

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

CITY OF ST. CHARLES, MINNESOTA

FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2012

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CITY OF ST. CHARLES, MINNESOTA

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Elected

William J. Spitzer	Mayor
John Schaber	Council/Mayor Pro-Tem
Wayne Getz	Council
David Braun	Council
Orv Dahl	Council

Appointed

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, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Charles, Minnesota, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated April 6, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of St. Charles, Minnesota as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Charles, Minnesota's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
April 8, 2013

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, 2012.

New Accounting Pronouncement. The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2012. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and relating disclosures. The reader will notice a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

- The assets of the City of St. Charles, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$20,571,953 (*net position*). Of this amount, \$4,006,130 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,247,426.
- As of the close of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,148,312. Approximately 58% of this total amount, or \$660,775 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 \$640,131 or 49% 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 position* presents information on all of the City of St. Charles, Minnesota's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of St. Charles, Minnesota is improving or deteriorating.

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

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

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

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

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

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

The City of St. Charles, Minnesota maintains sixteen 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 eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of St. Charles, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 23-27) and the special revenue funds (page 28 and 63-67) to demonstrate compliance with the budget.

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

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

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

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

The proprietary fund financial statements can be found on pages 29-36 of this report.

Notes to 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 37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 59-62 of this report.

IMPORTANT REMINDERS

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Charles, Minnesota, assets exceeded liabilities by \$20,571,953 at the close of the most recent fiscal year.

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

City of St. Charles, Minnesota's Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
Current and other assets	\$ 1,404,112	\$ 3,135,828	\$ 4,539,940	\$ 4,299,360
Capital assets	9,105,367	12,978,197	22,083,564	22,035,764
Total assets	<u>10,509,479</u>	<u>16,114,025</u>	<u>26,623,504</u>	<u>26,335,124</u>
Long-term liabilities				
outstanding	2,241,412	3,442,446	5,683,858	6,240,243
Other liabilities	68,611	299,082	367,693	770,354
Total liabilities	<u>2,310,023</u>	<u>3,741,528</u>	<u>6,051,551</u>	<u>7,010,597</u>
Net position:				
Invested in capital assets,				
net of related debt	6,863,955	9,535,751	16,399,706	15,795,521
Restricted	166,117		166,117	121,158
Unrestricted	1,169,384	2,836,746	4,006,130	3,407,848
Total net position	<u>\$ 8,199,456</u>	<u>\$ 12,372,497</u>	<u>\$ 20,571,953</u>	<u>\$ 19,324,527</u>

The balance of *unrestricted net position* (\$4,006,130) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased the City of St. Charles, Minnesota's net position by \$120,033. The most significant change in governmental net position is due to the effect of accounting for net position under full accrual accounting, current year infrastructure capital outlay, which was funded during the year, will be expensed over its useful life and capital assets constructed by developers and contributed to the City are recorded as increases in net position.

**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 position by \$1,127,393. The City's electric utility contributed the most significant portion of that increase, or \$793,808.

A condensed version of the Statement of Activities follows:

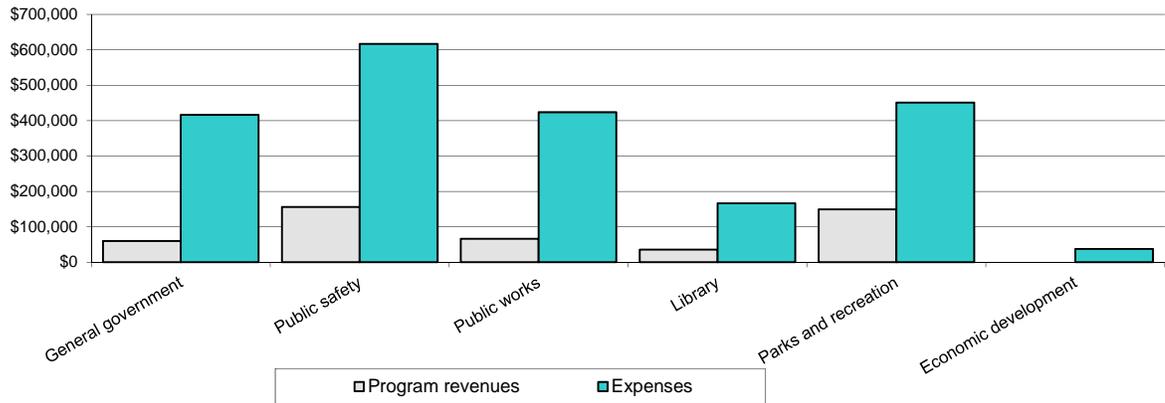
City of St. Charles, Minnesota's Change in Net Position

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
Revenue:				
Program revenues:				
Charges for services	\$ 246,701	\$ 4,702,446	\$ 4,949,147	\$ 4,714,670
Operating grants and contributions	132,406	8,613	141,019	125,074
Capital grants and contributions	86,408	2,125	88,533	522,769
General revenues:				
Property taxes	844,763		844,763	756,663
TIF proceeds	18,865		18,865	120,922
Franchise fees	50,064		50,064	48,128
Grants and contributions not restricted to specific programs	757,629		757,629	794,807
Other	29,551	129,250	158,801	54,664
Total revenues	<u>2,166,387</u>	<u>4,842,434</u>	<u>7,008,821</u>	<u>7,137,697</u>
Expenses:				
General government	416,167		416,167	412,007
Public safety	616,982		616,982	562,408
Public works	423,588		423,588	380,686
Library	165,994		165,994	167,139
Parks and recreation	450,948		450,948	442,391
Economic development	37,316		37,316	33,751
Interest on long-term debt	61,859		61,859	72,993
Electric		2,237,681	2,237,681	2,577,083
Water		400,027	400,027	378,924
Sewer		528,424	528,424	540,384
Storm water drainage		35,191	35,191	26,963
Waste management		180,354	180,354	172,791
Ambulance		206,864	206,864	202,719
Total expenses	<u>2,172,854</u>	<u>3,588,541</u>	<u>5,761,395</u>	<u>5,970,239</u>
Increase in net position before transfers	(6,467)	1,253,893	1,247,426	1,167,458
Transfers	126,500	(126,500)		
Increase in net position	120,033	1,127,393	1,247,426	1,167,458
Net position, beginning of year	8,079,423	11,245,104	19,324,527	18,157,069
Net position, end of year	<u>\$ 8,199,456</u>	<u>\$ 12,372,497</u>	<u>\$ 20,571,953</u>	<u>\$ 19,324,527</u>

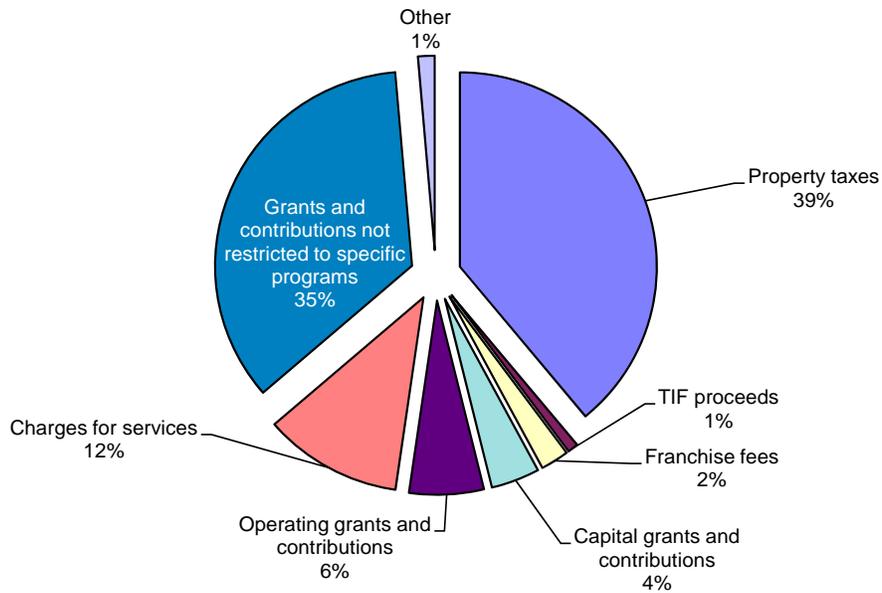
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



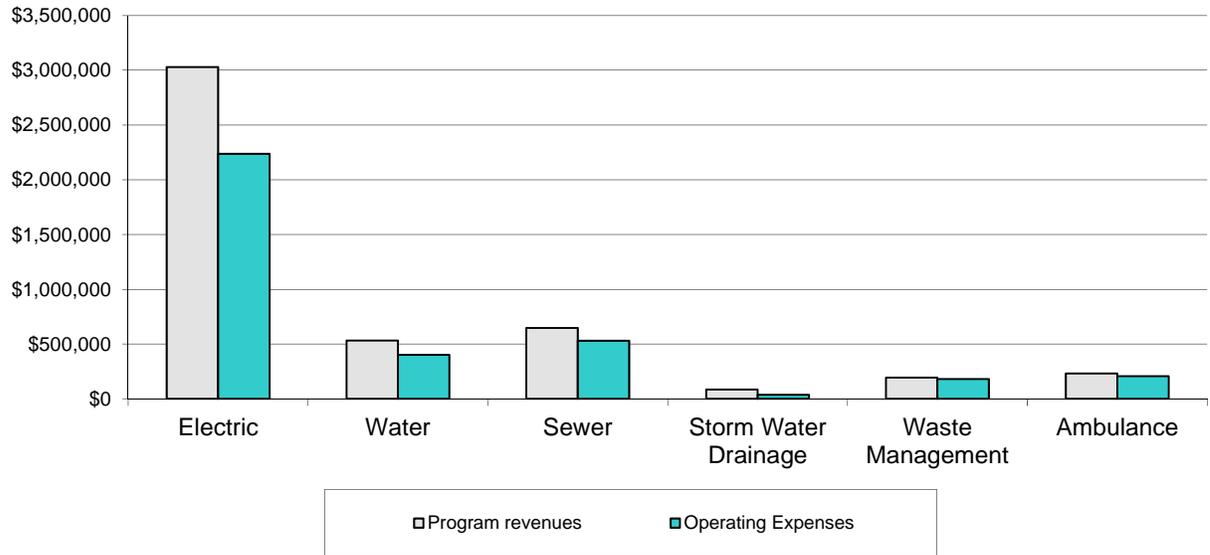
Revenues by Source - Governmental Activities



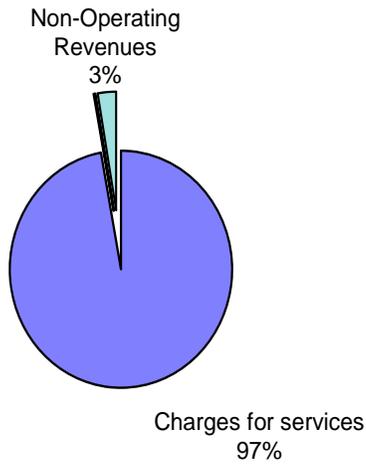
CITY OF ST. CHARLES, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 3 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of St. Charles, Minnesota's governmental funds reported combined ending fund balances of \$1,148,312, a decrease of \$77,464. Approximately 42% of this balance is either Nonspendable (\$19,888) related to prepaid items, Restricted (\$192,963) related to debt covenants or regulations or (\$274,686) 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 \$640,131. 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 49% of total general fund expenditures.

The general fund's total fund balance increased by \$43,865 during the current fiscal year. This year's increase was primarily due to transfers in from other funds (\$126,955).

The economic development fund decreased its fund balance by \$-24,583 due to issuing revolving loans in the amount of \$75,000, this was partially offset by repayments made on loans in the amount of \$40,582.

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

Governmental funds (continued).

The capital improvement fund increased its fund balance by \$93,932 for the year, and ended the year with a fund balance of \$171,428. This year's increase was primarily due to a decrease in planned expenditures.

The I-90 construction fund decreased its fund balance by \$317,542 and ended the year with a negative fund balance of \$172,886. This year's decrease was primarily due to the completion of the Industrial Park. In addition, no lot sales were made as of December 31, 2012.

The debt service funds have a total fund balance of \$166,117 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 29-36 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted position in the respective proprietary funds are Electric - \$1,921,480, Water - \$491,627, Sewer - \$163,427, Storm Water - \$23,178, Waste Management - \$62,591, Ambulance - \$174,443.

Electric Utility rates remained stationary in 2012 as the cost of purchased power from Dairyland Power, the City's power supply provider, decreased due to a renegotiated contract that was effective January 1, 2012. In addition, Dairyland Power joined the MISO market and questions were raised with respect to overall transmission costs and whether that rate in 2012 would decrease or remain the same. A tiered rate system was developed in May of 2011 and was 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. The City engaged in a Cost of Service/Rate Comparison Study throughout much of 2012 in an effort to determine appropriate cost allocations. Proposed rates were presented in the first quarter of 2013 to be implemented by the end of April 2013.

Water Utility rates increased in 2012, with the base rate and usage rate seeing a 3% increase over the previous year. Rates were increased in order to plan for future capital projects, meter replacement and upkeep.

Sewer Utility rates increased 6% in 2012 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 as well as a concerted effort that the City continued to decrease their Infiltration and Inflow of sewer.

Garbage and recycling rates were adjusted to reflect the 3.7% cost increase from Advanced Disposal 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 2011 and 2012. Amendments were made to the original 2012 budget due to a review of budgeted revenues for water and sewer, as well as an accounting change in the recording of bond payments.

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

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, 2012, amounts to \$22,083,564 (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 \$47,800.

City of St. Charles, Minnesota's Capital Assets

(net of depreciation)

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
Land	\$ 1,792,776	\$ 142,189	\$ 1,934,965	\$ 1,934,965
Construction in process	13,234		13,234	13,234
Buildings and improvements	2,105,906	4,743,422	6,849,328	7,002,200
Machinery and equipment	465,451	8,092,586	8,558,037	8,586,662
Infrastructure	4,728,000		4,728,000	4,498,703
Total	<u>\$ 9,105,367</u>	<u>\$ 12,978,197</u>	<u>\$ 22,083,564</u>	<u>\$ 22,035,764</u>

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

Long-term debt. At the end of the current fiscal year, the City of St. Charles, Minnesota had \$5,789,080 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of St. Charles, Minnesota's Outstanding Debt

General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
General obligation bonds	\$ 2,208,097	\$ 991,903	\$ 3,200,000	\$ 3,580,000
General obligation revenue bonds		2,455,000	2,455,000	2,660,000
Notes payable	93,328	40,752	134,080	111,872
Total	<u>\$ 2,301,425</u>	<u>\$ 3,487,655</u>	<u>\$ 5,789,080</u>	<u>\$ 6,351,872</u>

The City of St. Charles, Minnesota's total bonds and notes payable decreased by \$562,792 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 51.

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 2013 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 4.6 percent in 2012. This rate is lower than Winona County's average of 6.3%, the State's average of 5.6 percent and the national average rate of 7.9 percent.
- The median household income in City of St. Charles, Minnesota is 2.9% greater than the Minnesota average and 8.6% greater than the National average.
- As of the 2010 Census, City of St. Charles, Minnesota's population is 3,735 people. Since 2000, the City has had a population growth of 11 percent.
- The City of St. Charles, Minnesota relies on Local Government Aid (LGA) for 62 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, 2012

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CITY OF ST. CHARLES, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012
With Comparative Totals for December 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 1,182,906	\$ 2,061,696	\$ 3,244,602	\$ 2,558,218
Accrued interest receivable		1,365	1,365	2,591
Receivables (net of allowance for uncollectibles)	255,340	586,245	841,585	829,302
Internal balances	(100,000)	100,000		
Due from other governmental units	45,978		45,978	528,148
Inventory		373,255	373,255	348,288
Prepaid items	19,888	13,267	33,155	32,813
Capital assets:				
Nondepreciable	1,806,010	142,189	1,948,199	1,948,199
Depreciable, net	7,299,357	12,836,008	20,135,365	20,087,565
Total Assets	<u>10,509,479</u>	<u>16,114,025</u>	<u>26,623,504</u>	<u>26,335,124</u>
LIABILITIES				
Accounts payable	29,503	239,985	269,488	666,464
Deposits payable		25,608	25,608	16,400
Accrued interest payable	20,361	19,731	40,092	55,762
Unearned revenue				12
Accrued compensated absences	18,747	13,758	32,505	31,716
Noncurrent liabilities:				
Due within one year	181,169	533,269	714,438	678,488
Due in more than one year	2,060,243	2,909,177	4,969,420	5,561,755
Total Liabilities	<u>2,310,023</u>	<u>3,741,528</u>	<u>6,051,551</u>	<u>7,010,597</u>
NET POSITION				
Invested in capital assets, net of related debt	6,863,955	9,535,751	16,399,706	15,795,521
Restricted for:				
Debt service	166,117		166,117	121,158
Unrestricted	1,169,384	2,836,746	4,006,130	3,407,848
Total Net Position	<u>\$ 8,199,456</u>	<u>\$ 12,372,497</u>	<u>\$ 20,571,953</u>	<u>\$ 19,324,527</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 416,167	\$ 39,588	\$ 20,343	\$
Public safety	616,982	79,268	76,481	
Public works	423,588		4,086	61,607
Library	165,994	3,684	31,496	49
Parks and recreation	450,948	124,161		24,752
Economic development	37,316			
Interest on long-term debt	61,859			
Total governmental activities	<u>2,172,854</u>	<u>246,701</u>	<u>132,406</u>	<u>86,408</u>
Business-Type activities:				
Electric	2,237,681	3,028,680		
Water	400,027	531,226		
Sewer	528,424	645,999		
Storm water drainage	35,191	84,121		
Waste management	180,354	192,667		
Ambulance	206,864	219,753	8,613	2,125
Total business-type activities	<u>3,588,541</u>	<u>4,702,446</u>	<u>8,613</u>	<u>2,125</u>
Total	<u>\$ 5,761,395</u>	<u>\$ 4,949,147</u>	<u>\$ 141,019</u>	<u>\$ 88,533</u>

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

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

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2012	2011
\$ (356,236)		\$ (356,236)	\$ (354,441)
(461,233)		(461,233)	(443,302)
(357,895)		(357,895)	123,823
(130,765)		(130,765)	(133,380)
(302,035)		(302,035)	(300,635)
(37,316)		(37,316)	(33,751)
(61,859)		(61,859)	(72,993)
<u>(1,707,339)</u>		<u>(1,707,339)</u>	<u>(1,214,679)</u>
	\$ 790,999	790,999	411,313
	131,199	131,199	105,861
	117,575	117,575	25,755
	48,930	48,930	56,242
	12,313	12,313	13,095
	<u>23,627</u>	<u>23,627</u>	<u>(5,313)</u>
	1,124,643	1,124,643	606,953
<u>(1,707,339)</u>	<u>1,124,643</u>	<u>(582,696)</u>	<u>(607,726)</u>
844,763		844,763	756,663
18,865		18,865	120,922
50,064		50,064	48,128
757,629		757,629	794,807
13,423	18,149	31,572	39,918
16,128	111,101	127,229	14,746
126,500	(126,500)		
<u>1,827,372</u>	<u>2,750</u>	<u>1,830,122</u>	<u>1,775,184</u>
120,033	1,127,393	1,247,426	1,167,458
<u>8,079,423</u>	<u>11,245,104</u>	<u>19,324,527</u>	<u>18,157,069</u>
<u>\$ 8,199,456</u>	<u>\$ 12,372,497</u>	<u>\$ 20,571,953</u>	<u>\$ 19,324,527</u>

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CITY OF ST. CHARLES, MINNESOTA
FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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

December 31, 2012

With Comparative Totals for December 31, 2011

	<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	\$ 615,649	\$ 37,429	\$ 160,913
Accrued interest receivable	1,075		195
Accounts receivable	12,669		
Loans and contracts receivable		151,955	
Taxes receivable delinquent	1,916	12	2,505
Special assessments receivable:			
Deferred	1,221		63,992
Due from other funds	50,000	35,000	189,487
Due from other governmental units	5,156	1,011	5,833
Prepaid items	14,017		
TOTAL ASSETS	<u>\$ 701,703</u>	<u>\$ 225,407</u>	<u>\$ 422,925</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 27,455	\$ 214	\$
Due to other funds			85,000
Advances from other funds			100,000
Deferred revenue	3,137	151,967	66,497
Total Liabilities	<u>30,592</u>	<u>152,181</u>	<u>251,497</u>
Fund Balance:			
Nonspendable:			
Prepaid items	14,017		
Restricted:			
Creditors			
Regulations:			
Tax Increment			
Committed to:			
CIP Projects		73,226	171,428
Assigned	16,963		
Unassigned	640,131		
Total Fund Balance	<u>671,111</u>	<u>73,226</u>	<u>171,428</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 701,703</u>	<u>\$ 225,407</u>	<u>\$ 422,925</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	2012	2011
\$ 16,601	\$	\$ 352,314	\$ 1,182,906	\$ 978,198
		137	1,407	
		14,967	27,636	18,279
		4,696	151,955	117,798
			9,129	25,725
			65,213	5,075
			274,487	386,517
		33,978	45,978	528,148
		5,871	19,888	19,427
<u>\$ 16,601</u>	<u>\$</u>	<u>\$ 411,963</u>	<u>\$ 1,778,599</u>	<u>\$ 2,079,167</u>
\$ 189,487	\$	\$ 1,834	\$ 29,503	\$ 168,856
			274,487	386,517
			100,000	150,000
		4,696	226,297	148,018
<u>189,487</u>		<u>6,530</u>	<u>630,287</u>	<u>853,391</u>
		5,871	19,888	19,427
		166,117	166,117	121,158
		26,846	26,846	18,401
		30,032	274,686	306,730
		176,567	193,530	168,777
(172,886)			467,245	591,283
(172,886)		405,433	1,148,312	1,225,776
<u>\$ 16,601</u>	<u>\$</u>	<u>\$ 411,963</u>	<u>\$ 1,778,599</u>	<u>\$ 2,079,167</u>

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

For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<u>10</u>	<u>34</u>	<u>25</u>
	General	Economic Development	Capital Improvements Fund
REVENUES			
Property taxes	\$ 196,658	\$	\$ 221,401
Property taxes - Special EDA taxing district		39,718	
Tax increments			
Special assessments			439
Licenses and permits	34,596		
Fines and forfeits	5,181		
Intergovernmental revenues	793,483		
Charges for services	176,805		
Interest income	6,602	4,408	1,629
Donations			
Loan repayment		40,582	
Miscellaneous revenues	17,183		24,752
TOTAL REVENUES	<u>1,230,508</u>	<u>84,708</u>	<u>248,221</u>
EXPENDITURES			
Current			
General government	295,509		1,875
Public safety	426,448		
Public works	234,189		
Library			
Parks and recreation	344,952		
Economic development		115,125	
Capital Outlay			152,414
Debt Service			
TOTAL EXPENDITURES	<u>1,301,098</u>	<u>115,125</u>	<u>154,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,590)</u>	<u>(30,417)</u>	<u>93,932</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt		55,000	
Transfers in	126,955		
Transfers out	(12,500)		
TOTAL OTHER FINANCING SOURCES (USES)	<u>114,455</u>	<u>55,000</u>	
Net change in fund balances	43,865	24,583	93,932
FUND BALANCES, beginning	<u>627,246</u>	<u>48,643</u>	<u>77,496</u>
FUND BALANCES, ending	<u>\$ 671,111</u>	<u>\$ 73,226</u>	<u>\$ 171,428</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	2012	2011
\$	\$	\$ 404,293	\$ 822,352	\$ 716,092
			39,718	37,077
		18,865	18,865	120,922
			439	1,256
			34,596	29,207
			5,181	9,208
		49,938	843,421	1,380,540
		73,982	250,787	220,589
232	1	551	13,423	24,596
		43,217	43,217	34,744
			40,582	15,650
		9,542	51,477	26,064
<u>232</u>	<u>1</u>	<u>600,388</u>	<u>2,164,058</u>	<u>2,615,945</u>
		40,813	338,197	323,738
		144,511	570,959	510,998
			234,189	229,638
		135,074	135,074	134,814
			344,952	346,074
			115,125	77,370
317,774		14,103	484,291	2,095,236
		200,235	200,235	1,784,950
<u>317,774</u>		<u>534,736</u>	<u>2,423,022</u>	<u>5,502,818</u>
<u>(317,542)</u>	<u>1</u>	<u>65,652</u>	<u>(258,964)</u>	<u>(2,886,873)</u>
			55,000	2,301,473
		29,495	156,450	931,813
	(2,209)	(15,241)	(29,950)	(850,683)
	<u>(2,209)</u>	<u>14,254</u>	<u>181,500</u>	<u>2,382,603</u>
(317,542)	(2,208)	79,906	(77,464)	(504,270)
144,656	2,208	325,527	1,225,776	1,730,046
<u>\$ (172,886)</u>	<u>\$</u>	<u>\$ 405,433</u>	<u>\$ 1,148,312</u>	<u>\$ 1,225,776</u>

**CITY OF ST. CHARLES, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2012**

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

Total governmental fund balances (page 18)		\$ 1,148,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 14,004,297	
Less: Accumulated depreciation	(4,898,930)	9,105,367
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	\$ 9,129	
Deferred special assessments	65,213	
Contracts receivable	151,955	226,297
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	\$ (2,301,425)	
Compensated absences	(18,747)	
Accrued interest	(20,361)	
Unamortized bond issuance costs	60,013	(2,280,520)
Net position of governmental activities (page 14)		\$ 8,199,456

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, 2012

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

Net change in fund balances - total governmental funds (page 20)	\$	(77,464)
--	----	----------

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.

Capital outlay capitalized	\$	458,486
Depreciation expense		(423,664)
Net book value of disposed property		<u>(2,226)</u>

32,596

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue December 31, 2012	\$	226,297
Deferred revenue December 31, 2011		<u>(148,018)</u>

78,279

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.

Compensated absences, December 31, 2012	\$	(18,747)
Compensated absences, December 31, 2011		<u>19,184</u>

437

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal retirement on long-term debt	\$	136,584
Issuance of debt		(55,000)
Change in accrued interest		6,837
Amortization of bond issuance costs		<u>(2,236)</u>

86,185

Change in net position of governmental activities (pages 16)	\$	<u><u>120,033</u></u>
--	----	-----------------------

CITY OF ST. CHARLES, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 180,749	\$ 180,749	\$ 196,658	\$ 15,909	\$ 167,945
Special Assessments					
	1,000	1,000		(1,000)	660
Licenses and Permits					
Business and nonbusiness licenses	10,800	10,800	13,033	2,233	8,184
Building permits	20,000	20,000	21,563	1,563	21,023
Total Licenses and Permits	30,800	30,800	34,596	3,796	29,207
Intergovernmental Revenues					
Local government aid	757,339	757,339	757,339		757,339
Market value credit			290	290	6,384
Police aid	28,000	28,000	29,356	1,356	29,639
PERA aid	2,412	2,412	2,412		2,412
Highway	5,000	5,000	4,086	(914)	4,509
Total Intergovernmental Revenues	792,751	792,751	793,483	732	800,283
Charges For Services					
Street	500	500		(500)	
Swimming pool	78,600	75,100	84,731	9,631	81,521
Park and recreation	41,000	41,000	39,430	(1,570)	39,466
Cable franchise fees	30,000	30,000	33,086	3,086	31,280
Senior center rental	3,000	3,000	2,580	(420)	3,698
Natural gas franchise fees	16,500	16,500	16,978	478	16,848
Total Charges For Services	169,600	166,100	176,805	10,705	172,813
Fines and Forfeits					
Court fines and other	10,000	10,000	5,181	(4,819)	9,208
Interest Income					
	7,000	7,000	6,602	(398)	7,645
Miscellaneous Revenues					
Other	1,450	1,450	17,183	15,733	2,057
TOTAL REVENUES	\$ 1,193,350	\$ 1,189,850	\$ 1,230,508	\$ 40,658	\$ 1,189,818

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries	\$ 27,200	\$ 27,200	\$ 27,248	\$ (48)	\$ 27,248
Transportation and training	2,000	2,000	1,987	13	1,214
Printing and publication	300	300		300	
Total Mayor and Council	<u>29,500</u>	<u>29,500</u>	<u>29,235</u>	<u>265</u>	<u>28,462</u>
Election and Voter Registration	<u>3,945</u>	<u>3,945</u>	<u>2,782</u>	<u>1,163</u>	<u>445</u>
General and Financial Administration					
Salaries	73,873	73,873	73,332	541	71,294
Employee benefits and retirement	25,339	25,339	23,780	1,559	22,949
Supplies and minor equipment	7,000	7,000	7,463	(463)	5,873
Communication	5,000	5,000	5,330	(330)	3,726
Transportation and training	3,000	3,000	5,564	(2,564)	3,305
Insurance	4,800	4,800	4,340	460	4,632
Repairs and maintenance	7,600	7,600	10,048	(2,448)	8,271
Assessor	16,500	16,500	16,431	69	16,420
Accounting and audit	9,000	9,000	7,990	1,010	9,000
Legal	17,500	17,500	16,321	1,179	17,270
Planning and zoning	1,450	1,450	1,450		575
Building inspection	20,000	20,000	22,778	(2,778)	19,453
Other professional services	4,800	4,800	9,718	(4,918)	1,988
Memberships	11,000	11,000	10,916	84	10,647
Other	15,406	15,406	16,948	(1,542)	14,320
Total General and Financial Administration	<u>222,268</u>	<u>222,268</u>	<u>232,409</u>	<u>(10,141)</u>	<u>209,723</u>
City Hall					
Salaries	4,000	4,000	4,801	(801)	3,686
Employee benefits and retirement	450	450	400	50	312
Supplies and minor equipment	1,500	1,500	1,808	(308)	1,569
Insurance	1,000	1,000	707	293	944
Utilities	17,250	17,250	15,539	1,711	16,767
Repairs and maintenance	6,000	6,000	7,828	(1,828)	6,865
Total City Hall	<u>30,200</u>	<u>30,200</u>	<u>31,083</u>	<u>(883)</u>	<u>30,143</u>
Total General Government	<u>\$ 285,913</u>	<u>\$ 285,913</u>	<u>\$ 295,509</u>	<u>\$ (9,596)</u>	<u>\$ 268,773</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2011 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Public Safety					
Police Department					
Salaries	\$ 248,101	\$ 248,101	\$ 280,087	\$ (31,986)	\$ 257,517
Employee benefits and retirement	80,956	80,956	82,600	(1,644)	76,401
Supplies and minor equipment	23,800	23,800	29,104	(5,304)	22,620
Professional services	12,650	12,650	8,855	3,795	5,661
Communication	3,600	3,600	3,910	(310)	3,849
Transportation and training	3,000	3,000	6,915	(3,915)	2,985
Printing and publication	200	200		200	
Insurance	5,500	5,500	4,451	1,049	4,928
Repairs and maintenance	7,050	7,050	7,328	(278)	6,147
Other	5,750	5,750	3,198	2,552	5,201
Total Police Department	<u>390,607</u>	<u>390,607</u>	<u>426,448</u>	<u>(35,841)</u>	<u>385,309</u>
Total Public Safety	<u>390,607</u>	<u>390,607</u>	<u>426,448</u>	<u>(35,841)</u>	<u>385,309</u>
Public Works					
Street Department					
Salaries	83,183	83,183	96,099	(12,916)	93,025
Employee benefits and retirement	44,294	44,294	41,867	2,427	34,749
Supplies and minor equipment	16,750	16,750	15,678	1,072	17,423
Professional services	1,500	1,500	1,500		
Communication	800	800	1,678	(878)	931
Transportation and training	1,500	1,500	1,370	130	1,011
Printing and publication	100	100		100	
Insurance	6,000	6,000	4,400	1,600	4,638
Utilities	6,500	6,500	4,656	1,844	5,578
Repairs and maintenance	73,230	73,230	66,906	6,324	72,248
Other	150	150	35	115	35
Total Public Works	<u>\$ 234,007</u>	<u>\$ 234,007</u>	<u>\$ 234,189</u>	<u>\$ (182)</u>	<u>\$ 229,638</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, 2012

With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Parks and Recreation					
Recreation					
Salaries	\$ 82,034	\$ 82,034	\$ 83,446	\$ (1,412)	\$ 83,159
Employee benefits and retirement	21,281	21,281	19,947	1,334	17,964
Supplies and minor equipment			222	(222)	160
Communication	2,000	2,000	2,233	(233)	2,263
Transportation and training	2,000	2,000	2,309	(309)	1,239
Insurance	3,000	3,000	2,065	935	2,585
Repairs and maintenance	700	700	69	631	424
Recreation programs	20,000	20,000	20,787	(787)	23,930
Other	4,375	4,375	3,489	886	2,564
Total Recreation	<u>135,390</u>	<u>135,390</u>	<u>134,567</u>	<u>823</u>	<u>134,288</u>
Swimming Pool Program					
Salaries	42,075	47,100	51,484	(4,384)	52,507
Employee benefits and retirement	6,060	6,060	5,228	832	5,443
Supplies and minor equipment	18,800	19,300	16,850	2,450	16,268
Communication	500	500	423	77	614
Transportation and training	1,500	1,500	788	712	1,243
Insurance	9,000	9,000	6,439	2,561	7,155
Utilities	19,000	19,000	20,116	(1,116)	17,905
Repairs and maintenance	10,500	10,500	6,497	4,003	8,926
Other	4,000	4,000	2,798	1,202	3,851
Total Swimming Pool Program	<u>111,435</u>	<u>116,960</u>	<u>110,623</u>	<u>6,337</u>	<u>113,912</u>
Parks					
Salaries	25,370	25,370	28,687	(3,317)	26,418
Employee benefits and retirement	9,768	9,768	9,463	305	9,525
Supplies and minor equipment	5,850	5,850	7,562	(1,712)	7,519
Communication	500	500	808	(308)	500
Transportation and training	1,000	1,000	996	4	1,248
Printing and publication					181
Insurance	3,200	3,200	2,822	378	2,579
Repairs and maintenance	24,175	24,175	25,265	(1,090)	26,318
Total Parks	<u>\$ 69,863</u>	<u>\$ 69,863</u>	<u>\$ 75,603</u>	<u>\$ (5,740)</u>	<u>\$ 74,288</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Forestry					
Insurance	\$ 100	\$ 100	\$ 77	\$ 23	\$ 80
Repairs and maintenance	12,500	12,500	12,766	(266)	11,420
Other	2,500	2,500	2,402	98	2,454
Total Forestry	<u>15,100</u>	<u>15,100</u>	<u>15,245</u>	<u>(145)</u>	<u>13,954</u>
Senior Citizens Center					
Insurance	820	820	646	174	652
Utilities	8,000	8,000	7,125	875	7,511
Repairs and maintenance	1,500	1,500	1,143	357	1,469
Total Senior Citizens Center	<u>10,320</u>	<u>10,320</u>	<u>8,914</u>	<u>1,406</u>	<u>9,632</u>
Total Parks and Recreation	<u>342,108</u>	<u>347,633</u>	<u>344,952</u>	<u>2,681</u>	<u>346,074</u>
TOTAL EXPENDITURES	<u>1,252,635</u>	<u>1,258,160</u>	<u>1,301,098</u>	<u>(42,938)</u>	<u>1,229,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,285)</u>	<u>(68,310)</u>	<u>(70,590)</u>	<u>(2,280)</u>	<u>(39,976)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	126,500	126,500	126,955	455	131,500
Transfers out	<u>(12,500)</u>	<u>(12,000)</u>	<u>(12,500)</u>	<u>(500)</u>	<u>(88,713)</u>
Total Other Financing Sources (Uses)	<u>114,000</u>	<u>114,500</u>	<u>114,455</u>	<u>(45)</u>	<u>42,787</u>
Net change in fund balances	54,715	46,190	43,865	(2,325)	2,811
FUND BALANCES, beginning	<u>627,246</u>	<u>627,246</u>	<u>627,246</u>		<u>624,435</u>
FUND BALANCES, ending	<u>\$ 681,961</u>	<u>\$ 673,436</u>	<u>\$ 671,111</u>	<u>\$ (2,325)</u>	<u>\$ 627,246</u>

See Notes to the Financial Statements

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

For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy -					
Special EDA taxing district	\$ 39,120	\$ 39,120	\$ 39,718	\$ 598	\$ 37,077
Intergovernmental Revenues					
AG Grant					5,000
Interest Income	2,833	2,833	4,408	1,575	4,970
Loan Repayment	16,388	16,388	40,582	24,194	16,230
TOTAL REVENUES	<u>58,341</u>	<u>58,341</u>	<u>84,708</u>	<u>26,367</u>	<u>63,277</u>
EXPENDITURES					
Economic Development					
Professional services	33,292	33,292	37,016	(3,724)	31,395
Revolving loans			75,000	(75,000)	45,000
Other			3,109	(3,109)	975
TOTAL EXPENDITURES	<u>33,292</u>	<u>33,292</u>	<u>115,125</u>	<u>(81,833)</u>	<u>77,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,049</u>	<u>25,049</u>	<u>(30,417)</u>	<u>(55,466)</u>	<u>(14,093)</u>
OTHER FINANCING SOURCES					
Issuance of debt			55,000	55,000	
Net change in fund balances	25,049	25,049	24,583	(466)	(14,093)
FUND BALANCES, beginning	<u>48,643</u>	<u>48,643</u>	<u>48,643</u>		<u>62,736</u>
FUND BALANCES, ending	<u>\$ 73,692</u>	<u>\$ 73,692</u>	<u>\$ 73,226</u>	<u>\$ (466)</u>	<u>\$ 48,643</u>

See Notes to the Financial Statements

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2012
With Comparative Totals for December 31, 2011

	Business-Type Activities - Enterprise Funds			
	<u>70</u> Electric	<u>71</u> Water	<u>72</u> Sewer	<u>73</u> Storm Water
ASSETS				
Current Assets				
Cash and investments	\$ 1,012,335	\$ 413,758	\$ 170,442	\$ 12,801
Emergency cash reserve	250,000			
Accrued interest receivable	927	279	156	
Accounts receivable, net	252,120	43,268	54,130	7,644
Accrued utility revenue	103,642	15,639	20,543	2,733
Special assessments-deferred		15,829	16,096	
Taxes receivable-delinquent				
Due from other funds	60,000			
Advances to other funds	100,000			
Inventory	353,186	20,069		
Prepaid expenses	9,064	2,006	333	
Total Current Assets	<u>2,141,274</u>	<u>510,848</u>	<u>261,700</u>	<u>23,178</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	113,489		28,700	
Depreciable	9,508,876	5,080,267	3,412,651	661,877
Less: Accumulated depreciation	<u>3,100,450</u>	<u>1,910,111</u>	<u>892,096</u>	<u>62,925</u>
Net Capital Assets	<u>6,521,915</u>	<u>3,170,156</u>	<u>2,549,255</u>	<u>598,952</u>
Total Assets	<u>\$ 8,663,189</u>	<u>\$ 3,681,004</u>	<u>\$ 2,810,955</u>	<u>\$ 622,130</u>
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	\$ 220,000	\$ 184,779	\$ 109,514	\$
Current maturities of notes payable				
Accounts payable	189,099	7,211	35,841	
Due to other funds			60,000	
Deferred revenue				
Customer deposits	25,608			
Accrued interest payable	5,087	12,010	2,432	
Total Current Liabilities	<u>439,794</u>	<u>204,000</u>	<u>207,787</u>	
Noncurrent Liabilities				
Notes payable, net of current maturities				
Bonds payable, net of current maturities	2,235,000	640,109	57,501	
Less: Unamortized bond discount	<u>(45,209)</u>			
Total Noncurrent Liabilities	<u>2,189,791</u>	<u>640,109</u>	<u>57,501</u>	
Total Liabilities	<u>2,629,585</u>	<u>844,109</u>	<u>265,288</u>	
NET POSITION				
Invested in capital assets, net of related debt	4,112,124	2,345,268	2,382,240	598,952
Unrestricted	<u>1,921,480</u>	<u>491,627</u>	<u>163,427</u>	<u>23,178</u>
Total Net Position	<u>6,033,604</u>	<u>2,836,895</u>	<u>2,545,667</u>	<u>622,130</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,663,189</u>	<u>\$ 3,681,004</u>	<u>\$ 2,810,955</u>	<u>\$ 622,130</u>

See Notes to the Financial Statements

<u>23</u>		<u>22</u>		Totals	
Waste Management	Ambulance	2012	2011	2012	2011
\$ 58,348	\$ 144,012	\$ 1,811,696	\$ 1,580,020		
		250,000			
	3	1,365	2,591		
23,699	30,895	411,756	498,417		
		142,557	132,968		
		31,925	31,028		
	7	7	12		
		60,000			
		100,000	150,000		
		373,255	348,288		
	1,864	13,267	13,386		
<u>82,047</u>	<u>176,781</u>	<u>3,195,828</u>	<u>2,756,710</u>		
		142,189	142,189		
	315,335	18,979,006	18,578,748		
	<u>177,416</u>	<u>6,142,998</u>	<u>5,757,944</u>		
	<u>137,919</u>	<u>12,978,197</u>	<u>12,962,993</u>		
<u>\$ 82,047</u>	<u>\$ 314,700</u>	<u>\$ 16,174,025</u>	<u>\$ 15,719,703</u>		
\$	\$	\$ 514,293	\$ 463,342		
	18,976	18,976	17,918		
19,456	2,136	253,743	510,140		
		60,000			
			12		
		25,608	16,400		
	202	19,731	28,564		
<u>19,456</u>	<u>21,314</u>	<u>892,351</u>	<u>1,036,376</u>		
	21,776	21,776	40,700		
		2,932,610	3,446,903		
		(45,209)	(49,380)		
	<u>21,776</u>	<u>2,909,177</u>	<u>3,438,223</u>		
<u>19,456</u>	<u>43,090</u>	<u>3,801,528</u>	<u>4,474,599</u>		
	97,167	9,535,751	9,043,510		
<u>62,591</u>	<u>174,443</u>	<u>2,836,746</u>	<u>2,201,594</u>		
<u>62,591</u>	<u>271,610</u>	<u>12,372,497</u>	<u>11,245,104</u>		
<u>\$ 82,047</u>	<u>\$ 314,700</u>	<u>\$ 16,174,025</u>	<u>\$ 15,719,703</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>
	Electric	Water	Sewer	Storm Water
Operating Revenues				
Consumer sales and rentals	\$ 3,028,680	\$ 504,431	\$ 628,482	\$ 84,121
Operating Expenses				
Purchased utilities	1,157,818		355,921	
Salaries	318,262	92,333	39,624	
Employee benefits and retirement	104,289	27,450	12,702	
Gas and oil	11,086			
Generation fuel	22,539			
Supplies and minor equipment	10,583	28,243	6,242	
Professional services	85,001	20,215	11,665	2,450
Communication	8,475	6,249	2,830	
Transportation and training	10,128	4,140	2,861	
Printing and publishing	245			
Insurance	19,074	4,305	761	
Utilities	4,727	48,656	3,719	
Repairs and maintenance	78,242	28,832	22,459	
Depreciation and amortization	253,206	119,539	68,994	15,328
Bad debts	1,178			
Other	86,875		209	17,413
Total Operating Expenses	<u>2,171,728</u>	<u>379,962</u>	<u>527,987</u>	<u>35,191</u>
Operating Income (Loss)	<u>856,952</u>	<u>124,469</u>	<u>100,495</u>	<u>48,930</u>
Nonoperating Revenues (Expenses)				
Interest income	11,708	3,648	1,850	47
Availability charges			2,640	
Compost fees				
Dairyland Power settlement	91,336			
Miscellaneous income	19,765	26,795	17,517	
Grant income				
Interest and fiscal charges	(65,953)	(20,065)	(3,077)	
Total Nonoperating Revenues (Expenses)	<u>56,856</u>	<u>10,378</u>	<u>18,930</u>	<u>47</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	913,808	134,847	119,425	48,977
Transfers in				
Transfers out	<u>(120,000)</u>			
CHANGE IN NET POSITION	<u>793,808</u>	<u>134,847</u>	<u>119,425</u>	<u>48,977</u>
NET POSITION - BEGINNING OF YEAR	<u>5,239,796</u>	<u>2,702,048</u>	<u>2,426,242</u>	<u>573,153</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 6,033,604</u>	<u>\$ 2,836,895</u>	<u>\$ 2,545,667</u>	<u>\$ 622,130</u>

See Notes to the Financial Statements

<u>23</u> Waste Management	<u>22</u> Ambulance	Totals	
		2012	2011
\$ 179,499	\$ 219,753	\$ 4,644,966	\$ 4,467,346
168,347		1,682,086	2,030,612
	84,266	534,485	516,369
	16,053	160,494	150,042
		11,086	9,819
		22,539	21,720
	31,236	76,304	66,891
	12,065	131,396	83,458
	3,167	20,721	18,071
	12,581	29,710	25,437
		245	277
	2,037	26,177	28,336
		57,102	53,789
	10,753	140,286	136,368
	28,671	485,738	501,539
	30	1,208	20,560
12,007	6,005	122,509	70,959
<u>180,354</u>	<u>206,864</u>	<u>3,502,086</u>	<u>3,734,247</u>
(855)	12,889	1,142,880	733,099
147	749	18,149	13,899
		2,640	
13,168		13,168	12,939
		91,336	
	8,613	72,690	37,724
	2,125	2,125	2,000
		(89,095)	(164,617)
<u>13,315</u>	<u>11,487</u>	<u>111,013</u>	<u>(98,055)</u>
12,460	24,376	1,253,893	635,044
			45,370
	(6,500)	(126,500)	(126,500)
<u>12,460</u>	<u>17,876</u>	<u>1,127,393</u>	<u>553,914</u>
50,131	253,734	11,245,104	10,691,190
<u>\$ 62,591</u>	<u>\$ 271,610</u>	<u>\$ 12,372,497</u>	<u>\$ 11,245,104</u>

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

For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	<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	\$ 3,045,719	\$ 535,179	\$ 684,338	\$ 83,743
Access and other fees received	19,765	26,795	17,517	
Cash paid to suppliers and employees	<u>(1,975,843)</u>	<u>(283,313)</u>	<u>(562,547)</u>	<u>(29,391)</u>
Net Cash Provided By Operating Activities	<u>1,089,641</u>	<u>278,661</u>	<u>139,308</u>	<u>54,352</u>
Cash Flows From Noncapital Financing Activities				
Transfer in				
Transfer out	<u>(120,000)</u>			
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(120,000)</u>			
Cash Flows From Capital and Related Financing Activities				
Capital asset acquisitions	(281,333)	(104,821)	(59,564)	(55,227)
Advances (to) from other funds	10,000	40,000		
Due (to) from other funds	(60,000)		60,000	
Proceeds from issuance of long-term debt				
Principal payments on long-term debt	(205,000)	(151,577)	(106,765)	
Interest payments on long-term debt	(75,996)	(13,808)	(3,871)	
Net Cash Used In Capital and Related Financing Activities	<u>(612,329)</u>	<u>(230,206)</u>	<u>(110,200)</u>	<u>(55,227)</u>
Cash Flows From Investing Activities				
Establishment of emergency cash reserve	(250,000)			
Investment income received	12,599	3,863	1,570	48
Net Cash Provided By (Used In) Investing Activities	<u>(237,401)</u>	<u>3,863</u>	<u>1,570</u>	<u>48</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,911	52,318	30,678	(827)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>892,424</u>	<u>361,440</u>	<u>139,764</u>	<u>13,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,012,335</u>	<u>\$ 413,758</u>	<u>\$ 170,442</u>	<u>\$ 12,801</u>

See Notes to the Financial Statements

<u>23</u>		<u>Totals</u>	
Waste Management	<u>22</u> Ambulance	2012	2011
\$ 178,173	\$ 206,405	\$ 4,733,557	\$ 4,493,297
13,168	10,738	87,983	52,663
(176,550)	(178,707)	(3,206,351)	(2,967,737)
14,791	38,436	1,615,189	1,578,223
			45,370
	(6,500)	(126,500)	(126,500)
	(6,500)	(126,500)	(81,130)
		(500,945)	(1,096,453)
		50,000	(69,549)
			3,860,198
	(17,866)	(481,208)	(3,716,864)
		(93,675)	(158,750)
	(17,866)	(1,025,828)	(1,181,418)
147	588	18,815	11,308
147	588	18,815	11,308
14,938	14,658	231,676	326,983
43,410	129,354	1,580,020	1,253,037
\$ 58,348	\$ 144,012	\$ 1,811,696	\$ 1,580,020

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Electric	Water	Sewer	Storm Water
Operating Income (Loss)	\$ 856,952	\$ 124,469	\$ 100,495	\$ 48,930
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	253,206	119,539	68,994	15,328
Bad debt expense	1,178			
Compost fees				
Miscellaneous nonoperating income	19,765	26,795	17,517	
Availability charges			2,640	
Grant income				
(Increase) Decrease In:				
Accounts receivable	6,653	30,748	53,216	(378)
Accrued interest receivable				
Inventory	(25,288)	321		
Prepaid items	166	(54)	34	
Increase (Decrease) In:				
Accounts and contracts payable	(32,199)	(23,157)	(103,588)	(9,528)
Customer deposits	9,208			
 Net Cash Provided By Operating Activities	 <u>\$ 1,089,641</u>	 <u>\$ 278,661</u>	 <u>\$ 139,308</u>	 <u>\$ 54,352</u>

Waste Management		Totals	
Ambulance		2012	2011
\$ (855)	\$ 12,889	\$ 1,142,880	\$ 733,099
	28,671	485,738	501,539
	30	1,208	20,560
13,168		13,168	12,939
	8,613	72,690	37,724
		2,640	
	2,125	2,125	2,000
(1,326)	(13,358)	75,555	6,318
	(20)	(20)	23
		(24,967)	8,403
	(27)	119	(893)
3,804	(487)	(165,155)	257,461
		9,208	(950)
<u>\$ 14,791</u>	<u>\$ 38,436</u>	<u>\$ 1,615,189</u>	<u>\$ 1,578,223</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 position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO 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.

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 Position or Equity

Cash and Investments

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position 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 2012. 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 Position 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 Position or Equity (continued)

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, 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 Position or Equity (continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is 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 Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

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

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 2011 financial statements have been reclassified to conform to the 2012 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, 2012, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$ 2,182
Deposits	2,375,499
Certificates of deposit	599,540
U.S. Treasury Securities	202,794
Money Market Funds	<u>64,587</u>
Total Cash on Hand and Deposits	<u>\$ 3,244,602</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, 2012, 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, 2012 is as follows:

<u>General Fund</u>		
2004 Public Improvement Project		\$ 500
2005 Public Improvement Project		721
		<u>1,221</u>
Total General Fund		<u>1,221</u>
<u>Capital Projects Funds</u>		
Capital Improvements Fund		<u>63,992</u>
<u>Enterprise Funds</u>		
Water Fund		15,829
Sewer Fund		<u>16,096</u>
Total Enterprise Funds		<u>31,925</u>
Total		<u>\$ 97,138</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, 2012 are as follows:

<u>Fund</u>	<u>Winona</u>		<u>Total</u>
	<u>County</u>	<u>Townships</u>	
General	\$ 5,156	\$	\$ 5,156
Special Revenue	5,260	24,259	29,519
Debt Service	5,470		5,470
Capital Project	5,833		5,833
	<u>\$ 21,719</u>	<u>\$ 24,259</u>	<u>\$ 45,978</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, 2012 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,792,776	\$	\$	\$ 1,792,776
Construction in process	13,234			13,234
Total capital assets, not being depreciated	1,806,010			1,806,010
Capital assets, being depreciated:				
Buildings	4,220,788	43,828		4,264,616
Infrastructure	5,237,910	392,728		5,630,638
Machinery and equipment	2,301,877	21,930	20,774	2,303,033
Total capital assets, being depreciated	11,760,575	458,486	20,774	12,198,287
Less accumulated depreciation for:				
Buildings	2,034,095	124,615		2,158,710
Infrastructure	739,207	163,431		902,638
Machinery and equipment	1,720,512	135,618	18,548	1,837,582
Total accumulated depreciation	4,493,814	423,664	18,548	4,898,930
Total capital assets, being depreciated, net	7,266,761	34,822	2,226	7,299,357
Governmental activities capital assets, net	\$ 9,072,771	\$ 34,822	\$ 2,226	\$ 9,105,367
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	5,838,672	55,226		5,893,898
Machinery and equipment	12,740,076	445,716	100,684	13,085,108
Total capital assets, being depreciated	18,578,748	500,942	100,684	18,979,006
Less accumulated depreciation for:				
Buildings and improvements	1,023,166	127,310		1,150,476
Machinery and equipment	4,734,778	358,428	100,684	4,992,522
Total accumulated depreciation	5,757,944	485,738	100,684	6,142,998
Total capital assets, being depreciated, net	12,820,804	15,204		12,836,008
Business-type activities capital assets, net	\$ 12,962,993	\$ 15,204	\$	\$ 12,978,197

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	\$	65,098
Public safety		53,782
Public works		95,666
Library		32,221
Parks and recreation		176,897
		<u>176,897</u>
Total depreciation expense - governmental activities	\$	<u>423,664</u>
Business-Type Activities:		
Electric	\$	253,206
Water		119,539
Sewer		68,994
Storm water drainage		15,328
Ambulance		28,671
		<u>28,671</u>
Total depreciation expense - business-type activities	\$	<u>485,738</u>

F. *Interfund Balances and Transfers*

The amounts due to and from other funds as of December 31, 2012, 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:		
Economic Development	35,000	
Capital Project:		
Capital Improvements Fund	189,487	85,000
I-90 Construction		189,487
Enterprise Funds		
Electric	60,000	
Sewer		60,000
	<u>\$ 334,487</u>	<u>\$ 334,487</u>
<u>Funds</u>	Advances To Other Funds	Advances From Other Funds
Capital Projects:		
Capital Improvements	\$	\$ 100,000
Enterprise Funds:		
Electric	100,000	
	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Total Advances	<u>\$ 100,000</u>	<u>\$ 100,000</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, 2012 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 126,955	\$ 12,500
Special Revenue:		
Library	12,500	
Volunteer Fire Department		14,786
Debt Service:		
Fire Tanker Truck Loan	14,786	
2011 G.O. & Refunding Bond	2,209	
G.O. Water Improvement		455
2005A Street Bond		2,209
Enterprise:		
Electric		120,000
Ambulance		6,500
Total Transfers	<u>\$ 156,450</u>	<u>\$ 156,450</u>

Excess of expenditures over budgeted appropriations at the individual fund level during 2012 are as follows:

General Fund	\$ 42,938
Special Revenue Funds	
Economic Development	81,833
Celebration	126
Volunteer Fire Department	27,156
Emergency Management Services	2,005
Enterprise Funds	
Waste Management	7,704
Ambulance	28,809

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Improvement and Refunding (1.0 - 4.25%)	\$ 2,329,755		\$ 121,658	\$ 2,208,097	\$ 160,707
Less: Unamortized Issuance Costs	(62,249)		(2,236)	(60,013)	
Notes payable:					
2010 Tanker Truck Loan (4.25%)	53,254		12,478	40,776	13,019
2012 Installment Promissory Note - Winona County (2.0%)		55,000	2,448	52,552	7,443
Long-term Liabilities	<u>2,320,760</u>	<u>55,000</u>	<u>134,348</u>	<u>2,241,412</u>	<u>181,169</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2011A Water Fund (1.0 - 4.25%)	976,465		151,577	824,888	184,779
2011A Sewer Fund (1.0 - 4.25%)	273,780		106,765	167,015	109,514
General Obligation Revenue Bonds:					
2011B Electric Revenue Refunding (2.0 - 3.05%)	2,660,000		205,000	2,455,000	220,000
Less: Unamortized Discount	(49,380)		(4,171)	(45,209)	
Notes Payable:					
2009 Ambulance Loan (5.75%)	58,618		17,866	40,752	18,976
Long-term Liabilities	<u>3,919,483</u>		<u>477,037</u>	<u>3,442,446</u>	<u>533,269</u>
Total	<u>\$ 6,240,243</u>	<u>\$ 55,000</u>	<u>\$ 611,385</u>	<u>\$ 5,683,858</u>	<u>\$ 714,438</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, 2012, over the life of the debt, are summarized below:

Years	General Obligation Improvement and Refunding Bonds		General Obligation Revenue Bonds		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2013	\$ 160,707	\$ 42,936			\$ 20,462	\$ 2,750
2014	164,990	48,898			21,178	2,036
2015	168,023	51,242			21,919	1,294
2016	167,279	48,898			7,903	523
2017	171,557	46,008			8,063	364
2018-2032	1,375,542	366,235			13,802	243
Totals	<u>\$ 2,208,098</u>	<u>\$ 604,217</u>			<u>\$ 93,327</u>	<u>\$ 7,210</u>
<u>Business-Type Activities</u>						
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	1,680	8
2016	22,721	17,279	235,000	47,540		
2017	23,443	16,557	240,000	42,840		
2018-2032	464,459	149,349	1,305,000	118,375		
Totals	<u>\$ 991,903</u>	<u>\$ 258,474</u>	<u>\$ 2,455,000</u>	<u>\$ 378,575</u>	<u>\$ 40,752</u>	<u>\$ 2,575</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

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

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. 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	21,020
Captured gross tax capacity Retained by authority	20,198
Outstanding Bonds and Loans as of December 31, 2012	

H. Fund Equity

	<u>Committed Fund Balance</u>				<u>Total</u>
	<u>Fund 34</u> Economic Development	<u>Fund 25</u> Capital Improvement	<u>Fund 27</u> Emergency Management Services	<u>Fund 40</u> Parkland Dedication	
Committed Economic Development CIP Projects	\$ 73,226				\$ 73,226
Capital Project		171,428			171,428
Emergency Managemt CIP Projects			5,569		5,569
Parkland Dedication CIP Projects				24,463	24,463
	<u>\$ 73,226</u>	<u>\$ 171,428</u>	<u>\$ 5,569</u>	<u>\$ 24,463</u>	<u>\$ 274,686</u>

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information

A. Defined Benefit Pension Plans - Statewide

Plan Description

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

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

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

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

CITY OF ST. CHARLES, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Information (Continued)

A. Defined Benefit Pension Plans – Statewide (continued)

Plan Description (continued)

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

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members are required to contribute 9.6% of their annual covered salary in 2012. In 2012, the City of St. Charles, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% Basic Plan GERS, 7.25% for Coordinated Plan GERS members, 14.4% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$59,559, \$57,478, and \$55,754, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2012, 2011, and 2010, were \$38,926, \$33,863, and \$32,426, 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 2012 and as of December 31, 2012 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, 2011 (latest information available) is shown below:

Total plan assets	\$ 574,646
Total accrued liability	<u>567,468</u>
Assets in Excess of Accrued Liability	<u><u>\$ 7,178</u></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 2012 amounted to \$8,000. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2012.

The computation of the pension contribution requirements for 2012 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 2012.

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 2012. 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.

6. New Accounting Pronouncements

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred outflows or inflows as defined by this standard.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows of resources, deferred inflows of resources, or current-period outflows and inflows.

7. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 8, 2013, the date the financial statements were available to be issued.

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CITY OF ST. CHARLES, MINNESOTA

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

**CITY OF ST. CHARLES, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012**

	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
ASSETS							
Cash and investments	\$ 2,061	\$ 4,995	\$ 2,463	\$ 125,270	\$ 5,569	\$ 140,358	\$
Accrued interest receivable				137		137	
Accounts receivable			485	14,482		14,967	
Prepaid items	175	1,000	915	3,781		5,871	
Taxes receivable - delinquent governmental units	220	101	1,005	589		1,915	
	<u>477</u>	<u>190</u>	<u>2,326</u>	<u>25,515</u>		<u>28,508</u>	
TOTAL ASSETS	<u>\$ 2,933</u>	<u>\$ 6,286</u>	<u>\$ 7,194</u>	<u>\$ 169,774</u>	<u>\$ 5,569</u>	<u>\$ 191,756</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 700	\$	\$ 697	\$ 437	\$	\$ 1,834	\$
Deferred revenue	220	101	1,005	589		1,915	
Total Liabilities	<u>920</u>	<u>101</u>	<u>1,702</u>	<u>1,026</u>		<u>3,749</u>	
Fund Balance							
Nonspendable:							
Prepaid items	175	1,000	915	3,781		5,871	
Restricted:							
Creditors							
Regulations:							
Tax Increment							
Committed:							
CIP Projects					5,569	5,569	
Assigned	1,838	5,185	4,577	164,967		176,567	
Unassigned							
Total Fund Balance	<u>2,013</u>	<u>6,185</u>	<u>5,492</u>	<u>168,748</u>	<u>5,569</u>	<u>188,007</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,933</u>	<u>\$ 6,286</u>	<u>\$ 7,194</u>	<u>\$ 169,774</u>	<u>\$ 5,569</u>	<u>\$ 191,756</u>	<u>\$</u>

Debt Service			Capital Projects				Total Nonmajor Governmental Funds
<u>60</u> 2011A G.O. & Refunding Bond	<u>56</u> G.O. Water Improvement	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>30</u> MN DNR Trail Grant	Total	
\$ 160,647	\$	\$ 160,647	\$ 26,846	\$ 24,463	\$	\$ 51,309	\$ 352,314
							137
							14,967
2,781		2,781					5,871
5,470		5,470					4,696
							33,978
<u>\$ 168,898</u>	<u>\$</u>	<u>\$ 168,898</u>	<u>\$ 26,846</u>	<u>\$ 24,463</u>	<u>\$</u>	<u>\$ 51,309</u>	<u>\$ 411,963</u>
\$	\$	\$	\$	\$	\$	\$	\$ 1,834
2,781		2,781					4,696
2,781		2,781					6,530
							5,871
166,117		166,117					166,117
			26,846			26,846	26,846
				24,463		24,463	30,032
							176,567
<u>166,117</u>		<u>166,117</u>	<u>26,846</u>	<u>24,463</u>		<u>51,309</u>	<u>405,433</u>
<u>\$ 168,898</u>	<u>\$</u>	<u>\$ 168,898</u>	<u>\$ 26,846</u>	<u>\$ 24,463</u>	<u>\$</u>	<u>\$ 51,309</u>	<u>\$ 411,963</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, 2012

	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
REVENUES							
Property tax levy							
Property tax collected	\$ 18,553	\$ 7,703	\$ 94,212	\$ 53,067	\$ 11	\$ 173,546	\$
Tax increments							
Intergovernmental			28,197	21,741		49,938	
Charges for services				73,982		73,982	
Interest income	35	8		225	17	285	
Donations	1,627	18,610	3,299	19,575		43,111	
Miscellaneous			3,733	5,809		9,542	
TOTAL REVENUES	<u>20,215</u>	<u>26,321</u>	<u>129,441</u>	<u>174,399</u>	<u>28</u>	<u>350,404</u>	
EXPENDITURES							
Current:							
General government	20,387	20,426				40,813	
Public safety				142,006	2,505	144,511	
Library			135,074			135,074	
Principal retirement							12,478
Interest and fiscal charges							2,308
Capital outlay							
TOTAL EXPENDITURES	<u>20,387</u>	<u>20,426</u>	<u>135,074</u>	<u>142,006</u>	<u>2,505</u>	<u>320,398</u>	<u>14,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(172)</u>	<u>5,895</u>	<u>(5,633)</u>	<u>32,393</u>	<u>(2,477)</u>	<u>30,006</u>	<u>(14,786)</u>
OTHER FINANCING SOURCES (USES)							
Transfer in			12,500			12,500	14,786
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>
Net change in fund balances	(172)	5,895	6,867	17,607	(2,477)	27,720	
FUND BALANCES, beginning	<u>2,185</u>	<u>290</u>	<u>(1,375)</u>	<u>151,141</u>	<u>8,046</u>	<u>160,287</u>	
FUND BALANCES, ending	<u>\$ 2,013</u>	<u>\$ 6,185</u>	<u>\$ 5,492</u>	<u>\$ 168,748</u>	<u>\$ 5,569</u>	<u>\$ 188,007</u>	<u>\$</u>

Debt Service			Capital Projects				Total Nonmajor Governmental Funds
<u>60</u> 2011A G.O. & Refunding Bond	<u>56</u> G.O. Water Improvement	Total	<u>47</u> Tax Increment District #6 Fund	<u>40</u> Parkland Dedication	<u>30</u> MN DNR Trail Grant	Total	
\$ 230,747	\$	\$ 230,747	\$ 18,865	\$	\$	\$ 18,865	\$ 404,293
							18,865
							49,938
							73,982
115		115	50	101		151	551
				106		106	43,217
							9,542
<u>230,862</u>		<u>230,862</u>	<u>18,915</u>	<u>207</u>		<u>19,122</u>	<u>600,388</u>
							40,813
							144,511
							135,074
121,658		134,136					134,136
63,791		66,099					66,099
			10,470	3,633		14,103	14,103
<u>185,449</u>		<u>200,235</u>	<u>10,470</u>	<u>3,633</u>		<u>14,103</u>	<u>534,736</u>
<u>45,413</u>		<u>30,627</u>	<u>8,445</u>	<u>(3,426)</u>		<u>5,019</u>	<u>65,652</u>
2,209		16,995					29,495
	(455)	(455)					(15,241)
<u>2,209</u>	<u>(455)</u>	<u>16,540</u>					<u>14,254</u>
47,622	(455)	47,167	8,445	(3,426)		5,019	79,906
<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>\$ 166,117</u>	<u>\$</u>	<u>\$ 166,117</u>	<u>\$ 26,846</u>	<u>\$ 24,463</u>	<u>\$</u>	<u>\$ 51,309</u>	<u>\$ 405,433</u>

CITY OF ST. CHARLES, MINNESOTA
ADVERTISING FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 17,950	\$ 17,950	\$ 18,553	\$ 603	\$ 18,077
Market value credit					705
Interest Income			35	35	24
Donations	5,900	5,900	1,627	(4,273)	4,939
TOTAL REVENUES	<u>23,850</u>	<u>23,850</u>	<u>20,215</u>	<u>(3,635)</u>	<u>23,745</u>
EXPENDITURES					
General Government					
Fireworks	7,000	7,000	6,552	448	6,601
City promotion	1,175	1,175	1,136	39	2,503
Board reimbursement annual events	1,800	1,800	1,678	122	1,981
Professional services			50	(50)	
Advertising	13,450	13,450	10,971	2,479	14,075
TOTAL EXPENDITURES	<u>23,425</u>	<u>23,425</u>	<u>20,387</u>	<u>3,038</u>	<u>25,160</u>
Net change in fund balances	425	425	(172)	(597)	(1,415)
FUND BALANCES, beginning	<u>2,185</u>	<u>2,185</u>	<u>2,185</u>		<u>3,600</u>
FUND BALANCES, ending	<u>\$ 2,610</u>	<u>\$ 2,610</u>	<u>\$ 2,013</u>	<u>\$ (597)</u>	<u>\$ 2,185</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, 2012
With Comparative Totals for the Year Ended December 31, 2011**

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 7,500	\$ 7,500	\$ 7,703	\$ 203	\$ 6,661
Market value credit					260
Donations	13,500	13,500	18,610	5,110	15,832
Interest income			8	8	1
TOTAL REVENUES	<u>21,000</u>	<u>21,000</u>	<u>26,321</u>	<u>5,321</u>	<u>22,754</u>
EXPENDITURES					
General Government					
Advertising	2,500	2,500	2,701	(201)	4,021
Dance	5,500	5,500	8,040	(2,540)	8,488
T-shirts	1,500	1,500	1,870	(370)	2,547
Rentals	2,000	2,000	1,069	931	1,419
Pageants	4,500	4,500	3,439	1,061	2,580
Other	4,300	4,300	3,307	993	3,808
TOTAL EXPENDITURES	<u>20,300</u>	<u>20,300</u>	<u>20,426</u>	<u>(126)</u>	<u>22,863</u>
Net change in fund balances	700	700	5,895	5,195	(109)
FUND BALANCES, beginning	<u>290</u>	<u>290</u>	<u>290</u>		<u>399</u>
FUND BALANCES, ending	<u>\$ 990</u>	<u>\$ 990</u>	<u>\$ 6,185</u>	<u>\$ 5,195</u>	<u>\$ 290</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 91,753	\$ 91,753	\$ 94,212	\$ 2,459	\$ 82,113
Intergovernmental Revenues					
Market value credit					3,207
Library aid	27,506	27,506	28,197	691	27,120
Intergovernmental Revenues	27,506	27,506	28,197	691	30,327
Donations					
	3,500	3,500	3,299	(201)	3,501
Miscellaneous					
Fines	2,000	2,000	2,503	503	2,127
Book sales			135	135	107
Copy machines	1,000	1,000	1,046	46	904
Other	700	700	49	(651)	
Total Miscellaneous Revenues	3,700	3,700	3,733	33	3,138
TOTAL REVENUES	126,459	126,459	129,441	2,982	119,079
EXPENDITURES					
Library					
Salaries	62,078	62,078	63,607	(1,529)	63,127
Employee benefits and retirement	30,841	30,841	26,832	4,009	26,309
Supplies and minor equipment	2,540	2,540	1,726	814	2,374
Professional services	8,000	8,000	8,192	(192)	7,810
Communications	1,200	1,200	1,272	(72)	1,046
Transportation and training	750	750	877	(127)	807
Insurance	3,000	3,000	2,315	685	2,299
Utilities	10,000	10,000	7,229	2,771	7,761
Repairs and maintenance	3,550	3,550	2,984	566	4,663
Other	1,000	1,000	763	237	976
Capital outlay	16,000	16,000	19,277	(3,277)	17,642
TOTAL EXPENDITURES	138,959	138,959	135,074	3,885	134,814
Excess (deficiency) of revenues over (under) expenditures	(12,500)	(12,500)	(5,633)	6,867	(15,735)
OTHER FINANCING SOURCES					
Transfers in	14,000	12,500	12,500		12,500
Net change in fund balances	1,500		6,867	6,867	(3,235)
FUND BALANCES, beginning	(1,375)	(1,375)	(1,375)		1,860
FUND BALANCES, ending	\$ 125	\$ (1,375)	\$ 5,492	\$ 6,867	\$ (1,375)

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 51,900	\$ 51,900	\$ 53,067	\$ 1,167	\$ 41,221
Intergovernmental Revenues					
Fire aid	21,000	21,000	21,741	741	22,053
Market value credit					1,611
Charges for Services					
Other local governments	40,949	40,949	42,788	1,839	42,251
Fire calls	11,500	11,500	31,194	19,694	5,525
Interest income	2,000	2,000	225	(1,775)	722
Donations			19,575	19,575	10,250
Miscellaneous Revenues	3,000	3,000	5,809	2,809	100
TOTAL REVENUES	<u>130,349</u>	<u>130,349</u>	<u>174,399</u>	<u>44,050</u>	<u>123,733</u>
EXPENDITURES					
Public Safety					
Salaries	18,000	18,000	28,140	(10,140)	19,180
Employee benefits and retirement	5,900	5,900	6,281	(381)	5,699
Supplies and minor equipment	18,450	18,450	12,813	5,637	15,604
Professional services	3,000	3,000	5,325	(2,325)	2,567
Communication	2,000	2,000	1,469	531	1,797
Transportation and training	9,300	9,300	8,410	890	6,383
Insurance	9,500	9,500	7,005	2,495	7,578
Utilities	5,500	5,500	3,923	1,577	4,308
Capital outlay	4,800	4,800	12,564	(7,764)	718
Repairs and maintenance	7,700	7,700	25,001	(17,301)	11,529
Fire relief payment	28,000	28,000	28,741	(741)	30,053
Other	2,700	2,700	2,334	366	2,006
TOTAL EXPENDITURES	<u>114,850</u>	<u>114,850</u>	<u>142,006</u>	<u>(27,156)</u>	<u>107,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,499</u>	<u>15,499</u>	<u>32,393</u>	<u>16,894</u>	<u>16,311</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(14,786)	(14,786)	(14,786)		(14,786)
Net change in fund balances	713	713	17,607	16,894	1,525
FUND BALANCES, beginning	<u>151,141</u>	<u>151,141</u>	<u>151,141</u>		<u>149,616</u>
FUND BALANCES, ending	<u>\$ 151,854</u>	<u>\$ 151,854</u>	<u>\$ 168,748</u>	<u>\$ 16,894</u>	<u>\$ 151,141</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$	\$	\$ 11	\$ 11	\$
Interest Income	500	500	17	(483)	132
TOTAL REVENUES	500	500	28	(472)	132
EXPENDITURES					
Public Safety					
Supplies and minor equipment			2,505	(2,505)	18,267
Transportation and training	500	500		500	
TOTAL EXPENDITURES	500	500	2,505	(2,005)	18,267
Net change in fund balances			(2,477)	(2,477)	(18,135)
FUND BALANCES, beginning	8,046	8,046	8,046		26,181
FUND BALANCES, ending	\$ 8,046	\$ 8,046	\$ 5,569	\$ (2,477)	\$ 8,046

CITY OF ST. CHARLES, MINNESOTA
SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
ELECTRIC FUND
Statement of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,012,335	\$ 892,424
Emergency cash reserve	250,000	
Accrued interest receivable	927	1,816
Accounts receivable, net	252,120	266,909
Accrued utility revenue	103,642	96,684
Due from other funds	60,000	
Advances to other funds	100,000	110,000
Inventory	353,186	327,898
Prepaid expenses	9,064	9,230
Total Current Assets	2,141,274	1,704,961
Capital Assets		
Nondepreciable	113,489	113,489
Depreciable	9,508,876	9,328,229
Less: Accumulated depreciation	3,100,450	2,947,928
Capital Assets, Net	6,521,915	6,493,790
Total Assets	\$ 8,663,189	\$ 8,198,751
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 220,000	\$ 205,000
Accounts payable	189,099	312,634
Customer deposits	25,608	16,400
Accrued interest payable	5,087	19,301
Total Current Liabilities	439,794	553,335
Noncurrent Liabilities		
Bonds payable, net of current maturities	2,235,000	2,455,000
Less: Unamortized bond discount	(45,209)	(49,380)
Total Noncurrent Liabilities	2,189,791	2,405,620
Total Liabilities	2,629,585	2,958,955
NET POSITION		
Invested in capital assets, net of related debt	4,112,124	3,883,170
Unrestricted	1,921,480	1,356,626
Total Net Position	6,033,604	5,239,796
TOTAL LIABILITIES AND NET POSITION	\$ 8,663,189	\$ 8,198,751

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

**Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2012
 With Comparative Totals for the Year Ended December 31, 2011**

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 2,975,117	\$ 2,975,117	\$ 3,028,680	\$ 53,563	\$ 2,988,396
Operating Expenses					
Purchased utilities	1,450,000	1,450,000	1,157,818	292,182	1,506,221
Salaries	318,803	318,803	318,262	541	306,327
Employee benefits and retirement	114,611	114,611	104,289	10,322	97,399
Gas and oil	9,500	9,500	11,086	(1,586)	9,819
Generation fuel	270,000	270,000	22,539	247,461	21,720
Supplies and minor equipment	9,850	9,850	10,583	(733)	10,856
Professional services	79,500	79,500	85,001	(5,501)	42,301
Communication	7,000	7,000	8,475	(1,475)	7,406
Transportation and training	10,000	10,000	10,128	(128)	10,085
Printing and publishing	1,100	1,100	245	855	277
Insurance	26,583	26,583	19,074	7,509	20,646
Utilities	3,500	3,500	4,727	(1,227)	2,316
Repairs and maintenance	216,000	216,000	78,242	137,758	77,298
Depreciation and amortization	205,000	205,000	253,206	(48,206)	295,918
Bad debts			1,178	(1,178)	4,014
Other	90,400	90,400	86,875	3,525	37,819
Total Operating Expenses	<u>2,811,847</u>	<u>2,811,847</u>	<u>2,171,728</u>	<u>640,119</u>	<u>2,450,422</u>
Operating Income	<u>163,270</u>	<u>163,270</u>	<u>856,952</u>	<u>693,682</u>	<u>537,974</u>
Nonoperating Revenues (Expenses)					
Interest income	10,000	10,000	11,708	1,708	5,118
Dairyland Power settlement			91,336	91,336	
Miscellaneous income	25,000	25,000	19,765	(5,235)	14,192
Interest and fiscal charges	(86,209)	(86,209)	(65,953)	20,256	(126,661)
Total Nonoperating Revenues (Expenses)	<u>(51,209)</u>	<u>(51,209)</u>	<u>56,856</u>	<u>108,065</u>	<u>(107,351)</u>
INCOME BEFORE TRANSFERS	<u>112,061</u>	<u>112,061</u>	<u>913,808</u>	<u>801,747</u>	<u>430,623</u>
Transfers in	10,000	10,000		(10,000)	
Transfers out	(120,000)	(180,000)	(120,000)	60,000	(120,000)
CHANGE IN NET POSITION	<u>2,061</u>	<u>(57,939)</u>	<u>793,808</u>	<u>851,747</u>	<u>310,623</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>5,239,796</u>	<u>5,239,796</u>	<u>5,239,796</u>		<u>4,929,173</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 5,241,857</u>	<u>\$ 5,181,857</u>	<u>\$ 6,033,604</u>	<u>\$ 851,747</u>	<u>\$ 5,239,796</u>

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WATER FUND
 Statement of Net Position
 December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 413,758	\$ 361,440
Accrued interest receivable	279	494
Accounts receivable, net	43,268	75,536
Accrued utility revenue	15,639	14,634
Special assessments-deferred	15,829	15,314
Advances to other funds		40,000
Inventory	20,069	20,390
Prepaid expenses	2,006	1,952
Total Current Assets	510,848	529,760
Capital Assets		
Depreciable	5,080,267	4,975,446
Less: Accumulated depreciation	1,910,111	1,790,572
Capital Assets, Net	3,170,156	3,184,874
Total Assets	\$ 3,681,004	\$ 3,714,634
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 184,779	\$ 151,577
Accounts payable	7,211	30,368
Accrued interest payable	12,010	5,753
Total Current Liabilities	204,000	187,698
Noncurrent Liabilities		
Bonds payable, net of current maturities	640,109	824,888
Total Noncurrent Liabilities	640,109	824,888
Total Liabilities	844,109	1,012,586
NET POSITION		
Invested in capital assets, net of related debt	2,345,268	2,208,409
Unrestricted	491,627	493,639
Total Net Position	2,836,895	2,702,048
TOTAL LIABILITIES AND NET POSITION	\$ 3,681,004	\$ 3,714,634

CITY OF ST. CHARLES, MINNESOTA

PROPRIETARY FUNDS

WATER FUND

**Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2012**

With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 497,125	\$ 562,125	\$ 504,431	\$ (57,694)	\$ 479,501
Operating Expenses					
Salaries	98,482	98,482	92,333	6,149	89,560
Employee benefits and retirement	30,362	30,362	27,450	2,912	25,362
Supplies and minor equipment	23,000	23,000	28,243	(5,243)	21,840
Professional services	20,200	20,200	20,215	(15)	22,709
Communication	5,000	5,000	6,249	(1,249)	4,701
Transportation and training	4,000	4,000	4,140	(140)	4,093
Insurance	6,000	6,000	4,305	1,695	4,731
Utilities	50,000	50,000	48,656	1,344	47,323
Repairs and maintenance	125,900	125,900	28,832	97,068	36,316
Depreciation and amortization		151,577	119,539	32,038	99,302
Other	1,750	1,750		1,750	501
Total Operating Expenses	364,694	516,271	379,962	136,309	356,438
Operating Income	132,431	45,854	124,469	78,615	123,063
Nonoperating Revenues (Expenses)					
Interest income	4,000	4,000	3,648	(352)	4,711
Miscellaneous income	10,500	10,500	26,795	16,295	5,284
Interest and fiscal charges		(13,808)	(20,065)	(6,257)	(22,486)
Total Nonoperating Revenues (Expenses)	14,500	692	10,378	9,686	(12,491)
INCOME BEFORE TRANSFERS	146,931	46,546	134,847	88,301	110,572
Transfers in	40,000	40,000		(40,000)	
Transfers out	(212,771)				
CHANGE IN NET POSITION	(25,840)	86,546	134,847	48,301	110,572
TOTAL NET POSITION - BEGINNING OF YEAR	2,702,048	2,702,048	2,702,048		2,591,476
TOTAL NET POSITION - END OF YEAR	\$ 2,676,208	\$ 2,788,594	\$ 2,836,895	\$ 48,301	\$ 2,702,048

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
SEWER FUND
Statement of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 170,442	\$ 139,764
Accrued interest receivable	156	258
Accounts receivable	54,130	108,915
Accrued utility revenue	20,543	18,974
Special assessments-deferred	16,096	15,714
Prepaid expenses	333	367
Total Current Assets	261,700	283,992
Capital Assets		
Nondepreciable	28,700	28,700
Depreciable	3,412,651	3,353,087
Less: Accumulated depreciation	892,096	823,102
Capital Assets, Net	2,549,255	2,558,685
Total Assets	\$ 2,810,955	\$ 2,842,677
LIABILITIES		
Current Liabilities		
Current maturities of bonds payable	\$ 109,514	\$ 106,765
Accounts payable	35,841	139,429
Due to other funds	60,000	
Accrued interest payable	2,432	3,226
Total Current Liabilities	207,787	249,420
Noncurrent Liabilities		
Bonds payable, net of current maturities	57,501	167,015
Total Noncurrent Liabilities	57,501	167,015
Total Liabilities	265,288	416,435
NET POSITION		
Invested in capital assets, net of related debt	2,382,240	2,284,905
Unrestricted	163,427	141,337
Total Net Position	2,545,667	2,426,242
TOTAL LIABILITIES AND NET POSITION	\$ 2,810,955	\$ 2,842,677

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

**Statement of Revenues, Expenses
 and Changes in Fund Net Position - Budget and Actual
 For the Fiscal Year Ended December 31, 2012
 With Comparative Totals for the Year Ended December 31, 2011**

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Consumer sales	\$ 594,775	\$ 669,775	\$ 628,482	\$ (41,293)	\$ 554,800
Operating Expenses					
Purchased utilities	371,130	371,130	355,921	15,209	364,421
Salaries	52,984	52,984	39,624	13,360	46,879
Employee benefits and retirement	15,001	15,001	12,702	2,299	11,559
Supplies and minor equipment	6,400	5,900	6,242	(342)	4,944
Professional services	9,950	9,650	11,665	(2,015)	7,450
Communication	2,400	2,400	2,830	(430)	3,377
Transportation and training	3,500	3,500	2,861	639	3,050
Insurance	1,000	1,000	761	239	628
Utilities	4,000	4,000	3,719	281	4,150
Repairs and maintenance	92,000	77,000	22,459	54,541	14,731
Depreciation and amortization		106,675	68,994	37,681	66,997
Other	200	1,000	209	791	592
Total Operating Expenses	558,565	650,240	527,987	122,253	528,778
Operating Income	36,210	19,535	100,495	80,960	26,022
Nonoperating Revenues (Expenses)					
Interest income	1,000	1,000	1,850	850	2,682
Sewer availability charges			2,640	2,640	
Miscellaneous income	3,000	3,000	17,517	14,517	11,339
Interest and fiscal charges		(3,871)	(3,077)	794	(11,606)
Total Nonoperating Revenues (Expenses)	4,000	129	18,930	18,801	2,415
INCOME BEFORE TRANSFERS	40,210	19,664	119,425	99,761	28,437
Transfers in	60,000				45,370
CHANGE IN NET POSITION	100,210	19,664	119,425	99,761	73,807
NET POSITION - BEGINNING OF YEAR	2,426,242	2,426,242	2,426,242		2,352,435
TOTAL NET POSITION - END OF YEAR	\$ 2,526,452	\$ 2,445,906	\$ 2,545,667	\$ 99,761	\$ 2,426,242

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 STORM WATER FUND
 Statement of Net Position
 December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,801	\$ 13,628
Accounts receivable	7,644	7,323
Accrued utility revenue	2,733	2,676
Total Current Assets	23,178	23,627
Capital Assets		
Depreciable	661,877	606,651
Less: Accumulated depreciation	62,925	47,597
Capital Assets, Net	598,952	559,054
Total Assets	\$ 622,130	\$ 582,681
LIABILITIES		
Current Liabilities		
Accounts payable	\$	\$ 9,528
NET POSITION		
Invested in capital assets, net of related debt	598,952	559,054
Unrestricted	23,178	14,099
Total Net Position	622,130	573,153
TOTAL LIABILITIES AND NET POSITION	\$ 622,130	\$ 582,681

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
STORM WATER FUND
Statement of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Storm water fees	\$ 82,668	\$ 82,668	\$ 84,121	\$ 1,453	\$ 83,205
Operating Expenses					
Professional services	3,100	2,600	2,450	150	650
Depreciation			15,328	(15,328)	13,461
Repairs and maintenance	75,000	75,500	17,413	58,087	12,852
Total Operating Expenses	78,100	78,100	35,191	42,909	26,963
Operating Income	4,568	4,568	48,930	44,362	56,242
Nonoperating Revenues (Expenses)					
Interest income	400	400	47	(353)	75
CHANGE IN NET POSITION	4,968	4,968	48,977	44,009	56,317
TOTAL NET POSITION - BEGINNING OF YEAR	573,153	573,153	573,153		516,836
TOTAL NET POSITION - END OF YEAR	\$ 578,121	\$ 578,121	\$ 622,130	\$ 44,009	\$ 573,153

**CITY OF ST. CHARLES, MINNESOTA
 PROPRIETARY FUNDS
 WASTE MANAGEMENT FUND
 Statement of Net Position
 December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 58,348	\$ 43,410
Accounts receivable	23,699	22,373
Total Assets	\$ 82,047	\$ 65,783
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 19,456	\$ 15,652
 NET POSITION		
Unrestricted	62,591	50,131
 TOTAL LIABILITIES AND NET POSITION	\$ 82,047	\$ 65,783

CITY OF ST. CHARLES, MINNESOTA
WASTE MANAGEMENT FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position - Budget and Actual
For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services	\$ 175,200	\$ 175,200	\$ 179,499	\$ 4,299	\$ 172,947
Operating Expenses					
Waste Removal					
Garbage removal	167,650	167,650	168,347	(697)	159,970
City cleanup	5,000	5,000	5,171	(171)	5,729
Compost site expense			6,433	(6,433)	5,950
Other			403	(403)	1,142
Total Operating Expenses	172,650	172,650	180,354	(7,704)	172,791
Operating Income	2,550	2,550	(855)	(3,405)	156
Nonoperating Revenue					
Interest income	500	500	147	(353)	194
Compost fees			13,168	13,168	12,939
Total Nonoperating Revenue	500	500	13,315	12,815	13,133
CHANGE IN NET POSITION	3,050	3,050	12,460	9,410	13,289
TOTAL NET POSITION - BEGINNING OF YEAR	50,131	50,131	50,131		36,842
TOTAL NET POSITION - END OF YEAR	\$ 53,181	\$ 53,181	\$ 62,591	\$ 9,410	\$ 50,131

CITY OF ST. CHARLES, MINNESOTA
PROPRIETARY FUNDS
AMBULANCE FUND
Statement of Net Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 144,012	\$ 129,354
Accrued interest receivable	3	23
Accounts receivable	30,895	17,361
Taxes receivable - delinquent	7	12
Prepaid expense	1,864	1,837
Total Current Assets	176,781	148,587
Capital Assets		
Depreciable	315,335	315,335
Less: Accumulated depreciation	177,416	148,745
Capital Assets, Net	137,919	166,590
Total Assets	\$ 314,700	\$ 315,177
LIABILITIES		
Current Liabilities		
Current maturities of notes payable	\$ 18,976	\$ 17,918
Accounts payable	2,136	2,529
Accrued interest payable	202	284
Deferred revenue		12
Total Current Liabilities	21,314	20,743
Noncurrent Liabilities		
Notes payable	21,776	40,700
Total Liabilities	43,090	61,443
NET POSITION		
Invested in capital assets, net of related debt	97,167	107,972
Unrestricted	174,443	145,762
Total Net Position	271,610	253,734
TOTAL LIABILITIES AND NET POSITION	\$ 314,700	\$ 315,177

CITY OF ST. CHARLES, MINNESOTA
AMBULANCE FUND
Schedule of Revenues, Expenses
and Changes in Fund Net Position- Budget and Actual
For the Fiscal Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Operating Revenue					
Charges for Services					
Ambulance service contracts	\$ 500	\$ 500	\$ 600	\$ 100	\$ 1,100
Ambulance fees	194,250	194,250	219,153	24,903	187,397
Total Operating Revenues	<u>194,750</u>	<u>194,750</u>	<u>219,753</u>	<u>25,003</u>	<u>188,497</u>
Operating Expenses					
Salaries	75,000	75,000	84,266	(9,266)	73,603
Employee benefits and retirement	16,700	16,700	16,053	647	15,722
Supplies and minor equipment	39,917	39,917	31,236	8,681	29,251
Professional services	11,000	11,000	12,065	(1,065)	10,348
Communication	3,000	3,000	3,167	(167)	2,587
Transportation and training	8,000	8,000	12,581	(4,581)	8,209
Insurance	3,000	3,000	2,037	963	2,331
Repairs and maintenance	12,000	12,000	10,753	1,247	8,023
Depreciation			28,671	(28,671)	25,861
Bad debts			30	(30)	16,546
Other	9,438	9,438	6,005	3,433	6,374
Total Operating Expenses	<u>178,055</u>	<u>178,055</u>	<u>206,864</u>	<u>(28,809)</u>	<u>198,855</u>
Operating Income	<u>16,695</u>	<u>16,695</u>	<u>12,889</u>	<u>(3,806)</u>	<u>(10,358)</u>
Nonoperating Revenues (Expenses)					
Interest income	2,000	2,000	749	(1,251)	1,119
Donations			1,330	1,330	927
Miscellaneous	9,200	8,500	7,283	(1,217)	5,982
SE MN EMS Grant			2,125	2,125	2,000
Interest expense					(3,864)
Total Nonoperating Revenues (Expenses)	<u>11,200</u>	<u>10,500</u>	<u>11,487</u>	<u>987</u>	<u>6,164</u>
INCOME BEFORE TRANSFERS	<u>27,895</u>	<u>27,195</u>	<u>24,376</u>	<u>(2,819)</u>	<u>(4,194)</u>
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>		<u>(6,500)</u>
CHANGE IN NET POSITION	<u>21,395</u>	<u>20,695</u>	<u>17,876</u>	<u>(2,819)</u>	<u>(10,694)</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>253,734</u>	<u>253,734</u>	<u>253,734</u>		<u>264,428</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 275,129</u>	<u>\$ 274,429</u>	<u>\$ 271,610</u>	<u>\$ (2,819)</u>	<u>\$ 253,734</u>

CITY OF ST. CHARLES, MINNESOTA
Summary of Cash and Investments
All Fund Types
December 31, 2012

CASH ON HAND

Change funds \$ 2,182

CASH IN BANK

Eastwood State Bank

St. Charles, Minnesota:

General checking (.05%) and savings (.25%) 1,980,120

Money Market (.46%) 322,781

Merchants National Bank

St. Charles, Minnesota:

MISO Account (.249%) 72,598

INVESTMENTS

	Rate	Amount
<u>Merchants National Bank</u>		
Certificates of Deposit	0.798%	\$ 112,417
 <u>Morgan Stanley Smith Barney</u>		
Certificates of Deposit	1.48-1.95%	487,123
U.S. Government Security	1.99-3.93%	202,794
Money Market Fund	0.01%	64,587

TOTAL INVESTMENTS 866,921

TOTAL CASH AND INVESTMENTS,
December 31, 2012 \$ 3,244,602

**CITY OF ST. CHARLES, MINNESOTA
GOVERNMENTAL FUNDS
Bond Retirement Schedules
December 31, 2012**

\$2,329,755 G.O. Improvement and Refunding Bonds. Series 2011A			
Year	Principal	Interest	Total
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
2017	171,557	46,008	217,565
Thereafter	1,375,542	366,235	1,741,777
Totals	\$ 2,208,098	\$ 604,217	\$ 2,812,315

\$80,000 Fire Tanker Truck Loan			
Year	Principal	Interest	Total
2013	\$ 13,019	\$ 1,767	\$ 14,786
2014	13,584	1,203	14,787
2015	14,172	614	14,786
Totals	\$ 40,775	\$ 3,584	\$ 44,359

\$55,000 Installment Promissory Note - Winona County			
Year	Principal	Interest	Total
2013	\$ 7,443	\$ 983	\$ 8,426
2014	7,594	833	8,427
2015	7,747	680	8,427
2016	7,903	523	8,426
2017	8,063	364	8,427
Thereafter	13,802	243	14,045
Totals	\$ 52,552	\$ 3,626	\$ 56,178

CITY OF ST. CHARLES, MINNESOTA
BUSINESS-TYPE FUNDS
Bond Retirement Schedules
December 31, 2012

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

Year	Principal	Interest	Total
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
2017	240,000	42,840	282,840
Thereafter	1,305,000	118,375	1,423,375
Totals	\$ 2,455,000	\$ 378,575	\$ 2,833,575

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

Year	Principal	Interest	Total
2013	\$ 109,514	\$ 5,667	\$ 115,181
2014	57,501	1,946	59,447
Totals	\$ 167,015	\$ 7,613	\$ 174,628

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

Year	Principal	Interest	Total
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
2017	23,443	16,557	40,000
Thereafter	464,459	149,349	613,808
Totals	\$ 824,888	\$ 250,861	\$ 1,075,749

\$90,170 Ambulance Note Payable of 2009

Year	Principal	Interest	Total
2013	\$ 18,976	\$ 1,844	\$ 20,820
2014	20,096	723	20,819
2015	1,680	8	1,688
Totals	\$ 40,752	\$ 2,575	\$ 43,327

AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of City of St. Charles, Minnesota as of and for the year ended December 31, 2012, and have issued our report thereon dated April 8, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by State Auditor 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 Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

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

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

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
April 8, 2013