
Comprehensive Annual Financial Report

For the Year Ended December 31, 2014



City of South St. Paul, Minnesota

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF SOUTH ST. PAUL
STATE OF MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

**PREPARED BY:
FINANCE DEPARTMENT**

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I. INTRODUCTORY SECTION

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June 16, 2014

**To the Honorable Mayor, Members of the City Council,
and Citizens of the City of South St. Paul, Minnesota**

Minnesota Statutes require all cities to issue an annual financial report prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Statutes also require an annual audit of City financial statements by an independent, licensed certified public accountant and submission of the audited financial statements to the Office of the State Auditor within 180 days after the close of the fiscal year. The City has complied with these requirements. The Finance Department of the City of South St. Paul is pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2014.

The report is published to provide all interested parties with detailed information concerning the financial condition and activities of the City of South St. Paul. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The extent of elements of the internal control system require the evaluation of cost and related benefits. Internal control evaluations occur within this decision making framework for the purpose of adequately safeguarding assets and providing reasonable assurance as to proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and it is organized in a manner designed to fairly present the financial position and results of operations of the City of South St. Paul. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City of South St. Paul's financial statements have been audited by Malloy Montague Karnowski Radosevich & Co., P.A., a firm of certified public accountants. Pursuant to generally accepted auditing standards, the independent audit involved examining, on a test basis, evidence supporting financial statement amounts and disclosures. The examination also assessed accounting principles utilized by the City and overall financial statement presentation. The City of South St. Paul's financial statements for the fiscal year ended December 31, 2014 have received an unmodified opinion from the independent auditor that they are presented in conformity with GAAP. The auditor's report which includes a description of the scope of the audit is presented as the first item of the financial section of this report.

GAAP requires that Management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read as part of it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of South St. Paul, located in the Twin Cities Metropolitan Area, was organized as a municipality in 1887 and comprises six square miles. The City operates under a home rule charter form of government consisting of a Mayor and a six-member City Council who are elected at-large for staggered four-year terms. The City Council enacts ordinances, determines policies, adopts the annual budget, and is responsible for all significant financial affairs of the City including the issuance of bonds and hiring of all regular employees who are responsible for the day-to-day operation of the City. The Comprehensive Annual Financial Report includes all organizations, funds, and activities for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, the South St. Paul Housing and Redevelopment Authority's financial data are included as a discretely presented component unit within the Comprehensive Annual Financial Report.

City services include police, parks and recreation [15 parks spread over 245 acres], three aquatic facilities, Wakota Arena [a two-rink indoor facility seating over 1,200 people], public works [street, water, sanitary sewer, storm water, and street light services], building permits, inspections, community planning, code enforcement, business licensing, and administrative support services. South Metro fire district is a separate entity that provides fire services to the cities of South St. Paul and West St. Paul, it is a contracted service. There are two services provided by the City, which are quite unique among most cities in the area. First, the City owns and operates a modest sized airport with 257 resident aircraft, 63,700 annual landings, and 123 leased hangar and industrial sites supporting over 300 on-site jobs. Second, whereas Dakota County operates all other libraries throughout the County, the City owns and operates its own library and the county ad valorem tax levy is less in the City of South St. Paul than in other Dakota County cities to recognize this situation. The service area of Special School District #6 [K-12] parallels that of the City. This makes joint efforts between these governmental units much easier than if multiple districts were involved.

Financial: Accounting, Budgets, Internal Control

The City's accounting system is organized on a fund basis with detailed individual general ledger accounts for assets, liabilities, deferred inflows/outflows, revenues, expenses and fund balances and equities. Each fund is a distinct, self-balancing accounting entity. The basic financial statements, which include governmental, proprietary and fiduciary funds, and the government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, have all been prepared and are presented in conformance with GAAP.

Budgetary control is maintained to ensure compliance with legally adopted provisions embodied in appropriations contained in the annual budget approved by the City Council for Governmental Funds. Annual Budgets are adopted for the General Fund and certain Special Revenue Funds after a more than six-month process of Council review of departmental estimates and requests and a number of public meetings culminating in final budget approval in December. Actual to budget

comparative statements for selected budgeted funds are presented in the appropriate financial section.

Legally, expenditures are controlled at the departmental level. However, day-to-day administration of the budget is in accordance with the official “Budget Administration Plan.” The policy includes a detailed description of the complementary responsibilities of staff and Council. Through this document, additional controls are put on overall departmental expenditures as well as certain line items such as capital outlay. Unused budgetary appropriations lapse at year-end. The purchase order system and approval of invoices is at the department level. Finance Department staff review monthly budgets for accuracy and budgetary/policy compliance before they are submitted to Council for approval. Line item budget reports are also prepared monthly and reviewed by each department. They are then summarized by the Finance Department and presented along with a narrative to the City Council quarterly throughout the year.

Council can approve budgetary changes during the year through the approval of a motion related to the quarterly budget reports or as a separate agenda item. In addition to the annual budget, the City Council approves financial plans for proprietary funds and projects. Each of the projects is assigned a unique accounting project number and is reviewed during and at project end by the project manager and the Finance Department. The Capital Programs Fund is a separate capital projects fund and each capital item therein is approved, controlled and reported on individually. Debt service financial control is pursuant to bond covenants and Council resolutions.

Economic Conditions and Economic Outlook

Local economic conditions can add perspective that is helpful to understanding the financial statements. The City of South St. Paul is situated in Dakota County adjacent to and south of the State’s Capitol City of St. Paul. With adjacent diversified commercial and industrial development, the Mississippi River forms the eastern border of the City. The river bluff is about a half mile west and vertically separates this primarily commercial/industrial corridor from the balance of the City’s land area (about 80%) which is primarily residential and fully developed. The single family housing stock is generally uniform in value and very affordable for new families. Multiple dwelling units are typically modest in size with reasonable rents. The City has a stable population of approximately 20,000 people and has rebounded from the 1970’s when the community lost its defining character as one of the largest meat-packing centers in the nation. The transformation was required because of the separate closings of two huge meat processing facilities. Thousands of jobs and 20% of the population were lost in this process.

Property values, which had seen little growth into the 1990’s, were revitalized and average residential market values rose at over 8% per year between 1996 and 2007. The City’s general economic environment parallels that of the Twin Cities Metropolitan Area, which historically, has one of the most stable and diversified economic bases of any major metropolitan area. The City was not immune to the national economic decline that occurred between 2008 and 2010. Residential values, roughly 70% of the City’s tax base, dropped by 22.81% from assessment year 2008 to 2012. The city saw a 0.15% increase for the 2013 assessment year and an estimated 17% increase for the 2014 assessment year.

The City's housing stock consists of 5,725 residential homesteaded properties for the 2014 assessment (for taxes payable 2015) year. The preliminary 2015 average value of these properties is a modest \$161,059, the 2nd lowest in Dakota County. In contrast, the comparable value for 2008 assessment year was \$199,102, a decline of 19% over an 8 year period. Many factors may have contributed to this significant decline. One factor points to the peak of the housing bubble and value of the residential property being artificially inflated. This may be due to the combination of low-income homeowners living beyond their means and the deregulation of the housing market. In addition, the City's foreclosure rate in comparison to the County's was higher than its surrounding communities in the past few years. This is believed to have an indirect impact on the value of a residential property even though the County establishes market value using "open-market-sales." These are sales that were between willing buyers and willing sellers, neither under any undue pressure to buy or sell.

For the last several years, the City's tax collection percentage has reached or approached 100% (this includes current and delinquent collections). In the past, a major concern for the City has been the instability of State Aids authorized by the Minnesota State legislations and distributed to the City. For the past several years, commencing in 2001, the legislature has adjusted the funding formula for Local Government Aid (LGA) which caused unpredictable fluctuations in aid amounts from year to year. In addition, the City of South St. Paul had experienced a series of significant reductions in LGA since 2003 due to decisions by the Minnesota State legislature and the State's Governor. To cope with the revenue reductions, the City has tended to reduce budgeted expenditures and replace some of the lost revenues through property tax increases. In 2013, the State legislature and Governor enacted a new LGA formula which went into effect in 2014 which restores some of the cuts previously experienced. The City Council took a proactive approach to reduce its operational reliance on State Aids. A specific amount of the LGA monies received are now budgeted to be used for financing capital improvements as outlined in the City's Capital Improvement Plan.

Major Initiatives

Major initiatives and highlights in 2014 included the following:

Flood Control System Improvements

- The City operates a flood control system which serves to protect property in the industrial park along the Mississippi River and is an integral part of the City's Storm Water System. This project started in 2013 and was a major construction project in 2014. It will be completed in 2015.

Airport Reconstruction Projects

- A number of reconstruction projects at Fleming Field Airport were started in 2014. They included apron reconstruction and airport ramp and taxiway reconstruction. These projects are anticipated to continue in 2015 with completion in 2016.

Park Referendum Projects

- City residents approved a Park and Arena Referendum in February 2014. The major initiative in 2014 was renovations at Wakota Arena, including replacing the refrigeration system. These improvements are expected to be completed in 2015. The Park renovations were designed in 2014 and construction will start in 2015 and continue through 2016.

Joint Efforts

The City is an active collaborator with Dakota County, Special School District #6 and other neighboring cities in efforts to reduce the cost of services while maintaining and/or improving quality.

South Metro Fire District

- The community has historically supported full-time fire services, provided through a City department. In 2005, a joint powers agreement was reached with the City of West St. Paul to merge full-time fire departments into a new entity, the South Metro Fire Department (SMFD).
- SMFD completed its first year of consolidated operations in 2008 and continues to provide full-time fire and ambulance services.

Dakota Communications Center

- The Community's Police and Fire function historically received dispatch services from Dakota County and the City of West St. Paul, respectively.
- When faced with the need and enormous cost of converting to 800 MHZ bandwidth for public safety services, Dakota County and its constituent cities collaborated to eliminate five separate dispatch providers and replace them with a single new state-of-the-art operation, the Dakota Communications Center (DCC).
- The DCC operates pursuant to a joint powers agreement between the County and cities within Dakota County.
- The DCC completed its first year of operational life in 2007 and continues to receive support from the member cities.

Special School District #6

- In 2010, the City and local school district agreed to the funding for the School Resource Officer Program. This funding allowed for the hiring of a second officer to tend to school and community related policing. This agreement is still on-going.

Long-term Financial Planning

The City on an annual basis engages in long-term financial and capital planning. The objective of this process is to provide a framework for decision making required to identify and implement strategies that will assure long-term community viability. Accordingly, outcomes of the process include promotion of long-term community affordability and livability, reinvesting in the City's housing stock to position the City to compete with other communities, addressing transportation impacts within the City, establish a financial framework to maintain and replace the City's physical and technical infrastructure, and review options and opportunities to improve delivery of City services.

In addition, the City Council has directed that staff develop long-term financial management plans on an annual basis for the Airport and Wakota Arena funds in an effort to address the outstanding internal debt, and decrease the advances of cash funds needed from the General Fund. The results from the plans required internal debt payments on an annual basis.

Financial Policy Information

The City Council adopted a formal liquidity-fund policy in 2009. This policy identifies fund balance in the General Fund as an important and essential component of the overall financial management for City operations. The policy notes that fund balance is needed for adequate cash flow until large revenue sources are received during the fiscal year. In addition, fund balance can also be used to respond to unexpected expenditures and a temporary loss of revenue. The policy was revised in 2014 to set a benchmark range of 35%-50% of subsequent year budgeted expenditures for the unassigned fund balance in the General fund. The City met this policy as of the year ended 2014 with an unassigned fund balance equal to 37.5% of subsequent year expenditures.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South St. Paul for its comprehensive annual financial report for the year ended December 31, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated members of the Finance Department. We express our appreciation to the members of the City Council for their confidence and support and their efforts in conducting the overall financial planning and operations of the City.

Respectfully submitted,



Michelle Pietrick
City Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of South St. Paul
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

CITY OF SOUTH ST. PAUL, MINNESOTA

ELECTED AND APPOINTED OFFICIALS

December 31, 2014

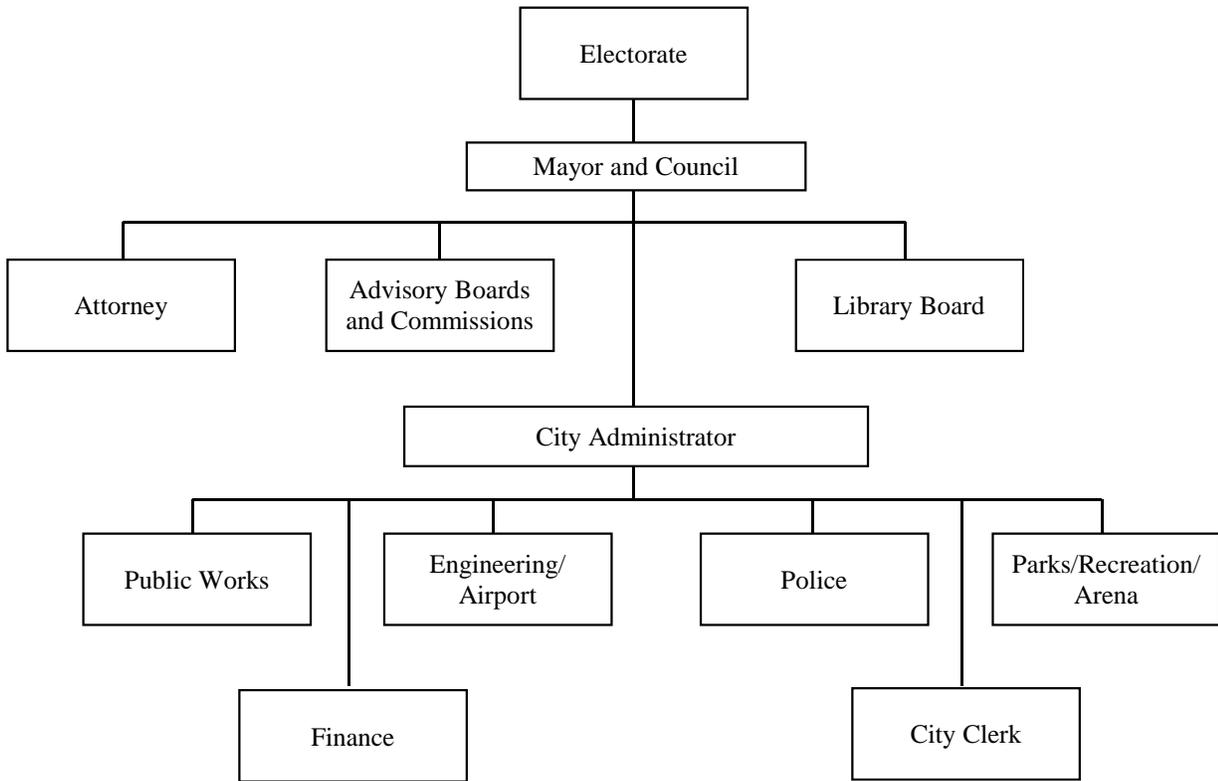
| | | <u>Term Expires</u> |
|-----------------------------|---------------------------|---------------------|
| Mayor | Beth A. Baumann | January 1, 2017 |
| Councilmembers | Lori Hansen | January 1, 2017 |
| | Christopher J. Lehmann ** | January 1, 2017 |
| | Dan Niederkorn | January 1, 2017 |
| | Todd Podgorski | January 1, 2015 |
| | Marilyn Rothecker | January 1, 2015 |
| | Tom Seaberg | January 1, 2015 |
| City Administrator | Stephen P. King | Appointed |
| Finance Director | Michelle C. Pietrick | Appointed |
| City Engineer | John M. Sachi | Appointed |
| Police Chief | William M. Messerich | Appointed |
| City Clerk | Christy M. Wilcox | Appointed |
| Library Director | Kathy M. Halgren | Appointed |
| Parks & Recreation Director | Christopher J. Esser | Appointed |
| Public Works Director | Patrick D. Dunn | Appointed |

** - Councilmember Lehmann resigned from the Council on October 6, 2014. The position remained open at December 31, 2014.

CITY OF SOUTH ST. PAUL, MINNESOTA

ORGANIZATION CHART

December 31, 2014



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II. FINANCIAL SECTION

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PRINCIPALS

Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of South St. Paul, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South St. Paul Housing and Redevelopment Authority, a discretely presented component unit whose statements reflect total assets and expenses of \$14,321,479 and \$9,709,116, respectively, as of and for the year ended December 31, 2014. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion on the basic financial statements, insofar as it relates to the amounts included for this organization as a component unit of the City, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(continued)

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, based on our audit and the report of the other auditor, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the required supplementary information, which follows the notes to basic financial statements, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 16, 2015

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CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2014

This management overview and analysis is offered to readers of the City's comprehensive annual financial report for the City of South St. Paul, Minnesota regarding the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 8 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$91,698,903 (net position). Of this amount, \$16,382,503 (unrestricted net position) may be used to meet the government'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 \$3,292,081 from the prior year.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,346,742. The fund balance classifications by fund type are as follows:

| | General | Special Revenue | Debt Service | Capital Projects | Total |
|--------------|---------------------|-----------------------|---------------------|---------------------|----------------------|
| Nonspendable | \$ 4,380 | \$ 48,045 | \$ - | \$ 10,978 | \$ 63,403 |
| Restricted | - | 318,976 | 2,302,276 | 3,872,465 | 6,493,717 |
| Committed | 4,590,970 | 31,318 | - | - | 4,622,288 |
| Assigned | - | 130,261 | - | 7,589,883 | 7,720,144 |
| Unassigned | 4,785,607 | (1,773,693) | - | (2,564,724) | 447,190 |
| | <u>\$ 9,380,957</u> | <u>\$ (1,245,093)</u> | <u>\$ 2,302,276</u> | <u>\$ 8,908,602</u> | <u>\$ 19,346,742</u> |

- The City's total debt increased by \$5,251,697 during the current fiscal year, from \$18,080,548 to \$23,332,245, mainly due to the issuance of the first phase of debt for the voter approved Park referendum.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components as follows: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows as applicable with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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 at the occurrence of the underlying event giving rise to the change, regardless of the timing of 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, community development, recreation (parks and programs, library, arena) and transportation (airport). There are three business-type activities of the City of South St. Paul – water and sewer utility, storm water utility and street light utility.

The government-wide financial statements can be found on pages 33 through 35 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 resources available at the end of the fiscal year. This information may be useful when 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 statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and 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 maintains seven major governmental funds. Information is presented separately, by fund, in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Wakota Arena special revenue fund, Airport special revenue fund, 2006A Capital Improvement Bonds debt service fund, Capital Programs capital projects fund, 2014 Local Improvements capital projects fund, and Park Referendum Projects capital projects fund. Data from the other governmental funds are combined into a single, aggregated presentation under the title of nonmajor governmental funds. Individual fund data for each of these funds is provided in the form of combining statements and can be found after the notes in the financial section of this report.

The basic governmental fund financial statements can be found on pages 36 through 41 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for the Water and Sewer Utility, Storm Water Utility, and Street Light Utility operations. Internal service funds are an accounting device to accumulate and allocate costs among the City's various functions. The City uses internal service funds to account for its central garage activity and some employment benefits. Because all of these services predominantly benefit governmental rather than business-type activities, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds display the same type of information as the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Storm Water Utility, Street Light Utility, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 42 through 47 of this report.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operation of the City of South St. Paul.

The basic fiduciary fund financial statement can be found on page 48 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 on pages 49 through 87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary compliance for its major funds and a schedule of funding progress for other postemployment benefits (OPEB). The City adopts an annual appropriated budget for three of its major funds: General, Wakota Arena, and Airport funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget and to provide the reader with budgetary detail. These can be found on pages 90 through 96 of this report. The schedule of funding progress for other post-employment benefits can be found on page 97 of this CAFR.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 104 through 133 of this report.

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, assets exceeded liabilities by \$91,698,903 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$68,900,209 or 75.14%) reflects investment in capital assets (e.g. land, buildings and land improvements, infrastructure, machinery, equipment, and construction in progress) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and therefore, these assets are not available for future spending. Although the City'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 SOUTH ST. PAUL, MINNESOTA'S STATEMENT OF NET POSITION

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | | 2013 | | 2014 | 2013 |
| | 2014 | (restated) | 2014 | (restated) | | |
| Current and other assets | \$ 24,030,681 | \$ 24,338,966 | \$ 7,330,257 | \$ 5,250,894 | \$ 31,360,938 | \$ 29,589,860 |
| Capital assets | 66,250,951 | 60,637,312 | 19,423,945 | 18,219,769 | 85,674,896 | 78,857,081 |
| Total Assets | <u>90,281,632</u> | <u>84,976,278</u> | <u>26,754,202</u> | <u>23,470,663</u> | <u>117,035,834</u> | <u>108,446,941</u> |
| Current liabilities | 1,847,789 | 1,827,747 | 156,897 | 131,824 | 2,004,686 | 1,959,571 |
| Non-current liabilities | 18,365,793 | 15,874,548 | 4,966,452 | 2,206,000 | 23,332,245 | 18,080,548 |
| Total Liabilities | <u>20,213,582</u> | <u>17,702,295</u> | <u>5,123,349</u> | <u>2,337,824</u> | <u>25,336,931</u> | <u>20,040,119</u> |
| Net position | | | | | | |
| Net investment in capital assets | 54,442,716 | 50,211,364 | 14,627,351 | 16,013,769 | 68,900,209 | 66,225,133 |
| Restricted | 6,416,191 | 4,401,005 | - | - | 6,416,191 | 4,401,005 |
| Unrestricted | 9,209,143 | 12,661,614 | 7,003,502 | 5,119,070 | 16,382,503 | 17,780,684 |
| Total Net Position | <u>\$ 70,068,050</u> | <u>\$ 67,273,983</u> | <u>\$ 21,630,853</u> | <u>\$ 21,132,839</u> | <u>\$ 91,698,903</u> | <u>\$ 88,406,822</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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As of the close of the current year, there is \$169,858 in General Obligation Bond debt included in the long-term liabilities outstanding reported in the Business-type Activities that was issued to finance capital assets reported in the Governmental Activities. This amount is not used to reduce net investment in capital assets in the Business-type Activities. Neither does it reduce net investment in capital assets of the Governmental Activities. However, it does reduce net investment in capital assets in the total column.

A portion of the City's governmental activities net position represents resources that are subject to external restrictions on how they may be used. As of December 31, 2014, \$2,224,750 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements. In addition, \$4,191,441 was restricted for specific purposes including park improvements, library funding, and community relations. The remaining balance of unrestricted net position of \$16,382,503 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same was true for the prior fiscal year.

Capital assets increased in the governmental activities due to an increase in construction in progress for Airport and Wakota Arena construction projects started in 2014. Non-current liabilities increased due to the issuance of the 2014B General Obligation Park Bonds.

Capital assets increased in the business-type activities due to capitalization of the Levee Lift Station project which was completed in 2014. Non-current liabilities increased due to the issuance of the 2014A General Obligation Bonds which were issued to finance the Levee Lift Station and Water Meter Equipment projects.

Governmental Activities

Governmental activities increased the City's net position by \$2,794,067. Revenues from governmental activities are reported as program revenues or general revenues. Program revenues are, in turn, reported as charges for services, operating grants and contributions or capital grants and contributions. Expenses are reported on a functional or program basis.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

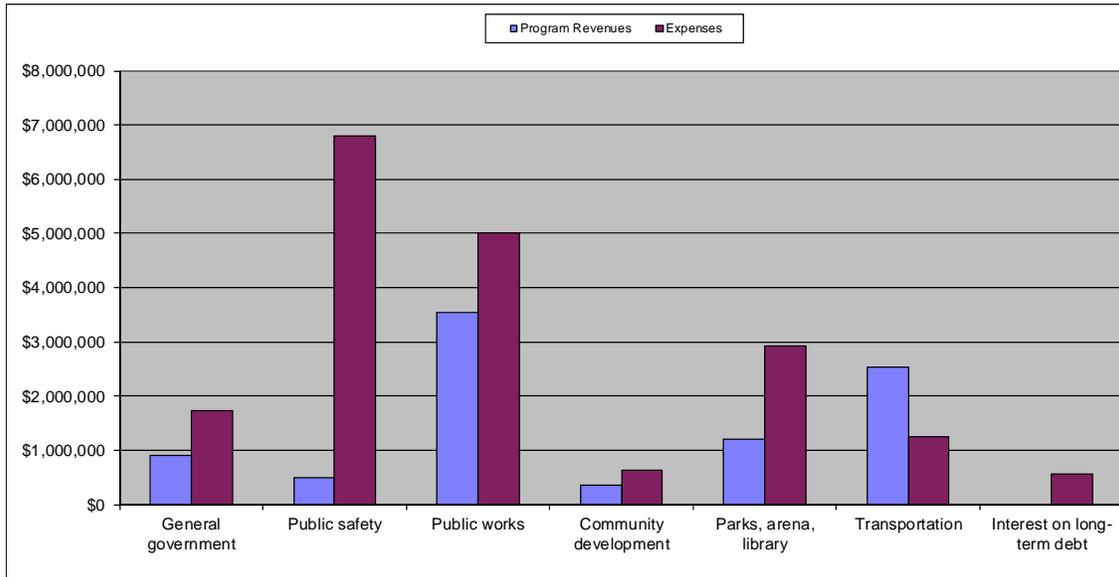
CITY OF SOUTH ST. PAUL, MINNESOTA'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 4,259,530 | \$ 4,566,271 | \$ 5,992,437 | \$ 6,068,464 | \$ 10,251,967 | \$ 10,634,735 |
| Operating grants and contributions | 996,752 | 1,038,493 | - | - | 996,752 | 1,038,493 |
| Capital grants and contributions | 3,763,220 | 1,833,609 | 33,200 | - | 3,796,420 | 1,833,609 |
| General revenues | | | | | | |
| Property taxes | 9,008,694 | 9,049,882 | - | - | 9,008,694 | 9,049,882 |
| Franchise taxes | 866,070 | 791,906 | - | - | 866,070 | 791,906 |
| Unrestricted grants and contributions | 2,305,804 | 1,679,437 | - | - | 2,305,804 | 1,679,437 |
| Investment income | 227,909 | (94,910) | 158,453 | (53,852) | 386,362 | (148,762) |
| Gain on sale of capital assets | - | 46,809 | - | - | - | 46,809 |
| Total revenues | <u>21,427,979</u> | <u>18,911,497</u> | <u>6,184,090</u> | <u>6,014,612</u> | <u>27,612,069</u> | <u>24,926,109</u> |
| Expenses | | | | | | |
| General government | 1,736,661 | 1,627,234 | - | - | 1,736,661 | 1,627,234 |
| Public safety | 6,798,718 | 6,376,307 | - | - | 6,798,718 | 6,376,307 |
| Public works | 5,013,472 | 5,056,146 | - | - | 5,013,472 | 5,056,146 |
| Community development | 636,758 | 373,328 | - | - | 636,758 | 373,328 |
| Parks, arena, library | 2,919,538 | 3,094,397 | - | - | 2,919,538 | 3,094,397 |
| Transportation | 1,242,624 | 1,515,347 | - | - | 1,242,624 | 1,515,347 |
| Interest on long-term debt | 551,037 | 404,282 | - | - | 551,037 | 404,282 |
| Water and sewer utility | - | - | 4,877,815 | 4,599,078 | 4,877,815 | 4,599,078 |
| Storm water utility | - | - | 355,362 | 345,602 | 355,362 | 345,602 |
| Street light utility | - | - | 188,003 | 213,425 | 188,003 | 213,425 |
| Total expenses | <u>18,898,808</u> | <u>18,447,041</u> | <u>5,421,180</u> | <u>5,158,105</u> | <u>24,319,988</u> | <u>23,605,146</u> |
| Increase (decrease) in net position before transfers | 2,529,171 | 464,456 | 762,910 | 856,507 | 3,292,081 | 1,320,963 |
| Transfers of capital assets | (376,388) | (620,867) | 376,388 | 620,867 | - | - |
| Transfers | 641,284 | 871,260 | (641,284) | (871,260) | - | - |
| Change in net position | <u>2,794,067</u> | <u>714,849</u> | <u>498,014</u> | <u>606,114</u> | <u>3,292,081</u> | <u>1,320,963</u> |
| Net position - January 1 | <u>67,273,983</u> | <u>66,559,134</u> | <u>21,132,839</u> | <u>20,526,725</u> | <u>88,406,822</u> | <u>87,085,859</u> |
| Net position - December 31 | <u>\$ 70,068,050</u> | <u>\$ 67,273,983</u> | <u>\$ 21,630,853</u> | <u>\$ 21,132,839</u> | <u>\$ 91,698,903</u> | <u>\$ 88,406,822</u> |

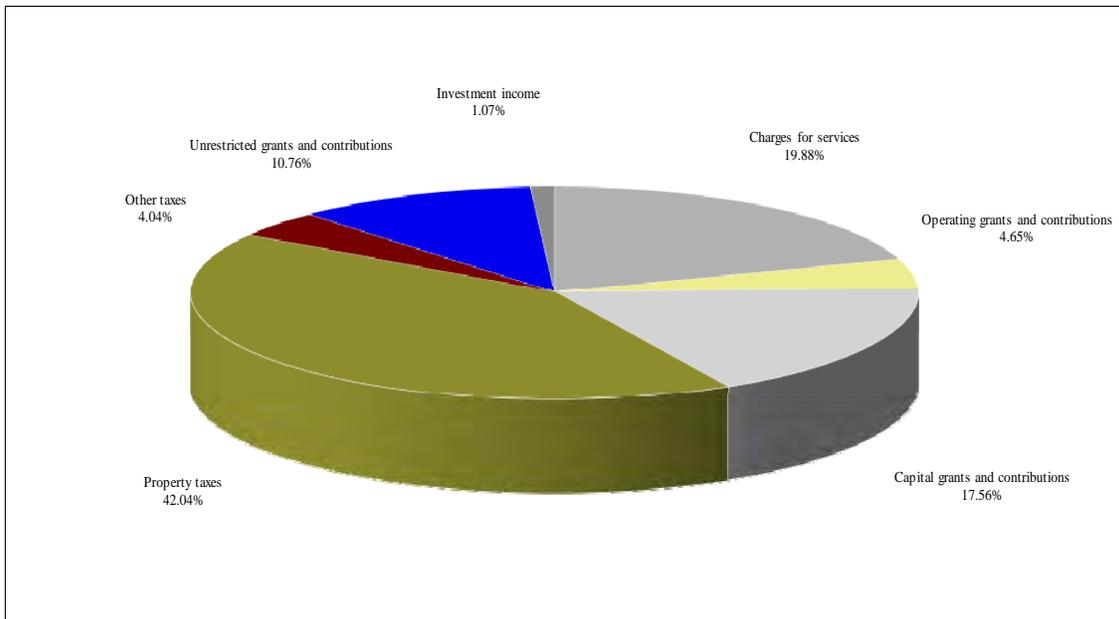
Capital grants and contributions in the governmental activities increased due to Floodwall/Levee improvements and Airport Construction projects which received significant federal and state grants. Franchise taxes came in higher as a result of an increase in Xcel Energy rates. Unrestricted grants and contributions increased as the local government aid was restored by legislative action for 2014. Investment income increased because of market increases. Expenses in the public safety division increased in 2014 because the City added a position, promoted two staff positions and had increased dispatch services. General Government increased as a result of adding one staff and promoting another staff position. Increased code enforcement services occurred in the Community Development division. Transportation decreased as the Airport Environmental Assessment and Master Plan were largely completed in 2013.

Below are specific graphs that provide comparisons of the governmental activities program revenues and expenses:

Expenses and Program Revenues – Governmental Activities



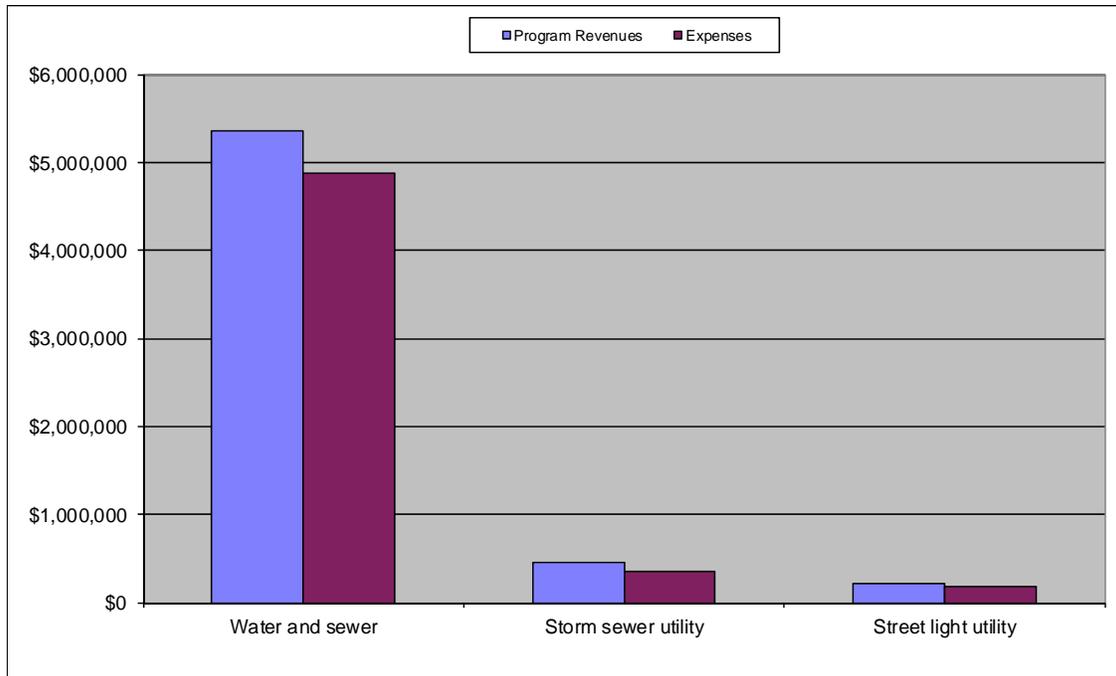
Governmental Activities – Revenues



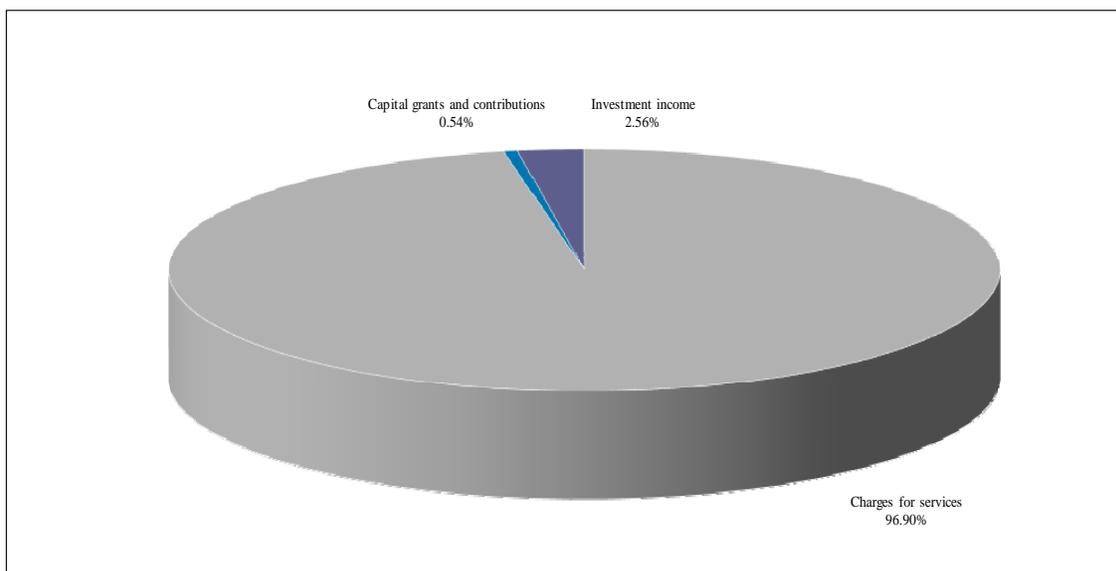
Business-Type Activities

Business-type activities increased net position by \$498,014. Below are specific graphs that provide comparisons of the business-type activities program revenues and expenses:

Expenses and Program Revenues – Business-Type Activities



Business-Type Activities – Revenues



CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Investment income increased in the business-type activities because of market increases. Expenses in water and sewer utility increased because of repairs to water and sewer lines damaged due to the extended winter weather experienced in the spring of 2014. Expenses in street light utility decreased as fewer repairs were needed in this area.

Financial Analysis of the Government's Funds

Governmental Funds. The measurement focus of the City'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's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending and cash flows at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,346,742. Approximately 0.3% or \$63,403 is nonspendable because of form or availability: 1) \$47,560 in inventory, and 2) \$15,843 in prepaid items. In addition, \$6,493,717 or 33.6% is restricted in use by outside influences: 1) \$2,302,276 to provide for debt service, 2) \$4,026,725 for park improvements, 3) \$115,672 for library funding, 4) \$22,172 for community relations, 5) \$11,182 for forfeitures, 6) \$4,195 for memorial funding, and 7) \$11,495 for lawful purposes. An additional \$4,622,288 or 23.9% has been committed by City Council action: 1) \$4,590,970 for working capital, and 2) \$31,318 for Central Square. Another \$7,720,144 or 39.9% has been assigned to specific purposes: 1) \$7,315,048 for working capital in the capital projects funds, 2) \$274,835 for equipment acquisition, and 3) \$130,261 for other purposes. The remaining fund balance of \$447,190 is unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance increased to \$9,380,957, of which 51.0% (\$4,785,607) was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 39.8% of expenditures for 2014.

The General fund revenue increased \$324,323 in 2014. This was a result of an increase in property tax revenue which resulted from taxes generated off properties in the tax increment district which are no longer considered tax increment. The City receives taxes from these properties based on the current tax rate which is calculated based on the current year levy versus the original tax rate when the tax increment district was created. Previously this revenue was recorded in the Tax Increment Capital Projects fund though it was not tax increment revenue. In 2014 the City changed how these dollars were recorded as a result of determining this was no longer tax increment revenue.

The General fund expenditures increased \$631,718 from 2013 to 2014. This was principally due to an increase in Public Safety where a position was added and a position was promoted in the Police department. Contractual services also increased across various areas, most significantly were Dispatch Services and the Fire department services.

The Wakota Arena fund had an ending fund balance deficit of \$872,767. The net increase in fund balance was \$3,190. This was primarily due to limited usage of the facility during renovations that occurred during the summer and fall of 2014. In addition, the Arena has an outstanding cash balance deficit of \$969,861 at the close of the year which requires a cash advance from the General fund.

The Airport fund had an ending fund balance deficit of \$852,881. The net decrease in fund balance was \$145,372. The Airports decrease in fund balance is primarily due to major reconstruction projects which started in 2014. Federal and state grants cover the majority of these expenditures, however the City must cover 5-10% of the total cost of these projects. The Airport has an outstanding cash balance deficit of \$1,002,916 at the close of the year which requires a cash advance from the General fund.

The 2006A Capital Improvement Bonds fund had a total ending fund balance of \$0. This was a decrease of \$2,985,416 from the end of 2013, which was due to the refunding of the remaining bond principal and interest. This fund is now closed at the end of 2014.

The Capital Programs fund had a total fund balance of \$5,220,046 at the end of 2014. This was an increase of \$630,771 over 2013. The increase in fund balance is primarily due to the City Council's efforts to increase revenue and invest in the

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

community's infrastructure and assets. Revenue generation comes from the City's allocation of local government aid of \$881,720 and transfers from closed project funds of \$571,519.

The 2014 Local Improvements fund had an ending fund balance deficit of \$898,204. This was a decrease of \$879,389 from the end of 2013, which was due to construction costs in 2014. These costs will be funded by grant money, bond proceeds, and transfers from other funds in coming years.

The Park Referendum Projects fund had an ending fund balance of \$3,872,465 at the end of 2014. General Obligation Park bonds were issued in 2014. There are 3 major components to these projects. The first involved Wakota Arena refrigeration, locker room and viewing area upgrades, the majority of which were completed in 2014. The other 2 major components started design phases and the construction will begin in 2015.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but with more detail.

Net position in the Water and Sewer Utility fund increased by \$345,889 in 2014 and stood at \$13,828,559 at year-end. The change in net position is primarily from lower transfers to the capital project funds in 2014 for reconstruction projects.

Net position increased \$129,721 in the Storm Water Utility fund. Operating revenue from customers exceeding expenses provided for the increase in net position.

Net position increased by \$22,404 in the Street Light Utility fund. The increase is primarily due to lower utility costs as a result of the City being tax exempt in 2014.

The unrestricted net position in the respective proprietary funds are Water and Sewer Utility, \$6,032,674, Storm Water Utility, \$903,329, and Street Light Utility \$67,499.

General Fund Budgetary Highlights

As part of the annual budget process, the current year's General Fund revenue and expenditure budgets may be revised to reflect a more accurate picture throughout the current fiscal year.

In 2014, there were no amendments to budgeted revenues, however, total original budget expenditures of \$12,085,243 were revised to the final budgeted expenditures of \$12,123,649, an increase of \$38,406. The most significant adjustments were additions of \$23,700 to the City Clerk and Code Enforcement departments for maintenance expenses on new business software purchased late in 2013. Adjustments for settled contracts occurred across all budgets within the City which were mostly covered by the contingency amount in the General Fund.

Actual revenues exceeded the final budget by \$493,150. The major contributors to this increase were excess tax increment which is the tax rate variance received by the City which exceeded the budget by \$121,956 and franchises taxes exceeding budget by \$116,070. The excess tax increment related to the tax rate variance was previously recorded in a capital projects fund since it was thought to be tax increment revenue. These funds no longer are tax increment and are received based on the City's tax rate in excess of the base tax rate. Franchise taxes were higher than anticipated due to rate increased established by Xcel Energy which generated more franchise tax revenue.

Actual expenditures were under the final budget by \$103,602. This was the result of periodic staff vacancies which had salary and fringe benefit savings in several departments, buildings department had fewer repairs and lower utility costs than anticipated, and parks, pools and recreation had less temporary staff in 2014.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 was \$85,674,896 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, infrastructure, machinery and equipment, and construction in progress.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

More detailed information regarding capital assets are found in the notes to the financial statements (Note 1N page 56 and Note 4 pages 66-67).

Major capital asset events during the current fiscal year included the following:

- The 2011 Street Reconstruction projects were completed in 2014. This included street, water, sanitary sewer, and storm water assets for sections of Richmond Street and Hardman Avenue totaling approximately \$1,081,000.
- Construction in progress at the end of the year in the Governmental Activities included additions of \$1,371,000 for the Apron, Taxiway and Taxilane Reconstruction project, \$1,292,000 for the Wakota Arena Improvements, \$1,495,800 for the Wakota Arena Refrigeration project, and \$1,463,000 for the Flood Control Systems project.
- The Water Meter Equipment Replacement project was completed in 2014 with additional costs of \$98,269 for a total project cost of \$1,546,824.
- The Thompson Water Tower painting project was completed in 2014 with a total cost of \$339,666.
- The City invested \$625,000 to replace a variety of City vehicles and equipment.

CITY OF SOUTH ST PAUL, MINNESOTA'S CAPITAL ASSETS
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 10,019,234 | \$ 10,016,234 | \$ 329,100 | \$ 295,900 | \$ 10,348,334 | \$ 10,312,134 |
| Building and land improvements | 22,925,925 | 23,345,019 | 4,984,670 | 3,569,596 | 27,910,595 | 26,914,615 |
| Machinery and equipment | 3,552,871 | 2,793,989 | 2,354,997 | 828,932 | 5,907,868 | 3,622,921 |
| Infrastructure | 21,516,519 | 20,926,387 | 11,752,929 | 11,745,921 | 33,269,448 | 32,672,308 |
| Construction in progress | 8,236,402 | 5,004,238 | 2,249 | 330,865 | 8,238,651 | 5,335,103 |
| | <u>\$ 66,250,951</u> | <u>\$ 62,085,867</u> | <u>\$ 19,423,945</u> | <u>\$ 16,771,214</u> | <u>\$ 85,674,896</u> | <u>\$ 78,857,081</u> |

Long-term debt. At the end of the current fiscal year, the City had a total outstanding bonded debt of \$20,410,000, an increase of \$5,259,000 from 2013. This total is comprised of general obligation debt of \$13,500,000, general obligation debt supported by special assessments of \$1,395,000 and revenue supported bonds in the amount of \$5,515,000. The City's outstanding debt also includes a capital lease for the 380 Airport Road Building in the amount of \$1,017,220 and a capital lease for office equipment of \$23,182.

Additional long-term debt amount corresponds to compensated absences in the amount of \$380,625, notes payable in the amount of \$78,227, and net other post-employment benefits of \$1,089,468 in government activities.

CITY OF SOUTH ST PAUL, MINNESOTA'S OUTSTANDING DEBT

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Special assessment bonds | \$ 1,395,000 | \$ 2,475,000 | \$ - | \$ - | \$ 1,395,000 | \$ 2,475,000 |
| General purpose bonds | 13,500,000 | 9,740,000 | 2,835,000 | - | 16,335,000 | 9,740,000 |
| Revenue bonds | 595,000 | 730,000 | 2,085,000 | 2,206,000 | 2,680,000 | 2,936,000 |
| Issuance premium | 287,071 | 233,578 | 46,452 | - | 333,523 | 233,578 |
| Notes payable | 78,227 | 115,776 | - | - | 78,227 | 115,776 |
| Capital lease | 1,040,402 | 1,151,594 | - | - | 1,040,402 | 1,151,594 |
| Net other post-employment benefit obligation | 1,089,468 | 994,446 | - | - | 1,089,468 | 994,446 |
| Compensated absences | 380,625 | 434,154 | - | - | 380,625 | 434,154 |
| | <u>\$ 18,365,793</u> | <u>\$ 15,874,548</u> | <u>\$ 4,966,452</u> | <u>\$ 2,206,000</u> | <u>\$ 23,332,245</u> | <u>\$ 18,080,548</u> |

The City of South St. Paul maintained an Aa2 rating from Moody's Investors Services as of year ended December 31, 2014.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current statutory debt limitation for the City of South St. Paul is \$36,495,771, which is in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be found in the notes to the financial statements, Note 5, on page 69 through 71.

Economic Factors, Future Budgets and Rates

The following items are integral factors that will help shape the City's planning for and dealing with near-term financial issues:

- The unemployment rate for the City is 3.2 percent at the end of the 2014 fiscal year, which is a decrease from the rate of 4.1 a year ago. This compares to the State's average unemployment rate of 4.3 percent and the national average of 5.6 percent.
- Property value increased by 12.9% in 2014 which was a significant improvement over prior year declines in value.
- The Bridgepoint Development Area saw the completion of phase 2 with phase 3 starting in 2015 which will yield net growth in tax base and growth in jobs.
- The City's 2015 budget had a 7.33% (\$633,710) increase in the property tax levy; 4.08% of the increase was for voter approved debt that resulted from the Parks Improvements referendum, the remaining 3.25% was for tax supported operations in the General fund, Library fund and Wakota Arena fund.
- In 2009 the City Council began a review of the City's utility rates. The review was crafted to address the State Department of Natural Resources conservation rate requirements and to provide adequate funding for future capital improvements as programmed in the City's Capital Improvement Plan. In 2010, the City Council approved the new rates and related conservation rate structure review and discussion for the 2011, 2012 and 2013 fiscal years. The 2013 fiscal year was the last year of double digit increases and the 2014 and 2015 Utility Rates were set at a level to cover increased costs in the water and sewer funds.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of South St. Paul, Finance Department, 125 Third Avenue North, South St. Paul, Minnesota 55075, Michelle Pietrick at 651-554-3206 or mpietrick@southstpaul.org.

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2014

Statement 1

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|---|
| | Governmental Activities | Business-Type Activities | Total | Housing and Redevelopment Authority |
| Assets | | | | |
| Cash, cash equivalents and investments | \$ 17,013,041 | \$ 4,988,682 | \$ 22,001,723 | \$ 890,831 |
| Restricted cash and investments | 1,206,288 | - | 1,206,288 | 111,251 |
| Restricted cash | - | - | - | 17,803 |
| Accrued interest | 62,706 | - | 62,706 | 550,695 |
| Accounts receivable - net | 486,632 | 1,652,189 | 2,138,821 | 89,097 |
| Property taxes receivable | 1,469,703 | - | 1,469,703 | 29,897 |
| Special assessments receivable | 2,409,164 | 478,447 | 2,887,611 | - |
| Due from other governmental units | 1,319,744 | - | 1,319,744 | 45,931 |
| Inventories - at cost | 47,560 | - | 47,560 | 8,900 |
| Prepaid items | 15,843 | 210,939 | 226,782 | 99,419 |
| Inventory - land held for resale | - | - | - | 2,281,827 |
| Notes and mortgage receivable | - | - | - | 2,289,676 |
| Lease receivable | - | - | - | 1,364,188 |
| Capital assets (net of accumulated depreciation) | | | | |
| Nondepreciable | 18,255,636 | 331,349 | 18,586,985 | 1,477,955 |
| Depreciable | 47,995,315 | 19,092,596 | 67,087,911 | 5,064,009 |
| Total assets | <u>90,281,632</u> | <u>26,754,202</u> | <u>117,035,834</u> | <u>14,321,479</u> |
| Liabilities | | | | |
| Accounts and contracts payable | 906,930 | 82,469 | 989,399 | 438,765 |
| Salaries payable | 552,348 | 23,920 | 576,268 | 11,354 |
| Deposits payable | 41,349 | - | 41,349 | 56,603 |
| Due to other governmental units | 2,426 | 366 | 2,792 | - |
| Accrued interest payable | 194,366 | 50,142 | 244,508 | 33,176 |
| Unearned revenue | 150,370 | - | 150,370 | 1,235 |
| Other current liabilities | - | - | - | 80,998 |
| Noncurrent liabilities | | | | |
| Due within one year | 924,870 | 123,000 | 1,047,870 | 382,324 |
| Due in more than one year | 17,440,923 | 4,843,452 | 22,284,375 | 3,394,177 |
| Total liabilities | <u>20,213,582</u> | <u>5,123,349</u> | <u>25,336,931</u> | <u>4,398,632</u> |
| Deferred inflows of resources | | | | |
| Notes receivable | - | - | - | 162,347 |
| Net position | | | | |
| Net investment in capital assets | 54,442,716 | 14,627,351 | 68,900,209 | 4,278,981 |
| Restricted | | | | |
| Debt service | 2,224,750 | - | 2,224,750 | 98,799 |
| Park improvements | 4,026,725 | - | 4,026,725 | - |
| Other purposes | 164,716 | - | 164,716 | - |
| Housing programs | - | - | - | 17,803 |
| Tax increment | - | - | - | 1,632,113 |
| Grants | - | - | - | 752,486 |
| Unrestricted | 9,209,143 | 7,003,502 | 16,382,503 | 2,980,318 |
| Total net position | <u>\$ 70,068,050</u> | <u>\$ 21,630,853</u> | <u>\$ 91,698,903</u> | <u>\$ 9,760,500</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2014

| Functions/Programs | Expenses | Program Revenues | |
|-------------------------------------|--------------|----------------------|------------------------------------|
| | | Charges For Services | Operating Grants and Contributions |
| Governmental activities | | | |
| General government | \$ 1,736,661 | \$ 715,482 | \$ 196,474 |
| Public safety | 6,798,718 | 124,445 | 371,791 |
| Public works | 5,013,472 | 827,840 | 255,577 |
| Community development | 636,758 | 331,338 | 26,691 |
| Parks, arena, and library | 2,919,538 | 1,171,225 | 26,658 |
| Transportation | 1,242,624 | 1,089,200 | 119,561 |
| Interest on long-term debt | 551,037 | - | - |
| Total governmental activities | 18,898,808 | 4,259,530 | 996,752 |
| Business-type activities | | | |
| Water and sewer utility | 4,877,815 | 5,364,812 | - |
| Storm water utility | 355,362 | 417,218 | - |
| Street light utility | 188,003 | 210,407 | - |
| Total business-type activities | 5,421,180 | 5,992,437 | - |
| Total primary government | 24,319,988 | 10,251,967 | 996,752 |
| Component unit | | | |
| Housing and Redevelopment Authority | 9,709,116 | 2,091,409 | 3,839,954 |
| Total component unit | \$ 9,709,116 | \$ 2,091,409 | \$ 3,839,954 |

General revenues
 General property taxes
 Tax increments
 Franchise tax
 Unrestricted grants and contributions
 Investment income
Transfers of capital assets
Transfers
 Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The accompanying notes are an integral part of these financial statements.

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|--|---|----------------------|---------------------|
| | Governmental Activities | Primary Government Business-Type Activities | Total | |
| \$ - | \$ (824,705) | \$ - | \$ (824,705) | \$ - |
| - | (6,302,482) | - | (6,302,482) | - |
| 2,448,738 | (1,481,317) | - | (1,481,317) | - |
| - | (278,729) | - | (278,729) | - |
| - | (1,721,655) | - | (1,721,655) | - |
| 1,314,482 | 1,280,619 | - | 1,280,619 | - |
| - | (551,037) | - | (551,037) | - |
| <u>3,763,220</u> | <u>(9,879,306)</u> | <u>-</u> | <u>(9,879,306)</u> | <u>-</u> |
| - | - | 486,997 | 486,997 | - |
| 33,200 | - | 95,056 | 95,056 | - |
| - | - | 22,404 | 22,404 | - |
| <u>33,200</u> | <u>-</u> | <u>604,457</u> | <u>604,457</u> | <u>-</u> |
| <u>3,796,420</u> | <u>(9,879,306)</u> | <u>604,457</u> | <u>(9,274,849)</u> | <u>-</u> |
| 379,705 | - | - | - | (3,398,048) |
| <u>\$ 379,705</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,398,048)</u> |
| | 9,008,694 | - | 9,008,694 | 197,558 |
| | - | - | - | 1,416,786 |
| | 866,070 | - | 866,070 | - |
| | 2,305,804 | - | 2,305,804 | - |
| | 227,909 | 158,453 | 386,362 | 1,555 |
| | (376,388) | 376,388 | - | - |
| | 641,284 | (641,284) | - | - |
| | <u>12,673,373</u> | <u>(106,443)</u> | <u>12,566,930</u> | <u>1,615,899</u> |
| | 2,794,067 | 498,014 | 3,292,081 | (1,782,149) |
| | 67,273,983 | 21,132,839 | 88,406,822 | 11,542,649 |
| | <u>\$ 70,068,050</u> | <u>\$ 21,630,853</u> | <u>\$ 91,698,903</u> | <u>\$ 9,760,500</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2014

| | General Fund | Wakota Arena |
|---|----------------------|-------------------|
| Assets | | |
| Cash and investments | \$ 3,965,593 | \$ - |
| Cash and investments with escrow agent | - | - |
| Accrued interest | 62,706 | - |
| Accounts receivable | 231,351 | 163,470 |
| Property taxes receivable | | |
| Due from county | 1,226,403 | 2,552 |
| Delinquent | 176,267 | 5,825 |
| Special assessments receivable | | |
| Due from county | 1,307 | - |
| Delinquent | 1,939 | - |
| Deferred | 4,166 | - |
| Due from other governmental units | 196,028 | - |
| Advances to other funds | 4,528,265 | - |
| Inventory | - | - |
| Prepaid items | 4,380 | - |
| Total assets | <u>10,398,405</u> | <u>171,847</u> |
| Liabilities | | |
| Accounts and contracts payable | 144,375 | 35,094 |
| Salaries payable | 487,697 | 20,580 |
| Deposits payable | 41,349 | - |
| Due to other governmental units | 673 | 1,278 |
| Advances from other funds | - | 969,861 |
| Unearned revenue | 150,370 | - |
| Total liabilities | <u>824,464</u> | <u>1,026,813</u> |
| Deferred inflows of resources | | |
| Unavailable revenue - property taxes | 176,267 | 5,825 |
| Unavailable revenue - special assessments | 6,105 | - |
| Unavailable revenue - charges for services | 10,612 | 11,976 |
| Total deferred inflows of resources | <u>192,984</u> | <u>17,801</u> |
| Fund balances | | |
| Nonspendable | 4,380 | - |
| Restricted | - | - |
| Committed | 4,590,970 | - |
| Assigned | - | - |
| Unassigned | 4,785,607 | (872,767) |
| Total fund balances | <u>9,380,957</u> | <u>(872,767)</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,398,405</u> | <u>\$ 171,847</u> |

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

Total fund balance (from above)

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Internal service funds are used by management to charge the cost of insurance and other employee benefits to individual funds.

Net position of governmental activities (Statement 1)

The accompanying notes are an integral part of these financial statements.

| Airport | Capital Programs | 2014 Local Improvements | Park Referendum Projects | Other Nonmajor Governmental | Total |
|-------------------|---------------------|-------------------------|--------------------------|-----------------------------|----------------------|
| \$ - | \$ 4,492,368 | \$ - | \$ 4,139,785 | \$ 4,032,676 | \$ 16,630,422 |
| - | - | - | - | 1,206,288 | 1,206,288 |
| - | - | - | - | - | 62,706 |
| 75,172 | - | - | - | 16,639 | 486,632 |
| - | 748 | - | - | 14,821 | 1,244,524 |
| - | 5,418 | - | - | 37,669 | 225,179 |
| - | 10,989 | 23 | - | 4,142 | 16,461 |
| - | 15,348 | - | - | 2,323 | 19,610 |
| - | 491,809 | 76,836 | - | 1,800,282 | 2,373,093 |
| 87,365 | - | - | - | 1,036,351 | 1,319,744 |
| - | 784,881 | - | - | - | 5,313,146 |
| 47,560 | - | - | - | - | 47,560 |
| 485 | 10,978 | - | - | - | 15,843 |
| <u>210,582</u> | <u>5,812,539</u> | <u>76,859</u> | <u>4,139,785</u> | <u>8,151,191</u> | <u>28,961,208</u> |
| 18,855 | 79,918 | 36,043 | 267,320 | 307,475 | 889,080 |
| 10,438 | - | - | - | 27,337 | 546,052 |
| - | - | - | - | - | 41,349 |
| 2 | - | - | - | 473 | 2,426 |
| 1,002,916 | - | 862,184 | - | 2,478,185 | 5,313,146 |
| - | - | - | - | - | 150,370 |
| <u>1,032,211</u> | <u>79,918</u> | <u>898,227</u> | <u>267,320</u> | <u>2,813,470</u> | <u>6,942,423</u> |
| - | 5,418 | - | - | 37,669 | 225,179 |
| - | 507,157 | 76,836 | - | 1,802,605 | 2,392,703 |
| 31,252 | - | - | - | 321 | 54,161 |
| <u>31,252</u> | <u>512,575</u> | <u>76,836</u> | <u>-</u> | <u>1,840,595</u> | <u>2,672,043</u> |
| 48,045 | 10,978 | - | - | - | 63,403 |
| - | - | - | 3,872,465 | 2,621,252 | 6,493,717 |
| - | - | - | - | 31,318 | 4,622,288 |
| - | 5,209,068 | - | - | 2,511,076 | 7,720,144 |
| (900,926) | - | (898,204) | - | (1,666,520) | 447,190 |
| (852,881) | 5,220,046 | (898,204) | 3,872,465 | 3,497,126 | 19,346,742 |
| <u>\$ 210,582</u> | <u>\$ 5,812,539</u> | <u>\$ 76,859</u> | <u>\$ 4,139,785</u> | <u>\$ 8,151,191</u> | <u>\$ 28,961,208</u> |
| | | | | | \$ 19,346,742 |
| | | | | | 64,505,394 |
| | | | | | 2,672,043 |
| | | | | | (17,090,066) |
| | | | | | 633,937 |
| | | | | | <u>\$ 70,068,050</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

| | General Fund | Wakota Arena | Airport |
|---|---------------------|---------------------|---------------------|
| Revenues | | | |
| General property taxes | \$ 7,405,796 | \$ 242,809 | \$ - |
| Franchise tax | 866,070 | - | - |
| Licenses and permits | 395,402 | - | - |
| Intergovernmental | 2,081,990 | - | 119,561 |
| Charges for services | 1,374,892 | 594,535 | 1,077,408 |
| Fines and forfeits | 102,268 | - | - |
| Special assessments | 8,009 | - | - |
| Investment income | 84,486 | - | - |
| Change in fair value of investments | 69,774 | - | - |
| Contributions and donations | - | - | - |
| Miscellaneous | 49,706 | 2,595 | 11,792 |
| Total revenues | <u>12,438,393</u> | <u>839,939</u> | <u>1,208,761</u> |
| Expenditures | | | |
| Current | | | |
| General government | 1,584,490 | - | - |
| Public safety | 6,598,894 | - | - |
| Public works | 2,609,890 | - | - |
| Community development | 464,215 | - | - |
| Parks, arena, library | 700,964 | 693,252 | - |
| Transportation | - | - | 969,841 |
| Capital outlay | | | |
| General government | 1,278 | - | - |
| Public safety | 16,749 | - | - |
| Public works | 38,817 | - | - |
| Parks, arena, library | 4,750 | 151 | - |
| Transportation | - | - | 109,206 |
| Debt service | | | |
| Principal | - | - | 37,549 |
| Interest and other charges | - | 34,252 | 24,937 |
| Bond issuance costs | - | - | - |
| Total expenditures | <u>12,020,047</u> | <u>727,655</u> | <u>1,141,533</u> |
| Revenues over (under) expenditures | <u>418,346</u> | <u>112,284</u> | <u>67,228</u> |
| Other financing sources (uses) | | | |
| Bonds issued | - | - | - |
| Premium on bonds issued | - | - | - |
| Payment to refunding bond escrow agent | - | - | - |
| Transfers in | 160,000 | 52,674 | - |
| Transfers out | (25,194) | (161,768) | (212,600) |
| Total other financing sources (uses) | <u>134,806</u> | <u>(109,094)</u> | <u>(212,600)</u> |
| Net change in fund balances | <u>553,152</u> | <u>3,190</u> | <u>(145,372)</u> |
| Fund balances - January 1, as previously stated | 8,827,805 | (875,957) | (707,509) |
| Prior period adjustment | - | - | - |
| Fund balances - January 1, restated | <u>8,827,805</u> | <u>(875,957)</u> | <u>(707,509)</u> |
| Fund balances - December 31 | <u>\$ 9,380,957</u> | <u>\$ (872,767)</u> | <u>\$ (852,881)</u> |

The accompanying notes are an integral part of these financial statements.

| 2006A Capital Improvement Bonds | Capital Programs | 2014 Local Improvements | Park Referendum Projects | Other Nonmajor Governmental | Total |
|---------------------------------------|---------------------|----------------------------|--------------------------------|-----------------------------------|----------------------|
| \$ 3,111 | \$ 1,608 | \$ - | \$ - | \$ 1,373,697 | \$ 9,027,021 |
| - | - | - | - | - | 866,070 |
| - | - | - | - | - | 395,402 |
| - | 923,285 | - | - | 3,522,297 | 6,647,133 |
| - | - | - | - | 511,106 | 3,557,941 |
| - | - | - | - | 7,833 | 110,101 |
| - | 108,742 | 61,802 | - | 430,585 | 609,138 |
| - | 83,462 | - | 5,942 | 49,461 | 223,351 |
| - | 68,201 | - | - | 27,987 | 165,962 |
| - | 15,000 | - | - | 50,890 | 65,890 |
| - | - | - | - | 61,504 | 125,597 |
| <u>3,111</u> | <u>1,200,298</u> | <u>61,802</u> | <u>5,942</u> | <u>6,035,360</u> | <u>21,793,606</u> |
| - | 8,112 | - | - | 54,174 | 1,646,776 |
| - | 15,372 | - | - | 37,393 | 6,651,659 |
| - | 159,082 | 397,404 | - | 138,838 | 3,305,214 |
| - | - | - | - | 170,166 | 634,381 |
| - | 69,824 | - | 302,620 | 1,048,896 | 2,815,556 |
| - | - | - | - | 61,625 | 1,031,466 |
| - | 105,445 | - | - | 42,313 | 149,036 |
| - | 20,600 | - | - | 65,538 | 102,887 |
| - | 620,380 | 787,811 | - | 1,904,228 | 3,351,236 |
| - | - | - | 2,648,819 | 152,480 | 2,806,200 |
| - | - | - | - | 1,370,895 | 1,480,101 |
| 160,000 | - | - | - | 1,637,752 | 1,835,301 |
| 62,222 | - | 6,755 | - | 435,257 | 563,423 |
| - | - | - | 165,111 | - | 165,111 |
| <u>222,222</u> | <u>998,815</u> | <u>1,191,970</u> | <u>3,116,550</u> | <u>7,119,555</u> | <u>26,538,347</u> |
| <u>(219,111)</u> | <u>201,483</u> | <u>(1,130,168)</u> | <u>(3,110,608)</u> | <u>(1,084,195)</u> | <u>(4,744,741)</u> |
| - | - | - | 6,970,000 | - | 6,970,000 |
| - | - | - | 76,858 | - | 76,858 |
| (2,815,000) | - | - | - | - | (2,815,000) |
| 48,695 | 571,519 | 250,779 | - | 772,298 | 1,855,965 |
| - | (142,231) | - | (63,785) | (719,608) | (1,325,186) |
| <u>(2,766,305)</u> | <u>429,288</u> | <u>250,779</u> | <u>6,983,073</u> | <u>52,690</u> | <u>4,762,637</u> |
| <u>(2,985,416)</u> | <u>630,771</u> | <u>(879,389)</u> | <u>3,872,465</u> | <u>(1,031,505)</u> | <u>17,896</u> |
| 2,985,416 | 4,589,275 | (18,815) | - | 3,080,076 | 17,880,291 |
| - | - | - | - | 1,448,555 | 1,448,555 |
| <u>2,985,416</u> | <u>4,589,275</u> | <u>(18,815)</u> | <u>-</u> | <u>4,528,631</u> | <u>19,328,846</u> |
| <u>\$ -</u> | <u>\$ 5,220,046</u> | <u>\$ (898,204)</u> | <u>\$ 3,872,465</u> | <u>\$ 3,497,126</u> | <u>\$ 19,346,742</u> |

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CITY OF SOUTH ST. PAUL, MINNESOTA**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****Statement 5**

For the Year Ended December 31, 2014

| | <u>2014</u> |
|--|---------------------|
| Amounts reported for governmental activities in the statement of activities (Statement 2) are different because: | |
| Net changes in fund balances - total governmental funds (Statement 4) | \$ 17,896 |
| Governmental funds report 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. This is the amount by which capital outlays exceeded depreciation in the current period. | 5,798,089 |
| The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets sold is removed from the capital asset account in the statement of net position and offset against the sale proceeds resulting in a gain or loss in the statement of activities. | (52,050) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (204,223) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt and related items. | (2,473,117) |
| 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. | 2,159 |
| Internal service funds are used by management to charge the costs of central garage, post retirement benefits and employee benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. | 81,701 |
| Capital assets transferred from government funds to proprietary funds | <u>(376,388)</u> |
| Change in net position of governmental activities (Statement 2) | <u>\$ 2,794,067</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

| | Business-Type | |
|---|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Assets | | |
| Current assets | | |
| Cash and investments | \$ 4,013,812 | \$ 958,002 |
| Accounts receivable | 1,452,227 | 133,765 |
| Special assessments receivable | | |
| Due from county | 45,587 | - |
| Delinquent | 50,958 | - |
| Deferred | 381,902 | - |
| Prepaid items | 210,939 | - |
| Total current assets | <u>6,155,425</u> | <u>1,091,767</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Land | 295,900 | 33,200 |
| Buildings and land improvements | 5,346,546 | 1,167,635 |
| Machinery and equipment | 3,018,203 | - |
| Infrastructure | 10,293,234 | 11,940,139 |
| Construction in process | 2,249 | - |
| Total capital assets | <u>18,956,132</u> | <u>13,140,974</u> |
| Less: Allowance for depreciation | <u>(7,560,761)</u> | <u>(5,112,400)</u> |
| Net capital assets | <u>11,395,371</u> | <u>8,028,574</u> |
| Total assets | <u>17,550,796</u> | <u>9,120,341</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 65,068 | 1,835 |
| Salaries payable | 23,920 | - |
| Due to other governmental units | 366 | - |
| Compensated absences | - | - |
| Accrued interest payable | 33,397 | 16,745 |
| Bonds payable | 123,000 | - |
| Total current liabilities | <u>245,751</u> | <u>18,580</u> |
| Noncurrent liabilities | | |
| Bonds payable | 3,476,486 | 1,366,966 |
| Net other postemployment benefit obligation | - | - |
| Compensated absences | - | - |
| Total noncurrent liabilities | <u>3,476,486</u> | <u>1,366,966</u> |
| Total liabilities | <u>3,722,237</u> | <u>1,385,546</u> |
| Net position | | |
| Net investment in capital assets | 7,795,885 | 6,831,466 |
| Unrestricted | 6,032,674 | 903,329 |
| Total net position | <u>\$ 13,828,559</u> | <u>\$ 7,734,795</u> |

The accompanying notes are an integral part of these financial statements.

| Activities Enterprise Funds | | | | Governmental | |
|-----------------------------|--------|-------|--------------|------------------------|-------------|
| Street | | Total | | Activities - | |
| Light Utility | | | | Internal Service Funds | |
| \$ | 16,868 | \$ | 4,988,682 | \$ | 382,619 |
| | 66,197 | | 1,652,189 | | - |
| | - | | 45,587 | | - |
| | - | | 50,958 | | - |
| | - | | 381,902 | | - |
| | - | | 210,939 | | - |
| | 83,065 | | 7,330,257 | | 382,619 |
| | - | | 329,100 | | - |
| | - | | 6,514,181 | | - |
| | - | | 3,018,203 | | 4,307,103 |
| | - | | 22,233,373 | | - |
| | - | | 2,249 | | - |
| | - | | 32,097,106 | | 4,307,103 |
| | - | | (12,673,161) | | (2,561,546) |
| | - | | 19,423,945 | | 1,745,557 |
| | 83,065 | | 26,754,202 | | 2,128,176 |
| | 15,566 | | 82,469 | | 17,850 |
| | - | | 23,920 | | 6,296 |
| | - | | 366 | | - |
| | - | | - | | 83,172 |
| | - | | 50,142 | | - |
| | - | | 123,000 | | - |
| | 15,566 | | 279,897 | | 107,318 |
| | - | | 4,843,452 | | - |
| | - | | - | | 1,089,468 |
| | - | | - | | 297,453 |
| | - | | 4,843,452 | | 1,386,921 |
| | 15,566 | | 5,123,349 | | 1,494,239 |
| | - | | 14,627,351 | | 1,745,557 |
| | 67,499 | | 7,003,502 | | (1,111,620) |
| \$ | 67,499 | \$ | 21,630,853 | \$ | 633,937 |

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended December 31, 2014

| | Business-Type | |
|--|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Operating revenues | | |
| User charges for services | \$ 5,317,399 | \$ 417,218 |
| Retiree health insurance charges | - | - |
| Compensated absences charges | - | - |
| Equipment rental and repair charges | - | - |
| Total operating revenues | <u>5,317,399</u> | <u>417,218</u> |
| Operating expenses | | |
| Personal services | 696,996 | - |
| Materials and supplies | 150,754 | 1,550 |
| Contractual services | 3,638,974 | 84,628 |
| Depreciation | 295,147 | 222,967 |
| Total operating expenses | <u>4,781,871</u> | <u>309,145</u> |
| Operating income (loss) | <u>535,528</u> | <u>108,073</u> |
| Nonoperating revenues (expenses) | | |
| Investment income | 68,501 | 15,995 |
| Change in fair value of investments | 59,816 | 14,141 |
| Special assessments | 6,047 | - |
| Intergovernmental revenue | 10,000 | - |
| Loss on disposal of capital assets | (12,896) | - |
| Gain on sale of capital assets | - | - |
| Other revenue | 31,366 | - |
| Interest and other charges | (83,048) | (46,217) |
| Total nonoperating revenues (expenses) | <u>79,786</u> | <u>(16,081)</u> |
| Income (loss) before contributions and transfers | 615,314 | 91,992 |
| Capital contributions | 48,624 | 360,964 |
| Transfers in | - | - |
| Transfers out | (318,049) | (323,235) |
| Change in net position | 345,889 | 129,721 |
| Net position - January 1 | 13,482,670 | 7,605,074 |
| Net position - December 31 | <u>\$ 13,828,559</u> | <u>\$ 7,734,795</u> |

The accompanying notes are an integral part of these financial statements.

| Activities Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|-----------------------------|----------------------|--|-------------------|
| Street Light Utility | Total | | |
| \$ 207,320 | \$ 5,941,937 | \$ - | - |
| - | - | 357,433 | 357,433 |
| - | - | 42,615 | 42,615 |
| - | - | 931,171 | 931,171 |
| <u>207,320</u> | <u>5,941,937</u> | <u>1,331,219</u> | <u>1,331,219</u> |
| - | 696,996 | 616,679 | 616,679 |
| 2,629 | 154,933 | 397,825 | 397,825 |
| 185,374 | 3,908,976 | 118,056 | 118,056 |
| - | 518,114 | 285,387 | 285,387 |
| <u>188,003</u> | <u>5,279,019</u> | <u>1,417,947</u> | <u>1,417,947</u> |
| <u>19,317</u> | <u>662,918</u> | <u>(86,728)</u> | <u>(86,728)</u> |
| - | 84,496 | 7,166 | 7,166 |
| - | 73,957 | 6,828 | 6,828 |
| - | 6,047 | - | - |
| - | 10,000 | - | - |
| - | (12,896) | - | - |
| - | - | 32,655 | 32,655 |
| 3,087 | 34,453 | 11,275 | 11,275 |
| - | (129,265) | - | - |
| <u>3,087</u> | <u>66,792</u> | <u>57,924</u> | <u>57,924</u> |
| 22,404 | 729,710 | (28,804) | (28,804) |
| - | 409,588 | - | - |
| 20,000 | 20,000 | 110,505 | 110,505 |
| <u>(20,000)</u> | <u>(661,284)</u> | <u>-</u> | <u>-</u> |
| 22,404 | 498,014 | 81,701 | 81,701 |
| 45,095 | 21,132,839 | 552,236 | 552,236 |
| <u>\$ 67,499</u> | <u>\$ 21,630,853</u> | <u>\$ 633,937</u> | <u>\$ 633,937</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

| | Business-Type | |
|--|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Cash flows from operating activities | | |
| Receipts from customers and users | \$ 5,381,612 | \$ 410,002 |
| Payment to suppliers | (3,792,858) | (88,074) |
| Payment to employees | (696,228) | - |
| Other revenue | 31,366 | - |
| Net cash flows from operating activities | <u>923,892</u> | <u>321,928</u> |
| Cash flows from noncapital financing activities | | |
| Advances between funds | 1,349,069 | - |
| Transfer from other funds | - | - |
| Transfer to other funds | (318,049) | (323,235) |
| Special assessments | (26,717) | - |
| Intergovernmental revenue | 10,000 | - |
| Net cash flows from noncapital financing activities | <u>1,014,303</u> | <u>(323,235)</u> |
| Cash flows from capital and related financing activities | | |
| Proceeds from sale of bonds | 1,515,298 | 1,367,693 |
| Acquisition and construction of capital assets | (1,606,518) | (1,167,635) |
| Proceeds from sale of capital assets | - | - |
| Principal paid on capital debt | (121,000) | - |
| Interest paid on debt | (66,173) | (30,199) |
| Net cash flows from capital and related financing activities | <u>(278,393)</u> | <u>169,859</u> |
| Cash flows from investing activities | | |
| Investment income | 128,317 | 30,136 |
| Net increase (decrease) in cash and cash equivalents | 1,788,119 | 198,688 |
| Cash and cash equivalents - January 1 | 2,225,693 | 759,314 |
| Cash and cash equivalents - December 31 | <u>\$ 4,013,812</u> | <u>\$ 958,002</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | \$ 535,528 | \$ 108,073 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Depreciation | 295,147 | 222,967 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in receivables | 64,213 | (7,216) |
| (Increase) decrease in prepaid items | 12,817 | - |
| Increase (decrease) in payables | (15,179) | (1,896) |
| Increase (decrease) in accrued expenses | - | - |
| Other revenue | 31,366 | - |
| Total adjustments | <u>388,364</u> | <u>213,855</u> |
| Net cash flows from operating activities | <u>\$ 923,892</u> | <u>\$ 321,928</u> |
| Noncash investing, capital, and financing activities | | |
| Contributions of capital assets from governmental activities | \$ 48,624 | \$ 327,764 |
| Contributions of capital assets from developers | - | 33,200 |

The accompanying notes are an integral part of these financial statements.

| Activities Enterprise Funds | | | | Governmental Activities - Internal Service Funds | |
|-----------------------------|--------------|----|-------------|--|-----------|
| Street Light Utility | Total | | Total | | |
| \$ 207,228 | \$ 5,998,842 | \$ | 5,998,842 | \$ | 1,331,219 |
| (180,288) | (4,061,220) | | (4,061,220) | | (533,838) |
| - | (696,228) | | (696,228) | | (575,263) |
| 3,087 | 34,453 | | 34,453 | | 11,275 |
| 30,027 | 1,275,847 | | 1,275,847 | | 233,393 |
| (13,159) | 1,335,910 | | 1,335,910 | | - |
| 20,000 | 20,000 | | 20,000 | | 110,505 |
| (20,000) | (661,284) | | (661,284) | | - |
| - | (26,717) | | (26,717) | | - |
| - | 10,000 | | 10,000 | | - |
| (13,159) | 677,909 | | 677,909 | | 110,505 |
| - | 2,882,991 | | 2,882,991 | | - |
| - | (2,774,153) | | (2,774,153) | | (551,591) |
| - | - | | - | | 54,870 |
| - | (121,000) | | (121,000) | | - |
| - | (96,372) | | (96,372) | | - |
| - | (108,534) | | (108,534) | | (496,721) |
| - | 158,453 | | 158,453 | | 13,994 |
| 16,868 | 2,003,675 | | 2,003,675 | | (138,829) |
| - | 2,985,007 | | 2,985,007 | | 521,448 |
| \$ 16,868 | \$ 4,988,682 | \$ | 4,988,682 | \$ | 382,619 |
| \$ 19,317 | \$ 662,918 | \$ | 662,918 | \$ | (86,728) |
| - | 518,114 | | 518,114 | | 285,387 |
| (92) | 56,905 | | 56,905 | | - |
| - | 12,817 | | 12,817 | | - |
| 7,715 | (9,360) | | (9,360) | | (18,034) |
| - | - | | - | | 41,493 |
| 3,087 | 34,453 | | 34,453 | | 11,275 |
| 10,710 | 612,929 | | 612,929 | | 320,121 |
| \$ 30,027 | \$ 1,275,847 | \$ | 1,275,847 | \$ | 233,393 |
| \$ - | | \$ | | \$ | - |
| - | | | | | - |

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2014

Statement 9

| | Agency Funds |
|----------------------|-----------------|
| Assets | |
| Cash and investments | \$ 150,363 |
| | <hr/> |
| Liabilities | |
| Deposits payable | \$ 150,363 |
| | <hr/> |

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of South St. Paul, Minnesota's (City) financial statements are prepared in accordance with U.S. generally accepted accounting principles (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. FINANCIAL REPORTING ENTITY

The City was incorporated in 1887 and formed under Minnesota Statute 410. As such, the City is under home rule charter regulations and applicable statutory guidelines. The governing body consists of the mayor and a six-member City Council elected by the voters of the City.

The City Council is responsible for directing the affairs of the City. Under the City charter and/or subsequent ordinances, limited approval for disbursements for library activity is delegated to council appointed commissions. The City Council appoints members of the various commissions and maintains annual budgetary controls over commission delegated financial activities and all such financial transactions are included in the financial statements. The Housing and Redevelopment Authority is an autonomous unit as described below under related organizations.

In accordance with generally accepted accounting principles, the financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden, on the City.

As a result of applying the component unit definition criteria above, certain organizations are presented in this report as follows:

Discretely Presented Component Unit

The Housing and Redevelopment Authority of South St. Paul operates as a local government unit for the purpose of providing housing opportunities and economic and community redevelopment services to the community. The governing body consists of a five member Board of Commissioners appointed by the Mayor to serve a five year term. The City provides no funding to the HRA, but the council reviews and must consent to the HRA tax levies. The City does not hold title to any of the HRA's assets, nor is it entitled to surpluses of the HRA or is it obligated for its deficits or debts, so there is no financial benefit or burden relationship.

Financial statements of the HRA can be obtained from the HRA offices at City Hall, 125 Third Avenue North, South St. Paul, MN 55075

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activity) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activities are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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. Agency funds report only assets and liabilities and so cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. 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. The City's only fiduciary funds are agency funds.

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 government considers all revenues, except property taxes and reimbursement grants, 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, franchise taxes, licenses, 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 government.

The government reports the following major governmental funds:

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

The *Wakota Arena Special Revenue Fund* accounts for charges for services, property taxes, and other revenue that is restricted and accumulated to support the operations of the arena.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The *Airport Special Revenue Fund* accounts for charges for services and other revenue that are restricted and accumulated to support the operations of the municipal airport.

The *2006A Capital Improvement Bonds Debt Service Fund* was established for funding the 2006 street reconstruction and maintenance projects.

The *Capital Programs Capital Projects Fund* is used to account for revenues and expenditures for city-wide capital improvements and acquisitions.

The *2014 Local Improvements Capital Projects Fund* is used to account for revenues and expenditures for 2014 local improvements.

The *Park Referendum Projects Capital Projects Fund* is used to account for the revenues and expenditures for the remodel of Wakota Arena, Kaposia Park, and McMorro Park.

The government reports the following major proprietary funds:

The *Water and Sewer Utility Fund* is used to account for the provision of water and sewer service to properties within the City.

The *Storm Water Utility Fund* is used to account for activities related to the operation of a surface water collection system for properties within the City.

The *Street Light Utility Fund* is used to account for activities related to the operation and maintenance of a city-wide street lighting system

Additionally, the government reports the following fund types:

Internal Service Funds account for services provided to other departments of the City on a cost reimbursement basis. The Central Garage fund provides services to the City's mobile fleet and the Other Postemployment Benefits/Employee Benefits fund accounts for the cost of retiree health insurance benefits and compensated absences.

Agency Funds are custodial in nature and are not available to the government for general operations. The Landscape/Landfill Agency Fund accounts for the restricted assets attributable to landfill abatement. The Employee Healthcare Reimbursement Account Fund accounts for the restricted assets contributed to City employees' healthcare reimbursement accounts.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City's fiduciary fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and/or cannot be used to address activities or obligations of the City, this fund is not incorporated into the government-wide statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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 various functions. Elimination of these charges would distort the direct costs and program revenues reported from 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 enterprise funds and internal service 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Authorized investments are pursuant to applicable Minnesota Statutes including Chapter 118A and the more restrictive City policy. Although the City may legally utilize the full range of investment vehicles, the City's formal investment policy takes a more conservative approach to the selection of actual investments. Maturities of fifteen years are to include only the following, which are considered the safest with the least principal risk:

1. United States Treasury obligations and United States Government Agency securities;
2. Repurchase and reverse repurchase agreements with United States Treasury obligations and United States Government Agency securities;
3. Certificates of deposit up to \$250,000 (federally insured) or properly collateralized if over \$250,000;
4. Prime grade commercial paper (rating of A-1, P-1 or F-1);
5. Banker's acceptances (federal reserve qualified); and
6. Money market funds consisting of one or more of the above.

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value based on quoted market prices. All investment income, including changes in the fair value of investments, is reported as revenue. Interest earnings are accrued as of the balance sheet date.

E. RESTRICTED ASSETS

Restricted assets are cash and investments whose use is limited by legal requirements such as a bond indenture or grant agreement. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets are reported as cash and investments with escrow agent. Interest on restricted assets is allocated directly to the fund holding the assets.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Legally, expenditures are controlled at the departmental level. However, day-to-day administration of the budget is in accordance with the City Council approved "Budget Administration Plan," a detailed description of the complementary responsibilities of staff and Council. Through this document, as supported by a quarterly budget report (including narrative), additional controls are put on overall departmental expenditures as well as certain departmental line items, such as capital outlay. Annual appropriations lapse at fiscal year-end. Financial controls for Debt Service Funds are achieved through bond indenture provisions. Project-length financial plans are adopted for Capital Project Funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash management.

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

1. The City administrator submits a proposed operating budget to the City Council, which includes proposed expenditures and the means of financing them.
2. Public meetings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Formal budgets are adopted for the General Fund and four Special Revenue Funds (Airport Fund, Library Fund, Wakota Arena Fund, and Central Square Fund). Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls. A financial plan is approved for the Proprietary Funds.
5. Expenditures may legally exceed budgeted appropriations at the departmental level. Monitoring of budgets is maintained at the line item level, especially regarding salaries and capital outlay.
6. In accordance with the provisions of the Budget Administration Plan (originally approved in 1995), the City Council must authorize transfers of discretionary budgeted amounts between departments in the General Fund or from the contingency account to departments. Transfers between or among funds are approved by the City Council.

G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2014 expenditures exceeded appropriations in the General Fund and the special revenue funds listed below.

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-----------------------|---------------------|-------------------------|---------------|
| Major Funds | | | |
| General Fund | | | |
| City attorney | \$ 223,893 | \$ 223,300 | \$ (593) |
| Police | 4,672,986 | 4,658,891 | (14,095) |
| Engineering | 385,327 | 380,882 | (4,445) |
| City planner | 116,858 | 115,024 | (1,834) |
| Code enforcement | 347,357 | 329,005 | (18,352) |
| Community affairs | 107,784 | 106,222 | (1,562) |
| Nonmajor Funds | | | |
| Special Revenue Funds | | | |
| Central Square | 403,760 | 401,342 | (2,418) |

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. DEFICIT FUND EQUITY

The City has deficit fund equity at December 31, 2014 as follows:

| | |
|-----------------------------------|------------|
| Deficit fund balance | |
| Major Funds | |
| Special Revenue Funds | |
| Wakota Arena | \$ 872,767 |
| Airport | 852,881 |
| Capital Project Funds | |
| 2014 Local Improvements | 898,204 |
| Nonmajor Funds | |
| Capital Project Funds | |
| Airport Improvements | 412,770 |
| Floodwall Construction | 645,901 |
| 2010 Local Improvements | 70,638 |
| 2013 Local Improvements | 537,211 |
| Unrestricted deficit net position | |
| Other Funds | |
| Internal Service Funds | |
| OPEB/Employee Benefits | 1,116,404 |

The Airport and Airport Improvement deficits were caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Wakota Arena; Floodwall Construction; 2010, 2013 and 2014 Local Improvement; and OPEB/Employee Benefit Fund are expected to be funded with future revenues/transfers.

I. RECEIVABLES AND PAYABLES

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

In the fund financial statements, interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

Interfund loans have been established at year-end for those funds with negative balances in the cash and investment pool. The interest rate on these loans is equal to the average interest rate earned in the investment portfolio. The long-term loans are recorded as interfund advance receivable/payable.

All other interfund transactions are reported as transfers.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. PROPERTY TAXES

All trade and property tax receivables are shown at gross amount, since both taxes and trade receivables are assessable to the property owners and are collectible upon sale of the assessed property.

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) in May and October of each calendar year. Personal property taxes are payable by taxpayers in February and June of each year. These taxes are collected by the County and remitted to the City three times during the year. Delinquent collections are remitted to the City with each settlement. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (fiscal disparities formula) per State Statute 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971. Receipt of property taxes from this "fiscal disparities pool" does not increase or decrease total tax revenue.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred inflows of resources, because it is not known when they will be available to finance current expenditures.

K. SPECIAL ASSESSMENTS

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

The City recognizes special assessment revenue in the government-wide financial statements when assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred inflows of resources because it is not known when they will be available to finance current expenditures.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

M. INVENTORIES

The costs of governmental fund-type inventories are recorded as expenditures when purchased, with the exception of the airport fuel inventory, which is valued at cost using the first-in, first-out (FIFO) method. The primary government does not maintain material amounts of inventory within the other governmental funds.

N. CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges, distribution systems, 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 \$2,500 (amount not rounded) and an estimated useful life in excess of one year. 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. Capital assets not being depreciated include land and construction in progress. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Classification | Years |
|-------------------------------------|---------|
| Land improvements | 20 |
| Buildings and building improvements | 50 |
| Machinery and equipment | 5 – 20 |
| Vehicles | 4 – 15 |
| Water and sewer distribution | 30 |
| Infrastructure | 30 – 50 |

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

Capital assets acquired by the Authority are stated at historical cost, estimated historical cost or, in the case on contributions, at fair market value at the time received. The Authority’s capitalization level is \$5,000. Additions, improvements, and other capital outlays over \$5,000 that significantly extend the useful life of the asset are capitalized. The assets acquired by the Authority include land, buildings, and equipment. These systems have been wholly (or substantially) financed by federal and state grants, or other external sources of funds.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

| Classification | Years |
|---------------------------------|--------|
| Buildings and structures | 40 |
| Site improvements and equipment | 3 – 15 |

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, retirement severance and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements.

P. 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 statement of net position. When material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to futures periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and charges for services not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

R. FUND EQUITY

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form or are required to be maintained intact.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by City Council resolution.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. FUND EQUITY (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, and then use unrestricted resources as they are needed. Additionally, the City would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Council has formally adopted a fund balance policy for the General Fund. The City’s policy is to maintain an unassigned fund balance of 35% to 50% of the subsequent years’ budgeted expenditures for cash-flow timing needs.

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred inflows of resources. Net position, net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All remaining net position is reported as unrestricted.

When both restricted and unrestricted net position are available for an allowable use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

S. USE OF ESTIMATES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$17,090,066) difference are as follows:

| | |
|--|---------------------------------------|
| Bonds payable | \$ (15,490,000) |
| Plus: Bond premium (to be amortized over life of debt) | (287,071) |
| Accrued interest payable | (194,366) |
| Notes payable | (78,227) |
| Capital leases | <u>(1,040,402)</u> |
| Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities | <u><u>\$ (17,090,066)</u></u> |

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**T. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (CONTINUED)**

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report 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.” The details of this \$5,798,089 difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 8,048,413 |
| Depreciation expense | <u>(2,250,324)</u> |
| Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities | <u>\$ 5,798,089</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$2,473,117) difference are as follows:

| | |
|--|-----------------------|
| Debt issued: | |
| General obligation bonds | \$ (6,970,000) |
| Premium on bonds issued | (76,858) |
| Principal repayments: | |
| General obligation debt | 4,425,000 |
| Notes payable | 37,549 |
| Capital lease | <u>111,192</u> |
| Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities | <u>\$ (2,473,117)</u> |

Another element of that reconciliation states that “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.” The details of this \$2,159 difference are as follows:

| | |
|--|-----------------|
| Accrued interest | \$ (21,206) |
| Amortization of bond premium | <u>23,365</u> |
| Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities | <u>\$ 2,159</u> |

Note 2 DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any Federal agency.

As of December 31, 2014 the City's bank balances of \$12,125,293 were covered by insurance or collateral pledged and held in the City's name.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- 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, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency, which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance 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 or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 2 DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

B. INVESTMENTS (CONTINUED)

- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investments at December 31, 2014 are insured or held by the City or its agents in the City's name. The City's investment in money market funds is composed of U.S. Treasury and repurchase agreements which are 102% collateralized by U.S. Government securities.

Investments and maturities of the cash pool at December 31, 2014 are as follows:

| Investment Type | Standard & Poors Rating | Fair Value | Investment Maturities (in Years) | | |
|---|-------------------------|----------------------|----------------------------------|---------------------|---------------------|
| | | | Less Than 1 | 1-5 | 6-10 |
| U.S. agency securities | AA | \$ 2,740,059 | \$ - | \$ - | \$ 2,740,059 |
| Local government securities | AAA | 618,253 | - | 285,485 | 332,768 |
| Local government securities | AA | 1,359,524 | - | 223,758 | 1,135,766 |
| Negotiable certificates of deposit | N/A | 5,208,071 | 1,393,242 | 2,942,714 | 872,115 |
| US treasury securities | N/A | 1,206,287 | 20,843 | 1,185,444 | - |
| Government money market mutual funds | AAA | 16,912 | 16,912 | - | - |
| Total investments in cash and investment pool | | <u>\$ 11,149,106</u> | <u>\$ 1,430,997</u> | <u>\$ 4,637,401</u> | <u>\$ 5,080,708</u> |

N/A = not rated

Cash and investments comprising the City's cash pool at December 31, 2014 were as follows:

| | Fair Value |
|---|----------------------|
| Cash | |
| Cash on hand | \$ 5,650 |
| Cash in banks | |
| Bank accounts | 6,847,449 |
| Money manager savings account | 5,356,169 |
| Total cash | <u>12,209,268</u> |
| Investments | |
| U.S. agency securities | 2,740,059 |
| Local government securities | 1,977,777 |
| Negotiable certificates of deposit | 5,208,071 |
| US treasury securities | 1,206,287 |
| Government money market mutual funds | 16,912 |
| Total investments | <u>11,149,106</u> |
| Total cash, cash equivalents, and investments | <u>\$ 23,358,374</u> |

Note 2 DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

B. INVESTMENTS (CONTINUED)

| | |
|---|----------------------|
| Reconciliation to Statements | |
| Statement of Net Position - Statement 1 | |
| Cash, cash equivalents, and investments | \$ 22,001,723 |
| Restricted cash and investments | 1,206,288 |
| Statement of Net Position - Statement 9 | |
| Cash and investments | 150,363 |
| Total cash, cash equivalents, and investments | <u>\$ 23,358,374</u> |

C. INVESTMENT RISKS

Interest rate risk. The City's investment policy directs the finance director to analyze short and long-term cash flow needs and to determine allowable levels of investments in short-term, intermediate and long-term maturities as a means of managing the City's exposure to fair value losses arising from increasing interest rates. The City's formal investment policy recommends investment maturities shall match the City's projected cash flows.

Credit risk. Minnesota Statutes authorize investments in U.S. Treasuries, U.S. Agencies, state and municipal bonds rated "A" or better by a national bond rating service, time deposits fully insured by the FDIC, bankers acceptance, commercial papers rated in the highest quality category by at least two nationally recognized rating agencies and with a maturity of 270 days or less and repurchase agreements. The City's investment policy limits certain investments in repurchase and reverse repurchase agreements in U.S. Treasury obligations and U.S. Government Agency securities.

Concentration of credit risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. Investments intrinsically carry credit risk and when investments are concentrated in one issuer this concentration presents a heightened risk of potential loss. Although there is no percentage that identifies when concentration risk is present, GASB recommends disclosure of investments in issuers representing more than 5% of the total investment portfolio. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Investments in any one issuer that represent five percent or more of the total investments as of December 31, 2014 were as follows:

| | Fair Value | Percent of Total Investments |
|---|--------------|------------------------------------|
| Investment issuer: | | |
| FHLB | \$ 2,740,059 | 24.6% |
| Rochester MN Taxable Tax Increment Series A | 618,253 | 5.5% |

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

A. DEPOSITS

Custodial Credit Risk: As of December 31, 2014, the Authority’s bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the Authority’s name.

Total deposits at December 31, 2014 are as follows:

| | |
|----------------|-------------------|
| Cash | \$ 750,280 |
| Money markets | 158,354 |
| Total deposits | <u>\$ 908,634</u> |

B. INVESTMENTS

The following is a summary of investments as of December 31, 2014:

| | <u>Maturity Date</u> | <u>Market Value</u> | <u>Percent of Investments</u> | <u>Type</u> | <u>Rating</u> |
|--|--------------------------|-------------------------|-----------------------------------|-------------|---------------|
| First American Government Obligations | N/A | \$ 7,121 | 6.40% | MM | N/A |
| ISD No. 283 - St. Loius Park, Minnesota, Taxable Other Post Employment Benefits (OPEB) | 2/1/2020 | <u>104,130</u> | 93.60% | Sec | Aa2 |
| Total | | <u>\$ 111,251</u> | | | |

Concentration of Credit Risk: As of December 31, 2014, investments in the ISD No. 283 – St. Louis Park, Minnesota Taxable OPEB (93.6%) and the First American Government Obligations (6.4%) were exposed to concentration of credit risk as they exceeded 5% of the Authority’s total investments.

C. BALANCES

The following is a summary of total cash and investments:

| | <u>Fair Value</u> |
|---|---------------------|
| Deposits | \$ 908,634 |
| Investments | 111,251 |
| Total cash and investments | <u>\$ 1,019,885</u> |
| Reconciliation to Statements | |
| Statement of Net Position - Statement 1 | |
| Cash (including cash equivalents) | \$ 890,831 |
| Cash with fiscal agent | 111,251 |
| Restricted cash | 17,803 |
| Total cash, cash equivalents, and investments | <u>\$ 1,019,885</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

Note 3 RECEIVABLES

PRIMARY GOVERNMENT

Receivables as of year-end for the City’s individual major funds and nonmajor funds in the aggregate are as follows:

| | Accrued Interest | Accounts | Taxes | Special Assessments | Due From Other Gov't Units | Total |
|-----------------------------|---------------------|--------------|--------------|------------------------|----------------------------------|--------------|
| Major Funds: | | | | | | |
| General | \$ 62,706 | \$ 231,351 | \$ 1,402,670 | \$ 7,412 | \$ 196,028 | \$ 1,900,167 |
| Wakota Arena | - | 163,470 | 8,377 | - | - | 171,847 |
| Airport | - | 75,172 | - | - | 87,365 | 162,537 |
| Capital Programs | - | - | 6,166 | 518,146 | - | 524,312 |
| 2014 Local Improvements | - | - | - | 76,859 | - | 76,859 |
| Nonmajor Governmental Funds | - | 16,639 | 52,490 | 1,806,747 | 1,036,351 | 2,912,227 |
| Water and Sewer Utility | - | 1,452,227 | - | 478,447 | - | 1,930,674 |
| Storm Water Utility | - | 133,765 | - | - | - | 133,765 |
| Street Light Utility | - | 66,197 | - | - | - | 66,197 |
| Total receivables | \$ 62,706 | \$ 2,138,821 | \$ 1,469,703 | \$ 2,887,611 | \$ 1,319,744 | \$ 7,878,585 |

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

A. CAPITAL LEASE RECEIVABLE

The HRA leases a manufacturing facility located at the Municipal Airport to the City. The HRA issued lease bonds to finance construction of the lease facilities. The HRA’s lease with the City provides for minimum lease payments sufficient to cover the HRA’s debt service and related expenses. The lease transfers ownership of the property to the City as of the lease term. The economic substance of the lease indicates the HRA is financing the acquisition of the assets through the lease and, accordingly, is recorded as a capital lease in the Government-Wide Statement of Net Position.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2014:

| Payment Year | City Payment to HRA |
|---|---------------------------|
| 2015 | \$ 147,456 |
| 2016 | 149,400 |
| 2017 | 151,110 |
| 2018 | 147,586 |
| 2019 | 143,060 |
| 2020-2024 | 695,634 |
| 2025-2029 | 662,128 |
| Total Minimum Lease Receivable | 2,096,374 |
| Less Amount Representing Interest | 732,186 |
| Present Value of Minimum Lease Payments | \$ 1,364,188 |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 3 RECEIVABLES

**DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY
(CONTINUED)**

B. OTHER RECEIVABLES

Receivables as of year-end for the HRA’s individual major governmental funds, major enterprise funds, and nonmajor funds in the aggregate are as follows:

| | Accounts | Accrued Interest | Notes and Mortgages | Taxes- Current and Delinquent | Due From Other Gov't Units | Total |
|-----------------------------|------------------|-------------------|---------------------|-------------------------------|----------------------------|---------------------|
| Major Governmental Funds | | | | | | |
| General | \$ - | \$ - | \$ - | \$ 29,897 | \$ - | \$ 29,897 |
| B Business Loans | - | - | 672,712 | - | - | 672,712 |
| Rehab Loans | - | 415,634 | 895,960 | - | - | 1,311,594 |
| Tax Levy Rediscover | - | - | 3,436 | - | - | 3,436 |
| Concord TIF | - | - | - | - | 6,702 | 6,702 |
| Special Grants | - | - | 296,861 | - | - | 296,861 |
| Nonmajor Governmental Funds | 15,465 | 135,061 | 420,707 | - | 39,229 | 610,462 |
| Major Enterprise Funds | | | | | | |
| Low Rent Housing | 68,455 | - | - | - | - | 68,455 |
| Section 8 Voucher | 5,177 | - | - | - | - | 5,177 |
| Total receivables | \$ 89,097 | \$ 550,695 | \$ 2,289,676 | \$ 29,897 | \$ 45,931 | \$ 3,005,296 |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 4 CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance, as previously stated | Prior Period Adjustment | Beginning Balance, restated | Additions | Deletions | Ending Balance |
|---|--|----------------------------|-----------------------------------|--------------|----------------|-------------------|
| Governmental activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 10,016,234 | \$ - | \$10,016,234 | \$ 3,000 | \$ - | \$ 10,019,234 |
| Construction in progress | 5,004,238 | (1,448,555) | 3,555,683 | 7,603,161 | (2,922,442) | 8,236,402 |
| Total capital assets, not being depreciated | 15,020,472 | (1,448,555) | 13,571,917 | 7,606,161 | (2,922,442) | 18,255,636 |
| Capital assets, being depreciated: | | | | | | |
| Buildings and land improvements | 32,359,498 | - | 32,359,498 | 249,763 | (5,138) | 32,604,123 |
| Machinery and equipment | 7,637,719 | - | 7,637,719 | 1,286,370 | (746,712) | 8,177,377 |
| Infrastructure | 57,397,333 | - | 57,397,333 | 1,965,719 | - | 59,363,052 |
| Total capital assets, being depreciated | 97,394,550 | - | 97,394,550 | 3,501,852 | (751,850) | 100,144,552 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and land improvements | 9,014,478 | - | 9,014,478 | 668,339 | (4,619) | 9,678,198 |
| Machinery and equipment | 4,843,731 | - | 4,843,731 | 491,784 | (711,009) | 4,624,506 |
| Infrastructure | 36,470,945 | - | 36,470,945 | 1,375,588 | - | 37,846,533 |
| Total accumulated depreciation | 50,329,154 | - | 50,329,154 | 2,535,711 | (715,628) | 52,149,237 |
| Total capital assets being depreciated-net | 47,065,396 | - | 47,065,396 | 966,141 | (36,222) | 47,995,315 |
| Governmental activities capital assets-net | \$ 62,085,868 | \$ (1,448,555) | \$60,637,313 | \$ 8,572,302 | \$ (2,958,664) | \$ 66,250,951 |
| Business-type activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 295,900 | \$ - | \$ 295,900 | \$ 33,200 | \$ - | \$ 329,100 |
| Construction in progress | 330,865 | 1,448,555 | 1,779,420 | 109,319 | (1,886,490) | 2,249 |
| Total capital assets, not being depreciated | 626,765 | 1,448,555 | 2,075,320 | 142,519 | (1,886,490) | 331,349 |
| Capital assets, being depreciated: | | | | | | |
| Buildings and land improvements | 5,006,880 | - | 5,006,880 | 1,507,301 | - | 6,514,181 |
| Machinery and equipment | 1,452,549 | - | 1,452,549 | 1,595,469 | (29,815) | 3,018,203 |
| Infrastructure | 21,856,986 | - | 21,856,986 | 376,387 | - | 22,233,373 |
| Total capital assets, being depreciated | 28,316,415 | - | 28,316,415 | 3,479,157 | (29,815) | 31,765,757 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and land improvements | 1,437,284 | - | 1,437,284 | 92,227 | - | 1,529,511 |
| Machinery and equipment | 623,617 | - | 623,617 | 56,508 | (16,919) | 663,206 |
| Infrastructure | 10,111,065 | - | 10,111,065 | 369,379 | - | 10,480,444 |
| Total accumulated depreciation | 12,171,966 | - | 12,171,966 | 518,114 | (16,919) | 12,673,161 |
| Total capital assets being depreciated-net | 16,144,449 | - | 16,144,449 | 2,961,043 | (12,896) | 19,092,596 |
| Business-type activities capital assets-net | \$ 16,771,214 | \$ 1,448,555 | \$18,219,769 | \$ 3,103,562 | \$ (1,899,386) | \$ 19,423,945 |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 4 CAPITAL ASSETS

PRIMARY GOVERNMENT (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 60,315 |
| Public safety | 48,470 |
| Public works | 1,639,612 |
| Parks, arena, library | 291,980 |
| Transportation | 209,947 |
| Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets | <u>285,387</u> |
| Total depreciation expense - governmental activities | <u>\$ 2,535,711</u> |
| Business-type activities: | |
| Water and sewer utility | \$ 295,147 |
| Storm water utility | <u>222,967</u> |
| Total depreciation expense - business-type activities | <u>\$ 518,114</u> |

CONSTRUCTION COMMITMENTS

At December 31, 2014 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized as follows:

| <u>Project</u> | <u>Responsible Fund</u> | <u>Contract Amount</u> | <u>Remaining Commitment</u> |
|--|--------------------------------|------------------------|-----------------------------|
| Flood Control System Study | Capital Programs Fund | \$ 266,400 | \$ 179,589 |
| Wakota Arena Refrigeration System | Park Referendum Projects Fund | 1,445,326 | 16,143 |
| Wakota Arena Remodel (several contracts) | Park Referendum Projects Fund | 1,309,491 | 108,854 |
| Kaposia Park - Phase 1 Design | Park Referendum Projects Fund | 358,501 | 242,073 |
| Apron, Taxiway and Taxilane Reconstruction | Nonmajor Capital Projects Fund | 2,283,222 | 1,119,825 |
| Flood Control System Improvements - A | Nonmajor Capital Projects Fund | 2,258,896 | 144,905 |
| Oak Park Street Rehabilitation Phase 1 | Nonmajor Capital Projects Fund | <u>754,776</u> | <u>88,686</u> |
| Total all funds | | <u>\$ 8,676,612</u> | <u>\$ 1,900,075</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 4 CAPITAL ASSETS (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------------|-------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 1,205,927 | \$ 16,975 | \$ 7,450 | \$ 1,215,452 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 220,530 | 63,349 | 7,450 | 276,429 |
| Total capital assets being depreciated-net | 985,397 | (46,374) | - | 939,023 |
| Governmental activities capital assets-net | <u>\$ 985,397</u> | <u>\$ (46,374)</u> | <u>\$ -</u> | <u>\$ 939,023</u> |
| | Beginning Balance | Additions | Deletions | Ending Balance |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 265,675 | \$ - | \$ - | \$ 265,675 |
| Construction in progress | - | 1,212,280 | - | 1,212,280 |
| Total capital assets, not being depreciated | 265,675 | 1,212,280 | - | 1,477,955 |
| Capital assets, being depreciated: | | | | |
| Buildings and structures | 17,191,444 | 4,260 | 433 | 17,195,271 |
| Machinery and equipment | 69,832 | - | - | 69,832 |
| Total capital assets, being depreciated | 17,261,276 | 4,260 | 433 | 17,265,103 |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | 12,712,370 | 374,804 | 2,257 | 13,084,917 |
| Machinery and equipment | 52,761 | 2,439 | - | 55,200 |
| Total accumulated depreciation | 12,765,131 | 377,243 | 2,257 | 13,140,117 |
| Total capital assets being depreciated-net | 4,496,145 | (372,983) | (1,824) | 4,124,986 |
| Business-type activities capital assets-net | <u>\$ 4,761,820</u> | <u>\$ 839,297</u> | <u>\$ (1,824)</u> | <u>\$ 5,602,941</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 5 LONG-TERM DEBT

PRIMARY GOVERNMENT

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following debt service account for the accumulation of resources and payment of bond principal and interest and related costs on the following three categories of long-term debt.

Special Assessment Financing – used to account for the payment of principal and interest on bonds issued to fund the costs of constructing improvements benefiting specified properties in the City. Benefited properties are then assessed the share of the project costs and repay these assessments over a specified period of time at a stated interest rate.

General Purpose Financing – used to accumulate monies from property taxes for payment of general obligation bonds, which have been issued, to finance projects and other costs, which have not been assessed against benefiting properties.

Drinking Water Revolving Fund Loan – the Water and Sewer fund is responsible for accumulating resources to make the principal and interest payments on the loan.

Bonds outstanding at December 31, 2014 are as follows:

| | Final Maturities | Interest Rate | Original Amount | Outstanding 12/31/14 |
|------------------------------------|---------------------|------------------|----------------------|-------------------------|
| Special Assessment Bonds | 2015 - 2030 | 2.00% - 4.70% | \$ 6,035,000 | \$ 1,395,000 |
| General Obligation Bonds | 2018 - 2035 | 2.00% - 4.30% | 22,740,000 | 16,930,000 |
| Drinking Water Revolving Fund Loan | 2029 | 1.709% | 2,801,051 | 2,085,000 |
| | | | <u>\$ 31,576,051</u> | <u>\$ 20,410,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| | Governmental Activities | | Business-Type Activities | |
|-----------|-------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 700,000 | \$ 433,307 | \$ 123,000 | \$ 112,105 |
| 2016 | 2,165,000 | 366,825 | 250,000 | 102,871 |
| 2017 | 1,025,000 | 313,915 | 297,000 | 97,784 |
| 2018 | 1,060,000 | 286,799 | 300,000 | 92,214 |
| 2019 | 910,000 | 262,183 | 302,000 | 86,592 |
| 2020-2024 | 4,055,000 | 1,012,091 | 1,618,000 | 343,478 |
| 2025-2029 | 3,010,000 | 593,619 | 1,800,000 | 153,678 |
| 2030-2034 | 2,115,000 | 248,681 | 230,000 | 3,450 |
| 2035 | 450,000 | 7,594 | - | - |
| Total | <u>\$15,490,000</u> | <u>\$ 3,525,014</u> | <u>\$ 4,920,000</u> | <u>\$ 992,172</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 5 LONG-TERM DEBT

PRIMARY GOVERNMENT (CONTINUED)

All long-term bonded indebtedness outstanding at December 31, 2014 is backed by the full faith and credit of the City, including special assessment issues and the revolving fund loan. Bonds in the governmental activities will be retired by future property tax levies or special assessments accumulated in the specific debt services funds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. Delinquent special assessments in the governmental funds at December 31, 2014 were \$19,610.

Changes in long-term liabilities during December 31, 2014 are summarized as follows:

| | Balance 01/01/14 | Additions | Deletions | Balance 12/31/14 | Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Special assessment | \$ 2,475,000 | \$ - | \$ 1,080,000 | \$ 1,395,000 | \$ 110,000 |
| General obligation | 10,470,000 | 6,970,000 | 3,345,000 | 14,095,000 | 590,000 |
| Plus/(Less) deferred amounts: | | | | | |
| For issuance premium | 233,578 | 76,858 | 23,365 | 287,071 | - |
| Total bonds payable | 13,178,578 | 7,046,858 | 4,448,365 | 15,777,071 | 700,000 |
| Note payable | 115,776 | - | 37,549 | 78,227 | 37,549 |
| Capital lease | 1,151,594 | - | 111,192 | 1,040,402 | 104,149 |
| Net other postemployment benefit obligation | 994,446 | 452,455 | 357,433 | 1,089,468 | - |
| Compensated absences | 434,154 | 77,710 | 131,239 | 380,625 | 83,172 |
| Total governmental activities long-term debt | <u>\$ 15,874,548</u> | <u>\$ 7,577,023</u> | <u>\$ 5,085,778</u> | <u>\$ 18,365,793</u> | <u>\$ 924,870</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation | \$ 2,206,000 | \$ 2,835,000 | \$ 121,000 | \$ 4,920,000 | \$ 123,000 |
| Plus/(Less) deferred amounts: | | | | | |
| For issuance premium | - | 47,992 | 1,540 | 46,452 | - |
| Total business-type activities long-term debt | <u>\$ 2,206,000</u> | <u>\$ 2,882,992</u> | <u>\$ 122,540</u> | <u>\$ 4,966,452</u> | <u>\$ 123,000</u> |

Compensated absences and Net other postemployment benefit obligation are liquidated by the OPEB / Employee Benefits Internal Service Fund.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$380,625, the entire balance of compensated absences is recorded as a governmental activity. At year-end, \$1,089,468 of internal service funds other post-employment benefit obligation is included in the governmental activities above amounts.

Advance Crossover Refunding – On December 27, 2012, the City issued \$2,805,000 in General Obligation Refunding Bonds, Series 2012A with an average interest rate of 1.5537% to advance refund \$2,815,000 of outstanding 2006A Series Bonds with an average interest rate of 4.2577%. The net proceeds of \$2,871,073 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2014.

The City advance refunded the 2006A G.O. Capital Improvement Bonds to reduce its total debt service payments over the last thirteen years of the bond by \$498,028 and to obtain an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$447,282.

Note 5 LONG-TERM DEBT

PRIMARY GOVERNMENT (CONTINUED)

The City was responsible for the debt service of the refunded bonds until the crossover date and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date was payable from the escrow account.

Advance Crossover Refunding – On December 27, 2012, the City issued \$1,215,000 in General Obligation Refunding Bonds, Series 2012A with an average interest rate of 1.7109% to advance refund \$1,175,000 of outstanding 2008A Series Bonds with an average interest rate of 4.3912%. The net proceeds of \$1,239,420 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2016.

The City advance refunded the 2008A Improvement Bonds to reduce its total debt service payments over the last fifteen years of the bond by \$165,923 and to obtain an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$144,085.

The City is responsible for the debt service of the refunded bonds until the crossover date and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with the escrow agent total \$1,175,000 at December 31, 2014.

Bond Redemption – On May 5, 2014 the City called three outstanding bond issues for redemption on July 1, 2014. These issues were all amounts maturing on and after February 1, 2015 for the General Obligation Improvement Bonds Series 2005A, General Obligation Improvement Bonds Series 2005B, and the General Obligation Improvement Bonds Series 2007A. Funds on hand were used for the early redemption of these bonds.

Bonds Issued – On July 1, 2014, the City issued \$2,835,000 in General Obligation Bonds Series 2014A to fund the Water Meter Replacement Project and the Levee Lift Station and Piping Improvements Project. These bonds will be repaid from net revenues of the water utility and storm water utility systems. The bonds have interest rates from 2.0% to 3.0% on annual maturities ranging from \$125,000 to \$230,000 with the final maturity on February 1, 2030.

On July 1, 2014, the City issued \$6,970,000 in General Obligation Bonds Series 2014B to fund voter-approved improvements to Wakota Arena and the Kaposia Landing Park. These bonds will be repaid by a voter-approved tax levy. The bonds have interest rates from 2.000% to 3.375% on annual maturities ranging from \$275,000 to \$450,000 with the final maturity on February 1, 2035.

Other Long-Term Debt – In 2007, the City entered into an agreement with the State of Minnesota Department of Transportation for the financing of a 20 unit T-Hangar for storage of aircraft. This note is paid for by the Airport Special Revenue Fund. A summary of the financial terms are as follows:

| <u>Governmental Activities</u> | <u>Issue Date</u> | <u>Maturities</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Outstanding 12/31/14</u> |
|--------------------------------|-------------------|-------------------|----------------------|------------------------|-----------------------------|
| T-Hangar note payable | 2/1/2007 | 1/1/2017 | 0.00% | \$ 375,490 | \$ 78,227 |

Annual payments to maturity are \$37,549 in 2015, \$37,549 in 2016 and \$3,129 in 2017.

Note 5 LONG-TERM DEBT (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

A. BUSINESS-TYPE ACTIVITIES

1. General Obligation Debt

During 1999, the HRA obtained financing of two loans through the MHFA in the aggregate amount of \$211,980 to assist with the rehabilitation of the John Carroll Apartment windows. One loan in the amount of \$105,980 is due and payable on September 20, 2029. This is a noninterest bearing loan. The other loan in the amount of \$106,000 shall be deemed to be paid in full and no payment thereof shall be required after 20 years if no event of default occurs as described in the agreement. Both loans are reported under long-term liability section in the Statement of Net Position.

During 2002, the HRA obtained financing from Dakota County Community Development Agency in the amount of \$250,000 to assist with the rehabilitation of the Nan McKay Apartment windows. This is a noninterest bearing loan and is due and payable on October 28, 2017.

In addition, during 2002, the HRA obtained financing through Wells Fargo for an Energy Performance Contract with Johnson Controls. A similar financing arrangement was arranged for in 2009 in the amount of \$624,325. These contracts are to assist with energy conservation improvements at the Nan McKay and John Carroll Buildings. The interest rate on the 2002 loan is 4.89% and is payable quarterly in the amount of \$7,799. The 2002 loan is due on October 28, 2017. The balance at December 31, 2014 was \$0. The interest rate on the 2009 loan is 5.37%, payable monthly in the amount of \$5,058 and is due on April 1, 2024. The balance at December 31, 2014 was \$441,744. The total outstanding energy performance loans totaled \$441,744 at December 31, 2014.

These quarterly and monthly debt payments will be retired through annual energy savings obtained by these improvements. Johnson Controls will reimburse the HRA for any shortfall of energy savings to cover the debt payments.

During 2012, the HRA obtained financing for the Bridgepoint Station property in the amount of \$680,000 in the form of a contract for deed mortgage note. The annual interest rate is 4% with semiannual payments of \$121,398 ending January 31, 2015. The debt was paid in full during the year ending at December 31, 2014.

During 2013, the Authority obtained financing from the MHFA in the amount of \$368,734 to assist with the rehabilitation of the Nan McKay Apartment elevators. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 20 years if no event of default occurs as described in the agreement.

Annual debt service requirements for business-type activities long-term general obligation debt are as follows:

| | Principal | Interest | Total |
|-----------------|---------------------|-------------------|---------------------|
| 2015 | \$ 37,902 | \$ 22,797 | \$ 60,699 |
| 2016 | 39,988 | 20,711 | 60,699 |
| 2017 | 42,189 | 18,510 | 60,699 |
| 2018 | 44,511 | 16,189 | 60,700 |
| 2019 | 46,961 | 13,739 | 60,700 |
| 2020-2024 | 230,193 | 27,780 | 257,973 |
| Forgivable debt | 830,714 | - | 830,714 |
| Total | \$ 1,272,458 | \$ 119,726 | \$ 1,392,184 |

Note 5 LONG-TERM DEBT

**DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY
 (CONTINUED)**

B. GOVERNMENTAL ACTIVITIES

1. \$1,750,000 Lease Revenue Bonds

The HRA issued in 2007 for the purpose of providing funds to finance construction of a building on the City Municipal Airport to house manufacturing facilities of Ballistic Recovery Systems, Inc. (BRS), an entity engaged in developing and commercializing whole-aircraft emergency recovery parachute systems for use with general aviation and recreational aircraft. The City will lease the land and improvements from the HRA pursuant to a lease-purchase agreement. Under the lease, rental payments are to be made by the City in amounts sufficient to pay the principal and interest on the bonds when due. The City will, in turn, sublease the property and pledges base rent payments to the HRA subject to the City’s right to terminate the lease at the end of any fiscal year in the event of nonappropriation of funds. Bonds maturing in 2019 in the amount of \$710,000 have a stated interest rate of 4.7% and bonds maturing in 2029 in the amount of \$1,040,000 have a stated interest rate of 5.125%. The BRS Debt Service Fund is responsible for liquidation of this debt. The balance outstanding at December 31, 2014 was \$1,405,000.

The HRA issued bonds in 2010 in the amount of \$1,245,000 for the purpose of providing funds for the purchase of capital equipment. Under the lease, payments are to be made by the City in amounts sufficient to pay the principal and interest on the bonds when due. The bond matures in 2020 and has a stated interest rate of 0.9%-3.2%. The Metro Fire Bond Fund is responsible for the liquidation of this debt. The balance outstanding at December 31, 2014 was \$855,000.

Annual debt service requirements for the lease revenue bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|-------------------|---------------------|
| 2015 | \$ 200,000 | \$ 91,925 | \$ 291,925 |
| 2016 | 205,000 | 86,102 | 291,102 |
| 2017 | 215,000 | 79,440 | 294,440 |
| 2018 | 220,000 | 72,065 | 292,065 |
| 2019 | 230,000 | 64,185 | 294,185 |
| 2020-2024 | 620,000 | 223,031 | 843,031 |
| 2025-2029 | <u>570,000</u> | <u>87,125</u> | <u>657,125</u> |
| Total | <u>\$ 2,260,000</u> | <u>\$ 703,873</u> | <u>\$ 2,963,873</u> |

Note 5 LONG-TERM DEBT

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

B. GOVERNMENTAL ACTIVITIES (CONTINUED)

2. Special Assessments

During 2006, the City special assessed property owned by the HRA in the 1979 Concord Street Tax Increment District for street and utility improvements in the amount of \$731,420. These assessments are due over a 10 year period at 0% interest.

Annual debt service requirements for the TIF special assessments are as follows:

| | <u>Principal</u> |
|-------|------------------|
| 2015 | \$ 47,357 |
| 2016 | 47,356 |
| Total | <u>\$ 94,713</u> |

All business-type long-term debt will be liquidated by the Low Rent Housing Fund.

C. CHANGES IN LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2014 was as follows:

| | <u>Balance</u> 01/01/14 | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> 12/31/14 | <u>Due Within</u> <u>One Year</u> |
|---|----------------------------|------------------|-------------------|----------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| Lease revenue bonds | \$ 2,455,000 | \$ - | \$ 195,000 | \$ 2,260,000 | \$ 200,000 |
| Special assessment | 142,072 | - | 47,359 | 94,713 | 47,357 |
| Compensated absences/severance payable | 11,981 | 9,236 | 1,205 | 20,012 | 13,008 |
| Total governmental activities long-term debt | <u>\$ 2,609,053</u> | <u>\$ 9,236</u> | <u>\$ 243,564</u> | <u>\$ 2,374,725</u> | <u>\$ 260,365</u> |
| Business-type activities: | | | | | |
| 1999 MHFA | \$ 105,980 | \$ - | \$ - | \$ 105,980 | \$ - |
| 1999 MHFA | 106,000 | - | - | 106,000 | - |
| 2013 MHFA | 368,734 | - | - | 368,734 | - |
| 2002 CDA | 250,000 | - | - | 250,000 | - |
| Mortgage Note | 350,096 | - | 350,096 | - | - |
| Energy Performance | 507,934 | - | 66,190 | 441,744 | 37,902 |
| Compensated absences/severance payable | 122,271 | 56,732 | 49,685 | 129,318 | 84,057 |
| Total business-type activities long-term debt | <u>\$ 1,811,015</u> | <u>\$ 56,732</u> | <u>\$ 465,971</u> | <u>\$ 1,401,776</u> | <u>\$ 121,959</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 6 FUND EQUITY

A. NET POSITION

Net position reported in the government-wide statement of net position at December 31, 2014, include the following:

| | |
|--|----------------------|
| Net investment in capital assets: | |
| Land and easements | \$ 10,019,234 |
| Construction in progress | 8,236,402 |
| Other capital assets, net of depreciation | 47,995,315 |
| Less: related long-term debt outstanding | <u>(11,808,235)</u> |
| Total net investment in capital assets | <u>54,442,716</u> |
| Restricted: | |
| Debt service | 2,224,750 |
| Park improvements | 4,026,725 |
| Library funding | 115,672 |
| Forfeitures | 11,182 |
| Community relations | 22,172 |
| Memorial funding | 4,195 |
| Lawful purposes | <u>11,495</u> |
| Total restricted | <u>6,416,191</u> |
| Unrestricted | <u>9,209,143</u> |
| Total governmental activities net position | <u>\$ 70,068,050</u> |

Business-type Activities

| | |
|---|----------------------|
| Net investment in capital assets: | |
| Land and easements | 329,100 |
| Construction in progress | 2,249 |
| Other capital assets, net of depreciation | 19,092,596 |
| Less: related long-term debt outstanding | <u>(4,796,594)</u> |
| Total net investment in capital assets | <u>14,627,351</u> |
| Unrestricted | <u>7,003,502</u> |
| Total business-type activities net position | <u>\$ 21,630,853</u> |

Related debt for business-type activities capital assets includes \$2,085,000 in general obligation revenue bonds, \$46,452 in premium on bonds issued, and \$2,665,142 in general obligation bonds, the amount issued to finance the storm water utility Levee Lift Station included in the Floodwall Construction project. The remaining \$169,858 of general obligation bonds was issued to finance piping improvements and replacements (included with the governmental activities capital assets) that will be capitalized when the project is complete.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 6 FUND EQUITY (CONTINUED)

A. FUND BALANCES

At December 31, 2014, a summary of the City's governmental fund balance classifications are as follows:

| | General Fund | Wakota Arena | Airport | Capital Programs | 2014 Local Improvements | Park Referendum Projets | Other Nonmajor Governmental | Total |
|-------------------------|--------------|--------------|--------------|------------------|-------------------------|-------------------------|-----------------------------|---------------|
| Nonspendable: | | | | | | | | |
| Prepaid Items | \$ 4,380 | \$ - | \$ 485 | \$ 10,978 | \$ - | \$ - | \$ - | \$ 15,843 |
| Inventory | - | - | 47,560 | - | - | - | - | 47,560 |
| Total nonspendable | 4,380 | - | 48,045 | 10,978 | - | - | - | 63,403 |
| Restricted for: | | | | | | | | |
| Debt Service | - | - | - | - | - | - | 2,302,276 | 2,302,276 |
| Park Improvements | - | - | - | - | - | 3,872,465 | 154,260 | 4,026,725 |
| Community Relations | - | - | - | - | - | - | 22,172 | 22,172 |
| Forfeitures | - | - | - | - | - | - | 11,182 | 11,182 |
| Lawful Purposes | - | - | - | - | - | - | 11,495 | 11,495 |
| Memorial Funding | - | - | - | - | - | - | 4,195 | 4,195 |
| Library Funding | - | - | - | - | - | - | 115,672 | 115,672 |
| Total restricted | - | - | - | - | - | 3,872,465 | 2,621,252 | 6,493,717 |
| Committed for: | | | | | | | | |
| Working Capital | 4,590,970 | - | - | - | - | - | - | 4,590,970 |
| Central Square | - | - | - | - | - | - | 31,318 | 31,318 |
| Total committed | 4,590,970 | - | - | - | - | - | 31,318 | 4,622,288 |
| Assigned for: | | | | | | | | |
| Working Capital | - | - | - | 5,209,068 | - | - | 2,105,980 | 7,315,048 |
| Future equipment | - | - | - | - | - | - | 274,835 | 274,835 |
| Other Purposes | - | - | - | - | - | - | 130,261 | 130,261 |
| Total assigned | - | - | - | 5,209,068 | - | - | 2,511,076 | 7,720,144 |
| Unassigned: | | | | | | | | |
| General fund | 4,785,607 | - | - | - | - | - | - | 4,785,607 |
| Wakota Arena | - | (872,767) | - | - | - | - | - | (872,767) |
| Airport | - | - | (900,926) | - | - | - | - | (900,926) |
| 2014 Local Improvements | - | - | - | - | (898,204) | - | - | (898,204) |
| Nonmajor Governmental | - | - | - | - | - | - | (1,666,520) | (1,666,520) |
| Total unassigned | 4,785,607 | (872,767) | (900,926) | - | (898,204) | - | (1,666,520) | 447,190 |
| Total | \$ 9,380,957 | \$ (872,767) | \$ (852,881) | \$ 5,220,046 | \$ (898,204) | \$ 3,872,465 | \$ 3,497,126 | \$ 19,346,742 |

Note 7 RETIREMENT PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION

All full-time and certain part-time employees of the City 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.

Note 7 RETIREMENT PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION (CONTINUED)

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 five 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 a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 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 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.

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 be 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 GERF 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.

B. 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, and 15.3% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$263,524, \$248,045, and \$237,014, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2014, 2013, and 2012 were \$340,635, \$291,073, and \$287,768, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 7 RETIREMENT PLANS

B. FUNDING POLICY (CONTINUED)

Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

C. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) – DEFINED CONTRIBUTION

PLAN DESCRIPTION

Three council members of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Benefit Provisions and Contribution Rates

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The City's contributions to the Public Employees Defined Contribution Plan for 2014, 2013, and 2012 were \$1,803, \$1,720, and \$1,170, respectively, which were equal to the contractually required contributions as set by state statute.

Note 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

1. Plan Description

The City provides postemployment health care benefits for retirees and police disabled in the line of duty through a single-employer defined benefit plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 subdivision 2b and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report.

2. Benefits Provided and Current Participants

Under specific collective bargaining unit agreements, active employees, who retire from the City, may continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program until age 65. Pursuant to the provisions of the collective bargaining unit agreements, retirees are required to pay the same premium cost as if they were an active employee. As of December 31, 2014 there were 78 active participants and 26 retired participants receiving benefits from the City's health plans.

3. Funding Policy

The City funds its OPEB obligation on a pay as you go basis.

Note 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

4. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

| | |
|--|----------------------------|
| Annual Required Contribution | \$ 470,186 |
| Interest on Net OPEB Obligation | 39,778 |
| Adjustment to ARC | <u>(57,509)</u> |
| Annual OPEB Cost (Expense) | 452,455 |
| Employer Contributions: | |
| Direct | (204,671) |
| Indirect-Implicit Rate Subsidy | <u>(152,762)</u> |
| Increase in Net OPEB Obligation | 95,022 |
| Net OPEB Obligation- beginning of year | 994,446 |
| Net OPEB Obligation- end of year | <u><u>\$ 1,089,468</u></u> |

The net other postemployment benefit obligation is generally charged back to the fund in which the retiree originally worked, the most significant amounts are liquidated from the General Fund.

The City had an actuarial valuation performed for the plan as of January 1, 2014 to determine the funded status of the plan as of that date as well as the employer's ARC for the fiscal year ended December 31, 2014. The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the prior two years:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|---|---------------------------|
| 12/31/2012 | \$ 375,733 | 86.5% | \$ 923,959 |
| 12/31/2013 | 374,133 | 81.2% | 994,446 |
| 12/31/2014 | 452,455 | 79.0% | 1,089,468 |

5. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$4,985,460. The annual payroll for active employees covered by the plan in the actuarial valuation was \$5,849,251 for a ratio of UAAL to covered payroll of 85.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

6. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5% after eight years. The inflation rate was assumed to be 3%. The UAAL is being amortized as a level dollar amount over a 30-year open period.

Note 9 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

The composition of interfund balances at December 31, 2014 is as follows:

| <u>Advances to Other Funds</u> | <u>Advances From Other Funds</u> | <u>Amount</u> |
|--------------------------------|----------------------------------|---------------------|
| | Major Governmental Funds: | |
| General Fund | Wakota Arena | \$ 969,861 |
| General Fund | Airport | 1,002,916 |
| General Fund | 2014 Local Improvements | 862,184 |
| | Nonmajor Governmental Funds: | |
| General Fund | Airport Improvements | 3,549 |
| Capital Prograns Fund | Airport Improvements | 784,881 |
| General Fund | Floodwall Construction | 815,541 |
| General Fund | 2010 Local Improvements | 350,303 |
| General Fund | 2013 Local Improvements | 523,911 |
| | Total | <u>\$ 5,313,146</u> |

Interfund loans (“advances”) are needed to alleviate cash deficits in individual funds during the course of the year and for purposes of the financial statements at year end. The fund which requires the loan will pay interest on the actual amount of the cash borrowed which shall be the minimum needed. The amount of interest charged and paid will be based on the fund cash deficit and the current yields on the City’s short term investment portfolio.

Interfund transfers:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 9 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS (CONTINUED)

| | Transfer In | | | | | | | | Total |
|--------------------------|--------------|--------------|---------------------------------|------------------|-------------------------|-----------------------|----------------------|----------------|--------------|
| | General Fund | Wakota Arena | 2006A Capital Improvement Bonds | Capital Programs | 2014 Local Improvements | Nonmajor Governmental | Street Light Utility | Central Garage | |
| Transfer out: | | | | | | | | | |
| General Fund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,194 | \$ 20,000 | \$ - | \$ 25,194 |
| Wakota Arena | - | - | - | - | - | 161,768 | - | - | 161,768 |
| Airport | - | - | - | - | - | 212,600 | - | - | 212,600 |
| Capital Programs | - | - | - | - | 92,383 | 49,848 | - | - | 142,231 |
| Park Referendum Projects | - | 52,674 | - | 11,111 | - | - | - | - | 63,785 |
| Nonmajor Governmental | - | - | 48,695 | 560,408 | - | - | - | 110,505 | 719,608 |
| Water and Sewer Utility | 100,000 | - | - | - | 123,245 | 94,804 | - | - | 318,049 |
| Storm Water Utility | 40,000 | - | - | - | 35,151 | 248,084 | - | - | 323,235 |
| Street Light Utility | 20,000 | - | - | - | - | - | - | - | 20,000 |
| Total transfers | \$ 160,000 | \$ 52,674 | \$ 48,695 | \$ 571,519 | \$ 250,779 | \$ 772,298 | \$ 20,000 | \$ 110,505 | \$ 1,986,470 |

Note 10 OPERATING LEASES

A. BALLISTIC RECOVERY SYSTEM, INC. LEASE

On December 3, 2007, \$1,750,000 Lease Revenue bonds, Series 2007 were issued by the HRA for the purpose of providing funds to finance construction of a building on the Municipal Airport to house manufacturing facilities of Ballistic Recovery Systems, Inc. (BRS), an entity engaged in developing and commercialising whole-aircraft emergency recovery parachute systems for use with general aviation and recreation aircraft. The City will lease the land and improvements from the HRA pursuant to a lease-purchase agreement. Under the lease, rental payments are to be made by the City in amounts sufficient to pay the principal of and interest on the bonds when due. The City has, in turn; sublet the property and pledges base rent payments to the HRA subject to the City's right to terminate the lease at the end of any fiscal year in the event of non-appropriation of funds.

The scheduled base rent payments to the City as of December 31, 2014 are as follows:

| | Payment |
|-----------|--------------|
| 2015 | \$ 176,753 |
| 2016 | 178,091 |
| 2017 | 179,496 |
| 2018 | 180,968 |
| 2019 | 171,513 |
| 2020-2024 | 881,616 |
| 2025-2028 | 730,296 |
| Total | \$ 2,498,733 |

Upon the completion of the lease agreement between the City and the HRA, the City will purchase the building for \$1 qualifying it as a capital lease agreement. See Note 11 for more information on the capital lease.

Note 10 OPERATING LEASES (CONTINUED)

B. FLEMING FIELD MUNICIPAL AIRPORT HANGAR LEASES

The City leases land to individuals and business at Fleming Field. The City has three different types of leases. T-Hangar lease is a portion of a larger building at Fleming Field that will fit only one aircraft. Land leases are leases of hangar buildings in the West Hangar Area of Fleming Field. Building leases are leases of the old WWII bowstring hangars.

Lease Basics:

1. T-Hangar lease - One year in duration, and the rate is based on the market rate.
2. Land lease - 10 year initial term which can be extended for two additional 10 year terms if the lease is in good standing. Rates are based on square footage and are adjusted annually by 3% and an additional ½ cent per square foot.
3. Building lease – 20 year lease with rent adjustment based on CPI.
4. Insurance – All tenants are required to carry \$1,000,000 of insurance and name the City as an additional insured.
5. Tenant Financing – The City does allow the owners to mortgage their hangars, this requires a second agreement, Lessor’s Consent to Financing Agreement, that must be approved by the City Council. The agreement binds the “bank” to the original lease and the City to notify the “bank” of any defaults of the lease.
6. Lease Assignment – The Land lease allows tenants to assign the lease with approval from the City Council.

As of December 31, 2014, the City’s hangar lease tenants were 33 T-Hangar leases, 84 Land leases, and 6 Building leases. The City’s airport hangar lease revenue for the year ended December 31, 2014 was \$415,689.

Note 11 CAPITAL LEASE

The City entered into an agreement dated December 1, 2007 to lease a building located at 380 Airport Road from the HRA. The lease continues through August 15, 2029 and upon completion of the lease agreement the City will purchase the building for \$1. This lease is paid for by the 380 Airport Road Capital Projects Fund.

The City lease payments to the HRA as of December 31, 2014 are as follows:

| | Payment |
|---|--------------|
| 2015 | \$ 147,456 |
| 2016 | 149,400 |
| 2017 | 151,110 |
| 2018 | 147,586 |
| 2019 | 143,060 |
| 2020-2024 | 695,634 |
| 2025-2029 | 662,128 |
| Total Minimum Lease Payable | 2,096,374 |
| Less Amount Representing Interest | 1,079,154 |
| Present Value of Minimum Lease Payments | \$ 1,017,220 |

Note 11 CAPITAL LEASE (CONTINUED)

The prorated carrying value of the building being leased is as follows:

| | |
|--------------------------------|----------------------------|
| Capital lease - building | \$ 1,783,901 |
| Less: Accumulated Depreciation | <u>249,698</u> |
| Net Asset Value | <u><u>\$ 1,534,203</u></u> |

In December 2013, the City entered into capital leases for the purchase of four copiers for various departments. The leases continue through November 2018 and upon completion of the lease agreement the City will purchase the copiers for \$1 each. This lease is paid for by the Equipment Acquisition Capital Projects Fund. The lease payments as of December 31, 2014 are as follows:

| | |
|---|-------------------------|
| | <u>Payment</u> |
| 2015 | \$ 6,222 |
| 2016 | 6,222 |
| 2017 | 6,222 |
| 2018 | <u>5,704</u> |
| Total Minimum Lease Payable | 24,370 |
| Less Amount Representing Interest | <u>1,187</u> |
| Present value of minimum lease payments | <u><u>\$ 23,183</u></u> |

The prorated carrying value of the assets being leased is as follows:

| | |
|--------------------------------|-------------------------|
| Capital lease - equipment | \$ 29,202 |
| Less: Accumulated Depreciation | <u>5,837</u> |
| Net | <u><u>\$ 23,365</u></u> |

Note 12 JOINT VENTURES

A. SPECIAL SCHOOL DISTRICT NO. 6

1. The City entered into a joint powers agreement with Special School District No. 6 in July of 2000. The agreement provides for the operation of the School District owned Central Square Community Center building. The City participates as the operator of recreational programs and shares in the net cost of providing those programs. In July 2004, the City took over the fiscal agency under the agreement and is responsible for all financial reporting while the School District remains the owner and operator of the building. The City provides employees to run the recreational programs and is partially reimbursed by the School District for salary and benefits.
2. The City entered into a joint powers agreement with Special School District No. 6 in September of 2010. The agreement provides for two city officers to be assigned to the High School, during the school year as School Resource Officers. The City employs and temporarily assigns the two licensed peace officers to serve as the School Resource Officers. The parties agree and acknowledge that the School Resource Officers shall not be considered employees of the District and that the City is partially reimbursed by the School District for salary and benefits.

Note 12 JOINT VENTURES

A. SPECIAL SCHOOL DISTRICT NO. 6 (CONTINUED)

3. Information regarding the Special School District No. 6 can be obtained at the website www.sspps.org or by contacting the District's Business Manager at 104 Fifth Avenue South, South St. Paul, Minnesota, 55075. Telephone 651-457-9428.

B. JOINT POWERS DEBT COMMITMENT

On August 25, 2005 the City entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the abovementioned cities and county, (members). Pursuant to the joint powers agreement, members are required to provide DCC their pro rata share of cost of operations and maintenance, and capital projects.

On May 1, 2007, the DCC issued Public Safety Revenue Bonds, Series 2007 in the amount of \$7,315,000 to provide financing for the acquisition of equipment and reimbursement for conversion costs. The bonds are special obligations of the DCC, payable from revenues to be received from members. Pursuant to the joint powers agreement, members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the bonds. The bonds matured February 1, 2014.

The City's debt payments for the year ending December 31, 2014 were \$3,081.

Information regarding the Dakota Communications Center can be obtained at the website www.mn-dcc.org/stats.asp or by contacting the Finance department at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044, phone 952-985-4482.

C. SOUTH METRO FIRE DEPARTMENT

On October 25, 2005, the City entered into a joint powers agreement with the City of West St. Paul to consolidate the cities of South St. Paul and West St. Paul fire departments thereby creating a new entity known as the South Metro Fire Department (SMFD) as of January 1, 2008. The SMFD is governed by a five-member board of directors (Board) that include two council members from each city, and one public member which is not an employee nor a resident of either city. Financial statements of the SMFD can be obtained from SMFD offices at South Metro Fire Department, 1616 Humboldt Avenue, West St. Paul, MN 55118.

As required by the agreement, the City transferred fire department property and equipment to the SMFD on January 1, 2008, retaining its rights to these assets in the event of SMFD's dissolution.

The activities of the SMFD will continue to be funded entirely by the cities of South St. Paul and West St. Paul, with each contributing an equal share of the SMFD annual budget which must be approved by the Board by a four-fifths vote of all of its members. The City's annual payments for the year ending December 31, 2014 were \$1,849,300. In addition, each city performed in-kind contributed services of approximate equal value during 2014 with additional service agreements in future years.

Note 12 JOINT VENTURES

C. SOUTH METRO FIRE DEPARTMENT (CONTINUED)

The HRA issued bonds in 2010 in the amount of \$1,245,000 for the purpose of providing funds for the purchase of SMFD capital equipment. Under an agreement, payments are to be made by the cities of South St. Paul and West St. Paul, with each contributing an equal share sufficient to pay the principal and interest on the bonds when due. These payments are made by the 2010A Capital Equipment Revenue Bonds debt service fund. The bond matures in 2020 and has a stated interest rate of 0.9%-3.2%. The balance outstanding at December 31, 2014 was \$985,000.

The City's annual payments for the year ending December 31, 2014 were \$76,500. The City's future commitments to make payments as of December 31, 2014 are as follows:

| | <u>Payment</u> |
|-------|-------------------|
| 2015 | \$ 77,627 |
| 2016 | 78,575 |
| 2017 | 79,255 |
| 2018 | 79,725 |
| 2019 | <u>77,400</u> |
| Total | <u>\$ 392,582</u> |

D. LOCAL GOVERNMENT INFORMATION SYSTEMS ASSOCIATION (LOGIS)

This consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of its board, and the Consortium is fiscally independent of the City. The total amount recorded within the 2014 financial statements of the City was \$209,517 for services provided. Complete financial statements may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

Note 13 COMMITMENTS AND CONTINGENCIES

A. 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 purchased various insurance coverage (general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, petro fund and open meeting law) through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to the LMCIT for its insurance coverage. Liability insurance provides for coverage for \$1,000,000 per occurrence. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota Statutes 466.04) provide limits of liability for certain kinds of claims. The amount of settlements have not exceeded insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance compared to prior year.

Note 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. LITIGATION

The City is the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. FEDERAL, STATE AND LOCAL FUNDS

The City receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2014.

Note 14 CHANGE IN ACCOUNTING PRINCIPLE

DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT AUTHORITY

For the year ended December 31, 2014, the Authority reevaluated governmental and enterprise funds to ensure proper classification between governmental and business type activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, certain funds were reclassified resulting in a change in accounting principle adjustment of \$ 6,701,484 on the Statement of Activities between governmental and business type activities. Also, an adjustment was made for \$ 498,177 for funds reclassified as governmental funds to adjust beginning fund balance to modified accrual and the Authority's initial intent when the funds were created was to commit resources for the purpose of the funds.

Note 15 PRIOR PERIOD ADJUSTMENT

PRIMARY GOVERNMENT

During 2014, the City reclassified the costs associated with the Water Meter Replacement Project from the Water Meter and Equipment Capital Projects Fund to the Water and Sewer Utility Enterprise Fund. The project, completed in 2014, was funded by a portion of the 2014A General Obligation Bonds which are to be repaid from net revenues of the water system. This reclassification resulted in an increase in the fund balance of the Water Meter & Equipment Capital Projects Fund and an increase in Construction in Progress in the Water and Sewer Utility Enterprise Fund of \$1,448,555 as of January 1, 2014. This reclassification did not affect the net position of the Water and Sewer Utility Enterprise Fund as of January 1, 2014.

On the Statement of Net Position, Construction in Progress was transferred from the Governmental Activities to the Business-type Activities as of January 1, 2014, with no effect on net position.

Note 16 SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On January 8, 2015, the City issued the \$1,815,000 Taxable General Obligation Tax Increment Bonds Series 2015A to finance the acquisition of land in the South St. Paul Housing and Redevelopment Authority's Concord Street Tax Increment Financing District No. 2 located in the City. The City anticipates that the debt service will be paid from tax increment revenues generated by existing development within the Concord Street Tax Increment Financing District No. 2. The bonds have interest rates from 1.5% to 3.1% on annual maturities ranging from \$165,000 to \$200,000 with the final maturity on February 1, 2025.

On March 16, 2015, the City Council approved Resolution 2015-027 establishing an Economic Development Authority (EDA) in the City of South St. Paul. The City anticipates that the EDA will be reported as a blended component unit in the City's financial statements in accordance with generally accepted accounting principles.

Note 17 RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB recently approved the following statements, which were not implemented for these financial statements. The effect these standards may have on future financial statements is not determinable at this time.

Statement No. 68 *Accounting and Financial Reporting for Pensions*. The provisions of this statement are effective for periods beginning after June 15, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2014

Statement 10
Page 1 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| General property taxes | | | | |
| Current | \$ 4,671,217 | \$ 4,671,217 | \$ 4,600,835 | \$ (70,382) |
| Excess TIF | 235,000 | 235,000 | 356,956 | 121,956 |
| Delinquent | - | - | 100,664 | 100,664 |
| Fiscal disparities | 2,355,240 | 2,355,240 | 2,338,942 | (16,298) |
| Other | - | - | 8,399 | 8,399 |
| Total general property taxes | <u>7,261,457</u> | <u>7,261,457</u> | <u>7,405,796</u> | <u>144,339</u> |
| Franchise tax | <u>750,000</u> | <u>750,000</u> | <u>866,070</u> | <u>116,070</u> |
| Licenses and permits | <u>360,050</u> | <u>360,050</u> | <u>395,402</u> | <u>35,352</u> |
| Intergovernmental | | | | |
| State | | | | |
| Local government aid | 1,408,670 | 1,408,670 | 1,408,670 | - |
| Road maintenance | 213,500 | 213,500 | 220,209 | 6,709 |
| Fire and police aids | 179,000 | 179,000 | 210,825 | 31,825 |
| Other | 1,500 | 1,500 | 42,333 | 40,833 |
| County | | | | |
| Gravel tax | 30 | 30 | - | (30) |
| Road maintenance | 35,275 | 35,275 | 35,368 | 93 |
| Recycling grant | 21,300 | 21,300 | 23,000 | 1,700 |
| Local | <u>135,905</u> | <u>135,905</u> | <u>141,585</u> | <u>5,680</u> |
| Total intergovernmental | <u>1,995,180</u> | <u>1,995,180</u> | <u>2,081,990</u> | <u>86,810</u> |
| Charges for services | | | | |
| General government | 420,720 | 420,720 | 422,181 | 1,461 |
| Public safety | 7,000 | 7,000 | 3,329 | (3,671) |
| Public works | 7,500 | 7,500 | 3,983 | (3,517) |
| Community development | 42,000 | 42,000 | 61,405 | 19,405 |
| Parks and recreation | 193,000 | 193,000 | 172,856 | (20,144) |
| Administrative fee - other funds | 432,400 | 432,400 | 432,737 | 337 |
| Engineering project fees | 180,657 | 180,657 | 164,865 | (15,792) |
| Rents | <u>113,279</u> | <u>113,279</u> | <u>113,536</u> | <u>257</u> |
| Total charges for services | <u>1,396,556</u> | <u>1,396,556</u> | <u>1,374,892</u> | <u>(21,664)</u> |
| Fines and forfeits | <u>99,000</u> | <u>99,000</u> | <u>102,268</u> | <u>3,268</u> |
| Special assessments | - | - | 8,009 | 8,009 |
| Miscellaneous | | | | |
| Investment income | 55,000 | 55,000 | 84,486 | 29,486 |
| Change in fair value of investments | - | - | 69,774 | 69,774 |
| Other | <u>28,000</u> | <u>28,000</u> | <u>49,706</u> | <u>21,706</u> |
| Total miscellaneous | <u>83,000</u> | <u>83,000</u> | <u>203,966</u> | <u>120,966</u> |
| Total revenues | <u>11,945,243</u> | <u>11,945,243</u> | <u>12,438,393</u> | <u>493,150</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2014

Statement 10
Page 2 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------|------------------|----------------|----------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| General government | | | | |
| Mayor and city council | | | | |
| Current | | | | |
| Personal services | \$ 56,256 | \$ 56,341 | \$ 54,958 | \$ 1,383 |
| Materials and supplies | 350 | 350 | - | 350 |
| Other services and charges | 34,851 | 34,851 | 30,098 | 4,753 |
| Miscellaneous | 24,780 | 24,780 | 24,330 | 450 |
| Total mayor and city council | <u>116,237</u> | <u>116,322</u> | <u>109,386</u> | <u>6,936</u> |
| City administration | | | | |
| Current | | | | |
| Personal services | 343,387 | 352,730 | 341,958 | 10,772 |
| Materials and supplies | 4,950 | 4,950 | 4,680 | 270 |
| Other services and charges | 70,074 | 70,074 | 65,959 | 4,115 |
| Miscellaneous | 4,229 | 4,229 | 4,579 | (350) |
| Total city administration | <u>422,640</u> | <u>431,983</u> | <u>417,176</u> | <u>14,807</u> |
| City attorney | | | | |
| Current | | | | |
| Other services and charges | 223,300 | 223,300 | 223,893 | (593) |
| Total city attorney | <u>223,300</u> | <u>223,300</u> | <u>223,893</u> | <u>(593)</u> |
| City clerk | | | | |
| Current | | | | |
| Personal services | 155,194 | 157,689 | 152,057 | 5,632 |
| Materials and supplies | 6,720 | 6,720 | 6,151 | 569 |
| Other services and charges | 18,200 | 18,297 | 16,727 | 1,570 |
| Miscellaneous | 200 | 200 | 70 | 130 |
| Total city clerk | <u>180,314</u> | <u>182,906</u> | <u>175,005</u> | <u>7,901</u> |
| Information technology | | | | |
| Current | | | | |
| Personal services | 102,971 | 106,733 | 106,603 | 130 |
| Materials and supplies | 14,859 | 11,859 | 8,263 | 3,596 |
| Other services and charges | 56,900 | 59,900 | 59,079 | 821 |
| Total information technology | <u>174,730</u> | <u>178,492</u> | <u>173,945</u> | <u>4,547</u> |
| City finance | | | | |
| Current | | | | |
| Personal services | 336,090 | 340,741 | 335,815 | 4,926 |
| Materials and supplies | 5,493 | 5,493 | 5,006 | 487 |
| Other services and charges | 89,061 | 89,061 | 92,837 | (3,776) |
| Miscellaneous | 11,420 | 11,420 | 5,912 | 5,508 |
| Capital outlay | 1,100 | 1,100 | 1,278 | (178) |
| Total city finance | <u>443,164</u> | <u>447,815</u> | <u>440,848</u> | <u>6,967</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2014

Statement 10
Page 3 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------|------------------|------------------|------------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| General government (continued) | | | | |
| Recycling | | | | |
| Current | | | | |
| Personal services | \$ 31,717 | \$ 32,401 | \$ 29,997 | \$ 2,404 |
| Materials and supplies | 1,000 | 1,000 | 776 | 224 |
| Other services and charges | 18,065 | 18,065 | 13,160 | 4,905 |
| Miscellaneous | 2,650 | 2,650 | 1,582 | 1,068 |
| Total recycling | <u>53,432</u> | <u>54,116</u> | <u>45,515</u> | <u>8,601</u> |
| Total general government | <u>1,613,817</u> | <u>1,634,934</u> | <u>1,585,768</u> | <u>49,166</u> |
| Public safety | | | | |
| Police | | | | |
| Current | | | | |
| Personal services | 3,386,541 | 3,526,137 | 3,564,682 | (38,545) |
| Materials and supplies | 77,525 | 77,525 | 75,446 | 2,079 |
| Other services and charges | 1,003,845 | 1,003,845 | 982,734 | 21,111 |
| Miscellaneous | 32,884 | 32,884 | 33,375 | (491) |
| Capital outlay | 18,500 | 18,500 | 16,749 | 1,751 |
| Total police | <u>4,519,295</u> | <u>4,658,891</u> | <u>4,672,986</u> | <u>(14,095)</u> |
| Fire | | | | |
| Current | | | | |
| Personal services | 37,180 | 37,180 | 37,171 | 9 |
| Other services and charges | 1,905,486 | 1,905,486 | 1,905,486 | - |
| Total fire | <u>1,942,666</u> | <u>1,942,666</u> | <u>1,942,657</u> | <u>9</u> |
| Total public safety | <u>6,461,961</u> | <u>6,601,557</u> | <u>6,615,643</u> | <u>(14,086)</u> |
| Public works | | | | |
| Engineering | | | | |
| Current | | | | |
| Personal services | 321,022 | 340,374 | 294,494 | 45,880 |
| Materials and supplies | 6,292 | 6,292 | 3,665 | 2,627 |
| Other services and charges | 29,616 | 33,616 | 86,707 | (53,091) |
| Miscellaneous | 600 | 600 | 461 | 139 |
| Total engineering | <u>357,530</u> | <u>380,882</u> | <u>385,327</u> | <u>(4,445)</u> |
| Public works | | | | |
| Current | | | | |
| Personal services | 676,710 | 681,164 | 690,766 | (9,602) |
| Materials and supplies | 299,619 | 299,619 | 275,806 | 23,813 |
| Other services and charges | 430,198 | 430,198 | 433,174 | (2,976) |
| Miscellaneous | 650 | 650 | 855 | (205) |
| Capital outlay | 20,000 | 20,000 | 19,059 | 941 |
| Total public works | <u>1,427,177</u> | <u>1,431,631</u> | <u>1,419,660</u> | <u>11,971</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2014

Statement 10
Page 4 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| Public works (continued) | | | | |
| Buildings | | | | |
| Current | | | | |
| Personal services | \$ 90,237 | \$ 95,965 | \$ 97,003 | \$ (1,038) |
| Materials and supplies | 14,300 | 14,300 | 13,786 | 514 |
| Other services and charges | 171,503 | 171,503 | 144,043 | 27,460 |
| Capital outlay | 11,100 | 11,100 | 11,721 | (621) |
| Total buildings | <u>287,140</u> | <u>292,868</u> | <u>266,553</u> | <u>26,315</u> |
| Parks facilities and maintenance | | | | |
| Current | | | | |
| Personal services | 346,238 | 360,617 | 348,294 | 12,323 |
| Materials and supplies | 42,295 | 42,295 | 32,466 | 9,829 |
| Other services and charges | 183,687 | 183,687 | 188,370 | (4,683) |
| Capital outlay | 6,500 | 6,500 | 8,037 | (1,537) |
| Total parks facilities and maintenance | <u>578,720</u> | <u>593,099</u> | <u>577,167</u> | <u>15,932</u> |
| Total public works | <u>2,650,567</u> | <u>2,698,480</u> | <u>2,648,707</u> | <u>49,773</u> |
| Community development | | | | |
| City planner | | | | |
| Current | | | | |
| Personal services | 103,901 | 107,127 | 105,839 | 1,288 |
| Materials and supplies | 597 | 597 | 445 | 152 |
| Other services and charges | 6,850 | 6,850 | 10,109 | (3,259) |
| Miscellaneous | 450 | 450 | 465 | (15) |
| Total city planner | <u>111,798</u> | <u>115,024</u> | <u>116,858</u> | <u>(1,834)</u> |
| Code enforcement | | | | |
| Current | | | | |
| Personal services | 212,484 | 223,687 | 224,175 | (488) |
| Materials and supplies | 2,252 | 3,852 | 5,518 | (1,666) |
| Other services and charges | 76,676 | 101,176 | 117,304 | (16,128) |
| Miscellaneous | 290 | 290 | 360 | (70) |
| Total code enforcement | <u>291,702</u> | <u>329,005</u> | <u>347,357</u> | <u>(18,352)</u> |
| Total community development | <u>403,500</u> | <u>444,029</u> | <u>464,215</u> | <u>(20,186)</u> |
| Parks and recreation | | | | |
| Administration | | | | |
| Current | | | | |
| Personal services | 161,555 | 171,963 | 164,071 | 7,892 |
| Materials and supplies | 3,524 | 3,524 | 2,557 | 967 |
| Other services and charges | 112,186 | 112,186 | 103,282 | 8,904 |
| Miscellaneous | 3,980 | 3,980 | 3,928 | 52 |
| Total administration | <u>281,245</u> | <u>291,653</u> | <u>273,838</u> | <u>17,815</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2014

Statement 10
Page 5 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|--------------------|---------------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| Parks and recreation (continued) | | | | |
| Parks, Pools and Recreation | | | | |
| Current | | | | |
| Personal services | \$ 253,580 | \$ 260,362 | \$ 234,697 | \$ 25,665 |
| Materials and supplies | 51,664 | 51,664 | 36,813 | 14,851 |
| Other services and charges | 29,748 | 29,748 | 43,747 | (13,999) |
| Miscellaneous | 5,000 | 5,000 | 4,085 | 915 |
| Capital outlay | - | - | 4,750 | (4,750) |
| Total parks, pools and recreation | <u>339,992</u> | <u>346,774</u> | <u>324,092</u> | <u>22,682</u> |
| Community affairs | | | | |
| Current | | | | |
| Personal services | 92,801 | 95,597 | 100,535 | (4,938) |
| Materials and supplies | 7,405 | 7,405 | 5,328 | 2,077 |
| Other services and charges | 2,385 | 2,385 | 1,109 | 1,276 |
| Miscellaneous | 835 | 835 | 812 | 23 |
| Total community affairs | <u>103,426</u> | <u>106,222</u> | <u>107,784</u> | <u>(1,562)</u> |
| Total parks and recreation | <u>724,663</u> | <u>744,649</u> | <u>705,714</u> | <u>38,935</u> |
| Contingency | <u>230,735</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>12,085,243</u> | <u>12,123,649</u> | <u>12,020,047</u> | <u>103,602</u> |
| Revenues over (under) expenditures | <u>(140,000)</u> | <u>(178,406)</u> | <u>418,346</u> | <u>596,752</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 160,000 | 160,000 | 160,000 | - |
| Transfers out | (20,000) | (20,000) | (25,194) | (5,194) |
| Total other financing sources (uses) | <u>140,000</u> | <u>140,000</u> | <u>134,806</u> | <u>(5,194)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (38,406)</u> | <u>553,152</u> | <u>\$ 591,558</u> |
| Fund balance - January 1 | | | 8,827,805 | |
| Fund balance - December 31 | | | <u>\$ 9,380,957</u> | |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - WAKOTA ARENA
For the Year Ended December 31, 2014

Statement 11

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| General property taxes | | | | |
| Current | \$ 243,038 | \$ 243,038 | \$ 239,149 | \$ (3,889) |
| Delinquent | - | - | 3,415 | 3,415 |
| Other | - | - | 245 | 245 |
| Total general property taxes | <u>243,038</u> | <u>243,038</u> | <u>242,809</u> | <u>(229)</u> |
| Charges for services | | | | |
| Ice rentals | 505,000 | 505,000 | 444,153 | (60,847) |
| Ticket sales league games | 14,000 | 14,000 | 21,957 | 7,957 |
| Public/figure skating | 7,500 | 7,500 | 5,454 | (2,046) |
| Concessions | 65,000 | 65,000 | 38,217 | (26,783) |
| Rent of annex | 76,782 | 76,782 | 79,101 | 2,319 |
| Other | 20,050 | 20,050 | 5,653 | (14,397) |
| Total charges for services | <u>688,332</u> | <u>688,332</u> | <u>594,535</u> | <u>(93,797)</u> |
| Miscellaneous | | | | |
| Other | - | - | 2,595 | 2,595 |
| Total revenues | <u>931,370</u> | <u>931,370</u> | <u>839,939</u> | <u>(91,431)</u> |
| Expenditures | | | | |
| Current | | | | |
| Parks, arena, library | | | | |
| Personal services | 307,268 | 312,676 | 305,142 | 7,534 |
| Materials and supplies | 89,900 | 89,900 | 85,718 | 4,182 |
| Services and other charges | 347,000 | 347,000 | 300,884 | 46,116 |
| Miscellaneous | 7,770 | 1,900 | 1,508 | 392 |
| Capital outlay | - | - | 151 | (151) |
| Debt service | | | | |
| Interest and other charges | 20,000 | 20,000 | 34,252 | (14,252) |
| Total expenditures | <u>771,938</u> | <u>771,476</u> | <u>727,655</u> | <u>43,821</u> |
| Revenues over (under) expenditures | <u>159,432</u> | <u>159,894</u> | <u>112,284</u> | <u>(47,610)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 52,674 | 52,674 |
| Transfers out | (164,028) | (164,028) | (161,768) | 2,260 |
| Total other financing sources (uses) | <u>(164,028)</u> | <u>(164,028)</u> | <u>(109,094)</u> | <u>54,934</u> |
| Net change in fund balance | <u>\$ (4,596)</u> | <u>\$ (4,134)</u> | <u>3,190</u> | <u>\$ 7,324</u> |
| Fund balance - January 1 | | | (875,957) | |
| Fund balance - December 31 | | | <u>\$ (872,767)</u> | |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AIRPORT
For the Year Ended December 31, 2014

Statement 12

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------------|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | | | | |
| State | | | | |
| Airport operations and maintenance | \$ 29,269 | \$ 29,269 | \$ 32,196 | \$ 2,927 |
| Other | 87,570 | 87,570 | 87,365 | (205) |
| Total intergovernmental | <u>116,839</u> | <u>116,839</u> | <u>119,561</u> | <u>2,722</u> |
| Charges for services | | | | |
| Transportation | | | | |
| Hangar rentals/land leases | 486,246 | 486,246 | 456,008 | (30,238) |
| Aircraft fuel sales | 826,779 | 826,779 | 612,944 | (213,835) |
| Other | 6,870 | 6,870 | 8,456 | 1,586 |
| Total charges for services | <u>1,319,895</u> | <u>1,319,895</u> | <u>1,077,408</u> | <u>(242,487)</u> |
| Miscellaneous | | | | |
| Other | 7,800 | 7,800 | 11,792 | 3,992 |
| Total revenues | <u>1,444,534</u> | <u>1,444,534</u> | <u>1,208,761</u> | <u>(235,773)</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | | | | |
| Personal services | 170,244 | 180,177 | 171,747 | 8,430 |
| Materials and supplies | 783,927 | 783,927 | 600,077 | 183,850 |
| Other services and charges | 198,267 | 198,267 | 196,959 | 1,308 |
| Miscellaneous | 4,853 | 1,075 | 1,058 | 17 |
| Capital outlay | 125,010 | 125,010 | 109,206 | 15,804 |
| Debt service | | | | |
| Principal | 38,696 | 38,696 | 37,549 | 1,147 |
| Interest and other charges | 30,000 | 30,000 | 24,937 | 5,063 |
| Total expenditures | <u>1,350,997</u> | <u>1,357,152</u> | <u>1,141,533</u> | <u>215,619</u> |
| Revenues over (under) expenditures | <u>93,537</u> | <u>87,382</u> | <u>67,228</u> | <u>(20,154)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (212,600) | (212,600) | (212,600) | - |
| Net change in fund balance | <u>\$ (119,063)</u> | <u>\$ (125,218)</u> | <u>(145,372)</u> | <u>\$ (20,154)</u> |
| Fund balance - January 1 | | | <u>(707,509)</u> | |
| Fund balance - December 31 | | | <u>\$ (852,881)</u> | |

CITY OF SOUTH ST. PAUL, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
 December 31, 2014

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|-----------------|-----------------|--------------------|--|
| 1/1/2014 | \$ - | \$ 4,985,460 | \$ 4,985,460 | 0.0% | \$ 5,849,251 | 85.2% |
| 1/1/2011 | \$ - | \$ 4,072,998 | \$ 4,072,998 | 0.0% | \$ 4,696,767 | 86.7% |
| 1/1/2008 | \$ - | \$ 5,962,427 | \$ 5,962,427 | 0.0% | \$ 4,996,012 | 119.3% |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

Note A BUDGETS

The General Fund and the Wakota Arena and Airport Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The 2006A Capital Improvement Bonds Debt Service Fund, the Capital Programs Capital Projects Fund, 2014 Local Improvements Capital Projects Fund, and Park Referendum Projects Capital Projects Fund did not have annual budgets legally adopted in 2014.

The legal level of budgetary control is at the department level for all funds with a legally adopted budget. Total departmental expenditures may not exceed the total departmental appropriation without specific City Council approval.

The following General Fund fund departments had expenditures in excess of budgeted appropriations for 2014:

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-------------------|---------------------|-------------------------|---------------|
| General Fund | | | |
| City attorney | \$ 223,893 | \$ 223,300 | \$ (593) |
| Police | 4,672,986 | 4,658,891 | (14,095) |
| Engineering | 385,327 | 380,882 | (4,445) |
| City planner | 116,858 | 115,024 | (1,834) |
| Code enforcement | 347,357 | 329,005 | (18,352) |
| Community affairs | 107,784 | 106,222 | (1,562) |

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on long-term debt.

CAPITAL PROJECT FUNDS

The Capital Project Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014

Statement 13

| | Special Revenue | Debt Service | Capital Project | Total |
|---|--------------------|---------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and investments | \$ 519,190 | \$ 1,087,189 | \$ 2,426,297 | \$ 4,032,676 |
| Cash and investments with escrow agent | - | 1,206,288 | - | 1,206,288 |
| Accounts receivable | 3,749 | - | 12,890 | 16,639 |
| Property taxes receivable: | | | | |
| Due from county | 7,323 | 7,498 | - | 14,821 |
| Delinquent | 15,372 | 22,297 | - | 37,669 |
| Special assessments receivable: | | | | |
| Due from county | - | 1,301 | 2,841 | 4,142 |
| Delinquent | - | 1,872 | 451 | 2,323 |
| Deferred | - | 1,307,671 | 492,611 | 1,800,282 |
| Due from other governmental units | 31,214 | - | 1,005,137 | 1,036,351 |
| Total assets | <u>576,848</u> | <u>3,634,116</u> | <u>3,940,227</u> | <u>8,151,191</u> |
| Liabilities | | | | |
| Accounts and contracts payable | 52,790 | - | 254,685 | 307,475 |
| Salaries payable | 27,337 | - | - | 27,337 |
| Due to other governmental units | 473 | - | - | 473 |
| Advances from other funds | - | - | 2,478,185 | 2,478,185 |
| Total liabilities | <u>80,600</u> | <u>-</u> | <u>2,732,870</u> | <u>2,813,470</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property taxes | 15,372 | 22,297 | - | 37,669 |
| Unavailable revenue - special assessments | - | 1,309,543 | 493,062 | 1,802,605 |
| Unavailable revenue - charges for services | 321 | - | - | 321 |
| Total deferred inflows of resources | <u>15,693</u> | <u>1,331,840</u> | <u>493,062</u> | <u>1,840,595</u> |
| Fund balances | | | | |
| Restricted | 318,976 | 2,302,276 | - | 2,621,252 |
| Committed | 31,318 | - | - | 31,318 |
| Assigned | 130,261 | - | 2,380,815 | 2,511,076 |
| Unassigned | - | - | (1,666,520) | (1,666,520) |
| Total fund balances | <u>480,555</u> | <u>2,302,276</u> | <u>714,295</u> | <u>3,497,126</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 576,848</u> | <u>\$ 3,634,116</u> | <u>\$ 3,940,227</u> | <u>\$ 8,151,191</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

Statement 14

| | Special Revenue | Debt Service | Capital Project | Total |
|---|--------------------|---------------------|--------------------|---------------------|
| Revenues | | | | |
| General property taxes | \$ 679,472 | \$ 694,225 | \$ - | \$ 1,373,697 |
| Intergovernmental | 219,286 | - | 3,303,011 | 3,522,297 |
| Charges for services | 357,198 | - | 153,908 | 511,106 |
| Fines and forfeits | 7,833 | - | - | 7,833 |
| Special assessments | - | 296,893 | 133,692 | 430,585 |
| Investment income | 10,699 | 27,255 | 11,507 | 49,461 |
| Change in fair value of investments | 9,211 | 9,217 | 9,559 | 27,987 |
| Contributions and donations | 50,890 | - | - | 50,890 |
| Miscellaneous | 23,726 | 3 | 37,775 | 61,504 |
| Total revenues | <u>1,358,315</u> | <u>1,027,593</u> | <u>3,649,452</u> | <u>6,035,360</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 54,174 | 54,174 |
| Public safety | 37,393 | - | - | 37,393 |
| Public works | - | - | 138,838 | 138,838 |
| Community development | 170,166 | - | - | 170,166 |
| Parks, arena, library | 1,048,896 | - | - | 1,048,896 |
| Transportation | - | - | 61,625 | 61,625 |
| Capital outlay | | | | |
| General government | - | - | 42,313 | 42,313 |
| Public safety | 17,011 | - | 48,527 | 65,538 |
| Public works | - | - | 1,904,228 | 1,904,228 |
| Parks, arena, library | 93,681 | - | 58,799 | 152,480 |
| Transportation | - | - | 1,370,895 | 1,370,895 |
| Debt service | | | | |
| Principal | - | 1,526,500 | 111,252 | 1,637,752 |
| Interest and other charges | - | 281,715 | 153,542 | 435,257 |
| Total expenditures | <u>1,367,147</u> | <u>1,808,215</u> | <u>3,944,193</u> | <u>7,119,555</u> |
| Revenues over (under) expenditures | <u>(8,832)</u> | <u>(780,622)</u> | <u>(294,741)</u> | <u>(1,084,195)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 18,294 | 174,929 | 579,075 | 772,298 |
| Transfers out | (61,805) | (615,356) | (42,447) | (719,608) |
| Total other financing sources (uses) | <u>(43,511)</u> | <u>(440,427)</u> | <u>536,628</u> | <u>52,690</u> |
| Net change in fund balances | <u>(52,343)</u> | <u>(1,221,049)</u> | <u>241,887</u> | <u>(1,031,505)</u> |
| Fund balances - January 1, as previously stated | 532,898 | 3,523,325 | (976,147) | 3,080,076 |
| Prior period adjustment | - | - | 1,448,555 | 1,448,555 |
| Fund balances, January 1, restated | <u>532,898</u> | <u>3,523,325</u> | <u>472,408</u> | <u>4,528,631</u> |
| Fund balances - December 31 | <u>\$ 480,555</u> | <u>\$ 2,302,276</u> | <u>\$ 714,295</u> | <u>\$ 3,497,126</u> |

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NONMAJOR SPECIAL REVENUE FUNDS

The City maintains the following Special Revenue Funds:

Donations/Grants – This fund is used to account for grants, forfeited property from criminal drug related activity and other dedicated revenue sources.

Park Land Dedication – This fund is used to account for monies received as park dedications and will be used to develop and enhance community parks.

Library - This fund is used for revenues and related expenditures for library operations.

Central Square - This fund is used to account for revenues and expenditures for Central Square operations.

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2014

Statement 15

| | Donations / Grants | Park Land Dedication | Library | Central Square | Total |
|--|-----------------------|----------------------------|------------------|-------------------|-------------------|
| Assets | | | | | |
| Cash and investments | \$ 268,665 | \$ 154,260 | \$ 37,077 | \$ 59,188 | \$ 519,190 |
| Accounts receivable | - | - | - | 3,749 | 3,749 |
| Property taxes receivable: | | | | | |
| Due from county | - | - | 7,323 | - | 7,323 |
| Delinquent | - | - | 15,372 | - | 15,372 |
| Due from other governmental units | 31,193 | - | 21 | - | 31,214 |
| Total assets | <u>299,858</u> | <u>154,260</u> | <u>59,793</u> | <u>62,937</u> | <u>576,848</u> |
| Liabilities | | | | | |
| Accounts and contracts payable | 4,477 | - | 30,312 | 18,001 | 52,790 |
| Salaries payable | 404 | - | 14,028 | 12,905 | 27,337 |
| Due to other governmental units | - | - | 81 | 392 | 473 |
| Total liabilities | <u>4,881</u> | <u>-</u> | <u>44,421</u> | <u>31,298</u> | <u>80,600</u> |
| Deferred inflows of resources | | | | | |
| Unavailable revenue - property taxes | - | - | 15,372 | - | 15,372 |
| Unavailable revenue - charges for services | - | - | - | 321 | 321 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>15,372</u> | <u>321</u> | <u>15,693</u> |
| Fund balances | | | | | |
| Restricted | 164,716 | 154,260 | - | - | 318,976 |
| Committed | - | - | - | 31,318 | 31,318 |
| Assigned | 130,261 | - | - | - | 130,261 |
| Total fund balances | <u>294,977</u> | <u>154,260</u> | <u>-</u> | <u>31,318</u> | <u>480,555</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 299,858</u> | <u>\$ 154,260</u> | <u>\$ 59,793</u> | <u>\$ 62,937</u> | <u>\$ 576,848</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2014

Statement 16

| | Donations / Grants | Park Land Dedication | Library | Central Square | Total |
|---|-----------------------|----------------------------|----------------|-------------------|-------------------|
| Revenues | | | | | |
| General property taxes | \$ - | \$ - | \$ 679,472 | \$ - | \$ 679,472 |
| Intergovernmental | 219,286 | - | - | - | 219,286 |
| Charges for services | - | - | 1,957 | 355,241 | 357,198 |
| Fines and forfeits | - | - | 7,833 | - | 7,833 |
| Investment income | 6,208 | 2,731 | - | 1,760 | 10,699 |
| Change in fair value of investments | 5,408 | 2,373 | - | 1,430 | 9,211 |
| Contributions and donations | 50,890 | - | - | - | 50,890 |
| Miscellaneous | 19,221 | - | 4,355 | 150 | 23,726 |
| Total revenues | 301,013 | 5,104 | 693,617 | 358,581 | 1,358,315 |
| Expenditures | | | | | |
| Current | | | | | |
| Public safety | 37,393 | - | - | - | 37,393 |
| Community development | 170,166 | - | - | - | 170,166 |
| Parks, arena, library | 26,906 | - | 698,811 | 323,179 | 1,048,896 |
| Capital outlay | | | | | |
| Public safety | 17,011 | - | - | - | 17,011 |
| Parks, arena, library | - | - | 13,100 | 80,581 | 93,681 |
| Total expenditures | 251,476 | - | 711,911 | 403,760 | 1,367,147 |
| Revenues over (under) expenditures | 49,537 | 5,104 | (18,294) | (45,179) | (8,832) |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | 18,294 | - | 18,294 |
| Transfers out | (61,805) | - | - | - | (61,805) |
| Total other financing sources (uses) | (61,805) | - | 18,294 | - | (43,511) |
| Net change in fund balances | (12,268) | 5,104 | - | (45,179) | (52,343) |
| Fund balances - January 1 | 307,245 | 149,156 | - | 76,497 | 532,898 |
| Fund balances - December 31 | \$ 294,977 | \$ 154,260 | \$ - | \$ 31,318 | \$ 480,555 |

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NONMAJOR DEBT SERVICE FUNDS

The City maintains the following Debt Service Funds:

General Purpose Financing – used to accumulate monies from property taxes for payment of general obligation bonds, which have been issued, to finance projects and other costs, which have not been assessed against benefiting properties.

- 2003B Arena Revenue Bonds – issued to provide funds to refund the 1997A Arena Revenue Bonds 2004-2018 maturities. The 1997A Bonds financed construction of a second sheet of ice at the City’s Wakota Arena.
- 2007 DCC Revenue Bonds - This fund is used to account for revenues and expenditures for the City’s portion of the DCC Public Safety Revenue Bonds, Series 2007.
- 2007B Refunding Bonds-issued to provide funds to refund the 2009 through 2021 maturities of the G.O Bonds, Series 2000 dated October 19, 2000.
- 2010A Capital Equipment Revenue Bonds – This fund is used to account for revenues and expenditures related to Capital Equipment purchases.
- 2012A General Obligation Bonds – a portion of the proceeds from this bond were used to advance refund the 2006A Capital Improvement Bonds 2015-2027 maturities and the 2008 Improvement Bonds 2017-2030 maturities. The remaining amount was used to fund the costs of constructing improvements in 2012 and 2013.

Special Assessment Financing – used to account for the payment of principal and interest on bonds issued to fund the costs of constructing improvements benefiting specified properties in the City. Benefited properties are then assessed the share of the project costs and repay these assessments over a specified period of time at a stated interest rate.

- 2002 through 2008 Improvement Bonds – issued primary for alley and street reconstruction.

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CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2014

Statement 17

| | 2007B Refunding Bonds | 2008A Improvement Bonds | 2010A Cap Equip Revenue Bonds | 2012A General Obligation Bonds | Total |
|--|-----------------------------|-------------------------------|--|---|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 358,318 | \$ 65,352 | \$ 4,057 | \$ 659,462 | \$ 1,087,189 |
| Cash and investments with escrow agent | - | 1,175,000 | - | 31,288 | 1,206,288 |
| Property taxes receivable: | | | | | |
| Due from county | 2,236 | 25 | 919 | 4,318 | 7,498 |
| Delinquent | 7,077 | - | 2,612 | 12,608 | 22,297 |
| Special assessments receivable: | | | | | |
| Due from county | - | 549 | - | 752 | 1,301 |
| Delinquent | - | 1,790 | - | 82 | 1,872 |
| Deferred | - | 909,179 | - | 398,492 | 1,307,671 |
| Total assets | <u>367,631</u> | <u>2,151,895</u> | <u>7,588</u> | <u>1,107,002</u> | <u>3,634,116</u> |
| Deferred inflows of resources | | | | | |
| Unavailable revenue - property taxes | 7,077 | - | 2,612 | 12,608 | 22,297 |
| Unavailable revenue - special assessments | - | 910,969 | - | 398,574 | 1,309,543 |
| Total deferred inflows of resources | <u>7,077</u> | <u>910,969</u> | <u>2,612</u> | <u>411,182</u> | <u>1,331,840</u> |
| Fund balances | | | | | |
| Restricted | <u>360,554</u> | <u>1,240,926</u> | <u>4,976</u> | <u>695,820</u> | <u>2,302,276</u> |
| Total deferred inflows of resources and fund balances | <u>\$ 367,631</u> | <u>\$ 2,151,895</u> | <u>\$ 7,588</u> | <u>\$ 1,107,002</u> | <u>\$ 3,634,116</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended December 31, 2014

| | 2003B Arena Revenue Bonds | 2002 Improvement Bonds | 2003A Improvement Bonds | 2005A Improvement Bonds |
|--------------------------------------|------------------------------------|------------------------------|-------------------------------|-------------------------------|
| Revenues | | | | |
| General property taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | 1,328 | 14,252 |
| Investment income | - | 1,495 | 2,013 | 2,372 |
| Change in fair value of investments | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>-</u> | <u>1,495</u> | <u>3,341</u> | <u>16,624</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 135,000 | - | 130,000 | 160,000 |
| Interest and other charges | 26,768 | 238 | 2,642 | 4,391 |
| Total expenditures | <u>161,768</u> | <u>238</u> | <u>132,642</u> | <u>164,391</u> |
| Revenues over (under) expenditures | <u>(161,768)</u> | <u>1,257</u> | <u>(129,301)</u> | <u>(147,767)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 161,768 | - | - | - |
| Transfers out | - | (145,312) | (196,977) | (162,562) |
| Total other financing sources (uses) | <u>161,768</u> | <u>(145,312)</u> | <u>(196,977)</u> | <u>(162,562)</u> |
| Net change in fund balances | - | (144,055) | (326,278) | (310,329) |
| Fund balances - January 1 | - | 144,055 | 326,278 | 310,329 |
| Fund balances - December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| 2005B Improvement Bonds | 2007A Improvement Bonds | 2007 DCC Revenue Bonds | 2007B Refunding Bonds | 2008A Improvement Bonds | 2010A Cap Equip Revenue Bonds | 2012A General Obligation Bonds | Totals |
|-------------------------------|-------------------------------|------------------------------|-----------------------------|-------------------------------|--|---|---------------------|
| \$ - | \$ - | \$ 883 | \$ 193,935 | \$ 3,112 | \$ 82,986 | \$ 413,309 | \$ 694,225 |
| 15,757 | 54,633 | - | - | 127,737 | - | 83,186 | 296,893 |
| 750 | 3,567 | 1,127 | 4,001 | - | 10 | 11,920 | 27,255 |
| - | - | - | 3,734 | - | 10 | 5,473 | 9,217 |
| - | - | 3 | - | - | - | - | 3 |
| <u>16,507</u> | <u>58,200</u> | <u>2,013</u> | <u>201,670</u> | <u>130,849</u> | <u>83,006</u> | <u>513,888</u> | <u>1,027,593</u> |
| 135,000 | 545,000 | - | 135,000 | 110,000 | 76,500 | 100,000 | 1,526,500 |
| 4,541 | 17,804 | 3,081 | 48,170 | 63,367 | - | 110,713 | 281,715 |
| 139,541 | 562,804 | 3,081 | 183,170 | 173,367 | 76,500 | 210,713 | 1,808,215 |
| <u>(123,034)</u> | <u>(504,604)</u> | <u>(1,068)</u> | <u>18,500</u> | <u>(42,518)</u> | <u>6,506</u> | <u>303,175</u> | <u>(780,622)</u> |
| 4,015 | 9,146 | - | - | - | - | - | 174,929 |
| - | - | (110,505) | - | - | - | - | (615,356) |
| 4,015 | 9,146 | (110,505) | - | - | - | - | (440,427) |
| <u>(119,019)</u> | <u>(495,458)</u> | <u>(111,573)</u> | <u>18,500</u> | <u>(42,518)</u> | <u>6,506</u> | <u>303,175</u> | <u>(1,221,049)</u> |
| 119,019 | 495,458 | 111,573 | 342,054 | 1,283,444 | (1,530) | 392,645 | 3,523,325 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 360,554</u> | <u>\$ 1,240,926</u> | <u>\$ 4,976</u> | <u>\$ 695,820</u> | <u>\$ 2,302,276</u> |

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NONMAJOR CAPITAL PROJECT FUNDS

The City had the following Capital Project Funds during the year:

Airport Improvements – used to account for revenues and expenditures for capital improvements at the City owned airport.

Floodwall Construction – used to account for revenues and expenditures for floodwall improvements.

Tax Increment – used to account for property tax revenue from excess tax increment.

Equipment Acquisition – used to account for the acquisition of equipment related to computer technology.

Local Improvements – this fund is used to account for sidewalk repairs.

380 Airport Road – used to account for revenues and expenditures related to the Capital lease and sublease of the building located at 380 Airport Road.

2010 - 2013 Local Improvements – used to account for reconstruction of streets. These funds are typically viable for two years.

Water Meter & Equipment – used to account for the ancillary expenditures associated with the replacement of the water meters installed in all properties that are connected to the City's water service.

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2014

| | <u>Airport Improvements</u> | <u>Floodwall Construction</u> | <u>Tax Increment</u> | <u>Equipment Acquisition</u> |
|---|---------------------------------|-----------------------------------|--------------------------|----------------------------------|
| Assets | | | | |
| Cash and investments | \$ - | \$ - | \$ 1,845,844 | \$ 333,634 |
| Accounts receivable | - | - | - | - |
| Special assessments receivable: | | | | |
| Due from county | - | - | - | - |
| Delinquent | - | - | - | - |
| Deferred | 43,155 | - | - | - |
| Due from other governmental units | 445,391 | 282,066 | - | - |
| Total assets | <u>488,546</u> | <u>282,066</u> | <u>1,845,844</u> | <u>333,634</u> |
| Liabilities | | | | |
| Accounts and contracts payable | 69,731 | 112,426 | - | 58,799 |
| Advances from other funds | 788,430 | 815,541 | - | - |
| Total liabilities | <u>858,161</u> | <u>927,967</u> | <u>-</u> | <u>58,799</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - special assessments | 43,155 | - | - | - |
| Fund balances | | | | |
| Assigned | - | - | 1,845,844 | 274,835 |
| Unassigned | (412,770) | (645,901) | - | - |
| Total fund balances | <u>(412,770)</u> | <u>(645,901)</u> | <u>1,845,844</u> | <u>274,835</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 488,546</u> | <u>\$ 282,066</u> | <u>\$ 1,845,844</u> | <u>\$ 333,634</u> |

| Local Improvements | 380 Airport Road | 2010 Local Improvements | 2011 Local Improvements | 2012 Local Improvements | 2013 Local Improvements | Total |
|-----------------------|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|
| \$ 24,956 | \$ 73,988 | \$ - | \$ 24,971 | \$ 122,904 | \$ - | \$ 2,426,297 |
| - | 12,890 | - | - | - | - | 12,890 |
| - | - | 1,985 | - | 427 | 429 | 2,841 |
| - | - | - | - | 328 | 123 | 451 |
| 37,952 | - | 118,015 | 52,442 | 34,566 | 206,481 | 492,611 |
| - | - | 277,680 | - | - | - | 1,005,137 |
| <u>62,908</u> | <u>86,878</u> | <u>397,680</u> | <u>77,413</u> | <u>158,225</u> | <u>207,033</u> | <u>3,940,227</u> |
| - | - | - | - | - | 13,729 | 254,685 |
| - | - | 350,303 | - | - | 523,911 | 2,478,185 |
| - | - | 350,303 | - | - | 537,640 | 2,732,870 |
| <u>37,952</u> | <u>-</u> | <u>118,015</u> | <u>52,442</u> | <u>34,894</u> | <u>206,604</u> | <u>493,062</u> |
| 24,956 | 86,878 | - | 24,971 | 123,331 | - | 2,380,815 |
| - | - | (70,638) | - | - | (537,211) | (1,666,520) |
| <u>24,956</u> | <u>86,878</u> | <u>(70,638)</u> | <u>24,971</u> | <u>123,331</u> | <u>(537,211)</u> | <u>714,295</u> |
| <u>\$ 62,908</u> | <u>\$ 86,878</u> | <u>\$ 397,680</u> | <u>\$ 77,413</u> | <u>\$ 158,225</u> | <u>\$ 207,033</u> | <u>\$ 3,940,227</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2014

| | <u>Airport Improvements</u> | <u>Floodwall Construction</u> | <u>Tax Increment</u> | <u>Equipment Acquisition</u> | <u>Local Improvements</u> |
|---|---------------------------------|-----------------------------------|--------------------------|----------------------------------|-------------------------------|
| Revenues | | | | | |
| Intergovernmental | \$ 1,314,482 | \$ 1,375,692 | \$ - | \$ - | \$ 25,980 |
| Charges for services | - | - | - | - | - |
| Special assessments | 259 | - | - | - | 47,495 |
| Investment income | - | - | - | 7,108 | 1,251 |
| Change in fair value of investments | - | - | - | 5,962 | 911 |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>1,314,741</u> | <u>1,375,692</u> | <u>-</u> | <u>13,070</u> | <u>75,637</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | 54,174 | - |
| Public works | - | 1,962 | - | - | 123,869 |
| Transportation | 61,625 | - | - | - | - |
| Capital outlay | | | | | |
| General government | - | - | - | 42,313 | - |
| Public safety | - | - | - | 48,527 | - |
| Public works | - | 1,463,069 | - | - | - |
| Parks, arena, library | - | - | - | 58,799 | - |
| Transportation | 1,370,895 | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | 5,562 | - |
| Interest and other charges | 22,447 | 31,713 | - | 660 | - |
| Total expenditures | <u>1,454,967</u> | <u>1,496,744</u> | <u>-</u> | <u>210,035</u> | <u>123,869</u> |
| Revenues over (under) expenditures | <u>(140,226)</u> | <u>(121,052)</u> | <u>-</u> | <u>(196,965)</u> | <u>(48,232)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 212,600 | 169,858 | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>212,600</u> | <u>169,858</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>72,374</u> | <u>48,806</u> | <u>-</u> | <u>(196,965)</u> | <u>(48,232)</u> |
| Fund balances - January 1, as previously stated | (485,144) | (694,707) | 1,845,844 | 471,800 | 73,188 |
| Prior period adjustment | - | - | - | - | - |
| Fund balances - January 1, restated | <u>(485,144)</u> | <u>(694,707)</u> | <u>1,845,844</u> | <u>471,800</u> | <u>73,188</u> |
| Fund balances - December 31 | <u>\$ (412,770)</u> | <u>\$ (645,901)</u> | <u>\$ 1,845,844</u> | <u>\$ 274,835</u> | <u>\$ 24,956</u> |

| 380 Airport Road | 2010 Local Improvements | 2011 Local Improvements | 2012 Local Improvements | 2013 Local Improvements | Water Meter & Equipment | Total |
|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------|
| \$ - | \$ 381,431 | \$ 90,962 | \$ 4,087 | \$ 110,377 | \$ - | \$ 3,303,011 |
| 153,908 | - | - | - | - | - | 153,908 |
| - | 14,771 | 9,111 | 8,876 | 53,180 | - | 133,692 |
| 1,135 | - | - | 2,013 | - | - | 11,507 |
| 921 | - | - | 1,765 | - | - | 9,559 |
| 21,459 | 16,316 | - | - | - | - | 37,775 |
| <u>177,423</u> | <u>412,518</u> | <u>100,073</u> | <u>16,741</u> | <u>163,557</u> | <u>-</u> | <u>3,649,452</u> |
| - | - | - | - | - | - | 54,174 |
| - | 4,927 | - | 4,087 | 1,348 | 2,645 | 138,838 |
| - | - | - | - | - | - | 61,625 |
| - | - | - | - | - | - | 42,313 |
| - | - | - | - | - | - | 48,527 |
| - | 20,561 | 2,314 | - | 418,284 | - | 1,904,228 |
| - | - | - | - | - | - | 58,799 |
| - | - | - | - | - | - | 1,370,895 |
| 105,690 | - | - | - | - | - | 111,252 |
| 44,820 | 16,579 | 9,365 | - | 13,572 | 14,386 | 153,542 |
| <u>150,510</u> | <u>42,067</u> | <u>11,679</u> | <u>4,087</u> | <u>433,204</u> | <u>17,031</u> | <u>3,944,193</u> |
| <u>26,913</u> | <u>370,451</u> | <u>88,394</u> | <u>12,654</u> | <u>(269,647)</u> | <u>(17,031)</u> | <u>(294,741)</u> |
| - | 64,472 | 112,642 | - | 5,953 | 13,550 | 579,075 |
| - | - | (42,447) | - | - | - | (42,447) |
| - | 64,472 | 70,195 | - | 5,953 | 13,550 | 536,628 |
| 26,913 | 434,923 | 158,589 | 12,654 | (263,694) | (3,481) | 241,887 |
| 59,965 | (505,561) | (133,618) | 110,677 | (273,517) | (1,445,074) | (976,147) |
| - | - | - | - | - | 1,448,555 | 1,448,555 |
| 59,965 | (505,561) | (133,618) | 110,677 | (273,517) | 3,481 | 472,408 |
| <u>\$ 86,878</u> | <u>\$ (70,638)</u> | <u>\$ 24,971</u> | <u>\$ 123,331</u> | <u>\$ (537,211)</u> | <u>\$ -</u> | <u>\$ 714,295</u> |

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SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL

NONMAJOR SPECIAL REVENUE FUNDS

CITY OF SOUTH ST. PAUL, MINNESOTA
SPECIAL REVENUE FUND - LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014

Statement 21

| | Budgeted Amounts | | Actual |
|------------------------------------|------------------|--------------------|----------------|
| | Original | Final | |
| Revenues | | | |
| General property taxes | | | |
| Current | \$ 677,839 | \$ 677,839 | \$ 668,503 |
| Delinquent | - | - | 10,241 |
| Other | - | - | 728 |
| Total general property taxes | <u>677,839</u> | <u>677,839</u> | <u>679,472</u> |
| Rental fees | 1,400 | 1,400 | 1,957 |
| Fines and forfeits | 9,500 | 9,500 | 7,833 |
| Miscellaneous | | | |
| Other | 1,700 | 1,700 | 4,355 |
| Total revenues | <u>690,439</u> | <u>690,439</u> | <u>693,617</u> |
| Expenditures | | | |
| Current | | | |
| Parks, arena, library | | | |
| Personal services | 470,992 | 487,618 | 488,578 |
| Materials and supplies | 100,200 | 100,200 | 96,090 |
| Other services and charges | 115,802 | 115,802 | 111,524 |
| Miscellaneous | 3,445 | 3,445 | 2,619 |
| Capital outlay | 11,800 | 11,800 | 13,100 |
| Total expenditures | <u>702,239</u> | <u>718,865</u> | <u>711,911</u> |
| Revenues over (under) expenditures | (11,800) | (28,426) | (18,294) |
| Other financing sources (uses) | | | |
| Transfers in | 11,800 | 11,800 | 18,294 |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (16,626)</u> | - |
| Fund balance - January 1 | | | - |
| Fund balance - December 31 | | | <u>\$ -</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
SPECIAL REVENUE FUND - CENTRAL SQUARE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014

Statement 22

| | Budgeted Amounts | | Actual |
|-------------------------------------|--------------------|--------------------|------------------|
| | Original | Final | |
| Revenues | | | |
| Charges for services | | | |
| Memberships | \$ 150,400 | \$ 150,400 | \$ 175,200 |
| Programming | 90,000 | 90,000 | 83,345 |
| Open Swim | 7,000 | 7,000 | 7,585 |
| Room Rental | 2,500 | 2,500 | 2,164 |
| Other | 500 | 500 | 135 |
| Investment income | 3,500 | 3,500 | 1,760 |
| Change in fair value of investments | - | - | 1,430 |
| Administrative fee | 86,812 | 86,812 | 86,812 |
| Miscellaneous | - | - | 150 |
| Total revenues | <u>340,712</u> | <u>340,712</u> | <u>358,581</u> |
| Expenditures | | | |
| Current | | | |
| Parks, arena, library | | | |
| Personal services | 256,936 | 260,614 | 254,096 |
| Materials and supplies | 11,300 | 11,300 | 10,653 |
| Services and other charges | 61,428 | 61,428 | 57,095 |
| Miscellaneous | 3,000 | 3,000 | 1,335 |
| Capital outlay | 65,000 | 65,000 | 80,581 |
| Total expenditures | <u>397,664</u> | <u>401,342</u> | <u>403,760</u> |
| Net change in fund balance | <u>\$ (56,952)</u> | <u>\$ (60,630)</u> | <u>(45,179)</u> |
| Fund balance - January 1 | | | 76,497 |
| Fund balance - December 31 | | | <u>\$ 31,318</u> |

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INTERNAL SERVICE FUNDS

The Internal Service Funds were established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Central Garage Internal Service Fund – This fund is used to account for the cost of operating a maintenance facility and providing vehicles and heavy equipment used by all City departments and funds.

Other Post Employee Benefits Internal Service Fund – This fund is used to account for the cost of retiree health insurance benefits.

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2014

Statement 23

| | Central Garage | OPEB / Employee Benefits | Total |
|---|-------------------|--------------------------------|-------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 28,930 | \$ 353,689 | \$ 382,619 |
| Noncurrent assets | | | |
| Capital assets | | | |
| Machinery and equipment | 4,307,103 | - | 4,307,103 |
| Less: Allowance for depreciation | (2,561,546) | - | (2,561,546) |
| Net capital assets | 1,745,557 | - | 1,745,557 |
| Total assets | 1,774,487 | 353,689 | 2,128,176 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 17,850 | - | 17,850 |
| Salaries payable | 6,296 | - | 6,296 |
| Compensated absences | - | 83,172 | 83,172 |
| Total current liabilities | 24,146 | 83,172 | 107,318 |
| Noncurrent liabilities | | | |
| Net other postemployment benefit obligation | - | 1,089,468 | 1,089,468 |
| Compensated absences | - | 297,453 | 297,453 |
| Total noncurrent liabilities | - | 1,386,921 | 1,386,921 |
| Total liabilities | 24,146 | 1,470,093 | 1,494,239 |
| Net position | | | |
| Net investment in capital assets | 1,745,557 | - | 1,745,557 |
| Unrestricted | 4,784 | (1,116,404) | (1,111,620) |
| Total net position | \$ 1,750,341 | \$ (1,116,404) | \$ 633,937 |

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014

Statement 24

| | Central Garage | OPEB / Employee Benefits | Total |
|--|---------------------|--------------------------------|-------------------|
| Operating revenues | | | |
| Retiree health insurance charges | \$ - | \$ 357,433 | \$ 357,433 |
| Compensated absences charges | - | 42,615 | 42,615 |
| Equipment rental and repair charges | 931,171 | - | 931,171 |
| Total operating revenues | <u>931,171</u> | <u>400,048</u> | <u>1,331,219</u> |
| Operating expenses | | | |
| Personal services | 180,489 | 436,190 | 616,679 |
| Materials and supplies | 397,825 | - | 397,825 |
| Contractual services | 118,056 | - | 118,056 |
| Depreciation | 285,387 | - | 285,387 |
| Total operating expenses | <u>981,757</u> | <u>436,190</u> | <u>1,417,947</u> |
| Operating income (loss) | <u>(50,586)</u> | <u>(36,142)</u> | <u>(86,728)</u> |
| Nonoperating revenues (expenses) | | | |
| Investment income | 1,287 | 5,879 | 7,166 |
| Change in fair value of investments | 1,725 | 5,103 | 6,828 |
| Gain on sale of capital assets | 32,655 | - | 32,655 |
| Other revenue | 11,275 | - | 11,275 |
| Total nonoperating revenues (expenses) | <u>46,942</u> | <u>10,982</u> | <u>57,924</u> |
| Income (loss) before transfers | <u>(3,644)</u> | <u>(25,160)</u> | <u>(28,804)</u> |
| Transfers in | 110,505 | - | 110,505 |
| Change in net position | 106,861 | (25,160) | 81,701 |
| Net position - January 1 | 1,643,480 | (1,091,244) | 552,236 |
| Net position - December 31 | <u>\$ 1,750,341</u> | <u>\$ (1,116,404)</u> | <u>\$ 633,937</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014

Statement 25

| | Central Garage | OPEB / Employee Benefits | Total |
|---|-------------------|--------------------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from customers and users | \$ 931,171 | \$ 400,048 | \$ 1,331,219 |
| Payment to suppliers | (533,838) | - | (533,838) |
| Payment to employees | (180,566) | (394,697) | (575,263) |
| Other revenue | 11,275 | - | 11,275 |
| Net cash flows from operating activities | <u>228,042</u> | <u>5,351</u> | <u>233,393</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfer from other funds | 110,505 | - | 110,505 |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (551,591) | - | (551,591) |
| Proceeds from sale of capital assets | 54,870 | - | 54,870 |
| Net cash flows from capital and related financing activities | <u>(496,721)</u> | <u>-</u> | <u>(496,721)</u> |
| Cash flows from investing activities | | | |
| Investment income | 3,012 | 10,982 | 13,994 |
| Net increase (decrease) in cash and cash equivalents | (155,162) | 16,333 | (138,829) |
| Cash and cash equivalents - January 1 | 184,092 | 337,356 | 521,448 |
| Cash and cash equivalents - December 31 | <u>\$ 28,930</u> | <u>\$ 353,689</u> | <u>\$ 382,619</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | |
| Operating income (loss) | \$ (50,586) | \$ (36,142) | \$ (86,728) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | |
| Depreciation | 285,387 | - | 285,387 |
| Changes in assets and liabilities | | | |
| Increase (decrease) in payables | (18,034) | - | (18,034) |
| Increase (decrease) in accrued expenses | - | 41,493 | 41,493 |
| Other revenue | 11,275 | - | 11,275 |
| Total adjustments | <u>278,628</u> | <u>41,493</u> | <u>320,121</u> |
| Net cash flows from operating activities | <u>\$ 228,042</u> | <u>\$ 5,351</u> | <u>\$ 233,393</u> |

FIDUCIARY FUNDS

AGENCY FUND

Agency funds are used to account for short-term custodial collections of resources on behalf of another individual, entity, or government.

Landscape/Landfill – accounts for the restricted assets attributable to landfill abatement.

Employee Health Care Reimbursement Account – accounts for the restricted assets contributed to City employees' healthcare reimbursement account.

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
 December 31, 2014

Statement 26

| | Landscape / Landfill | Employee Healthcare Reimbursement Account | Total |
|------------------------|-------------------------|--|------------|
| Assets | | | |
| Cash and investments | \$ 134,970 | \$ 15,393 | \$ 150,363 |
| Liabilities | | | |
| Deposits payable | \$ 134,970 | \$ 15,393 | \$ 150,363 |

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2014

Statement 27

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 |
|--|-------------------------------|-----------------------------|-----------------------------|---------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>Landscape/Landfill</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 130,504 | \$ 4,466 | \$ - | \$ 134,970 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Liabilities | | | | |
| Deposits payable | \$ 130,504 | \$ 4,466 | \$ - | \$ 134,970 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>Employee Healthcare Reimbursement Account</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 14,604 | \$ 6,750 | \$ 5,961 | \$ 15,393 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Liabilities | | | | |
| Deposits payable | \$ 14,604 | \$ 6,750 | \$ 5,961 | \$ 15,393 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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III. STATISTICAL SECTION (UNAUDITED)

This part of the City of South St. Paul, Minnesota's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of South St. Paul, Minnesota's overall financial health.

| Contents | Page |
|--|------|
| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 136 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 148 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 154 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 162 |
| Operating Information | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 164 |

Sources: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF SOUTH ST. PAUL, MINNESOTA**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 25,965,134 | \$ 36,290,023 | \$ 45,426,615 | \$ 50,127,360 |
| Restricted | 4,727,025 | 4,665,216 | 6,305,080 | 3,965,427 |
| Unrestricted | <u>15,794,256</u> | <u>8,346,800</u> | <u>8,394,301</u> | <u>8,268,709</u> |
| Total governmental activities net position | <u>\$ 46,486,415</u> | <u>\$ 49,302,039</u> | <u>\$ 60,125,996</u> | <u>\$ 62,361,496</u> |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 11,829,683 | \$ 11,850,391 | \$ 11,547,913 | \$ 11,307,727 |
| Unrestricted | <u>23,523,321</u> | <u>2,994,348</u> | <u>4,105,686</u> | <u>5,230,975</u> |
| Total business-type activities net position | <u>\$ 35,353,004</u> | <u>\$ 14,844,739</u> | <u>\$ 15,653,599</u> | <u>\$ 16,538,702</u> |
| Primary government: | | | | |
| Net investment in capital assets | \$ 37,794,817 | \$ 48,140,414 | \$ 56,974,528 | \$ 61,435,087 |
| Restricted | 4,727,025 | 4,665,216 | 6,305,080 | 3,965,427 |
| Unrestricted | <u>39,317,577</u> | <u>11,341,148</u> | <u>12,499,987</u> | <u>13,499,684</u> |
| Total primary government net position | <u>\$ 81,839,419</u> | <u>\$ 64,146,778</u> | <u>\$ 75,779,595</u> | <u>\$ 78,900,198</u> |

The City implemented GASB Statement No. 65 for the fiscal year ended December 31, 2013.

The data for the years prior to 2013 have not been restated to reflect this change.

Table 1

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 54,638,596 | \$ 55,457,507 | \$ 51,132,197 | \$ 48,908,824 | \$ 51,659,919 | \$ 54,442,716 |
| 3,401,805 | 2,856,386 | 4,996,846 | 4,954,281 | 4,401,005 | 6,416,191 |
| 7,617,647 | 9,953,322 | 10,334,718 | 12,696,029 | 11,213,059 | 9,209,143 |
| <u>\$ 65,658,048</u> | <u>\$ 68,267,215</u> | <u>\$ 66,463,761</u> | <u>\$ 66,559,134</u> | <u>\$ 67,273,983</u> | <u>\$ 70,068,050</u> |
| \$ 11,775,473 | \$ 11,643,887 | \$ 14,453,210 | \$ 13,886,557 | \$ 14,565,214 | \$ 14,627,351 |
| 5,900,991 | 4,191,071 | 4,518,774 | 6,640,168 | 6,567,625 | 7,003,502 |
| <u>\$ 17,676,464</u> | <u>\$ 15,834,958</u> | <u>\$ 18,971,984</u> | <u>\$ 20,526,725</u> | <u>\$ 21,132,839</u> | <u>\$ 21,630,853</u> |
| \$ 66,414,069 | \$ 67,101,394 | \$ 65,585,407 | \$ 62,795,381 | \$ 66,225,133 | \$ 68,900,209 |
| 3,401,805 | 2,856,386 | 4,996,846 | 4,954,281 | 4,401,005 | 6,416,191 |
| 13,518,639 | 14,144,393 | 14,853,492 | 19,336,197 | 17,780,684 | 16,382,503 |
| <u>\$ 83,334,513</u> | <u>\$ 84,102,173</u> | <u>\$ 85,435,745</u> | <u>\$ 87,085,859</u> | <u>\$ 88,406,822</u> | <u>\$ 91,698,903</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,067,202 | \$ 2,869,806 | \$ 2,216,808 | \$ 1,870,742 |
| Public safety | 5,343,939 | 5,535,003 | 6,319,181 | 6,515,301 |
| Public works | 3,328,511 | 4,133,175 | 4,009,014 | 3,935,557 |
| Community development | - | - | - | - |
| Parks, arena, library | 2,721,746 | 2,895,568 | 2,825,016 | 3,085,507 |
| Transportation | 1,405,760 | 1,303,503 | 651,897 | 1,212,501 |
| Interest on long-term debt | 544,450 | 604,805 | 969,617 | 569,908 |
| Total governmental activities | <u>15,411,608</u> | <u>17,341,860</u> | <u>16,991,533</u> | <u>17,189,516</u> |
| Business-type activities: | | | | |
| Water and sewer | 3,354,849 | 3,390,216 | 3,721,772 | 3,904,842 |
| Storm water | 188,090 | 198,225 | 203,315 | 278,354 |
| Street light utility | - | - | - | - |
| Total business-type activities | <u>3,542,939</u> | <u>3,588,441</u> | <u>3,925,087</u> | <u>4,183,196</u> |
| Total expenses | <u>\$ 18,954,547</u> | <u>\$ 20,930,301</u> | <u>\$ 20,916,620</u> | <u>\$ 21,372,712</u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 1,263,330 | \$ 1,226,122 | \$ 1,182,542 | \$ 1,101,832 |
| Public safety | 229,779 | 209,416 | 215,865 | 156,532 |
| Public works | 941,274 | 1,582,943 | 460,621 | 641,385 |
| Community development | - | - | - | - |
| Parks, arena, and library | 1,097,230 | 1,207,121 | 1,205,730 | 1,234,407 |
| Transportation | 808,316 | 850,517 | 819,478 | 1,076,991 |
| Operating grants and contributions | 994,062 | 1,342,519 | 1,557,846 | 1,069,733 |
| Capital grants and contributions | 1,519,639 | 1,966,898 | 3,331,011 | 2,238,852 |
| Total governmental activities | <u>6,853,630</u> | <u>8,385,536</u> | <u>8,773,093</u> | <u>7,519,732</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 3,319,492 | 4,113,596 | 4,577,377 | 4,736,691 |
| Storm water | 341,317 | 525,143 | 343,281 | 343,426 |
| Street light utility | - | - | - | - |
| Capital grants and contributions | - | - | 263,977 | 77 |
| Total business-type activities | <u>3,660,809</u> | <u>4,638,739</u> | <u>5,184,635</u> | <u>5,080,194</u> |
| Total program revenues | <u>\$ 10,514,439</u> | <u>\$ 13,024,275</u> | <u>\$ 13,957,728</u> | <u>\$ 12,599,926</u> |
| Net (expense) revenue: | | | | |
| Governmental activities | \$ (8,557,978) | \$ (8,956,324) | \$ (8,218,440) | \$ (9,669,784) |
| Business-type activities | 117,870 | 1,050,298 | 1,259,548 | 896,998 |
| Total net (expense) revenue | <u>\$ (8,440,108)</u> | <u>\$ (7,906,026)</u> | <u>\$ (6,958,892)</u> | <u>\$ (8,772,786)</u> |

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| \$ 3,128,819 | \$ 1,691,553 | \$ 1,703,297 | \$ 1,887,501 | \$ 1,627,234 | \$ 1,736,661 |
| 6,237,343 | 5,973,082 | 6,264,933 | 6,521,313 | 6,376,307 | 6,798,718 |
| 3,557,844 | 3,692,691 | 4,132,615 | 4,645,155 | 5,056,146 | 5,013,472 |
| - | 394,902 | 334,274 | 325,135 | 373,328 | 636,758 |
| 2,878,922 | 2,523,341 | 2,448,875 | 2,735,563 | 3,094,397 | 2,919,538 |
| 1,226,313 | 1,239,011 | 1,294,575 | 1,741,075 | 1,515,347 | 1,242,624 |
| 476,297 | 445,787 | 396,239 | 379,274 | 404,282 | 551,037 |
| <u>17,505,538</u> | <u>15,960,367</u> | <u>16,574,808</u> | <u>18,235,016</u> | <u>18,447,041</u> | <u>18,898,808</u> |
| 3,847,254 | 4,028,783 | 4,141,467 | 4,470,979 | 4,599,078 | 4,877,815 |
| 308,181 | 276,950 | 287,010 | 275,587 | 345,602 | 355,362 |
| 168,200 | 166,765 | 195,163 | 189,369 | 213,425 | 188,003 |
| <u>4,323,635</u> | <u>4,472,498</u> | <u>4,623,640</u> | <u>4,935,935</u> | <u>5,158,105</u> | <u>5,421,180</u> |
| <u>\$ 21,829,173</u> | <u>\$ 20,432,865</u> | <u>\$ 21,198,448</u> | <u>\$ 23,170,951</u> | <u>\$ 23,605,146</u> | <u>\$ 24,319,988</u> |
| \$ 1,140,523 | \$ 1,280,505 | \$ 1,036,494 | \$ 656,529 | \$ 726,655 | \$ 715,482 |
| 108,855 | 101,397 | 94,855 | 125,669 | 135,478 | 124,445 |
| 1,764,288 | 221,196 | 1,139,355 | 1,010,201 | 829,164 | 827,840 |
| - | - | 311,138 | 315,109 | 307,739 | 331,338 |
| 1,230,765 | 1,302,664 | 1,143,258 | 1,201,577 | 1,329,246 | 1,171,225 |
| 983,346 | 1,241,399 | 1,180,111 | 1,269,475 | 1,237,989 | 1,089,200 |
| 838,970 | 1,010,405 | 1,075,261 | 1,341,983 | 1,038,493 | 996,752 |
| 736,215 | 729,509 | 228,672 | 1,902,034 | 1,833,609 | 3,763,220 |
| <u>6,802,962</u> | <u>5,887,075</u> | <u>6,209,144</u> | <u>7,822,577</u> | <u>7,438,373</u> | <u>9,019,502</u> |
| 5,894,048 | 4,475,992 | 4,764,310 | 5,356,899 | 5,470,206 | 5,364,812 |
| 344,774 | 344,439 | 353,574 | 370,478 | 387,389 | 417,218 |
| 204,362 | 206,162 | 207,041 | 208,311 | 210,869 | 210,407 |
| 226,400 | - | 90,118 | - | - | 33,200 |
| <u>6,669,584</u> | <u>5,026,593</u> | <u>5,415,043</u> | <u>5,935,688</u> | <u>6,068,464</u> | <u>6,025,637</u> |
| <u>\$ 13,472,546</u> | <u>\$ 10,913,668</u> | <u>\$ 11,624,187</u> | <u>\$ 13,758,265</u> | <u>\$ 13,506,837</u> | <u>\$ 15,045,139</u> |
| \$ (10,702,576) | \$ (10,073,292) | \$ (10,365,664) | \$ (10,412,439) | \$ (11,008,668) | \$ (9,879,306) |
| 2,345,949 | 554,095 | 791,403 | 999,753 | 910,359 | 604,457 |
| <u>\$ (8,356,627)</u> | <u>\$ (9,519,197)</u> | <u>\$ (9,574,261)</u> | <u>\$ (9,412,686)</u> | <u>\$ (10,098,309)</u> | <u>\$ (9,274,849)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|----------------------|----------------------|----------------------|
| General revenues | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 5,017,990 | \$ 5,305,741 | \$ 5,744,747 | \$ 6,367,319 |
| Tax increment | 1,294,075 | 1,443,232 | 1,618,275 | 1,895,194 |
| Franchise taxes | 723,491 | 749,039 | 755,296 | 896,215 |
| Unrestricted grants and contributions | 2,249,007 | 2,781,385 | 2,537,158 | 2,130,674 |
| Investment earnings | 609,957 | 763,661 | 1,112,186 | 334,520 |
| Gain on sale of capital assets | - | - | - | 27,630 |
| Miscellaneous | - | 116,366 | 18,225 | 53,680 |
| <i>Special item</i> -change in depreciation method | - | - | 6,494,081 | - |
| Transfers of capital assets | - | - | - | - |
| Transfers | 55,000 | 440,273 | 550,262 | 200,052 |
| Total governmental activities | <u>9,949,520</u> | <u>11,599,697</u> | <u>18,830,230</u> | <u>11,905,284</u> |
| Business-type activities: | | | | |
| Investment earnings | 46,723 | 52,699 | 264,641 | 188,157 |
| <i>Special item</i> -change in depreciation method | - | - | (245,843) | - |
| Transfers of capital assets | - | - | - | - |
| Transfers | (55,000) | (440,273) | (550,262) | (200,052) |
| Total business-type activities | <u>(8,277)</u> | <u>(387,574)</u> | <u>(531,464)</u> | <u>(11,895)</u> |
| Total primary government | <u>\$ 9,941,243</u> | <u>\$ 11,212,123</u> | <u>\$ 18,298,766</u> | <u>\$ 11,893,389</u> |
| Change in net position: | | | | |
| Governmental activities | \$ 1,391,542 | \$ 2,643,373 | \$ 10,611,790 | \$ 2,235,500 |
| Business-type activities | 109,593 | 662,724 | 728,084 | 885,103 |
| Total primary government | <u>\$ 1,501,135</u> | <u>\$ 3,306,097</u> | <u>\$ 11,339,874</u> | <u>\$ 3,120,603</u> |

The City implemented GASB Statement No. 65 for the fiscal year ended December 31, 2013. The data for the years prior to 2013 have not been restated to reflect this change.

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 6,664,130 | \$ 6,988,958 | \$ 7,552,021 | \$ 8,539,477 | \$ 9,049,882 | \$ 9,008,694 |
| 1,981,064 | - | - | - | - | - |
| 759,836 | 764,407 | 830,981 | 705,405 | 791,906 | 866,070 |
| 2,459,663 | 1,849,002 | 1,860,742 | 1,682,623 | 1,679,437 | 2,305,804 |
| 158,024 | 219,921 | 315,572 | 151,615 | (94,910) | 227,909 |
| 699 | 16,687 | 13,849 | 63,646 | 46,809 | - |
| 191,103 | 82,018 | 124,457 | - | - | - |
| - | - | - | - | - | - |
| - | - | (2,711,680) | (2,088,104) | (620,867) | (376,388) |
| 1,784,609 | 2,556,728 | 576,268 | 1,676,688 | 871,260 | 641,284 |
| <u>13,999,128</u> | <u>12,477,721</u> | <u>8,562,210</u> | <u>10,731,350</u> | <u>11,723,517</u> | <u>12,673,373</u> |
| 135,719 | 161,126 | 210,211 | 143,572 | (53,852) | 158,453 |
| - | - | - | - | - | - |
| - | - | 2,711,680 | 2,088,104 | 620,867 | 376,388 |
| <u>(1,793,488)</u> | <u>(2,556,728)</u> | <u>(576,268)</u> | <u>(1,676,688)</u> | <u>(871,260)</u> | <u>(641,284)</u> |
| <u>(1,657,769)</u> | <u>(2,395,602)</u> | <u>2,345,623</u> | <u>554,988</u> | <u>(304,245)</u> | <u>(106,443)</u> |
| <u>\$ 12,341,359</u> | <u>\$ 10,082,119</u> | <u>\$ 10,907,833</u> | <u>\$ 11,286,338</u> | <u>\$ 11,419,272</u> | <u>\$ 12,566,930</u> |
| \$ 3,296,552 | \$ 2,404,429 | \$ (1,803,454) | \$ 318,911 | \$ 714,849 | \$ 2,794,067 |
| 688,180 | (1,841,507) | 3,137,026 | 1,554,741 | 606,114 | 498,014 |
| <u>\$ 3,984,732</u> | <u>\$ 562,922</u> | <u>\$ 1,333,572</u> | <u>\$ 1,873,652</u> | <u>\$ 1,320,963</u> | <u>\$ 3,292,081</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|----------------------|---------------------|----------------------|----------------------|
| General fund: | | | | |
| Reserved | \$ - | \$ - | \$ 2,951 | \$ 578 |
| Unreserved | 4,298,997 | 3,457,108 | 3,154,304 | 1,902,052 |
| Nonspendable | - | - | - | - |
| Committed | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | <u>\$ 4,298,997</u> | <u>\$ 3,457,108</u> | <u>\$ 3,157,255</u> | <u>\$ 1,902,630</u> |
| All other governmental funds: | | | | |
| Reserved | \$ 6,325,474 | \$ 6,949,127 | \$ 9,763,803 | \$ 7,051,731 |
| Unreserved, reported in: | | | | |
| Special revenue funds | (1,096,016) | (1,152,603) | (1,314,743) | (1,413,702) |
| Debt service funds | 284,064 | 285,598 | 663,984 | 910,779 |
| Capital projects funds | 8,222,562 | 3,770,371 | 2,668,972 | 3,934,133 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 13,736,084</u> | <u>\$ 9,852,493</u> | <u>\$ 11,782,016</u> | <u>\$ 10,482,941</u> |

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011.
 The 2010 fund balances were reclassified according to GASB Statement No. 54 for comparison purposes.
 The data for the years prior to 2010 have not been restated to reflect this change.

Table 3

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| \$ 23,841 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3,954,664 | - | - | - | - | - |
| - | 1,994 | 4,295,945 | 3,809,642 | 4,268,853 | 4,380 |
| - | - | 448,307 | 957,505 | 450,373 | 4,590,970 |
| - | 3,946,072 | 4,024,872 | 3,955,633 | 4,108,579 | 4,785,607 |
| <u>\$ 3,978,505</u> | <u>\$ 3,948,066</u> | <u>\$ 8,769,124</u> | <u>\$ 8,722,780</u> | <u>\$ 8,827,805</u> | <u>\$ 9,380,957</u> |
| \$ 7,911,977 | \$ - | \$ - | \$ - | \$ - | \$ - |
| (1,228,614) | - | - | - | - | - |
| 408,547 | - | - | - | - | - |
| 272,288 | - | - | - | - | - |
| - | 3,095,604 | 4,344,904 | 46,725 | 51,057 | 59,023 |
| - | 3,404,591 | 3,101,673 | 6,995,130 | 6,801,470 | 6,493,717 |
| - | 1,733,585 | 577,454 | 57,196 | 76,497 | 31,318 |
| - | 4,149,829 | 5,004,209 | 7,156,684 | 7,306,243 | 7,720,144 |
| - | 588,191 | (166,737) | (3,392,931) | (5,182,781) | (4,338,417) |
| <u>\$ 7,364,198</u> | <u>\$ 12,971,800</u> | <u>\$ 12,861,503</u> | <u>\$ 10,862,804</u> | <u>\$ 9,052,486</u> | <u>\$ 9,965,785</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|---|--------------------|--------------------|--------------------|--------------------|
| Revenues: | | | | |
| General property taxes | \$ 4,990,439 | \$ 5,300,707 | \$ 5,662,257 | \$ 6,237,649 |
| Tax increment collections | 1,294,075 | 1,443,232 | 1,618,276 | 1,895,194 |
| Franchise tax | 723,491 | 749,039 | 755,296 | 896,215 |
| Licenses and permits | 537,347 | 472,357 | 385,103 | 377,503 |
| Intergovernmental | 4,793,110 | 5,964,368 | 7,357,769 | 5,410,813 |
| Charges for services | 2,558,303 | 2,903,963 | 2,873,644 | 3,025,216 |
| Fines and forfeits | 103,927 | 211,069 | 139,966 | 113,221 |
| Special assessments | 916,541 | 1,053,449 | 850,285 | 798,164 |
| Investment earnings | 570,142 | 732,660 | 1,036,104 | 304,388 |
| Contributions and donations | 27,342 | 36,527 | 4,541 | 28,443 |
| Miscellaneous | 371,558 | 114,844 | 147,383 | 52,771 |
| Total revenues | 16,886,275 | 18,982,215 | 20,830,624 | 19,139,577 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,506,725 | 1,885,093 | 2,137,081 | 1,824,108 |
| Public safety | 5,169,070 | 5,475,732 | 6,290,264 | 6,327,399 |
| Public works | 2,854,649 | 2,760,025 | 2,670,003 | 2,378,366 |
| Community development | - | - | - | - |
| Parks, arena, library | 2,342,498 | 2,674,930 | 2,574,722 | 2,772,001 |
| Transportation | 770,504 | 772,059 | 798,931 | 1,012,170 |
| Nondepartmental | 273,538 | 950,301 | 12,058 | 25,285 |
| Development and other costs | 285,965 | - | - | - |
| Capital outlay: | | | | |
| General government | 172,251 | 6,303,452 | 2,161,027 | 133,826 |
| Public safety | 16,414 | - | 176,123 | 52,194 |
| Public works | 64,906 | 3,304,686 | 3,156,507 | 2,981,684 |
| Parks, arena, library | 62,249 | 211,724 | 6,058 | 233,341 |
| Transportation | 734,440 | 1,548,936 | 176,758 | 458,672 |
| Interest expenditure | 52,994 | - | 294,309 | - |
| Debt service: | | | | |
| Principal retirement | 6,880,000 | 1,480,000 | 2,729,916 | 3,044,215 |
| Interest | 621,451 | 506,583 | 706,944 | 613,331 |
| Issuance costs, agents fees and other | 29,459 | 32,740 | 53,529 | 31,044 |
| Total expenditures | 21,837,113 | 27,906,261 | 23,944,230 | 21,887,636 |
| Revenues over (under) expenditures | (4,950,838) | (8,924,046) | (3,113,606) | (2,748,059) |

| 2009 | 2010 * | 2011 | 2012 | 2013 | 2014 |
|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| \$ 6,635,485 | \$ 7,052,573 | \$ 7,566,465 | \$ 8,597,727 | \$ 9,085,565 | \$ 9,027,021 |
| 1,981,064 | - | - | - | - | - |
| 759,836 | 764,407 | 830,981 | 705,405 | 791,906 | 866,070 |
| 334,996 | 373,625 | 372,417 | 383,377 | 372,746 | 395,402 |
| 3,986,452 | 3,429,476 | 3,127,609 | 3,999,456 | 3,839,083 | 6,647,133 |
| 3,340,316 | 3,599,832 | 3,615,226 | 3,841,138 | 3,925,824 | 3,557,941 |
| 114,821 | 100,082 | 104,519 | 110,989 | 122,889 | 110,101 |
| 645,146 | 635,721 | 743,706 | 714,315 | 774,148 | 609,138 |
| 137,255 | 189,270 | 272,303 | 135,409 | (87,396) | 389,313 |
| 48,395 | 27,123 | 37,066 | 134,566 | 46,690 | 65,890 |
| 186,682 | 81,917 | 123,607 | 324,032 | 109,200 | 125,597 |
| <u>18,170,448</u> | <u>16,254,026</u> | <u>16,793,899</u> | <u>18,946,414</u> | <u>18,980,655</u> | <u>21,793,606</u> |
| 1,911,675 | 1,583,254 | 1,581,594 | 1,764,732 | 1,683,436 | 1,646,776 |
| 5,905,562 | 5,814,072 | 5,956,776 | 6,164,926 | 6,175,600 | 6,651,659 |
| 2,165,858 | 2,321,600 | 2,636,833 | 3,121,304 | 3,356,931 | 3,305,214 |
| - | 391,817 | 328,592 | 320,533 | 367,754 | 634,381 |
| 2,590,665 | 2,238,432 | 2,138,061 | 2,338,037 | 2,632,734 | 2,815,556 |
| 982,012 | 1,001,317 | 1,057,479 | 1,510,919 | 1,256,277 | 1,031,466 |
| 1,099,685 | 2,267 | - | - | - | - |
| - | - | - | - | - | - |
| 68,853 | 9,175 | 140,590 | 115,580 | 22,809 | 149,036 |
| 38,930 | 21,837 | 36,978 | 70,946 | 31,747 | 102,887 |
| 2,811,993 | 1,305,856 | 1,624,362 | 2,205,280 | 4,233,829 | 3,351,236 |
| 115,684 | 542,036 | 226,222 | 336,110 | 169,048 | 2,806,200 |
| 2,909 | 94,061 | - | - | 128,495 | 1,480,101 |
| - | - | - | - | - | - |
| 2,783,612 | 1,387,132 | 1,337,142 | 1,239,475 | 1,109,899 | 1,835,301 |
| 520,487 | 468,801 | 415,835 | 371,311 | 417,851 | 563,423 |
| - | - | - | 108,678 | - | 165,111 |
| <u>20,997,925</u> | <u>17,181,657</u> | <u>17,480,464</u> | <u>19,667,831</u> | <u>21,586,410</u> | <u>26,538,347</u> |
| <u>(2,827,477)</u> | <u>(927,631)</u> | <u>(686,565)</u> | <u>(721,417)</u> | <u>(2,605,755)</u> | <u>(4,744,741)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | 2005 | 2006 | 2007 | 2008 |
|---|-----------------------|-----------------------|---------------------|-----------------------|
| Other financing sources (uses): | | | | |
| Bonds issued | \$ 1,510,000 | \$ 3,800,000 | \$ 1,420,000 | \$ 1,955,000 |
| Refunding bonds issued | - | - | 1,840,000 | - |
| Discount on bonds issued | - | (41,707) | - | (6,265) |
| Premium on bonds issued | - | - | 14,249 | - |
| Payment to refunding escrow agent | - | - | - | (1,810,000) |
| Loan proceeds | - | - | 375,490 | - |
| Capital lease | - | - | - | - |
| Transfers in | 4,273,273 | 2,542,933 | 854,623 | 200,052 |
| Transfers out | (4,263,273) | (2,102,660) | - | (144,428) |
| Sale of capital assets | 159,217 | - | 8,000 | - |
| Total other financing sources (uses) | <u>1,679,217</u> | <u>4,198,566</u> | <u>4,512,362</u> | <u>194,359</u> |
| Net change in fund balance | <u>\$ (3,271,621)</u> | <u>\$ (4,725,480)</u> | <u>\$ 1,398,756</u> | <u>\$ (2,553,700)</u> |
| Debt service as a percentage of noncapital expenditures | 37.1% | 12.0% | 18.8% | 20.3% |
| Debt service as percentage of total expenditures | 34.5% | 7.2% | 14.6% | 16.9% |

* The City implemented some reorganization changes in 2011 and as a result, the 2010 numbers have been revised to reflect these changes.

| 2009 | 2010 * | 2011 | 2012 | 2013 | 2014 |
|-----------------------|---------------------|---------------------|---------------------|-----------------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,970,000 |
| - | - | - | 5,525,000 | - | - |
| - | - | - | - | - | - |
| - | - | - | 243,810 | - | 76,858 |
| - | - | - | - | - | (2,815,000) |
| - | - | - | - | - | - |
| - | - | - | - | 29,202 | - |
| 1,793,488 | 2,556,728 | 576,268 | 1,676,688 | 1,158,688 | 1,855,965 |
| (8,879) | - | - | - | (287,428) | (1,325,186) |
| - | - | - | - | - | - |
| <u>1,784,609</u> | <u>2,556,728</u> | <u>576,268</u> | <u>7,445,498</u> | <u>900,462</u> | <u>4,762,637</u> |
| <u>\$ (1,042,868)</u> | <u>\$ 1,629,097</u> | <u>\$ (110,297)</u> | <u>\$ 6,724,081</u> | <u>\$ (1,705,293)</u> | <u>\$ 17,896</u> |
| 18.4% | 12.2% | 11.3% | 9.4% | 8.9% | 13.9% |
| 15.7% | 10.8% | 10.0% | 8.7% | 7.1% | 9.7% |

CITY OF SOUTH ST. PAUL, MINNESOTA**TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY**

Last Ten Fiscal Years

(Unaudited)

| <u>Year</u> | <u>Residential Property</u> | <u>Commercial/ Industrial Property</u> | <u>All Other</u> | <u>Total Tax Capacity</u> |
|-------------|---------------------------------|--|----------------------|-----------------------------------|
| 2005 | \$ 10,173,618 | \$ 3,497,313 | \$ 376,911 | \$ 14,047,842 |
| 2006 | 11,675,953 | 3,815,562 | 407,555 | 15,899,070 |
| 2007 | 12,995,800 | 4,410,391 | 440,101 | 17,846,292 |
| 2008 | 13,332,184 | 4,881,619 | 452,319 | 18,666,122 |
| 2009 | 12,877,645 | 5,070,283 | 456,589 | 18,404,517 |
| 2010 | 11,977,146 | 4,799,666 | 458,234 | 17,235,046 |
| 2011 | 10,472,929 | 4,708,088 | 471,467 | 15,652,484 |
| 2012 | 8,810,663 | 4,654,904 | 490,859 | 13,956,426 |
| 2013 | 7,820,300 | 4,637,390 | 506,130 | 12,963,820 |
| 2014 | 7,765,278 | 4,695,335 | 509,398 | 12,970,011 |

Source: Dakota County, Official statements for the City of South St. Paul

Table 5

| Net Fiscal Disparity Contribution | Adjusted Tax Capacity Value | Total Direct Tax Rate | Estimated Market Value | Tax Capacity as a Percent of EMV |
|---|-----------------------------------|-----------------------------|------------------------------|--|
| \$ 656,676 | \$ 14,704,518 | 36.910% | \$ 1,241,247,200 | 1.08% |
| 371,768 | 16,270,838 | 35.000% | 1,411,714,500 | 1.18% |
| (2,384) | 17,843,908 | 34.140% | 1,576,157,200 | 1.15% |
| (89,245) | 18,576,877 | 36.142% | 1,632,184,800 | 1.14% |
| 124,094 | 18,528,611 | 38.532% | 1,596,388,200 | 1.16% |
| 1,069,688 | 18,304,734 | 41.428% | 1,485,029,900 | 1.23% |
| 1,197,889 | 16,850,373 | 48.374% | 1,336,348,950 | 1.26% |
| 1,201,111 | 15,157,537 | 56.466% | 1,287,925,780 | 1.18% |
| 1,086,403 | 14,050,223 | 63.280% | 1,218,927,900 | 1.15% |
| 1,078,828 | 14,048,839 | 60.901% | 1,216,525,700 | 1.15% |

CITY OF SOUTH ST. PAUL, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX CAPACITY RATES
 Last Ten Fiscal Years
 (Unaudited)

| City of South St. Paul | | | | |
|------------------------|-------------------|-------------------------|-----------------|-------------------------|
| Fiscal Year | Operating Rate | Debt Service Rate | Library Rate | Total Direct Rate |
| 2005 | 30.710% | 2.490% | 3.710% | 36.910% |
| 2006 | 29.090% | 2.290% | 3.620% | 35.000% |
| 2007 | 26.940% | 3.710% | 3.490% | 34.140% |
| 2008 | 28.840% | 3.912% | 3.390% | 36.142% |
| 2009 | 31.151% | 3.960% | 3.421% | 38.532% |
| 2010 | 34.949% | 3.139% | 3.340% | 41.428% |
| 2011 | 40.766% | 4.009% | 3.599% | 48.374% |
| 2012 | 47.723% | 4.462% | 4.281% | 56.466% |
| 2013 | 53.229% | 5.228% | 4.823% | 63.280% |
| 2014 | 53.216% | 5.102% | 4.962% | 60.901% |

Source: Official statements for the City of South St. Paul and Dakota County Final Tax Rate Report.

Table 6

| Overlapping Rates | | | | Total School District #6 | Total School District #199 |
|-------------------|---------|-----------------|---------|--------------------------|----------------------------|
| School District | | Other Districts | County | | |
| #6 | #199 | | | | |
| 26.340% | 7.946% | 5.922% | 28.274% | 97.445% | 79.052% |
| 26.075% | 17.944% | 5.910% | 26.324% | 93.309% | 85.178% |
| 23.760% | 16.590% | 5.720% | 22.990% | 86.610% | 79.440% |
| 27.640% | 19.760% | 5.660% | 23.070% | 92.512% | 84.632% |
| 26.910% | 19.300% | 6.010% | 23.420% | 94.872% | 87.262% |
| 26.810% | 21.800% | 5.880% | 24.730% | 98.848% | 93.838% |
| 30.681% | 24.679% | 6.162% | 26.547% | 111.764% | 105.762% |
| 32.306% | 28.363% | 6.639% | 28.658% | 124.069% | 120.126% |
| 35.478% | 27.556% | 8.466% | 30.490% | 137.714% | 129.792% |
| 44.522% | 33.418% | 7.692% | 31.827% | 144.942% | 133.838% |

CITY OF SOUTH ST. PAUL, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Table 7

| Taxpayer | 2014 | | | 2005 | | |
|-------------------------------------|------------------------|------|---|------------------------|------|---|
| | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value |
| Xcel Energy | \$ 327,585 | 1 | 2.53% | \$ 262,398 | 1 | 1.87% |
| Blue Dog Properties Trust | 199,956 | 2 | 1.54% | 161,274 | 2 | 1.15% |
| Chicago & NW Trans. Co | 185,942 | 3 | 1.43% | 91,759 | 5 | 0.65% |
| Waterous Co | 119,122 | 4 | 0.92% | 128,172 | 3 | 0.91% |
| Leonard Investment Co. | 113,974 | 5 | 0.88% | 76,613 | 8 | 0.55% |
| Waterford Green Limited Partnership | 105,625 | 6 | 0.81% | 103,750 | 4 | 0.74% |
| Dakota Bulk Property LLC | 100,470 | 7 | 0.77% | 77,858 | 7 | 0.55% |
| Jebco Group Inc | 97,628 | 8 | 0.75% | 91,572 | 6 | 0.65% |
| Sanimax AMX LLC | 76,530 | 9 | 0.59% | - | - | |
| Hardman Ave Properties LLC | 75,824 | 10 | 0.58% | - | - | |
| Canal Capital Corporation | - | - | - | 61,009 | 9 | 0.43% |
| Drover's Inn Association | - | - | - | 57,922 | 10 | 0.41% |
| Total | \$ 1,402,656 | | 10.80% | \$ 1,112,327 | | 7.91% |
| Total All Property | \$ 12,970,011 | | | \$ 14,047,842 | | |

Source: Official statements for the City of South St. Paul, Dakota County

CITY OF SOUTH ST. PAUL, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years
 (Unaudited)

Table 8

| Fiscal Year Ended December 31, | Taxes Levied For The Fiscal Year | Collected Within The Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|--------------------------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2005 | \$ 3,105,810 | \$ 3,026,707 | 97.45% | \$ 76,267 | \$ 3,102,974 | 99.91% |
| 2006 | 4,792,996 | 4,708,423 | 98.24% | 81,456 | 4,789,879 | 99.93% |
| 2007 | 6,115,536 | 5,993,668 | 98.01% | 119,811 | 6,113,479 | 99.97% |
| 2008 | 6,652,578 | 6,505,188 | 97.78% | 141,154 | 6,646,342 | 99.91% |
| 2009 | 7,053,607 | 6,916,953 | 98.06% | 136,654 | 7,053,607 | 100.00% |
| 2010 | * 7,454,599 | 6,967,894 | 93.47% | 154,182 | 7,122,076 | 95.54% |
| 2011 | 7,880,133 | 7,689,963 | 97.59% | 167,878 | 7,857,841 | 99.72% |
| 2012 | 8,252,760 | 8,123,653 | 98.44% | 129,107 | 8,252,760 | 100.00% |
| 2013 | 8,644,354 | 8,508,414 | 98.43% | 122,472 | 8,630,886 | 99.84% |
| 2014 | 8,644,354 | 8,534,519 | 98.73% | - | 8,534,519 | 98.73% |

* Amount includes Market Value Homestead Credit (MVHC). The MVHC program reduces the property tax owed on a homesteaded property by .4% of the homestead's market value up to a maximum per property of \$304. 2010 legislative action cut \$337,153 in City revenue which ultimately reduced the collection percentages. The City anticipated it would have collected the same as previous years if the cut was not made.

Sources: City financial records

CITY OF SOUTH ST. PAUL, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Governmental Activities | | | | | Total Governmental Activities |
|-------------|--------------------------|-------------------|---------------------|--------------|---------------|-------------------------------|
| | General Obligation Bonds | Improvement Bonds | Tax Increment Bonds | Note Payable | Capital Lease | |
| 2005 | \$ 4,160,000 | \$ 6,015,000 | \$ 4,320,690 | \$ - | \$ - | \$ 14,495,690 |
| 2006 | 7,685,000 | 5,010,000 | 4,120,498 | 375,490 | - | 17,190,988 |
| 2007 | 9,249,478 | 5,393,611 | 2,800,306 | 341,070 | 1,783,901 | 19,568,366 |
| 2008 | 7,033,980 | 6,177,949 | 1,420,114 | 303,521 | 1,721,607 | 16,657,171 |
| 2009 | 6,593,482 | 5,317,287 | - | 265,972 | 1,597,163 | 13,773,904 |
| 2010 | 6,132,984 | 4,486,625 | - | 228,423 | 1,471,414 | 12,319,446 |
| 2011 | 5,752,486 | 3,715,963 | - | 190,874 | 1,349,884 | 11,009,207 |
| 2012 | 10,881,988 | 3,065,301 | - | 153,325 | 1,232,464 | 15,333,078 |
| 2013 | 10,698,939 | 2,479,639 | - | 115,776 | 1,151,594 | 14,445,948 |
| 2014 | 14,382,071 | 1,395,000 | - | 78,227 | 1,040,402 | 16,895,700 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^(a)See Table 14 for personal income and population data.

Table 9

| Business-Type Activities | | | | | | |
|--|--------------------------------------|-----------------|--------------------------------|--|------------------------------|--|
| Sewer/Water/ Storm Revenue Bonds | Total Business-Type Activities | Per Customer | Total Primary Government | Percentage of Personal Income ^(a) | Per Capita ^(a) | |
| \$ - | \$ - | \$ - | \$ 14,495,690 | 1.74% | \$ 722 | |
| - | - | - | 17,190,988 | 1.99% | 840 | |
| - | - | - | 19,568,366 | 2.08% | 972 | |
| - | - | - | 16,657,171 | 1.79% | 827 | |
| - | - | - | 13,773,904 | 1.50% | 714 | |
| 2,801,000 | 2,801,000 | 406 | 15,120,446 | 1.72% | 774 | |
| 2,675,000 | 2,675,000 | 390 | 13,684,207 | 1.47% | 678 | |
| 2,325,000 | 2,325,000 | 339 | 17,658,078 | 1.75% | 871 | |
| 2,206,000 | 2,206,000 | 316 | 16,651,948 | 1.62% | 821 | |
| 4,966,452 | 4,966,452 | 711 | 21,862,152 | N/A | 1,070 | |

CITY OF SOUTH ST. PAUL, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years
 (Unaudited)

Table 10

| Fiscal Year | Governmental Activities | | | | | Business-type Activities | | Net Bonded Debt Total | Percentage of Total Tax Capacity ^(b) | Per Capita ^(a) |
|-------------|--------------------------|-------------------|---------------------|---------------------------|---|--------------------------|--------------|-----------------------|---|---------------------------|
| | General Obligation Bonds | Improvement Bonds | Tax Increment Bonds | Total General Bonded Debt | Less: Amounts Restricted for Debt Service | General Obligation Bonds | | | | |
| 2005 | \$ 4,160,000 | \$ 6,015,000 | \$ 4,320,690 | \$ 14,495,000 | \$ 5,011,089 | \$ - | \$ 9,483,911 | 67.51% | \$ 472 | |
| 2006 | 7,685,000 | 5,010,000 | 4,120,498 | 16,815,000 | 4,950,814 | - | 11,864,186 | 74.62% | 592 | |
| 2007 | 9,249,478 | 5,393,611 | 2,800,306 | 17,430,000 | 6,969,064 | - | 10,460,936 | 58.62% | 520 | |
| 2008 | 7,033,980 | 6,177,949 | 1,420,114 | 14,620,000 | 4,876,206 | - | 9,743,794 | 52.20% | 498 | |
| 2009 | 6,593,482 | 5,317,287 | - | 11,900,000 | 3,810,352 | - | 8,089,648 | 43.95% | 420 | |
| 2010 | 6,132,984 | 4,486,625 | - | 10,610,000 | 3,075,569 | 2,801,000 | 10,335,431 | 59.97% | 530 | |
| 2011 | 5,752,486 | 3,715,963 | - | 9,468,449 | 2,772,651 | 2,675,000 | 9,370,798 | 59.87% | 465 | |
| 2012 | 10,881,988 | 3,065,301 | - | 13,947,289 | 8,669,465 | 2,325,000 | 7,602,824 | 54.48% | 375 | |
| 2013 | 10,698,939 | 2,479,639 | - | 13,178,578 | 4,106,725 | 2,206,000 | 11,277,853 | 86.99% | 556 | |
| 2014 | 14,382,071 | 1,395,000 | - | 15,777,071 | 2,224,750 | 4,966,452 | 18,518,773 | 142.78% | 906 | |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^(a)See Table 14 for personal income and population data.

^(b)See Table 5 for Total Tax Capacity Value.

CITY OF SOUTH ST. PAUL, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2014
(Unaudited)

Table 11

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Overlapping Debt |
|-----------------------------------|---------------------|--|--|
| Debt repaid with property taxes: | | | |
| School Districts: | | | |
| Special School District No. 6 | \$ 38,585,000 | 100.0000% | \$ 38,585,000 |
| ISD No. 199 | 67,040,000 | 0.3653% | 244,894 |
| Special Districts: | | | |
| Dakota County | 42,730,000 | 2.9257% | 1,250,136 |
| Metropolitan Council | 196,680,000 | 0.3914% | 769,760 |
| Subtotal - overlapping debt | | | 40,849,790 |
| City direct debt | | | 16,895,700 |
| Total direct and overlapping debt | | | \$ 57,745,490 |

Sources: Annual Report for continuing disclosure prepared by Ehlers & Associates, Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF SOUTH ST. PAUL, MINNESOTA
LEGAL DEBT MARGIN INFORMATION - PRIMARY GOVERNMENT
Last Ten Fiscal Years
(Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2014

| | |
|---|-----------------------------|
| Estimated Market Value | \$ 1,216,525,700 |
| Debt limit (3% of market value) ^(a) | <u>36,495,771</u> |
| Debt applicable to limit: | |
| General obligation bonds paid solely from Taxes | 8,670,000 |
| Less: amount available for payment on principal and interest | <u>(360,554)</u> |
| Total net debt applicable to limit | <u>8,309,446</u> |
| Legal debt margin | <u><u>\$ 28,186,325</u></u> |

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt limit | \$ 24,824,944 | \$ 28,234,290 | \$ 31,473,972 | \$ 48,965,544 |
| Total net debt applicable to limit | <u>3,749,051</u> | <u>7,247,852</u> | <u>6,807,805</u> | <u>6,440,540</u> |
| Legal debt margin | <u><u>\$ 21,075,893</u></u> | <u><u>\$ 20,986,438</u></u> | <u><u>\$ 24,666,167</u></u> | <u><u>\$ 42,525,004</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 15.10% | 25.67% | 21.63% | 13.15% |

^(a) The debt limit percentage increased in 2008 from 2% to 3%.

Table 12

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 47,891,646 | \$ 44,550,897 | \$ 40,174,356 | \$ 35,141,194 | \$ 36,567,837 | \$ 36,495,771 |
| <u>6,092,723</u> | <u>5,701,106</u> | <u>5,308,112</u> | <u>2,003,665</u> | <u>1,617,530</u> | <u>8,309,446</u> |
| <u>\$ 41,798,923</u> | <u>\$ 38,849,791</u> | <u>\$ 34,866,244</u> | <u>\$ 33,137,529</u> | <u>\$ 28,318,241</u> | <u>\$ 28,186,325</u> |
| 12.72% | 12.80% | 13.21% | 5.70% | 4.42% | 22.77% |

CITY OF SOUTH ST. PAUL, MINNESOTA**PLEDGED-REVENUE COVERAGE**

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year | Water Revenue Bonds | | | | | |
|----------------|-------------------------------|-------------------------------|-----------------------------|--------------|----------|----------|
| | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2005 | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| 2006 | - | - | - | - | - | - |
| 2007 | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - |
| 2010 | 1,226,156 | 727,646 | 498,510 | 51 | 10,298 | 48.17 |
| 2011 | 1,519,778 | 945,554 | 574,224 | 126,000 | 42,771 | 3.40 |
| 2012 | 1,844,756 | 848,388 | 996,368 | 350,000 | 40,017 | 2.55 |
| 2013 | 1,998,510 | 899,670 | 1,098,840 | 119,000 | 43,911 | 6.75 |
| 2014 | 1,966,922 | 1,173,491 | 793,431 | 121,000 | 37,701 | 5.00 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Table 13

| Special Assessment Collections | Improvement Bonds | | | Tax Increment Collections | Tax Increment Bonds | | |
|--------------------------------------|-------------------|------------|----------|---------------------------------|---------------------|------------|----------|
| | Debt Service | | Coverage | | Debt Service | | Coverage |
| | Principal | Interest | | | Principal | Interest | |
| \$ 903,732 | \$ 1,440,000 | \$ 231,742 | 0.54 | \$ 1,294,075 | \$ 5,185,000 | \$ 119,844 | 0.24 |
| 1,053,449 | 1,005,000 | 205,948 | 0.87 | 1,443,232 | 200,000 | 118,800 | 4.53 |
| 850,285 | 1,045,000 | 204,664 | 0.68 | 1,618,276 | 1,320,000 | 113,300 | 1.13 |
| 798,164 | 1,170,000 | 187,964 | 0.59 | 1,895,194 | 1,380,000 | 77,000 | 1.30 |
| 645,146 | 860,000 | 199,260 | 0.61 | 1,981,064 | 1,420,000 | - | 1.40 |
| 635,721 | 830,000 | 196,682 | 0.62 | - | - | - | - |
| 743,706 | 770,000 | 165,379 | 0.80 | - | - | - | - |
| 700,486 | 650,000 | 137,414 | 0.89 | - | - | - | - |
| 766,089 | 585,000 | 113,814 | 1.10 | - | - | - | - |
| 601,129 | 1,080,000 | 90,948 | 0.51 | - | - | - | - |

CITY OF SOUTH ST. PAUL, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years
 (Unaudited)

Table 14

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income *</u> | <u>Per Capita Personal Income*</u> | <u>Dakota Unemployment Rate*</u> |
|--------------------|-------------------|--------------------------|------------------------------------|----------------------------------|
| 2005 | 20,078 | \$ 831,550,448 | \$ 42,377 | 3.20% |
| 2006 | 20,024 | 862,934,280 | 44,295 | 3.50% |
| 2007 | 20,108 | 940,089,216 | 46,752 | 4.00% |
| 2008 | 19,552 | 931,711,456 | 47,653 | 6.10% |
| 2009 | 19,266 | 918,082,698 | 47,653 | 7.70% |
| 2010 | 19,514 | 878,559,308 | 45,022 | 6.60% |
| 2011 | 20,160 | 933,387,840 | 46,299 | 5.20% |
| 2012 | 20,275 | 1,010,647,925 | 49,847 | 4.90% |
| 2013 | 20,290 | 1,028,439,230 | 50,687 | 4.10% |
| 2014 | 20,441 | N/A | N/A | 3.20% |

Amounts noted as N/A were not available

Sources:

Population: Metropolitan Council

Unemployment: The State of Minnesota, Department of Employment and Economic Development

Personal Income: Bureau of Economic Analysis

* This data is not tracked for individual cities, data for Dakota County was used.

CITY OF SOUTH ST. PAUL, MINNESOTA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Table 15

| Employer | 2014 | | | 2005 | | |
|--|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Sportsman's Guide | 600 | 1 | 9.20% | 648 | 1 | 7.88% |
| Special School District No. 6 | 468 | 2 | 7.17% | 512 | 2 | 6.23% |
| Bremer Bank | 450 | 3 | 6.90% | - | - | - |
| Dakota Premium Foods | 321 | 4 | 4.92% | 280 | 5 | 3.40% |
| Cerenity Care Center - Bethesda ⁽¹⁾ | 250 | 5 | 3.83% | 215 | 7 | 2.61% |
| Waterous Company | 250 | 6 | 3.83% | 376 | 3 | 4.57% |
| American Bottling | 250 | 7 | 3.83% | 150 | 9 | 1.82% |
| Twin City Bagel | 200 | 8 | 3.07% | 200 | 8 | 2.43% |
| Wipaire | 181 | 9 | 2.77% | 150 | 10 | 1.82% |
| City of South St. Paul | 176 | 10 | 2.70% | 302 | 4 | 3.67% |
| Wells Fargo Bank MN, NA | - | - | - | 267 | 6 | 3.25% |
| Total | <u>3,146</u> | | <u>48.21%</u> | <u>3,100</u> | | <u>37.69%</u> |
| Total city employment | <u>6,525</u> | | | <u>8,224</u> | | |

⁽¹⁾ Formerly HealthEast Bethesda Lutheran Care Center

Source: Annual report for continuing disclosure prepared by Ehlers & Associates, Inc.
Total City employment from the Minnesota Department of Employment & Economic Development.

CITY OF SOUTH ST. PAUL, MINNESOTA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

| Function/Program | 2005 | 2006 | 2007 | Full-Time 2008 ^(a) |
|---------------------------|---------------|---------------|---------------|----------------------------------|
| General government: | | | | |
| Management services | 5.28 | 5.28 | 5.28 | 5.10 |
| Finance | 2.80 | 2.80 | 3.20 | 3.25 |
| Planning | 1.00 | 1.00 | 1.00 | 1.00 |
| Building | 1.00 | 1.00 | 1.00 | 1.00 |
| Other | 1.20 | 1.20 | 1.20 | 1.20 |
| Police: | | | | |
| Officers | 26.00 | 27.00 | 27.00 | 27.00 |
| Civilians | 3.50 | 4.00 | 4.00 | 4.00 |
| Animal control * | 0.50 | 0.50 | 0.50 | 0.50 |
| Fire: | | | | |
| Firefighters and officers | 19.00 | 19.00 | 18.50 | - |
| Civilians | 1.00 | 1.00 | 1.00 | - |
| Other public works: | | | | |
| Engineering | 4.85 | 4.85 | 4.85 | 4.85 |
| Code enforcement | 3.00 | 3.00 | 3.00 | 3.00 |
| Public works | 8.40 | 8.40 | 8.40 | 8.40 |
| Parks and recreation | 7.03 | 7.43 | 7.43 | 7.43 |
| Library | 8.00 | 8.00 | 8.00 | 8.00 |
| Arena | 1.75 | 2.50 | 2.50 | 2.50 |
| Airport | 2.00 | 2.00 | 2.00 | 2.00 |
| Water and Sewer | 7.42 | 7.42 | 7.42 | 7.42 |
| Central Garage | 2.00 | 2.00 | 2.00 | 2.00 |
| Total | 105.73 | 108.38 | 108.28 | 88.65 |

Source: City Budget Office - excludes seasonal employees

^(a) The large decrease in total government employees in 2008 is due to the fact that the fire department consolidated with the City of West St. Paul's fire department as of January 1, 2008 to become the South Metro Fire Department. For this reason these employees are no longer considered South St. Paul city employees.

* = In 2014 Animal Control personnel were moved into the police civilians.

Table 16

| Equivalent Employees as of December 31, | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| 5.10 | 5.10 | 3.35 | 5.00 | 5.30 | 5.80 | |
| 3.25 | 3.25 | 3.10 | 3.05 | 3.55 | 3.65 | |
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| 1.20 | 1.20 | - | - | - | - | |
| 27.00 | 27.00 | 27.00 | 27.00 | 27.00 | 28.00 | |
| 4.00 | 4.00 | 3.75 | 4.50 | 4.50 | 4.50 | |
| 0.50 | 0.50 | 0.25 | 0.25 | 0.25 | - | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| 4.85 | 4.85 | 2.50 | 3.42 | 3.00 | 3.09 | |
| 3.00 | 3.00 | 3.00 | 2.25 | 2.25 | 2.25 | |
| 8.40 | 8.40 | 9.40 | 10.00 | 11.00 | 11.86 | |
| 7.43 | 7.43 | 7.75 | 5.60 | 5.60 | 5.95 | |
| 8.00 | 6.50 | 6.50 | 6.25 | 6.68 | 6.75 | |
| 2.50 | 2.50 | 2.40 | 2.40 | 2.40 | 2.05 | |
| 2.00 | 2.00 | 1.45 | 1.10 | 1.10 | 2.10 | |
| 7.42 | 7.42 | 7.42 | 6.18 | 6.90 | 7.05 | |
| 2.00 | 2.00 | 2.00 | 2.00 | 2.10 | 2.30 | |
| 88.65 | 87.15 | 81.87 | 81.00 | 83.63 | 87.35 | |

CITY OF SOUTH ST. PAUL, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years
 (Unaudited)

| Function/Program | 2005 | 2006 | 2007 | 2008 |
|--|---------|---------|---------|---------|
| Police: | | | | |
| Calls for Service | 17,036 | 16,000 | 17,036 | 17,073 |
| Part I offenses | 870 | 900 | 870 | 697 |
| Part II offenses | 1,784 | 1,800 | 1,784 | 1,504 |
| Felony charges | 225 | 225 | 225 | 194 |
| DUI | 168 | 120 | 168 | 158 |
| Traffic Accidents | 275 | 275 | 275 | 279 |
| Traffic Violations | 1,335 | 1,200 | 1,335 | 808 |
| Recycling | | | | |
| Appliances collected | 208 | 220 | 220 | 211 |
| Oil collected (gallons) ** | 900 | 900 | 900 | 825 |
| Scrap metal recycled | 19,460 | 20,000 | 21,000 | 20,500 |
| Electronics (pounds) | N/A | N/A | N/A | N/A |
| City Planner | | | | |
| Site Plan reviews | 4 | 4 | 1 | 4 |
| Other public works: | | | | |
| Segments of streets/alleys rehabbed | 32 | 34 | 27 | 19 |
| Parks and recreation: | | | | |
| Splash pool users | 11,000 | 11,000 | 6,214 | 11,523 |
| Northview pool users | 8,500 | 8,700 | 8,632 | 8,802 |
| Library: | | | | |
| Charged circulation (usage) | 128,729 | 123,723 | 132,800 | 140,493 |
| Arena: | | | | |
| Ice rented (hours) | 3,525 | 3,698 | 3,724 | 3,723 |
| Transportation: | | | | |
| Fuel sold (gallons) | 199,606 | 191,400 | 165,488 | 171,385 |
| Aircraft operations | 64,413 | 65,701 | 51,076 | 52,865 |
| Water: | | | | |
| Utility customers | 6,900 | 6,900 | 6,934 | 6,870 |
| Pumpage/year (millions of gallons) | 1,085 | 1,200 | 1,239 | 1,180 |
| Wastewater: | | | | |
| Sewage treatment (millions of gallons) | 1,085 | 1,239 | 1,200 | 1,250 |

Sources: City Budgets - Departments

Note: Indicators are not available for the general government function.

** - Numbers are no longer available for oil collected, added new electronics recycled

N/A - information is not available

Table 17

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------|---------|---------|---------|---------|---------|
| 16,490 | 17,096 | 21,451 | 22,089 | 20,792 | 20,941 |
| 750 | 758 | 668 | 658 | 622 | 577 |
| 1,367 | 1,496 | 2,783 | 2,820 | 1,447 | 2,798 |
| 196 | 101 | 171 | 350 | 188 | 184 |
| 196 | 132 | 121 | 357 | 49 | 76 |
| 292 | 484 | 430 | 375 | 277 | 285 |
| 858 | 1,727 | 1,919 | 2,567 | 2,095 | 1,569 |
| 236 | 176 | 130 | 145 | 79 | 85 |
| 840 | N/A | N/A | N/A | N/A | N/A |
| 22,500 | 19,800 | 17,500 | 12,500 | 8,500 | 8,000 |
| 7,660 | 7,713 | 8,680 | 6,850 | 13,589 | 8,335 |
| 2 | - | 4 | 2 | 3 | 5 |
| 6 | 2 | 3 | 19 | 17 | 19 |
| 7,471 | 8,282 | 11,042 | 11,632 | 8,181 | 7,005 |
| 5,716 | 11,395 | 8,312 | 8,110 | 7,627 | 3,006 |
| 140,216 | 132,685 | 123,880 | 121,915 | 131,968 | 135,581 |
| 3,717 | 3,455 | 3,556 | 3,590 | 3,713 | 2,841 |
| 161,088 | 174,575 | 164,567 | 160,784 | 158,191 | 140,255 |
| 54,980 | 54,214 | 58,775 | 60,020 | 63,720 | 62,130 |
| 6,850 | 6,847 | 6,853 | 6,927 | 6,975 | 6,984 |
| 1,130 | 1,197 | 1,282 | 1,095 | 1,190 | 1,127 |
| 1,230 | 1,223 | 1,421 | 1,314 | 1,254 | 1,214 |

CITY OF SOUTH ST. PAUL, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Nine Fiscal Years⁽¹⁾
 (Unaudited)

| Function/Program | 2006 | 2007 | 2008 |
|---------------------------------|------|------|------|
| Police: | | | |
| Stations | 1 | 1 | 1 |
| Patrol units | 18 | 18 | 18 |
| Fire stations * | 1 | 1 | N/A |
| Other public works: | | | |
| Streets (miles) | N/A | 66.7 | 66.7 |
| Highways (miles) ^(a) | N/A | N/A | N/A |
| Streetlights | N/A | N/A | N/A |
| Traffic signals ^(a) | N/A | N/A | N/A |
| Parks and recreation: | | | |
| Parks | 10 | 10 | 10 |
| Acreage | 180 | 180 | 180 |
| Swimming pools | 3 | 3 | 3 |
| Ice arena rinks | 2 | 2 | 2 |
| Water: | | | |
| Water mains (miles) | N/A | N/A | N/A |
| Wells | N/A | N/A | N/A |
| Wastewater: | | | |
| Sanitary sewers (miles) | N/A | N/A | N/A |
| Storm sewers (miles) | 46.2 | 46.2 | 46.2 |
| Airport: | | | |
| T-Hangars | 29 | 29 | 29 |
| Acres | N/A | 270 | 270 |

Sources: Various City departments.

Note: No capital asset indicators are available for the general government function.

N/A - information is not available

* The Fire Department separated from the City as of 1/1/2008 and is therefore no longer considered a City Function/Program

⁽¹⁾ Information for fiscal year 2005 is not available.

^(a) not under City jurisdiction

Table 18

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|------|-------|-------|-------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 18 | 18 | 19 | 19 | 17 | 17 |
| N/A | N/A | N/A | N/A | N/A | N/A |
| 66.7 | 66.7 | 66.7 | 73.1 | 73.1 | 73.1 |
| N/A | N/A | N/A | 13.9 | 13.9 | 13.9 |
| N/A | N/A | N/A | 1,112 | 1,112 | 1,112 |
| N/A | N/A | N/A | 15.0 | 15.0 | 15.0 |
| 10 | 10 | 10 | 15 | 15 | 15 |
| 180 | 180 | 180 | 245 | 245 | 245 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| N/A | N/A | N/A | 87.6 | 87.6 | 87.6 |
| N/A | N/A | N/A | 7.0 | 7.0 | 7.0 |
| N/A | N/A | N/A | 77.8 | 77.8 | 77.8 |
| 46.2 | 46.2 | 46.2 | 46.2 | 46.8 | 46.8 |
| 29 | 29 | 29 | 32 | 32 | 32 |
| 270 | 270 | 270 | 270 | 270 | 270 |

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CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

Special Purpose Audit Reports on
Single Audit,
Internal Controls, and
Compliance With Laws and Regulations

Year Ended
December 31, 2014

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CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

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CITY OF SOUTH ST. PAUL

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA No. | Federal Expenditures |
|--|---------------------|-------------------------|
| U.S. Department of Justice | | |
| Direct program | | |
| Bulletproof Vest Partnership Program | 16.607 | \$ 5,363 |
| U.S. Department of Transportation | | |
| Passed through the Minnesota Department of Transportation | | |
| Airport Improvement Program | 20.106 | 1,153,805 |
| Passed through the Minnesota Department of Public Safety | | |
| State and Community Highway Safety | 20.600 | 2,142 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 7,914 |
| Safety Belt Performance Grants | 20.609 | 4,706 |
| Institute of Museum and Library Services | | |
| Passed through the Minnesota Department of Education | | |
| Grants to States | 45.310 | 4,932 |
| Total federal awards | | \$ 1,178,862 |

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, the amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council and Management
City of South St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 2015.

Our report includes a reference to other auditors who audited the financial statements of the South St. Paul Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

(continued)

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S RESPONSE TO FINDING

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 16, 2015



PRINCIPALS

Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the City Council and Management
City of South St. Paul, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of South St. Paul, Minnesota's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

(continued)

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 16, 2015, which contained unmodified opinions on those financial statements.

(continued)

Our report includes a reference to other auditors who audited the financial statements of the South St. Paul Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 16, 2015

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of South St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 2015.

Our report includes a reference to other auditors who audited the financial statements of the South St. Paul Housing and Redevelopment Authority, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2014-002 and 2014-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

(continued)

CITY'S RESPONSES TO FINDINGS

The City's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The City's responses were not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on them.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 16, 2015

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued? X Unmodified
 Qualified
 Adverse
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? Yes X None reported
Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs? X Unmodified
 Qualified
 Adverse
 Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Programs tested as major programs:

| Program or Cluster | CFDA No. |
|--|----------|
| U.S. Department of Transportation Airport Improvement Program | 20.106 |

Threshold for distinguishing type A and B programs: \$ 300,000

Does the auditee qualify as a low-risk auditee? Yes X No

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2014

B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESS

2014-001 Prior Period Adjustment

Criteria – Management is responsible for establishing and maintaining effective internal controls over the financial reporting process. These controls include the responsibility for the preparation of the City of South St. Paul, Minnesota’s (the City) annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – During our audit, we noted a material prior period adjustment, as detailed in the notes to the basic financial statements, that was necessary to correct the costs associated with the Water Meter Replacement Project. Auditing standards consider the necessity of recording a material prior period adjustment to be indicative of a material weakness in the related internal controls.

Context – This adjustment resulted in an increase in the fund balance of the Water Meter and Equipment Capital Projects Fund and an increase in construction in progress in the Water and Sewer Utility Enterprise Fund of \$1,448,555. On the Statement of Net Position, construction in progress was transferred from the governmental activities to the business-type activities. This is a current year finding.

Cause – This was an oversight by city staff.

Effect – The City’s basic financial statements, as of and for the year ended December 31, 2013 contained a material misstatement.

Recommendation – We recommend that the City review its accounting procedures and internal controls for recording capital assets/expenditures to assure transactions are properly reported in the future.

Corrective Action Plan

Actions Planned – The error was discovered by city staff during their preparation of the financial report for the current year audit. The City will review and make improvements to its internal control structure.

Official Responsible – Finance Director.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The City has no disagreement with the finding.

Plan to Monitor – The Finance Director will continue to monitor this area to ensure financial activities are properly reported in the future.

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2014

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2014-002 Claims and Disbursements

Criteria – Minnesota Statute § 471.425, Subd. 2.

Condition – Minnesota Statutes require cities to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the City must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For three disbursements selected for testing, the City did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

Context – Three of forty disbursements tested were not in compliance. This is a current year and prior year finding.

Cause – This was an oversight by city personnel.

Effect – Three payments made to vendors were not paid within the timeframe as required by state statute, and the vendors were not paid interest to which they were entitled.

Recommendation – We recommend that the City review claims and disbursements payment procedures in place to ensure future compliance with this statute.

Corrective Action Plan

Actions Planned – The City has informed departments that disputed invoices need to be documented to support any delays in payments.

Official Responsible – Finance Director.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The City has no disagreement with the finding.

Plan to Monitor – The Finance Director will continue to review claims and disbursement payment procedures to identify ways to ensure future compliance with this statute.

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2014

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)

2014-003 Out-of-State Travel Policy

Criteria – Minnesota Statute § 471.661.

Condition – Minnesota Statutes require an out-of-state travel policy for the applicable elected officials that specifies when travel outside the state is appropriate, applicable expense limits, and procedures for approval of the travel. The policy should be approved by the City Council, available for public inspection upon request, and reviewed annually. During our audit, we noted that the City did not have an out-of-state travel policy.

Context – This is a current year and prior year finding.

Cause – This was an oversight by city personnel.

Effect – Implied or verbal policies and procedures are subject to greater variation of meaning and the likelihood of misinterpretation increases when a policy is not written.

Recommendation – We recommend that the City develop an out-of-state travel policy that is approved by the City Council and retained with all other city policies.

Corrective Action Plan

Actions Planned – The City will review and draft a policy to ensure future compliance with this statute.

Official Responsible – Finance Director.

Planned Completion Date – December 31, 2015.

Disagreement With or Explanation of Finding – The City has no disagreement with the finding.

Plan to Monitor – The Finance Director will work to ensure future compliance with this statute.

E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Not applicable.