4,102</u>	<u>\$ 273,647</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2010 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 237,770	\$ 237,770	\$ 257,517	\$ (19,747)	\$ 249,521
Employee benefits and retirement	80,848	80,848	76,401	4,447	73,912
Supplies and minor equipment	18,100	18,100	22,620	(4,520)	22,644
Professional services	6,650	6,650	5,661	989	4,274
Communication	3,600	3,600	3,849	(249)	4,015
Transportation and training	3,000	3,000	2,985	15	2,880
Printing and publication	200	200		200	62
Insurance	6,000	6,000	4,928	1,072	5,273
Repairs and maintenance	7,050	7,050	6,147	903	7,633
Other	5,750	5,750	5,201	549	6,055
Total Police Department	<u>368,968</u>	<u>368,968</u>	<u>385,309</u>	<u>(16,341)</u>	<u>376,269</u>
Total Public Safety	<u>368,968</u>	<u>368,968</u>	<u>385,309</u>	<u>(16,341)</u>	<u>376,269</u>
Public Works					
Street Department					
Salaries	91,246	91,246	93,025	(1,779)	92,815
Employee benefits and retirement	37,250	37,250	34,749	2,501	33,859
Supplies and minor equipment	15,750	15,750	17,423	(1,673)	14,753
Professional services	1,500	1,500		1,500	
Communication	800	800	931	(131)	834
Transportation and training	1,500	1,500	1,011	489	1,302
Printing and publication	100	100		100	
Insurance	5,000	5,000	4,638	362	4,957
Utilities	6,500	6,500	5,578	922	5,186
Repairs and maintenance	77,330	77,330	72,248	5,082	74,147
Other	150	150	35	115	
Total Public Works	<u>\$ 237,126</u>	<u>\$ 237,126</u>	<u>\$ 229,638</u>	<u>\$ 7,488</u>	<u>\$ 227,853</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 82,700	\$ 82,700	\$ 83,159	\$ (459)	\$ 83,986
Employee benefits and retirement	20,802	20,802	17,964	2,838	18,526
Supplies and minor equipment			160	(160)	
Communication	2,000	2,000	2,263	(263)	2,341
Transportation and training	2,000	2,000	1,239	761	2,211
Insurance	3,000	3,000	2,585	415	1,875
Repairs and maintenance	700	700	424	276	629
Recreation programs	20,000	20,000	23,930	(3,930)	16,208
Other	1,975	1,975	2,564	(589)	2,185
Total Recreation	<u>133,177</u>	<u>133,177</u>	<u>134,288</u>	<u>(1,111)</u>	<u>127,961</u>
Swimming Pool Program					
Salaries	42,075	42,075	52,507	(10,432)	48,542
Employee benefits and retirement	6,060	6,060	5,443	617	5,682
Supplies and minor equipment	18,800	18,800	16,268	2,532	17,527
Communication	500	500	614	(114)	484
Transportation and training	1,500	1,500	1,243	257	1,228
Insurance	8,000	8,000	7,155	845	6,787
Utilities	20,000	20,000	17,905	2,095	14,951
Repairs and maintenance	10,500	10,500	8,926	1,574	9,792
Other	4,000	4,000	3,851	149	3,804
Total Swimming Pool Program	<u>111,435</u>	<u>111,435</u>	<u>113,912</u>	<u>(2,477)</u>	<u>108,797</u>
Parks					
Salaries	26,175	26,175	26,418	(243)	25,972
Employee benefits and retirement	8,990	8,990	9,525	(535)	9,091
Supplies and minor equipment	5,850	5,850	7,519	(1,669)	4,120
Communication	500	500	500		295
Transportation and training	1,000	1,000	1,248	(248)	844
Printing and publication			181	(181)	
Insurance	3,200	3,200	2,579	621	2,466
Repairs and maintenance	24,175	24,175	26,318	(2,143)	22,662
Other	1,400	1,400		1,400	1,346
Total Parks	<u>\$ 71,290</u>	<u>\$ 71,290</u>	<u>\$ 74,288</u>	<u>\$ (2,998)</u>	<u>\$ 66,796</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 80	\$ 20	\$ 57
Repairs and maintenance	12,500	12,500	11,420	1,080	5,695
Other	2,500	2,500	2,454	46	3,206
Total Forestry	<u>15,100</u>	<u>15,100</u>	<u>13,954</u>	<u>1,146</u>	<u>8,958</u>
Senior Citizens Center					
Insurance	820	820	652	168	693
Utilities	8,000	8,000	7,511	489	8,869
Repairs and maintenance	1,500	1,500	1,469	31	1,415
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>9,632</u>	<u>688</u>	<u>10,977</u>
Total Parks and Recreation	<u>341,322</u>	<u>341,322</u>	<u>346,074</u>	<u>(4,752)</u>	<u>323,489</u>
TOTAL EXPENDITURES	<u>1,220,291</u>	<u>1,220,291</u>	<u>1,229,794</u>	<u>(9,503)</u>	<u>1,201,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,341)</u>	<u>(36,341)</u>	<u>(39,976)</u>	<u>(3,635)</u>	<u>(9,668)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	131,500	131,500	131,500		145,982
Transfers out	<u>(62,500)</u>	<u>(62,500)</u>	<u>(88,713)</u>	<u>(26,213)</u>	<u>(6,500)</u>
Total Other Financing Sources (Uses)	<u>69,000</u>	<u>69,000</u>	<u>42,787</u>	<u>(26,213)</u>	<u>139,482</u>
Net change in fund balances	32,659	32,659	2,811	(29,848)	129,814
FUND BALANCES, beginning	<u>624,435</u>	<u>624,435</u>	<u>624,435</u>		<u>494,621</u>
FUND BALANCES, ending	<u>\$ 657,094</u>	<u>\$ 657,094</u>	<u>\$ 627,246</u>	<u>\$ (29,848)</u>	<u>\$ 624,435</u>

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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 41,000	\$ 41,000	\$ 37,077	\$ (3,923)	\$ 35,935
Intergovernmental Revenues					
AG Grant			5,000	5,000	
Interest Income	3,269	3,269	4,970	1,701	4,769
Loan Repayment	16,955	16,955	15,650	(1,305)	19,787
TOTAL REVENUES	<u>61,224</u>	<u>61,224</u>	<u>62,697</u>	<u>1,473</u>	<u>60,491</u>
EXPENDITURES					
Economic Development					
Professional services	32,844	32,844	31,395	1,449	45,264
Office supplies					252
Revolving loans	4,400	4,400	45,000	(40,600)	10,000
Other			975	(975)	666
TOTAL EXPENDITURES	<u>37,244</u>	<u>37,244</u>	<u>77,370</u>	<u>(40,126)</u>	<u>56,182</u>
Net change in fund balances	23,980	23,980	(14,673)	(38,653)	4,309
FUND BALANCES, beginning	<u>62,736</u>	<u>62,736</u>	<u>62,736</u>		<u>58,427</u>
FUND BALANCES, ending	<u>\$ 86,716</u>	<u>\$ 86,716</u>	<u>\$ 48,063</u>	<u>\$ (38,653)</u>	<u>\$ 62,736</u>

See Notes to the Financial Statements

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

Statement of Net Assets

December 31, 2011

With Comparative Totals for December 31, 2010

	Business-Type Activities - Enterprise Funds			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 892,424	\$ 361,440	\$ 139,764	\$ 13,628
Accrued interest receivable	1,816	494	258	
Accounts receivable, net	266,909	75,536	108,915	7,323
Accrued utility revenue	96,684	14,634	18,974	2,676
Special assessments-deferred		15,314	15,714	
Taxes receivable-delinquent				
Advances to other funds	110,000	40,000		
Inventory	327,898	20,390		
Prepaid expenses	9,230	1,952	367	
Total Current Assets	<u>1,704,961</u>	<u>529,760</u>	<u>283,992</u>	<u>23,627</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	9,328,229	4,975,446	3,353,087	606,651
Less: Accumulated depreciation	<u>2,947,928</u>	<u>1,790,572</u>	<u>823,102</u>	<u>47,597</u>
Net Capital Assets	<u>6,493,790</u>	<u>3,184,874</u>	<u>2,558,685</u>	<u>559,054</u>
Total Assets	<u>\$ 8,198,751</u>	<u>\$ 3,714,634</u>	<u>\$ 2,842,677</u>	<u>\$ 582,681</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 205,000	\$ 151,577	\$ 106,765	\$
Current maturities of notes payable				
Accounts payable	312,634	15,054	123,715	9,528
Deferred revenue		15,314	15,714	
Customer deposits	16,400			
Accrued interest payable	<u>19,301</u>	<u>5,753</u>	<u>3,226</u>	
Total Current Liabilities	<u>553,335</u>	<u>187,698</u>	<u>249,420</u>	<u>9,528</u>
Noncurrent Liabilities				
Notes payable, net of current maturities				
Bonds payable, net of current maturities	2,455,000	824,888	167,015	
Less: Unamortized bond discount	<u>(49,380)</u>			
Total Noncurrent Liabilities	<u>2,405,620</u>	<u>824,888</u>	<u>167,015</u>	
Total Liabilities	<u>2,958,955</u>	<u>1,012,586</u>	<u>416,435</u>	<u>9,528</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,883,170	2,208,409	2,284,905	559,054
Unrestricted	<u>1,356,626</u>	<u>493,639</u>	<u>141,337</u>	<u>14,099</u>
Total Net Assets	<u>5,239,796</u>	<u>2,702,048</u>	<u>2,426,242</u>	<u>573,153</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,198,751</u>	<u>\$ 3,714,634</u>	<u>\$ 2,842,677</u>	<u>\$ 582,681</u>

See Notes to the Financial Statements

FORM C-1

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2011	2010		
\$ 43,410	\$ 129,354	\$ 1,580,020	\$ 1,253,037		
	23	2,591			
22,373	17,361	498,417	544,604		
		132,968	113,494		
		31,028	3,346		
	12	12	19		
		150,000	80,451		
		348,288	356,691		
	1,837	13,386	12,493		
<u>65,783</u>	<u>148,587</u>	<u>2,756,710</u>	<u>2,364,135</u>		
		142,189	142,189		
	315,335	18,578,748	17,472,743		
	148,745	5,757,944	5,313,922		
	<u>166,590</u>	<u>12,962,993</u>	<u>12,301,010</u>		
<u>\$ 65,783</u>	<u>\$ 315,177</u>	<u>\$ 15,719,703</u>	<u>\$ 14,665,145</u>		
\$	\$	\$ 463,342	\$ 425,000		
	17,918	17,918	16,919		
15,652	2,529	479,112	221,554		
	12	31,040	3,365		
		16,400	17,350		
	284	28,564	23,454		
<u>15,652</u>	<u>20,743</u>	<u>1,036,376</u>	<u>707,642</u>		
	40,700	40,700	58,564		
		3,446,903	3,275,000		
		(49,380)	(67,251)		
	<u>40,700</u>	<u>3,438,223</u>	<u>3,266,313</u>		
<u>15,652</u>	<u>61,443</u>	<u>4,474,599</u>	<u>3,973,955</u>		
	107,972	9,043,510	8,592,778		
<u>50,131</u>	<u>145,762</u>	<u>2,201,594</u>	<u>2,098,412</u>		
<u>50,131</u>	<u>253,734</u>	<u>11,245,104</u>	<u>10,691,190</u>		
<u>\$ 65,783</u>	<u>\$ 315,177</u>	<u>\$ 15,719,703</u>	<u>\$ 14,665,145</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 2,988,396	\$ 479,501	\$ 554,800	\$ 83,205
Operating Expenses				
Purchased utilities	1,506,221		364,421	
Salaries	306,327	89,560	46,879	
Employee benefits and retirement	97,399	25,362	11,559	
Gas and oil	9,819			
Generation fuel	21,720			
Supplies and minor equipment	10,856	21,840	4,944	
Professional services	42,301	22,709	7,450	650
Communication	7,406	4,701	3,377	
Transportation and training	10,085	4,093	3,050	
Printing and publishing	277			
Insurance	20,646	4,731	628	
Utilities	2,316	47,323	4,150	
Repairs and maintenance	77,298	36,316	14,731	
Depreciation and amortization	295,918	99,302	66,997	13,461
Bad debts	4,014			
Other	37,819	501	592	12,852
Total Operating Expenses	2,450,422	356,438	528,778	26,963
Operating Income (Loss)	537,974	123,063	26,022	56,242
Nonoperating Revenues (Expenses)				
Interest income	5,118	4,711	2,682	75
Availability charges				
Compost fees				
Miscellaneous income	14,192	5,284	11,339	
Grant income				
Interest and fiscal charges	(126,661)	(22,486)	(11,606)	
Total Nonoperating Revenues (Expenses)	(107,351)	(12,491)	2,415	75
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	430,623	110,572	28,437	56,317
Transfers in			45,370	
Transfers out	(120,000)			
CHANGE IN NET ASSETS	310,623	110,572	73,807	56,317
NET ASSETS - BEGINNING OF YEAR	4,929,173	2,591,476	2,352,435	516,836
TOTAL NET ASSETS - END OF YEAR	\$ 5,239,796	\$ 2,702,048	\$ 2,426,242	\$ 573,153

See Notes to the Financial Statements

FORM C-2

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2011	2010
\$ 172,947	\$ 188,497	\$ 4,467,346	\$ 4,390,400
159,970		2,030,612	2,050,628
	73,603	516,369	512,802
	15,722	150,042	141,867
		9,819	10,517
		21,720	8,488
	29,251	66,891	57,458
	10,348	83,458	56,419
	2,587	18,071	18,058
	8,209	25,437	21,455
		277	
	2,331	28,336	26,072
		53,789	49,534
	8,023	136,368	271,202
	25,861	501,539	453,462
	16,546	20,560	48,716
12,821	6,374	70,959	59,978
<u>172,791</u>	<u>198,855</u>	<u>3,734,247</u>	<u>3,786,656</u>
156	(10,358)	733,099	603,744
194	1,119	13,899	26,413
			5,980
12,939		12,939	11,245
	6,909	37,724	59,193
	2,000	2,000	
	(3,864)	(164,617)	(160,570)
<u>13,133</u>	<u>6,164</u>	<u>(98,055)</u>	<u>(57,739)</u>
13,289	(4,194)	635,044	546,005
		45,370	26,270
	(6,500)	(126,500)	(134,673)
<u>13,289</u>	<u>(10,694)</u>	<u>553,914</u>	<u>437,602</u>
<u>36,842</u>	<u>264,428</u>	<u>10,691,190</u>	<u>10,253,588</u>
<u>\$ 50,131</u>	<u>\$ 253,734</u>	<u>\$ 11,245,104</u>	<u>\$ 10,691,190</u>

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

For the Fiscal Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,977,658	\$ 481,332	\$ 581,953	\$ 83,328
Access and other fees received	14,192	5,284	11,339	
Cash paid to suppliers and employees	<u>(1,996,529)</u>	<u>(250,601)</u>	<u>(368,202)</u>	<u>(6,849)</u>
Net Cash Provided By Operating Activities	<u>995,321</u>	<u>236,015</u>	<u>225,090</u>	<u>76,479</u>
Cash Flows From Noncapital Financing Activities				
Transfer in			45,370	
Transfer out	<u>(120,000)</u>			
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(120,000)</u>		<u>45,370</u>	
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(235,512)	(715,531)	(65,274)	(62,926)
Advances to other funds	(69,549)			
Proceeds from issuance of long-term debt	2,609,953	976,465	273,780	
Principal payments on long-term debt	(2,795,000)	(462,100)	(442,900)	
Interest payments on long-term debt	<u>(116,453)</u>	<u>(23,697)</u>	<u>(14,736)</u>	
Net Cash Used In Capital and Related Financing Activities	<u>(606,561)</u>	<u>(224,863)</u>	<u>(249,130)</u>	<u>(62,926)</u>
Cash Flows From Investing Activities				
Investment income received	<u>3,302</u>	<u>4,217</u>	<u>2,424</u>	<u>75</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	272,062	15,369	23,754	13,628
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>620,362</u>	<u>346,071</u>	<u>116,010</u>	
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 892,424</u>	<u>\$ 361,440</u>	<u>\$ 139,764</u>	<u>\$ 13,628</u>

See Notes to the Financial Statements

<u>23</u>	<u>22</u>	Totals	
Waste Management	Ambulance	2011	2010
\$ 172,880	\$ 196,146	\$ 4,493,297	\$ 4,350,035
12,939	8,909	52,663	70,438
(172,219)	(173,337)	(2,967,737)	(3,439,696)
13,600	31,718	1,578,223	980,777
		45,370	26,270
	(6,500)	(126,500)	(134,673)
	(6,500)	(81,130)	(108,403)
	(17,210)	(1,096,453)	(255,814)
		(69,549)	(22,733)
		3,860,198	
	(16,864)	(3,716,864)	(467,687)
	(3,864)	(158,750)	(164,219)
	(37,938)	(1,181,418)	(910,453)
194	1,096	11,308	26,413
13,794	(11,624)	326,983	(11,666)
29,616	140,978	1,253,037	1,264,703
<u>\$ 43,410</u>	<u>\$ 129,354</u>	<u>\$ 1,580,020</u>	<u>\$ 1,253,037</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Operating Income (Loss)	\$ 537,974	\$ 123,063	\$ 26,022	\$ 56,242
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	295,918	99,302	66,997	13,461
Bad debt expense	4,014			
Compost fees				
Miscellaneous nonoperating income	14,192	5,284	11,339	
Availability charges				
Grant income				
(Increase) Decrease In:				
Accounts receivable	(13,802)	1,831	27,153	123
Accrued interest receivable				
Inventory	8,760	(357)		
Prepaid items	(820)	29	(167)	
Increase (Decrease) In:				
Accounts and contracts payable	150,035	6,863	93,746	6,653
Customer deposits	(950)			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided By Operating Activities	<u>\$ 995,321</u>	<u>\$ 236,015</u>	<u>\$ 225,090</u>	<u>\$ 76,479</u>

FORM C-3

Waste Management		Totals	
Ambulance		2011	2010
\$ 156	\$ (10,358)	\$ 733,099	\$ 603,744
	25,861	501,539	453,462
	16,546	20,560	48,716
12,939		12,939	11,245
	6,909	37,724	59,193
			5,980
	2,000	2,000	
(67)	(8,920)	6,318	(94,161)
	23	23	
		8,403	(23,971)
	65	(893)	(1,785)
572	(408)	257,461	(80,746)
		(950)	(900)
<u>\$ 13,600</u>	<u>\$ 31,718</u>	<u>\$ 1,578,223</u>	<u>\$ 980,777</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 improvements fund* accounts for the financial resources to be used for city street and other public infrastructure improvements.

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

The *2005A street bond debt service fund* accounts for the debt service on the 2005A street bond.

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.

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 *storm water fund* accounts for the operation of the City owned storm water drainage system.

The *waste management fund* accounts for the operation of the City owned waste management system.

The *ambulance fund* accounts for the operation of the City ambulance activities.

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)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2011. The enterprise fund accounts receivable are reported net of an allowance for uncollectible accounts.

Interfund Balances

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

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

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)

Tax Increment Districts

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

Inventory

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

Capital Assets

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

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

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, 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

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

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

Concentration of Credit Risk

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

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)

Net Assets / Fund Balance

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

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

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

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

In accordance with Governmental Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

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

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

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

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

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

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

E. Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 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, 2011, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$	1,815
Deposits		1,710,500
Certificates of deposit		533,936
U.S. Treasury Securities		305,711
Money Market Funds		<u>6,256</u>
Total Cash on Hand and Deposits	\$	<u>2,558,218</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, 2011, 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, 2011 is as follows:

<u>General Fund</u>		
1979 Public Improvement Project		\$ 169
2004 Public Improvement Project		1,000
2005 Public Improvement Project		<u>1,082</u>
Total General Fund		<u>2,251</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>2,824</u>
<u>Enterprise Funds</u>		
Water Fund		15,314
Sewer Fund		<u>15,714</u>
Total Enterprise Funds		<u>31,028</u>
Total		<u>\$ 36,103</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, 2011 are as follows:

<u>Fund</u>	<u>Winona County</u>	<u>State of MN</u>	<u>Townships</u>	<u>Total</u>
General	\$ 2,598	\$	\$	\$ 2,598
Special Revenue	2,935		16,285	19,220
Debt Service	2,663			2,663
Capital Project	3,667	500,000		503,667
	<u>\$ 11,863</u>	<u>\$ 500,000</u>	<u>\$ 16,285</u>	<u>\$ 528,148</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, 2011 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,043,289	\$ 749,487	\$	\$ 1,792,776
Construction in process	13,234			13,234
Total capital assets, not being depreciated	1,056,523	749,487		1,806,010
Capital assets, being depreciated:				
Buildings	4,163,160	57,628		4,220,788
Infrastructure	4,100,259	1,137,651		5,237,910
Machinery and equipment	2,183,429	135,513	17,065	2,301,877
Total capital assets, being depreciated	10,446,848	1,330,792	17,065	11,760,575
Less accumulated depreciation for:				
Buildings	1,909,825	124,270		2,034,095
Infrastructure	611,928	127,279		739,207
Machinery and equipment	1,576,747	160,830	17,065	1,720,512
Total accumulated depreciation	4,098,500	412,379	17,065	4,493,814
Total capital assets, being depreciated, net	6,348,348	918,413		7,266,761
Governmental activities capital assets, net	\$ 7,404,871	\$ 1,667,900	\$	\$ 9,072,771
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	5,613,245	225,426		5,838,671
Machinery and equipment	11,859,496	886,772	6,193	12,740,075
Total capital assets, being depreciated	17,472,741	1,112,198	6,193	18,578,746
Less accumulated depreciation for:				
Buildings and improvements	901,784	121,380		1,023,164
Machinery and equipment	4,412,136	328,835	6,193	4,734,778
Total accumulated depreciation	5,313,920	450,215	6,193	5,757,942
Total capital assets, being depreciated, net	12,158,821	661,983		12,820,804
Business-type activities capital assets, net	\$ 12,301,010	\$ 661,983	\$	\$ 12,962,993

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	\$ 69,764
Public safety	68,742
Public works	148,895
Library	32,072
Parks and recreation	<u>92,906</u>
Total depreciation expense - governmental activities	<u>\$ 412,379</u>
Business-Type Activities:	
Electric	244,594
Water	99,302
Sewer	66,997
Storm water drainage	13,461
Ambulance	<u>25,861</u>
Total depreciation expense - business-type activities	<u>\$ 450,215</u>

F. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2011, at the individual fund level are summarized below:

<u>Funds</u>	Due From Other Funds	Due To Other Funds
General Fund	\$ 50,000	\$
Special Revenue:		
Celebration		1,366
Library		5,664
Volunteer Fire Department	7,030	
Economic Development	40,000	
Capital Project:		
Capital Improvements Fund	289,487	85,000
I-90 Construction		<u>294,487</u>
	<u>\$ 386,517</u>	<u>\$ 386,517</u>
	Advances To Other Funds	Advances From Other Funds
Capital Projects:		
Capital Improvements		150,000
Enterprise Funds:		
Electric	110,000	
Water	<u>40,000</u>	
Total Advances	<u>\$ 150,000</u>	<u>\$ 150,000</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, 2011 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 131,500	\$ 88,713
Special Revenue:		
Library	12,500	
Volunteer Fire Department		14,786
Debt Service:		
Fire Tanker Truck Loan	14,786	
Tax Increment Districts	277,710	
2011 G.O. & Refunding Bond	87,180	
G.O. Water Improvement	7,837	
2005A Street Bond		87,180
Capital Project:		
Capital Improvements	400,000	5,300
I-90 Construction		45,370
MN DNR Trail Grant	300	
Tax Increment District #2		602,408
Tax Increment District #3		6,926
Enterprise:		
Electric		120,000
Sewer	45,370	
Ambulance		6,500
Total Transfers	<u>\$ 977,183</u>	<u>\$ 977,183</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2011 are as follows:

General Fund	\$ 9,503
Special Revenue Funds	
Economic Development	40,126
Advertising	1,735
Celebration	2,563
Emergency Management Services	17,767
Enterprise Funds	
Waste Management	6,291
Ambulance	38,531

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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
1983 Water Improvement (5%)	\$ 35,000		\$ 35,000	\$	
2005A Street Improvement (3.0 - 4.0%)	1,395,000		1,395,000		
2011A Improvement and Refunding (1.0 - 4.25%)		2,329,755		2,329,755	121,658
Less: Unamortized Issuance Costs		(62,607)	(358)	(62,249)	
Tax Increment Bond:					
2004 Refunding Tax Increment (2.7 - 4.2%)	265,000		265,000		
Less: Unamortized Issuance Costs	(32,342)		(32,342)		
Notes payable:					
2010 Tanker Truck Loan (4.25%)	65,214		11,960	53,254	12,479
Long-term Liabilities	<u>1,727,872</u>	<u>2,267,148</u>	<u>1,674,260</u>	<u>2,320,760</u>	<u>134,137</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)		976,465		976,465	151,577
2011A Sewer Fund (1.0 - 4.25%)		273,780		273,780	106,765
General Obligation Revenue Bonds:					
2002 Water Fund (1.4 - 3.45%)	160,000		160,000		
2002 Sewer Fund (1.4 - 3.45%)	215,000		215,000		
2004 Water Fund (1.5 - 4.0%)	302,100		302,100		
2004 Sewer Fund (1.5 - 4.0%)	227,900		227,900		
2004 Electric Revenue (2.0 - 4.6%)	2,795,000		2,795,000		
Less: Unamortized Discount	(67,251)		(67,251)		
2011B Electric Revenue Refunding (2.0 - 3.05%)		2,660,000		2,660,000	205,000
Less: Unamortized Discount		(50,047)	(667)	(49,380)	
Notes Payable:					
2009 Ambulance Loan (5.75%)	75,483		16,865	58,618	17,918
Long-term Liabilities	<u>3,708,232</u>	<u>3,860,198</u>	<u>3,648,947</u>	<u>3,919,483</u>	<u>481,260</u>
Total	<u>\$ 5,436,104</u>	<u>\$ 6,127,346</u>	<u>\$ 5,323,207</u>	<u>\$ 6,240,243</u>	<u>\$ 615,397</u>

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2011, over the life of the debt, are summarized below:

Years	General Obligation Improvement and Refunding Bonds		General Obligation Revenue Bonds		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities						
2012	\$ 121,658	\$ 63,091			\$ 12,479	\$ 2,307
2013	160,707	42,936			13,019	1,767
2014	164,990	48,898			13,584	1,202
2015	168,023	51,242			14,172	614
2016	167,279	48,898				
2017-2032	1,547,098	349,152				
Totals	<u>\$ 2,329,755</u>	<u>\$ 604,217</u>			<u>\$ 53,254</u>	<u>\$ 5,890</u>
Business-Type Activities						
2012	\$ 258,342	\$ 17,679	\$ 205,000	\$ 75,997	\$ 17,918	\$ 2,901
2013	294,293	33,659	220,000	61,040	18,976	1,844
2014	165,010	23,607	225,000	56,640	20,096	723
2015	21,977	18,023	230,000	52,140	1,628	8
2016	22,721	17,279	235,000	47,540		
2017-2032	487,902	152,098	1,545,000	161,215		
Totals	<u>\$ 1,250,245</u>	<u>\$ 262,345</u>	<u>\$ 2,660,000</u>	<u>\$ 454,572</u>	<u>\$ 58,618</u>	<u>\$ 5,476</u>

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. This District was decertified in 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 #6</u>
Original gross tax capacity, including modifications	\$ 822
Current gross tax capacity	20,166
Captured gross tax capacity Retained by authority	19,344
Outstanding Bonds and Loans as of December 31, 2011	

H. Fund Equity

	<u>Committed Fund Balance</u>						<u>Total</u>
	<u>Fund 34</u> Economic Development	Fund 25 Capital Improvement	<u>Fund 28</u> I-90 Construction	<u>Fund 27</u> Emergency Management Services	<u>Fund 47</u> MFC Tax Increment District #6	<u>Fund 40</u> Parkland Dedication	
Committed							
Economic Development							
CIP Projects	\$ 48,063						\$ 48,063
Capital Project		77,496					77,496
I-90 CIP Project			144,656				144,656
Emergency Managemt							
CIP Projects				8,046			8,046
Tax Increment#6							
CIP Projects							
Parkland Dedication							
CIP Projects						27,889	27,889
	<u>\$ 48,063</u>	<u>\$ 77,496</u>	<u>\$ 144,656</u>	<u>\$ 8,046</u>	<u>\$</u>	<u>\$ 27,889</u>	<u>\$ 306,150</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 GERP 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. GERP Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members are required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City of St. Charles, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan GERP, 7.25% for Coordinated Plan GERP members, 14.4% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$57,478, \$55,754, and \$52,317, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2011, 2010, and 2009, were \$33,863, \$32,426, and \$32,333, 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 2011 and as of December 31, 2011 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, 2010 (latest information available) is shown below:

Total plan assets	\$ 606,143
Total accrued liability	<u>553,116</u>
Assets in Excess of Accrued Liability	<u>\$ 53,027</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 2011 amounted to \$30,053. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2011.

The computation of the pension contribution requirements for 2011 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 2011.

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 2011. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Commitments and Contingencies

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

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CITY OF ST. CHARLES, MINNESOTA

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011**

	Special Revenue					Debt Service		
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck	<u>59</u> Tax Increment District
ASSETS								
Cash and investments	\$ 2,613	\$	\$	\$ 128,011	\$ 10,776	\$ 141,400	\$	\$
Accounts receivable		300	3,612	1,860		5,772		
Prepaid items	175	1,250	890	3,560		5,875		
Taxes receivable - delinquent	693	253	2,814	1,388		5,148		
Due from other funds				7,030		7,030		
Due from other governmental units	287	106	1,305	16,941		18,639		
TOTAL ASSETS	\$ 3,768	\$ 1,909	\$ 8,621	\$ 158,790	\$ 10,776	\$ 183,864	\$	\$
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 890	\$	\$ 1,518	\$ 6,261	\$ 2,730	\$ 11,399	\$	\$
Due to other funds		1,366	5,664			7,030		
Deferred revenue	693	253	2,814	1,388		5,148		
Total Liabilities	1,583	1,619	9,996	7,649	2,730	23,577		
Fund Balance								
Nonspendable:								
Prepaid items	175	1,250	890	3,560		5,875		
Restricted:								
Creditors (debt covenants)								
Regulations:								
Tax Increment								
Committed:								
CIP Projects					8,046	8,046		
Assigned	2,010			147,581		149,591		
Unassigned		(960)	(2,265)			(3,225)		
Total Fund Balance	2,185	290	(1,375)	151,141	8,046	160,287		
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,768	\$ 1,909	\$ 8,621	\$ 158,790	\$ 10,776	\$ 183,864	\$	\$

			Capital Project						
<u>60</u> 2011A G.O. & Refunding Bond	<u>56</u> G.O. Water Improvement	Total	<u>50</u> Tax Increment District #2 Fund	<u>48</u> Tax Increment District #3 Fund	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>30</u> MN DNR Trail Grant	Total	Total Nonmajor Governmental Funds
\$ 118,495	\$	\$ 118,495	\$	\$	\$ 18,401	\$ 27,889	\$	\$ 46,290	\$ 306,185
									5,772
	897	897							5,875
									6,045
									7,030
	455	455							19,094
<u>\$ 118,495</u>	<u>\$ 1,352</u>	<u>\$ 119,847</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,401</u>	<u>\$ 27,889</u>	<u>\$</u>	<u>\$ 46,290</u>	<u>\$ 350,001</u>
\$	\$	\$	\$	\$	\$	\$	\$	\$	11,399
	897	897							7,030
	897	897							6,045
									24,474
									5,875
118,495	455	118,950							118,950
					18,401			18,401	18,401
						27,889		27,889	35,935
									149,591
									(3,225)
<u>118,495</u>	<u>455</u>	<u>118,950</u>			<u>18,401</u>	<u>27,889</u>		<u>46,290</u>	<u>325,527</u>
<u>\$ 118,495</u>	<u>\$ 1,352</u>	<u>\$ 119,847</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,401</u>	<u>\$ 27,889</u>	<u>\$</u>	<u>\$ 46,290</u>	<u>\$ 350,001</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, 2011

	Special Revenue					Debt Service		
	<u>20</u> Advertising	<u>24</u> Celebration	<u>26</u> Library	<u>21</u> Volunteer Fire Department	<u>27</u> Emergency Management Services	Total	<u>58</u> Fire Tanker Truck	<u>59</u> Tax Increment District
REVENUES								
Property tax levy								
Property tax collected	\$ 18,077	\$ 6,661	\$ 82,113	\$ 41,221	\$	\$ 148,072	\$	\$
Tax increments								
Intergovernmental	705	260	30,327	23,664		54,956		
Charges for services				47,776		47,776		
Interest income	24	1		722	132	879		
Donations	4,939	15,832	3,501	10,250		34,522		
Miscellaneous			3,138	100		3,238		
TOTAL REVENUES	<u>23,745</u>	<u>22,754</u>	<u>119,079</u>	<u>123,733</u>	<u>132</u>	<u>289,443</u>		
EXPENDITURES								
Current:								
General government	25,160	22,863				48,023		
Public safety				107,422	18,267	125,689		
Library			134,814			134,814		
Debt service								
Principal retirement							11,960	265,000
Interest and fiscal charges							2,826	12,710
Capital outlay								
TOTAL EXPENDITURES	<u>25,160</u>	<u>22,863</u>	<u>134,814</u>	<u>107,422</u>	<u>18,267</u>	<u>308,526</u>	<u>14,786</u>	<u>277,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,415)</u>	<u>(109)</u>	<u>(15,735)</u>	<u>16,311</u>	<u>(18,135)</u>	<u>(19,083)</u>	<u>(14,786)</u>	<u>(277,710)</u>
OTHER FINANCING SOURCES (USES)								
Issuance of debt								
Transfer in			12,500			12,500	14,786	277,710
Transfer out				(14,786)		(14,786)		
TOTAL OTHER FINANCING SOURCES (USES)			<u>12,500</u>	<u>(14,786)</u>		<u>(2,286)</u>	<u>14,786</u>	<u>277,710</u>
Net change in fund balances	(1,415)	(109)	(3,235)	1,525	(18,135)	(21,369)		
FUND BALANCES, beginning	<u>3,600</u>	<u>399</u>	<u>1,860</u>	<u>149,616</u>	<u>26,181</u>	<u>181,656</u>		
FUND BALANCES, ending	<u>\$ 2,185</u>	<u>\$ 290</u>	<u>\$ (1,375)</u>	<u>\$ 151,141</u>	<u>\$ 8,046</u>	<u>\$ 160,287</u>	<u>\$</u>	<u>\$</u>

		Capital Project								
<u>60</u> 2011A G.O. & Refunding Bond	<u>56</u> G.O. Water Improvement	Total	<u>50</u> Tax Increment District #2 Fund	<u>48</u> Tax Increment District #3 Fund	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>30</u> MN DNR Trail Grant	Total	Total Nonmajor Governmental Funds	
\$	\$ 28,619	\$ 28,619	\$	\$	\$	\$	\$	\$	\$ 176,691	
			94,299	6,921	19,702			120,922	120,922	
			4,750					4,750	59,706	
									47,776	
96	29	125	479	5	47	401		932	1,936	
						222		222	34,744	
									3,238	
96	28,648	28,744	99,528	6,926	19,749	623		126,826	445,013	
									48,023	
									125,689	
									134,814	
	35,000	311,960							311,960	
	2,150	17,686	3,750					3,750	21,436	
					10,046	2,956	300	13,302	13,302	
	37,150	329,646	3,750		10,046	2,956	300	17,052	655,224	
96	(8,502)	(300,902)	95,778	6,926	9,703	(2,333)	(300)	109,774	(210,211)	
31,219		31,219							31,219	
87,180	7,837	387,513	(602,408)	(6,926)			300	300	400,313	
								(609,334)	(624,120)	
118,399	7,837	418,732	(602,408)	(6,926)			300	(609,034)	(192,588)	
118,495	(665)	117,830	(506,630)		9,703	(2,333)		(499,260)	(402,799)	
	1,120	1,120	506,630		8,698	30,222		545,550	728,326	
\$ 118,495	\$ 455	\$ 118,950	\$	\$	\$ 18,401	\$ 27,889	\$	\$ 46,290	\$ 325,527	

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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 20,350	\$ 20,350	\$ 18,077	\$ (2,273)	\$ 17,802
Market value credit			705	705	698
Interest Income			24	24	(31)
Donations	3,500	3,500	4,939	1,439	1,142
TOTAL REVENUES	<u>23,850</u>	<u>23,850</u>	<u>23,745</u>	<u>(105)</u>	<u>19,611</u>
EXPENDITURES					
General Government					
Fireworks	7,000	7,000	6,601	399	4,966
City promotion	1,175	1,175	2,503	(1,328)	2,071
Board reimbursement annual events	1,800	1,800	1,981	(181)	1,566
Advertising	13,450	13,450	14,075	(625)	13,710
TOTAL EXPENDITURES	<u>23,425</u>	<u>23,425</u>	<u>25,160</u>	<u>(1,735)</u>	<u>22,313</u>
Net change in fund balances	425	425	(1,415)	(1,840)	(2,702)
FUND BALANCES, beginning	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>		<u>6,302</u>
FUND BALANCES, ending	<u>\$ 4,025</u>	<u>\$ 4,025</u>	<u>\$ 2,185</u>	<u>\$ (1,840)</u>	<u>\$ 3,600</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 7,500	\$ 7,500	\$ 6,661	\$ (839)	\$ 6,550
Market value credit			260	260	257
Donations	13,500	13,500	15,832	2,332	14,024
Interest income			1	1	9
TOTAL REVENUES	<u>21,000</u>	<u>21,000</u>	<u>22,754</u>	<u>1,754</u>	<u>20,840</u>
EXPENDITURES					
General Government					
Advertising	2,500	2,500	4,021	(1,521)	3,305
Dance	5,500	5,500	8,488	(2,988)	4,540
T-shirts	1,500	1,500	2,547	(1,047)	2,430
Rentals	2,000	2,000	1,419	581	2,569
Pageants	4,500	4,500	2,580	1,920	3,275
Other	4,300	4,300	3,808	492	5,990
TOTAL EXPENDITURES	<u>20,300</u>	<u>20,300</u>	<u>22,863</u>	<u>(2,563)</u>	<u>22,109</u>
Net change in fund balances	700	700	(109)	4,317	(1,269)
FUND BALANCES, beginning	<u>399</u>	<u>399</u>	<u>399</u>		<u>1,668</u>
FUND BALANCES, ending	<u>\$ 1,099</u>	<u>\$ 1,099</u>	<u>\$ 290</u>	<u>\$ 4,317</u>	<u>\$ 399</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 92,553	\$ 92,553	\$ 82,113	\$ (10,440)	\$ 78,285
Intergovernmental Revenues					
Market value credit			3,207	3,207	3,088
Library aid	27,506	27,506	27,120	(386)	30,880
Intergovernmental Revenues	27,506	27,506	30,327	2,821	33,968
Donations					
	1,000	1,000	3,501	2,501	3,340
Miscellaneous					
Fines	1,800	1,800	2,127	327	2,945
Book sales			107	107	99
Copy machines	500	500	904	404	1,054
Interest income					(74)
Other	700	700		(700)	3
Total Miscellaneous Revenues	3,000	3,000	3,138	138	4,027
TOTAL REVENUES	124,059	124,059	119,079	(4,980)	119,620
EXPENDITURES					
Library					
Salaries	64,487	64,487	63,127	1,360	63,649
Employee benefits and retirement	28,368	28,368	26,309	2,059	23,686
Supplies and minor equipment	1,200	1,200	2,374	(1,174)	1,688
Professional services	8,000	8,000	7,810	190	8,308
Communications	1,200	1,200	1,046	154	1,058
Transportation and training	750	750	807	(57)	895
Insurance	3,000	3,000	2,299	701	2,120
Utilities	10,000	10,000	7,761	2,239	7,033
Repairs and maintenance	2,050	2,050	4,663	(2,613)	4,460
Other	1,000	1,000	976	24	1,440
Capital outlay	16,000	16,000	17,642	(1,642)	19,546
TOTAL EXPENDITURES	136,055	136,055	134,814	1,241	133,883
Excess (deficiency) of revenues over (under) expenditures	(11,996)	(11,996)	(15,735)	(3,739)	(14,263)
OTHER FINANCING SOURCES					
Transfers in	12,500	12,500	12,500		6,835
Net change in fund balances	504	504	(3,235)	(3,739)	(7,428)
FUND BALANCES, beginning	1,860	1,860	1,860		9,288
FUND BALANCES, ending	\$ 2,364	\$ 2,364	\$ (1,375)	\$ (3,739)	\$ 1,860

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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 46,500	\$ 46,500	\$ 41,221	\$ (5,279)	\$ 37,894
Intergovernmental Revenues					
Fire aid	21,000	21,000	22,053	1,053	19,246
Market value credit			1,611	1,611	1,492
Charges for Services					
Other local governments	40,949	40,949	42,251	1,302	42,891
Fire calls	11,500	11,500	5,525	(5,975)	12,874
Interest income	5,000	5,000	722	(4,278)	390
Donations			10,250	10,250	9,000
Miscellaneous Revenues	3,000	3,000	100	(2,900)	8,203
TOTAL REVENUES	<u>127,949</u>	<u>127,949</u>	<u>123,733</u>	<u>(4,216)</u>	<u>131,990</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	19,180	(1,180)	21,845
Employee benefits and retirement	4,600	4,600	5,699	(1,099)	5,958
Supplies and minor equipment	20,450	20,450	15,604	4,846	21,133
Professional services	3,000	3,000	2,567	433	3,847
Communication	2,000	2,000	1,797	203	1,770
Transportation and training	5,000	5,000	6,383	(1,383)	4,715
Insurance	9,500	9,500	7,578	1,922	6,569
Utilities	6,900	6,900	4,308	2,592	4,577
Capital outlay	5,500	5,500	718	4,782	81,029
Repairs and maintenance	7,000	7,000	11,529	(4,529)	20,571
Fire relief payment	28,000	28,000	30,053	(2,053)	27,384
Other	2,700	2,700	2,006	694	2,051
TOTAL EXPENDITURES	<u>112,650</u>	<u>112,650</u>	<u>107,422</u>	<u>5,228</u>	<u>201,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,299</u>	<u>15,299</u>	<u>16,311</u>	<u>1,012</u>	<u>(69,459)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt					80,000
Transfers out	(14,786)	(14,786)	(14,786)		(50,609)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,786)</u>	<u>(14,786)</u>	<u>(14,786)</u>		<u>29,391</u>
Net change in fund balances	513	513	1,525	1,012	(40,068)
FUND BALANCES, beginning	<u>149,616</u>	<u>149,616</u>	<u>149,616</u>		<u>189,684</u>
FUND BALANCES, ending	<u>\$ 150,129</u>	<u>\$ 150,129</u>	<u>\$ 151,141</u>	<u>\$ 1,012</u>	<u>\$ 149,616</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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
REVENUES					
Interest Income	\$ 500	\$ 500	\$ 132	\$ (368)	\$ 1,518
TOTAL REVENUES	<u>500</u>	<u>500</u>	<u>132</u>	<u>(368)</u>	<u>1,518</u>
EXPENDITURES					
Public Safety					
Supplies and minor equipment			18,267	(18,267)	15,698
Transportation and training	500	500		500	
Professional services					500
TOTAL EXPENDITURES	<u>500</u>	<u>500</u>	<u>18,267</u>	<u>(17,767)</u>	<u>16,198</u>
Excess (deficiency) of revenues over (under) expenditures			<u>(18,135)</u>	<u>(18,135)</u>	<u>(14,680)</u>
Net change in fund balances			(18,135)	(18,135)	(14,680)
FUND BALANCES, beginning	<u>26,181</u>	<u>26,181</u>	<u>26,181</u>		<u>40,861</u>
FUND BALANCES, ending	<u>\$ 26,181</u>	<u>\$ 26,181</u>	<u>\$ 8,046</u>	<u>\$ (18,135)</u>	<u>\$ 26,181</u>

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 ELECTRIC FUND
 Statement of Net Assets
 December 31, 2011 and 2010**

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 892,424	\$ 620,362
Accrued interest receivable	1,816	
Accounts receivable, net	266,909	260,830
Accrued utility revenue	96,684	92,975
Advances to other funds	110,000	40,451
Inventory	327,898	336,658
Prepaid expenses	9,230	8,410
Total Current Assets	1,704,961	1,359,686
Capital Assets		
Nondepreciable	113,489	113,489
Depreciable	9,328,229	9,095,472
Less: Accumulated depreciation	2,947,928	2,705,422
Capital Assets, Net	6,493,790	6,503,539
Total Assets	\$ 8,198,751	\$ 7,863,225
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 205,000	\$ 180,000
Accounts payable	312,634	162,599
Customer deposits	16,400	17,350
Accrued interest payable	19,301	9,760
Total Current Liabilities	553,335	369,709
Noncurrent Liabilities		
Bonds payable, net of current maturities	2,455,000	2,615,000
Less: Unamortized bond discount	(49,380)	(50,657)
Total Noncurrent Liabilities	2,405,620	2,564,343
Total Liabilities	2,958,955	2,934,052
NET ASSETS		
Invested in capital assets, net of related debt	3,883,170	3,759,196
Unrestricted	1,356,626	1,169,977
Total Net Assets	5,239,796	4,929,173
TOTAL LIABILITIES AND NET ASSETS	\$ 8,198,751	\$ 7,863,225

**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, 2011
With Comparative Totals for the Year Ended December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,975,117	\$ 2,975,117	\$ 2,988,396	\$ 13,279	\$ 2,836,318
Operating Expenses					
Purchased utilities	1,725,000	1,725,000	1,506,221	218,779	1,558,472
Salaries	304,153	304,153	306,327	(2,174)	309,405
Employee benefits and retirement	103,190	103,190	97,399	5,791	92,874
Gas and oil	9,500	9,500	9,819	(319)	10,517
Generation fuel	20,000	20,000	21,720	(1,720)	8,488
Supplies and minor equipment	9,850	9,850	10,856	(1,006)	10,391
Professional services	79,500	79,500	42,301	37,199	20,840
Communication	7,000	7,000	7,406	(406)	7,581
Transportation and training	10,000	10,000	10,085	(85)	10,756
Printing and publishing	1,100	1,100	277	823	
Insurance	26,583	26,583	20,646	5,937	19,112
Utilities	3,500	3,500	2,316	1,184	1,903
Repairs and maintenance	216,000	216,000	77,298	138,702	159,830
Depreciation and amortization	180,000	180,000	295,918	(115,918)	245,182
Bad debts			4,014	(4,014)	2,201
Other	90,400	90,400	37,819	52,581	40,519
Total Operating Expenses	<u>2,785,776</u>	<u>2,785,776</u>	<u>2,450,422</u>	<u>335,354</u>	<u>2,498,071</u>
Operating Income	<u>189,341</u>	<u>189,341</u>	<u>537,974</u>	<u>348,633</u>	<u>338,247</u>
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	5,118	(4,882)	12,883
Miscellaneous income	25,000	25,000	14,192	(10,808)	19,192
Interest and fiscal charges	(118,070)	(118,070)	(126,661)	(8,591)	(123,197)
Total Nonoperating Revenues (Expenses)	<u>(83,070)</u>	<u>(83,070)</u>	<u>(107,351)</u>	<u>(24,281)</u>	<u>(91,122)</u>
INCOME BEFORE TRANSFERS	<u>106,271</u>	<u>106,271</u>	<u>430,623</u>	<u>324,352</u>	<u>247,125</u>
Transfers out	<u>(220,000)</u>	<u>(220,000)</u>	<u>(120,000)</u>	<u>100,000</u>	<u>(121,473)</u>
CHANGE IN NET ASSETS	<u>(113,729)</u>	<u>(113,729)</u>	<u>310,623</u>	<u>424,352</u>	<u>125,652</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>4,929,173</u>	<u>4,929,173</u>	<u>4,929,173</u>		<u>4,803,521</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 4,815,444</u>	<u>\$ 4,815,444</u>	<u>\$ 5,239,796</u>	<u>\$ 424,352</u>	<u>\$ 4,929,173</u>

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
WATER FUND
Statement of Net Assets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 361,440	\$ 346,071
Accrued interest receivable	494	
Accounts receivable, net	75,536	87,189
Accrued utility revenue	14,634	4,812
Special assessments-deferred	15,314	1,406
Advances to other funds	40,000	40,000
Inventory	20,390	20,033
Prepaid expenses	1,952	1,981
Total Current Assets	529,760	501,492
Property and Equipment		
Property and equipment	4,975,446	4,251,572
Less: Accumulated depreciation	1,790,572	1,691,482
Property, Plant and Equipment, Net	3,184,874	2,560,090
Total Assets	\$ 3,714,634	\$ 3,061,582
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 151,577	\$ 122,850
Accounts payable	15,054	8,191
Deferred revenue	15,314	1,406
Accrued interest payable	5,753	6,964
Total Current Liabilities	187,698	139,411
Noncurrent Liabilities		
Bonds payable, net of current maturities	824,888	339,250
Less: Unamortized bond discount		(8,555)
Total Noncurrent Liabilities	824,888	330,695
Total Liabilities	1,012,586	470,106
NET ASSETS		
Invested in capital assets, net of related debt	2,208,409	2,106,545
Unrestricted	493,639	484,931
Total Net Assets	2,702,048	2,591,476
TOTAL LIABILITIES AND NET ASSETS	\$ 3,714,634	\$ 3,061,582

**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, 2011
With Comparative Totals for the Year Ended December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 545,750	\$ 545,750	\$ 479,501	\$ (66,249)	\$ 487,955
Operating Expenses					
Salaries	88,877	88,877	89,560	(683)	91,680
Employee benefits and retirement	27,060	27,060	25,362	1,698	24,393
Supplies and minor equipment	23,000	23,000	21,840	1,160	18,883
Professional services	19,200	19,200	22,709	(3,509)	14,735
Communication	5,000	5,000	4,701	299	4,841
Transportation and training	4,000	4,000	4,093	(93)	2,916
Insurance	5,500	5,500	4,731	769	4,437
Utilities	50,000	50,000	47,323	2,677	43,469
Repairs and maintenance	125,900	125,900	36,316	89,584	49,502
Depreciation and amortization	121,250	121,250	99,302	21,948	102,893
Other	4,050	4,050	501	3,549	777
Total Operating Expenses	473,837	473,837	356,438	117,399	358,526
Operating Income	71,913	71,913	123,063	51,150	129,429
Nonoperating Revenues (Expenses)					
Interest income	6,000	6,000	4,711	(1,289)	4,741
Water availability charges					700
Miscellaneous income	7,500	7,500	5,284	(2,216)	7,626
Interest and fiscal charges	(14,093)	(14,093)	(22,486)	(8,393)	(16,894)
Total Nonoperating Revenues (Expenses)	(593)	(593)	(12,491)	(11,898)	(3,827)
INCOME BEFORE TRANSFERS	71,320	71,320	110,572	39,252	125,602
Transfers out					(6,700)
CHANGE IN NET ASSETS	71,320	71,320	110,572	39,252	118,902
TOTAL NET ASSETS - BEGINNING OF YEAR	2,591,476	2,591,476	2,591,476		2,472,574
TOTAL NET ASSETS - END OF YEAR	\$ 2,662,796	\$ 2,662,796	\$ 2,702,048	\$ 39,252	\$ 2,591,476

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Assets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 139,764	\$ 116,010
Accrued interest receivable	258	
Accounts receivable	108,915	142,026
Accrued utility revenue	18,974	13,016
Special assessments-deferred	15,714	1,940
Prepaid expenses	367	200
Total Current Assets	283,992	273,192
Property and Equipment		
Nondepreciable	28,700	28,700
Depreciable	3,353,087	3,279,774
Less: Accumulated depreciation	823,102	756,105
Property, Plant and Equipment, Net	2,558,685	2,552,369
Total Assets	\$ 2,842,677	\$ 2,825,561
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 106,765	\$ 122,150
Accounts payable	123,715	29,969
Deferred revenue	15,714	1,940
Accrued interest payable	3,226	6,356
Total Current Liabilities	249,420	160,415
Noncurrent Liabilities		
Bonds payable, net of current maturities	167,015	320,750
Less: Unamortized bond discount		(8,039)
Total Noncurrent Liabilities	167,015	312,711
Total Liabilities	416,435	473,126
NET ASSETS		
Invested in capital assets, net of related debt	2,284,905	2,117,508
Unrestricted	141,337	234,927
Total Net Assets	2,426,242	2,352,435
TOTAL LIABILITIES AND NET ASSETS	\$ 2,842,677	\$ 2,825,561

**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, 2011**

With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 631,861	\$ 631,861	\$ 554,800	\$ (77,061)	\$ 635,929
Operating Expenses					
Purchased utilities	322,730	322,730	364,421	(41,691)	319,000
Salaries	36,772	36,772	46,879	(10,107)	39,083
Employee benefits and retirement	11,421	11,421	11,559	(138)	9,884
Supplies and minor equipment	6,400	6,400	4,944	1,456	6,183
Professional services	12,200	12,200	7,450	4,750	6,882
Communication	2,400	2,400	3,377	(977)	2,991
Transportation and training	3,500	3,500	3,050	450	3,623
Printing and publishing	750	750		750	
Insurance	1,000	1,000	628	372	540
Utilities	4,000	4,000	4,150	(150)	4,162
Repairs and maintenance	92,000	92,000	14,731	77,269	44,961
Depreciation and amortization	123,750	123,750	66,997	56,753	69,482
Other	1,650	1,650	592	1,058	1,102
Total Operating Expenses	618,573	618,573	528,778	89,795	507,893
Operating Income	13,288	13,288	26,022	12,734	128,036
Nonoperating Revenues (Expenses)					
Interest income	5,000	5,000	2,682	(2,318)	4,646
Sewer availability charges					5,280
Miscellaneous income	3,000	3,000	11,339	8,339	13,064
Interest and fiscal charges	(13,800)	(13,800)	(11,606)	2,194	(15,708)
Total Nonoperating Revenues (Expenses)	(5,800)	(5,800)	2,415	8,215	7,282
INCOME BEFORE TRANSFERS	7,488	7,488	28,437	20,949	135,318
Transfers in			45,370	45,370	
CHANGE IN NET ASSETS	7,488	7,488	73,807	66,319	135,318
NET ASSETS - BEGINNING OF YEAR	2,352,435	2,352,435	2,352,435		2,217,117
TOTAL NET ASSETS - END OF YEAR	\$ 2,359,923	\$ 2,359,923	\$ 2,426,242	\$ 66,319	\$ 2,352,435

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Assets
 December 31, 2011 and 2010**

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,628	\$ 7,431
Accounts receivable	7,323	2,691
Accrued utility revenue	2,676	10,122
Total Current Assets	23,627	10,122
Property and Equipment		
Property and equipment	606,651	543,725
Less: Accumulated depreciation	47,597	34,136
Property, Plant and Equipment, Net	559,054	509,589
Total Assets	\$ 582,681	\$ 519,711
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 9,528	\$ 2,875
NET ASSETS		
Invested in capital assets, net of related debt	559,054	509,589
Unrestricted	14,099	7,247
Total Net Assets	573,153	516,836
TOTAL LIABILITIES AND NET ASSETS	\$ 582,681	\$ 519,711

**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, 2011
With Comparative Totals for the Year Ended December 31, 2010**

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 82,668	\$ 82,668	\$ 83,205	\$ 537	\$ 82,589
Operating Expenses					
Professional services	3,100	3,100	650	2,450	2,750
Depreciation			13,461	(13,461)	10,641
Repairs and maintenance	75,000	75,000	12,852	62,148	11,193
Total Operating Expenses	78,100	78,100	26,963	51,137	24,584
Operating Income	4,568	4,568	56,242	51,674	58,005
Nonoperating Revenues (Expenses)					
Interest income	400	400	75	(325)	264
INCOME BEFORE TRANSFERS	4,968	4,968	56,317	51,349	58,269
Transfers in					26,270
CHANGE IN NET ASSETS	4,968	4,968	56,317	51,349	84,539
TOTAL NET ASSETS - BEGINNING OF YEAR	516,836	516,836	516,836		432,297
TOTAL NET ASSETS - END OF YEAR	\$ 521,804	\$ 521,804	\$ 573,153	\$ 51,349	\$ 516,836

CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Assets
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 43,410	\$ 29,616
Accounts receivable	<u>22,373</u>	<u>22,306</u>
Total Assets	<u><u>\$ 65,783</u></u>	<u><u>\$ 51,922</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	<u>\$ 15,652</u>	<u>\$ 15,080</u>
NET ASSETS		
Unrestricted	<u>50,131</u>	<u>36,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 65,783</u></u>	<u><u>\$ 51,922</u></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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services	\$ 168,800	\$ 168,800	\$ 172,947	\$ 4,147	\$ 162,612
Operating Expenses					
Waste Removal					
Garbage removal	161,500	161,500	159,970	1,530	161,387
City cleanup	5,000	5,000	5,729	(729)	11,769
Compost site expense			5,950	(5,950)	
Other			1,142	(1,142)	450
Total Operating Expenses	166,500	166,500	172,791	(6,291)	173,606
Operating Income	2,300	2,300	156	(2,144)	(10,994)
Nonoperating Revenue					
Interest income	500	500	194	(306)	229
Compost fees			12,939	12,939	11,245
Total Nonoperating Revenue	500	500	13,133	12,633	11,474
CHANGE IN NET ASSETS	2,800	2,800	13,289	10,489	480
TOTAL NET ASSETS - BEGINNING OF YEAR	36,842	36,842	36,842		36,362
TOTAL NET ASSETS - END OF YEAR	\$ 39,642	\$ 39,642	\$ 50,131	\$ 10,489	\$ 36,842

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
AMBULANCE FUND
Statement of Net Assets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 129,354	\$ 140,978
Accrued interest receivable	23	
Accounts receivable	17,361	24,822
Taxes receivable - delinquent	12	19
Prepaid expense	1,837	1,902
Total Current Assets	148,587	167,721
Capital Assets		
Depreciable	315,335	302,200
Less: Accumulated depreciation	148,745	126,777
Capital Assets, Net	166,590	175,423
 Total Assets	 \$ 315,177	 \$ 343,144
LIABILITIES		
Current Liabilities		
Current maturities of notes payable	\$ 17,918	\$ 16,919
Accounts payable	2,529	2,840
Accrued interest payable	284	374
Deferred revenue	12	19
Total Current Liabilities	20,743	20,152
Noncurrent Liabilities		
Notes payable	40,700	58,564
Total Liabilities	61,443	78,716
NET ASSETS		
Invested in capital assets, net of related debt	107,972	99,940
Unrestricted	145,762	164,488
Total Net Assets	253,734	264,428
TOTAL LIABILITIES AND NET ASSETS	 \$ 315,177	 \$ 343,144

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, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance service contracts	\$ 1,800	\$ 1,800	\$ 1,100	\$ (700)	\$ 600
Ambulance fees	185,000	185,000	187,397	2,397	184,397
Total Operating Revenues	<u>186,800</u>	<u>186,800</u>	<u>188,497</u>	<u>1,697</u>	<u>184,997</u>
Operating Expenses					
Salaries	68,585	68,585	73,603	(5,018)	72,634
Employee benefits and retirement	13,870	13,870	15,722	(1,852)	14,716
Supplies and minor equipment	38,081	38,081	29,251	8,830	22,001
Professional services	9,050	9,050	10,348	(1,298)	11,212
Communication	3,000	3,000	2,587	413	2,645
Transportation and training	8,000	8,000	8,209	(209)	4,160
Insurance	2,800	2,800	2,331	469	1,983
Repairs and maintenance	8,000	8,000	8,023	(23)	16,909
Depreciation			25,861	(25,861)	25,264
Bad debts			16,546	(16,546)	46,515
Other	8,938	8,938	6,374	2,564	5,937
Total Operating Expenses	<u>160,324</u>	<u>160,324</u>	<u>198,855</u>	<u>(38,531)</u>	<u>223,976</u>
Operating Income	<u>26,476</u>	<u>26,476</u>	<u>(10,358)</u>	<u>(36,834)</u>	<u>(38,979)</u>
Nonoperating Revenues (Expenses)					
Interest Income	2,000	2,000	1,119	(881)	3,650
Donations			927	927	11,130
Miscellaneous			5,982	5,982	8,181
SE MN EMS Grant			2,000	2,000	
Interest expense			(3,864)	(3,864)	(4,771)
Total Nonoperating Revenues (Expenses)	<u>2,000</u>	<u>2,000</u>	<u>6,164</u>	<u>4,164</u>	<u>18,190</u>
INCOME BEFORE TRANSFERS	<u>28,476</u>	<u>28,476</u>	<u>(4,194)</u>	<u>(32,670)</u>	<u>(20,789)</u>
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>		<u>(6,500)</u>
CHANGE IN NET ASSETS	<u>21,976</u>	<u>21,976</u>	<u>(10,694)</u>	<u>(32,670)</u>	<u>(27,289)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>264,428</u>	<u>264,428</u>	<u>264,428</u>		<u>291,717</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 286,404</u>	<u>\$ 286,404</u>	<u>\$ 253,734</u>	<u>\$ (32,670)</u>	<u>\$ 264,428</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2011

CASH ON HAND

Change funds	\$	1,815
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CASH IN BANK

Eastwood State Bank

St. Charles, Minnesota:		
General checking (.05%) and savings (.75%)		1,316,805
Money Market (1.01%)		321,162

Merchants National Bank

St. Charles, Minnesota:		
MISO Account		72,533

INVESTMENTS

	Rate		Amount
<u>Merchants National Bank</u>			
Certificates of Deposit	1.146%	\$	111,991
<u>Morgan Stanley Smith Barney</u>			
Certificates of Deposit	1.55-4.5%		421,945
U.S. Government Security	2.50-4.00%		305,711
Money Market Fund	0.01%		6,256

TOTAL INVESTMENTS		845,903
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TOTAL CASH AND INVESTMENTS,		
December 31, 2011		\$ 2,558,218

SCHEDULE 14

CITY OF ST. CHARLES, MINNESOTA
 GOVERNMENTAL FUNDS
 Bond Retirement Schedules
 December 31, 2011

Year	\$2,329,755 G.O. Improvement and Refunding Bonds. Series 2011A		
	Principal	Interest	Total
2012	\$ 121,658	\$ 63,091	\$ 184,749
2013	160,707	42,936	203,643
2014	164,990	48,898	213,888
2015	168,023	51,242	219,265
2016	167,279	48,898	216,177
Thereafter	1,547,098	349,152	1,896,250
Totals	\$ 2,329,755	\$ 604,217	\$ 2,933,972

Year	\$80,000 Fire Tanker Truck Loan		
	Principal	Interest	Total
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	\$ 53,254	\$ 5,890	\$ 59,144

SCHEDULE 15

CITY OF ST. CHARLES, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2011

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

Year	Principal	Interest	Total
2012	\$ 205,000	\$ 75,997	\$ 280,997
2013	220,000	61,040	281,040
2014	225,000	56,640	281,640
2015	230,000	52,140	282,140
2016	235,000	47,540	282,540
Thereafter	1,545,000	161,215	1,706,215
Totals	\$ 2,660,000	\$ 454,572	\$ 3,114,572

\$273,780 Sewer G.O. Improvement
 and Refunding Bonds, Series 2011A

Year	Principal	Interest	Total
2012	\$ 106,765	\$ 3,871	\$ 110,636
2013	109,514	5,667	115,181
2014	57,501	1,946	59,447
Totals	\$ 273,780	\$ 11,484	\$ 285,264

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

Year	Principal	Interest	Total
2012	\$ 151,577	\$ 13,808	\$ 165,385
2013	184,779	27,992	212,771
2014	107,509	21,661	129,170
2015	21,977	18,023	40,000
2016	22,721	17,279	40,000
Thereafter	487,902	152,098	640,000
Totals	\$ 976,465	\$ 250,861	\$ 1,227,326

\$90,170 Ambulance Note Payable of 2009

Year	Principal	Interest	Total
2012	\$ 17,918	\$ 2,901	\$ 20,819
2013	18,976	1,844	20,820
2014	20,096	723	20,819
2015	1,628	8	1,636
Totals	\$ 58,618	\$ 5,476	\$ 64,094

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, 2011 and have issued our report thereon dated April 6, 2012.

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, Schafers and Associates, Ltd.

Rochester, Minnesota
April 6, 2012