
Comprehensive Annual Financial Report

For the Year Ended December 31, 2010



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, 2010**

**PREPARED BY:
FINANCE DEPARTMENT**

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I. INTRODUCTORY SECTION

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June 8, 2011

**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, 2010.

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 LarsonAllen LLP, 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, 2010 have received an unqualified 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.

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This letter of transmittal is designed to complement the Management's Discussion and Analysis 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, fire protection [full-time], parks and recreation [14 parks spread over 287 acres], two 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. 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 250 resident aircraft, 63,000 annual landings, and 82 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. Making joint efforts between these governmental units is 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, 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 Assets 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. Line item budget reports are reviewed and prepared by finance for

departmental review. Finance also performs financial analysis reports for city council review and approval.

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 Special Project Fund (CIP) is a separate Capital Project 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 primary 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. However, the City and the Metropolitan area have not been immune to the recent national economic decline. Residential values, roughly 70% of the City's tax base, dropped 8% from assessment year 2008 to 2009 and total taxable market value dropped 6% for the same period. In assessment year 2009 to 2010, residential market value declined 11.4% and total taxable market value declined 10%.

Based on preliminary market value information from Dakota County, the decline is expected to continue into the 2010 assessment year but at much lesser rate.

The City's housing stock consists of 5,854 residential homesteaded properties for the 2010 assessment (for taxes payable 2011) year. The preliminary average value of these properties is a modest \$156,739, the 2nd lowest in Dakota County. In a stark contrast, the comparable value for 2007 assessment year was \$206,116, a decline of 24% over a 5 year period, the greatest in Dakota County. 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 is higher than it's surrounding communities. 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 on the market, and 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). However, a major concern for the City in the near future is 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). The new formula can cause unpredictable fluctuations in aid amounts from year to year. In addition, the City of South St. Paul has 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. The immediate future for continued State support does not look positive because the State legislature and Governor continue to cut LGA as a State budget balancing mechanism. The City Council is keenly aware of this threat and will continue to evaluate operational adjustments to establish sustainability to provide government services.

Major Initiatives

Major initiatives and highlights in 2010 included the following:

Water Reservoir Project and Booster Station

- During 2009, the City initiated the improvements of the 17th Avenue Water Reservoir and Booster Station, a key infrastructure component of the water utility operation.
- The Project specifications call for the replacement of a 1 million gallon concrete reservoir and booster station with two 500,000 gallon underground reservoir and an associated booster station.
- The Project is anticipated to be completed by July 1, 2011

Bridgepoint Business Park

- The community continues to redevelop and benefit from the site of the former meatpacking complex through the development of modern office, warehouse and showroom facilities.
- In 2008, the last remnant of the Stockyard operations closed and began to be transformed into two office showroom facilities. The construction of one of the buildings was expected to begin in 2009, but due to the overall economy and a tight credit market, the developer delayed the project.
- The City is currently working with the developer in an effort move forward with the construction of the first of three office facilities. Construction on this office complex is expected to begin in the summer of 2011. The taxable market value is estimated to be at \$4 million.

Other Significant Economic Developments

- The City is expecting the sale and development of an HRA held business property. The construction of the proposed office complex is expected to start in 2011 with an estimated taxable market value of \$1.4 million.

Joint Efforts

The City is an active collaborator with the 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.
- The City's effort and exploration of organizational restructuring and cost cutting led to an agreement with the School District for the management of facilities and public works services. This agreement was authorized by both parties in 2010.

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 sets a 35% of subsequent year expenditures minimum level benchmark. The City met this Policy as of the Year Ended 2010.

In 2009, the City Council adopted a formal General Programs Fund policy in 2009. This policy outlines the purpose of General Programs Fund as a mechanism that helps internally finance capital projects and provides General Fund tax and budget stability. The liquidity-fund balance policy defines a target 15% minimum level of fund balance for the General Programs Fund using General Fund subsequent expenditures of 15% as a benchmark. At the end of 2010, the undesignated fund balance of the General Programs Fund was 13.7%. The City Council has directed that staff develop a long-term financial management plan in 2011 for the Airport and Wakota Arena funds in an effort to address the outstanding internal debt, which will increase the undesignated fund balance in the General Programs Fund. Staff anticipates that the plans will outline a debt service payment schedule for the internal debt.

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, 2009. 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, particularly the City's Assistant Finance Director, Jason Schirmacher. 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,



Josh Feldman
City Finance Director

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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CITY OF SOUTH ST. PAUL, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
 December 31, 2010

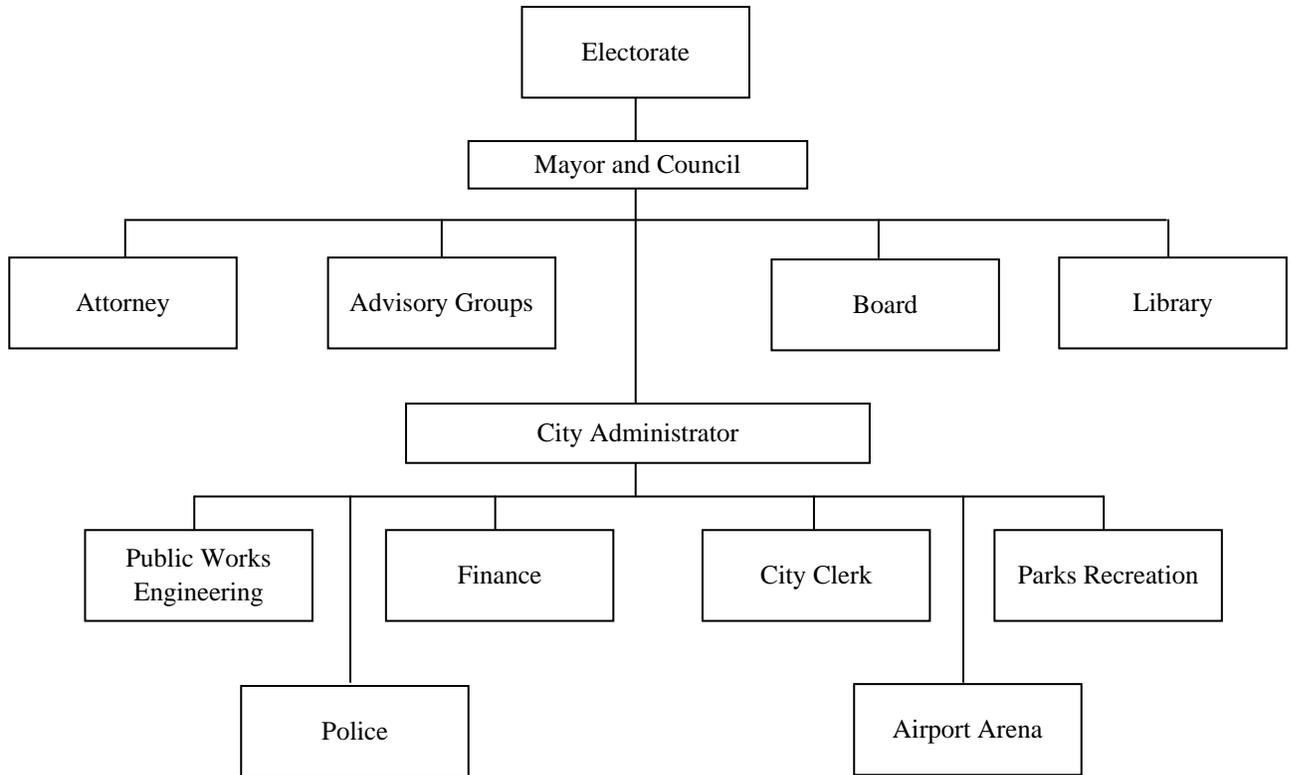
		<u>Term Expires</u>
Mayor	Beth A. Baumann	January 1, 2013
Councilmembers	Lori Hansen	January 1, 2013
	Christopher J. Lehmann	January 1, 2013
	Dan Niederkorn	January 1, 2013
	Micky Gutzmann	January 1, 2011
	Marilyn Rothecker	January 1, 2011
	Tom Seaberg	January 1, 2011
City Administrator	Stephen P. King	Appointed
City Finance Director	Joshua A. Feldman	Appointed
City Engineer	John M. Sachi	Appointed
Police Chief	Daniel S. Vujovich	Appointed
City Clerk	Christy M. Wilcox	Appointed
Library Director	Jane A. Kroschel	Appointed
Director Revenue Facilities	Glenn C. Burke	Appointed
Parks & Recreation Director	Christopher J. Esser	Appointed

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CITY OF SOUTH ST. PAUL, MINNESOTA

ORGANIZATION CHART

December 31, 2010



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II. FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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 as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2009 financial statements and, in our report dated May 19, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information. We did not audit the financial statements of the HRA, a discretely presented component unit of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit mentioned above, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the 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 of South St. Paul, Minnesota as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15 to the financial statements, the City restated the December 31, 2010 beginning net assets to correct the net other postemployment benefit obligation liability.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011, on our consideration of the City of South St. Paul, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Honorable Mayor and
Members of the City Council
City of South St. Paul

The management's discussion and analysis, budgetary comparison information and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
June 8, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 9 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$84,102,173 (net assets). Of this amount, \$14,144,393 (unrestricted net assets) 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 assets increased by \$562,922 from the prior year.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,971,800. Of this amount, \$11,676,292 is designated or reserved through legal restrictions and City Council authorization. The undesignated fund balance is \$1,295,508.
- The General Fund balance at the end of the current fiscal year is \$3,948,066 of which \$3,840,075 are undesignated funds in accordance with the City's fund balance policy for the General Fund.
- The City's total debt increased by \$1,508,286 during the current fiscal year, from \$14,737,905 to \$16,246,191.

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 a statistical section and other supplementary information in addition to the basic financial statements themselves.

The statistical section provides historical financial and other data and the supplementary section provides schedules of debt service requirements, investments and deferred property tax levies.

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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over

Management's Discussion and Analysis

time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South St. Paul, Minnesota is improving or deteriorating. The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported 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, recreation (parks and programs, library, arena) and transportation (airport). There are three business-type activities of the City of South St. Paul - water/sanitary sewer, storm water and the street light utility. The storm water utility began in late 2003 while the street light utility's first year of operation began in 2009.

The government-wide financial statements can be found on pages 40 and 41 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 eight 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. The eight major governmental funds

Management's Discussion and Analysis

include the General Fund, two special revenue fund (Airport and Wakota Arena), three capital project funds (Airport Improvements, General Programs and 2007 Local Improvements), and two debt service funds (2007A Improvement Bonds and 2008A Improvement Bonds). Data from the other 31 governmental funds (four special revenue, thirteen debt service, and fourteen capital projects) 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 City adopts an annual appropriated budget for two of its major funds: General and the Airport Funds. A budgetary statement comparing original budget, revised budget and actual results has been provided for those funds to demonstrate compliance and to provide the reader with budgetary detail.

The basic governmental fund financial statements can be found on pages 42 through 46 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, Storm Water and Street Light Utility operations. In addition, the City has two internal service funds to account for its central garage activity and some employment benefits. In general, the Central Garage Fund purchases and maintains all city vehicles. Charges are paid to the Central Garage from City operating departments based on maintenance, supplies and depreciation associated with the specific vehicles used by the department. The OPEB/Employee Benefit Fund accounts for the City's postemployment health insurance benefits for inactive employees of the City. In addition, the OPEB/Employee Benefit Fund accounts for the City's compensated absences. Charges are paid to the OPEB/Employee Benefit Fund by the City operating departments based on active service programming for the City's eligible retirees and current employees for compensated absences. Investment earnings from the internal service funds have been included within governmental activities in the government-wide financial statements. The internal service funds are not reported separately on the government-wide statement of activities but have been included within the governmental activities.

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, Storm Water Utility, Street Light Utility, and the combined Internal Service funds.

The basic proprietary fund financial statements can be found on pages 47 through 49 of this report.

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

Management's Discussion and Analysis

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 50 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 51-89 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 108 through 140 of this report. Supplemental financial information (pages 143-151) follows the combining statements and the statistical section (pages 154-182) follows thereafter.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$84,102,173 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$67,101,394 or 80.2%) reflects investment in capital assets (e.g. land, buildings and land improvements, infrastructure, machinery, equipment, capital lease, 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.

Management's Discussion and Analysis

Accumulated depreciation as of December 31, 2010 is displayed as a separate line item in the fund statements of the proprietary funds. However, it is netted against assets in the government-wide Statement of Net Assets and not separately shown.

CITY OF SOUTH ST. PAUL, MINNESOTA'S STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$17,776,921	\$16,686,837	\$7,167,794	\$6,043,145	\$24,944,715	\$22,729,982
Capital and Non-current assets	64,997,570	64,965,449	11,651,202	11,775,473	76,648,772	76,740,922
Total Assets	<u>82,774,491</u>	<u>81,652,286</u>	<u>18,818,996</u>	<u>17,818,618</u>	<u>101,593,487</u>	<u>99,470,904</u>
Current Liabilities	1,062,085	1,246,458	183,038	142,153	1,245,123	1,388,611
Non-current Liabilities	13,445,191	14,747,780	2,801,000	-	16,246,191	14,747,780
Total Liabilities	<u>14,507,276</u>	<u>15,994,238</u>	<u>2,984,038</u>	<u>142,153</u>	<u>17,491,314</u>	<u>16,136,391</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	55,457,507	54,638,596	11,643,887	11,775,473	67,101,394	66,414,069
Restricted	2,856,386	3,401,805	-	-	2,856,386	3,401,805
Unrestricted	9,953,322	7,617,647	4,191,071	5,900,992	14,144,393	13,518,639
Total Net Assets	<u>\$68,267,215</u>	<u>\$65,658,048</u>	<u>\$15,834,958</u>	<u>\$17,676,465</u>	<u>\$84,102,173</u>	<u>\$83,334,513</u>

Net assets at the end of the current fiscal year for the City as a whole, which includes its separate governmental and business-type activities, totaled \$84,102,173. The major element of the year-end current asset balance of \$24,944,715 was cash/investments of \$18,351,544, which represented 73.6% of the total current asset balance.

As of December 31, 2010, total liabilities for governmental activities and business-type activities were \$17,491,314. Of this amount, \$16,246,191 (93%) were non-current liabilities consisting primarily of bonded debt issued to finance public works infrastructure projects. A portion of the City of South St. Paul, Minnesota's governmental activities net assets represents resources that are subject to external restrictions on how they may be used. As of December 31, 2010, \$2,856,386 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements. The remaining balance of unrestricted net assets of \$14,144,393 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities increased the City's net assets by \$2,404,429. 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.

Management's Discussion and Analysis

City of South St. Paul, Minnesota's Changes in Net Assets

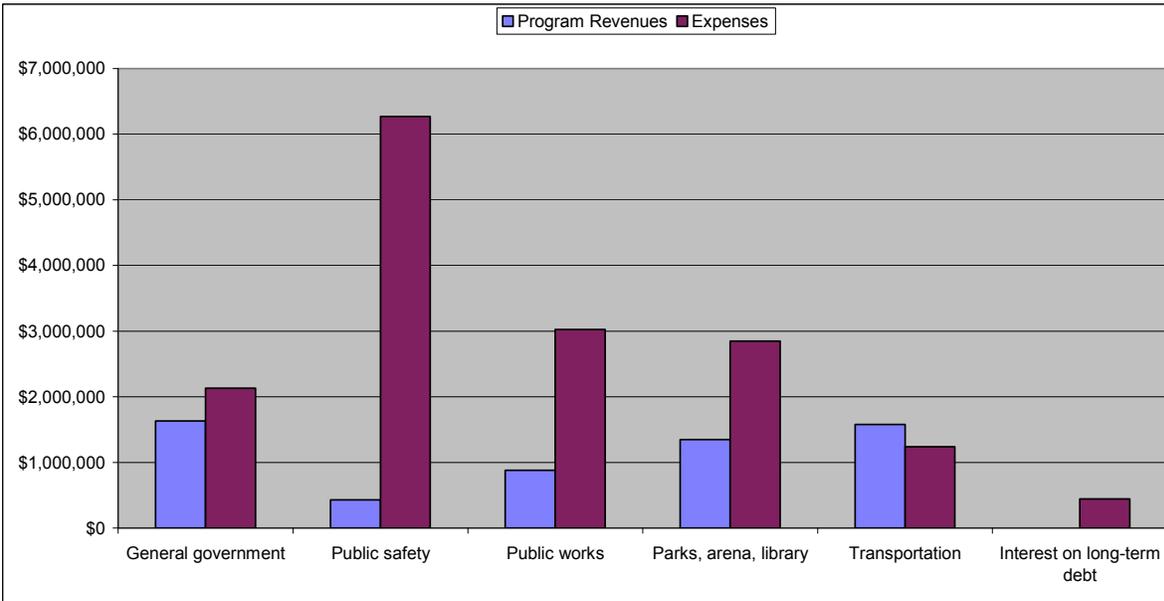
	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$4,147,161	\$5,227,777	\$5,026,593	\$6,443,184	\$9,173,754	\$11,670,961
Operating grants and contributions	993,041	838,970	-	-	993,041	838,970
Capital grants and contributions	729,509	736,215	-	226,400	729,509	962,615
General revenues:						
Property taxes	6,909,320	6,664,130	-	-	6,909,320	6,664,130
Tax increment collections	97,978	1,981,064	-	-	97,978	1,981,064
Franchise taxes	764,407	759,836	-	-	764,407	759,836
Unrestricted grants and contributions	1,848,026	2,459,663	-	-	1,848,026	2,459,663
Investment income	219,921	158,024	161,126	135,719	381,047	293,743
Gain on sale of capital assets	16,687	699	-	-	16,687	699
Miscellaneous revenues	82,018	191,103	-	-	82,018	191,103
Total revenues	<u>15,808,068</u>	<u>19,017,481</u>	<u>5,187,719</u>	<u>6,805,303</u>	<u>20,995,787</u>	<u>25,822,784</u>
Expenses:						
General government	2,131,968	3,128,819	-	-	2,131,968	3,128,819
Public safety	6,270,361	6,237,343	-	-	6,270,361	6,237,343
Public works	3,025,505	3,557,844	-	-	3,025,505	3,557,844
Parks, arena, library	2,847,735	2,878,922	-	-	2,847,735	2,878,922
Transportation	1,238,807	1,226,313	-	-	1,238,807	1,226,313
Interest on long-term debt	445,991	476,297	-	-	445,991	476,297
Water and sanitary sewer	-	-	4,028,783	3,847,254	4,028,783	3,847,254
Storm sewer utility	-	-	276,950	308,181	276,950	308,181
Street light utility	-	-	166,765	168,200	166,765	168,200
Total expenses	<u>15,960,367</u>	<u>17,505,538</u>	<u>4,472,498</u>	<u>4,323,635</u>	<u>20,432,865</u>	<u>21,829,173</u>
Increase (decrease) in net assets before transfers and special items	(152,299)	1,511,943	715,221	2,481,668	562,922	3,993,611
Transfers	<u>2,556,728</u>	<u>1,784,609</u>	<u>(2,556,728)</u>	<u>(1,793,488)</u>	<u>-</u>	<u>(8,879)</u>
Change in net assets	2,404,429	3,296,552	(1,841,507)	688,180	562,922	3,984,732
Net assets - January 1	65,658,048	62,361,496	17,676,465	16,538,702	83,334,513	78,900,198
Prior period adjustment	204,738	-	-	449,583	204,738	449,583
Net assets - January 1 - as restated	<u>65,862,786</u>	<u>62,361,496</u>	<u>17,676,465</u>	<u>16,988,285</u>	<u>83,539,251</u>	<u>79,349,781</u>
Net assets - December 31	<u>\$68,267,215</u>	<u>\$65,658,048</u>	<u>\$15,834,958</u>	<u>\$17,676,465</u>	<u>\$84,102,173</u>	<u>\$83,334,513</u>

Total governmental activities revenue and transfers in were \$18,364,796 against expenses of \$15,960,367 resulting in an increase in net assets of \$2,404,429.

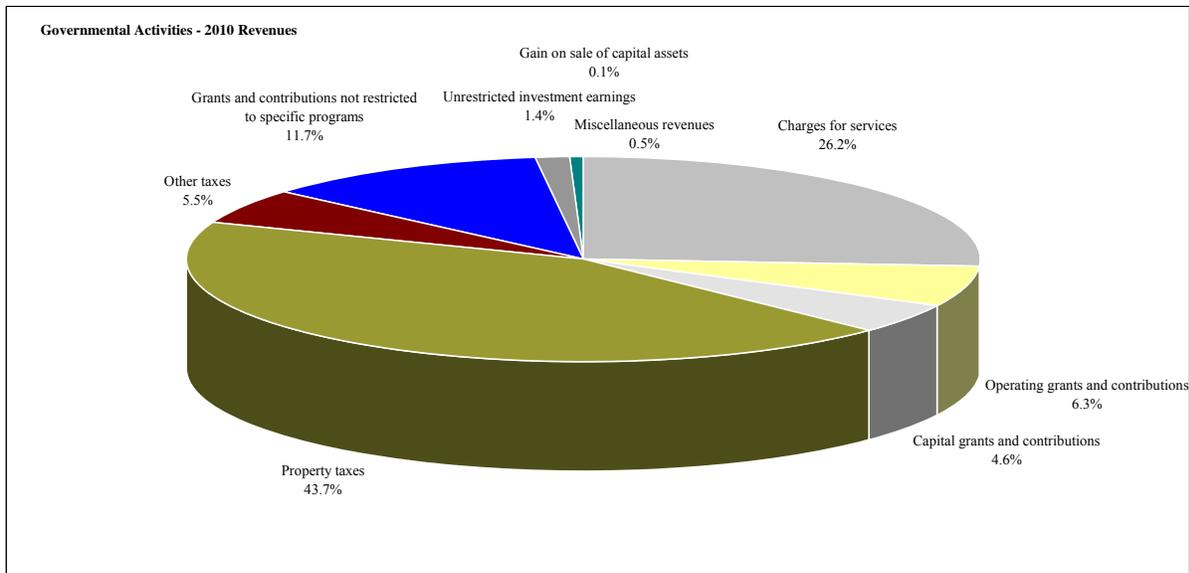
Management's Discussion and Analysis

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

Expenses and Program Revenues – Governmental Activities



Governmental Activities – Revenues

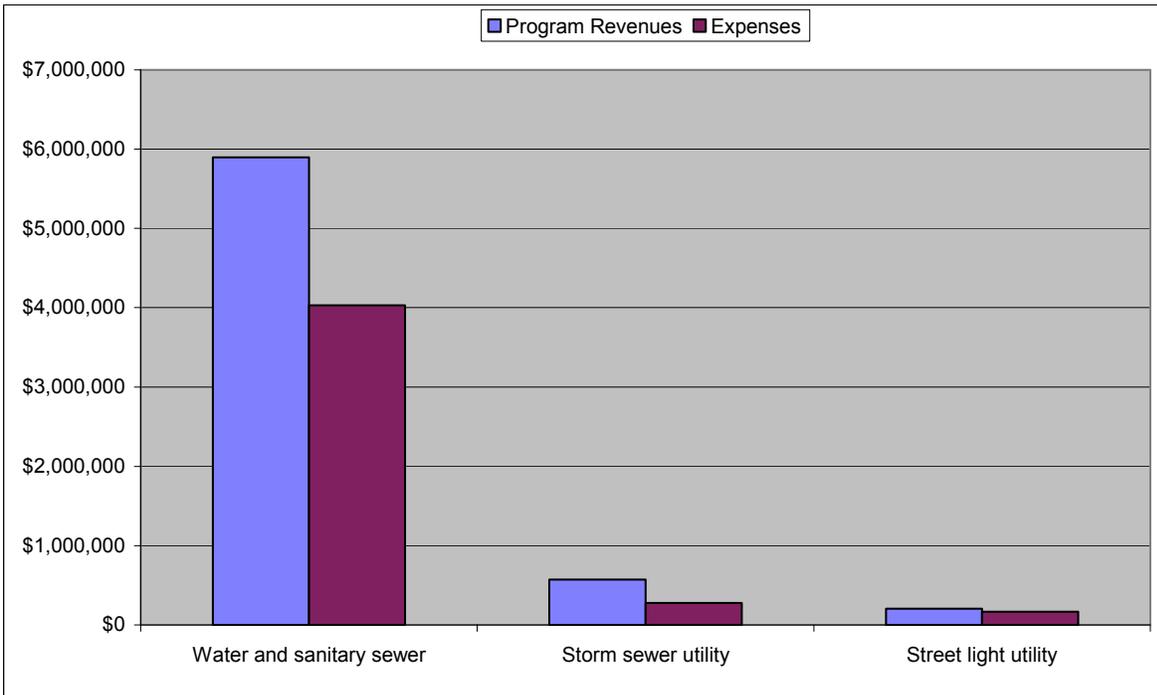


Management's Discussion and Analysis

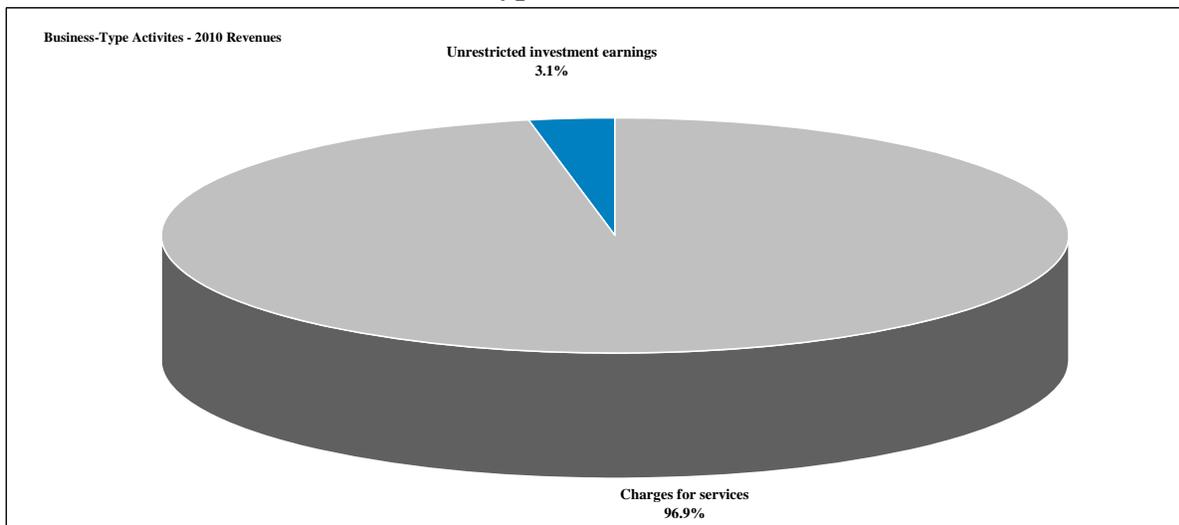
Business-Type Activities

Business-type activities decreased net assets by \$1,841,507 accounting for 11% of the City's business-type activities beginning net assets. The decrease in Net Assets is primarily due to the issuance of debt to finance the City's 17th Avenue Water Reservoir project. The \$2,355,317 of debt proceeds were transferred out of the water and sewer fund to the Water Reservoir Capital Project Fund. The Asset will be contributed to the Water and Sewer Fund in 2011.

Expenses and Program Revenues – Business-Type Activities



Business-Type Activities – Revenues



Management's Discussion and Analysis

Financial Analysis of the Government's Funds

Governmental Funds. The 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, unreserved 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 \$12,971,800. Of this total amount, approximately 55% or \$7,062,540 constitutes unreserved fund balance. The remainder of the fund balance is reserved as follows: prepaid items of \$9,736, debt service funds reserve of \$2,858,132 and a reservation for interfund advances against the lending fund (General Programs) of \$3,041,392.

Fund balance changes for the City's major funds were as follows:

The General Fund: Decrease of \$30,439. The General Fund is the chief operating fund of the City of South St. Paul. During the current fiscal year, December 31, 2010, the General Fund revenue increased \$196,342 from year ending December 31, 2009. There were many significant factors that resulted in the increase of total revenues. The City Council approved a 10.26% General Fund tax levy increase which generated a \$240,252 increase in current tax revenue over the 2009 collections. The City also received an increase of \$222,433 from the fiscal disparities tax revenue pool which ultimately resulted in an increase of \$429,743 in total general property taxes. The increase in taxes only partially offset the loss in General State Aids, such as Local Government Aid and Market Value Homestead Credit. These aids declined (\$613,626) significantly from 2009 due to known and unknown Legislative reductions in funding. Fire and Police Aids also decreased by \$108,924 from 2009 to 2010 due to the planned expiration of the Amortization aid. The Amortization aid was a state subsidy received by the City to help pay for the buyout of the local police and fire pension plans. The City also experienced an increase in revenue of \$231,992 in the Charges for Services category. This increase was mostly due to the enhanced revenue of \$102,589 in engineering project fees which is associated with staff time charged to local projects. In addition, the City began public-private partnership and established a pay-to-play program for the very popular City owned disc golf course. This program generated an additional \$35,000 for the City. Finally, the City earned an additional \$39,273 in investment income more than in 2009 in the General Fund. This increase resulted from higher General Fund cash balances and better investment market valuation than in 2009.

The General Fund expenditures increased \$322,342 from fiscal year 2009 to 2010. The increase in spending is due to several factors. The increased expenditures occurred primarily in the Public Safety function with additional expenditures of \$60,321 and \$148,542 in Police and Fire, respectively. The additional Police spending occurred in a variety of personnel service expenditures, but is mostly due to bargained step increases in salary, and increases in employer health and pension contributions. The additional spending for the fire department - SMFD (South Metro Fire Department) is partially due to personnel service costs but mostly

Management's Discussion and Analysis

due to SMFD retaining \$113,941 unspent budget appropriations and designating excess fund balance for 2011 budget appropriations. Other functional areas of increased spending occurred in Public Works (Engineering and Public works programs) with an increase of \$90,680. Snow Removal costs from 2009 to 2010 in the public works program soared in the winter of 2010 due to record snowfalls throughout the winter months. Engineering spending increased \$17,405 as a result of overtime charged to the Met Council mainline relining project. Significant decreases in expenditures occurred in the Parks, pools and maintenance operations programs that totaled \$61,117. The expenditure decrease is mostly due to the retirement of a Superintendent and a temporary reallocation of staff time during the year to other programs.

In 2009, and in recognition of the City's low General Fund balance, the City Council authorized a transfer of one-time monies (\$1.576 million) to increase the fund balance to 35% of the subsequent years programmed expenditure level, in accordance with City's newly created Policy. Since the City's General Fund ended the year with an operating surplus of \$439,647 which resulted in fund balance in excess of the City policy (35% of subsequent year expenditures), the City Council authorized a transfer of \$240,977 to the Special Projects Fund for future capital project financing.

Wakota Arena Fund: Decrease of (\$83,571). The Wakota Arena's decrease in fund balance is primarily due to a delay in collecting almost \$50,000. The delay was caused by the negotiations of the lease agreement with the local school district. The City also lost a major user of Wakota Arena, which translates into a loss of revenue. To address the deficit fund balance, the City intends to develop and follow a long-term financial plan.

Airport Fund: Decrease of (\$189,274). The Airports decrease in fund balance is primarily due to the transfer of \$219,344 to the Airport Capital Project Fund. This transfer was made to finance and close out capital projects that were expended out of the Airport Capital Improvement Fund. The Airport also improved its revenue stream through the negotiation of new hangar rentals/land lease rates. The City Council recognizes the significant level of the internal debt the Airport continues to accrue. To address the outstanding debt, the staff intends to develop a financial management plan for City Council review and adoption for the upcoming budget cycle and follow it for subsequent years.

Airport Improvements Fund: Increase of \$408,609: The Capital Fund for the Airport improved its fund balance significantly due to the reimbursement of capital expenditures from the previous years and the transfer of internal debt from capital projects to the Airport Operation Fund. The City's (flow of funds) practice is to expend all grant funds and then match the local share to close-out the project. The Airport Capital Improvement Fund also decreased its internal debt obligation due to the recent leasing of West Hangar Area lots. The current leasing scenario includes an improvement fee to help pay down the internal debt associated with the development of those lots. As of December 31, 2010, the City leased four lots and accumulated \$53,580 for debt expiration. The internal debt will continue to be segregated in the Airport Improvement fund for accounting and financial management practices.

Management's Discussion and Analysis

General Programs Fund: No Change in Fund Balance. The purpose of the General Programs Fund is to provide adequate cash flow for general City operations and annual construction projects. It is also a potential source of discretionary funding for future capital projects. In accordance with City Council policy, the designated balance of the General Programs shall be 15% of the General Funds subsequent year expenditures. That formula would require an designated fund balance of \$1,645,746. As of the year ended December 31, 2010, \$1,549,578 is available to meet this policy.

2007 Local Improvement Fund: Decrease of (\$288,103) The 2007 Local Improvement Fund's decrease in fund balance is due to South Concord Street capital improvement expenditures. The fund and related capital project funds are expected to be closed out in 2011.

2007A Improvement Bonds: Decrease of (\$8,340). The 2007A Improvement Bond Fund accounts for the 2007A bond issuance payments. The proceeds of this issuance were used for the purpose of financing street reconstruction projects. This fund was established in 2007 and is considered major due to the significant level of deferred special assessments receivable.

2008A Improvement Bonds: Increase of \$67,179. The 2008A Improvement Bond Fund accounts for the 2008A bond issuance payments. The proceeds of this issuance were used for 2008 and 2007 local improvements such as street maintenance projects and the Stockyards redevelopment. This fund was established in 2008 and is considered major due to the significant level of deferred special assessments receivable.

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 assets in the Water and Sewer Fund decreased by \$1,869,645 in 2010 and stood at \$8,445,868 at year-end. The change in Net Assets is primarily from the transfer out of bond proceeds (\$2,355,317) to the Water Reservoir Capital Project Fund to pay for the construction of the 17th Avenue Water Reservoirs. The transfer of assets is considered temporary, since the completed asset will be transferred back to the Water and Sewer Fund in 2011.

Net assets increased \$8,741 in the Storm Water Utility Fund. The change is primarily due to storm water improvements as part of the Wakota Arena Parking Lot project. The project was closed-out with a \$41,411 transfer from the Storm Water Fund to the Wakota Arena Special Revenue Fund.

Net assets increased \$19,397 in the Street Light Utility Fund. The increase is primarily due to the planned revenue stream needed to finance future capital projects.

The unrestricted net assets in the respective proprietary funds are Water and Sewer, \$3,290,724, Storm Water Utility, \$864,788, and Street Light Utility \$35,559.

Management's Discussion and Analysis

Budgetary Highlights

The City Council adopted 9 operating budgets for the General Fund, four special revenue funds, three proprietary funds, and one internal service fund. Schedules which compare actual results to budget can be found: major Airport Fund, nonmajor Library, Wakota Arena and Central Square Funds. A summary of the General Fund follows:

General Fund

As part of the annual budget process, the current year's General Fund revenue and expenditure budgets are revised to reflect a more accurate picture throughout the current fiscal year. For example, the adopted 2010 original budget reflected a contingency amount for unsettled union contracts: to accurately reflect the contract settlements that later occurred in 2010, a revised amount is allocated from the contingency line to the appropriate program budgets. In addition to unsettled union contracts, the original budget was revised mid-year to reflect a more accurate revenue picture, especially for Market Value Credit, Franchise Fees, License Fees, Building Permits and Investment income, as a result of timing and more accurate information available during the year.

The City receives a significant portion of revenue from Local Government Aid, provided by the State of Minnesota, as determined by a complex formula and the legislature decisions. The City has been substantially impacted by reductions of this aid during previous years. In 2010, the legislature decided to retroactively cut \$337,153 Market Value Credit, instead of Local Government Aid, which was typically impacted. Accordingly, the City Council amended the budget and adjusted for the financial impact.

Total Original Budget revenues (\$11,112,902) were revised to the Final Budgeted revenues (\$10,777,993), a significant reduction of \$334,909 or 3% of the Original Budget. For the most part, the reductions were made in Market Value Homestead Credit, General Property taxes, Franchise tax, Licenses and Permits. The Market Value Homestead and General Property taxes were reduced by a total of \$339,153 due to the mid-year state unallotment of promised Market Value Homestead credit and other forms of aid. The Franchise fee was reduced due to lower than expected receipts during the first half of 2010. In addition, the City Council adjusted the business licensing due dates to be in the subsequent fiscal year. This operational change delayed revenue into 2011 and reduced the revenue expectations for 2010 by \$48,000. The City Council also increased revenue expectations for payment in lieu of tax (PILOT) and Antenna lease revenues. Payment in lieu of tax revenues (increased by \$27,715) are generated from City owned Airport Hangars that are leased to tenants at the Airport. The City Council established this charge to pay for General Fund services from which the tenants benefit. In addition, the budgeted Antenna lease revenues were increased \$31,132 due to additional lease agreements throughout 2010.

Total Original Budget expenditures (\$10,907,963) were revised to the Final Budgeted expenditures (\$10,844,881), a reduction of \$63,082. The Council authorized mid-year reductions in the General Fund in an effort to balance the budget due to a dismal revenue picture as noted above. Significant expenditure reductions occurred in the Parks, pools and

Management's Discussion and Analysis

maintenance operations program. The primary reduction of \$33,400 is due to some recreational activities now being managed and administered by the respective local athletic associations. Prior to this change, the City administered these recreational activities for a fee. The City Council also authorized an elimination of a part-time Community Service Officer resulting in budget savings of \$17,261 and reduced animal control services. This was partially done to help pay for the addition of another School Resource Officer. In addition, City Hall appropriations were reduced mid-year by \$19,025 for less than expected energy costs. In contrast, the City Council authorized very little in spending increases throughout 2010. One of the increases was for the Police program budget. Programmed Police expenditures were expanded, net of other reductions, \$14,554 during the year for the hiring of another School Resource Officer.

To balance the amended budget, the City Council programmed a transfer in of other resources from excess tax increment monies. Fortunately, the use of these monies wasn't needed due to better than expected financial results. In contrast, the financial results yielded additional fund balance that was transferred to the Special Projects fund to finance future capital projects.

Major areas of expenditures finishing the year under budget included the following departments: Mayor and City Council \$5,450; City Administration \$24,970; Community Relations \$330; City Clerk \$1,633; Finance \$5,936; City Attorney \$5,096; City Hall \$9,441; Police \$93,752; Fire \$14,144; Animal Control \$9,027; Parks Administration \$796 and Parks, Pools and Maintenance Operations \$54,563.

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, 2010 was \$76,468,346 (net of accumulated depreciation). This investment in capital assets includes land, buildings, capital lease, and land improvements, infrastructure, machinery and equipment.

More detailed information regarding capital assets are found in the notes to the financial statements (Note 1M page 59 and Note 4 page 68).

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

- The 17th Avenue North Water Booster Station and Reservoir Project (construction in progress) received significant investments during 2010 with anticipated completion in 2011.
- The reconstruction of South Concord Street and the water, sewer, and storm water lines that run under the street (construction in progress) received significant investments during 2010 with anticipated completion in 2011.
- The City invested \$186,726 to replace a variety of City vehicles.

Management's Discussion and Analysis

City of South St. Paul, Minnesota's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$9,988,614	\$9,988,614	\$295,900	\$295,900	\$10,284,514	\$10,284,514
Building and Improvements	18,639,145	17,069,315	728,102	760,179	19,367,247	17,829,494
Capital Lease - building	1,676,867	1,712,545	-	-	1,676,867	1,712,545
Machinery and Equipment	2,074,709	2,182,682	72,769	79,920	2,147,478	2,262,602
Infrastructure	22,747,175	24,101,933	9,903,401	10,233,343	32,650,576	34,335,276
Construction in Process	9,697,949	9,910,360	643,715	406,131	10,341,664	10,316,491
	<u>\$64,824,459</u>	<u>\$64,965,449</u>	<u>\$11,643,887</u>	<u>\$11,775,473</u>	<u>\$76,468,346</u>	<u>\$76,740,922</u>

Long-term debt. At the end of the current fiscal year, the City had a total outstanding bonded debt of \$13,411,000, an increase of \$1,511,000 from 2009. This number is comprised of G.O. debt of \$5,025,000, G.O debt supported by special assessments of \$4,480,000 and Revenue supported bonds in the amount of \$3,906,000. The City's outstanding debt also includes the Capital lease for the 380 Airport Road Building in the amount of \$1,471,414. The lease agreement is with the South St. Paul HRA, a component unit of the City.

Additional long-term debt amount corresponds to compensated absences in the amount of \$397,419 in government activities.

City of South St. Paul, Minnesota's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Special assessment bonds	\$4,480,000	\$5,310,000	\$ -	\$ -	\$4,480,000	\$5,310,000
General purpose bonds	5,025,000	5,365,000	2,801,000	-	7,826,000	5,365,000
Revenue bonds	1,105,000	1,225,000	-	-	1,105,000	1,225,000
Issuance premium	9,609	10,769	-	-	9,609	10,769
Notes payable	228,423	265,972	-	-	228,423	265,972
Capital lease	1,471,414	1,597,163	-	-	1,471,414	1,597,163
Net other post-employment benefit obligation	728,326	725,471	-	-	728,326	725,471
Compensated absences	397,419	443,268	-	-	397,419	443,268
	<u>\$13,445,191</u>	<u>\$14,942,643</u>	<u>\$2,801,000</u>	<u>\$ -</u>	<u>\$16,246,191</u>	<u>\$14,942,643</u>

The City of South St. Paul maintained an A1 rating from Moody's Investors Services as of year ended December 31, 2010. Moody's recently announced a "recalibrated" rating scale using their previous ratings. The City of South St. Paul received a 2 notch upgrade to an Aa2.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total estimated market value. The current statutory debt limitation for the City of South St. Paul is \$44,550,897. General obligation bonds of \$5,025,000 are counted within the

Management's Discussion and Analysis

statutory limitation because this debt is wholly financed by a general tax levy. The difference between the legal limit and related debt is \$39,525,897, which is often referred to as the legal debt margin. Additional information on the City of South St. Paul, Minnesota's long-term debt can be found in the notes to the financial statements, *Note 5*, on page 70 through 75 and in the supplementary section of this report starting on page 144.

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 2010 Property tax collection rates decreased from 2009 to 2010. These rates are expected to remain flat in 2011, as many believe the housing market has bottomed out.
- The State of Minnesota continues to use Local Governmental Aid (LGA) as a means of balancing the State Budget. The 2006 General fund Budget for LGA was \$2,199,803, which was an increase from 2005 actual revenue of \$481,700. However, the 2007 budget was set at \$2,019,642 a decrease of \$180,161, which is offset by property tax and other revenues. The 2008 budget was set for \$2,043,465, an increase of \$23,823, but in December of 2008, the state of Minnesota under its authority, unallotted \$354,804. In 2009, the City originally programmed the state certified amount of LGA, \$2,299,651. However, as a result of the 2009 legislative session, the Governor unallotted \$309,851. In 2010, the legislature continued the cutting of State Aids with the market Value Credit unallotment of \$337,153. The City continues to strive for independence from the State Aid by creating operating efficiencies, cutting expenses and raising taxes.
- In 2009 the City Council began a review of the City's utility rates. The review is 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. Although, review and discussion of the impact to the City's three heavy volume users continue and may drive a modification to the rates.

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, Josh Feldman at 651-554-3207 or jfeldman@southstpaul.org.

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BASIC FINANCIAL STATEMENTS

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2010

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redev. Authority
Assets:				
Cash, cash equivalents and investments	\$13,209,073	\$4,696,788	\$17,905,861	\$985,031
Cash with fiscal agent	-	445,683	445,683	109,186
Accrued interest	85,152	-	85,152	489,067
Accounts receivable - net	535,721	1,442,469	1,978,190	11,214
Property taxes receivable	1,118,438	-	1,118,438	-
Special assessments receivable	2,501,479	376,379	2,877,858	-
Due from other governmental units	272,846	-	272,846	117,679
Inventories - at cost	44,476	-	44,476	10,107
Prepaid items	9,736	206,475	216,211	72,482
Inventory - land held for resale	-	-	-	6,045,433
Deferred charges	-	-	-	120,454
Noncurrent assets:				
Deferred charges - issuance costs	173,111	7,315	180,426	-
Notes and mortgage receivable	-	-	-	2,184,204
Lease Receivable	-	-	-	1,588,310
Capital assets (net of accumulated depreciation):				
Land	9,988,614	295,900	10,284,514	265,675
Buildings and land improvements	18,639,145	728,102	19,367,247	3,764,835
Capital lease - building	1,676,867	-	1,676,867	-
Machinery and equipment	2,074,709	72,769	2,147,478	1,184,970
Infrastructure	22,747,175	9,903,401	32,650,576	-
Construction in process	9,697,949	643,715	10,341,664	-
Total assets	82,774,491	18,818,996	101,593,487	16,948,647
Liabilities:				
Accounts, salaries and contracts payable	881,056	166,655	1,047,711	84,458
Deposits payable	661	-	661	-
Due to other governmental units	3,055	327	3,382	-
Accrued interest payable	177,313	16,056	193,369	47,211
Unearned revenue	-	-	-	7,911
Other current liabilities	-	-	-	109,444
Noncurrent liabilities:				
Due within one year	1,423,110	126,000	1,549,110	242,132
Due in more than one year	12,022,081	2,675,000	14,697,081	4,279,446
Total liabilities	14,507,276	2,984,038	17,491,314	4,770,602
Net assets:				
Invested in capital assets, net of related debt	55,457,507	11,643,887	67,101,394	2,910,042
Restricted for:				
Debt service	2,856,386	-	2,856,386	-
Housing programs	-	-	-	183,138
Unrestricted	9,953,322	4,191,071	14,144,393	9,084,865
Total net assets	\$68,267,215	\$15,834,958	\$84,102,173	\$12,178,045

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General government	\$2,131,968	\$1,280,505	\$350,724	\$ -	(\$500,739)	\$ -	(\$500,739)	\$ -
Public safety	6,270,361	101,397	328,576	-	(5,840,388)	-	(5,840,388)	-
Public works	3,025,505	221,196	239,315	419,690	(2,145,304)	-	(2,145,304)	-
Parks, arena, and library	2,847,735	1,302,664	45,157	-	(1,499,914)	-	(1,499,914)	-
Transportation	1,238,807	1,241,399	29,269	309,819	341,680	-	341,680	-
Interest on long-term debt	445,991	-	-	-	(445,991)	-	(445,991)	-
Total governmental activities	<u>15,960,367</u>	<u>4,147,161</u>	<u>993,041</u>	<u>729,509</u>	<u>(10,090,656)</u>	<u>0</u>	<u>(10,090,656)</u>	<u>0</u>
Business-type activities:								
Water and sewer	4,028,783	4,475,992	-	-	-	447,209	447,209	-
Storm water	276,950	344,439	-	-	-	67,489	67,489	-
Street light utility	166,765	206,162	-	-	-	39,397	39,397	-
Total business-type activities	<u>4,472,498</u>	<u>5,026,593</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>554,095</u>	<u>554,095</u>	<u>0</u>
Total primary government	<u>\$20,432,865</u>	<u>\$9,173,754</u>	<u>\$993,041</u>	<u>\$729,509</u>	<u>(\$10,090,656)</u>	<u>\$554,095</u>	<u>(\$9,536,561)</u>	<u>\$0</u>
Component unit:								
Housing & Redevelopment Authority	\$7,106,767	\$1,633,376	\$3,769,827	\$558,321	\$ -	\$ -	\$ -	(\$1,145,243)
Total component unit	<u>\$7,106,767</u>	<u>\$1,633,376</u>	<u>\$3,769,827</u>	<u>\$558,321</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,145,243)</u>
General revenues:								
General property taxes					6,909,320	-	6,909,320	299,376
Tax increment collections					97,978	-	97,978	1,534,656
Franchise tax					764,407	-	764,407	-
Unrestricted grants and contributions					1,848,026	-	1,848,026	-
Investment income					219,921	161,126	381,047	17,016
Gain on sale of capital assets					16,687	-	16,687	-
Miscellaneous revenues					82,018	-	82,018	81,875
Transfers					2,556,728	(2,556,728)	-	-
Total general revenues and transfers					<u>12,495,085</u>	<u>(2,395,602)</u>	<u>10,099,483</u>	<u>1,932,923</u>
Change in net assets					2,404,429	(1,841,507)	562,922	787,680
Net assets - beginning					65,658,048	17,676,465	83,334,513	11,390,365
Prior period adjustment					204,738	-	204,738	-
Net assets - beginning - as restated					<u>65,862,786</u>	<u>17,676,465</u>	<u>83,539,251</u>	<u>11,390,365</u>
Net assets - ending					<u>\$68,267,215</u>	<u>\$15,834,958</u>	<u>\$84,102,173</u>	<u>\$12,178,045</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2010
 With Comparative Total Amounts For December 31, 2009

	General Fund	243 - Wakota Arena	245 - Airport	404 - Airport Improvements	401 - General Programs
Assets					
Cash and investments	\$3,133,953	\$ -	\$ -	\$ -	\$1,464,426
Accrued interest	-	-	-	-	85,152
Accounts receivable - net	261,815	120,398	42,513	-	-
Property taxes receivable:					
Delinquent	174,038	-	-	-	-
Due from county	741,599	-	-	-	-
Special assessments receivable:					
Delinquent	980	-	-	-	-
Deferred	8,627	-	-	-	-
Due from county	284	-	-	-	-
Due from other governmental units	148,709	-	-	21,546	-
Advances to other funds	-	-	-	-	3,041,392
Inventory	-	-	44,476	-	-
Prepaid items	1,994	-	-	-	-
Total assets	\$4,471,999	\$120,398	\$86,989	\$21,546	\$4,590,970
Liabilities and Fund Balance					
Liabilities:					
Accounts, salaries and contracts payable	\$343,479	\$39,373	\$42,809	\$ -	\$ -
Deposits payable	-	-	-	-	-
Due to other governmental units	647	1,903	14	-	-
Advances from other funds	-	442,998	1,351,694	535,360	-
Deferred revenue	179,807	-	6,630	-	-
Total liabilities	523,933	484,274	1,401,147	535,360	0
Fund balance:					
Reserved for:					
Prepaid items	1,994	-	-	-	-
Advances to other funds	-	-	-	-	3,041,392
Debt service	-	-	-	-	-
Unreserved:					
Designated for:					
Working capital	-	-	-	-	1,549,578
Employment Benefits	105,997	-	-	-	-
Future projects	-	-	-	-	-
Undesignated reported in:					
General Fund	3,840,075	-	-	-	-
Special Revenue Funds	-	(363,876)	(1,314,158)	-	-
Debt Service Funds	-	-	-	-	-
Capital Project Funds	-	-	-	(513,814)	-
Total fund balance	3,948,066	(363,876)	(1,314,158)	(513,814)	4,590,970
Total liabilities and fund balance	\$4,471,999	\$120,398	\$86,989	\$21,546	\$4,590,970

Fund balance reported above

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

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 assets of governmental activities

453 - 2007 Local Improvement	354 - 2007A Improvement Bonds	357 - 2008A Improvement Bonds	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds	
					2010	2009
\$ -	\$542,279	\$237,434	\$6,814,576	\$ -	\$12,192,668	\$10,694,584
-	-	-	-	-	85,152	80,798
-	-	-	110,995	-	535,721	547,601
-	-	-	177,845	-	351,883	397,158
-	-	-	24,956	-	766,555	596,268
-	3,734	2,628	22,015	-	29,357	25,978
-	583,976	1,245,608	622,618	-	2,460,829	2,887,301
-	5,925	1,238	3,846	-	11,293	6,459
-	-	-	102,591	-	272,846	493,385
-	-	-	-	(3,041,392)	-	-
-	-	-	-	-	44,476	20,564
-	-	-	7,742	-	9,736	4,762
<u>\$0</u>	<u>\$1,135,914</u>	<u>\$1,486,908</u>	<u>\$7,887,184</u>	<u>(\$3,041,392)</u>	<u>\$16,760,516</u>	<u>\$15,754,858</u>
\$239,315	\$ -	\$ -	\$177,139	\$ -	\$842,115	\$962,057
-	-	-	661	-	661	5,560
-	-	-	491	-	3,055	7,256
177,589	-	-	533,751	(3,041,392)	-	-
-	587,710	1,248,236	920,502	-	2,942,885	3,437,282
<u>416,904</u>	<u>587,710</u>	<u>1,248,236</u>	<u>1,632,544</u>	<u>(3,041,392)</u>	<u>3,788,716</u>	<u>4,412,155</u>
-	-	-	7,742	-	9,736	4,762
-	-	-	-	-	3,041,392	4,529,251
-	548,204	238,672	2,071,256	-	2,858,132	3,401,805
-	-	-	-	-	1,549,578	80,798
-	-	-	-	-	105,997	15,500
-	-	-	4,111,457	-	4,111,457	2,726,357
-	-	-	-	-	3,840,075	3,939,164
-	-	-	402,843	-	(1,275,191)	(1,228,614)
-	-	-	259,998	-	259,998	408,547
(416,904)	-	-	(598,656)	-	(1,529,374)	(2,534,867)
<u>(416,904)</u>	<u>548,204</u>	<u>238,672</u>	<u>6,254,640</u>	<u>-</u>	<u>12,971,800</u>	<u>11,342,703</u>
<u>\$0</u>	<u>\$1,135,914</u>	<u>\$1,486,908</u>	<u>\$7,887,184</u>	<u>(\$3,041,392)</u>	<u>\$16,760,516</u>	<u>\$15,754,858</u>
					\$12,971,800	\$11,342,703
					63,764,032	63,845,855
					2,942,885	3,436,282
					(12,323,648)	(13,778,004)
					912,146	811,212
					<u>\$68,267,215</u>	<u>\$65,658,048</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For The Year Ended December 31, 2010

With Comparative Total Amounts For The Year Ended December 31, 2009

	General Fund	243 - Wakota Arena	245 - Airport	404 - Airport Improvements	401 - General Programs
Revenues:					
General property taxes	\$5,805,696	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-	-
Franchise tax	764,407	-	-	-	-
Licenses and permits	373,625	-	-	-	-
Intergovernmental	2,694,921	33,151	29,269	309,819	-
Charges for services	1,136,226	647,079	1,032,321	53,580	-
Fines and forfeits	91,395	-	-	-	-
Special assessments	11,793	-	-	-	-
Investment income	71,910	-	-	-	-
Contributions and donations	100	100	-	-	-
Miscellaneous	69,512	100	-	1,464	-
Total revenues	<u>11,019,585</u>	<u>680,430</u>	<u>1,061,590</u>	<u>364,863</u>	<u>0</u>
Expenditures:					
Current:					
General government	1,827,668	-	-	-	-
Public safety	6,075,976	-	-	-	-
Public works	1,616,865	-	-	-	-
Parks, arena, library	1,035,415	674,630	-	-	-
Transportation	-	-	942,458	58,859	-
Nondepartmental	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Public safety	10,928	-	-	-	-
Public works	-	-	-	-	-
Parks, arena, library	13,086	358,610	-	-	-
Transportation	-	-	7,695	86,366	-
Interest expenditure	-	16,807	43,614	30,373	-
Debt service:					
Principal	-	-	37,549	-	-
Interest and other charges	-	-	204	-	-
Total expenditures	<u>10,579,938</u>	<u>1,050,047</u>	<u>1,031,520</u>	<u>175,598</u>	<u>0</u>
Revenues over (under) expenditures	<u>439,647</u>	<u>(369,617)</u>	<u>30,070</u>	<u>189,265</u>	<u>0</u>
Other financing sources (uses):					
Transfers in	193,506	450,123	-	219,344	-
Transfers out	(663,592)	(164,077)	(219,344)	-	-
Total other financing sources (uses)	<u>(470,086)</u>	<u>286,046</u>	<u>(219,344)</u>	<u>219,344</u>	<u>0</u>
Net change in fund balance	(30,439)	(83,571)	(189,274)	408,609	-
Fund balance (deficit) - January 1	3,978,505	(280,305)	(1,124,884)	(922,423)	4,590,970
Fund balance (deficit) - December 31	<u>\$3,948,066</u>	<u>(\$363,876)</u>	<u>(\$1,314,158)</u>	<u>(\$513,814)</u>	<u>\$4,590,970</u>

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

453 - 2007 Local Improvement	354 - 2007A Improvement Bonds	357 - 2008A Improvement Bonds	Other Governmental Funds	Intra Activity Eliminations	Total Governmental Funds	
					2010	2009
\$ -	\$ -	\$ -	\$1,148,899	\$ -	\$6,954,595	\$6,635,485
-	-	-	97,978	-	97,978	1,981,064
-	-	-	-	-	764,407	759,836
-	-	-	-	-	373,625	334,996
337,317	-	-	138,976	-	3,543,453	3,986,452
-	-	-	616,649	-	3,485,855	3,340,316
-	-	-	8,687	-	100,082	114,821
-	162,046	190,006	271,876	-	635,721	645,146
-	16,918	4,647	228,745	(132,950)	189,270	137,255
-	-	-	26,923	-	27,123	48,395
-	-	-	10,841	-	81,917	186,682
<u>337,317</u>	<u>178,964</u>	<u>194,653</u>	<u>2,549,574</u>	<u>(132,950)</u>	<u>16,254,026</u>	<u>18,170,448</u>
-	-	-	195,865	-	2,023,533	1,911,675
-	-	-	32,426	-	6,108,402	5,905,562
9,664	-	-	27,885	-	1,654,414	2,165,858
-	-	-	852,781	-	2,562,826	2,590,665
-	-	-	-	-	1,001,317	982,012
-	-	-	2,267	-	2,267	1,099,685
-	-	-	9,175	-	9,175	68,853
-	-	-	10,909	-	21,837	38,930
613,122	-	-	692,734	-	1,305,856	2,811,993
-	-	-	170,340	-	542,036	115,684
-	-	-	-	-	94,061	2,909
2,634	-	-	39,522	(132,950)	-	-
-	145,000	45,000	1,159,583	-	1,387,132	2,783,612
-	42,304	82,474	343,819	-	468,801	520,487
<u>625,420</u>	<u>187,304</u>	<u>127,474</u>	<u>3,537,306</u>	<u>(132,950)</u>	<u>17,181,657</u>	<u>20,997,925</u>
<u>(288,103)</u>	<u>(8,340)</u>	<u>67,179</u>	<u>(987,732)</u>	<u>0</u>	<u>(927,631)</u>	<u>(2,827,477)</u>
-	-	-	3,350,369	(1,656,614)	2,556,728	1,793,488
-	-	-	(609,601)	1,656,614	-	(8,879)
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,740,768</u>	<u>0</u>	<u>2,556,728</u>	<u>1,784,609</u>
(288,103)	(8,340)	67,179	1,753,036	-	1,629,097	(1,042,868)
(128,801)	556,544	171,493	4,501,604	-	11,342,703	12,385,571
<u>(\$416,904)</u>	<u>\$548,204</u>	<u>\$238,672</u>	<u>\$6,254,640</u>	<u>\$0</u>	<u>\$12,971,800</u>	<u>\$11,342,703</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2010
With Comparative Amounts For The Year Ended December 31, 2009

Statement 5

	<u>2010</u>	<u>2009</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)	\$1,629,097	(\$1,042,868)
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.	(81,823)	958,220
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 assets and offset against the sale proceeds resulting in a gain or loss in the statement of activities.	16,687	699
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(493,397)	821,143
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,453,298	2,881,993
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.	1,058	397,277
Internal service funds are used by management to charge the costs of central garage, post retiree benefits and employee benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(120,491)</u>	<u>(719,912)</u>
Change in net assets of governmental activities (Statement 2)	<u><u>\$2,404,429</u></u>	<u><u>\$3,296,552</u></u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2010

With Comparative Total Amounts as of December 31, 2009

Statement 6

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	605 - Water and Sewer	610 - Storm Water Utility	615 - Street Light Utility	Totals		
				2010		2009
Assets:						
Current assets:						
Cash and investments	\$3,934,991	\$761,797	\$ -	\$4,696,788	\$3,890,280	\$1,016,405
Cash with fiscal agent	445,683	-	-	445,683	-	-
Accounts receivable - billed	302,891	23,833	16,902	343,626	282,565	-
Accounts receivable - unbilled	962,050	86,386	50,407	1,098,843	1,079,201	-
Special assessments receivable:						
Current	306,159	-	-	306,159	311,617	-
Delinquent	58,707	-	-	58,707	45,515	-
Due from county	11,513	-	-	11,513	5,812	-
Prepaid item	206,475	-	-	206,475	201,755	-
Due from other governments	-	-	-	-	226,400	-
Advances to other funds	28,820	-	-	28,820	34,778	-
Total current assets	<u>6,257,289</u>	<u>872,016</u>	<u>67,309</u>	<u>7,196,614</u>	<u>6,077,923</u>	<u>1,016,405</u>
Noncurrent assets:						
Deferred charges - issuance costs	7,315	-	-	7,315	-	-
Capital assets:						
Land	295,900	-	-	295,900	295,900	-
Buildings and land improvements	1,949,999	-	-	1,949,999	1,949,999	-
Machinery and equipment	586,328	-	-	586,328	586,328	3,270,307
Infrastructure	8,564,800	10,324,923	-	18,889,723	18,889,723	-
Construction in process	233,591	410,124	-	643,715	406,131	-
Total capital assets	<u>11,630,618</u>	<u>10,735,047</u>	<u>0</u>	<u>22,365,665</u>	<u>22,128,081</u>	<u>3,270,307</u>
Less: Allowance for depreciation	<u>(6,475,474)</u>	<u>(4,246,304)</u>	<u>-</u>	<u>(10,721,778)</u>	<u>(10,352,608)</u>	<u>(2,209,880)</u>
Net capital assets	<u>5,155,144</u>	<u>6,488,743</u>	<u>0</u>	<u>11,643,887</u>	<u>11,775,473</u>	<u>1,060,427</u>
Total noncurrent assets	<u>5,162,459</u>	<u>6,488,743</u>	<u>0</u>	<u>11,651,202</u>	<u>11,775,473</u>	<u>1,060,427</u>
Total assets	<u>11,419,748</u>	<u>7,360,759</u>	<u>67,309</u>	<u>18,847,816</u>	<u>17,853,396</u>	<u>2,076,832</u>
Liabilities:						
Current liabilities:						
Accounts payable	144,836	7,228	2,930	154,994	135,142	35,143
Wages and payroll taxes payable	11,661	-	-	11,661	6,707	3,798
Compensated absences	-	-	-	-	-	112,871
Due to other governmental units	327	-	-	327	304	-
Accrued interest payable	16,056	-	-	16,056	-	-
Advances from other funds	-	-	28,820	28,820	34,778	-
Bonds payable	126,000	-	-	126,000	-	-
Total current liabilities	<u>298,880</u>	<u>7,228</u>	<u>31,750</u>	<u>337,858</u>	<u>176,931</u>	<u>151,812</u>
Noncurrent liabilities:						
Bonds payable	2,675,000	-	-	2,675,000	-	-
Net other postemployment benefit obligation	-	-	-	-	-	728,326
Compensated absences	-	-	-	-	-	284,548
Total noncurrent liabilities	<u>2,675,000</u>	<u>0</u>	<u>0</u>	<u>2,675,000</u>	<u>0</u>	<u>1,012,874</u>
Total liabilities	<u>2,973,880</u>	<u>7,228</u>	<u>31,750</u>	<u>3,012,858</u>	<u>176,931</u>	<u>1,164,686</u>
Net assets:						
Invested in capital assets	5,155,144	6,488,743	-	11,643,887	11,775,473	1,060,427
Unrestricted	3,290,724	864,788	35,559	4,191,071	5,900,992	(148,281)
Total net assets	<u>\$8,445,868</u>	<u>\$7,353,531</u>	<u>\$35,559</u>	<u>\$15,834,958</u>	<u>\$17,676,465</u>	<u>\$912,146</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Statement 7

For The Year Ended December 31, 2010

With Comparative Total Amounts For The Year Ended December 31, 2009

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	605 - Water and Sewer	610 - Storm Water Utility	615 - Street Light Utility	Totals		
				2010		2009
Operating revenues:						
Customer billings:						
General customers	\$2,481,023	\$338,294	\$201,976	\$3,021,293	\$3,159,921	\$ -
Heavy industry customers	1,573,554	-	-	1,573,554	1,393,790	-
Service charges	202,474	-	-	202,474	202,507	-
Penalties	99,831	6,145	4,186	110,162	108,772	-
Other charges	75,612	-	-	75,612	1,534,668	101
State surcharges	43,498	-	-	43,498	43,526	-
Retiree health insurance charges	-	-	-	-	-	219,695
Compensated absences charges	-	-	-	-	-	96,819
Equipment rental and repair charges	-	-	-	-	-	660,771
Total operating revenues	<u>4,475,992</u>	<u>344,439</u>	<u>206,162</u>	<u>5,026,593</u>	<u>6,443,184</u>	<u>977,386</u>
Operating expenses:						
Personal services:						
Salaries and wages	439,124	-	-	439,124	437,702	101,572
Employee benefits	-	-	-	-	-	2,778
Pension contributions	65,416	-	-	65,416	60,466	14,778
Insurance	71,379	-	-	71,379	71,397	417,238
Total personal services	<u>575,919</u>	<u>0</u>	<u>0</u>	<u>575,919</u>	<u>569,565</u>	<u>536,366</u>
Materials and supplies:						
Maintenance materials	134,680	1,651	0	136,331	104,150	305,366
Contractual services:						
Sewage disposal - Met Council	2,421,055	-	-	2,421,055	2,263,567	-
Insurance	35,939	-	-	35,939	33,113	23,044
Professional services	149,935	44,379	-	194,314	177,079	5,144
Public utility service	175,073	11,987	158,886	345,946	348,401	-
Repairs and maintenance	46,255	-	6,680	52,935	181,951	19,324
Rentals	117,724	-	-	117,724	117,724	-
Communications	14,981	-	-	14,981	22,766	-
Other	163,103	17,293	1,199	181,595	146,048	14,491
Total contractual services	<u>3,124,065</u>	<u>73,659</u>	<u>166,765</u>	<u>3,364,489</u>	<u>3,290,649</u>	<u>62,003</u>
Depreciation	167,529	201,640	-	369,169	359,271	224,793
Total operating expenses	<u>4,002,193</u>	<u>276,950</u>	<u>166,765</u>	<u>4,445,908</u>	<u>4,323,635</u>	<u>1,128,528</u>
Operating income (loss)	473,799	67,489	39,397	580,685	2,119,549	(151,142)
Nonoperating revenues (expenses):						
Investment income	138,463	22,663	-	161,126	135,719	30,651
Intergovernmental revenue	-	-	-	-	226,400	-
Gain on sale of capital assets	-	-	-	-	-	16,687
Interest and other charges	(26,590)	-	-	(26,590)	-	-
Total nonoperating revenues (expenses)	<u>111,873</u>	<u>22,663</u>	<u>0</u>	<u>134,536</u>	<u>362,119</u>	<u>47,338</u>
Income (loss) before transfers	585,672	90,152	39,397	715,221	2,481,668	(103,804)
Transfers:						
Transfers out	(2,455,317)	(81,411)	(20,000)	(2,556,728)	(1,793,488)	-
Change in net assets	(1,869,645)	8,741	19,397	(1,841,507)	688,180	(103,804)
Net assets - January 1	10,315,513	7,344,790	16,162	17,676,465	16,988,285	811,212
Prior period adjustment	-	-	-	-	-	204,738
Net assets - restated	<u>10,315,513</u>	<u>7,344,790</u>	<u>16,162</u>	<u>17,676,465</u>	<u>16,988,285</u>	<u>1,015,950</u>
Net assets - December 31	<u>\$8,445,868</u>	<u>\$7,353,531</u>	<u>\$35,559</u>	<u>\$15,834,958</u>	<u>\$17,676,465</u>	<u>\$912,146</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2010
With Comparative Total Amounts For The Year Ended December 31, 2009

Statement 8

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Funds
	605 - Water and Sewer	610 - Storm Water Utility	615 - Street Light Utility	Totals		
				2010	2009	
Cash flows from operating activities:						
Receipts from customers and users	\$4,384,253	\$342,951	\$205,252	\$4,932,456	\$6,487,582	\$977,386
Payment to suppliers	(3,168,853)	(137,541)	(179,294)	(3,485,688)	(3,459,246)	(592,329)
Payment to employees	(570,965)	-	-	(570,965)	(642,248)	(182,343)
Net cash flows from operating activities	644,435	205,410	25,958	875,803	2,386,088	202,714
Cash flows from noncapital financing activities:						
Advances from other funds	5,958	-	(5,958)	-	(34,778)	-
Transfer to other funds	(100,000)	(40,000)	(20,000)	(160,000)	(1,793,488)	-
Net cash flows from noncapital financing activities	(94,042)	(40,000)	(25,958)	(160,000)	(1,828,266)	0
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(227,419)	(10,165)	-	(237,584)	(557,559)	(186,726)
Capital grants	-	226,400	-	226,400	-	-
Proceeds from sale of capital assets	-	-	-	-	-	37,787
Loan proceeds, net of issuance costs	2,793,551	-	-	2,793,551	-	-
Interest paid on debt	(10,377)	-	-	(10,377)	-	-
Transfer to other funds	(2,355,317)	(41,411)	-	(2,396,728)	-	-
Net cash flows from capital and related financing activities	200,438	174,824	0	375,262	(557,559)	(148,939)
Cash flows from investing activities:						
Investment income	138,463	22,663	-	161,126	135,719	30,651
Net increase (decrease) in cash and cash equivalents	889,294	362,897	0	1,252,191	135,982	84,426
Cash and cash equivalents - January 1	3,491,380	398,900	-	3,890,280	3,719,538	931,979
Cash and cash equivalents - December 31	\$4,380,674	\$761,797	\$0	\$5,142,471	\$3,855,520	\$1,016,405
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$473,799	\$67,489	\$39,397	\$580,685	\$2,119,549	(\$151,142)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	167,529	201,640	-	369,169	359,271	224,793
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(91,739)	(1,488)	(910)	(94,137)	44,379	-
Decrease (increase) in prepaid items	(4,720)	-	-	(4,720)	(13,124)	-
Increase (decrease) in accounts payable	94,612	(62,231)	(12,529)	19,852	(51,305)	(34,601)
Increase (decrease) in salaries payable	4,954	-	-	4,954	(18,870)	1,920
Increase (decrease) in compensated absences	-	-	-	-	(53,812)	(45,849)
Increase (decrease) in net other postemployment benefit obligation	-	-	-	-	-	207,593
Total adjustments	170,636	137,921	(13,439)	295,118	266,539	353,856
Net cash provided by operating activities	\$644,435	\$205,410	\$25,958	\$875,803	\$2,386,088	\$202,714

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2010

Statement 9

	<u>Fiduciary Funds</u>
Assets:	
Cash and investments	<u>\$136,391</u>
Liabilities:	
Deposits payable	<u>\$136,391</u>

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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. 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 GASB Statement No.14, *The Financial Reporting Entity*, 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 general purpose 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 have been defined in accordance with GASB 14 and are presented in this report as follows:

- *Blended Component Units* – Reported as if they were part of the City.
- *Discretely Presented Component Units* – Entails reporting the component unit financial data in a column separate from the financial data of the City.
- *Related Organization* – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

- *Blended Components Units:*
The City has no blended component units.

- *Discretely Presented Component Units:*
Housing and Redevelopment Authority (HRA) in and for the City of South St. Paul.

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. As the City appoints the HRA commission and consents to the HRA tax levies, the HRA is considered a component unit.

Financial statements of the HRA can be obtained from HRA offices at City Hall:

The Housing and Redevelopment Authority of South St. Paul
125 Third Avenue North
South St. Paul, MN 55075

- *Related Organizations:*
South Metro Fire Department

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 operational date. The SMFD is governed by a five-member board of directors (Board) that include two council members from each joint city, and one public member which is not an employee nor a resident of either city. The city council from each respective city appoints four out of the five members to the board. The process for filling the public member position is as follows:

1. The Board shall approve 3 names to be forwarded to each City Council.
2. Each City Council shall rank each nominee in order of preference.
3. If the highest ranked person is the same on each list, then that person is appointed by each Council.

Each City contributes 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.

Financial statements of the SMFD can be obtained from SMFD offices at:

The South Metro Fire Department
1616 Humboldt Avenue
West St. Paul, MN 55118

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets 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.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 revenues and expenditures for the municipal arena operations

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

The *Airport Special Revenue Fund* accounts for the resources accumulated and payments made for municipal airport operations.

The *Airport Improvements Fund* accounts for the resources and expenditures required for the acquisition and construction of capital improvements, at the municipal airport.

The *General Programs Capital Projects Fund* is used to finance cash flow needs of other funds and major projects.

The *2007 Improvements Fund* accounts for the revenues and expenditures required for the reconstruction of capital streets.

The *2007A G.O. Improvement Bonds Debt Service Fund* was established for financing street reconstruction projects.

The *2008A G.O. Improvement Bonds Debt Service Fund* was established for financing the Stockyards Redevelopment project and for street repair projects.

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:

The *Central Garage Internal Service Fund* accounts for the cost of operating a maintenance facility and providing vehicles and heavy equipment used by all City departments and funds.

The *Other Postemployment Benefits/Employee Benefits Internal Service Fund* accounts for the cost of retiree health insurance benefits and compensated absences.

The *Landscape/Landfill Fiduciary Fund* accounts for the restricted revenues attributable to landfill abatement.

The *Employee Healthcare Reimbursement Account Fiduciary Fund* accounts for the restricted revenues contributed to City employees' healthcare reimbursement account.

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.

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.

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

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 \$100,000 (federally insured) or properly collateralized if over \$100,000;
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. BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual budgets are adopted for the General Fund and four of the six Special Revenue Funds. 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. However, 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.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

F. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2010 expenditures exceeded appropriations in the General Fund and the special revenue funds listed below.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund:			
City planner	\$106,824	\$ 106,307	(\$517)
Computer	135,267	132,507	(2,760)
Code enforcement	284,993	283,201	(1,792)
Public works - Engineering	419,799	401,095	(18,704)
Public works	1,197,066	1,169,278	(27,788)
Special Revenue Funds:			
Wakota Arena	1,050,047	1,031,558	(18,489)
Central Square	207,055	199,802	(7,253)
Library Fund	631,027	622,528	(8,499)
Airport Fund	1,031,520	940,022	(91,498)

G. DEFICIT FUND EQUITY

The City has deficit fund balances at December 31, 2010 as follows:

	<u>Amount</u>
Special Revenue Funds:	
Airport	\$1,314,158
Wakota Arena	363,876
Capital Project Funds:	
Airport Improvement	513,814
17th Ave North Reservoir	376,677
380 Airport Road	26,940
2007 Local Improvement	416,904
2008 Local Improvement	56,890
2009 Local Improvement	82,566
2010 Local Improvement	48,952
2011 Local Improvement	6,631
Internal Service Fund:	
OPEB/Employee Benefit Fund	773,498

The Airport and Airport Improvement deficits were caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Wakota Arena, 17th Ave North Reservoir, 380 Airport Road, 2007, 2008, 2009, 2010, 2011 Local Improvement Funds and OPEB/Employee Benefit Fund are expected to be funded with future revenues/transfers.

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

All other interfund transactions are reported as transfers.

I. 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 revenues, because it is not known when they will be available to finance current expenditures.

J. 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 revenue because it is not known when they will be available to finance current expenditures.

K. 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.

L. 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.

M. CAPITAL ASSETS

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.

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Capital assets of the primary government, is depreciated using the straight line method over the following estimated useful lives:

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

N. 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, compensatory time and severance is accrued when incurred in the government-wide and proprietary fund financial statements.

O. 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 assets.

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.

P. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Q. 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.

R. RECLASSIFICATIONS

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

S. 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 ASSETS

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 (\$12,323,648) difference are as follows:

Bonds payable	(\$10,610,000)
Plus: Bond Premium (to be amortized over life of debt)	(9,609)
Less: Issuance discount (to be amortized as interest expense)	173,111
Accrued interest payable	(177,313)
Notes payable	(228,423)
Capital lease	<u>(1,471,414)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	 <u><u>(\$12,323,648)</u></u>

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 assets 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 (\$81,823) difference are as follows:

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Capital outlay	\$1,972,965
Depreciation expense	(2,050,326)
Loss on disposal of capital assets	<u>(4,462)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>(\$81,823)</u></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 assets. Also, governmental funds report the effect of issuance costs, 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 \$1,453,298 difference are as follows:

Principal repayments:	
General obligation debt	\$1,290,000
Notes payable	37,549
Capital lease	<u>125,749</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$1,453,298</u></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 \$1,058 difference are as follows:

Accrued interest	\$21,650
Amortization of issuance costs and discount	(21,752)
Amortization of bond premium	<u>1,160</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$1,058</u></u>

Note 2 DEPOSITS AND INVESTMENTS

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, 2010 the City's bank balances 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.

CITY OF SOUTH ST. PAUL, MINNESOTA
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- 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.
- 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, 2010 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, 2010 are as follows:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Over 10 Years
U.S. agency securities	AAA	\$6,778,754	\$ -	\$ -	\$6,496,582	\$282,172
Certificates of deposit	AAA	3,902,408	591,825	3,310,583	-	-
Government money market mutual funds	AAA	100,074	100,074	-	-	-
Total investments in cash and investment pool		<u>\$10,781,236</u>	<u>\$691,899</u>	<u>\$3,310,583</u>	<u>\$6,496,582</u>	<u>\$282,172</u>

Cash and investments comprising the City's cash pool at December 31, 2010 were as follows:

	Fair Value
Cash:	
Cash on hand	\$3,250
Cash in banks:	
Bank accounts	7,098,462
Money manager savings account	159,304
Cash Held with fiscal agent	445,683
Total cash	<u>7,706,699</u>
Investments:	
U.S. agency securities	6,778,754
Certificates of deposit	3,902,408
Government money market mutual funds	100,074
Total investments	<u>10,781,236</u>
Total cash and investments	<u>\$18,487,935</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 excludes states and municipal bonds as an allowed investment and 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 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, 2010 were as follows:

	Fair Value	Percent of Total Investments
Investment issuer:		
FHLB	530,801	5.0%
FHLMC	1,409,672	13.2%
FMNS	791,090	7.4%
FNMA	1,822,826	17.1%
City of Rochester Municipal Bonds	534,058	5.0%

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 3 RECEIVABLES

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

PRIMARY GOVERNMENT

	Receivables					Total
	Accrued Interest	Accounts	Taxes	Special Assessments	Due From Other Gov't Units	
Major Funds:						
General	\$ -	\$261,815	\$915,637	\$9,891	\$148,709	\$1,336,052
Airport	-	42,513	-	-	-	42,513
Airport Improvements	-	-	-	-	21,546	21,546
General Programs	85,152	-	-	-	-	85,152
2007A Improvement Bonds	-	-	-	593,635	-	593,635
2008A Improvement Bonds	-	-	-	1,249,474	-	1,249,474
Nonmajor Governmental Funds	-	231,393	202,801	648,479	102,591	1,185,264
Water and Sewer	-	1,264,941	-	376,379	-	1,641,320
Storm Water Utility	-	110,219	-	-	-	110,219
Street Light Utility	-	67,309	-	-	-	67,309
Total receivables	\$85,152	\$1,978,190	\$1,118,438	\$2,877,858	\$272,846	\$6,332,484

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the funds were as follows:

	Unavailable	Unearned
Governmental Funds:		
Taxes receivable	\$351,883	\$ -
Special assessments delinquent	28,377	-
Special assessments deferred	2,397,771	-
Special assessments special deferred	54,433	-
BRS building sublease agreement	110,421	-
Total unavailable/unearned revenue for governmental funds	\$2,942,885	\$0

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 of South St. Paul (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 Assets.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2010:

<u>Payment Year</u>	<u>City Payment to Authority</u>
2011	\$148,736
2012	151,150
2013	148,330
2014	150,510
2015	147,456
2016-2020	730,456
2021-2025	696,548
2026-2029	<u>521,914</u>
Total Minimum Lease Payments Receivable	2,695,100
Less Amount Representing Interest	<u>1,223,686</u>
Present Value of Minimum Lease Payments	<u><u>\$1,471,414</u></u>

B. OTHER RECEIVABLES

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

	<u>Receivables</u>				<u>Total</u>
	<u>Accrued Interest</u>	<u>Accounts</u>	<u>Notes and Mortgages</u>	<u>Due From Other Gov't Units</u>	
Major Funds:					
General	\$ -	\$ -	\$ -	\$35,162	\$35,162
Low Rent Housing	-	4,952	-	-	4,952
Concord TIF No. 2	-	-	-	23,341	23,341
TIF	-	-	-	375	375
Nonmajor Governmental Funds	-	6,262	-	-	6,262
Nonmajor Proprietary Funds	489,067	-	2,184,204	58,801	<u>2,732,072</u>
Total receivables	<u>\$489,067</u>	<u>\$11,214</u>	<u>\$2,184,204</u>	<u>\$117,679</u>	<u>\$2,802,164</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 4 CAPITAL ASSETS

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

PRIMARY GOVERNMENT

	Beginning Balance	Additions	Deletions	Reclass/Adj	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$9,988,614	\$ -	\$ -	\$ -	\$9,988,614
Construction in progress	9,910,359	1,305,160	(4,461)	(1,513,109)	9,697,949
Total capital assets, not being depreciated	19,898,973	1,305,160	(4,462)	(1,513,109)	19,686,563
Capital assets, being depreciated:					
Buildings and land improvements	23,596,388	572,074	-	1,513,109	25,681,571
Capital lease - building	1,783,901	-	-	-	1,783,901
Machinery and equipment	6,270,852	282,455	(140,058)	-	6,413,249
Infrastructure	55,107,307	-	-	-	55,107,307
Total capital assets, being depreciated	86,758,448	854,529	(140,058)	1,513,109	88,986,028
Less accumulated depreciation for:					
Buildings and land improvements	6,527,073	515,353	-	-	7,042,426
Capital lease - building	71,356	35,678	-	-	107,034
Machinery and equipment	4,088,169	369,330	(118,959)	-	4,338,540
Infrastructure	31,005,374	1,354,758	-	-	32,360,132
Total accumulated depreciation	41,691,972	2,275,119	(118,959)	-	43,848,132
Total capital assets being depreciated-net	45,066,476	(1,420,588)	(21,099)	1,513,109	45,137,896
Governmental activities capital assets-net	\$64,965,449	(\$115,428)	(\$25,561)	\$ -	\$64,824,459

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

	Beginning Balance	Additions	Deletions	Reclass/Adj	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$295,900	\$ -	\$ -	\$ -	\$295,900
Construction in progress	406,131	237,584	-	-	643,715
Total capital assets, not being depreciated	702,031	237,584	-	-	939,615
Capital assets, being depreciated:					
Buildings and land improvements	1,949,999	-	-	-	1,949,999
Machinery and equipment	586,328	-	-	-	586,328
Infrastructure	18,889,722	-	-	-	18,889,722
Total capital assets, being depreciated	21,426,049	-	-	-	21,426,049
Less accumulated depreciation for:					
Buildings and land improvements	1,189,820	32,077	-	-	1,221,897
Machinery and equipment	506,408	7,151	-	-	513,559
Infrastructure	8,656,380	329,941	-	-	8,986,321
Total accumulated depreciation	10,352,608	369,169	-	-	10,721,777
Total capital assets being depreciated-net	11,073,441	(369,169)	-	-	10,704,272
Business-type activities capital assets-net	\$11,775,472	(\$131,585)	\$ -	\$ -	\$11,643,887

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

Governmental activities:	
General government	\$ 208,032
Public safety	30,430
Public works	1,307,448
Parks, arena, library	267,183
Transportation	237,233
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	224,793
Total depreciation expense - governmental activities	<u>\$ 2,275,119</u>
Business-type activities:	
Water and sewer	\$ 167,529
Storm sewer	201,640
Total depreciation expense - business-type activities	<u>\$ 369,169</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

**DISCRETELY PRESENTED COMPONENT UNIT – HOUSING AND REDEVELOPMENT
AUTHORITY**

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$39,146	\$1,173,786	(\$7,005)	\$1,205,927
Less accumulated depreciation for:				
Machinery and equipment	16,235	21,062	(7,005)	30,292
Total capital assets being depreciated-net	22,911	1,152,724	-	1,175,635
Governmental activities capital assets-net	<u>\$22,911</u>	<u>\$1,152,724</u>	<u>\$ -</u>	<u>\$1,175,635</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$265,675	\$ -	\$ -	\$265,675
Construction in progress	1,581,728	279,317	(1,861,045)	-
Total capital assets, not being depreciated	<u>1,847,403</u>	<u>279,317</u>	<u>(1,861,045)</u>	<u>265,675</u>
Capital assets, being depreciated:				
Buildings and structures	13,197,344	1,861,045	-	15,058,389
Machinery and equipment	61,655	-	-	61,655
Total capital assets, being depreciated	<u>13,258,999</u>	<u>1,861,045</u>	<u>-</u>	<u>15,120,044</u>
Less accumulated depreciation for:				
Buildings and structures	10,575,081	718,473	-	11,293,554
Machinery and equipment	49,105	3,215	-	52,320
Total accumulated depreciation	<u>10,624,186</u>	<u>721,688</u>	<u>-</u>	<u>11,345,874</u>
Total capital assets being depreciated-net	2,634,813	1,139,357	-	3,774,170
Business-type activities capital assets-net	<u>\$4,482,216</u>	<u>\$1,418,674</u>	<u>(\$1,861,045)</u>	<u>\$4,039,845</u>

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.

Tax Increment Financing – used to account for the payment of principal and interest on bonds issued to fund the costs of improvement projects. Debt service is funded primarily from tax increment generated from the Concord Street Redevelopment Project No. 1.

CITY OF SOUTH ST. PAUL, MINNESOTA
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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.

Bonds outstanding at December 31, 2010 are as follows:

	<u>Final Maturities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 12/31/10</u>
General Obligation Debt:				
Special Assessment Bonds	2011 - 2017	1.90% - 4.85%	\$8,790,000	\$4,480,000
General Obligation Bonds	2018 - 2027	1.71% - 4.30%	7,410,000	6,130,000
Drinking water revolving fund loan	2029	1.71%	<u>2,801,051</u>	<u>2,801,000</u>
Total bonds payable			<u>\$19,001,051</u>	<u>\$13,411,000</u>

Complete details of each outstanding bond issue can be found as supplementary information under the titles of “Combined Schedule of Indebtedness” and “Schedule of Debt Service Payments to Maturity.” Based on the size and timing of the bond issues, federal arbitrage regulations do not apply.

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$1,150,000	\$404,756	\$126,000	47,869
2012	1,045,000	362,566	128,000	45,716
2013	995,000	323,565	130,000	43,528
2014	940,000	286,316	133,000	41,306
2015	825,000	251,671	135,000	39,034
2016-2020	2,985,000	842,881	710,000	159,774
2021-2025	1,745,000	380,648	772,000	97,035
2026-2030	<u>925,000</u>	<u>67,790</u>	<u>667,000</u>	<u>28,831</u>
Total	<u>\$10,610,000</u>	<u>\$2,920,193</u>	<u>\$2,801,000</u>	<u>\$503,093</u>

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Changes in long-term liabilities during December 31, 2010 are summarized as follows:

	Balance 01/01/10	Additions	Deletions	Balance 12/31/10	Due Within One Year
Governmental activities:					
Bonds payable:					
Special assessment	\$5,310,000	\$ -	\$830,000	\$4,480,000	\$770,000
General obligation	6,590,000	-	460,000	6,130,000	380,000
Plus/(Less) deferred amounts:					
For issuance premium	10,769	-	1,160	9,609	1,160
Total bonds payable	11,910,769	-	1,291,160	10,619,609	1,151,160
Note payable	265,972	-	37,549	228,423	37,549
Capital lease	1,597,163	-	125,749	1,471,414	121,530
Net other post-employment benefit obligation	520,733	449,055	241,462	728,326	-
Compensated absences	443,268	48,322	94,171	397,419	112,871
Total governmental activities long-term debt	<u>\$14,737,905</u>	<u>\$497,377</u>	<u>\$1,790,091</u>	<u>\$13,445,191</u>	<u>\$1,423,110</u>
Business-type activities:					
General obligation	\$ -	\$2,801,051	\$51	\$2,801,000	\$126,000

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, \$397,419, the entire balance of compensated absences is recorded as a governmental activity. In the prior years, a liability balance was recorded as a business type activity, but due to the expansion of the OPEB/Employee Benefits internal service fund the balance is now fully reflected as a governmental activity. At year-end, \$728,326 of internal service funds other post-employment benefit obligation is included in the governmental activities above amounts.

In January of 2010, the City of South St. Paul and the Minnesota Public Facilities Authority (PFA) agreed to terms for the sale of bonds and a corresponding project loan to finance the 17th Ave North Water Reservoir project. The terms of the agreement commits the PFA to lend \$2,801,051 from the Drinking Water Revolving Fund to the City for a 20 year term with 1.709% annual interest rate. The Water and Sewer Fund is responsible for liquidation of this debt. The balance outstanding at December 31, 2010 was \$2,801,000 and is included in the business-type activities above amounts.

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. 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 12/31/10</u>
T-Hangar note payable	2/1/2007	1/1/2017	0.00%	\$375,490	\$228,423

CITY OF SOUTH ST. PAUL, MINNESOTA
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Annual payments to maturity are as follows:

Year Ending December 31	Principal
2011	\$37,549
2012	37,549
2013	37,549
2014	37,549
2015	37,549
2016-2017	<u>40,678</u>
Total	<u>\$228,423</u>

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 Assets.

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 Energy Performance Contract with Johnson Controls. A similar financing arrangement was arranged for 2009 in the amount of \$624,325. These contracts are to assist with energy conservation improvements at the Nan McKay and John Carroll Building. 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, 2010 was \$112,716. 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, 2010 was \$574,582. The total outstanding energy performance loans totaled \$687,298 at December 31, 2010.

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.

CITY OF SOUTH ST. PAUL, MINNESOTA
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Annual debt service requirements for business-type activities long-term general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$56,749	\$35,147
2012	59,736	32,160
2013	62,880	29,016
2014	66,190	25,705
2015	37,901	22,797
2016-2020	223,194	78,536
2021-2024	180,648	16,625
Forgivable debt	<u>461,980</u>	<u>-</u>
Total	<u><u>\$1,149,278</u></u>	<u><u>\$239,986</u></u>

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 1979 Concord Street Tax Increment District special assessments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$63,142	\$ -
2012	63,142	-
2013	63,142	-
2014	63,142	-
2015	63,142	-
2016	<u>63,142</u>	<u>-</u>
Total	<u><u>\$378,852</u></u>	<u><u>\$0</u></u>

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

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 Authority pursuant to a lease-purchase agreement. Under the lease, rental payments to the Authority 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, 2010 was \$1,645,000.

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, 2010 was \$1,245,000.

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

Year	Principal	Interest
2011	\$55,000	\$113,737
2012	190,000	105,995
2013	190,000	101,810
2014	195,000	97,202
2015	200,000	91,925
2016-2020	1,105,000	357,492
2021-2025	495,000	196,544
2026-2029	460,000	57,913
Total	<u>\$2,890,000</u>	<u>\$1,122,618</u>

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Changes in long-term liabilities during December 31, 2010 are summarized as follows:

	Balance 01/01/10	Additions	Deletions	Balance 12/31/10	Due Within One Year
Housing And Redevelopment Authority					
Governmental activities:					
Lease revenue bonds	\$1,700,000	\$1,245,000	\$55,000	\$2,890,000	\$55,000
Compensated absences/Severance payable	2,080	1,140	868	2,352	1,529
Total governmental activities long-term debt	<u>\$1,702,080</u>	<u>\$1,246,140</u>	<u>\$55,868</u>	<u>2,892,352</u>	<u>\$56,529</u>
Business-type activities:					
Special assessment	\$441,994	\$ -	\$63,142	378,852	\$63,142
1999 MHFA	105,980	-	-	105,980	-
1999 MHFA	106,000	-	-	106,000	-
2002 CDA	250,000	-	-	250,000	-
Energy Performance	741,210	-	53,912	687,298	56,749
Compensated absences/Severance payable	96,123	62,296	57,323	101,096	65,172
Total business-type activities long-term debt	<u>\$1,741,307</u>	<u>\$62,296</u>	<u>\$174,377</u>	<u>1,629,226</u>	<u>\$185,063</u>

Note 6 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.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. Employee contribution rates for the Coordinated Plan will increase to 6.25% and 9.6% for the PEPFF plan effective January 1, 2011. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7% for Coordinated Plan GERF members, and 14.1% for PEPFF members. Employer contribution rates for the Coordinated Plan will increase to 7.25% and 14.4% for the PEPFF plan effective January 1, 2011. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$230,967, \$227,291 and \$212,840, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2010, 2009 and 2008 were \$270,040, \$275,702 and \$242,398, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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

PLAN DESCRIPTION

Four 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.

Total contributions made by the City during fiscal year 2010 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$1,170	\$1,170	5.00%	5.00%	5.00%

Note 7 OTHER POSTEMPLOYMENT BENEFIT PLAN

On December 31, 2008, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of January 1, 2008.

1. Plan Description

The City provides benefits for retirees as authorized by *Minnesota Statute* §471.61 subdivision 2b. 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, 2010 there were approximately 89 active participants and 35 retired participants receiving benefits from the City's health plans.

2. Funding Policy

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2010, the City did not contribute to the plan, in relation to the Annual Required Contribution.

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment 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 un-funded 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.

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Annual Required Contribution	\$ 565,215
Interest on Net OPEB Obligation	15,421
Adjustment to Annual Required Contribution	<u>(22,296)</u>
Annual OPEB Cost (Expense)	558,340
Contributions Made	<u>(350,747)</u>
Increase in Net OPEB Obligation	207,593
Net OPEB Obligation- Beginning of Year as restated	520,733
Net OPEB Obligation- End of Year	<u><u>\$ 728,326</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 565,215	52.6%	\$ 267,522
12/31/2009	561,327	54.9%	520,733
12/31/2010	558,340	62.8%	728,326

4. Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$5,962,427. The annual payroll for active employees covered by the plan in the actuarial valuation was \$4,996,012 for a ratio of UAAL to covered payroll of 119.3%.

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.

5. 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, 2008 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

CITY OF SOUTH ST. PAUL, MINNESOTA
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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 10%, reduced by decrements to an ultimate rate of 5% after nine years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

Note 8 FUND CHANGES

The following funds were opened in 2010:

Capital Project Funds

2010 Local Improvement
2011 Local Improvement

The following funds were closed in 2010:

Capital Project Funds

City Hall Renovation
2006 Local Improvement

Debt Service Funds

1995B Refunding Bonds
1994 Improvement Bonds
1999 Improvement Bonds

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Note 10 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

The composition of interfund balances at December 31, 2010 is as follows:

<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amount</u>
	Governmental Funds:	
401-General Programs	245-Airport	\$1,351,694
401-General Programs	404-Airport Improvements	535,360
	Nonmajor Governmental Funds:	
401-General Programs	243-Wakota Arena	442,998
401-General Programs	426-17th Ave North Water Tower	311,194
401-General Programs	453-2007 Local Improvements	177,589
401-General Programs	454-2008 Local Improvement	56,890
401-General Programs	456-380 Airport Road	39,914
401-General Programs	457-2009 Local Improvement	82,566
401-General Programs	458-2010 Local Improvement	36,556
401-General Programs	459-2010 Local Improvement	<u>6,631</u>
	Total	<u>\$3,041,392</u>
	Business-Type Funds:	
605-Water and Sewer	615-Street Light Utility	<u>\$28,820</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:

	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Airport Capital Fund</u>	<u>Nonmajor Governmental Fund</u>	
Transfer out				
General Fund	\$ -	\$ -	\$663,592	\$663,592
Airport Operating Fund	-	219,344	-	219,344
Nonmajor Governmental Funds	33,506	-	740,172	773,678
Water and Sewer	100,000	-	2,355,317	2,455,317
Storm Water Utility	40,000	-	41,411	81,411
Street Light Utility	20,000	-	-	20,000
Total transfers	<u>\$193,506</u>	<u>\$219,344</u>	<u>\$3,800,492</u>	<u>\$4,213,342</u>

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.

Note 10 OPERATING LEASES

A. BALLISTIC RECOVERY SYSTEM, INC. LEASE

On December 3, 2007, \$1,750,000 Lease Revenue bonds (City of South St. Paul Airport Project), Series 2007 (the “Bonds”) were issued by the Housing and Redevelopment Authority of the City of South St. Paul, Minnesota (the “HRA”), a related organization.

The bonds were issued for the purpose of providing funds to finance construction of a building on the City of South St. Paul Municipal Airport (Fleming field) (the “Airport”) to house manufacturing facilities of Ballistic Recovery Systems, Inc. (the “Corporation”) (such construction is herein called the “Improvements”). The land upon which the Improvements will be located (the “Land”) will be leased by the HRA for the City of South St Paul (the “City”) pursuant to a Ground Lease dated as December 1, 2007 (the “Ground Lease”).

The City will lease the Land and the Improvements (collectively the “Project”) under the statutory authority of Minnesota Statutes, Section 465.71. 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 Project to the Corporation pursuant to an Airport Sublease Agreement dated as of December 1, 2007 between the City and the Corporation (the “sublease”). Under the Sublease, Base Rent payments are to be paid by the Corporation to the City in amounts sufficient to pay principal of and interest on the Bonds when due, plus additional payments associated with the operation and maintenance of the Project. The City will pledge, pursuant to the Lease, 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 Corporation Base Rent payments to the City as of December 31, 2010 are as follows:

<u>Payment Year</u>	<u>Corporation Payment to City</u>
2011	\$204,300
2012	205,410
2013	206,573
2014	197,018
2015	176,753
2016-2020	883,209
2021-2025	888,963
2026-2029	<u>549,811</u>
Total	<u><u>\$3,312,037</u></u>

Upon the completion of the lease agreement between the City and the Authority 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.

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, 2010, the City’s hangar lease tenants were 32 T-Hangar leases, 77 Land leases, and 5 Building leases. The City’s airport hangar lease revenue for the year ended December 31, 2010 was \$364,193.

C. ANTENNA LEASES

The City received revenue from agreements for the lease of space for antennas placed on City owned property. Terms of each lease are as follows:

Location	Lessee	2010 Lease Amount	Annual Lease Adjustment Factor	Expiration Date	Renewal Options
Kaposia Park	T-Mobile	\$21,276	5% Increase on Jan 1	12/31/2013	3 - 5 year terms
Thompson Water Tower	T-Mobile	\$21,275	5% Increase on Jan 1	12/31/2010	4 - 5 year terms
Alice Court Water Tower	T-Mobile	\$22,339	5% Increase on Jan 1	12/31/2014	2 - 5 year terms
Thompson Water Tower	Sprint Nextel	\$22,628	Greater of CPI or 5%	12/31/2011	2 - 5 year terms
Alice Court Water Tower	Sprint Nextel	\$18,710	5% Increase on Jan 1	12/31/2014	1 - 5 year terms
Thompson Water Tower	Verizon	\$23,750	5% Increase on July 1	12/31/2014	1 - 5 year terms

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 Housing and Redevelopment Authority of South St. Paul, Minnesota (the "Authority"). The lease continues through August 15, 2029 and upon completion of the lease agreement the City will purchase the building for \$1.

The City lease payments to the Authority as of December 31, 2010 are as follows:

<u>Payment Year</u>	<u>City Payment to Authority</u>
2011	\$148,736
2012	151,150
2013	148,330
2014	150,510
2015	147,456
2016-2020	730,456
2021-2025	696,548
2026-2029	<u>521,914</u>
Total Minimum Lease Payments Receivable	2,695,100
Less Amount Representing Interest	<u>1,223,686</u>
Present Value of Minimum Lease Payments	<u><u>\$1,471,414</u></u>

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

Capital lease - building	\$ 1,783,901
Less: Accumulated Depreciation	<u>107,034</u>
Net	<u><u>\$ 1,676,867</u></u>

Note 12 JOINT VENTURES

A. SPECIAL SCHOOL DISTRICT NO. 6

- A. 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.

- B. 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.
- C. The City entered into a joint powers agreement with Special School District No. 6 in December of 2010. The agreement provides for management services of the City’s Service Center to be provided by the School District. The School District will employ and assign a District designee for at least twenty hours per week. The parties agree and acknowledge that the employee shall remain an employee of the District, but will be empowered to execute the duties and responsibilities of the City’s Director of Public Works. The agreement terminates on June 30, 2011 and will be renewable for successive one year terms.

B. JOINT POWERS DEBT COMMITMENT

On August 25, 2005 the City of South St. Paul 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 mature February 1, 2014, and bear interest rates ranging from 4.5% - 5.0%. The debt will be re-paid with member assessments over a seven-year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the bonds.

The City of South St. Paul’s debt payments for the year ending December 31, 2010 were \$59,583. The City of South St. Paul’s future debt payments as of December 31, 2010 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2011	\$73,783
2012	71,567
2013	<u>84,696</u>
Total	<u><u>\$230,046</u></u>

Pursuant to Section 9.5 of the joint powers agreement, member payments are submitted monthly and held in escrow by U.S. Bank National Association (trustee) until the funds are remitted to the bond holders according to the established bond principal and interest due dates. The interest earnings from the escrow account will reduce future member obligations on the debt. Information regarding the Dakota Communications Center can be obtained at the website www.mn-dcc.org/stats.asp or by contacting Dennis Feller at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4482 or email address dfeller@ci.lakeville.mn.us.

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 operational date.

The SMFD is governed by a five-member board of directors (Board) that include two council members from each joint city, and one public member which is not an employee nor a resident of either city. The city council from each respective city appoints four out of the five members to the board. The process for filling the public member position is as follows:

1. The Board shall approve 3 names to be forwarded to each City Council.
2. Each City Council shall rank each nominee in order of preference.
3. If the highest ranked person is the same on each list, then that person is appointed by each Council.

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 of South St. Paul's annual payments for the year ending December 31, 2010 were \$1,910,995. In addition, each city performed in-kind contributed services of approximate equal value during 2010 with additional service agreements in future years.

The South St. Paul Housing and Redevelopment Authority 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 the lease, 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. The bond matures in 2020 and has a stated interest rate of 0.9%-3.2. The balance outstanding at December 31, 2010 was \$1,245,000.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

The City of South St. Paul's commitment to make payments for the year ending December 31, 2010 were \$0. The City of South St. Paul's future commitment to make payments as of December 31, 2010 are as follows:

<u>Payment Year</u>	<u>City Commitment Payment to SMFD</u>
2011	\$82,651
2012	78,130
2013	77,350
2014	78,843
2015	77,628
2016-2020	<u>314,954</u>
Total	<u><u>\$709,556</u></u>

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 subd. 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.

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, 2010.

Note 14 COMMITTED CONTRACTS

The government has active construction projects as of December 31, 2010. The projects include a project to address low pressure zone in water mains and a new water reservoir on 17th Avenue North.

<u>Projects</u>	<u>Committed Contract</u>
Low Pressure Zone	\$273,596
Water Reservoir- 17th Ave North	<u>81,447</u>
Total	<u><u>\$355,043</u></u>

Note 15 PRIOR PERIOD ADJUSTMENTS

The government-wide financial statements and proprietary fund financial statements are adjusted for an error in the calculation of the net other post-employment benefit obligation liability in the Internal Service Fund. In the prior year, \$204,738 of contributions by the City to the plan should have been included in the calculation of the liability amount. The liability as of December 31, 2009 would have been lower as a result.

The government-wide financial statements and proprietary fund financial statements are adjusted for the error indicated above.

	Government-Wide financial statements and <u>Internal Service Fund</u>
Net asset increase (decrease):	
Overstated liability/expenditures	<u><u>\$204,738</u></u>

Note 16 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements, which were not implemented for these financial statements:

Statement No. 54 *Fund Balance Reporting and Government Fund Type Definitions*. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

Statement No. 61 *The Financial Reporting Entity*. *Omnibus an amendment of GASB Statement No. 14 and No. 34*. The provisions of this Statement are effective for the City's financial statements in fiscal year 2013

Statement No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. The provisions of this Statement are effective for the City's financial statements in fiscal year 2012.

The effect these standards may have on future financial statements is not determinable at this time.

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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, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with	2009 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
Revenues:					
General property taxes:					
Current	\$4,958,497	\$4,284,919	\$4,202,947	(\$81,972)	\$3,962,695
Delinquent	-	-	118,805	118,805	132,485
Fiscal disparities	930,000	1,498,812	1,481,537	(17,275)	1,276,379
Other	-	-	2,407	2,407	4,394
Total general property taxes	<u>5,888,497</u>	<u>5,783,731</u>	<u>5,805,696</u>	<u>21,965</u>	<u>5,375,953</u>
Franchise tax	<u>799,450</u>	<u>725,662</u>	<u>764,407</u>	<u>38,745</u>	<u>759,836</u>
Licenses and permits	<u>357,830</u>	<u>311,830</u>	<u>373,625</u>	<u>61,795</u>	<u>334,996</u>
Intergovernmental:					
Federal:					
Grants	-	-	1,430	1,430	500
State:					
Market value homestead credit	400,000	165,613	166,942	1,329	454,448
Local government aid	1,664,039	1,664,039	1,663,720	(319)	1,989,800
Road maintenance	178,500	178,500	188,645	10,145	183,180
Fire and police aids	175,000	175,000	170,974	(4,026)	279,898
Other	26,014	56,014	50,653	(5,361)	58,564
County:					
Gravel tax	3,000	3,000	-	(3,000)	3,111
Road maintenance	35,275	35,275	35,372	97	52,758
Recycling grant	21,300	21,300	21,500	200	21,300
Other	-	-	-	-	7,025
Local - other	<u>399,785</u>	<u>415,170</u>	<u>395,685</u>	<u>(19,485)</u>	<u>73,873</u>
Total intergovernmental	<u>2,902,913</u>	<u>2,713,911</u>	<u>2,694,921</u>	<u>(18,990)</u>	<u>3,124,457</u>
Charges for services:					
General government	285,309	335,856	335,469	(387)	287,886
Public safety	9,500	11,500	18,926	7,426	9,684
Public works	5,000	5,000	13,537	8,537	17,729
Parks and recreation	206,300	197,400	217,600	20,200	185,066
Administrative fee - other funds	182,000	182,000	158,400	(23,600)	113,400
Engineering project fees	125,000	190,000	284,816	94,816	182,227
Rents	107,241	107,241	107,478	237	108,242
Total charges for services	<u>920,350</u>	<u>1,028,997</u>	<u>1,136,226</u>	<u>107,229</u>	<u>904,234</u>
Fines and forfeits	<u>106,400</u>	<u>106,400</u>	<u>91,395</u>	<u>(15,005)</u>	<u>103,121</u>
Special assessments	<u>-</u>	<u>-</u>	<u>11,793</u>	<u>11,793</u>	<u>9,304</u>
Miscellaneous:					
Investment income	92,462	62,462	71,910	9,448	32,637
Contributions and donations	-	-	100	100	-
Other	45,000	45,000	69,512	24,512	178,705
Total miscellaneous	<u>137,462</u>	<u>107,462</u>	<u>141,522</u>	<u>34,060</u>	<u>211,342</u>
Total revenues	<u>11,112,902</u>	<u>10,777,993</u>	<u>11,019,585</u>	<u>241,592</u>	<u>10,823,243</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget -	2009 Actual Amounts
	Original	Final		Positive (Negative)	
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personal services	\$55,568	\$55,568	\$55,512	\$56	\$55,541
Materials and supplies	400	400	172	228	42
Other services and charges	47,957	48,858	43,692	5,166	43,566
Total mayor and city council	<u>103,925</u>	<u>104,826</u>	<u>99,376</u>	<u>5,450</u>	<u>99,149</u>
City administration:					
Current:					
Personal services	279,535	279,535	270,908	8,627	269,145
Materials and supplies	3,750	3,750	3,336	414	1,888
Other services and charges	50,375	50,375	34,446	15,929	32,822
Total city administration	<u>333,660</u>	<u>333,660</u>	<u>308,690</u>	<u>24,970</u>	<u>303,855</u>
Community relations:					
Current:					
Personal services	79,175	79,175	79,952	(777)	76,300
Materials and supplies	6,589	6,589	6,775	(186)	8,756
Other services and charges	1,970	1,970	677	1,293	1,491
Total community relations	<u>87,734</u>	<u>87,734</u>	<u>87,404</u>	<u>330</u>	<u>86,547</u>
City planner:					
Current:					
Personal services	102,762	102,762	103,658	(896)	103,751
Materials and supplies	550	550	586	(36)	258
Other services and charges	2,995	2,995	2,580	415	2,542
Total city planner	<u>106,307</u>	<u>106,307</u>	<u>106,824</u>	<u>(517)</u>	<u>106,551</u>
City clerk:					
Current:					
Personal services	142,932	143,932	143,617	315	127,482
Materials and supplies	7,000	7,790	6,557	1,233	5,784
Other services and charges	17,850	17,850	17,765	85	16,477
Total city clerk	<u>167,782</u>	<u>169,572</u>	<u>167,939</u>	<u>1,633</u>	<u>149,743</u>
City finance:					
Current:					
Personal services	296,899	296,899	292,967	3,932	272,010
Materials and supplies	8,750	8,750	8,532	218	8,681
Other services and charges	63,867	63,867	62,081	1,786	57,176
Total city finance	<u>369,516</u>	<u>369,516</u>	<u>363,580</u>	<u>5,936</u>	<u>337,867</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget -	2009 Actual Amounts
	Original	Final		Positive (Negative)	
Expenditures: (continued)					
General government: (continued)					
Computer:					
Current:					
Personal services	\$121,580	\$121,707	\$118,763	\$2,944	\$118,406
Materials and supplies	6,100	6,100	11,220	(5,120)	3,926
Other services and charges	4,700	4,700	5,284	(584)	4,282
Total computer	<u>132,380</u>	<u>132,507</u>	<u>135,267</u>	<u>(2,760)</u>	<u>126,614</u>
City attorney:					
Current:					
Other services and charges	250,000	260,000	254,904	5,096	216,816
Total city attorney	<u>250,000</u>	<u>260,000</u>	<u>254,904</u>	<u>5,096</u>	<u>216,816</u>
City hall:					
Current:					
Personal services	83,212	83,593	88,441	(4,848)	86,811
Materials and supplies	12,000	14,200	11,836	2,364	10,206
Other services and charges	188,642	167,036	155,111	11,925	156,153
Total city hall	<u>283,854</u>	<u>264,829</u>	<u>255,388</u>	<u>9,441</u>	<u>253,170</u>
Recycling:					
Current:					
Personal services	31,557	31,515	31,042	473	32,411
Materials and supplies	1,000	1,000	308	692	598
Other services and charges	26,350	26,350	16,946	9,404	28,578
Total recycling	<u>58,907</u>	<u>58,865</u>	<u>48,296</u>	<u>10,569</u>	<u>61,587</u>
Total general government	<u>1,894,065</u>	<u>1,887,816</u>	<u>1,827,668</u>	<u>60,148</u>	<u>1,741,899</u>
Public safety:					
Police:					
Current:					
Personal services	3,016,642	3,027,911	2,990,609	37,302	2,924,216
Materials and supplies	46,225	46,225	32,294	13,931	51,996
Other services and charges	810,741	814,026	772,579	41,447	761,957
Capital outlay	12,000	12,000	10,928	1,072	7,920
Total police	<u>3,885,608</u>	<u>3,900,162</u>	<u>3,806,410</u>	<u>93,752</u>	<u>3,746,089</u>
Fire:					
Current:					
Personal services	74,313	74,313	60,210	14,103	78,865
Other services and charges	1,925,995	1,925,995	1,925,954	41	1,758,757
Total fire	<u>2,000,308</u>	<u>2,000,308</u>	<u>1,986,164</u>	<u>14,144</u>	<u>1,837,622</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Expenditures: (continued)					
Public safety: (continued)					
Code enforcement:					
Current:					
Personal services	\$258,988	\$256,209	\$258,685	(\$2,476)	\$252,509
Materials and supplies	2,400	2,400	1,099	1,301	676
Other services and charges	24,592	24,592	25,209	(617)	32,912
Total code enforcement	285,980	283,201	284,993	(1,792)	286,097
Animal control:					
Current:					
Personal services	19,325	10,464	8,533	1,931	8,284
Materials and supplies	500	500	-	500	-
Other services and charges	15,800	7,400	804	6,596	2,707
Total animal control	35,625	18,364	9,337	9,027	10,991
Total public safety	6,207,521	6,202,035	6,086,904	115,131	5,880,799
Public works:					
Engineering:					
Current:					
Personal services	370,384	370,384	393,055	(22,671)	375,650
Materials and supplies	4,750	4,750	4,398	352	2,484
Other services and charges	25,961	25,961	22,346	3,615	26,290
Total engineering	401,095	401,095	419,799	(18,704)	404,424
Public works:					
Current:					
Personal services	563,914	570,374	573,607	(3,233)	564,749
Materials and supplies	226,000	226,000	261,267	(35,267)	189,238
Other services and charges	368,251	369,404	362,192	7,212	361,087
Capital outlay	3,500	3,500	-	3,500	6,687
Total public works	1,161,665	1,169,278	1,197,066	(27,788)	1,121,761
Total public works	1,562,760	1,570,373	1,616,865	(46,492)	1,526,185

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

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	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget -	2009 Actual Amounts
	Original	Final		Positive (Negative)	
Expenditures: (continued)					
Parks:					
Administration					
Current:					
Personal services	\$403,551	\$399,531	\$398,525	\$1,006	\$395,282
Materials and supplies	5,575	5,575	5,273	302	4,200
Other services and charges	30,088	29,688	30,200	(512)	33,611
Total administration	<u>439,214</u>	<u>434,794</u>	<u>433,998</u>	<u>796</u>	<u>433,093</u>
Parks, pools and maintenance operations:					
Current:					
Personal services	425,168	376,621	334,755	41,866	392,394
Materials and supplies	88,300	88,300	79,327	8,973	97,388
Other services and charges	200,348	201,284	187,336	13,948	185,838
Capital outlay	2,861	2,861	13,085	(10,224)	-
Total parks, pools and maintenance operations	<u>716,677</u>	<u>669,066</u>	<u>614,503</u>	<u>54,563</u>	<u>675,620</u>
Total parks	<u>1,155,891</u>	<u>1,103,860</u>	<u>1,048,501</u>	<u>55,359</u>	<u>1,108,713</u>
Contingency	<u>87,726</u>	<u>80,797</u>	<u>-</u>	<u>80,797</u>	<u>-</u>
Total expenditures	<u>10,907,963</u>	<u>10,844,881</u>	<u>10,579,938</u>	<u>264,943</u>	<u>10,257,596</u>
Revenues over expenditures	<u>204,939</u>	<u>(66,888)</u>	<u>439,647</u>	<u>506,535</u>	<u>565,647</u>
Other financing sources (uses):					
Transfers in	193,506	465,333	193,506	(271,827)	1,761,183
Transfers out	(398,445)	(398,445)	(663,592)	(265,147)	(250,955)
Total other financing sources and uses	<u>(204,939)</u>	<u>66,888</u>	<u>(470,086)</u>	<u>(536,974)</u>	<u>1,510,228</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>(30,439)</u>	<u>(\$30,439)</u>	<u>2,075,875</u>
Fund balance - January 1			<u>3,978,505</u>		<u>1,902,630</u>
Fund balance - December 31			<u>\$3,948,066</u>		<u>\$3,978,505</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 243 - WAKOTA ARENA
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

Statement 11

	Budgeted Amounts		2010 Actual	Variance with	2009 Actual
	Original	Final	Amounts Actual	Final Budget - Positive (Negative) Actual	Amounts
Revenues:					
Intergovernmental:					
County:					
Grants	\$ -	\$ -	\$33,151	\$33,151	\$ -
Total intergovernmental	<u>0</u>	<u>0</u>	<u>33,151</u>	<u>33,151</u>	<u>0</u>
Charges for services:					
Ice rentals	626,120	504,400	475,226	(29,174)	553,545
Ticket sales league games	38,000	16,700	14,844	(1,856)	44,433
Public/figure skating	22,000	12,560	6,415	(6,145)	23,270
Concessions	94,000	81,000	65,669	(15,331)	98,182
Rent of annex	72,358	72,358	72,357	(1)	70,250
Other	16,200	13,900	12,568	(1,332)	12,779
Total charges for services	<u>868,678</u>	<u>700,918</u>	<u>647,079</u>	<u>(53,839)</u>	<u>802,459</u>
Donations/other	-	-	200	200	-
Total revenues	<u>868,678</u>	<u>700,918</u>	<u>680,430</u>	<u>(20,488)</u>	<u>802,459</u>
Expenditures:					
Parks, arena, library:					
Personal services	243,436	271,758	270,564	(1,194)	287,078
Materials and supplies	101,405	110,100	120,534	10,434	106,791
Services and other charges	380,181	266,700	283,532	16,832	306,475
Interest expenditure	23,000	23,000	16,807	(6,193)	19,634
Capital outlay	180,000	360,000	358,610	(1,390)	13,859
Total expenditures	<u>928,022</u>	<u>1,031,558</u>	<u>1,050,047</u>	<u>18,489</u>	<u>733,837</u>
Revenues over (under) expenditures	<u>(59,344)</u>	<u>(330,640)</u>	<u>(369,617)</u>	<u>(38,977)</u>	<u>68,622</u>
Other financing sources (uses):					
Transfers in	175,000	477,500	450,123	(27,377)	175,000
Transfers out	<u>(165,628)</u>	<u>(165,628)</u>	<u>(164,077)</u>	<u>1,551</u>	<u>(162,352)</u>
Total other financing sources (uses)	<u>9,372</u>	<u>311,872</u>	<u>286,046</u>	<u>(25,826)</u>	<u>12,648</u>
Net change in fund balance	<u>(\$49,972)</u>	<u>(\$18,768)</u>	<u>(83,571)</u>	<u>(64,803)</u>	<u>81,270</u>
Fund balance (deficit) - January 1			<u>(280,305)</u>		<u>(361,575)</u>
Fund balance (deficit) - December 31			<u>(\$363,876)</u>		<u>(\$280,305)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 245 - AIRPORT
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

Statement 12

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget - Positive (Negative)	2009 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental:					
State:					
Airport operations and maintenance	\$29,259	\$29,269	\$29,269	\$ -	\$29,269
Charges for services:					
Transportation					
Hangar rentals/land leases	468,375	382,167	380,267	(1,900)	314,279
Aircraft fuel sales	588,176	589,937	645,367	55,430	495,646
Other	2,620	8,526	6,687	(1,839)	15,668
Total charges for services	1,059,171	980,630	1,032,321	51,691	825,593
Miscellaneous:					
Other	-	-	-	-	4
Total miscellaneous	0	0	0	0	4
Total revenues	1,088,430	1,009,899	1,061,590	51,691	854,866
Expenditures:					
Transportation:					
Current:					
Personal services	162,949	147,925	158,454	(10,529)	160,658
Materials and supplies	554,855	557,399	589,281	(31,882)	470,162
Other services and charges	156,868	158,802	194,723	(35,921)	131,847
Capital outlay	8,700	7,200	7,695	(495)	-
Long term debt principal	38,696	38,696	37,549	1,147	37,549
Interest expenditure	90,000	30,000	43,818	(13,818)	36,517
Total expenditures	1,012,068	940,022	1,031,520	(91,498)	836,733
Revenues over (under) expenditures	76,362	69,877	30,070	(39,807)	18,133
Other financing sources (uses):					
Transfers out	(28,500)	(28,500)	(219,344)	(190,844)	-
Net change in fund balance	\$47,862	\$41,377	(189,274)	(\$230,651)	18,133
Fund balance (deficit) - January 1			(1,124,884)		(1,143,017)
Fund balance (deficit) - December 31			(\$1,314,158)		(\$1,124,884)

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CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST RETIREMENT BENEFITS
December 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 5,962,427	\$ 5,962,427	\$ -	\$ 4,996,012	119.3%

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2010

Note A BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund. Total departmental expenditures may not exceed the total departmental appropriation without specific City Council approval. There were five departments where expenditures exceeded appropriations at December 31, 2010. A detailed listing of these funds can be found in the notes to the financial statements, Note 1.G.

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**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 and trust funds.

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010
With Comparative Totals For December 31, 2009

Statement 13

Assets	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2010	2009
Cash and investments	\$655,438	\$2,325,717	\$3,833,421	\$6,814,576	\$6,706,589
Accounts receivable	-	-	110,995	110,995	137,315
Property taxes receivable:					
Delinquent	34,010	33,065	110,770	177,845	331,584
Due from county	1,295	1,219	22,442	24,956	10,908
Special assessments receivable:					
Delinquent	-	17,885	4,130	22,015	21,770
Deferred	-	456,050	166,568	622,618	836,614
Due from county	-	2,573	1,273	3,846	4,373
Due from other governmental units	22,187	-	80,404	102,591	239,174
Prepaid items	1,746	5,996	-	7,742	-
Total assets	<u>\$714,676</u>	<u>\$2,842,505</u>	<u>\$4,330,003</u>	<u>\$7,887,184</u>	<u>\$8,288,327</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts, salaries and contracts payable	\$63,227	\$ -	\$113,912	\$177,139	\$548,275
Deposits payable	-	-	661	661	3,060
Due to other governmental units	491	-	-	491	651
Advances from other funds	-	-	533,751	533,751	1,919,154
Deferred revenue	34,010	507,001	379,491	920,502	1,315,583
Total liabilities	<u>97,728</u>	<u>507,001</u>	<u>1,027,815</u>	<u>1,632,544</u>	<u>3,786,723</u>
Fund balance:					
Reserved	1,746	2,069,510	-	2,071,256	2,673,768
Unreserved:					
Designated for future projects	210,613	-	3,900,844	4,111,457	2,726,357
Undesignated	404,589	265,994	(598,656)	71,927	(898,521)
Total fund balance	<u>616,948</u>	<u>2,335,504</u>	<u>3,302,188</u>	<u>6,254,640</u>	<u>4,501,604</u>
Total liabilities and fund balance	<u>\$714,676</u>	<u>\$2,842,505</u>	<u>\$4,330,003</u>	<u>\$7,887,184</u>	<u>\$8,288,327</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2010
With Comparative Totals For The Year Ended December 31, 2009

Statement 14

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2010	2009
Revenues:					
General property taxes	\$589,544	\$558,530	\$825	\$1,148,899	\$1,259,532
Tax increment collections	-	-	97,978	97,978	1,981,064
Intergovernmental	41,305	-	97,671	138,976	620,850
Charges for services	429,297	-	187,352	616,649	808,291
Fines and forfeits	8,687	-	-	8,687	11,700
Special assessments	-	246,277	25,599	271,876	397,224
Investment income	18,615	83,241	126,889	228,745	193,081
Contributions and donations	26,923	-	-	26,923	48,395
Miscellaneous	10,841	-	-	10,841	7,712
Total revenues	<u>1,125,212</u>	<u>888,048</u>	<u>536,314</u>	<u>2,549,574</u>	<u>5,327,849</u>
Expenditures:					
Current:					
General government	17,733	-	178,132	195,865	169,776
Public safety	32,426	-	-	32,426	32,683
Public works	-	-	27,885	27,885	369,201
Parks, arena, library	852,781	-	-	852,781	781,606
Nondepartmental	-	-	2,267	2,267	1,099,685
Capital outlay:					
General government	-	-	9,175	9,175	68,853
Public safety	10,909	-	-	10,909	31,010
Public works	-	-	692,734	692,734	2,805,306
Parks, arena, library	-	-	170,340	170,340	101,826
Interest expenditure	-	440	39,082	39,522	22,712
Debt service:					
Principal	-	1,159,583	-	1,159,583	2,601,063
Interest and other charges	-	343,819	-	343,819	420,045
Total expenditures	<u>913,849</u>	<u>1,503,842</u>	<u>1,119,615</u>	<u>3,537,306</u>	<u>8,503,766</u>
Revenues over (under) expenditures	<u>211,363</u>	<u>(615,794)</u>	<u>(583,301)</u>	<u>(987,732)</u>	<u>(3,175,917)</u>
Other financing sources (uses):					
Transfers in	24,170	164,077	3,162,122	3,350,369	2,666,739
Transfers out	-	(295,094)	(314,507)	(609,601)	(2,405,006)
Total other financing sources (uses)	<u>24,170</u>	<u>(131,017)</u>	<u>2,847,615</u>	<u>2,740,768</u>	<u>261,733</u>
Net change in fund balance	235,533	(746,811)	2,264,314	1,753,036	(2,914,184)
Fund balance - January 1	<u>381,415</u>	<u>3,082,315</u>	<u>1,037,874</u>	<u>4,501,604</u>	<u>7,415,788</u>
Fund balance (deficit) - December 31	<u>\$616,948</u>	<u>\$2,335,504</u>	<u>\$3,302,188</u>	<u>\$6,254,640</u>	<u>\$4,501,604</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, 2010
 With Comparative Totals For December 31, 2009

Statement 15

Assets	201 -	202- Park	213 - Library	250 - Central	Totals Nonmajor Special	
	Donations/ Grants	Land Dedication		Square	Revenue Funds	
					2010	2009
Cash and investments	\$206,233	\$220,582	\$18,624	\$209,999	\$655,438	\$410,121
Accounts receivable	-	-	-	-	-	168
Property taxes receivable:						
Delinquent	-	-	34,010	-	34,010	65,380
Due from county	-	-	1,295	-	1,295	5,049
Due from other governmental units	22,187	-	-	-	22,187	13,721
Prepaid items	-	-	-	1,746	1,746	-
Total assets	<u>\$228,420</u>	<u>\$220,582</u>	<u>\$53,929</u>	<u>\$211,745</u>	<u>\$714,676</u>	<u>\$494,439</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts, salaries and contracts payable	\$17,807	\$ -	\$19,890	\$25,530	\$63,227	\$45,993
Due to other governmental units	-	-	29	462	491	651
Deferred revenue	-	-	34,010	-	34,010	66,380
Total liabilities	<u>17,807</u>	<u>0</u>	<u>53,929</u>	<u>25,992</u>	<u>97,728</u>	<u>113,024</u>
Fund balance:						
Reserved for:						
Prepaid items	-	-	-	1,746	1,746	-
Unreserved:						
Designated for future projects	210,613	-	-	-	210,613	204,840
Undesignated	-	220,582	-	184,007	404,589	176,575
Total fund balance	<u>210,613</u>	<u>220,582</u>	<u>0</u>	<u>185,753</u>	<u>616,948</u>	<u>381,415</u>
Total liabilities and fund balance	<u>\$228,420</u>	<u>\$220,582</u>	<u>\$53,929</u>	<u>\$211,745</u>	<u>\$714,676</u>	<u>\$494,439</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2010
With Comparative Totals For The Year Ended December 31, 2009

Statement 16

	201 - Donations/ Grants	202- Park Land Dedication	213 - Library	250 - Central Square	Totals Nonmajor Special Revenue Funds	
					2010	2009
Revenues:						
General property taxes	\$ -	\$ -	\$589,544	\$ -	\$589,544	\$583,250
Intergovernmental	39,355	-	1,950	-	41,305	31,995
Charges for services	-	209,000	3,599	216,698	429,297	216,806
Fines and forfeits	-	-	8,687	-	8,687	11,700
Investment income	7,498	3,395	-	7,722	18,615	11,445
Contributions and donations	26,155	-	768	-	26,923	48,395
Miscellaneous	8,532	-	2,309	-	10,841	7,712
Total revenues	<u>81,540</u>	<u>212,395</u>	<u>606,857</u>	<u>224,420</u>	<u>1,125,212</u>	<u>911,303</u>
Expenditures:						
Current:						
General government	17,733	-	-	-	17,733	4,779
Public safety	32,426	-	-	-	32,426	32,683
Parks, arena, library	14,699	-	631,027	207,055	852,781	781,606
Capital outlay	10,909	-	-	-	10,909	31,010
Total expenditures	<u>75,767</u>	<u>0</u>	<u>631,027</u>	<u>207,055</u>	<u>913,849</u>	<u>850,078</u>
Revenues over (under) expenditures	<u>5,773</u>	<u>212,395</u>	<u>(24,170)</u>	<u>17,365</u>	<u>211,363</u>	<u>61,225</u>
Other financing sources (uses):						
Transfers in	-	-	24,170	-	24,170	8,041
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>24,170</u>	<u>0</u>	<u>24,170</u>	<u>8,041</u>
Net change in fund balance	5,773	212,395	-	17,365	235,533	69,266
Fund balance (deficit) - January 1	204,840	8,187	-	168,388	381,415	312,149
Fund balance (deficit) - December 31	<u>\$210,613</u>	<u>\$220,582</u>	<u>\$0</u>	<u>\$185,753</u>	<u>\$616,948</u>	<u>\$381,415</u>

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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.

- 1995B Refunding Park Bonds – issued to provide funds to refund the 1997 through 2011 maturities of the G.O. Park Bonds dated December 16, 1990, which were issued for the purpose of improving existing City parks.
- 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.
- 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.

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.

- 1994 through 2006 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, 2010
 With Comparative Totals For December 31, 2009

	316 - 1995B Refunding Park Bonds	356- 2007B Refunding Bonds	320 - 2003B Arena Revenue Bonds	355 - 2007 DCC Revenue Bonds	340 - 1994 Improvement Bonds
Assets					
Cash and investments	\$ -	\$301,537	\$ -	\$61,178	\$ -
Property taxes receivable:					
Delinquent	1,236	10,676	-	4,180	832
Due from county	-	419	-	167	-
Special assessments receivable:					
Delinquent	-	-	-	-	185
Deferred	-	-	-	-	1,575
Due from county	-	-	-	-	-
Prepaid items	-	-	-	5,996	-
Total assets	<u>\$1,236</u>	<u>\$312,632</u>	<u>\$0</u>	<u>\$71,521</u>	<u>\$2,592</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts, salaries and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	1,236	10,676	-	4,180	2,592
Total liabilities	<u>1,236</u>	<u>10,676</u>	<u>-</u>	<u>4,180</u>	<u>2,592</u>
Fund balance:					
Reserved for:					
Prepaid items	-	-	-	5,996	-
Debt service	-	301,956	-	61,345	-
Unreserved:					
Undesignated	-	-	-	-	-
Total fund balance	<u>0</u>	<u>301,956</u>	<u>0</u>	<u>67,341</u>	<u>0</u>
Total liabilities and fund balance	<u>\$1,236</u>	<u>\$312,632</u>	<u>\$0</u>	<u>\$71,521</u>	<u>\$2,592</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2010
With Comparative Totals For December 31, 2009

	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds	348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds
Assets				
Cash and investments	\$ -	\$221,642	\$199,793	\$241,779
Property taxes receivable:				
Delinquent	-	-	-	-
Due from county	-	-	-	-
Special assessments receivable:				
Delinquent	910	2,261	3,404	2,049
Deferred	998	-	23,972	45,795
Due from county	-	4	258	725
Prepaid items	-	-	-	-
Total assets	<u>\$1,908</u>	<u>\$223,907</u>	<u>\$227,427</u>	<u>\$290,348</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts, salaries and contracts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	<u>1,908</u>	<u>2,261</u>	<u>27,376</u>	<u>47,844</u>
	<u>1,908</u>	<u>2,261</u>	<u>27,376</u>	<u>47,844</u>
Fund balance:				
Reserved for:				
Prepaid items	-	-	-	-
Debt service	-	107,546	146,265	163,956
Unreserved:				
Undesignated	-	114,100	53,786	78,548
Total fund balance	<u>0</u>	<u>221,646</u>	<u>200,051</u>	<u>242,504</u>
Total liabilities and fund balance	<u>\$1,908</u>	<u>\$223,907</u>	<u>\$227,427</u>	<u>\$290,348</u>

350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	Totals Nonmajor Debt Service Funds	
				2010	2009
\$536,799	\$453,311	\$183,373	\$126,305	\$2,325,717	\$3,074,941
-	-	-	16,141	33,065	74,719
-	-	-	633	1,219	5,859
3,150	3,825	2,101	-	17,885	20,135
127,799	120,686	135,225	-	456,050	661,411
943	529	114	-	2,573	3,279
-	-	-	-	5,996	-
<u>\$668,691</u>	<u>\$578,351</u>	<u>\$320,813</u>	<u>\$143,079</u>	<u>\$2,842,505</u>	<u>\$3,840,344</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,764
<u>130,949</u>	<u>124,512</u>	<u>137,326</u>	<u>16,141</u>	<u>507,001</u>	<u>756,265</u>
<u>130,949</u>	<u>124,512</u>	<u>137,326</u>	<u>16,141</u>	<u>507,001</u>	<u>758,029</u>
-	-	-	-	5,996	-
520,680	451,341	183,487	126,938	2,063,514	2,673,768
17,062	2,498	-	-	265,994	408,547
<u>537,742</u>	<u>453,839</u>	<u>183,487</u>	<u>126,938</u>	<u>2,335,504</u>	<u>3,082,315</u>
<u>\$668,691</u>	<u>\$578,351</u>	<u>\$320,813</u>	<u>\$143,079</u>	<u>\$2,842,505</u>	<u>\$3,840,344</u>

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CITY OF SOUTH ST. PAUL, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR DEBT SERVICE FUNDS
 For The Year Ended December 31, 2010
 With Comparative Totals For The Year Ended December 31, 2009

Statement 18
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	316 - 1995B Refunding Park Bonds	356- 2007B Refunding Bonds	320 - 2003B Arena Revenue Bonds	355 - 2007 DCC Revenue Bonds	340 - 1994 Improvement Bonds
Revenues:					
General property taxes	\$2,276	\$190,677	\$ -	\$75,983	\$1,538
Special assessments	-	-	-	-	137
Investment income	6,605	6,839	-	1,664	1,560
Total revenues	<u>8,881</u>	<u>197,516</u>	<u>0</u>	<u>77,647</u>	<u>3,235</u>
Expenditures:					
Interest expenditure	-	-	-	-	-
Debt service:					
Principal	90,000	115,000	120,000	59,583	60,000
Interest and other charges	2,611	67,899	43,881	12,643	1,620
Total expenditures	<u>92,611</u>	<u>182,899</u>	<u>163,881</u>	<u>72,226</u>	<u>61,620</u>
Revenues over (under) expenditures	<u>(83,730)</u>	<u>14,617</u>	<u>(163,881)</u>	<u>5,421</u>	<u>(58,385)</u>
Other financing sources (uses):					
Transfers in	-	-	164,077	-	-
Transfers out	(183,865)	-	-	-	(37,469)
Total other financing sources (uses)	<u>(183,865)</u>	<u>0</u>	<u>164,077</u>	<u>0</u>	<u>(37,469)</u>
Net change in fund balance	(267,595)	14,617	196	5,421	(95,854)
Fund balance - January 1	<u>267,595</u>	<u>287,339</u>	<u>(196)</u>	<u>61,920</u>	<u>95,854</u>
Fund balance - December 31	<u>\$0</u>	<u>\$301,956</u>	<u>\$0</u>	<u>\$67,341</u>	<u>\$0</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2010
With Comparative Totals For The Year Ended December 31, 2009

	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds	348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	1,998	26,685	35,035	31,509
Investment income	2,827	7,969	6,745	8,306
Total revenues	<u>4,825</u>	<u>34,654</u>	<u>41,780</u>	<u>39,815</u>
Expenditures:				
Interest expenditure	-	-	-	-
Debt service:				
Principal	70,000	105,000	70,000	50,000
Interest and other charges	1,750	7,816	7,735	6,887
Total expenditures	<u>71,750</u>	<u>112,816</u>	<u>77,735</u>	<u>56,887</u>
Revenues over (under) expenditures	<u>(66,925)</u>	<u>(78,162)</u>	<u>(35,955)</u>	<u>(17,072)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(73,760)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(73,760)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(140,685)	(78,162)	(35,955)	(17,072)
Fund balance - January 1	<u>140,685</u>	<u>299,808</u>	<u>236,006</u>	<u>259,576</u>
Fund balance - December 31	<u>\$0</u>	<u>\$221,646</u>	<u>\$200,051</u>	<u>\$242,504</u>

350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	Totals Nonmajor Debt Service Funds	
				2010	2009
\$ -	\$ -	\$ -	\$288,056	\$558,530	\$676,282
59,340	43,741	47,832	-	246,277	320,950
18,749	16,026	5,951	-	83,241	92,959
<u>78,089</u>	<u>59,767</u>	<u>53,783</u>	<u>288,056</u>	<u>888,048</u>	<u>1,090,191</u>
-	-	-	440	440	322
110,000	100,000	75,000	135,000	1,159,583	2,601,063
18,832	16,001	12,936	143,208	343,819	420,045
<u>128,832</u>	<u>116,001</u>	<u>87,936</u>	<u>278,648</u>	<u>1,503,842</u>	<u>3,021,430</u>
<u>(50,743)</u>	<u>(56,234)</u>	<u>(34,153)</u>	<u>9,408</u>	<u>(615,794)</u>	<u>(1,931,239)</u>
-	-	-	-	164,077	1,621,403
-	-	-	-	(295,094)	(768,259)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(131,017)</u>	<u>853,144</u>
(50,743)	(56,234)	(34,153)	9,408	(746,811)	(1,078,095)
588,485	510,073	217,640	117,530	3,082,315	4,160,410
<u>\$537,742</u>	<u>\$453,839</u>	<u>\$183,487</u>	<u>\$126,938</u>	<u>\$2,335,504</u>	<u>\$3,082,315</u>

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NONMAJOR CAPITAL PROJECT FUNDS

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

Special Projects – used to account for revenues and expenditures for capital improvements, which will provide a direct or significant indirect benefit to individual property owners.

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

City Hall Renovation – used to account for revenues and expenditures related to the remodeling of City Hall.

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

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

Stockyards Redevelopment – this fund is used to account for the redevelopment of the former stockyard site.

17th Ave North Reservoir – this fund is used to account for revenues and expenditures related to construction of the reservoir on 17th Avenue North.

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

2008 - 2011 Local Improvement – used to account for reconstruction of streets. These funds are typically viable for two years.

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.

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	402 - Special Projects	405 - Floodwall Construction	412 - Tax Increment	420 - Equipment Acquisition
Assets				
Cash and investments	\$1,540,304	\$41,375	\$950,116	\$651,166
Accounts receivable	-	-	-	-
Property taxes receivable:				
Delinquent	-	-	110,770	-
Due from county	-	-	22,442	-
Special assessments receivable:				
Delinquent	3,211	-	-	-
Deferred	152,352	-	-	-
Due from county	1,271	-	-	-
Due from other governmental units	80,404	-	-	-
Total assets	<u>\$1,777,542</u>	<u>\$41,375</u>	<u>\$1,083,328</u>	<u>\$651,166</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts, salaries and contracts payable	\$7,395	\$12,080	\$15,320	\$ -
Deposits payable	661	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	155,564	-	110,771	-
Total liabilities	<u>163,620</u>	<u>12,080</u>	<u>126,091</u>	<u>0</u>
Fund balance (deficit):				
Unreserved:				
Designated for future projects	1,613,922	29,295	957,237	651,166
Undesignated	-	-	-	-
Total fund balance (deficit)	<u>1,613,922</u>	<u>29,295</u>	<u>957,237</u>	<u>651,166</u>
Total liabilities and fund balance	<u>\$1,777,542</u>	<u>\$41,375</u>	<u>\$1,083,328</u>	<u>\$651,166</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2010
With Comparative Totals For December 31, 2009

	<u>425 - Stockyards Redevelopment</u>	<u>426 - 17th Ave North Reservoir</u>	<u>431 - Local Improvement</u>	<u>454 - 2008 Local Improvement</u>
Assets				
Cash and investments	\$520,651	\$ -	\$129,809	\$ -
Accounts receivable	-	-	-	-
Property taxes receivable:				
Delinquent	-	-	-	-
Due from county	-	-	-	-
Special assessments receivable:				
Delinquent	-	-	919	-
Deferred	-	-	14,216	-
Due from county	-	-	2	-
Due from other governmental units	-	-	-	-
Total assets	<u><u>\$520,651</u></u>	<u><u>\$0</u></u>	<u><u>\$144,946</u></u>	<u><u>\$0</u></u>
Liabilities and Fund Balance				
Liabilities:				
Accounts, salaries and contracts payable	\$ -	\$65,483	\$1,238	\$ -
Deposits payable	-	-	-	-
Advances from other funds	-	311,194	-	56,890
Deferred revenue	-	-	15,135	-
Total liabilities	<u><u>0</u></u>	<u><u>376,677</u></u>	<u><u>16,373</u></u>	<u><u>56,890</u></u>
Fund balance (deficit):				
Unreserved:				
Designated for future projects	520,651	-	128,573	-
Undesignated	-	(376,677)	-	(56,890)
Total fund balance (deficit)	<u><u>520,651</u></u>	<u><u>(376,677)</u></u>	<u><u>128,573</u></u>	<u><u>(56,890)</u></u>
Total liabilities and fund balance	<u><u>\$520,651</u></u>	<u><u>\$0</u></u>	<u><u>\$144,946</u></u>	<u><u>\$0</u></u>

457 - 2009 Local Improvement	458 - 2010 Local Improvement	459 - 2011 Local Improvement	456 - 380 Airport Road	Totals Nonmajor Capital Project Funds	
				2010	2009
\$ -	\$ -	\$ -	\$ -	\$3,833,421	\$3,221,527
-	-	-	110,995	110,995	137,147
-	-	-	-	110,770	191,485
-	-	-	-	22,442	-
-	-	-	-	4,130	1,635
-	-	-	-	166,568	175,203
-	-	-	-	1,273	1,094
-	-	-	-	80,404	225,453
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$110,995</u>	<u>\$4,330,003</u>	<u>\$3,953,544</u>
\$ -	\$12,396	\$ -	\$ -	\$113,912	\$500,518
-	-	-	-	661	3,060
82,566	36,556	6,631	39,914	533,751	1,919,154
-	-	-	98,021	379,491	492,938
<u>82,566</u>	<u>48,952</u>	<u>6,631</u>	<u>137,935</u>	<u>1,027,815</u>	<u>2,915,670</u>
-	-	-	-	3,900,844	2,521,517
(82,566)	(48,952)	(6,631)	(26,940)	(598,656)	(1,483,643)
<u>(82,566)</u>	<u>(48,952)</u>	<u>(6,631)</u>	<u>(26,940)</u>	<u>3,302,188</u>	<u>1,037,874</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$110,995</u>	<u>\$4,330,003</u>	<u>\$3,953,544</u>

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CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2010
With Comparative Totals For The Year Ended December 31, 2009

Statement 20
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	402 - Special Projects	405 - Floodwall Construction	406 - City Hall Renovation	412 - Tax Increment	420 - Equipment Acquisition
Revenues:					
General property taxes	\$825	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	97,978	-
Intergovernmental revenue	82,374	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	19,650	-	-	-	-
Investment income	45,445	2,212	-	32,555	22,565
Total revenues	<u>148,294</u>	<u>2,212</u>	<u>0</u>	<u>130,533</u>	<u>22,565</u>
Expenditures:					
Current:					
General government	5,744	-	-	-	18,611
Public works	-	-	-	-	-
Nondepartmental	-	-	-	2,267	-
Capital outlay:					
General government	-	-	-	-	9,175
Public works	17,739	55,477	-	-	-
Parks, arena, library	170,340	-	-	-	-
Interest expenditure	-	-	715	-	-
Total expenditures	<u>193,823</u>	<u>55,477</u>	<u>715</u>	<u>2,267</u>	<u>27,786</u>
Revenues over (under) expenditures	<u>(45,529)</u>	<u>(53,265)</u>	<u>(715)</u>	<u>128,266</u>	<u>(5,221)</u>
Other financing sources (uses):					
Transfers in	710,294	-	21,979	-	74,532
Transfers out	(289,198)	-	-	-	-
Total other financing sources (uses)	<u>421,096</u>	<u>0</u>	<u>21,979</u>	<u>0</u>	<u>74,532</u>
Net change in fund balance	375,567	(53,265)	21,264	128,266	69,311
Fund balance (deficit) - January 1	<u>1,238,355</u>	<u>82,560</u>	<u>(21,264)</u>	<u>828,971</u>	<u>581,855</u>
Fund balance (deficit) - December 31	<u>\$1,613,922</u>	<u>\$29,295</u>	<u>\$0</u>	<u>\$957,237</u>	<u>\$651,166</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2010
With Comparative Totals For The Year Ended December 31, 2009

	425 - Stockyards Redevelopment	426 - 17th Ave North Reservoir	431 - Local Improvement	452 - 2006 Local Improvement
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ -
Tax increment collections	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	4,461	-	-	-
Special assessments	-	-	5,949	-
Investment income	18,684	-	4,489	939
Total revenues	<u>23,145</u>	<u>0</u>	<u>10,438</u>	<u>939</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Nondepartmental	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Public works	-	564,694	-	-
Parks, arena, library	-	-	-	-
Interest expenditure	-	30,299	-	-
Total expenditures	<u>0</u>	<u>594,993</u>	<u>0</u>	<u>0</u>
Revenues over (under) expenditures	<u>23,145</u>	<u>(594,993)</u>	<u>10,438</u>	<u>939</u>
Other financing sources (uses):				
Transfers in	-	2,355,317	-	-
Transfers out	-	-	-	(25,309)
Total other financing sources (uses)	<u>0</u>	<u>2,355,317</u>	<u>0</u>	<u>(25,309)</u>
Net change in fund balance	23,145	1,760,324	10,438	(24,370)
Fund balance (deficit) - January 1	<u>497,506</u>	<u>(2,137,001)</u>	<u>118,135</u>	<u>24,370</u>
Fund balance (deficit) - December 31	<u><u>\$520,651</u></u>	<u><u>(\$376,677)</u></u>	<u><u>\$128,573</u></u>	<u><u>\$0</u></u>

454 - 2008 Local Improvement	457 - 2009 Local Improvement	458 - 2010 Local Improvement	459 - 2011 Local Improvement	456 - 380 Airport Road	Totals Nonmajor Capital Project Funds	
					2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$825	\$ -
-	-	-	-	-	97,978	1,981,064
-	-	15,297	-	-	97,671	588,855
-	-	-	-	182,891	187,352	591,485
-	-	-	-	-	25,599	76,274
-	-	-	-	-	126,889	88,677
<u>0</u>	<u>0</u>	<u>15,297</u>	<u>0</u>	<u>182,891</u>	<u>536,314</u>	<u>3,326,355</u>
2,300	2,300	-	-	149,177	178,132	164,997
12,219	-	15,362	304	-	27,885	369,201
-	-	-	-	-	2,267	1,099,685
-	-	-	-	-	9,175	68,853
-	-	48,544	6,280	-	692,734	2,805,306
-	-	-	-	-	170,340	101,826
1,580	3,381	343	47	2,717	39,082	22,390
<u>16,099</u>	<u>5,681</u>	<u>64,249</u>	<u>6,631</u>	<u>151,894</u>	<u>1,119,615</u>	<u>4,632,258</u>
<u>(16,099)</u>	<u>(5,681)</u>	<u>(48,952)</u>	<u>(6,631)</u>	<u>30,997</u>	<u>(583,301)</u>	<u>(1,305,903)</u>
-	-	-	-	-	3,162,122	1,037,295
-	-	-	-	-	(314,507)	(1,636,747)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,847,615</u>	<u>(599,452)</u>
(16,099)	(5,681)	(48,952)	(6,631)	30,997	2,264,314	(1,905,355)
<u>(40,791)</u>	<u>(76,885)</u>	<u>-</u>	<u>-</u>	<u>(57,937)</u>	<u>1,037,874</u>	<u>2,943,229</u>
<u>(\$56,890)</u>	<u>(\$82,566)</u>	<u>(\$48,952)</u>	<u>(\$6,631)</u>	<u>(\$26,940)</u>	<u>\$3,302,188</u>	<u>\$1,037,874</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SPECIAL REVENUE FUND - 213 - LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

Statement 21

	2010			2009 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
General property taxes:				
Current	\$600,363	\$600,363	\$576,292	\$567,440
Delinquent	-	-	13,252	15,810
Total general property taxes	<u>600,363</u>	<u>600,363</u>	<u>589,544</u>	<u>583,250</u>
Intergovernmental:				
County:				
Grants	-	-	1,950	-
Total intergovernmental	<u>0</u>	<u>0</u>	<u>1,950</u>	<u>0</u>
Rental fees	4,000	4,000	3,599	5,296
Fines and forfeits	6,500	6,500	8,687	11,700
Donations/other	3,950	3,950	3,077	2,515
Total revenues	<u>614,813</u>	<u>614,813</u>	<u>606,857</u>	<u>602,761</u>
Expenditures:				
Parks, arena, library:				
Personal services	437,119	449,556	460,352	438,467
Materials and supplies	89,800	89,800	89,931	90,235
Other services and charges	87,894	83,172	80,744	82,100
Total expenditures	<u>614,813</u>	<u>622,528</u>	<u>631,027</u>	<u>610,802</u>
Revenues over (under) expenditures	<u>-</u>	<u>(7,715)</u>	<u>(24,170)</u>	<u>(8,041)</u>
Other financing sources (uses):				
Transfers in	-	-	24,170	8,041
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>24,170</u>	<u>8,041</u>
Net change in fund balance	<u>\$0</u>	<u>(\$7,715)</u>	<u>0</u>	<u>0</u>
Fund balance (deficit) - January 1			<u>-</u>	<u>-</u>
Fund balance (deficit) - December 31			<u>\$0</u>	<u>\$0</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SPECIAL REVENUE FUND - 250 - CENTRAL SQUARE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2010
With Comparative Actual Amounts For The Year Ended December 31, 2009

Statement 22

	2010		Actual	2009 Actual
	Budgeted Amounts			
	Original	Final		
Revenues:				
Charges for services:				
Memberships	\$122,000	\$122,000	\$130,029	\$131,239
Programming	76,000	76,000	78,757	72,484
Open Swim	6,000	6,000	5,219	6,396
Room Rental	6,000	6,000	2,291	1,150
Other	500	500	402	241
Investment income	-	-	7,722	5,096
Total revenues	<u>210,500</u>	<u>210,500</u>	<u>224,420</u>	<u>216,606</u>
Expenditures:				
Parks, arena, library:				
Personal services	143,688	143,688	127,597	125,531
Materials and supplies	17,300	17,300	37,925	12,811
Services and other charges	<u>38,814</u>	<u>38,814</u>	<u>41,533</u>	<u>29,904</u>
Total expenditures	<u>240,802</u>	<u>199,802</u>	<u>207,055</u>	<u>168,246</u>
Net change in fund balance	<u>(\$30,302)</u>	<u>\$10,698</u>	17,365	48,360
Fund balance (deficit) - January 1			<u>168,388</u>	<u>120,028</u>
Fund balance (deficit) - December 31			<u>\$185,753</u>	<u>\$168,388</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

Statement 23

December 31, 2010

With Comparative Total Amounts as of December 31, 2009

	703 - Central	705 - OPEB/	Totals	
	Garage	Employee Benefits Fund	2010	2009
Assets:				
Current assets:				
Cash and investments	\$664,158	\$352,247	\$1,016,405	\$931,979
Total current assets	664,158	352,247	1,016,405	931,979
Noncurrent assets:				
Capital assets:				
Machinery and equipment	3,270,307	-	3,270,307	3,223,640
Less: Allowance for depreciation	(2,209,880)	-	(2,209,880)	(2,104,046)
Net capital assets	1,060,427	0	1,060,427	1,119,594
Total noncurrent assets	1,060,427	0	1,060,427	1,119,594
Total assets	1,724,585	352,247	2,076,832	2,051,573
Liabilities:				
Current liabilities:				
Accounts payable	35,143	-	35,143	69,744
Wages and payroll taxes payable	3,798	-	3,798	1,878
Compensated absences	-	112,871	112,871	120,973
Total current liabilities	38,941	112,871	151,812	192,595
Noncurrent liabilities:				
Net other postemployment benefit obligation	-	728,326	728,326	725,471
Compensated absences	-	284,548	284,548	322,295
Total noncurrent liabilities	0	1,012,874	1,012,874	1,047,766
Total liabilities	38,941	1,125,745	1,164,686	1,240,361
Net assets:				
Invested in capital assets	1,060,427	-	1,060,427	1,119,594
Unrestricted	625,217	(773,498)	(148,281)	(308,382)
Total net assets	\$1,685,644	(\$773,498)	\$912,146	\$811,212

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2010
With Comparative Total Amounts For The Year Ended December 31, 2009

Statement 24

	703 - Central Garage	705 - OPEB/ Employee Benefits Fund	Totals	
			2010	2009
Operating revenues:				
Customer billings:				
Other charges	\$101	\$ -	\$101	\$4,422
Retiree health insurance charges	-	219,695	219,695	220,807
Compensated absences charges	-	96,819	96,819	72,260
Equipment rental and repair charges	660,771	-	660,771	653,399
Total operating revenues	<u>660,872</u>	<u>316,514</u>	<u>977,386</u>	<u>950,888</u>
Operating expenses:				
Personal services:				
Salaries and wages	101,572	-	101,572	106,331
Employee benefits	2,778	-	2,778	385,934
Pension contributions	14,778	-	14,778	15,424
Insurance	19,286	397,952	417,238	715,508
Total personal services	<u>138,414</u>	<u>397,952</u>	<u>536,366</u>	<u>1,223,197</u>
Materials and supplies:				
Maintenance materials	<u>305,366</u>	<u>-</u>	<u>305,366</u>	<u>240,880</u>
Contractual services:				
Insurance	23,044	-	23,044	21,232
Professional services	5,144	-	5,144	4,240
Repairs and maintenance	19,324	-	19,324	10,304
Other	14,491	-	14,491	15,144
Total contractual services	<u>62,003</u>	<u>0</u>	<u>62,003</u>	<u>50,920</u>
Depreciation	<u>224,793</u>	<u>-</u>	<u>224,793</u>	<u>176,572</u>
Total operating expenses	<u>730,576</u>	<u>397,952</u>	<u>1,128,528</u>	<u>1,691,569</u>
Operating income (loss)	<u>(69,704)</u>	<u>(81,438)</u>	<u>(151,142)</u>	<u>(740,681)</u>
Nonoperating revenues (expenses):				
Investment income	21,109	9,542	30,651	20,769
Gain on sale of capital assets	16,687	-	16,687	699
Total nonoperating revenues (expenses)	<u>37,796</u>	<u>9,542</u>	<u>47,338</u>	<u>21,468</u>
Income (loss) before transfers	<u>(31,908)</u>	<u>(71,896)</u>	<u>(103,804)</u>	<u>(719,213)</u>
Net assets - January 1	1,717,552	(906,340)	811,212	1,530,425
Prior period adjustment	-	204,738	204,738	-
Net assets - restated	<u>1,717,552</u>	<u>(701,602)</u>	<u>1,015,950</u>	<u>1,530,425</u>
Net assets - December 31	<u>\$1,685,644</u>	<u>(\$773,498)</u>	<u>\$912,146</u>	<u>\$811,212</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

Statement 25

For The Year Ended December 31, 2010

With Comparative Total Amounts For The Year Ended December 31, 2009

	703 - Central Garage	705 - OPEB/ Employee Benefits Fund	Totals	
			2010	2009
Cash flows from operating activities:				
Receipts from customers and users	\$660,872	\$316,514	\$977,386	\$950,888
Payment to suppliers	(401,970)	(190,359)	(592,329)	(484,809)
Payment to employees	(136,494)	(45,849)	(182,343)	(97,790)
Net cash flows from operating activities	<u>122,408</u>	<u>80,306</u>	<u>202,714</u>	<u>368,289</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(186,726)	-	(186,726)	(98,731)
Proceeds from sale of capital assets	37,787	-	37,787	21,313
Net cash flows from capital and related financing activities	<u>(148,939)</u>	<u>0</u>	<u>(148,939)</u>	<u>(77,418)</u>
Cash flows from investing activities:				
Investment income	21,109	9,542	30,651	20,769
Net increase (decrease) in cash and cash equivalents	(5,422)	89,848	84,426	311,640
Cash and cash equivalents - January 1	669,580	262,399	931,979	620,339
Cash and cash equivalents - December 31	<u>\$664,158</u>	<u>\$352,247</u>	<u>\$1,016,405</u>	<u>\$931,979</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$69,704)	(\$81,438)	(\$151,142)	(\$740,681)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	224,793	-	224,793	176,572
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	(34,601)	-	(34,601)	43,830
Increase (decrease) in salaries payable	1,920	-	1,920	(4,470)
Increase (decrease) in compensated absences	-	(45,849)	(45,849)	435,089
Increase (decrease) in net other postemployment benefit obligation	-	207,593	207,593	457,949
Total adjustments	<u>192,112</u>	<u>161,744</u>	<u>353,856</u>	<u>1,108,970</u>
Net cash provided by operating activities	<u>\$122,408</u>	<u>\$80,306</u>	<u>\$202,714</u>	<u>\$368,289</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
 December 31, 2010
 With Comparative Amounts as of December 31, 2009

Statement 26

	804 - Landscape/ landfill	805 - Employee Healthcare Reimbursement Account	Totals	
			2010	2009
Assets:				
Cash and investments	<u>\$122,817</u>	<u>\$13,574</u>	<u>\$136,391</u>	<u>\$128,543</u>
Liabilities:				
Deposits payable	<u>\$122,817</u>	<u>\$13,574</u>	<u>\$136,391</u>	<u>\$128,543</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
For The Year Ended December 31, 2010

Statement 27

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<u>804 - Landscape/landfill</u>				
Assets:				
Cash and investments	<u>\$118,383</u>	<u>\$4,434</u>	<u>\$ -</u>	<u>\$122,817</u>
Liabilities:				
Deposits payable	<u>\$118,383</u>	<u>\$4,434</u>	<u>\$ -</u>	<u>\$122,817</u>
<u>805 - Employee Healthcare Reimbursement Account</u>				
Assets:				
Cash and investments	<u>\$10,160</u>	<u>\$9,000</u>	<u>\$5,586</u>	<u>\$13,574</u>
Liabilities:				
Deposits payable	<u>\$10,160</u>	<u>\$9,000</u>	<u>\$5,586</u>	<u>\$13,574</u>

SUPPLEMENTARY FINANCIAL INFORMATION

Supplementary Financial Data, although not required by GAAP, are intended to augment the readers understanding of information presented in the financial section dealing with bonded indebtedness, cash/investments, and property tax levies. The schedules listed below are provided as non-required supplementary financial data for the year ended December 31, 2010.

Schedule of Cash and Investments

Combined Schedule of Indebtness

Schedule of Debt Service Payments to Maturity

Schedule of Deferred Tax Levies

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		Yield	Settlement Date	Maturity Date	Market Value
Certificate of Deposit - Bremer Bank	Cert. of Dep.	4.90%	7/22/2007	5/23/2011	\$100,000
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.45%	9/18/2008	9/26/2011	98,426
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.45%	10/29/2008	11/7/2011	98,720
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.55%	10/29/2008	11/7/2011	98,800
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.50%	10/29/2008	11/7/2011	98,760
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.75%	1/2/2009	1/2/2013	99,176
Certificate of Deposit - Smith Barney	Cert. of Dep.	2.80%	1/16/2009	7/28/2011	97,119
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.00%	1/16/2009	1/23/2012	97,757
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.00%	1/16/2009	1/23/2012	97,757
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.00%	2/13/2009	2/21/2012	97,888
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.00%	4/8/2009	4/9/2012	98,114
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.05%	4/1/2009	4/9/2012	98,174
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.00%	4/8/2009	4/16/2012	98,146
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.05%	5/21/2009	5/29/2012	75,859
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.05%	5/21/2009	5/29/2012	76,884
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.40%	5/21/2009	5/28/2013	76,337
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.40%	5/21/2009	5/28/2013	77,368
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.10%	5/21/2009	5/29/2012	76,936
Certificate of Deposit - Smith Barney	Cert. of Dep.	3.10%	5/21/2009	5/29/2012	75,911
Certificate of Deposit - Smith Barney	Cert. of Dep.	1.50%	9/3/2010	9/3/2013	148,637
Certificate of Deposit - Smith Barney	Cert. of Dep.	1.35%	10/29/2010	10/29/2013	241,638
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.100%	2/23/2009	2/27/2013	102,693
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.050%	3/6/2009	3/6/2012	101,597
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.000%	3/3/2009	9/4/2012	102,166
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.050%	3/5/2009	3/5/2013	102,599
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.100%	3/11/2009	3/11/2013	102,725
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.450%	4/3/2009	4/3/2014	102,897
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.250%	4/15/2009	4/15/2014	104,456
Certificate of Deposit - Wells Fargo	Cert. of Dep.	3.500%	4/8/2009	4/8/2014	103,045
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.000%	7/16/2010	7/16/2014	99,788
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.000%	7/21/2010	7/21/2014	99,772
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.100%	7/16/2010	7/16/2015	101,405
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.200%	7/20/2010	7/20/2015	100,920
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.200%	7/21/2010	7/21/2015	99,892
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.400%	7/30/2010	7/30/2015	101,701
Certificate of Deposit - Wells Fargo	Cert. of Dep.	2.000%	8/4/2010	8/4/2015	101,486
Certificate of Deposit - Wells Fargo	Cert. of Dep.	1.900%	11/12/2010	10/13/2015	246,858
Federal National Mortgage Association Note	Agency	3.100%	5/27/2010	12/21/2018	261,394
Federal Home Loan Mortgage Corp Medium Term Note	Agency	2.500%	7/1/2010	7/15/2018	500,380
Federal National Mortgage Association Note	Agency	3.250%	6/15/2010	6/30/2020	499,735
Federal Home Loan Mortgage Corp Medium Term Note	Agency	2.000%	7/13/2010	7/27/2020	415,527
Federal Home Loan Mortgage Corp Medium Term Note	Agency	2.500%	7/23/2010	11/19/2018	493,765
Federal National Mortgage Association Note	Agency	2.250%	8/25/2010	8/25/2020	194,410
Federal Home Loan Bank Cons Bonds	Agency	2.250%	9/23/2010	9/23/2020	385,916
Federal National Mortgage Association Note	Agency	2.000%	9/29/2010	9/29/2020	290,133
Federal National Mortgage Association Note	Agency	2.500%	9/29/2010	9/29/2020	384,568
Federal National Mortgage Association Note	Agency	2.000%	10/28/2010	10/28/2020	192,586
Federal Home Loan Bank Bonds	Agency	2.250%	12/14/2010	12/14/2018	290,886
Hopkins Minn Independent School District No 270	Agency	5.250%	1/15/2009	2/1/2018	210,230
Rochester Minn Taxable-Tax	Agency	4.700%	3/24/2009	2/1/2019	267,737
Richfield Independent School District No 280	Agency	5.125%	3/24/2009	2/1/2020	285,134
Rochester Minn Taxable-Tax	Agency	5.000%	3/26/2009	2/1/2020	309,843
Ohio State Utility G.O. Series 2009-C Taxable	Agency	4.621%	12/14/2010	3/1/2020	483,334
Mahtomedi Independent School District No 832	Agency	5.125%	5/5/2009	2/1/2022	282,172
Freddie Mac NT	Agency	3.000%	6/30/2010	6/30/2020	493,320
Federal Home Loan Bank Bonds	Agency	3.050%	11/18/2010	11/18/2020	239,915
Freddie Mac NT	Agency	2.550%	12/28/2010	12/28/2016	297,770
Money Manager Savings Accounts		n/a			259,378
Cash on Hand and in Banking Accounts		n/a			7,101,712
					<u>\$18,042,252</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
 December 31, 2010

	Date of Issue	Final Maturity Date	Original Interest Rates
General long-term debt bonds:			
G.O. Refunding Park Bonds, Series 1995B	12/28/1995	2/1/2010	3.90% - 5.35%
G.O. Capital Improvement Bonds of 2006A	6/27/2006	2/1/2027	4.00% - 4.30%
G.O. Refunding Bonds, Series 2007B	1/24/2007	2/1/2021	4.00% - 4.10%
Total general long-term debt bonds			
Special assessment bonds:			
Improvement Bonds of 1994	6/16/1994	2/1/2010	5.00% - 5.40%
Improvement Bonds of 1999	12/1/1999	2/1/2010	4.10% - 5.00%
Improvement Bonds, Series 2000B	12/28/2000	2/1/2011	4.35% - 4.85%
Improvement Bonds, Series 2001	12/26/2001	2/1/2012	2.00% - 4.50%
Improvement Bonds, Series 2002	12/16/2002	2/1/2013	1.90% - 4.00%
Improvement Bonds, Series 2003A	12/23/2003	2/1/2014	2.00% - 3.70%
Improvement Bonds, Series 2005A	1/5/2005	2/1/2015	2.15% - 3.70%
Improvement Bonds, Series 2005B	12/27/2005	2/1/2016	3.30% - 4.15%
Improvement Bonds, Series 2007A	1/24/2007	2/1/2017	4.00%
Improvement Bonds, Series 2008A	12/16/2008	2/1/2017	4.00 - 7.00%
Total special assessment bonds			
Revenue bonds:			
Arena Refunding Bonds, Series 2003B	12/23/2003	2/1/2018	2.00% - 4.15%
G.O. PFA Water Revenue Note, Series 2010	4/13/2010	8/20/2029	1.71%
Total bonded indebtedness			

Prior Years		Payable 01/01/10	2010		Payable 12/31/10	Principal Due In 2011	Interest Due In 2011
Original Issue	Payments		Issued	Payments			
\$890,000	\$800,000	\$90,000	\$0	\$90,000	\$0	\$0	\$0
3,800,000	255,000	3,545,000	-	135,000	3,410,000	140,000	137,504
1,840,000	110,000	1,730,000	-	115,000	1,615,000	120,000	62,545
<u>6,530,000</u>	<u>1,165,000</u>	<u>5,365,000</u>	<u>0</u>	<u>340,000</u>	<u>5,025,000</u>	<u>260,000</u>	<u>200,049</u>
1,525,000	1,465,000	60,000	-	60,000	-	-	-
935,000	865,000	70,000	-	70,000	-	-	-
1,295,000	1,085,000	210,000	-	105,000	105,000	105,000	2,546
860,000	650,000	210,000	-	70,000	140,000	70,000	4,690
600,000	395,000	205,000	-	50,000	155,000	55,000	4,981
1,150,000	555,000	595,000	-	110,000	485,000	110,000	15,052
920,000	405,000	515,000	-	100,000	415,000	85,000	12,959
590,000	225,000	365,000	-	75,000	290,000	65,000	10,180
1,420,000	295,000	1,125,000	-	145,000	980,000	145,000	36,300
1,955,000	-	1,955,000	-	45,000	1,910,000	135,000	78,220
<u>11,250,000</u>	<u>5,940,000</u>	<u>5,310,000</u>	<u>0</u>	<u>830,000</u>	<u>4,480,000</u>	<u>770,000</u>	<u>164,928</u>
1,770,000	545,000	1,225,000	-	120,000	1,105,000	120,000	39,778
-	-	-	2,801,051	51	2,801,000	126,000	47,869
<u>1,770,000</u>	<u>545,000</u>	<u>1,225,000</u>	<u>2,801,051</u>	<u>120,051</u>	<u>3,906,000</u>	<u>246,000</u>	<u>87,647</u>
<u>\$19,550,000</u>	<u>\$7,650,000</u>	<u>\$11,900,000</u>	<u>\$2,801,051</u>	<u>\$1,290,051</u>	<u>\$13,411,000</u>	<u>\$1,276,000</u>	<u>\$452,624</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
 December 31, 2010

	General Long Term Financing					
	G.O. Cap Imp Bonds of 2006A		G.O. Refunding Bonds 2007B		Total General Long Term	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$140,000	\$137,504	\$120,000	\$62,545	\$260,000	\$200,049
2012	145,000	131,804	125,000	57,645	270,000	189,449
2013	150,000	125,904	130,000	52,545	280,000	178,449
2014	160,000	119,704	135,000	47,245	295,000	166,949
2015	165,000	113,204	140,000	41,745	305,000	154,949
2016	170,000	106,504	145,000	36,045	315,000	142,549
2017	180,000	99,504	150,000	30,145	330,000	129,649
2018	185,000	92,204	160,000	23,945	345,000	116,149
2019	195,000	84,604	165,000	17,445	360,000	102,049
2020	205,000	76,501	170,000	10,660	375,000	87,161
2021	215,000	67,864	175,000	3,588	390,000	71,452
2022	220,000	58,865	-	-	220,000	58,865
2023	235,000	49,365	-	-	235,000	49,365
2024	245,000	39,285	-	-	245,000	39,285
2025	255,000	28,721	-	-	255,000	28,721
2026	265,000	17,671	-	-	265,000	17,671
2027	280,000	6,020	-	-	280,000	6,020
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total	\$3,410,000	\$1,355,227	\$1,615,000	\$383,553	\$5,025,000	\$1,738,779

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
 December 31, 2010

	Special Assessment Financing					
	Improvement Bonds of 2003A		Improvement Bonds of 2005A		Improvement Bonds of 2005B	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$110,000	\$15,053	\$85,000	\$12,959	\$65,000	\$10,180
2012	120,000	11,225	85,000	10,196	45,000	8,123
2013	125,000	6,997	85,000	7,306	45,000	6,390
2014	130,000	2,405	80,000	4,400	45,000	4,612
2015	-	-	80,000	1,480	45,000	2,790
2016	-	-	-	-	45,000	934
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total	\$485,000	\$35,680	\$415,000	\$36,341	\$290,000	\$33,029

Special Assessment Financing					
Improvement Bonds of 2007A		Improvement Bonds of 2008		Total S.A. Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$145,000	\$36,300	\$135,000	\$78,220	\$770,000	\$164,929
145,000	30,500	135,000	72,820	650,000	137,414
145,000	24,700	135,000	67,420	585,000	113,813
145,000	18,900	110,000	62,520	510,000	92,837
140,000	13,200	110,000	58,120	375,000	75,590
130,000	7,800	110,000	53,720	285,000	62,454
130,000	2,600	110,000	49,320	240,000	51,920
-	-	105,000	45,020	105,000	45,020
-	-	100,000	40,870	100,000	40,870
-	-	80,000	37,080	80,000	37,080
-	-	80,000	33,600	80,000	33,600
-	-	80,000	30,120	80,000	30,120
-	-	80,000	26,640	80,000	26,640
-	-	80,000	23,100	80,000	23,100
-	-	80,000	19,500	80,000	19,500
-	-	80,000	15,900	80,000	15,900
-	-	75,000	12,338	75,000	12,338
-	-	75,000	8,813	75,000	8,813
-	-	75,000	5,287	75,000	5,287
-	-	75,000	1,762	75,000	1,762
<u>\$980,000</u>	<u>\$134,000</u>	<u>\$1,910,000</u>	<u>\$742,169</u>	<u>\$4,480,000</u>	<u>\$998,986</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
 December 31, 2010

	G.O. Revenue Bonds		G.O. Water Revenue Bonds		Total All Bonds	
	Arena Refunding Bonds 2003B		PFA Water Revenue Note, Series 2010			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$120,000	\$39,778	\$126,000	\$47,869	\$1,276,000	\$452,625
2012	125,000	35,703	128,000	45,716	1,173,000	408,282
2013	130,000	31,303	130,000	43,528	1,125,000	367,093
2014	135,000	26,530	133,000	41,306	1,073,000	327,622
2015	145,000	21,132	135,000	39,034	960,000	290,705
2016	145,000	15,333	137,000	36,726	882,000	257,062
2017	150,000	9,432	140,000	34,385	860,000	225,386
2018	155,000	3,216	142,000	31,992	747,000	196,377
2019	-	-	144,000	29,566	604,000	172,485
2020	-	-	147,000	27,105	602,000	151,346
2021	-	-	149,000	24,592	619,000	129,644
2022	-	-	152,000	22,046	452,000	111,031
2023	-	-	154,000	19,448	469,000	95,453
2024	-	-	157,000	16,816	482,000	79,201
2025	-	-	160,000	14,133	495,000	62,354
2026	-	-	161,000	11,399	506,000	44,970
2027	-	-	165,000	8,648	520,000	27,006
2028	-	-	168,000	5,828	243,000	14,641
2029	-	-	173,000	2,956	248,000	8,243
2030	-	-	-	-	75,000	1,762
Total	\$1,105,000	\$182,427	\$2,801,000	\$503,093	\$13,411,000	\$3,423,285

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
DEBT SERVICE FUNDS
December 31, 2010

Exhibit 4

<u>Year of Levy/ Collection</u>	<u>2000 General Obligation Bonds</u>	<u>2006A Capital Improvement Bonds</u>	<u>2007B Refunding Bonds</u>	<u>2007 DCC Revenue Bonds</u>	<u>Total All Funds</u>
2009/2010	\$205,200	\$294,319	\$194,192	\$75,145	\$768,856
2010/2011	210,000	293,689	194,402	82,040	780,131
2011/2012	208,900	292,849	194,402	6,891	703,042
2012/2013	207,500	297,049	194,192	-	698,741
2013/2014	205,700	295,579	193,772	-	695,051
2014/2015	208,700	293,899	193,142	-	695,741
2015/2016	205,900	297,259	192,302	-	695,461
2016/2017	207,800	294,949	196,502	-	699,251
2017/2018	209,100	297,679	195,032	-	701,811
2018/2019	204,500	299,989	193,352	-	697,841
2019/2020	204,900	301,664	191,284	-	697,848
2020/2021	-	297,601	-	-	297,601
2021/2022	-	303,765	-	-	303,765
2022/2023	-	303,901	-	-	303,901
2023/2024	-	303,597	-	-	303,597
2024/2025	-	302,718	-	-	302,718
2026/2027	-	306,642	-	-	306,642
	<u>\$2,278,200</u>	<u>\$5,077,148</u>	<u>\$2,132,574</u>	<u>\$164,076</u>	<u>\$9,651,998</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.	154
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	164
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.	168
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.	176
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.	178

CITY OF SOUTH ST. PAUL, MINNESOTA

NET ASSETS BY COMPONENT

Last Eight Fiscal Years⁽¹⁾

(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$22,537,906	\$20,534,450	\$25,965,134	\$36,290,023
Restricted	7,398,411	9,699,511	4,727,025	4,665,216
Unrestricted	13,166,182	14,860,912	15,794,256	8,346,800
Total governmental activities net assets	<u>\$43,102,499</u>	<u>\$45,094,873</u>	<u>\$46,486,415</u>	<u>\$49,302,039</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$11,786,674	\$11,896,767	\$11,829,683	\$11,850,391
Unrestricted	3,086,984	2,175,655	23,523,321	2,994,348
Total business-type activities net assets	<u>\$14,873,658</u>	<u>\$14,072,422</u>	<u>\$35,353,004</u>	<u>\$14,844,739</u>
Primary government:				
Invested in capital assets, net of related debt	\$34,324,580	\$32,431,217	\$37,794,817	\$48,140,414
Restricted	7,398,411	9,699,511	4,727,025	4,665,216
Unrestricted	16,253,166	17,036,567	39,317,577	11,341,148
Total primary government net assets	<u>\$57,976,157</u>	<u>\$59,167,295</u>	<u>\$81,839,419</u>	<u>\$64,146,778</u>

⁽¹⁾The City implemented GASB Statement No. 34 for the fiscal year ended December 31, 2003. Therefore, information for years prior to 2003 is not available.

Table 1

Fiscal Year			
2007	2008	2009	2010
\$45,426,615	\$50,127,360	\$54,638,596	\$55,457,507
6,305,080	3,965,427	3,401,805	2,856,386
8,394,301	8,268,709	7,617,647	9,953,322
<u>\$60,125,996</u>	<u>\$62,361,496</u>	<u>\$65,658,048</u>	<u>\$68,267,215</u>
\$11,547,913	\$11,307,727	\$11,775,473	\$11,643,887
4,105,686	5,230,975	5,900,991	4,191,071
<u>\$15,653,599</u>	<u>\$16,538,702</u>	<u>\$17,676,464</u>	<u>\$15,834,958</u>
\$56,974,528	\$61,435,087	\$66,414,069	\$67,101,394
6,305,080	3,965,427	3,401,805	2,856,386
12,499,987	13,499,684	13,518,639	14,144,393
<u>\$75,779,595</u>	<u>\$78,900,198</u>	<u>\$83,334,513</u>	<u>\$84,102,173</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET ASSETS

Last Eight Fiscal Years⁽¹⁾

(Accrual Basis of Accounting)

Table 2

Page 1 of 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$1,366,181	\$1,841,098	\$2,067,202	\$2,869,806	\$2,216,808	\$1,870,742	\$3,128,819	\$2,131,968
Public safety	5,045,513	5,250,220	5,343,939	5,535,003	6,319,181	6,515,301	6,237,343	6,270,361
Public works	4,529,332	4,018,591	3,328,511	4,133,175	4,009,014	3,935,557	3,557,844	3,025,505
Parks, arena, library	2,542,146	2,612,547	2,721,746	2,895,568	2,825,016	3,085,507	2,878,922	2,847,735
Transportation	1,075,523	1,359,049	1,405,760	1,303,503	651,897	1,212,501	1,226,313	1,238,807
Interest on long-term debt	799,590	667,195	544,450	604,805	969,617	569,908	476,297	445,991
Total governmental activities expenses	<u>15,358,285</u>	<u>15,748,700</u>	<u>15,411,608</u>	<u>17,341,860</u>	<u>16,991,533</u>	<u>17,189,516</u>	<u>17,505,538</u>	<u>15,960,367</u>
Business-type activities:								
Water and sewer	3,119,265	3,135,135	3,354,849	3,390,216	3,721,772	3,904,842	3,847,254	4,028,783
Storm water	184,776	184,343	188,090	198,225	203,315	278,354	308,181	276,950
Street light utility	-	-	-	-	-	-	168,200	166,765
Total business-type activities expenses	<u>3,304,041</u>	<u>3,319,478</u>	<u>3,542,939</u>	<u>3,588,441</u>	<u>3,925,087</u>	<u>4,183,196</u>	<u>4,323,635</u>	<u>4,472,498</u>
Total primary government expenses	<u>\$18,662,326</u>	<u>\$19,068,178</u>	<u>\$18,954,547</u>	<u>\$20,930,301</u>	<u>\$20,916,620</u>	<u>\$21,372,712</u>	<u>\$21,829,173</u>	<u>\$20,432,865</u>
Program revenues								
Governmental activities:								
Charges for services:								
Airport	\$659,366	\$670,385	\$785,470	\$850,517	\$819,478	\$998,095	\$825,594	\$1,032,321
Arena	810,470	741,826	741,305	824,820	809,676	797,149	802,194	647,079
Parks and recreation	-	-	-	167,433	178,555	206,268	185,066	217,600
Other activities	4,388,687	3,399,253	2,813,154	3,233,349	2,076,527	2,209,635	3,414,923	2,250,161
Operating grants and contributions	1,219,824	1,203,916	994,062	1,342,519	1,557,846	1,069,733	838,970	993,041
Capital grants and contributions	644,270	487,949	1,519,639	1,966,898	3,331,011	2,238,852	736,215	729,509
Total governmental activities program revenues	<u>7,722,617</u>	<u>6,503,329</u>	<u>6,853,630</u>	<u>8,385,536</u>	<u>8,773,093</u>	<u>7,519,732</u>	<u>6,802,962</u>	<u>5,869,711</u>
Business-type activities:								
Charges for services:								
Water and sewer	3,359,362	3,330,598	3,319,492	4,113,596	4,577,377	4,736,691	5,894,048	4,475,992
Storm water	25,466	339,780	341,317	525,143	343,281	343,426	344,774	344,439
Street light utility	-	-	-	-	-	-	204,362	206,162
Capital grants and contributions	-	-	-	-	263,977	77	226,400	-
Total business-type activities program revenues	<u>3,384,828</u>	<u>3,670,378</u>	<u>3,660,809</u>	<u>4,638,739</u>	<u>5,184,635</u>	<u>5,080,194</u>	<u>6,669,584</u>	<u>5,026,593</u>
Total primary government program revenues	<u>\$11,107,445</u>	<u>\$10,173,707</u>	<u>\$10,514,439</u>	<u>\$13,024,275</u>	<u>\$13,957,728</u>	<u>\$12,599,926</u>	<u>\$13,472,546</u>	<u>\$10,896,304</u>
Net (expense) revenue:								
Governmental activities	(\$7,635,668)	(\$9,245,371)	(\$8,557,978)	(\$8,956,324)	(\$8,218,440)	(\$9,669,784)	(\$10,702,576)	(\$10,090,656)
Business-type activities	80,787	350,900	117,870	1,050,298	1,259,548	896,998	2,345,949	554,095
Total primary government net (expense) revenue	<u>(7,554,881)</u>	<u>(8,894,471)</u>	<u>(8,440,108)</u>	<u>(7,906,026)</u>	<u>(6,958,892)</u>	<u>(8,772,786)</u>	<u>(8,356,627)</u>	<u>(9,536,561)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET ASSETS

Last Eight Fiscal Years⁽¹⁾

(Accrual Basis of Accounting)

Table 2

Page 2 of 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General revenues and other changes in net assets								
Governmental activities:								
Taxes:								
Property taxes	\$4,578,528	\$4,600,156	\$5,017,990	\$5,305,741	\$5,744,747	\$6,367,319	\$6,664,130	\$6,909,320
Tax increment	1,265,819	1,369,702	1,294,075	1,443,232	1,618,275	1,895,194	1,981,064	97,978
Franchise taxes	597,815	601,642	723,491	749,039	755,296	896,215	759,836	764,407
Unrestricted grants and contributions	3,193,095	2,808,461	2,249,007	2,781,385	2,537,158	2,130,674	2,459,663	1,848,026
Investment earnings	293,727	612,784	609,957	763,661	1,112,186	334,520	158,024	219,921
Gain on sale of capital assets	-	-	-	-	-	27,630	699	16,687
Miscellaneous	-	-	-	116,366	18,225	53,680	191,103	82,018
Special item -change in depreciation method	-	-	-	-	6,494,081	-	-	-
Transfers	-	1,245,000	55,000	440,273	550,262	200,052	1,784,609	2,556,728
Total governmental activities	9,928,984	11,237,745	9,949,520	11,599,697	18,830,230	11,905,284	13,999,128	12,495,085
Business-type activities:								
Investment earnings	40,788	92,864	46,723	52,699	264,641	188,157	135,719	161,126
Special item -change in depreciation method	-	-	-	-	(245,843)	-	-	-
Transfers	-	(1,245,000)	(55,000)	(440,273)	(550,262)	(200,052)	(1,793,488)	(2,556,728)
Total business-type activities	40,788	(1,152,136)	(8,277)	(387,574)	(531,464)	(11,895)	(1,657,769)	(2,395,602)
Total primary government	\$9,969,772	\$10,085,609	\$9,941,243	\$11,212,123	\$18,298,766	\$11,893,389	\$12,341,359	\$10,099,483
Change in net assets:								
Governmental activities	\$2,293,316	\$1,992,374	\$1,391,542	\$2,643,373	\$10,611,790	\$2,235,500	\$3,296,552	\$2,404,429
Business-type activities	121,575	(801,236)	109,593	662,724	728,084	885,103	688,180	(1,841,507)
Total primary government	\$2,414,891	\$1,191,138	\$1,501,135	\$3,306,097	\$11,339,874	\$3,120,603	\$3,984,732	\$562,922

⁽¹⁾The City implemented GASB Statement No. 34 for the fiscal year ended December 31, 2003. Therefore, information for years prior to 2003 is not available.

CITY OF SOUTH ST. PAUL, MINNESOTA
FUND BALANCES, GOVERNMENTAL FUNDS

Last Eight Fiscal Years⁽¹⁾
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	2,886,115	3,588,092	4,298,997	3,457,108
Total general fund	<u>\$2,886,115</u>	<u>\$3,588,092</u>	<u>\$4,298,997</u>	<u>\$3,457,108</u>
All other governmental funds:				
Reserved	\$9,111,862	\$12,017,779	\$6,325,474	\$6,949,127
Unreserved, reported in:				
Special revenue funds	(1,293,720)	(1,412,915)	(1,096,016)	(1,152,603)
Debt service funds	1,312,940	1,531,741	284,064	285,598
Capital projects funds	5,308,814	5,582,005	8,222,562	3,770,371
Total all other governmental funds	<u>\$14,439,896</u>	<u>\$17,718,610</u>	<u>\$13,736,084</u>	<u>\$9,852,493</u>

⁽¹⁾The City implemented GASB Statement No. 34 for the fiscal year ended December 31, 2003. Therefore, information for years prior to 2003 is not available.

Table 3

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$2,951	\$578	\$23,841	\$1,994
3,154,304	1,902,052	3,954,664	3,946,072
<u>\$3,157,255</u>	<u>\$1,902,630</u>	<u>\$3,978,505</u>	<u>\$3,948,066</u>
\$9,763,803	\$7,051,731	\$7,911,977	\$5,907,266
(1,314,743)	(1,413,702)	(1,228,614)	(1,070,574)
663,984	910,779	408,547	265,994
2,668,972	3,934,133	272,288	3,921,048
<u>\$11,782,016</u>	<u>\$10,482,941</u>	<u>\$7,364,198</u>	<u>\$9,023,734</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Eight Fiscal Years⁽¹⁾
 (Modified Accrual Basis of Accounting)

Table 4
Page 1 of 4

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
General property taxes	\$4,605,997	\$4,614,388	\$4,990,439	\$5,300,707
Tax increment collections	1,265,819	1,369,702	1,294,075	1,443,232
Franchise tax	597,815	601,642	723,491	749,039
Licenses and permits	499,007	534,477	537,347	472,357
Intergovernmental	5,010,496	4,398,556	4,793,110	5,964,368
Charges for services	2,821,609	2,328,097	2,558,303	2,903,963
Fines and forfeits	97,322	104,175	103,927	211,069
Special assessments	1,414,251	1,163,401	916,541	1,053,449
Investment earnings	274,179	567,988	570,142	732,660
Contributions and donations	-	-	27,342	36,527
Miscellaneous	1,195,230	1,027,356	371,558	114,844
Total revenues	17,781,725	16,709,782	16,886,275	18,982,215
Expenditures:				
Current:				
General government	1,315,721	1,402,632	1,506,725	1,885,093
Public safety	4,947,594	5,212,633	5,169,070	5,475,732
Public works	1,552,977	1,536,021	2,854,649	2,760,025
Parks, arena, library	2,209,951	2,349,622	2,342,498	2,674,930
Transportation	568,904	634,359	770,504	772,059
Nondepartmental	41,129	39,616	273,538	950,301
Development and other costs	827,914	667,580	285,965	-
Capital outlay:				
General government	14,343	193,089	172,251	6,303,452
Public safety	21,129	10,417	16,414	-
Public works	3,708,648	1,349,554	64,906	3,304,686
Parks, arena, library	45,529	122,143	62,249	211,724
Transportation	614,098	158,766	734,440	1,548,936
Interest expenditure	41,795	85,977	52,994	-
Debt service:				
Principal retirement	2,020,000	3,730,000	6,880,000	1,480,000
Interest	829,348	754,156	621,451	506,583
Bond discounts, issuance costs, agents fees and other	48,309	48,408	29,459	32,740
Total expenditures	18,807,389	18,294,973	21,837,113	27,906,261
Revenues over (under) expenditures	(1,025,664)	(1,585,191)	(4,950,838)	(8,924,046)

Fiscal Year			
2007	2008	2009	2010
\$5,662,257	\$6,237,649	\$6,635,485	\$6,954,595
1,618,276	1,895,194	1,981,064	97,978
755,296	896,215	759,836	764,407
385,103	377,503	334,996	373,625
7,357,769	5,410,813	3,986,452	3,543,453
2,873,644	3,025,216	3,340,316	3,485,855
139,966	113,221	114,821	100,082
850,285	798,164	645,146	635,721
1,036,104	304,388	137,255	189,270
4,541	28,443	48,395	27,123
147,383	52,771	186,682	81,917
<u>20,830,624</u>	<u>19,139,577</u>	<u>18,170,448</u>	<u>16,254,026</u>
2,137,081	1,824,108	1,911,675	2,023,533
6,290,264	6,327,399	5,905,562	6,108,402
2,670,003	2,378,366	2,165,858	1,654,414
2,574,722	2,772,001	2,590,665	2,562,826
798,931	1,012,170	982,012	1,001,317
12,058	25,285	1,099,685	2,267
-	-	-	-
2,161,027	133,826	68,853	9,175
176,123	52,194	38,930	21,837
3,156,507	2,981,684	2,811,993	1,305,856
6,058	233,341	115,684	542,036
176,758	458,672	2,909	94,061
294,309	-	-	-
2,729,916	3,044,215	2,783,612	1,387,132
706,944	613,331	520,487	468,801
53,529	31,044	-	-
<u>23,944,230</u>	<u>21,887,636</u>	<u>20,997,925</u>	<u>17,181,657</u>
<u>(3,113,606)</u>	<u>(2,748,059)</u>	<u>(2,827,477)</u>	<u>(927,631)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Eight Fiscal Years⁽¹⁾
 (Modified Accrual Basis of Accounting)

Table 4
Page 3 of 4

	Fiscal Year			
	2003	2004	2005	2006
Other financing sources (uses):				
Bond proceeds	\$2,920,000	\$4,320,000	\$1,510,000	\$3,800,000
Issuance of refunding bonds	-	-	-	-
Bond discount	-	-	-	(41,707)
Bond premiums	-	882	-	-
Loan Proceeds	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Transfers in	2,898,299	3,531,804	4,273,273	2,542,933
Transfers out	(2,898,299)	(2,286,804)	(4,263,273)	(2,102,660)
Sale of capital assets	-	-	159,217	-
Total other financing sources (uses)	<u>2,920,000</u>	<u>5,565,882</u>	<u>1,679,217</u>	<u>4,198,566</u>
Net change in fund balance	<u>\$1,894,336</u>	<u>\$3,980,691</u>	<u>(\$3,271,621)</u>	<u>(\$4,725,480)</u>
Debt service as a percentage of noncapital expenditures	21.1%	28.6%	36.7%	12.0%
Debt service as percentage of total expenditures	15.4%	24.8%	34.5%	7.2%

⁽¹⁾The City implemented GASB Statement No. 34 for the fiscal year ended December 31, 2003. Therefore, information for years prior to 2003 is not available.

Fiscal Year			
2007	2008	2009	2010
\$1,420,000	\$1,955,000	\$ -	\$ -
1,840,000	-	-	-
-	(6,265)	-	-
14,249	-	-	-
375,490	-	-	-
-	(1,810,000)	-	-
854,623	200,052	1,793,488	2,556,728
-	(144,428)	(8,879)	-
8,000	-	-	-
<u>4,512,362</u>	<u>194,359</u>	<u>1,784,609</u>	<u>2,556,728</u>
<u>\$1,398,756</u>	<u>(\$2,553,700)</u>	<u>(\$1,042,868)</u>	<u>\$1,629,097</u>
19.2%	20.3%	18.4%	12.2%
14.6%	16.9%	15.7%	10.8%

CITY OF SOUTH ST. PAUL, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Table 5

Fiscal Year Ended December 31,	Residential Property	Commercial/Industrial Property	All Other	Total Tax Capacity	Net Fiscal Disparity Contribution	Adjusted Tax Capacity Value	Total Direct Tax Rate	Estimated Market Value	Tax Capacity as a Percent of EMV	
2001	\$7,563,980	\$4,141,686	\$441,215	\$12,146,881	\$1,433,915	\$13,580,796	28.24%	\$798,566,700	1.70%	**
2002	7,813,003	2,160,698	298,893	10,272,594	757,301	11,029,895	44.89%	877,371,600	1.70%	
2003	7,772,674	3,131,294	323,767	11,227,735	731,743	11,959,478	41.26%	973,574,700	1.26%	
2004	8,781,975	3,292,029	330,428	12,404,432	(662,775)	11,741,657	39.45%	1,089,767,400	1.23%	
2005	10,173,618	3,497,313	376,911	14,047,842	656,676	14,704,518	36.91%	1,241,247,200	1.08%	
2006	11,675,953	3,815,562	407,555	15,899,070	371,768	16,270,838	35.00%	1,411,714,500	1.18%	
2007	12,995,800	4,410,391	440,101	17,846,292	(2,384)	17,843,908	34.14%	1,576,157,200	1.15%	
2008	13,332,184	4,881,619	452,319	18,666,122	(89,245)	18,576,877	36.14%	1,632,184,800	1.14%	
2009	12,877,645	5,070,283	456,589	18,404,517	124,094	18,528,611	38.53%	1,596,388,200	1.16%	
2010	11,977,146	4,799,666	458,234	17,235,046	1,069,688	18,304,734	41.43%	1,485,029,900	1.23%	

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

** The Minnesota Legislature reduced some of the "class rates" used to calculate tax capacity values in levy year 2001. The lower rates reduce the amount of Taxable Market Value that converts to value for the calculation of property taxes and tax rates.

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

Table 6

Fiscal Year	City of South St. Paul				Overlapping Rates*				
	Operating Millage	Debt	Library Millage	Total Direct Rate	School District		Other Districts	County	Total
		Service Millage			#6	#199			
2001	23.68%	1.67%	2.89%	28.24%	57.94%	44.57%	6.38%	25.32%	117.88%
2002	35.60%	4.45%	4.84%	44.89%	38.43%	16.92%	5.02%	33.10%	121.44% **
2003	33.78%	3.07%	4.41%	41.26%	38.79%	14.76%	5.23%	32.46%	117.74%
2004	32.76%	2.71%	3.98%	39.45%	29.44%	10.20%	4.38%	30.31%	103.58%
2005	30.71%	2.49%	3.71%	36.91%	26.34%	7.95%	5.92%	28.27%	97.45%
2006	29.09%	2.29%	3.62%	35.00%	26.07%	17.94%	5.91%	26.32%	93.31%
2007	26.94%	3.71%	3.49%	34.14%	23.76%	16.59%	5.72%	22.99%	86.61%
2008	28.84%	3.91%	3.39%	36.14%	27.64%	19.76%	5.66%	23.07%	92.51%
2009	31.15%	3.96%	3.42%	38.53%	26.91%	19.30%	6.01%	23.42%	94.87%
2010	34.95%	3.14%	3.34%	41.43%	26.81%	21.80%	5.88%	24.73%	98.85%

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

*Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners; for example, although the county property tax rates apply to all City property owners, Other Districts rates apply only to the City property owners whose property is located within that District's geographic boundaries.

**The State of Minnesota enacted significant property tax reform measures in 2001. Among these measures were several provisions which substantially reduced school district property tax levies, replacing the tax levy funds with state aid. As a result, tax levies and tax rates for most school districts for taxes payable in 2002 are substantially less than the comparable figures for prior years.

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

Table 7

Taxpayer	2010			2001		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Xcel Energy	\$282,982	1	1.64%	\$376,046	1	3.44%
Blue Dog Properties Trust	218,148	2	1.27%	-	-	0.00%
Waterous Co	124,118	3	0.72%	104,151	9	0.95%
Leonard Investment Co.	120,246	4	0.70%	120,882	7	1.11%
Waterford Green Limited Partnership	117,500	5	0.68%	156,000	2	1.43%
Chicago & NW Trans. Co	107,950	6	0.63%	132,131	5	1.21%
Dakota Bulk Property LLC	102,396	7	0.59%	125,634	6	1.15%
Jebco Group Inc	99,560	8	0.58%	140,572	4	1.29%
Langer Development INC	95,994	9	0.56%	-	-	0.00%
Holtkoetter International INC	84,240	10	0.49%	-	-	0.00%
American Real Estate Holdings Limited Partnership	-	-	-	200,885	3	1.84%
Canal Capital Corp	-	-	-	101,207	8	0.93%
Drovers Inn Assoc.	-	-	-	78,998	10	0.72%
Total	\$1,353,134		7.86%	\$1,536,506		14.07%
Total All Property	\$17,235,046			\$10,925,804		

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

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

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
2001	\$2,917,987	\$2,845,498	97.52%	\$72,489	\$2,917,987	100.00%
2002	3,408,718	3,348,074	98.22%	60,644	3,408,718	100.00%
2003	3,446,357	3,383,422	98.17%	57,768	3,441,190	99.85%
2004	3,668,117	3,605,900	98.30%	61,316	3,667,216	99.98%
2005	3,105,810	3,026,707	97.45%	74,419	3,101,126	99.85%
2006	4,792,996	4,708,423	98.24%	78,853	4,787,276	99.88%
2007	6,115,536	5,993,668	98.01%	109,989	6,103,657	99.81%
2008	6,652,578	6,505,188	97.78%	135,604	6,640,792	99.82%
2009	7,053,607	6,916,953	98.06%	116,378	7,033,331	99.71%
2010	* 7,454,599	6,967,894	93.47%	-	6,967,894	93.47%

* 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: Official statements for the City of South St. Paul

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

Fiscal Year	Governmental Activities			Governmental Activities
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	Total Governmental Activities
2001	\$4,955,000	\$7,805,000	\$6,925,000	\$19,685,000
2002	4,800,000	7,265,000	6,310,000	18,375,000
2003	6,365,000	7,180,000	5,730,000	19,275,000
2004	4,415,000	5,945,000	9,505,000	19,865,000
2005	4,160,000	6,015,000	4,320,000	14,495,000
2006	7,685,000	5,010,000	4,120,000	16,815,000
2007	9,245,000	5,385,000	2,800,000	17,430,000
2008	7,030,000	6,170,000	1,420,000	14,620,000
2009	6,590,000	5,310,000	-	11,900,000
2010	6,130,000	4,480,000	-	10,610,000

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

^(a)See Table 13 for personal income and population data.

Table 9

Percentage of Tax Capacity	Business-Type Activities		Per Customer	Total Primary Government	Percentage of Personal Income	Per Capita ^(a)
	Sewer/Water Revenue Bonds	Total Business-Type Activities				
162%	\$50,000	\$50,000	7	\$19,735,000	2.66%	978
179%	-	-	-	18,375,000	2.41%	905
172%	-	-	-	19,275,000	2.45%	949
160%	-	-	-	19,865,000	2.43%	981
103%	-	-	-	14,495,000	1.74%	722
106%	-	-	-	16,815,000	1.95%	840
98%	-	-	-	17,430,000	1.85%	867
78%	-	-	-	14,620,000	1.57%	726
65%	-	-	-	11,900,000	1.30%	618
58%	2,801,000	2,801,000	406	13,411,000	N/A	687

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Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School Districts:			
Special School District No. 6	\$14,670,000	100.00%	\$14,670,000
ISD No. 199	46,530,000	0.3288%	152,991
Special Districts:			
Dakota County	97,775,000	3.419%	3,342,927
Metropolitan Council	229,420,000	0.4098%	940,163
Subtotal - overlapping debt			19,106,081
City direct debt			13,411,000
Total direct and overlapping debt			\$32,517,081

Sources: Special districts debt outstanding and assessed value data used to estimate applicable percentages provided by the City of South St. Paul's official statements. Debt outstanding data for the City of South St. Paul, Dakota County and the School Districts was taken from the most recent financial reports available for each governmental unit.

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 debt 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
 Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2010

Market value	<u>\$1,485,029,900</u>
Debt limit (3% of market value) ^(a)	<u>44,550,897</u>
Debt applicable to limit:	
General obligation bonds	5,025,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>5,025,000</u>
Legal debt margin	<u><u>\$39,525,897</u></u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$15,971,334	\$17,547,432	\$19,471,494	\$21,795,348
Total net debt applicable to limit	<u>4,955,000</u>	<u>4,800,000</u>	<u>6,365,000</u>	<u>4,415,000</u>
Legal debt margin	<u><u>\$11,016,334</u></u>	<u><u>\$12,747,432</u></u>	<u><u>\$13,106,494</u></u>	<u><u>\$17,380,348</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	31.02%	27.35%	32.69%	20.26%
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Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. However, the City has established a more conservative internal limit of no more than 5 percent. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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

Table 11

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$24,824,944	\$28,234,290	\$31,473,972	\$48,965,544	\$47,891,646	\$44,550,897
<u>4,160,000</u>	<u>6,125,000</u>	<u>7,795,000</u>	<u>5,690,000</u>	<u>5,365,000</u>	<u>5,025,000</u>
<u><u>\$20,664,944</u></u>	<u><u>\$22,109,290</u></u>	<u><u>\$23,678,972</u></u>	<u><u>\$43,275,544</u></u>	<u><u>\$42,526,646</u></u>	<u><u>\$39,525,897</u></u>
16.76%	21.69%	24.77%	11.62%	11.20%	11.28%

CITY OF SOUTH ST. PAUL, MINNESOTA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2001	\$849,889	\$792,490	\$57,399	\$45,000	\$3,595	1.18
2002	797,603	762,908	34,695	50,000	240	0.69
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	1,226,156	727,646	498,510	51	10,298	48.17

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 12

Special Assessment Collections	Improvement Bonds			Tax Increment Collections	Tax Increment Bonds		
	Debt Service		Coverage		Debt Service		Coverage
	Principal	Interest			Principal	Interest	
\$1,301,234	\$1,170,000	\$330,863	0.87	\$1,758,870	\$525,000	\$351,084	2.01
1,162,803	1,140,000	319,345	0.80	1,296,266	615,000	324,505	1.38
1,363,323	1,235,000	286,800	0.90	1,369,702	580,000	295,798	1.56
1,112,309	1,235,000	261,040	0.74	1,265,819	545,000	268,469	1.56
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	-	-	-	-

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

Table 13

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income*</u>	<u>Dakota Unemployment Rate*</u>
2001	20,174	\$741,515,544	\$37,407	2.80%
2002	20,313	762,407,829	37,787	3.70%
2003	20,304	787,003,344	38,836	4.20%
2004	20,249	816,338,435	40,915	4.00%
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	N/A	N/A	6.60%

Amounts noted as N/A were not available

Sources:

Population: 1999 US Census Bureau estimates, 2000 - 2007 Metropolitan Council

Unemployment: The State of Minnesota, Department of Economic Security, as noted in prior year's reports

Personal Income: Dakota County

* 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

Table 14

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsman's Guide	800	1	9.39%	500	2	7.02%
Special School District No. 6	450	2	5.28%	585	1	8.22%
Waterous Company	387	3	4.54%	385	3	5.41%
Dakota Premium Foods	280	4	3.29%	-	-	-
City of South St. Paul	261	5	3.06%	295	4	4.14%
American Bottling	160	6	1.88%	-	-	-
Stockyard's Meat Packing Co. ¹	150	7	1.76%	170	7	2.39%
Wipaire	142	8	1.67%	-	-	-
Twin City Bagel	140	9	1.64%	-	-	-
Allstate Peterbilt Utility	115	10	1.35%	114	10	1.60%
Long Prairie Packing	-	-	-	246	5	3.45%
Norwest Bank MN, NA (Wells Fargo)	-	-	-	200	6	2.81%
Healtheast Bethesda Lutheran Care Center	-	-	-	138	8	1.94%
American Agco	-	-	-	106	9	1.49%
Total	<u>2,885</u>		<u>33.87%</u>	<u>2,739</u>		<u>38.46%</u>
Total city employment	<u>8,518</u>			<u>7,121</u>		

¹ Formerly Westlunds Inc.

Source: The City of South St. Paul's official statements. Total City employment from the Minnesota Department of Employment & Economic Development.

CITY OF SOUTH ST. PAUL, MINNESOTA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of December 31,		
	2001	2002	2003
General government:			
Management services	4.38	4.38	4.28
Finance	2.80	2.80	2.80
Planning	1.00	1.00	1.00
Building	1.25	1.00	1.00
Other	1.20	0.20	0.95
Police:			
Officers	25.00	27.00	26.00
Civilians	3.50	3.00	3.00
Fire:			
Firefighters and officers	19.00	19.00	19.00
Civilians	1.00	1.00	1.00
Animal control	0.50	0.50	0.43
Other public works:			
Engineering	5.85	5.85	4.85
Code enforcement	2.00	3.00	2.00
Public works	9.40	9.40	8.40
Parks and recreation	6.63	7.13	6.63
Library	8.00	8.00	8.00
Arena	2.50	2.50	2.00
Airport	2.00	2.00	2.00
Water	7.42	7.42	9.12
Central Garage	2.00	2.00	2.00
Total	105.43	107.18	104.46

Source: City Budget Office.

^(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.

Table 15

Full-Time Equivalent Employees as of December 31,						
2004	2005	2006	2007	2008 ^(a)	2009	2010
4.28	5.28	5.28	5.28	5.10	5.10	5.10
2.80	2.80	2.80	3.20	3.25	3.25	3.25
1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00
0.95	1.20	1.20	1.20	1.20	1.20	1.20
26.00	26.00	27.00	27.00	27.00	27.00	27.00
3.00	3.50	4.00	4.00	4.00	4.00	4.00
19.00	19.00	19.00	18.50	-	-	-
1.00	1.00	1.00	1.00	-	-	-
0.33	0.50	0.50	0.50	0.50	0.50	0.50
4.85	4.85	4.85	4.85	4.85	4.85	4.85
3.00	3.00	3.00	3.00	3.00	3.00	3.00
8.40	8.40	8.40	8.40	8.40	8.40	8.40
6.63	7.03	7.43	7.43	7.43	7.43	7.43
8.00	8.00	8.00	8.00	8.00	8.00	8.00
1.50	1.75	2.50	2.50	2.50	2.50	2.50
2.00	2.00	2.00	2.00	2.00	2.00	2.00
9.12	7.42	7.42	7.42	7.42	7.42	7.42
2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>104.86</u>	<u>105.73</u>	<u>108.38</u>	<u>108.28</u>	<u>88.65</u>	<u>88.65</u>	<u>88.65</u>

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

Function/Program	Fiscal Year		
	2001	2002	2003
Police:			
Calls for Service	17,280	18,766	17,394
Part I offenses	740	789	683
Part II offenses	1,944	2,097	1,977
Felony charges	231	256	215
DUI	208	226	152
Traffic Accidents	470	477	492
Traffic Violations	951	1,524	1,151
Fire:			
Emergency responses - Non-fire	1,541	1,424	1,519
Fires extinguished - Fire calls	341	362	335
Inspections	1,017	1,251	1,208
Recycling			
Appliances collected	220	272	400
Oil collected (gallons)	800	850	870
Scrap metal recycled	21,800	28,940	30,430
City Planner			
Site Plan reviews	1	4	4
Other public works:			
Segments of streets/alleys rehabbed	28	24	34
Parks and recreation:			
Mclain and Splash pool uses (avg daily attendance*) ⁽¹⁾	14,500	13,000	12,800
Northview pool (avg daily attendance*)	11,000	11,000	11,000
Library:			
Charged circulation (usage)	146,419	161,685	140,600
Arena:			
Ice rented (hours)	3,693	3,226	3,116
Transportation:			
Fuel sold (gallons)	267,093	232,564	204,146
Aircraft operations	78,300	56,210	61,320
Water:			
Utility customers	6,900	6,900	6,900
Pumpage/year (millions of gallons)	1,171	1,250	1,172
Wastewater:			
Sewage treatment (thousands of gallons)	1,170	1,063	1,172

Sources: City Budgets

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

* - Operations are seasonal

** - 2010 amounts are estimates

⁽¹⁾ - Mclain pool operations ceased in 2000

Table 16

Fiscal Year						
2004	2005	2006	2007	2008	2009	2010**
19,183	17,036	16,000	17,036	17,073	16,490	17,000
662	870	900	870	697	750	750
2,000	1,784	1,800	1,784	1,504	1,367	1,500
261	225	225	225	194	196	210
122	168	120	168	158	196	225
377	275	275	275	279	292	320
1,432	1,335	1,200	1,335	808	858	925
1,477	N/A	N/A	N/A	N/A	N/A	N/A
359	N/A	N/A	N/A	N/A	N/A	N/A
1,495	N/A	N/A	N/A	N/A	N/A	N/A
216	208	220	220	211	236	236
890	900	900	900	825	840	840
24,500	19,460	20,000	21,000	20,500	22,500	22,500
1	4	4	1	4	2	2
37	32	34	27	19	6	6
11,000	11,000	11,000	6,214	11,523	7,471	11,000
8,035	8,500	8,700	8,632	8,802	5,716	9,000
133,800	128,729	123,723	132,800	140,493	140,216	140,000
3,157	3,525	3,698	3,724	3,723	3,717	3,685
193,254	199,606	191,400	165,488	171,385	161,088	165,000
63,150	64,413	65,701	51,076	52,865	54,980	54,980
6,900	6,900	6,900	6,934	6,870	6,850	6,900
1,183	1,085	1,200	1,239	1,180	1,130	1,200
1,183	1,085	1,239	1,200	1,250	1,230	1,150

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

Table 17

Function/Program	2006	2007	2008	2009	2010
Police:					
Stations	1	1	1	1	1
Patrol units	18	18	18	18	18
Fire stations	1	1	0*	0*	0*
Other public works:					
Streets (miles)	N/A	66.7	66.7	66.7	66.7
Highways (miles) ^(a)	N/A	N/A	N/A	N/A	N/A
Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	N/A	N/A	N/A	N/A	N/A
Parks and recreation:					
Parks	10	10	10	10	10
Acreage	180	180	180	180	180
Library books	N/A	90,000	90,000	90,000	90,000
Swimming pools	3	3	3	3	3
Ice arena rinks	2	2	2	2	2
Water:					
Water mains (miles)	N/A	N/A	N/A	N/A	N/A
Wells	N/A	N/A	N/A	N/A	N/A
Storage capacity (thousands of gallons)					
Wastewater:					
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A
Storm sewers (miles)	46.2	46.2	46.2	46.2	46.2
Treatment capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A
Airport:					
Hangars	29	29	29	29	29
Acres	N/A	270	270	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 years 1999-2005 is not available.

CITY OF SOUTH ST. PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND OTHER SINGLE AUDIT REQUIRED REPORTS
DECEMBER 31, 2010

**CITY OF SOUTH ST. PAUL
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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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

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

We have audited the financial statements of the governmental activities, 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 as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing Redevelopment Authority of South St. Paul, as described in our report on the City of South St. Paul's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of South St. Paul's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. See finding 2010-01 and 2010-02.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 8, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the City Council, management and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
June 8, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of South St. Paul with the types of compliance requirements described in the *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, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. The City of South St. Paul's basic financial statements include the operations of the Housing Redevelopment Authority of South St. Paul, a component unit of the City, which received \$3,770,543 in federal awards which is not included in the schedule during the year ended December 31, 2010. Our audit, described below, did not include the operations of the Housing Redevelopment Authority of South St. Paul because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended December 31, 2010, and have issued our report thereon dated June 08, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Minneapolis, Minnesota
June 8, 2011

**CITY OF SOUTH ST. PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010**

Federal Funding Source/ Pass Through Agency/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Passed-through State of Minnesota: Enforcing Underage Drinking Laws Program	16.727	\$ 900
Passed-through Dakota County: American Recovery and Reinvestment Act - Edward Byme Memorial Justice Grant (JAG)	16.738	18,052
Direct: Bulletproof Vest Partnership Program	16.607	1,400
U.S. Department of Energy		
Passed-through State of Minnesota: Energy Efficiency and Conservation Block Grant Program	81.041	6,399
U.S. Department of Transportation:		
Passed-through State of Minnesota: Alcohol Impaired Driving Countermeasures Incentive Grants	20.608	3,907
Airport Improvement Program	20.106	27,628
U.S. Department of Environmental Protection Agency		
Passed-through State of Minnesota: Capitalization Grants for Drinking Water State Revolving Funds	66.468	583,757
U.S. Department of Health and Human Services		
Passed-through Special School School District #6 Block Grants for Prevention and Treatment of Substance Abuse	93.959	500
Total Federal Expenditures		<u>\$ 642,543</u>

**CITY OF SOUTH ST. PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The above schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. Expenditures are recognized when incurred.

**CITY OF SOUTH ST. PAUL
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of South St. Paul.
2. Two material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of South St. Paul were disclosed during the audit.
4. No findings in internal control over compliance were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City of South St. Paul expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of South St. Paul were disclosed during the audit.
7. The programs tested as major programs included:
 - U.S. Department of Environmental Protection Agency –
 - Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of South St. Paul was not determined to be a low-risk auditee.

**CITY OF SOUTH ST. PAUL
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

2010-01 Limited Segregation of Duties

Condition: Due to the City's current assignment of responsibilities over general disbursements and payroll, there is a lack of proper segregation of the accounting functions that is necessary to ensure adequate internal accounting control. The City Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. Specifically, during our walkthroughs of internal controls, we noted one individual can create new vendors in the finance system, prepare and sign checks, and mail payment. Additionally, we noted that for the payroll process one individual has access to the check stock, has the ability to print and sign checks, and reconciles the bank statements with no additional review of the bank reconciliation.

Effect: The City is unable to maintain segregation of incompatible duties.

Cause: The condition is due to a limited number of personnel involved in the general disbursements process and the payroll process.

Recommendation: This area should be reviewed periodically and consideration given to improving the segregation of duties. In making this review, it is important to consider the benefit derived as weighed against the cost of the improvements. To eliminate the issue, a division of responsibilities should be implemented in the general disbursement and payroll areas.

Management Response: Management will continue to review process changes in an effort to provide a greater segregation of duties or other compensating controls over the accounts payable function.

2010-02 Adjusting Journal Entries

Condition: During the performance of our audit procedures, we became aware that a prior period restatement was necessary to properly reflect other postemployment benefit obligations.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the statement of financial position, statement of activities, and statement of cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.

**CITY OF SOUTH ST. PAUL
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

2010-02 Adjusting Journal Entries (Continued)

Effect: The City's other postemployment benefit obligations were overstated in the prior year.

Cause: This restatement was due to not including the contributions from the City in the calculation of the liability.

Recommendation: We recommend the Finance Department include the contributions from the City in determining the other postemployment benefit obligation.

Management Response: The City was made aware of the restatement and agrees with the proposed adjustment. The City will include the contributions in determining the other post-employment benefit.