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# Comprehensive Annual Financial Report

For the Year Ended December 31, 2008

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**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, 2008**

**PREPARED BY:  
FINANCE DEPARTMENT**

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## **I. INTRODUCTORY SECTION**

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June 12, 2009

**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, 2008.

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, 2008 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 require 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, there are no other organizations or component units included in 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, and storm water 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 305 resident aircraft, 62,000 annual landings, and 80 leased hangar and industrial sites supporting over 150 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 No. #6 [K-12] parallels that of the City making joint efforts between these governmental units much easier than if multiple districts were involved.

### **Financial: Accounting, Budgets, Internal Control**

The City's accounting system is organized on a fund basis with detailed individual general ledger accounts for assets, liabilities, 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 six-month process of Council review of departmental estimates and requests and a number of public meetings culminating in final budget approval in December. Actual to budget comparative statements for selected budgeted funds are presented in the appropriate financial section.

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

Council can approve budgetary changes during the year through the approval of a motion related to the monthly budget report 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 has not been immune to the recent national economic decline. Residential values dropped 3% from assessment year 2007 to 2008 and total taxable market value dropped 2% for the same period. This decline is expected to continue into the 2009 assessment year, but the rate of decline is less than the national and county average, primarily due to the affordability of the City’s housing stock.

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 rather than replace 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.

### **Major Initiatives**

Major initiatives and highlights in 2008 included the following:

#### City Hall Remodeling Project

- The City Hall Remodeling Project was completed in 2008 with the capital project fund closure to occur in 2009. The remaining funding sources will be transferred to the Capital Project Fund to accomplish the fund closure.

#### Kaposia Landing (Port Crosby)

- Initially labeled Port Crosby, the City renamed a 90 acre tract of land with 5000 feet of Mississippi frontage area Kaposia Landing in 2008.
- The City is 98% complete with closing and preparing of undeveloped 90-acre demolition/construction debris landfill site for recreational property. The Project was entirely funded by State and Federal Grants and is expected to be completed in 2009 with the planting of trees in the fall.
- In 2008, the City's significant land improvements came to fruition with the opening of the City's first recreational dog park.

#### 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 is expected to begin in 2009.

#### 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 2008.

### **Cash Management**

Cash balances are invested in accordance with Minnesota State Statutes and the City's formal investment policy, which further restricts the types and length of investment maturities. Following the statutes and investment guidelines assures that utmost attention is paid to the preservation of principle. The second investment priority is to keep all available balances fully invested in a combination of prime grade commercial paper, U. S. Treasury and U. S. Agency obligations, mutual and money market funds consisting of insured and collateralized demand deposits and certificates of deposits and prime grade commercial paper.

The City utilizes a "pooled" investment fund approach whereby all investment transactions are recorded in a single fund during the year. At year-end, investments are allocated to those funds proportionate to their ending cash balances. Investment earnings are allocated at year-end based on average monthly cash balances. Governmental Accounting Standards Board (GASB) Statement No. 31 requires that investments be reported at "fair value" (year-end market value). The City regularly invests in U. S. Agency obligations with maturities of two or more years. Because these obligations pay a fixed rate of interest each year, the earnings for the entire period will be that fixed rate.

Under GASB Statement No. 31, the reported return for a single year requires that interest earnings be adjusted based on the market value at the end of the year. It is this mix of interest earnings and market adjustments, which is included as "investment earnings" in the CAFR. These year-end market adjustments will cancel each other out over the life of the long-term investments held to maturity. The supplementary section of this report includes a schedule of investments as of December 31, 2008.

### **Risk Management**

The City is covered by workers' compensation, property and liability insurance written by the League of Minnesota Cities Insurance Trust (LMCIT). Insurance values on all fixed assets are compiled and kept up to date as part of the comprehensive inventory. LMCIT provides liability coverage sufficient to cover the legal limit of a city's liability, which is established by the State of Minnesota. The City has selected modest co-insurance limits (deductibles) including \$5,000 on liability coverage; \$10,000 on property losses; and \$2,500 on worker's compensation claims.

### **Other Post Employment Benefits (OPEB)**

The City of South St. Paul has adopted and initiated GASB Statement No. 45, Accounting and Financial Reporting for Employers Post Employment Benefits Other than Pensions. The City engaged an actuary to determine the City's liability of post employment healthcare benefits as of January 1, 2008. A plan description and fund policy are included in the Notes to the Financial Statements beginning on page 69.

### **Awards and Acknowledgments**

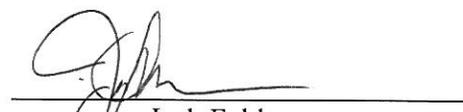
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South St. Paul for its comprehensive annual financial report for the year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

  
\_\_\_\_\_  
Stephen King  
City Administrator

  
\_\_\_\_\_  
Josh Feldman  
Finance Director

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# 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, 2007

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.



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President

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Executive Director

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**CITY OF SOUTH ST. PAUL, MINNESOTA**

**ELECTED AND APPOINTED OFFICIALS**

December 31, 2008

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		<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

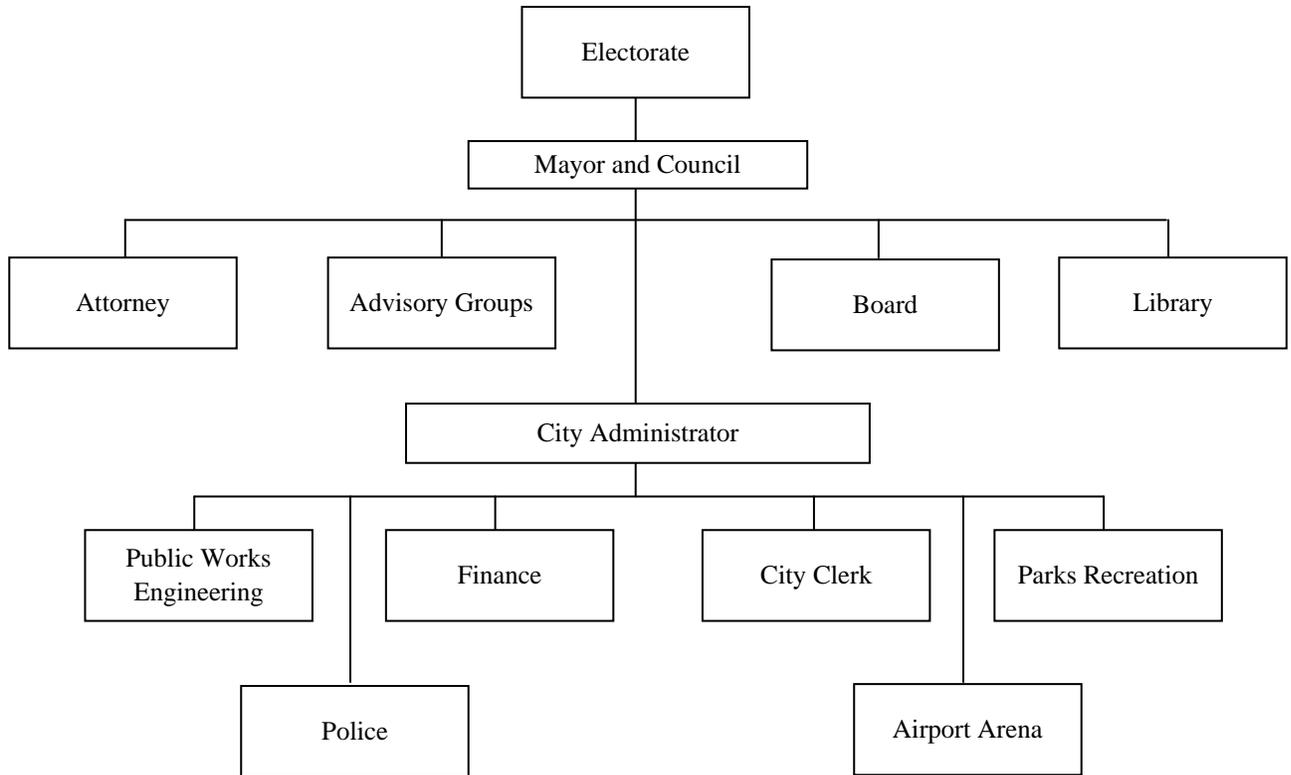
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**CITY OF SOUTH ST. PAUL, MINNESOTA**

**ORGANIZATION CHART**

December 31, 2008

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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, 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, 2008, 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 2007 financial statements and, in our report dated June 17, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with 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, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South St. Paul, Minnesota as of December 31, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009, 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.

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 inquires 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.

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

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.

A handwritten signature in black ink that reads "Larson Allen LLP". The signature is written in a cursive, flowing style.

**LarsonAllen LLP**

Minneapolis, Minnesota  
June 12, 2009

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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, 2008. 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 \$78,900,198 (net assets). Of this amount, \$13,499,684 (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 \$3,120,603 from the prior year.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,385,571. Of this amount, \$9,879,865 is designated or reserved through legal restrictions and City Council authorization. The undesignated fund balance is \$2,505,706.
- At the end of the current fiscal year \$1,902,052 of the general fund balance of \$1,902,630 are undesignated funds.
- The City's total debt decreased by \$2,711,242 during the current fiscal year, from \$20,149,981 to \$17,438,739.

### 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 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.

## Management's Discussion and Analysis

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported 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 two business-type activities of the City of South St. Paul - water/sanitary sewer and storm water utility. The storm water utility began in late 2003.

The government-wide financial statements can be found on pages 38 and 39 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 six 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 six major governmental funds include the General Fund, one special revenue fund (Airport), three capital project funds (Airport Improvements, General Programs, Tax Increment), and one debt service fund (2007A Improvement Bonds). Data from the other 37 governmental funds (five special revenue, nineteen debt service, and thirteen capital projects) are combined into a single, aggregated presentation under the title of nonmajor governmental funds. Individual fund

## Management's Discussion and Analysis

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 Fund and Airport Fund. 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 40 through 44 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 the Water and Sewer and Storm Water Utility. In addition, the City has two internal service funds to account for its central garage activity, and other post employment benefits. In general, the Central Garage Fund purchases and maintains all city vehicles. Charges are paid to the Central Garage by City operating departments based on maintenance, supplies and depreciation associated with the specific vehicles used by the department. The OPEB Fund accounts for the City's post retirement health insurance benefits for inactive employees of the City. Charges are paid to the OPEB Fund by the city operating departments based on active service programming for the City's eligible retirees. 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 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, Central Garage, and the OPEB Internal Service Funds.

The basic proprietary fund financial statements can be found on pages 45 through 47 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 financial statements because the resources of those funds are not available to support the operation of the City of South St. Paul.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-82 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

## Management's Discussion and Analysis

information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 98 through 124 of this report. Supplemental financial information (pages 131-140) follows the combining statements and the statistical section (pages 143-168) 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 \$78,900,198 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$61,435,087 or 77.9%) 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.

Accumulated depreciation as of December 31, 2008 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.

## Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$17,720,847	\$20,587,367	\$5,677,258	\$4,544,495	\$23,398,105	\$25,131,862
Capital and Non-current assets	64,105,683	60,377,957	11,307,727	11,547,913	75,413,410	71,925,870
Total Assets	81,826,530	80,965,324	16,984,985	16,092,408	98,811,515	97,057,732
Current Liabilities	2,373,938	2,531,615	392,471	380,442	2,766,409	2,912,057
Non-current Liabilities	17,091,096	18,307,713	53,812	58,367	17,144,908	18,366,080
Total Liabilities	19,465,034	20,839,328	446,283	438,809	19,911,317	21,278,137
Net Assets						
Invested in Capital Assets						
Net of Related Debt	50,127,360	45,426,615	11,307,727	11,547,913	61,435,087	56,974,528
Restricted	3,965,427	6,305,080	-	-	3,965,427	6,305,080
Unrestricted	8,268,709	8,394,301	5,230,975	4,105,686	13,499,684	12,499,987
Total Net Assets	\$62,361,496	\$60,125,996	\$16,538,702	\$15,653,599	\$78,900,198	\$75,779,595

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 \$78,900,198. The major element of the year-end current asset balance of \$23,398,105 was cash/investments of \$15,545,232, which represented 66% of the total current asset balance.

As of December 31, 2008, total liabilities for governmental activities and business-type activities were \$19,911,317. Of this amount, \$17,144,908 (86%) 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, 2008, \$3,965,427 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 \$13,499,684 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 \$2,235,500. 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. Total governmental activities revenue and transfers in were \$19,425,016 against expenses of \$17,189,516 resulting in an increase in net assets of \$2,235,500.

# Management's Discussion and Analysis

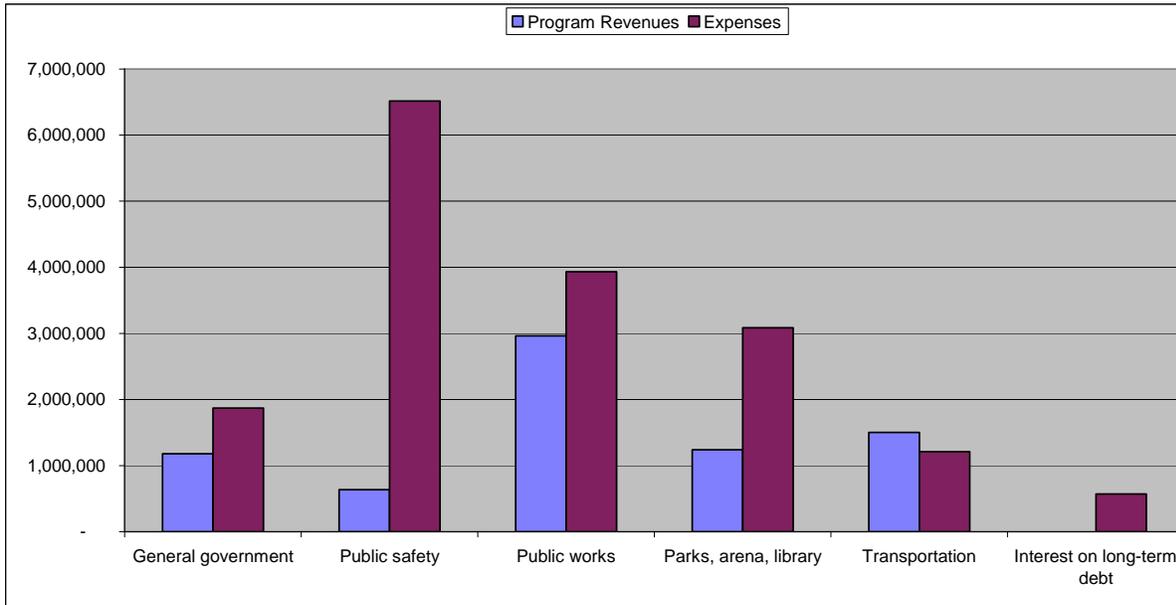
## City of South St. Paul, Minnesota's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$4,211,147	\$3,884,236	\$5,080,117	\$4,920,658	\$9,291,264	\$8,804,894
Operating grants and contributions	1,069,733	1,557,846	-	-	1,069,733	1,557,846
Capital grants and contributions	2,238,852	3,331,011	77	263,977	2,238,929	3,594,988
General revenues:						
Property taxes	6,367,319	5,744,747	-	-	6,367,319	5,744,747
Tax increment	1,895,194	1,618,275	-	-	1,895,194	1,618,275
Franchise taxes	896,215	755,296	-	-	896,215	755,296
Grants and contributions not restricted to specific programs	2,130,674	2,537,158	-	-	2,130,674	2,537,158
Unrestricted investment earnings	334,520	1,112,186	188,157	264,641	522,677	1,376,827
Gain on sale of capital assets	27,630	-	-	-	27,630	-
Miscellaneous revenues	53,680	18,225	-	-	53,680	18,225
<b>Total revenues</b>	<b>19,224,964</b>	<b>20,558,980</b>	<b>5,268,351</b>	<b>5,449,276</b>	<b>24,493,315</b>	<b>26,008,256</b>
<b>Expenses:</b>						
General government	1,870,742	2,216,808	-	-	1,870,742	2,216,808
Public safety	6,515,301	6,319,181	-	-	6,515,301	6,319,181
Public works	3,935,557	4,009,014	-	-	3,935,557	4,009,014
Parks, arena, library	3,085,507	2,825,016	-	-	3,085,507	2,825,016
Transportation	1,212,501	651,897	-	-	1,212,501	651,897
Interest on long-term debt	569,908	969,617	-	-	569,908	969,617
Water and sanitary sewer	-	-	3,904,842	3,721,772	3,904,842	3,721,772
Storm sewer utility	-	-	278,354	203,315	278,354	203,315
<b>Total expenses</b>	<b>17,189,516</b>	<b>16,991,533</b>	<b>4,183,196</b>	<b>3,925,087</b>	<b>21,372,712</b>	<b>20,916,620</b>
Increase (decrease) in net assets before transfers and special items	2,035,448	3,567,447	1,085,155	1,524,189	3,120,603	5,091,636
Transfers	200,052	550,262	(200,052)	(550,262)	-	-
Special Item	-	6,494,081	-	(245,843)	-	6,248,238
<b>Change in net assets</b>	<b>2,235,500</b>	<b>10,611,790</b>	<b>885,103</b>	<b>728,084</b>	<b>3,120,603</b>	<b>11,339,874</b>
Net assets - January 1	60,125,996	49,514,206	15,653,599	14,925,515	75,779,595	64,439,721
<b>Net assets - December 31</b>	<b>\$62,361,496</b>	<b>\$60,125,996</b>	<b>\$16,538,702</b>	<b>\$15,653,599</b>	<b>\$78,900,198</b>	<b>\$75,779,595</b>

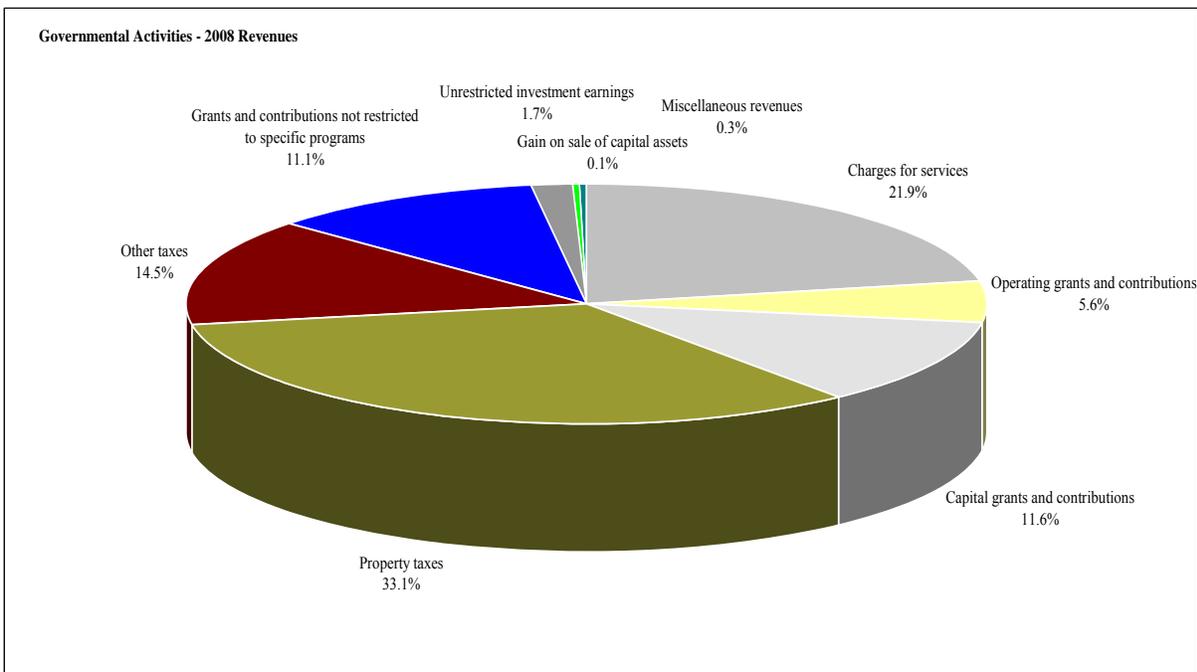
## Management's Discussion and Analysis

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

### Expenses and Program Revenues – Governmental Activities



### Governmental Activities – Revenues

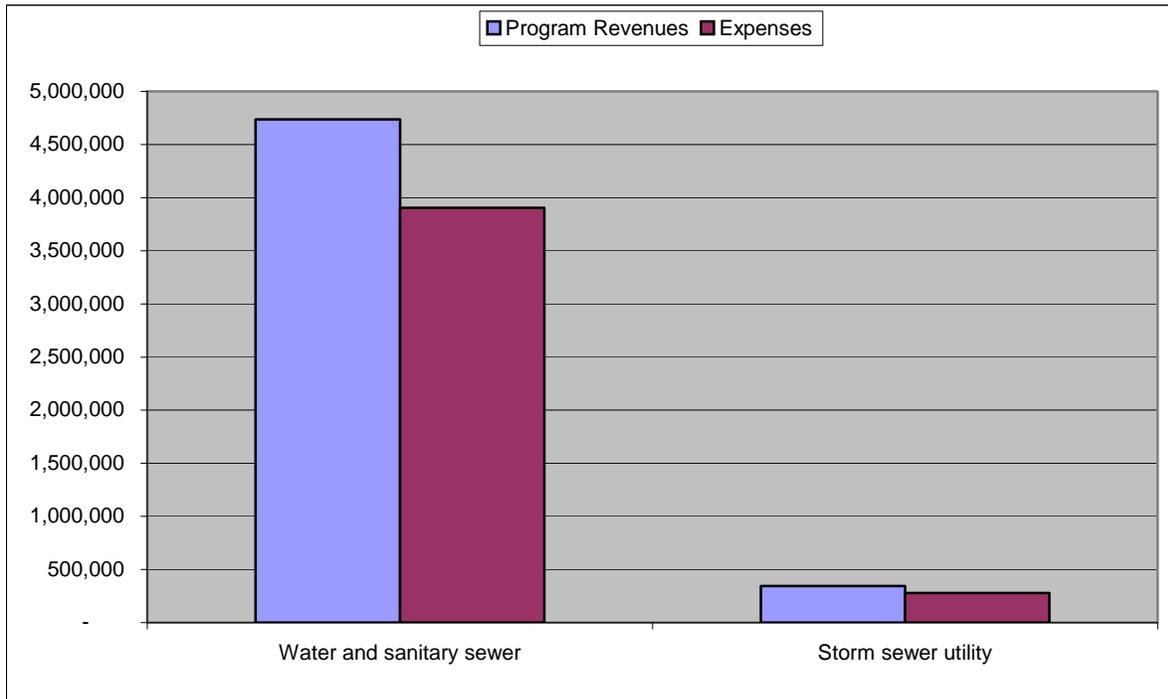


## Management's Discussion and Analysis

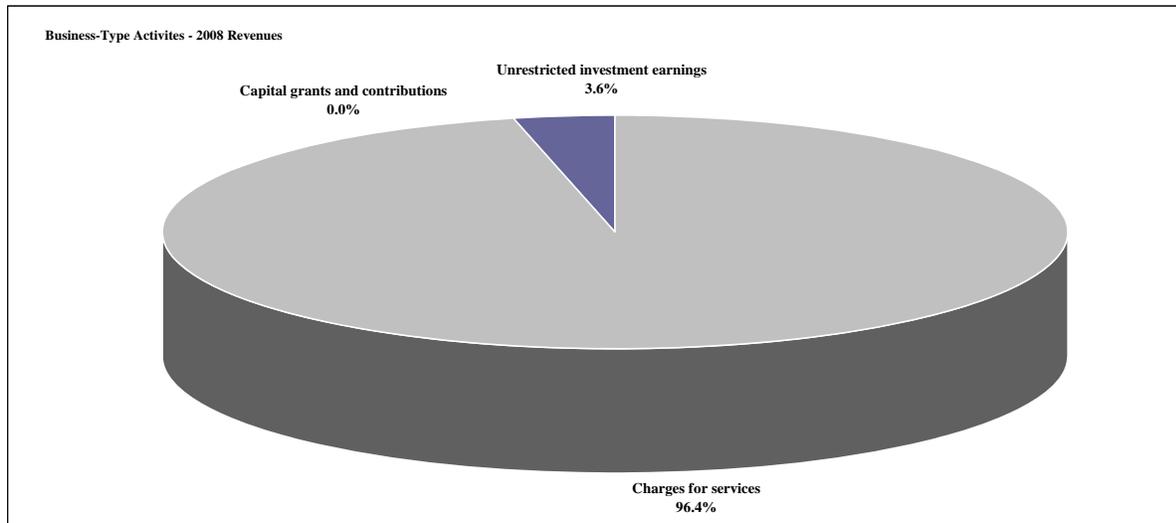
### Business-Type Activities

Business-type activities increased net assets by \$885,103 accounting for 19.7% of the City's growth in net assets. Charges for services increased by 3.2% overall. The increase is a result of 2008 sewer rate adjustments. The additional revenue generated by the increase is designated for future capital improvements to the City's sewer and water infrastructure system. Below are graphs showing the business-type activities program revenue and expense comparisons:

#### 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 \$12,385,571. Of this total amount, approximately 43% or \$5,333,262 constitutes unreserved fund balance. The remainder of the fund balance is reserved as follows: prepaid items of \$578, debt service funds reserve of \$3,965,427 and a reservation for interfund advances against the lending fund (General Programs) of \$3,086,304.

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

**The General Fund:** Decrease of (\$1,254,625). The General fund is the chief operating fund of the City of South St. Paul. During the current fiscal year, December 31, 2008, the General Fund revenues decreased \$79,830 from year ending December 31, 2007. There were many significant factors that resulted in the decline of total revenues in 2008. State Aids, such as Local Government Aid, Market Value Homestead Credit and Fire and Police Aids decreased a total of \$548,830 or 5% of the City's 2008 revenues. Due to the macro economic climate, the City continues to experience a slight decrease in residential and commercial building permit activity with a related revenue decrease of \$7,600. In addition, the City also experienced a significant decline (\$162,046) in investment income as a result of a deteriorating financial market and low General fund cash balances. To offset some of the noted significant decline revenues, the City levied a 10.03% increase in 2008 property taxes over 2007 levels. This amounted to an increase in current property tax revenue and fiscal disparities totaling \$495,133. The General Fund expenditures increased \$325,673 during the fiscal year ending December 31, 2008. The increase in spending is due to several factors. First, the City settled a significant bargaining unit contract with Supervisor's association in 2008 that provided for retroactive compensation dating back to 2006 while also partially eliminating future post-retirement and severance obligations. The second significant reason for the increase is that 2008 represents the first full-year of increased operational expenses, such as Utility and maintenance costs, for the remodeled and expanded City Hall facility. In contrast, 2007 was a partial year of utility costs because City operations did not occupy City Hall for the full year and instead utilized leased space.

**Airport Fund:** Increase of \$38,474. The Airports increase in fund balance is primarily due to one-time State grant revenues reimbursing the City 95% of 2007 capital expenditures for the purchase of a runway clearing snow blower. In addition, interest expense decreased by \$45,078 due to the Airport borrowing from the City at a lower rate of return, due to market conditions.

**Airport Improvements Fund:** Decrease of (\$237,340): Airport improvement program expenditures increased in 2008 because a majority of the capital outlay expenditures for the Airport pavement reconstruction project were attributed to the current year. A significant

## Management's Discussion and Analysis

portion of this project is funded by intergovernmental revenue; therefore, the impact to the Airport's ongoing fund balance will be minimal in future years.

**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 balance of the General Programs Fund must be adequate to finance one-half portion of the City's 2009 General Fund and Library Fund budgets that are financed by state aid and property taxes. That formula would require a fund balance as of December 31, 2008, of approximately \$4,579,397, and because that fund balance existed, a transfer from the General Fund was not needed to finance 2008 operations.

**Tax Increment:** Increase of \$483,503. The Tax Increment Fund Capital Project Fund accounts for Tax Increment revenues for the Concord Street Redevelopment Project District. Tax increment revenues were then transferred to the 2004A GO Refunding Bond Debt Service Fund for the retirement of bond issuance. The increase is primarily due from the value retained by the District, and the corresponding tax increment revenue.

**2007A Improvement Bonds:** Increase of \$6,885. The 2007A Improvement Bond Fund accounts for the 2007A bond issuance payments. The proceeds of this issuance are used for 2006 local capital improvements such as street reconstruction and other maintenance projects throughout the City. The fund was established in 2006 and fund balance grew primarily due to the special assessment prepaid revenues in 2006.

**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 increased by \$855,544 in 2008 and stood at \$9,421,552 at year-end. The income from operations is mostly due to the increase in revenues from general and heavy industry customers as the City sewer increased utility rates in 2006, 2007, and 2008 to fund Capital Improvement Program expenditures for anticipated capital projects.

Net assets increased \$29,559 in the Storm Water Utility Fund. The change is primarily due to a decrease in spending.

The unrestricted net assets in the respective proprietary funds are Water and Sewer, \$4,479,130 and Storm Water Utility, \$751,845.

### **Budgetary Highlights**

The City Council adopted 8 operating budgets for the General Fund, four special revenue funds, two 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:

## Management's Discussion and Analysis

### 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 2008 original budget reflected a contingency amount for unsettled union contracts: to accurately reflect the contract settlements that later occurred in 2008, 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 more accurate revenue estimates, except for Local Government Aid and Investment income, as a result of timing and more accurate information available at the end of 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 2008, a retroactive cut in the Local Government Aid was ordered in December and therefore, the City had to use fund balance to pay for current service levels.

Total budgeted revenues (\$10,615,291) and total actual revenues (\$10,076,228) resulted in a shortfall of (\$539,063). This shortfall in revenue contributed significantly to the decline in the City's fund balance for the General Fund. Moreover, investment income was down significantly (\$133,458) due to the lower cash and investments in the general fund and investment market decline. The retroactive cut in Local Government Aid of \$354,804 and building permit activity was also down roughly \$48,727 when compared to the amended or final budget.

Total Final budgeted expenditures increased \$347,567 from 2007 (\$10,683,763) to 2008 (\$11,031,330). Total Final budgeted expenditures (\$11,031,330) and total actual expenditures (\$11,110,851) resulted in a negative variance of \$79,521. This variance is roughly less than 1% of the operating budget and is primarily as a result of unbudgeted and unplanned spending in the Attorney and Parks Maintenance programs. However, it is important to note that the revised budget does not balance, therefore, the City under levied taxes or was over budget by \$214,231, or the difference between total actual expenditures and the original budget. This variance is from a significant bargaining unit settlement with the Supervisory Association in 2008 that resulted in retroactive compensation dating back to 2006, while also partially eliminating future post-retirement and severance obligations. These expenditures are considered one-time and will not be carried forward into future years.

Major areas of expenditures finishing the year under budget included the following departments: Mayor and City Council \$10,302; City Administration \$13,098; City Clerk \$4,089; City Finance \$14,717; Computer \$9,844; Recycling \$3,808; Fire \$1,832; Code Enforcement \$9,607; Animal Control \$13,395; and Engineering \$10,715. An overall assessment for the deficit fund balance from operations in 2008 is that it primarily results from being under budget in revenue categories and not a result of excess spending by programs. This important note needs to guide the upcoming fiscal budget cycle decisions, so the City better evaluates and budgets revenues to produce more a more favorable impact on the fund balance reserves.

## Management's Discussion and Analysis

### **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, 2008 was \$75,413,410 (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 1N page 56 and Note 4 page 65).

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

- The Stockyards Redevelopment Project (construction in progress) received significant investments during 2008 with anticipated completion in 2009.
- The City invested \$349,063 to replace a variety of City vehicles
- The Airport invested \$417,712 for Airport pavement reconstruction.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	9,988,614	9,988,614	295,900	295,900	10,284,514	10,284,514
Building and Improvements	19,503,985	6,349,231	792,466	824,754	20,296,451	7,173,985
Capital Lease - building	1,748,223	-	-	-	1,748,223	-
Machinery and Equipment	2,406,316	2,162,530	82,328	81,472	2,488,644	2,244,002
Infrastructure	25,477,644	26,442,299	9,999,905	10,196,926	35,477,549	36,639,225
Construction in Process	4,980,901	15,435,283	137,128	148,861	5,118,029	15,584,144
	<u>64,105,683</u>	<u>60,377,957</u>	<u>11,307,727</u>	<u>11,547,913</u>	<u>75,413,410</u>	<u>71,925,870</u>

## Management's Discussion and Analysis

**Long-term debt.** At the end of the current fiscal year, the City had a total outstanding bonded debt of \$14,620,000, a decrease of \$2,810,000 from 2007. This number is comprised of G.O. debt of \$5,690,000, Tax Increment debt of \$1,420,000, G.O debt supported by special assessments of \$6,170,000 and Revenue supported bonds in the amount of \$1,340,000.

Additional long-term debt amounts correspond to compensated absences in the amount of \$387,277 (governmental funds) and \$53,812 (enterprise funds).

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

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Special assessment bonds	6,170,000	5,385,000	-	-	6,170,000	5,385,000
Tax increment bonds	1,420,000	2,800,000	-	-	1,420,000	2,800,000
General purpose bonds	5,690,000	7,795,000	-	-	5,690,000	7,795,000
Revenue bonds	1,340,000	1,450,000	-	-	1,340,000	1,450,000
Notes payable	303,521	341,070	-	-	303,521	341,070
Capital lease	1,721,607	1,783,901	-	-	1,721,607	1,783,901
Net other post-employment benefit obligation	352,522	-	-	-	352,522	-
Compensated absences	387,277	536,643	53,812	58,367	441,089	595,010
	<u>17,384,927</u>	<u>20,091,614</u>	<u>53,812</u>	<u>58,367</u>	<u>17,438,739</u>	<u>20,149,981</u>

The City of South St. Paul maintains an A1 rating from Moody's Investors Services.

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 \$48,965,544. General obligation bonds of \$3,850,000 are counted within the statutory limitation because this debt is wholly financed by a general tax levy. The difference between the legal limit and related debt is \$26,953,696, 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 64 through 67 and in the supplementary section of this report starting on page 126.

### 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:

- Current property tax collection rates are expected to decrease slightly as a result of the residential housing foreclosures.
- State of Minnesota Local Governmental Aid (LGA) declined from 2003 to 2005. 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.

## Management's Discussion and Analysis

- Looking forward, Local Government Aid was certified to the City by the State for \$2,299,651. The State of Minnesota is currently in a budget crisis and is reevaluating its allocation for 2009 and 2010. In anticipation, the City has made financial adjustments, including temporarily freezing significant capital purchases and the hiring of 3 newly budgeted positions.
- In December of 2005, the City Council increased water and sanitary sewer rates effective for January 1, 2006. The increases were proactive steps towards meeting the needs of rising operating costs and funding for future infrastructure improvements. They are based on a five year financial plan which also called for increases in sanitary sewer rates for 2007 and 2008. The impact of these increased rates for the City is noted by the increase in revenues and fund balance in the Water and Sewer Enterprise Fund.
- During 2008, the City anticipated the sale of SAC (Sewer Availability Charge) credits, as authorized by the Metropolitan Council, to Michael Foods. The sale was finalized in during early 2009 for \$1,500,000. To date, the City Council has authorized \$750,000 of the sale proceeds to replenish the General Fund unreserved fund balance as a result of the 2008 operating deficit.

**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, 651-554-3207 or [jfeldman@southstpaul.org](mailto:jfeldman@southstpaul.org).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
December 31, 2008

**Statement 1**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash, cash equivalents and investments	\$11,825,694	\$3,719,538	\$15,545,232
Accrued interest	89,047	-	89,047
Accounts receivable	421,696	1,436,478	1,858,174
Taxes receivable	919,212	-	919,212
Special assessments receivable	2,186,114	332,611	2,518,725
Due from other governmental units	2,252,553	-	2,252,553
Inventories - at cost	25,953	-	25,953
Prepays	578	188,631	189,209
<b>Capital assets (net of accumulated depreciation):</b>			
Land	9,988,614	295,900	10,284,514
Buildings and land improvements	19,503,985	792,466	20,296,451
Capital lease - building	1,748,223	-	1,748,223
Machinery and equipment	2,406,316	82,328	2,488,644
Infrastructure	25,477,644	9,999,905	35,477,549
Construction in process	4,980,901	137,128	5,118,029
Total assets	<u>81,826,530</u>	<u>16,984,985</u>	<u>98,811,515</u>
<b>Liabilities:</b>			
Accounts, salaries and contracts payable	1,478,555	212,024	1,690,579
Deposits payable	18,700	-	18,700
Due to other governmental units	6,730	322	7,052
Accrued interest payable	241,879	-	241,879
Unearned revenue	628,074	180,125	808,199
<b>Noncurrent liabilities:</b>			
Due within one year	2,993,377	12,475	3,005,852
Due in more than one year	14,097,719	41,337	14,139,056
Total liabilities	<u>19,465,034</u>	<u>446,283</u>	<u>19,911,317</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	50,127,360	11,307,727	61,435,087
<b>Restricted for:</b>			
Debt service	3,965,427	-	3,965,427
Unrestricted	8,268,709	5,230,975	13,499,684
Total net assets	<u>\$62,361,496</u>	<u>\$16,538,702</u>	<u>\$78,900,198</u>

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

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2008

**Statement 2**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$1,870,742	\$1,101,832	\$75,880	\$ -	(\$693,030)	\$ -	(\$693,030)
Public safety	6,515,301	156,532	474,575	4,146	(5,880,048)	-	(5,880,048)
Public works	3,935,557	641,385	394,079	1,926,639	(973,454)	-	(973,454)
Parks, arena, and library	3,085,507	1,234,407	6,564	-	(1,844,536)	-	(1,844,536)
Transportation	1,212,501	1,076,991	118,635	308,067	291,192	-	291,192
Interest on long-term debt	569,908	-	-	-	(569,908)	-	(569,908)
Total governmental activities	<u>17,189,516</u>	<u>4,211,147</u>	<u>1,069,733</u>	<u>2,238,852</u>	<u>(9,669,784)</u>	<u>0</u>	<u>(9,669,784)</u>
<b>Business-type activities:</b>							
Water and sewer	3,904,842	4,736,691	-	-	-	831,849	831,849
Storm water	278,354	343,426	-	77	-	65,149	65,149
Total business-type activities	<u>4,183,196</u>	<u>5,080,117</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>896,998</u>	<u>896,998</u>
Total primary government	<u>\$21,372,712</u>	<u>\$9,291,264</u>	<u>\$1,069,733</u>	<u>\$2,238,929</u>	<u>(9,669,784)</u>	<u>896,998</u>	<u>(8,772,786)</u>
<b>General revenues:</b>							
General property taxes					6,367,319	-	6,367,319
Tax increment					1,895,194	-	1,895,194
Franchise tax					896,215	-	896,215
Unrestricted grants and contributions					2,130,674	-	2,130,674
Investment earnings					334,520	188,157	522,677
Gain on sale of capital assets					27,630	-	27,630
Miscellaneous revenues					53,680	-	53,680
Transfers					200,052	(200,052)	-
Total general revenues and transfers					<u>11,905,284</u>	<u>(11,895)</u>	<u>11,893,389</u>
Change in net assets					2,235,500	885,103	3,120,603
Net assets - beginning					<u>60,125,996</u>	<u>15,653,599</u>	<u>75,779,595</u>
Net assets - ending					<u>\$62,361,496</u>	<u>\$16,538,702</u>	<u>\$78,900,198</u>

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

**CITY OF SOUTH ST. PAUL, MINNESOTA**

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2008

With Comparative Total Amounts For The Year Ended December 31, 2007

	General Fund	245 - Airport	404 - Airport Improvements
<b>Assets</b>			
Cash and investments	\$1,959,361	\$ -	\$ -
Cash and investments with escrow agent	-	-	-
Accrued interest	-	-	-
Accounts receivable - net	209,858	38,603	-
Property taxes receivable:			
Delinquent	125,468	-	-
Due from county	535,939	-	-
Special assessments receivable:			
Delinquent	87	-	-
Deferred	8,901	-	-
Due from county	-	-	-
Due from other governmental units	26,609	-	-
Advances to other funds	-	-	-
Inventory	-	25,953	-
Prepaid items	578	-	-
<b>Total assets</b>	<b>\$2,866,801</b>	<b>\$64,556</b>	<b>\$0</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts, salaries and contracts payable	\$834,710	\$17,625	\$38,370
Deposits payable	-	-	-
Due to other governmental units	3,993	22	-
Advances from other funds	-	1,177,772	844,464
Deferred revenue	125,468	12,154	-
<b>Total liabilities</b>	<b>964,171</b>	<b>1,207,573</b>	<b>882,834</b>
<b>Fund balance:</b>			
<b>Reserved for:</b>			
Prepaid items	578	-	-
Advances to other funds	-	-	-
Debt service	-	-	-
<b>Unreserved:</b>			
<b>Designated for:</b>			
Working capital	-	-	-
Other Post Employment Benefits	-	-	-
Future projects	-	-	-
<b>Undesignated reported in:</b>			
General Fund	1,902,052	-	-
Special Revenue Funds	-	(1,143,017)	-
Debt Service Funds	-	-	-
Capital Project Funds	-	-	(882,834)
<b>Total fund balance</b>	<b>1,902,630</b>	<b>(1,143,017)</b>	<b>(882,834)</b>
<b>Total liabilities and fund balance</b>	<b>\$2,866,801</b>	<b>\$64,556</b>	<b>\$0</b>

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 to individual funds.

Net assets of governmental activities

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

401- General Programs	412 - Tax Increment	354- 2007A Improvement Bonds	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds	
					2008	2007
\$1,415,619	\$1,471,794	\$554,860	\$5,803,721	\$ -	\$11,205,355	\$12,376,217
-	-	-	-	-	-	1,811,699
89,047	-	-	-	-	89,047	159,971
-	-	-	173,235	-	421,696	359,928
-	164,777	-	78,268	-	368,513	238,843
-	3,137	-	11,623	-	550,699	507,879
-	-	2,669	20,133	-	22,889	24,875
-	-	817,711	1,327,219	-	2,153,831	2,329,338
-	-	3,020	6,374	-	9,394	15,799
-	3,647	-	2,222,297	-	2,252,553	1,835,017
3,086,304	-	-	-	(3,086,304)	-	-
-	-	-	-	-	25,953	52,200
-	-	-	-	-	578	2,951
<u>\$4,590,970</u>	<u>\$1,643,355</u>	<u>\$1,378,260</u>	<u>\$9,642,870</u>	<u>(\$3,086,304)</u>	<u>\$17,100,508</u>	<u>\$19,714,717</u>
\$ -	\$14,820	\$ -	\$540,369	\$ -	\$1,445,894	\$1,613,798
-	-	-	19,100	-	19,100	9,679
-	-	-	2,715	-	6,730	56,248
-	-	-	1,064,068	(3,086,304)	-	-
-	164,777	820,379	2,120,435	-	3,243,213	3,095,721
<u>0</u>	<u>179,597</u>	<u>820,379</u>	<u>3,746,687</u>	<u>(3,086,304)</u>	<u>4,714,937</u>	<u>4,775,446</u>
-	-	-	-	-	578	2,951
3,086,304	-	-	-	-	3,086,304	3,458,723
-	-	557,881	3,407,546	-	3,965,427	6,305,080
1,504,666	-	-	-	-	1,504,666	1,132,247
-	-	-	-	-	-	144,428
-	-	-	1,322,890	-	1,322,890	2,127,485
-	-	-	-	-	1,902,052	3,009,876
-	-	-	(233,611)	-	(1,376,628)	(1,463,681)
-	-	-	910,779	-	910,779	663,984
-	1,463,758	-	488,579	-	1,069,503	(441,822)
<u>4,590,970</u>	<u>1,463,758</u>	<u>557,881</u>	<u>5,896,183</u>	<u>-</u>	<u>12,385,571</u>	<u>14,939,271</u>
<u>\$4,590,970</u>	<u>\$1,643,355</u>	<u>\$1,378,260</u>	<u>\$9,642,870</u>	<u>(\$3,086,304)</u>	<u>\$17,100,508</u>	<u>\$19,714,717</u>
					\$12,385,571	\$14,939,271
					62,887,635	59,195,372
					2,615,139	2,590,264
					(17,324,796)	(18,388,865)
					<u>1,797,947</u>	<u>1,789,954</u>
					<u>\$62,361,496</u>	<u>\$60,125,996</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, 2008  
With Comparative Total Amounts For The Year Ended December 31, 2007

	General Fund	245 - Airport	404 - Airport Improvements
<b>Revenues:</b>			
General property taxes	\$4,929,334	\$ -	\$ -
Tax increment collections	-	-	-
Franchise tax	896,215	-	-
Licenses and permits	377,503	-	-
Intergovernmental	2,784,038	118,635	308,067
Charges for services	886,807	998,095	-
Fines and forfeits	103,386	-	-
Special assessments	2,682	-	-
Investment income	51,542	-	-
Contributions and donations	1,000	-	-
Miscellaneous	43,721	20	-
Total revenues	<u>10,076,228</u>	<u>1,116,750</u>	<u>308,067</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,782,907	-	-
Public safety	6,268,564	-	-
Public works	1,858,224	-	-
Parks, arena, library	1,184,377	-	-
Transportation	-	957,493	54,677
Nondepartmental	-	-	-
<b>Capital outlay:</b>			
General government	-	-	-
Public safety	16,779	-	-
Public works	-	-	-
Parks, arena, library	-	-	-
Transportation	-	11,275	447,397
Interest expenditure	-	71,959	43,333
<b>Debt service:</b>			
Principal	-	37,549	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>11,110,851</u>	<u>1,078,276</u>	<u>545,407</u>
Revenues over (under) expenditures	<u>(1,034,623)</u>	<u>38,474</u>	<u>(237,340)</u>
<b>Other financing sources (uses):</b>			
Bond issued	-	-	-
Issuance of refunding bonds	-	-	-
Bond discount	-	-	-
Bond premium	-	-	-
Loan proceeds	-	-	-
Refunded bonds redeemed	-	-	-
Sale of capital assets	-	-	-
Transfers in	184,417	-	-
Transfers out	(404,419)	-	-
Total other financing sources (uses)	<u>(220,002)</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(1,254,625)	38,474	(237,340)
Fund balance (deficit) - January 1	<u>3,157,255</u>	<u>(1,181,491)</u>	<u>(645,494)</u>
Fund balance (deficit) - December 31	<u>\$1,902,630</u>	<u>(\$1,143,017)</u>	<u>(\$882,834)</u>

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

401 - General Programs	412 - Tax Increment	354 - 2007A Improvement Bonds	Other Governmental Funds	Intra Activity Eliminations	Total Governmental Funds	
					2008	2007
\$ -	\$ -	\$ -	\$1,308,315	\$ -	\$6,237,649	\$5,662,257
-	1,895,194	-	-	-	1,895,194	1,618,276
-	-	-	-	-	896,215	755,296
-	-	-	-	-	377,503	385,103
-	13,932	-	2,186,141	-	5,410,813	7,357,769
-	-	-	1,140,314	-	3,025,216	2,873,644
-	-	-	9,835	-	113,221	139,966
-	-	184,296	611,186	-	798,164	850,285
-	55,113	26,389	351,300	(179,956)	304,388	1,036,104
-	-	-	27,443	-	28,443	4,541
-	-	-	9,030	-	52,771	147,383
<u>0</u>	<u>1,964,239</u>	<u>210,685</u>	<u>5,643,564</u>	<u>(179,956)</u>	<u>19,139,577</u>	<u>20,830,624</u>
-	-	-	41,201	-	1,824,108	2,137,081
-	-	-	58,835	-	6,327,399	6,290,264
-	-	-	520,142	-	2,378,366	2,670,003
-	-	-	1,587,624	-	2,772,001	2,574,722
-	-	-	-	-	1,012,170	798,931
-	25,285	-	-	-	25,285	12,058
-	-	-	133,826	-	133,826	2,161,027
-	-	-	35,415	-	52,194	176,123
-	-	-	2,981,684	-	2,981,684	3,156,507
-	-	-	233,341	-	233,341	6,058
-	-	-	-	-	458,672	176,758
-	-	-	64,664	(179,956)	-	294,309
-	-	150,000	2,856,666	-	3,044,215	2,729,916
-	-	53,800	559,531	-	613,331	706,944
-	-	-	31,044	-	31,044	53,529
<u>0</u>	<u>25,285</u>	<u>203,800</u>	<u>9,103,973</u>	<u>(179,956)</u>	<u>21,887,636</u>	<u>23,944,230</u>
<u>0</u>	<u>1,938,954</u>	<u>6,885</u>	<u>(3,460,409)</u>	<u>0</u>	<u>(2,748,059)</u>	<u>(3,113,606)</u>
-	-	-	1,955,000	-	1,955,000	1,420,000
-	-	-	-	-	-	1,840,000
-	-	-	(6,265)	-	(6,265)	-
-	-	-	-	-	-	14,249
-	-	-	-	-	-	375,490
-	-	-	(1,810,000)	-	(1,810,000)	-
-	-	-	-	-	-	8,000
-	-	-	3,848,023	(3,832,388)	200,052	854,623
-	(1,455,451)	-	(2,116,946)	3,832,388	(144,428)	-
<u>0</u>	<u>(1,455,451)</u>	<u>0</u>	<u>1,869,812</u>	<u>0</u>	<u>194,359</u>	<u>4,512,362</u>
-	483,503	6,885	(1,590,597)	-	(2,553,700)	1,398,756
<u>4,590,970</u>	<u>980,255</u>	<u>550,996</u>	<u>7,486,780</u>	<u>0</u>	<u>14,939,271</u>	<u>13,540,515</u>
<u>\$4,590,970</u>	<u>\$1,463,758</u>	<u>\$557,881</u>	<u>\$5,896,183</u>	<u>\$0</u>	<u>\$12,385,571</u>	<u>\$14,939,271</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, 2008  
With Comparative Amounts For The Year Ended December 31, 2007

**Statement 5**

	<u>2008</u>	<u>2007</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)	(\$2,553,700)	\$1,398,756
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.	1,908,361	3,899,551
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.	27,630	(8,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24,875	(348,499)
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.	3,214,674	(526,553)
The special item-change in depreciation method changes the balance of accumulated depreciation and the balance of capital assets net of accumulated depreciation reported in the statement of net assets. However, capital assets are not reported in governmental funds and are not impacted by the change in accounting principles	-	6,494,081
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.	(99,181)	25,159
Internal service funds are used by management to charge the costs of central garage and post retiree benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(287,159)</u>	<u>(322,705)</u>
Change in net assets of governmental activities (statement 2)	<u><u>\$2,235,500</u></u>	<u><u>\$10,611,790</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, 2008

With Comparative Total Amounts as of December 31, 2007

Statement 6

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	605 - Water and Sewer	610 - Storm Water Utility	Totals		703 - Central Garage	705 - OPEB Fund
			2008	2007		
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$2,936,713	\$782,825	\$3,719,538	\$2,922,291	\$475,817	\$144,522
Accounts receivable - billed	411,002	23,237	434,239	251,478	-	-
Accounts receivable - unbilled	916,210	86,029	1,002,239	1,035,540	-	-
<b>Special assessments receivable:</b>						
Current	282,502	-	282,502	259,296	-	-
Delinquent	43,591	-	43,591	37,817	-	-
Due from county	6,518	-	6,518	6,660	-	-
Prepaid item	188,631	-	188,631	-	-	-
Due from other governments	-	-	-	31,413	-	-
Total current assets	<u>4,785,167</u>	<u>892,091</u>	<u>5,677,258</u>	<u>4,544,495</u>	<u>475,817</u>	<u>144,522</u>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Land	295,900	-	295,900	295,900	-	-
Buildings and land improvements	1,949,999	-	1,949,999	1,949,999	-	-
Machinery and equipment	581,205	-	581,205	575,071	3,147,813	-
Infrastructure	8,255,145	10,081,688	18,336,833	18,218,529	-	-
Construction in process	-	137,127	137,127	148,861	-	-
Total capital assets	<u>11,082,249</u>	<u>10,218,815</u>	<u>21,301,064</u>	<u>21,188,360</u>	<u>3,147,813</u>	<u>-</u>
Less: Allowance for depreciation	<u>(6,139,827)</u>	<u>(3,853,510)</u>	<u>(9,993,337)</u>	<u>(9,640,447)</u>	<u>(1,929,765)</u>	<u>-</u>
Net capital assets	<u>4,942,422</u>	<u>6,365,305</u>	<u>11,307,727</u>	<u>11,547,913</u>	<u>1,218,048</u>	<u>0</u>
Total noncurrent assets	<u>4,942,422</u>	<u>6,365,305</u>	<u>11,307,727</u>	<u>11,547,913</u>	<u>1,218,048</u>	<u>0</u>
Total assets	<u>9,727,589</u>	<u>7,257,396</u>	<u>16,984,985</u>	<u>16,092,408</u>	<u>1,693,865</u>	<u>144,522</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	46,201	140,246	186,447	158,323	25,913	-
Wages and payroll taxes payable	25,577	-	25,577	24,044	6,348	-
Compensated absences	12,475	-	12,475	10,652	-	-
Due to other governmental units	322	-	322	250	-	-
Unearned revenue	180,125	-	180,125	197,825	-	-
Total current liabilities	<u>264,700</u>	<u>140,246</u>	<u>404,946</u>	<u>391,094</u>	<u>32,261</u>	<u>0</u>
<b>Noncurrent liabilities:</b>						
Net other post-employment benefit obligation	-	-	-	-	-	267,522
Compensated absences	41,337	-	41,337	47,715	8,179	-
Total noncurrent liabilities	<u>41,337</u>	<u>0</u>	<u>41,337</u>	<u>47,715</u>	<u>8,179</u>	<u>267,522</u>
Total liabilities	<u>306,037</u>	<u>140,246</u>	<u>446,283</u>	<u>438,809</u>	<u>40,440</u>	<u>267,522</u>
<b>Net assets:</b>						
Invested in capital assets	4,942,422	6,365,305	11,307,727	11,547,913	1,218,048	-
Unrestricted	4,479,130	751,845	5,230,975	4,105,686	435,377	(123,000)
Total net assets	<u>\$9,421,552</u>	<u>\$7,117,150</u>	<u>\$16,538,702</u>	<u>\$15,653,599</u>	<u>\$1,653,425</u>	<u>(\$123,000)</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, 2008

With Comparative Total Amounts For The Year Ended December 31, 2007

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	605 - Water and Sewer	610 - Storm Water Utility	Totals		703 - Central Garage	705 - OPEB Fund
			2008	2007		
Operating revenues:						
Customer billings:						
General customers	\$2,643,338	\$337,763	\$2,981,101	\$2,936,515	\$ -	\$ -
Heavy industry customers	1,553,852	-	1,553,852	1,441,395	-	-
Service charges	202,712	-	202,712	218,633	-	-
Penalties	97,562	5,663	103,225	92,828	-	-
Other charges	195,692	-	195,692	187,899	2,751	-
State surcharges	43,535	-	43,535	43,388	-	-
Retiree health insurance charges	-	-	-	-	-	212,693
Equipment rental and repair charges	-	-	-	-	621,414	-
Total operating revenues	<u>4,736,691</u>	<u>343,426</u>	<u>5,080,117</u>	<u>4,920,658</u>	<u>624,165</u>	<u>212,693</u>
Operating expenses:						
Personal services:						
Salaries and wages	431,748	-	431,748	436,643	108,925	-
Pension contributions	59,608	-	59,608	59,486	15,348	-
Insurance	71,033	-	71,033	65,897	19,449	-
Total personal services	<u>562,389</u>	<u>0</u>	<u>562,389</u>	<u>562,026</u>	<u>143,722</u>	<u>0</u>
Materials and supplies:						
Maintenance materials	103,956	0	103,956	86,809	331,643	0
Contractual services:						
Sewage disposal - Met Council	2,152,910	-	2,152,910	2,080,695	-	-
Insurance	32,454	-	32,454	26,796	20,811	483,162
Professional services	66,210	89,301	155,511	59,471	4,408	-
Public utility service	202,435	-	202,435	160,767	-	-
Repairs and maintenance	333,681	255	333,936	318,924	6,606	-
Rentals	114,489	-	114,489	113,193	-	-
Communications	24,242	-	24,242	23,804	-	-
Other	146,210	-	146,210	137,680	14,734	-
Total contractual services	<u>3,072,631</u>	<u>89,556</u>	<u>3,162,187</u>	<u>2,921,330</u>	<u>46,559</u>	<u>483,162</u>
Depreciation	165,866	188,788	354,654	354,922	205,166	-
Total operating expenses	<u>3,904,842</u>	<u>278,344</u>	<u>4,183,186</u>	<u>3,925,087</u>	<u>727,090</u>	<u>483,162</u>
Operating income (loss)	<u>831,849</u>	<u>65,082</u>	<u>896,931</u>	<u>995,571</u>	<u>(102,925)</u>	<u>(270,469)</u>
Nonoperating revenues (expenses):						
Investment income	149,148	39,009	188,157	264,641	27,090	3,041
Intergovernmental revenue	-	77	77	263,977	-	-
Loss on disposal of capital assets	-	(10)	(10)	-	(88,324)	-
Gain on sale of capital assets	-	-	-	-	27,630	-
Total nonoperating revenues (expenses)	<u>149,148</u>	<u>39,076</u>	<u>188,224</u>	<u>528,618</u>	<u>(33,604)</u>	<u>3,041</u>
Income (loss) before transfers and special items	980,997	104,158	1,085,155	1,524,189	(136,529)	(267,428)
Transfers:						
Transfers in	-	-	-	-	-	144,428
Transfers out	(125,453)	(74,599)	(200,052)	(550,262)	-	-
Special items:						
Change in depreciation method	-	-	-	(245,843)	-	-
Change in net assets	855,544	29,559	885,103	728,084	(136,529)	(123,000)
Net assets - January 1	8,566,008	7,087,591	15,653,599	14,925,515	1,789,954	0
Net assets - December 31	<u>\$9,421,552</u>	<u>\$7,117,150</u>	<u>\$16,538,702</u>	<u>\$15,653,599</u>	<u>\$1,653,425</u>	<u>(\$123,000)</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, 2008

With Comparative Total Amounts For The Year Ended December 31, 2007

Statement 8

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds	
	605 - Water and Sewer	610 - Storm Water Utility	Totals		703 - Central Garage	705 - OPEB Fund
			2008	2007		
Cash flows from operating activities:						
Receipts from customers and users	\$4,541,662	\$373,869	\$4,915,531	\$4,965,779	\$624,914	\$212,693
Payment to suppliers	(3,440,213)	13,634	(3,426,579)	(3,129,652)	(408,888)	(215,640)
Payment to employees	(565,410)	-	(565,410)	(558,232)	(142,833)	-
Net cash flows from operating activities	536,039	387,503	923,542	1,277,895	73,193	(2,947)
Cash flows from noncapital financing activities:						
Transfer from other funds	-	-	-	-	-	144,428
Transfer to other funds	(125,453)	(74,599)	(200,052)	(550,262)	-	-
Net cash flows from noncapital financing activities	(125,453)	(74,599)	(200,052)	(550,262)	0	144,428
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(6,134)	(108,343)	(114,477)	(217,511)	(349,063)	-
Capital grants	-	77	77	263,977	-	-
Proceeds from sale of capital assets	-	-	-	-	47,740	-
Net cash flows from capital and related financing activities	(6,134)	(108,266)	(114,400)	46,466	(301,323)	0
Cash flows from investing activities:						
Investment income	149,148	39,009	188,157	264,641	27,090	3,041
Net increase (decrease) in cash and cash equivalents	553,600	243,647	797,247	1,038,740	(201,040)	144,522
Cash and cash equivalents - January 1	2,383,113	539,178	2,922,291	1,883,551	676,857	0
Cash and cash equivalents - December 31	\$2,936,713	\$782,825	\$3,719,538	\$2,922,291	\$475,817	\$144,522
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$831,849	\$65,082	\$896,931	\$995,571	(\$102,925)	(\$270,469)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	165,866	188,788	354,654	354,922	205,166	-
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable	(177,329)	(969)	(178,298)	(98,955)	500	-
Decrease (increase) in prepaid items	(188,631)	-	(188,631)	-	-	-
Decrease (increase) in due from other governmental units	-	31,413	31,413	156,251	249	-
Increase (decrease) in accounts payable	(75,066)	103,189	28,123	(121,525)	(30,686)	-
Increase (decrease) in salaries payable	1,533	-	1,533	5,007	464	-
Increase (decrease) in compensated absences	(4,555)	-	(4,555)	(1,213)	425	-
Increase (decrease) in net other post-employment benefit obligation	-	-	-	-	-	267,522
Increase (decrease) in due to other governmental units	72	-	72	12	-	-
Increase (decrease) in unearned revenue	(17,700)	-	(17,700)	(12,175)	-	-
Total adjustments	(295,810)	322,421	26,611	282,324	176,118	267,522
Net cash provided by operating activities	\$536,039	\$387,503	\$923,542	\$1,277,895	\$73,193	(\$2,947)

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

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**804 - LANDSCAPE/LANDFILL**  
**December 31, 2008**  
**With Comparative Amounts as of December 31, 2007**

**Statement 9**

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and investments	<u>\$114,765</u>	<u>\$108,238</u>
Liabilities:		
Deposits payable	<u>\$114,765</u>	<u>\$108,238</u>

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

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of South St. Paul, Minnesota's (City) financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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.

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity should include those of the City and its component units. The City does not have any component units.

**B. RELATED ORGANIZATIONS**

The Housing and Redevelopment Authority (HRA) of the City was created by the City to carry out certain redevelopment projects. The mayor appoints the governing board for five-year terms. However, members of the HRA's governing board may only be removed for cause. The HRA selects management staff, establishes budgets and controls all of its operations. The City provides no funding to the HRA, but the council reviews and must consent to HRA tax levies. The budgetary approval authority is not substantive and the City cannot significantly influence the programs, projects, activities, or level of service performed by the HRA. 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.

**C. 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.

#### **D. 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 *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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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

The *Tax Increment Fund* is used to account for property tax revenues from tax increment. The revenues are used by the City and the South St. Paul Housing and Redevelopment Authority to promote industrial, commercial and economic development.

The *2007A G.O. Improvement Bonds Debt Service Fund* was established for financing the special assessment portion of the 2006 Street Reconstruction, bituminous removal, mill overlay and Hardman Court 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.

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 Post Employee Benefits Internal Service Fund* accounts for the cost of retiree health insurance benefits.

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

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.

#### **E. 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.

**F. 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 monthly 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. 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.

**G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2008 expenditures exceeded appropriations in the General Fund and the two special revenue funds listed below.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund:			
Community relations	\$81,375	\$80,094	(\$1,281)
City planner	96,914	95,510	(1,404)
City attorney	277,363	246,500	(30,863)
City hall	264,584	257,207	(7,377)
Public safety - Police	3,768,406	3,757,822	(10,584)
Public works	1,367,463	1,314,610	(52,853)
Parks administration	422,397	418,207	(4,190)
Parks and recreation - parks, pools and main.	761,980	699,604	(62,376)
Special Revenue Funds:			
Wakota Arena	1,029,320	989,804	(39,516)
Central Square	184,624	180,019	(4,605)

**H. DEFICIT FUND EQUITY**

The City has deficit fund balances at December 31, 2008 as follows:

	<u>Amount</u>
Special Revenue Funds:	
Airport	\$1,143,017
Wakota Arena	361,575
Capital Project Funds:	
City Hall Renovation	103,836
Airport Improvement	882,834
17th Ave North Water Tower	110
380 Airport Road	16,318
2005 Local Improvement	13,044
2008 Local Improvement	28,348
Internal Service Fund:	
OPEB Fund	123,000

The Airport and Airport Improvement deficits were caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Wakota Arena, City Hall Renovation, 17<sup>th</sup> Ave North Water Tower, 380 Airport Road, 2007, 2008 Local Improvement Funds and OPEB Fund are expected to be funded with future revenues.

**I. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans or “advances to/from other funds”, i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

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

**J. PROPERTY TAXES**

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

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

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

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

**K. SPECIAL ASSESSMENTS**

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

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

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

**L. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**M. INVENTORIES**

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

**N. CAPITAL ASSETS**

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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2008

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.

Property, plant and equipment 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

**O. COMPENSATED ABSENCES**

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, retirement severance and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay, compensatory time and severance is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**P. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

**Q. 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.

**R. 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.

**S. RECLASSIFICATIONS**

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

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

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET 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 (\$17,324,796) difference are as follows:

Bonds payable	(\$14,620,000)
Plus: Bond Premium (to be amortized over life of debt)	(12,043)
Less: Issuance discount (to be amortized as interest expense)	220,874
Accrued interest payable	(241,879)
Notes payable	(303,521)
Capital lease	(1,721,607)
Net other post-employment benefit obligation	(267,522)
Compensated absences	<u>(379,098)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	 <u><u>(\$17,324,796)</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 \$1,908,361 difference are as follows:

Capital outlay	\$3,859,717
Depreciation expense	<u>(1,951,356)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$1,908,361</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 (\$3,214,674) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	(\$1,955,000)
Plus: discount	6,265
Plus: issue costs	31,044
Net other post-employment benefit obligation	267,522
Principal repayments:	
General obligation debt	2,955,000
Notes payable	37,549
Capital lease	62,294
Payment to refunding escrow agent	<u>1,810,000</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$3,214,674</u></u>

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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 (\$99,181) difference are as follows:

Compensated absences	\$149,792
Net other post-employment benefit obligation	(267,522)
Accrued interest	42,071
Amortization of issuance costs and discount	(24,874)
Amortization of bond premium	<u>1,352</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>(\$99,181)</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, 2008 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.
- 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, 2008 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.

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Investments and maturities of the cash pool at December 31, 2008 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	\$6,516,643	\$ -	\$1,402,496	\$4,513,583	\$600,564
Certificate of deposits	AAA	587,271	100,000	487,271	-	-
Government money market mutual funds	AAA	1,675,241	1,675,241	-	-	-
Total investments in cash and investment pool		<u>\$8,779,155</u>	<u>\$1,775,241</u>	<u>\$1,889,767</u>	<u>\$4,513,583</u>	<u>\$600,564</u>

Cash and investments comprising the City's cash pool at December 31, 2008 were as follows:

	<u>Fair Value</u>
Cash:	
Cash on hand	\$3,050
Cash in banks:	
Bank accounts	546,932
Money manager savings account	154,929
Treasury plus	<u>6,175,931</u>
Total cash	<u>6,880,842</u>
Investments:	
U.S. government securities	6,516,643
Certificates of deposit	587,271
Government money market mutual funds	<u>1,675,241</u>
Total investments	<u>8,779,155</u>
Total cash and investments	<u><u>\$15,659,997</u></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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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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. The following is the percent of total investments by issuer as of December 31, 2008.

	Fair Value	Percent of Total Investments
Investment issuer:		
FHLN	\$2,806,188	39.5%
FNMA	1,914,870	27.0%
FHLMC	1,795,585	25.3%
Bremer Bank, N.A.	100,000	1.4%
Smith Barney	487,271	6.9%
	<u>\$7,103,914</u>	
Total investments	<u>\$7,103,914</u>	

**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:

	Major Funds							Total	
	General	Airport	General Programs	Tax Increment	2007A Improvement Bonds	Nonmajor Governmental Funds	Water and Sewer		Storm Water Utility
Receivables:									
Accrued interest	\$ -	\$ -	\$89,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$89,047
Accounts	209,858	38,603	-	-	-	173,235	1,327,212	109,266	1,858,174
Taxes	661,407	-	-	167,914	-	89,891	-	-	919,212
Special assessments	8,988	-	-	-	823,400	1,353,726	332,611	-	2,518,725
Due from other governmental units	26,609	-	-	3,647	-	2,222,297	-	-	2,252,553
	<u>\$906,862</u>	<u>\$38,603</u>	<u>\$89,047</u>	<u>\$171,561</u>	<u>\$823,400</u>	<u>\$3,839,149</u>	<u>\$1,659,823</u>	<u>\$109,266</u>	<u>\$7,637,711</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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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:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
Taxes receivable	\$368,513	\$ -
Special assessments delinquent	22,801	-
Special assessments deferred	2,067,232	-
Special assessments special deferred	77,698	-
Due from other governmental units	-	628,074
BRS building sublease agreement	78,895	-
	<u>                    </u>	<u>                    </u>
Total unavailable/unearned revenue for governmental funds	<u>\$2,615,139</u>	<u>\$628,074</u>
Proprietary Funds:		
Service availability	<u>\$ -</u>	<u>\$180,125</u>
	<u>                    </u>	<u>                    </u>
Total unearned revenue for proprietary funds	<u>\$0</u>	<u>\$180,125</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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**Note 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Reclass/Adj	Ending Balance
<b>Primary Government</b>					
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$9,988,614	\$ -	\$ -	\$ -	\$9,988,614
Construction in progress	15,435,283	2,914,660	-	(13,369,042)	4,980,901
Total capital assets, not being depreciated	25,423,897	2,914,660	0	(13,369,042)	14,969,515
Capital assets, being depreciated:					
Buildings and structures	12,061,779	187,894	-	13,369,042	25,618,715
Capital lease - building	1,783,901	-	-	-	1,783,901
Machinery and equipment	6,893,314	688,514	(1,232,677)	-	6,349,151
Infrastructure	54,686,686	417,712	-	-	55,104,398
Total capital assets, being depreciated	75,425,680	1,294,120	(1,232,677)	13,369,042	88,856,165
Less accumulated depreciation for:					
Buildings and structures	5,712,548	402,182	-	-	6,114,730
Capital lease - building	-	35,678	-	-	35,678
Machinery and equipment	4,730,784	336,295	(1,124,244)	-	3,942,835
Infrastructure	28,244,387	1,382,367	-	-	29,626,754
Total accumulated depreciation	38,687,719	2,156,522	(1,124,244)	0	39,719,997
Total capital assets being depreciated-net	36,737,961	(862,402)	(108,433)	13,369,042	49,136,168
Governmental activities capital assets-net	\$62,161,858	\$2,052,258	(\$108,433)	\$0	\$64,105,683
<b>Primary Government</b>					
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$295,900	\$ -	\$ -	\$ -	\$295,900
Construction in progress	148,861	108,344	-	(120,036)	137,169
Total capital assets, not being depreciated	444,761	108,344	0	(120,036)	433,069
Capital assets, being depreciated:					
Buildings and structures	1,949,999	-	-	-	1,949,999
Machinery and equipment	575,071	6,134	-	-	581,205
Infrastructure	18,218,529	-	(1,774)	120,036	18,336,791
Total capital assets, being depreciated	20,743,599	6,134	(1,774)	120,036	20,867,995
Less accumulated depreciation for:					
Buildings and structures	1,125,245	32,287	-	-	1,157,532
Machinery and equipment	493,599	5,280	-	-	498,879
Infrastructure	8,021,603	317,087	(1,764)	-	8,336,926
Total accumulated depreciation	9,640,447	354,654	(1,764)	0	9,993,337
Total capital assets being depreciated-net	11,103,152	(348,520)	(10)	120,036	10,874,658
Business-type activities capital assets-net	\$11,547,913	(\$240,176)	(\$10)	\$0	\$11,307,727

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 34,874
Public safety	17,415
Public works	1,448,887
Parks, arena, library	252,901
Transportation	197,279
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>205,166</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,156,522</u></u>
Business-type activities:	
Water and sewer	\$ 165,866
Storm sewer	<u>188,788</u>
Total depreciation expense - business-type activities	<u><u>\$ 354,654</u></u>

**Note 5 LONG-TERM DEBT**

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.

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.

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Bonds outstanding at December 31, 2008 are as follows:

	<u>Final</u> <u>Maturities</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Amount</u>	<u>Outstanding</u> <u>12/31/08</u>
General Obligation Debt:				
Tax Increment Bonds	2009	2.75%	\$4,320,000	\$1,420,000
Special Assessment Bonds	2009 - 2030	1.90% - 5.40%	12,840,000	6,170,000
General Obligation Bonds	2010 - 2027	2.00% - 5.50%	<u>10,675,000</u>	<u>7,030,000</u>
Total bonds payable			<u>\$27,835,000</u>	<u>\$14,620,000</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>Principal</u>	<u>Interest</u>
2009	\$2,720,000	\$512,757
2010	1,290,000	453,017
2011	1,150,000	404,755
2012	1,045,000	362,566
2013	995,000	323,565
2014-2018	3,835,000	1,113,707
2019-2023	2,000,000	537,202
2024-2028	1,435,000	171,347
2029-2030	<u>150,000</u>	<u>7,050</u>
Total	<u>\$14,620,000</u>	<u>\$3,885,966</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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Changes in long-term liabilities during December 31, 2008 are summarized as follows:

	Balance 01/01/08	Additions	Deletions	Balance 12/31/08	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Tax increment	\$2,800,000	\$ -	\$1,380,000	\$1,420,000	\$1,420,000
Special assessment	5,385,000	1,955,000	1,170,000	6,170,000	860,000
General obligation	9,245,000	-	2,215,000	7,030,000	440,000
Plus/(Less) deferred amounts:					
For issuance premium	13,395	-	1,352	12,043	1,352
For issuance discount	(208,439)	36,409	23,974	(220,874)	(26,011)
Total bonds payable	17,234,956	1,918,591	4,742,378	14,411,169	2,695,341
Note payable	341,070	-	37,549	303,521	37,549
Capital lease	1,783,901	-	62,294	1,721,607	124,444
Net other post-employment benefit obligation	-	565,215	297,693	267,522	-
Compensated absences	536,643	51,214	200,580	387,277	136,043
Total governmental activities long-term debt	<u>\$19,896,570</u>	<u>\$2,535,020</u>	<u>\$5,340,494</u>	<u>\$17,091,096</u>	<u>\$2,993,377</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$58,367</u>	<u>\$8,337</u>	<u>\$12,892</u>	<u>\$53,812</u>	<u>\$12,475</u>

On December 16, 2008, the City issued \$1,955,000 of General Obligation Improvement Bonds, Series 2008A. The interest payment on the bond is August 1, 2009, and will be made semi-annually on February 1 and August 1. Principal on the bonds will be due on February 1 in the years 2010 through 2030. The City issued the bonds for the purpose of financing the Stockyards Redevelopment project and for street repair projects.

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, \$8,179 of internal service funds compensated absences is included in the above amounts. The City has liquidated compensated absences based upon the fund and department to which employees salaries are charged including the General Fund, Library, Wakota Arena, Airport and Central Garage. At year-end, \$267,522 of internal service funds other post-employment benefit obligation is included in the above amounts. The City liquidated other post-employment benefit obligation based upon the fund and department to which retired employees salaries were charged during employment including the General Fund and Library Fund.

On February 1, 2008, the City redeemed \$1,810,000 of the callable portion of the \$2,375,000 General Obligation Bonds, Series 2000, (bonds maturing in the years 2009 through 2021). The City continued to pay, as due, principal and interest on the Series 2000 Bonds at the rates and amounts specified to the call date (February 1, 2008). The refunding will reduced the City's total future debt service payments by approximately \$162,125, and resulted in a present value savings of approximately \$118,760.

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:

Governmental Activities	Issue Date	Maturities	Interest Rate	Original Amount	Outstanding 12/31/08
T-Hangar note payable	2/1/2007	1/1/2017	0.00%	\$375,490	\$303,521

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Annual payments to maturity are as follows:

Year Ending December 31	Principal
2009	\$37,549
2010	37,549
2011	37,549
2012	37,549
2013	37,549
2014-2017	<u>115,776</u>
Total	<u>\$303,521</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 Public Employees Retirement Fund (PERF) 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.

PERF 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.

The South St. Paul Firefighter’s Relief Association and the South St. Paul Police Relief Association elected to join with the Public Employees Police and Fire Consolidation Fund (PFCF) effective February 1, 1994 and May 30, 1997, respectively. Pursuant to a change in Minnesota State legislation effective on July 1, 1999, the PFCF merged into PEPFF. Accordingly, the South St. Paul Fire Consolidation Account and the South St. Paul Police Consolidation Account were terminated. All of the members and their associated assets and accrued benefits were transferred to PERA’s Police and Fire Fund. Since the South St. Paul Fire and South St. Paul Police Consolidation accounts were not fully funded, the City was required to make additional municipal contributions of \$224,204 and \$106,261 in 2008, respectively, as of December 31, 2008 the City has fulfilled its additional funding requirements.

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. 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 PERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6%, respectively, of their annual covered salary in 2008. Contribution rates in the Coordinated Plan will increase in 2009 to 6.75%. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$212,840, \$196,335 and \$178,414, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2008, 2007 and 2006 were \$242,398, \$365,610 and \$281,418, 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 four-tenths of one percent of the assets in each member's account annually.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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Total contributions made by the City during fiscal year 2008 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$975	\$975	5.00%	5.00%	5.00%

**Note 7 OTHER POST EMPLOYMENT 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 Post Employment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for post employment healthcare benefits other than pensions as of January 1, 2008.

**a) 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, 2008 there were approximately 89 active participants and 29 retired participants receiving benefits from the City's health plans.

**b) Funding Policy**

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2008, the City contributed \$297,693 to the plan, in relation to the Annual Required Contribution. In addition, the City transferred designated funds of \$144,428 from the General Fund to the OPEB Internal Service Fund for OPEB related liabilities. Under GASB 45, the transfer is not considered a contribution to the net OPEB obligation as it is considered revocable.

**c) 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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 565,215
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>565,215</u>
Contributions Made	<u>(297,693)</u>
Increase in Net OPEB Obligation	267,522
Net OPEB Obligation- Beginning of Year	-
Net OPEB Obligation- End of Year	<u><u>\$ 267,522</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 2008:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 565,215	63.2%	\$ 267,522

**d) 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.

**e) 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% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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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 TAX INCREMENT DISTRICTS**

The City of South St. Paul is the administering authority for the following tax increment district:

Concord Street Redevelopment Project

Authorized per MS 462.585; established in 1973 with duration until 2009. Tax capacity value for taxes collectible 2008:

Current tax capacity value	\$2,277,436
Less original tax capacity value	<u>(354,945)</u>
Value retained by authority	<u><u>\$1,922,491</u></u>

Related bonded indebtedness is as follows:

	<u>G.O. Refunding Bonds Series 2004A</u>
Date of issue	12/28/2004
Bonds issued	\$4,320,000
Bonds retired	<u>(2,900,000)</u>
Bonds outstanding, December 31, 2008	<u><u>\$1,420,000</u></u>

**Note 9 FUND CHANGES**

The following funds were opened in 2008:

Internal Service Fund

Other Post Retirement Benefits (OPEB)

Capital Project Funds

2008 Local Improvement  
 380 Airport Road  
 17<sup>th</sup> Ave North Water Tower

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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Debt Service Funds

2008A Improvement Bonds

The following funds were closed in 2008:

Debt Service Funds

2000 General Obligation Bonds

**Note 10 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS**

The composition of interfund balances at December 31, 2008 is as follows:

<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amount</u>
General Programs	Airport	\$1,177,772
General Programs	Airport Improvements	844,464
	Nonmajor Governmental Funds:	
General Programs	Wakota Arena	403,357
General Programs	Special Projects	529,625
General Programs	Stockyards Redevelopment	89,025
General Programs	17th Ave North Water Tower	110
General Programs	2005 Local Improvement	13,044
General Programs	2008 Local Improvement	12,589
General Programs	380 Airport Road	<u>16,318</u>
Total		<u><u>\$3,086,304</u></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.

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Interfund transfers:

	General Fund	Special Projects	Nonmajor Governmental Fund	Internal Service Funds	Total
Transfer out:					
General Fund	\$ -	\$200,000	\$59,991	\$144,428	\$404,419
Tax Increment	-	-	1,455,451	-	1,455,451
Nonmajor Governmental Funds	29,417	-	2,087,529	-	2,116,946
Water and Sewer	100,000	-	25,453	-	125,453
Storm Water Utility	55,000	-	19,599	-	74,599
Total transfers	<u>\$184,417</u>	<u>\$200,000</u>	<u>\$3,648,023</u>	<u>\$144,428</u>	<u>\$4,176,868</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 11 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 "Authority"), 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 Authority 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 Authority 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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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The Corporation Base Rent payments to the City as of December 31, 2008 are as follows:

<u>Payment Year</u>	<u>Corporation Payment to City</u>
2009	\$170,602
2010	170,925
2011	171,985
2012	173,095
2013	174,258
2014-2018	890,785
2019-2023	873,971
2024-2028	<u>909,451</u>
Total	<u><u>\$3,535,072</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 12 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, 2008, 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, 2008 was \$296,729.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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**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:

<u>Location</u>	<u>Lessee</u>	<u>2008 Lease Amount</u>	<u>Annual Lease Adjustment Factor</u>	<u>Expiration Date</u>	<u>Renewal Options</u>
Kaposia Park	T-Mobile	\$18,841	5% Increase on Jan 1	12/31/2008	4 - 5 year terms
Thompson Water Tower	T-Mobile	\$19,293	5% Increase on Jan 1	12/31/2010	4 - 5 year terms
Alice Court Water Tower	T-Mobile	\$20,266	5% Increase on Jan 1	12/31/2009	3 - 5 year terms
Thompson Water Tower	Sprint Nextel	\$21,550	Greater of CPI or 5%	12/31/2011	2 - 5 year terms
Alice Court Water Tower	Sprint Nextel	\$16,971	5% Increase on Jan 1	12/31/2009	2 - 5 year terms
Thompson Water Tower	Verizon	\$16,567	5% Increase on July 1	12/31/2009	2 - 5 year terms

**Note 12 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, 2008 are as follows:

<u>Payment Year</u>	<u>City Payment to Authority</u>
2009	\$137,670
2010	146,320
2011	148,736
2012	151,150
2013	148,330
2014-2018	746,062
2019-2023	698,100
2024-2028	802,722
Total	<u><u>\$2,979,090</u></u>

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

Capital lease - building	\$ 1,783,901
Less: Accumulated Depreciation	<u>35,678</u>
Net	<u>\$ 1,748,223</u>

**Note 13 JOINT VENTURES**

**A. SPECIAL SCHOOL DISTRICT NO. 6**

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. 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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
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The City of South St. Paul's debt payments for the year ending December 31, 2008 were \$60,896. The City of South St. Paul's future debt payments as of December 31, 2008 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2008	\$70,615
2009	69,356
2010	71,717
2011	73,783
2012	71,566
2013-2014	<u>84,696</u>
Total	<u><u>\$441,733</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](http://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](mailto: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 12/31/2008 were \$1,904,017. In addition, each city performed in-kind contributed services of approximate equal value during 2008 with additional service agreements in future years.

**Note 14 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. The City has also purchased commercial boiler insurance. 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, 2008.

**D. TAX INCREMENT DISTRICTS**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance, which would have a material effect on the financial statements.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

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**Note 15 COMMITTED CONTRACTS**

The government has active construction projects as of December 31, 2008. The projects include City Hall Remodeling and Airport Hangar buildings. Also included are annual local improvement and maintenance projects.

<u>Projects</u>	<u>Committed Contract</u>
Regional Trail - 19th Avenue Tunnel	\$422,057
Airport	191,844
Stockyards Redevelopment	420,730
Storm Sewer Project	<u>93,893</u>
Total	<u><u>\$1,128,524</u></u>

**Note 16 SUBSEQUENT EVENTS**

As part of the City Council meeting of January 5, 2009, the City Council gave concept approval for 1,400 'banked' SAC credits to be transferred to the City of Chaska, Minnesota to the benefit of Northern Star Company/Michael Foods with a purchase price and more formal agreement to be approved at a later meeting. On March 2, 2009, the City Council approved the agreement to sell the 1,400 SAC credits at a total price of \$1,500,000. Northern Star Company/Michael Foods will pay two equal payments on March 15 and June 15, 2009.

As part of the City Council meeting of December 15, 2008, the City Council approved the establishment of a street lighting utility that became effective beginning on January 1, 2009. The street light utility charge was established to create a new revenue source to help maintain and operate the street lighting and signal systems throughout the City. The largest expense associated with running a street lighting system is the electricity costs which the City historically paid from the General Fund.

**Note 17 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. 51** *Accounting and Financial Reporting for Intangible Assets*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2009.

**Statement No. 52** *Land and Other Real Estate Held as Investments by Endowments*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2008.

**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.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with	2007 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
<b>Revenues:</b>					
<b>General property taxes:</b>					
Current	\$3,979,273	\$3,979,273	\$3,779,501	(\$199,772)	\$3,370,856
Delinquent	-	-	119,816	119,816	85,330
Fiscal disparities	930,000	930,000	1,025,336	95,336	938,848
Other	-	-	4,681	4,681	3,937
Total general property taxes	4,909,273	4,909,273	4,929,334	20,061	4,398,971
Franchise tax	855,827	903,064	896,215	(6,849)	794,921
Licenses and permits	534,780	426,230	377,503	(48,727)	385,103
<b>Intergovernmental:</b>					
<b>Federal:</b>					
Grants	-	-	1,764	1,764	7,201
<b>State:</b>					
Market value homestead credit	400,000	400,000	426,596	26,596	438,395
Local government aid	2,043,465	2,043,465	1,688,661	(354,804)	2,019,642
Road maintenance	176,000	178,500	184,670	6,170	163,827
Fire and police aids	537,503	342,503	343,491	988	549,541
Other	26,014	26,014	28,209	2,195	28,676
<b>County:</b>					
Gravel tax	4,200	4,200	3,411	(789)	3,989
Road maintenance	28,500	30,500	14,466	(16,034)	28,493
Recycling grant	18,000	21,200	21,200	-	17,900
Other	-	-	1,775	1,775	-
Local - other	66,425	66,425	69,795	3,370	63,926
Total intergovernmental	3,300,107	3,112,807	2,784,038	(328,769)	3,321,590
<b>Charges for services:</b>					
General government	250,817	225,817	227,331	1,514	213,555
Public safety	15,000	50,500	54,046	3,546	100,333
Public works	5,000	5,000	11,303	6,303	2,612
Parks and recreation	198,900	198,900	206,268	7,368	178,556
Administrative fee - other funds	105,000	105,000	101,300	(3,700)	101,300
Engineering project fees	200,000	180,000	192,318	12,318	176,328
Rents	109,200	106,200	94,241	(11,959)	88,614
Total charges for services	883,917	871,417	886,807	15,390	861,298
Fines and forfeits	102,500	102,500	103,386	886	116,881
Special assessments	-	-	2,682	2,682	1,285
<b>Miscellaneous:</b>					
Investment income	185,000	185,000	51,542	(133,458)	213,588
Contributions and donations	-	-	1,000	1,000	825
Other	105,000	105,000	43,721	(61,279)	61,596
Total miscellaneous	290,000	290,000	96,263	(193,737)	276,009
<b>Total revenues</b>	<b>10,876,404</b>	<b>10,615,291</b>	<b>10,076,228</b>	<b>(539,063)</b>	<b>10,156,058</b>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with	2007 Actual Amounts
				Final Budget -	
	Original	Final		Positive (Negative)	
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personal services	\$55,448	\$55,447	\$55,511	(\$64)	\$58,063
Materials and supplies	500	500	536	(36)	321
Other services and charges	51,293	54,022	43,620	10,402	45,059
Total mayor and city council	<u>107,241</u>	<u>109,969</u>	<u>99,667</u>	<u>10,302</u>	<u>103,443</u>
City administration:					
Current:					
Personal services	220,988	265,222	265,758	(536)	234,154
Materials and supplies	3,300	3,300	3,516	(216)	7,435
Other services and charges	60,400	53,400	39,550	13,850	39,717
Total city administration	<u>284,688</u>	<u>321,922</u>	<u>308,824</u>	<u>13,098</u>	<u>281,306</u>
Community relations:					
Current:					
Personal services	69,432	69,432	71,007	(1,575)	66,998
Materials and supplies	8,400	8,400	8,550	(150)	8,720
Other services and charges	2,262	2,262	1,818	444	954
Total community relations	<u>80,094</u>	<u>80,094</u>	<u>81,375</u>	<u>(1,281)</u>	<u>76,672</u>
City planner:					
Current:					
Personal services	89,060	89,060	94,245	(5,185)	84,944
Materials and supplies	650	650	560	90	359
Other services and charges	5,800	5,800	2,109	3,691	6,473
Total city planner	<u>95,510</u>	<u>95,510</u>	<u>96,914</u>	<u>(1,404)</u>	<u>91,776</u>
City clerk:					
Current:					
Personal services	121,254	142,143	135,044	7,099	107,167
Materials and supplies	7,000	7,000	9,695	(2,695)	4,992
Other services and charges	15,950	18,150	18,465	(315)	7,804
Total city clerk	<u>144,204</u>	<u>167,293</u>	<u>163,204</u>	<u>4,089</u>	<u>119,963</u>
City finance:					
Current:					
Personal services	283,237	258,605	255,321	3,284	219,155
Materials and supplies	11,585	11,585	9,717	1,868	13,108
Other services and charges	72,596	66,596	57,031	9,565	97,726
Total city finance	<u>367,418</u>	<u>336,786</u>	<u>322,069</u>	<u>14,717</u>	<u>329,989</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 10**  
**Page 3 of 5**

	Budgeted Amounts		2008 Actual Amounts	Variance with	2007 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
Expenditures: (continued)					
General government: (continued)					
Computer:					
Current:					
Personal services	\$105,475	\$105,774	\$104,678	\$1,096	\$82,401
Materials and supplies	9,650	9,650	4,108	5,542	5,632
Other services and charges	8,100	8,100	4,894	3,206	5,905
Total computer	<u>123,225</u>	<u>123,524</u>	<u>113,680</u>	<u>9,844</u>	<u>93,938</u>
City attorney:					
Current:					
Materials and supplies	1,500	1,500	-	1,500	-
Other services and charges	245,000	245,000	277,363	(32,363)	265,833
Total city attorney	<u>246,500</u>	<u>246,500</u>	<u>277,363</u>	<u>(30,863)</u>	<u>265,833</u>
City hall:					
Current:					
Personal services	77,731	81,533	79,750	1,783	92,481
Materials and supplies	13,250	13,250	14,262	(1,012)	9,171
Other services and charges	126,232	162,424	170,572	(8,148)	145,973
Total city hall	<u>217,213</u>	<u>257,207</u>	<u>264,584</u>	<u>(7,377)</u>	<u>247,625</u>
Recycling:					
Current:					
Personal services	26,872	31,685	33,466	(1,781)	33,672
Materials and supplies	1,000	1,000	544	456	203
Other services and charges	29,350	26,350	21,217	5,133	23,936
Total recycling	<u>57,222</u>	<u>59,035</u>	<u>55,227</u>	<u>3,808</u>	<u>57,811</u>
Total general government	<u>1,723,315</u>	<u>1,797,840</u>	<u>1,782,907</u>	<u>14,933</u>	<u>1,668,356</u>
Public safety:					
Police:					
Current:					
Personal services	2,936,865	3,004,660	3,021,374	(16,714)	2,751,116
Materials and supplies	39,846	39,846	38,011	1,835	35,766
Other services and charges	701,467	696,316	692,242	4,074	628,112
Capital outlay	17,000	17,000	16,779	221	24,472
Total police	<u>3,695,178</u>	<u>3,757,822</u>	<u>3,768,406</u>	<u>(10,584)</u>	<u>3,439,466</u>
Fire:					
Current:					
Personal services	224,204	314,184	309,044	5,140	2,180,925
Materials and supplies	-	-	(176)	176	66,420
Other services and charges	1,904,017	1,921,653	1,925,137	(3,484)	303,242
Total fire	<u>2,128,221</u>	<u>2,235,837</u>	<u>2,234,005</u>	<u>1,832</u>	<u>2,550,587</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
Expenditures: (continued)					
Public safety: (continued)					
Fire consolidation:					
Current:					
Personal services	\$ -	\$ -	\$ -	\$ -	\$9,590
Materials and supplies	-	-	-	-	2,912
Other services and charges	-	-	-	-	12,871
Total fire consolidation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,373</u>
Code enforcement:					
Current:					
Personal services	309,865	240,495	238,477	2,018	241,446
Materials and supplies	5,300	5,300	2,013	3,287	2,090
Other services and charges	26,330	25,330	21,028	4,302	13,949
Total code enforcement	<u>341,495</u>	<u>271,125</u>	<u>261,518</u>	<u>9,607</u>	<u>257,485</u>
Animal control:					
Current:					
Personal services	18,626	18,509	14,761	3,748	13,745
Materials and supplies	500	500	120	380	-
Other services and charges	15,800	15,800	6,533	9,267	13,473
Total animal control	<u>34,926</u>	<u>34,809</u>	<u>21,414</u>	<u>13,395</u>	<u>27,218</u>
Total public safety	<u>6,199,820</u>	<u>6,299,593</u>	<u>6,285,343</u>	<u>14,250</u>	<u>6,300,129</u>
Public works:					
Engineering:					
Current:					
Personal services	408,310	447,226	447,785	(559)	428,582
Materials and supplies	5,500	5,500	3,605	1,895	3,474
Other services and charges	48,750	48,750	39,371	9,379	39,084
Total engineering	<u>462,560</u>	<u>501,476</u>	<u>490,761</u>	<u>10,715</u>	<u>471,140</u>
Public works:					
Current:					
Personal services	606,997	610,039	600,057	9,982	582,651
Materials and supplies	189,000	194,000	230,115	(36,115)	162,176
Other services and charges	498,579	502,071	537,291	(35,220)	512,324
Capital outlay	8,500	8,500	-	8,500	-
Total public works	<u>1,303,076</u>	<u>1,314,610</u>	<u>1,367,463</u>	<u>(52,853)</u>	<u>1,257,151</u>
Total public works	<u>1,765,636</u>	<u>1,816,086</u>	<u>1,858,224</u>	<u>(42,138)</u>	<u>1,728,291</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget -	2007 Actual Amounts
	Original	Final		Positive (Negative)	
Expenditures: (continued)					
Parks:					
Administration					
Current:					
Personal services	\$327,672	\$380,645	\$375,391	\$5,254	\$337,298
Materials and supplies	7,150	7,150	4,938	2,212	8,052
Other services and charges	30,412	30,412	42,068	(11,656)	39,524
Total administration	<u>365,234</u>	<u>418,207</u>	<u>422,397</u>	<u>(4,190)</u>	<u>384,874</u>
Parks, pools and maintenance operations:					
Current:					
Personal services	430,512	426,920	422,460	4,460	398,093
Materials and supplies	90,328	90,328	125,643	(35,315)	111,591
Other services and charges	188,306	182,356	213,877	(31,521)	193,844
Total parks, pools and maintenance operations	<u>709,146</u>	<u>699,604</u>	<u>761,980</u>	<u>(62,376)</u>	<u>703,528</u>
Total parks	<u>1,074,380</u>	<u>1,117,811</u>	<u>1,184,377</u>	<u>(66,566)</u>	<u>1,088,402</u>
Contingency	<u>133,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,896,620</u>	<u>11,031,330</u>	<u>11,110,851</u>	<u>(79,521)</u>	<u>10,785,178</u>
Revenues over expenditures	<u>(20,216)</u>	<u>(416,039)</u>	<u>(1,034,623)</u>	<u>(618,584)</u>	<u>(629,120)</u>
Other financing sources (uses):					
Transfers in	280,207	155,000	184,417	29,417	509,361
Transfers out	(259,991)	(259,991)	(404,419)	(144,428)	(180,094)
Total other financing sources and uses	<u>20,216</u>	<u>(104,991)</u>	<u>(220,002)</u>	<u>(115,011)</u>	<u>329,267</u>
Net change in fund balance	<u>\$0</u>	<u>(\$521,030)</u>	<u>(1,254,625)</u>	<u>(\$733,595)</u>	<u>(299,853)</u>
Fund balance - January 1			<u>3,157,255</u>		<u>3,457,108</u>
Fund balance - December 31			<u>\$1,902,630</u>		<u>\$3,157,255</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - 245 - AIRPORT**  
For The Year Ended December 31, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 11**

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Intergovernmental:					
State:					
Airport operations and maintenance	\$29,259	\$29,259	\$118,635	\$89,376	\$29,269
Charges for services:					
Transportation					
Hangar rentals/land leases	475,819	398,693	296,729	(101,964)	299,345
Aircraft fuel sales	695,175	814,960	698,631	(116,329)	517,796
Other	2,600	3,620	2,731	(889)	2,337
Total charges for services	1,173,594	1,217,273	998,091	(219,182)	819,478
Miscellaneous:					
Contributions and donations	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	-	-	-	-	-
Other	-	-	24	24	-
Total miscellaneous	0	0	24	24	0
Total revenues	1,202,853	1,246,532	1,116,750	(129,782)	848,747
<b>Expenditures:</b>					
Transportation:					
Current:					
Personal services	175,373	156,472	140,924	15,548	127,437
Materials and supplies	640,724	768,259	673,813	94,446	527,748
Other services and charges	116,832	121,576	142,756	(21,180)	143,746
Capital outlay	615,000	-	11,275	(11,275)	134,573
Long term debt	38,696	38,696	37,549	1,147	34,420
Interest expenditure	40,000	100,000	71,959	28,041	117,037
Total expenditures	1,626,625	1,185,003	1,078,276	106,727	1,084,961
Revenues over (under) expenditures	(423,772)	61,529	38,474	(23,055)	(236,214)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	8,000
Net change in fund balance	(\$423,772)	\$61,529	38,474	(\$23,055)	(228,214)
Fund balance (deficit) - January 1			(1,181,491)		(953,277)
Fund balance (deficit) - December 31			(\$1,143,017)		(\$1,181,491)

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST RETIREMENT BENEFITS**  
December 31, 2008

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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, 2008

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**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 several departments where expenditures exceeded appropriations at December 31, 2008. 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, 2008  
With Comparative Totals For December 31, 2007

**Statement 12**

Assets	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2008	2007
Cash and investments	\$355,469	\$4,305,824	\$1,142,428	\$5,803,721	\$6,730,913
Cash and investments with escrow agent	-	-	-	-	1,811,699
Accrued interest	-	-	-	-	29,349
Accounts receivable	96,200	-	77,035	173,235	78,762
Property taxes receivable:					
Delinquent	37,007	41,261	-	78,268	120,495
Due from county	5,392	6,231	-	11,623	18,095
Special assessments receivable:					
Delinquent	-	19,149	984	20,133	23,100
Deferred	-	1,148,735	178,484	1,327,219	1,230,383
Due from county	-	6,270	104	6,374	13,120
Due from other governmental units	24,922	-	2,197,375	2,222,297	674,086
<b>Total assets</b>	<b>\$518,990</b>	<b>\$5,527,470</b>	<b>\$3,596,410</b>	<b>\$9,642,870</b>	<b>\$10,730,002</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts, salaries and contracts payable	\$125,337	\$ -	\$415,032	\$540,369	\$234,224
Deposits payable	-	-	19,100	19,100	9,679
Due to other governmental units	2,715	-	-	2,715	2,841
Advances from other funds	403,357	-	660,711	1,064,068	1,348,041
Deferred revenue	37,007	1,209,145	874,283	2,120,435	1,768,999
<b>Total liabilities</b>	<b>568,416</b>	<b>1,209,145</b>	<b>1,969,126</b>	<b>3,746,687</b>	<b>3,363,784</b>
<b>Fund balance:</b>					
Reserved	-	3,407,546	-	3,407,546	5,754,084
Unreserved:					
Designated for future projects	184,185	-	1,138,705	1,322,890	1,653,802
Undesignated	(233,611)	910,779	488,579	1,165,747	(41,668)
<b>Total fund balance</b>	<b>(49,426)</b>	<b>4,318,325</b>	<b>1,627,284</b>	<b>5,896,183</b>	<b>7,366,218</b>
<b>Total liabilities and fund balance</b>	<b>\$518,990</b>	<b>\$5,527,470</b>	<b>\$3,596,410</b>	<b>\$9,642,870</b>	<b>\$10,730,002</b>

**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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 13**

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2008	2007
Revenues:					
General property taxes	\$608,243	\$700,072	\$ -	\$1,308,315	\$1,263,286
Tax increment collections	-	-	-	-	1,618,276
Intergovernmental	67,970	-	2,118,171	2,186,141	798,111
Charges for services	1,016,471	-	123,843	1,140,314	1,016,201
Fines and forfeits	9,835	-	-	9,835	23,085
Special assessments	-	481,186	130,000	611,186	541,305
Investment income	17,194	252,032	82,074	351,300	663,515
Contributions and donations	27,443	-	-	27,443	4,541
Miscellaneous	9,030	-	-	9,030	5,337
Total revenues	<u>1,756,186</u>	<u>1,433,290</u>	<u>2,454,088</u>	<u>5,643,564</u>	<u>5,933,657</u>
Expenditures:					
Current:					
General government	6,022	-	35,179	41,201	222,763
Public safety	58,835	-	-	58,835	14,607
Public works	-	-	520,142	520,142	941,712
Parks, arena, library	1,587,624	-	-	1,587,624	1,448,758
Nondepartmental	-	-	-	-	12,058
Capital outlay:					
General government	-	-	133,826	133,826	3,762
Public safety	-	-	35,415	35,415	-
Public works	-	-	2,981,684	2,981,684	269,232
Parks, arena, library	221,260	-	12,081	233,341	-
Transportation	-	-	-	-	42,185
Interest expenditure	30,007	477	34,180	64,664	175,559
Debt service:					
Principal	-	2,856,666	-	2,856,666	2,695,496
Interest	-	559,531	-	559,531	677,440
Bond issuance costs	-	2,136	28,908	31,044	53,529
Total expenditures	<u>1,903,748</u>	<u>3,418,810</u>	<u>3,781,415</u>	<u>9,103,973</u>	<u>6,557,101</u>
Revenues over (under) expenditures	<u>(147,562)</u>	<u>(1,985,520)</u>	<u>(1,327,327)</u>	<u>(3,460,409)</u>	<u>(623,444)</u>
Other financing sources (uses):					
Bond issued	-	80,130	1,874,870	1,955,000	1,420,000
Issuance of refunding bonds	-	-	-	-	1,840,000
Bond discount	-	(257)	(6,008)	(6,265)	-
Bond premium	-	-	-	-	14,249
Loan proceeds	-	-	-	-	375,490
Refunded bonds redeemed	-	(1,810,000)	-	(1,810,000)	-
Transfers in	421,259	3,321,709	105,055	3,848,023	2,528,309
Transfers out	(189,871)	(1,705,805)	(221,270)	(2,116,946)	(1,605,070)
Total other financing sources (uses)	<u>231,388</u>	<u>(114,223)</u>	<u>1,752,647</u>	<u>1,869,812</u>	<u>4,572,978</u>
Net change in fund balance	83,826	(2,099,743)	425,320	(1,590,597)	3,949,534
Fund balance - January 1	<u>(133,252)</u>	<u>6,418,068</u>	<u>1,201,964</u>	<u>7,486,780</u>	<u>3,416,684</u>
Fund balance (deficit) - December 31	<u>(\$49,426)</u>	<u>\$4,318,325</u>	<u>\$1,627,284</u>	<u>\$5,896,183</u>	<u>\$7,366,218</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.

Wakota Arena - This fund is used to account for revenues and expenditures for municipal arena 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, 2008  
 With Comparative Totals For December 31, 2007

**Statement 14**

Assets	201 -	202- Park	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants	Land Dedication		Arena	Square	Revenue Funds	Revenue Funds
						2008	2007
Cash and investments	\$180,557	\$7,936	\$28,961	\$ -	\$138,015	\$355,469	\$307,843
Accounts receivable	3,795	-	-	91,205	1,200	96,200	78,762
Property taxes receivable:							
Delinquent	-	-	37,007	-	-	37,007	27,034
Due from county	-	-	5,392	-	-	5,392	4,457
Due from other governmental units	128	-	-	23,772	1,022	24,922	57,266
<b>Total assets</b>	<b>\$184,480</b>	<b>\$7,936</b>	<b>\$71,360</b>	<b>\$114,977</b>	<b>\$140,237</b>	<b>\$518,990</b>	<b>\$475,362</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts, salaries and contracts payable	\$295	\$ -	\$34,335	\$70,974	\$19,733	\$125,337	\$179,139
Deposits payable	-	-	-	-	-	-	5,579
Due to other governmental units	-	-	18	2,221	476	2,715	2,841
Advances from other funds	-	-	-	403,357	-	403,357	394,021
Deferred revenue	-	-	37,007	-	-	37,007	27,034
<b>Total liabilities</b>	<b>295</b>	<b>0</b>	<b>71,360</b>	<b>476,552</b>	<b>20,209</b>	<b>568,416</b>	<b>608,614</b>
<b>Fund balance:</b>							
<b>Unreserved:</b>							
Designated for future projects	184,185	-	-	-	-	184,185	148,938
Undesignated	-	7,936	-	(361,575)	120,028	(233,611)	(282,190)
<b>Total fund balance</b>	<b>184,185</b>	<b>7,936</b>	<b>0</b>	<b>(361,575)</b>	<b>120,028</b>	<b>(49,426)</b>	<b>(133,252)</b>
<b>Total liabilities and fund balance</b>	<b>\$184,480</b>	<b>\$7,936</b>	<b>\$71,360</b>	<b>\$114,977</b>	<b>\$140,237</b>	<b>\$518,990</b>	<b>\$475,362</b>

**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, 2008**  
**With Comparative Actual Amounts For The Year Ended December 31, 2007**

**Statement 15**

	201 -	202- Park	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants	Land Dedication		Arena	Square	Revenue Funds	
						2008	2007
<b>Revenues:</b>							
General property taxes	\$ -	\$ -	\$608,243	\$ -	\$ -	\$608,243	\$615,317
Intergovernmental	67,970	-	-	-	-	67,970	32,669
Charges for services	-	-	4,011	797,149	215,311	1,016,471	1,016,201
Fines and forfeits	3,166	-	6,669	-	-	9,835	23,085
Investment income	9,546	311	-	-	7,337	17,194	24,963
Contributions and donations	27,243	-	200	-	-	27,443	4,541
Miscellaneous	1,236	5,000	1,593	1,201	-	9,030	5,337
Total revenues	<u>109,161</u>	<u>5,311</u>	<u>620,716</u>	<u>798,350</u>	<u>222,648</u>	<u>1,756,186</u>	<u>1,722,113</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	6,022	-	-	-	-	6,022	191,301
Public safety	58,835	-	-	-	-	58,835	14,607
Parks, arena, library	9,057	-	615,890	778,053	184,624	1,587,624	1,448,758
Interest expenditure	-	-	-	30,007	-	30,007	54,650
Capital outlay	-	-	-	221,260	-	221,260	-
Total expenditures	<u>73,914</u>	<u>0</u>	<u>615,890</u>	<u>1,029,320</u>	<u>184,624</u>	<u>1,903,748</u>	<u>1,709,316</u>
Revenues over (under) expenditures	<u>35,247</u>	<u>5,311</u>	<u>4,826</u>	<u>(230,970)</u>	<u>38,024</u>	<u>(147,562)</u>	<u>12,797</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	421,259	-	421,259	113,000
Transfers out	-	-	(29,417)	(160,454)	-	(189,871)	(163,203)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(29,417)</u>	<u>260,805</u>	<u>0</u>	<u>231,388</u>	<u>(50,203)</u>
Net change in fund balance	35,247	5,311	(24,591)	29,835	38,024	83,826	(37,406)
Fund balance (deficit) - January 1	<u>148,938</u>	<u>2,625</u>	<u>24,591</u>	<u>(391,410)</u>	<u>82,004</u>	<u>(133,252)</u>	<u>(95,846)</u>
Fund balance (deficit) - December 31	<u>\$184,185</u>	<u>\$7,936</u>	<u>\$0</u>	<u>(\$361,575)</u>	<u>\$120,028</u>	<u>(\$49,426)</u>	<u>(\$133,252)</u>

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## NONMAJOR DEBT SERVICE FUNDS

The City maintains the following Debt Service Funds:

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 from tax increment generated from the Concord Street Redevelopment Project No. 1:

- 2004A Refunding Bonds – issued to refund the 1996 TIF Refunding Bonds.

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.
- 2000 General Obligation Bonds – issued for the purpose of financing the one-time cost of a negotiated judgment with a property developer in an adjoining city.
- 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.
- 2006A Capital Improvement Bonds – issued for the purpose of funding 2006 street reconstruction and maintenance projects.
- 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.

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

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	317 - 2004A Refunding Bonds	316 - 1995B Refunding Park Bonds	356- 2007B Refunding Bonds	327 - 2000 General Obligation Bonds	320 - 2003B Arena Revenue Bonds	355 - 2007 DCC Revenue Bonds
<b>Assets</b>						
Cash and investments	\$ -	\$260,217	\$281,751	\$ -	\$ -	\$24,897
Cash and investments with escrow agent	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Property taxes receivable:						
Delinquent	-	5,473	9,670	1,774	-	3,765
Due from county	-	800	1,672	-	-	651
Special assessments receivable:						
Delinquent	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Due from county	-	-	-	-	-	-
<b>Total assets</b>	<b>\$0</b>	<b>\$266,490</b>	<b>\$293,093</b>	<b>\$1,774</b>	<b>\$0</b>	<b>\$29,313</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Deferred revenue	\$ -	\$5,473	\$9,670	\$1,774	\$ -	\$3,765
<b>Fund balance:</b>						
Reserved for debt service	-	184,454	283,423	-	-	25,548
Unreserved:						
Undesignated	-	76,563	-	-	-	-
<b>Total fund balance</b>	<b>0</b>	<b>261,017</b>	<b>283,423</b>	<b>0</b>	<b>0</b>	<b>25,548</b>
<b>Total liabilities and fund balance</b>	<b>\$0</b>	<b>\$266,490</b>	<b>\$293,093</b>	<b>\$1,774</b>	<b>\$0</b>	<b>\$29,313</b>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
December 31, 2008  
With Comparative Totals For December 31, 2007

	340 - 1994 Improvement Bonds	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds	348 - 2001 Improvement Bonds
<b>Assets</b>							
Cash and investments	\$91,028	\$519,149	\$112,356	\$194,117	\$185,919	\$378,005	\$278,036
Cash and investments with escrow agent	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-
Property taxes receivable:							
Delinquent	3,793	-	-	-	-	-	-
Due from county	556	-	-	-	-	-	-
Special assessments receivable:							
Delinquent	319	493	870	1,891	2,105	1,465	3,631
Deferred	1,575	-	-	7,907	25,136	51,966	82,744
Due from county	-	-	-	403	207	289	1,149
<b>Total assets</b>	<b>\$97,271</b>	<b>\$519,642</b>	<b>\$113,226</b>	<b>\$204,318</b>	<b>\$213,367</b>	<b>\$431,725</b>	<b>\$365,560</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Deferred revenue	\$5,687	\$493	\$870	\$9,798	\$27,241	\$53,431	\$86,375
<b>Fund balance:</b>							
Reserved for debt service	91,584	-	-	71,470	147,000	337,759	279,185
<b>Unreserved:</b>							
Undesignated	-	519,149	112,356	123,050	39,126	40,535	-
<b>Total fund balance</b>	<b>91,584</b>	<b>519,149</b>	<b>112,356</b>	<b>194,520</b>	<b>186,126</b>	<b>378,294</b>	<b>279,185</b>
<b>Total liabilities and fund balance</b>	<b>\$97,271</b>	<b>\$519,642</b>	<b>\$113,226</b>	<b>\$204,318</b>	<b>\$213,367</b>	<b>\$431,725</b>	<b>\$365,560</b>

349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	357 - 2008A Improvement Bonds	Totals Nonmajor Debt Service Funds	
						2008	2007
\$283,083	\$642,198	\$552,125	\$225,997	\$119,031	\$157,915	\$4,305,824	\$4,559,173
-	-	-	-	-	-	-	1,811,699
-	-	-	-	-	-	-	29,349
-	-	-	-	16,786	-	41,261	26,567
-	-	-	-	2,552	-	6,231	4,728
1,076	2,738	2,305	1,043	-	1,213	19,149	22,155
97,878	224,594	195,208	229,471	-	232,256	1,148,735	1,229,979
593	564	2,569	496	-	-	6,270	13,120
<u>\$382,630</u>	<u>\$870,094</u>	<u>\$752,207</u>	<u>\$457,007</u>	<u>\$138,369</u>	<u>\$391,384</u>	<u>\$5,527,470</u>	<u>\$7,696,770</u>
<u>\$98,954</u>	<u>\$227,332</u>	<u>\$197,513</u>	<u>\$230,514</u>	<u>\$16,786</u>	<u>\$233,469</u>	<u>\$1,209,145</u>	<u>\$1,278,702</u>
283,676	642,762	554,694	226,493	121,583	157,915	3,407,546	5,754,084
-	-	-	-	-	-	910,779	663,984
<u>283,676</u>	<u>642,762</u>	<u>554,694</u>	<u>226,493</u>	<u>121,583</u>	<u>157,915</u>	<u>4,318,325</u>	<u>6,418,068</u>
<u>\$382,630</u>	<u>\$870,094</u>	<u>\$752,207</u>	<u>\$457,007</u>	<u>\$138,369</u>	<u>\$391,384</u>	<u>\$5,527,470</u>	<u>\$7,696,770</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	317 - 2004A Refunding Bonds	316 - 1995B Refunding Park Bonds	356- 2007B Refunding Bonds	327 - 2000 General Obligation Bonds	320 - 2003B Arena Revenue Bonds	355 - 2007 DCC Revenue Bonds
<b>Revenues:</b>						
General property taxes	\$ -	\$90,525	\$183,471	\$5,434	\$ -	\$71,441
Special assessments	-	-	-	-	-	-
Investment income	15	11,996	39,114	6,988	-	3,220
Total revenues	<u>15</u>	<u>102,521</u>	<u>222,585</u>	<u>12,422</u>	<u>0</u>	<u>74,661</u>
<b>Expenditures:</b>						
Interest expenditure	-	-	-	-	-	87
Debt service:						
Principal	1,380,000	75,000	-	95,000	110,000	51,666
Interest	77,000	11,190	73,945	50,232	50,453	9,143
Bond issuance costs	-	-	900	-	-	-
Total expenditures	<u>1,457,000</u>	<u>86,190</u>	<u>74,845</u>	<u>145,232</u>	<u>160,453</u>	<u>60,896</u>
Revenues over (under) expenditures	<u>(1,456,985)</u>	<u>16,331</u>	<u>147,740</u>	<u>(132,810)</u>	<u>(160,453)</u>	<u>13,765</u>
<b>Other financing sources (uses):</b>						
Bond issued	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	(1,810,000)	-	-
Transfers in	1,455,451	-	-	1,705,805	160,453	-
Transfers out	-	-	(1,705,805)	-	-	-
Total other financing sources (uses)	<u>1,455,451</u>	<u>0</u>	<u>(1,705,805)</u>	<u>(104,195)</u>	<u>160,453</u>	<u>0</u>
Net change in fund balance	(1,534)	16,331	(1,558,065)	(237,005)	-	13,765
Fund balance - January 1	<u>1,534</u>	<u>244,686</u>	<u>1,841,488</u>	<u>237,005</u>	<u>0</u>	<u>11,783</u>
Fund balance - December 31	<u>\$0</u>	<u>\$261,017</u>	<u>\$283,423</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,548</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	340 - 1994 Improvement Bonds	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds	348 - 2001 Improvement Bonds
<b>Revenues:</b>							
General property taxes	\$62,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	133	6,327	727	35,014	27,554	33,585	43,749
Investment income	3,251	31,116	7,100	10,288	10,248	21,361	15,071
Total revenues	<u>66,223</u>	<u>37,443</u>	<u>7,827</u>	<u>45,302</u>	<u>37,802</u>	<u>54,946</u>	<u>58,820</u>
<b>Expenditures:</b>							
Interest expenditure	-	-	-	-	-	-	-
Debt service:							
Principal	55,000	200,000	85,000	70,000	75,000	105,000	75,000
Interest	7,695	5,000	1,828	4,375	8,838	17,508	13,852
Bond issuance costs	-	-	-	-	-	-	-
Total expenditures	<u>62,695</u>	<u>205,000</u>	<u>86,828</u>	<u>74,375</u>	<u>83,838</u>	<u>122,508</u>	<u>88,852</u>
Revenues over (under) expenditures	<u>3,528</u>	<u>(167,557)</u>	<u>(79,001)</u>	<u>(29,073)</u>	<u>(46,036)</u>	<u>(67,562)</u>	<u>(30,032)</u>
<b>Other financing sources (uses):</b>							
Bond issued	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	3,528	(167,557)	(79,001)	(29,073)	(46,036)	(67,562)	(30,032)
Fund balance - January 1	<u>88,056</u>	<u>686,706</u>	<u>191,357</u>	<u>223,593</u>	<u>232,162</u>	<u>445,856</u>	<u>309,217</u>
Fund balance - December 31	<u>\$91,584</u>	<u>\$519,149</u>	<u>\$112,356</u>	<u>\$194,520</u>	<u>\$186,126</u>	<u>\$378,294</u>	<u>\$279,185</u>

349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	357 - 2008A Improvement Bonds	Totals Nonmajor Debt Service Funds	
						2008	2007
\$ -	\$ -	\$ -	\$ -	\$286,362	\$ -	\$700,072	\$647,969
37,570	78,572	76,737	63,107	-	78,111	481,186	540,196
15,390	34,845	29,629	11,233	-	1,167	252,032	491,326
<u>52,960</u>	<u>113,417</u>	<u>106,366</u>	<u>74,340</u>	<u>286,362</u>	<u>79,278</u>	<u>1,433,290</u>	<u>1,679,491</u>
-	-	-	-	390	-	477	-
65,000	115,000	100,000	75,000	125,000	-	2,856,666	2,695,496
10,525	25,303	21,257	17,982	153,405	-	559,531	677,440
-	-	-	-	-	1,236	2,136	31,276
<u>75,525</u>	<u>140,303</u>	<u>121,257</u>	<u>92,982</u>	<u>278,795</u>	<u>1,236</u>	<u>3,418,810</u>	<u>3,404,212</u>
<u>(22,565)</u>	<u>(26,886)</u>	<u>(14,891)</u>	<u>(18,642)</u>	<u>7,567</u>	<u>78,042</u>	<u>(1,985,520)</u>	<u>(1,724,721)</u>
-	-	-	-	-	80,130	80,130	-
-	-	-	-	-	-	-	1,840,000
-	-	-	-	-	(257)	(257)	-
-	-	-	-	-	-	-	4,976
-	-	-	-	-	-	(1,810,000)	-
-	-	-	-	-	-	3,321,709	-
-	-	-	-	-	-	(1,705,805)	1,667,704
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,873</u>	<u>(114,223)</u>	<u>3,512,680</u>
(22,565)	(26,886)	(14,891)	(18,642)	7,567	157,915	(2,099,743)	1,787,959
<u>306,241</u>	<u>669,648</u>	<u>569,585</u>	<u>245,135</u>	<u>114,016</u>	<u>0</u>	<u>6,418,068</u>	<u>4,630,109</u>
<u>\$283,676</u>	<u>\$642,762</u>	<u>\$554,694</u>	<u>\$226,493</u>	<u>\$121,583</u>	<u>\$157,915</u>	<u>\$4,318,325</u>	<u>\$6,418,068</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.

Municipal State Aid – used to account for the City's allocation of State collected highway user tax for Minnesota State Aid (MSA) designated road construction.

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.

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.

17<sup>th</sup> Ave North Water Tower – used to account for revenues and expenditures related to the construction of the Water Tower on 17<sup>th</sup> Avenue North.

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

2005 - 2008 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	403 - Municipal State Aid	405 - Floodwall Construction	406 - City Hall Renovation
<b>Assets</b>				
Cash and investments	\$ -	\$10,025	\$232,671	\$87,423
Accounts receivable	-	-	-	4,694
Property taxes receivable:				
Delinquent	-	-	-	-
Due from county	-	-	-	-
Special assessments receivable:				
Delinquent	40	-	-	-
Deferred	63,452	-	-	-
Due from county	104	-	-	-
Due from other governmental units	1,053,377	628,074	-	-
<b>Total assets</b>	<u>\$1,116,973</u>	<u>\$638,099</u>	<u>\$232,671</u>	<u>\$92,117</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts, salaries and contracts payable	\$40,552	\$ -	\$ -	\$195,953
Deposits payable	15,000	-	-	-
Advances from other funds	529,625	-	-	-
Deferred revenue	63,492	628,074	-	-
<b>Total liabilities</b>	<u>648,669</u>	<u>628,074</u>	<u>0</u>	<u>195,953</u>
<b>Fund balance (deficit):</b>				
<b>Unreserved:</b>				
Designated for future projects	468,304	10,025	232,671	(103,836)
Undesignated	-	-	-	-
<b>Total fund balance (deficit)</b>	<u>468,304</u>	<u>10,025</u>	<u>232,671</u>	<u>(103,836)</u>
<b>Total liabilities and fund balance</b>	<u>\$1,116,973</u>	<u>\$638,099</u>	<u>\$232,671</u>	<u>\$92,117</u>

CITY OF SOUTH ST. PAUL, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
December 31, 2008  
With Comparative Totals For December 31, 2007

	420 - Equipment Acquisition	425 - Stockyards Redevelopment	426 - 17th Ave North Water Tower	431 - Local Improvement
<b>Assets</b>				
Cash and investments	\$531,855	\$ -	\$ -	\$107,030
Accounts receivable	-	-	-	-
Property taxes receivable:				
Delinquent	-	-	-	-
Due from county	-	-	-	-
Special assessments receivable:				
Delinquent	-	-	-	944
Deferred	-	-	-	24,989
Due from county	-	-	-	-
Due from other governmental units	-	500,000	-	-
<b>Total assets</b>	<b>\$531,855</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$132,963</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts, salaries and contracts payable	\$314	\$142,929	\$ -	\$ -
Deposits payable	-	-	-	-
Advances from other funds	-	89,025	110	-
Deferred revenue	-	-	-	25,933
<b>Total liabilities</b>	<b>314</b>	<b>231,954</b>	<b>110</b>	<b>25,933</b>
<b>Fund balance (deficit):</b>				
<b>Unreserved:</b>				
Designated for future projects	531,541	-	-	-
Undesignated	-	268,046	(110)	107,030
<b>Total fund balance (deficit)</b>	<b>531,541</b>	<b>268,046</b>	<b>(110)</b>	<b>107,030</b>
<b>Total liabilities and fund balance</b>	<b>\$531,855</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$132,963</b>

451 - 2005 Local Improvement	452 - 2006 Local Improvement	453 - 2007 Local Improvement	454 - 2008 Local Improvement	456 - 380 Airport Road	Totals Nonmajor Capital Project Funds	
					2008	2007
\$ -	\$27,610	\$145,814	\$ -	\$ -	\$1,142,428	\$1,863,897
-	-	-	5,600	66,741	77,035	-
-	-	-	-	-	-	66,894
-	-	-	-	-	-	8,910
-	-	-	-	-	984	945
90,043	-	-	-	-	178,484	404
-	-	-	-	-	104	-
-	-	15,924	-	-	2,197,375	616,820
<u>\$90,043</u>	<u>\$27,610</u>	<u>\$161,738</u>	<u>\$5,600</u>	<u>\$66,741</u>	<u>\$3,596,410</u>	<u>\$2,557,870</u>
\$ -	\$ -	\$13,925	\$21,359	\$ -	\$415,032	\$55,085
-	4,100	-	-	-	19,100	4,100
13,044	-	-	12,589	16,318	660,711	954,020
90,043	-	-	-	66,741	874,283	463,263
<u>103,087</u>	<u>4,100</u>	<u>13,925</u>	<u>33,948</u>	<u>83,059</u>	<u>1,969,126</u>	<u>1,476,468</u>
-	-	-	-	-	1,138,705	1,504,864
(13,044)	23,510	147,813	(28,348)	(16,318)	488,579	(423,462)
<u>(13,044)</u>	<u>23,510</u>	<u>147,813</u>	<u>(28,348)</u>	<u>(16,318)</u>	<u>1,627,284</u>	<u>1,081,402</u>
<u>\$90,043</u>	<u>\$27,610</u>	<u>\$161,738</u>	<u>\$5,600</u>	<u>\$66,741</u>	<u>\$3,596,410</u>	<u>\$2,557,870</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 19**  
**Page 1 of 2**

	402 - Special Projects	403 - Municipal State Aid	405 - Floodwall Construction	406 - City Hall Renovation
<b>Revenues:</b>				
Tax increment collections	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	1,176,639	-	-	-
Charges for services	105,555	-	-	-
Special assessments	2,921	-	-	-
Investment income	21,349	570	13,402	6,183
Total revenues	<u>1,306,464</u>	<u>570</u>	<u>13,402</u>	<u>6,183</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,332	-	-	474
Public works	-	-	5,594	-
Nondepartmental	-	-	-	-
<b>Capital outlay:</b>				
General government	-	-	-	91,185
Public safety	35,415	-	-	-
Public works	1,037,745	-	-	-
Parks, arena, library	12,081	-	-	-
Transportation	-	-	-	-
Interest expenditure	-	-	-	-
<b>Debt service:</b>				
Bond issuance costs	-	-	-	-
Total expenditures	<u>1,090,573</u>	<u>0</u>	<u>5,594</u>	<u>91,659</u>
Revenues over (under) expenditures	<u>215,891</u>	<u>570</u>	<u>7,808</u>	<u>(85,476)</u>
<b>Other financing sources (uses):</b>				
Bond issued	-	-	-	-
Bond discount	-	-	-	-
Bond premium	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(221,270)	-	-	-
Total other financing sources (uses)	<u>(221,270)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(5,379)	570	7,808	(85,476)
Fund balance (deficit) - January 1	<u>473,683</u>	<u>9,455</u>	<u>224,863</u>	<u>(18,360)</u>
Fund balance (deficit) - December 31	<u>\$468,304</u>	<u>\$10,025</u>	<u>\$232,671</u>	<u>(\$103,836)</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

	420 - Equipment Acquisition	425 - Stockyards Redevelopment	426 - 17th Ave North Water Tower	431 - Local Improvement
<b>Revenues:</b>				
Tax increment collections	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	750,000	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	21,066
Investment income	30,395	-	-	6,654
Total revenues	<u>30,395</u>	<u>750,000</u>	<u>0</u>	<u>27,720</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	13,428	-	-	-
Public works	-	-	-	53,201
Nondepartmental	-	-	-	-
<b>Capital outlay:</b>				
General government	42,641	-	-	-
Public safety	-	-	-	-
Public works	-	1,943,829	110	-
Parks, arena, library	-	-	-	-
Transportation	-	-	-	-
Interest expenditure	-	21,891	-	-
<b>Debt service:</b>				
Bond issuance costs	-	23,916	-	-
Total expenditures	<u>56,069</u>	<u>1,989,636</u>	<u>110</u>	<u>53,201</u>
Revenues over (under) expenditures	<u>(25,674)</u>	<u>(1,239,636)</u>	<u>(110)</u>	<u>(25,481)</u>
<b>Other financing sources (uses):</b>				
Bond issued	-	1,551,092	-	-
Bond discount	-	(4,970)	-	-
Bond premium	-	-	-	-
Loan Proceeds	-	-	-	-
Transfers in	59,991	-	-	1,884
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>59,991</u>	<u>1,546,122</u>	<u>0</u>	<u>1,884</u>
Net change in fund balance	34,317	306,486	(110)	(23,597)
Fund balance (deficit) - January 1	<u>497,224</u>	<u>(38,440)</u>	<u>-</u>	<u>130,627</u>
Fund balance (deficit) - December 31	<u>\$531,541</u>	<u>\$268,046</u>	<u>(\$110)</u>	<u>\$107,030</u>

451 - 2005 Local Improvement	452 - 2006 Local Improvement	453 - 2007 Local Improvement	454 - 2008 Local Improvement	456 - 380 Airport Road	Totals Nonmajor Capital Project Funds	
					2008	2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,618,276
-	-	64,081	127,451	-	2,118,171	765,442
18,288	-	-	-	-	123,843	-
106,013	-	-	-	-	130,000	1,109
-	1,673	1,848	-	-	82,074	147,226
<u>124,301</u>	<u>1,673</u>	<u>65,929</u>	<u>127,451</u>	<u>0</u>	<u>2,454,088</u>	<u>2,532,053</u>
-	-	-	-	15,945	35,179	31,462
32,848	2,151	16,956	409,392	-	520,142	941,712
-	-	-	-	-	-	12,058
-	-	-	-	-	133,826	3,762
-	-	-	-	-	35,415	-
-	-	-	-	-	2,981,684	269,232
-	-	-	-	-	12,081	-
-	-	-	-	-	-	42,185
7,141	-	-	4,775	373	34,180	120,909
-	-	1,611	3,381	-	28,908	22,253
<u>39,989</u>	<u>2,151</u>	<u>18,567</u>	<u>417,548</u>	<u>16,318</u>	<u>3,781,415</u>	<u>1,443,573</u>
<u>84,312</u>	<u>(478)</u>	<u>47,362</u>	<u>(290,097)</u>	<u>(16,318)</u>	<u>(1,327,327)</u>	<u>1,088,480</u>
-	-	104,506	219,272	-	1,874,870	1,420,000
-	-	(335)	(703)	-	(6,008)	-
-	-	-	-	-	-	9,273
-	-	-	-	-	-	375,490
-	-	-	43,180	-	105,055	747,605
-	-	-	-	-	(221,270)	(1,441,867)
<u>0</u>	<u>0</u>	<u>104,171</u>	<u>261,749</u>	<u>0</u>	<u>1,752,647</u>	<u>1,110,501</u>
84,312	(478)	151,533	(28,348)	(16,318)	425,320	2,198,981
<u>(97,356)</u>	<u>23,988</u>	<u>(3,720)</u>	<u>-</u>	<u>-</u>	<u>1,201,964</u>	<u>(1,117,579)</u>
<u>(\$13,044)</u>	<u>\$23,510</u>	<u>\$147,813</u>	<u>(\$28,348)</u>	<u>(\$16,318)</u>	<u>\$1,627,284</u>	<u>\$1,081,402</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 20**

	2008			2007
	Budgeted Amounts		Actual	Actual
	Original	Final		
Revenues:				
General property taxes:				
Current	\$623,107	\$623,107	\$592,838	\$604,102
Delinquent	-	-	15,405	11,215
Total general property taxes	<u>623,107</u>	<u>623,107</u>	<u>608,243</u>	<u>615,317</u>
Rental fees	4,200	4,000	4,011	4,467
Fines	6,500	6,500	6,669	8,459
Donations/other	1,500	1,500	1,793	1,841
Total revenues	<u>635,307</u>	<u>635,107</u>	<u>620,716</u>	<u>630,084</u>
Expenditures:				
Parks, arena, library:				
Personal services	473,155	473,461	463,938	456,523
Materials and supplies	87,900	87,900	86,729	85,682
Other services and charges	74,252	74,252	65,223	72,549
Total expenditures	<u>635,307</u>	<u>635,613</u>	<u>615,890</u>	<u>614,754</u>
Revenues over (under) expenditures	<u>-</u>	<u>(506)</u>	<u>4,826</u>	<u>15,330</u>
Other financing sources (uses):				
Transfers out	-	-	(29,417)	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(29,417)</u>	<u>0</u>
Net change in fund balance	<u>\$0</u>	<u>(\$506)</u>	<u>(24,591)</u>	<u>15,330</u>
Fund balance (deficit) - January 1			<u>24,591</u>	<u>9,261</u>
Fund balance (deficit) - December 31			<u>\$0</u>	<u>\$24,591</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**SPECIAL REVENUE FUND - 243 - WAKOTA ARENA**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For The Year Ended December 31, 2008**  
**With Comparative Actual Amounts For The Year Ended December 31, 2007**

**Statement 21**

	2008			2007 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services:				
Ice rentals	\$556,500	\$555,408	\$538,800	\$567,675
Ticket sales league games	34,000	50,000	54,146	29,887
Public/figure skating	18,750	19,500	27,725	23,865
Concessions	100,000	100,000	94,477	98,878
Rent of annex	68,204	68,204	68,204	66,217
Other	22,600	17,500	14,998	23,153
Donations and contributions	25,000	100	-	-
Total revenues	<u>825,054</u>	<u>810,712</u>	<u>798,350</u>	<u>809,675</u>
Expenditures:				
Parks, arena, library:				
Personal services	292,816	338,266	300,916	308,326
Materials and supplies	98,000	98,000	130,322	139,798
Services and other charges	320,582	323,562	346,815	395,783
Interest expenditure	14,200	30,000	30,007	43,957
Capital outlay	-	199,976	221,260	-
Total expenditures	<u>725,598</u>	<u>989,804</u>	<u>1,029,320</u>	<u>887,864</u>
Revenues over (under) expenditures	<u>99,456</u>	<u>(179,092)</u>	<u>(230,970)</u>	<u>(78,189)</u>
Other financing sources (uses):				
Transfers in	200,000	399,976	421,259	113,000
Transfers out	<u>(161,828)</u>	<u>(161,828)</u>	<u>(160,454)</u>	<u>(163,203)</u>
Total other financing sources (uses)	<u>38,172</u>	<u>238,148</u>	<u>260,805</u>	<u>(50,203)</u>
Net change in fund balance	<u>\$137,628</u>	<u>\$59,056</u>	29,835	(128,392)
Fund balance (deficit) - January 1			<u>(391,410)</u>	<u>(263,018)</u>
Fund balance (deficit) - December 31			<u>(\$361,575)</u>	<u>(\$391,410)</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, 2008  
With Comparative Actual Amounts For The Year Ended December 31, 2007

**Statement 22**

	2008			2007 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services:				
Memberships	\$112,000	\$112,000	\$126,220	\$118,936
Programming	72,000	72,000	76,124	72,472
Open Swim	8,000	8,000	5,760	5,406
Room Rental	6,000	6,000	6,724	3,597
Other	800	800	483	1,648
Investment income	-	-	7,337	9,297
Miscellaneous	500	500	-	-
Total revenues	<u>199,300</u>	<u>199,300</u>	<u>222,648</u>	<u>211,356</u>
Expenditures:				
Parks, arena, library:				
Personal services	140,138	140,138	125,736	135,469
Materials and supplies	6,895	6,895	36,201	16,498
Services and other charges	31,886	31,886	22,687	31,804
Interest expenditure	-	-	-	12
Capital outlay	1,100	1,100	-	-
Total expenditures	<u>180,019</u>	<u>180,019</u>	<u>184,624</u>	<u>183,783</u>
Net change in fund balance	<u>\$19,281</u>	<u>\$19,281</u>	38,024	27,573
Fund balance (deficit) - January 1			<u>82,004</u>	<u>54,431</u>
Fund balance (deficit) - December 31			<u>\$120,028</u>	<u>\$82,004</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For The Year Ended December 31, 2008

**Statement 23**

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	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
<u>804 - Landscape/landfill</u>				
Assets:				
Cash and investments	<u>\$108,238</u>	<u>\$6,527</u>	<u>\$ -</u>	<u>\$114,765</u>
Liabilities:				
Deposits payable	<u>\$108,238</u>	<u>\$6,527</u>	<u>\$ -</u>	<u>\$114,765</u>

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## **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, 2008.

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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CITY OF SOUTH ST. PAUL, MINNESOTA  
SCHEDULE OF CASH AND INVESTMENTS  
December 31, 2008

Exhibit 1

		Yield	Settlement Date	Maturity Date	Market Value
Certificate of Deposit - Bremer Bank	Cert. of Dep.	4.90%	05/23/08	03/23/09	\$100,000
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.45%	09/18/08	09/26/11	97,358
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.45%	10/29/08	11/07/11	97,413
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.55%	10/29/08	11/07/11	97,671
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.50%	10/29/08	11/07/11	97,543
Certificate of Deposit - Smith Barney	Cert. of Dep.	4.25%	10/29/08	11/05/10	97,286
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.17%	07/24/03	07/09/13	200,134
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.96%	07/23/03	07/23/13	400,100
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.91%	06/30/03	12/30/13	300,072
Federal Farm Credit Bank Cons Bds	Agency	4.20%	01/23/08	02/05/15	395,124
Federal National Mortgage Association Fannie Book	Agency	4.50%	01/10/08	01/15/16	400,376
Federal National Mortgage Association Book	Agency	4.50%	02/22/08	02/22/18	246,686
Federal National Mortgage Assn Medium Term Note	Agency	5.12%	07/16/03	03/12/14	300,189
Federal Home Loan Note Step Up	Agency	4.41%	06/26/03	06/26/18	502,030
Federal National Mortgage Association Medium Term Note	Agency	5.49%	07/02/03	07/02/18	367,055
Federal Home Loan Note Step Up	Agency	5.36%	07/30/03	07/30/18	500,155
Federal National Mortgage Association Medium Term Bonds	Agency	5.82%	11/22/04	11/22/19	100,094
Federal National Mtg Assn Med Term Note	Agency	6.15%	08/18/05	08/18/20	500,470
Federal Home Loan Note	Agency	4.00%	02/27/08	11/27/08	502,190
Federal Home Loan Note	Agency	5.00%	03/05/08	35/18	501,565
Federal Home Loan Note	Agency	5.30%	05/21/08	05/21/18	1,300,403
Money Manager Savings Account		4.68%			154,929
Treasury Plus Money Market Fund	Agency	4.27%			6,175,931
Cash on Hand and in Checking Accounts		n/a			2,225,223
					<u>\$15,659,997</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**COMBINED SCHEDULE OF INDEBTEDNESS**  
December 31, 2008

	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Original Interest Rates</u>
<b>Bonded indebtedness:</b>			
Tax increment bonds:			
G.O. Refunding Bonds, Series 2004A	12/28/2004	8/1/2009	0.0275%
General long-term debt bonds:			
G.O. Refunding Park Bonds, Series 1995B	12/28/1995	2/1/2010	3.90% - 5.35%
G.O. Bonds of 2000	10/19/2000	2/1/2021	4.75% - 5.50%
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, Series 1997B	2/12/1997	2/1/2008	3.85% - 5.00%
Improvement Bonds of 1998	2/1/1998	2/1/2008	3.65% - 4.30%
Improvement Bonds, Series 1998B	12/29/1998	2/1/2009	3.40% - 4.20%
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%
Total bonded indebtedness			

Prior Years		Payable 01/01/08	2008		Payable 12/31/08	Principal Due In 2009	Interest Due In 2009
Original Issue	Payments		Issued	Payments			
\$4,320,000	1,520,000	\$2,800,000	\$ -	\$1,380,000	\$1,420,000	\$1,420,000	\$39,050
890,000	640,000	250,000	-	75,000	175,000	85,000	7,046
2,375,000	470,000	1,905,000	-	1,905,000	-	100,000	93,215
3,800,000	-	3,800,000	-	125,000	3,675,000	130,000	148,304
1,840,000	-	1,840,000	-	-	1,840,000	110,000	71,745
8,905,000	1,110,000	7,795,000	0	2,105,000	5,690,000	425,000	320,310
1,525,000	1,355,000	170,000	-	55,000	115,000	55,000	4,725
1,800,000	1,600,000	200,000	-	200,000	-	-	-
835,000	750,000	85,000	-	85,000	-	-	-
910,000	770,000	140,000	-	70,000	70,000	70,000	1,470
935,000	720,000	215,000	-	75,000	140,000	70,000	5,250
1,295,000	875,000	420,000	-	105,000	315,000	105,000	12,600
860,000	500,000	360,000	-	75,000	285,000	75,000	10,796
600,000	275,000	325,000	-	65,000	260,000	55,000	8,656
1,150,000	325,000	825,000	-	115,000	710,000	115,000	22,140
920,000	210,000	710,000	-	100,000	610,000	95,000	18,628
590,000	75,000	515,000	-	75,000	440,000	75,000	15,395
1,420,000	-	1,420,000	-	150,000	1,270,000	145,000	47,900
-	-	-	1,955,000	-	1,955,000	-	51,700
12,840,000	7,455,000	5,385,000	1,955,000	1,170,000	6,170,000	860,000	199,260
1,770,000	320,000	1,450,000	-	110,000	1,340,000	110,000	47,353
\$27,835,000	\$10,405,000	\$17,430,000	\$1,955,000	\$4,765,000	\$14,620,000	\$2,815,000	\$605,973

CITY OF SOUTH ST. PAUL, MINNESOTA  
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
December 31, 2008

	General Long Term Financing							
	Refunding Park Bonds 1995B		G.O. Cap Imp Bonds of 2006A		G.O. Refunding Bonds 2007B		Total General Long Term	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$85,000	\$7,046	\$130,000	\$148,304	\$110,000	\$71,745	\$325,000	\$227,095
2010	90,000	2,408	135,000	143,004	115,000	67,245	340,000	212,657
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	\$175,000	\$9,454	\$3,675,000	\$1,646,535	\$1,840,000	\$522,543	\$5,690,000	\$2,178,531



CITY OF SOUTH ST. PAUL, MINNESOTA  
 SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
 December 31, 2008

	Special Assessment Financing					
	Improvement Bonds of 1999		Improvement Bonds of 2000B		Improvement Bonds of 2001	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$70,000	\$5,250	\$105,000	\$12,600	\$75,000	\$10,796
2010	70,000	1,750	105,000	7,613	70,000	7,735
2011	-	-	105,000	2,546	70,000	4,690
2012	-	-	-	-	70,000	1,575
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total	<u>\$140,000</u>	<u>\$7,000</u>	<u>\$315,000</u>	<u>\$22,759</u>	<u>\$285,000</u>	<u>\$24,796</u>



CITY OF SOUTH ST. PAUL, MINNESOTA  
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
December 31, 2008

	Special assessment Financing					
	Improvement Bonds of 2005B		Improvement Bonds of 2007A		Improvement Bonds of 2008	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$75,000	\$15,395	\$145,000	\$47,900	\$ -	\$51,700
2010	75,000	12,732	145,000	42,100	45,000	81,820
2011	65,000	10,180	145,000	36,300	135,000	78,220
2012	45,000	8,123	145,000	30,500	135,000	72,820
2013	45,000	6,390	145,000	24,700	135,000	67,420
2014	45,000	4,612	145,000	18,900	110,000	62,520
2015	45,000	2,790	140,000	13,200	110,000	58,120
2016	45,000	934	130,000	7,800	110,000	53,720
2017	-	-	130,000	2,600	110,000	49,320
2018	-	-	-	-	105,000	45,020
2019	-	-	-	-	100,000	40,870
2020	-	-	-	-	80,000	37,080
2021	-	-	-	-	80,000	33,600
2022	-	-	-	-	80,000	30,120
2023	-	-	-	-	80,000	26,640
2024	-	-	-	-	80,000	23,100
2025	-	-	-	-	80,000	19,500
2026	-	-	-	-	80,000	15,900
2027	-	-	-	-	75,000	12,338
2028	-	-	-	-	75,000	8,813
2029	-	-	-	-	75,000	5,288
2030	-	-	-	-	75,000	1,763
Total	\$440,000	\$61,156	\$1,270,000	\$224,000	\$1,955,000	\$875,690

Special assessment Financing		G.O. Revenue Bonds		Total All Bonds	
Total S.A. Bonds		Arena Refunding Bonds 2003B		Total All Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$860,000	\$199,260	\$115,000	\$47,352	\$2,720,000	\$512,757
830,000	196,682	120,000	43,678	1,290,000	453,017
770,000	164,929	120,000	39,777	1,150,000	404,755
650,000	137,414	125,000	35,703	1,045,000	362,566
585,000	113,813	130,000	31,303	995,000	323,565
510,000	92,837	135,000	26,530	940,000	286,316
375,000	75,590	145,000	21,132	825,000	251,671
285,000	62,454	145,000	15,333	745,000	220,336
240,000	51,920	150,000	9,432	720,000	191,001
105,000	45,020	155,000	3,216	605,000	164,385
100,000	40,870	-	-	460,000	142,919
80,000	37,080	-	-	455,000	124,241
80,000	33,600	-	-	470,000	105,052
80,000	30,120	-	-	300,000	88,985
80,000	26,640	-	-	315,000	76,005
80,000	23,100	-	-	325,000	62,385
80,000	19,500	-	-	335,000	48,221
80,000	15,900	-	-	345,000	33,571
75,000	12,338	-	-	355,000	18,358
75,000	8,813	-	-	75,000	8,813
75,000	5,288	-	-	75,000	5,288
75,000	1,763	-	-	75,000	1,763
<u>\$6,170,000</u>	<u>\$1,394,929</u>	<u>\$1,340,000</u>	<u>\$273,456</u>	<u>\$14,620,000</u>	<u>\$3,885,966</u>

CITY OF SOUTH ST. PAUL, MINNESOTA  
 SCHEDULE OF DEFERRED TAX LEVIES  
 DEBT SERVICE FUNDS  
 December 31, 2008

Exhibit 4

Year of Levy/ Collection	1994A Improvement Bonds	1995B G.O. Refunding Park Bonds	2000 General Obligation Bonds	2006A Capital Improvement Bonds	2007B Refunding Bonds	2007 DCC Revenue Bonds	Total All Funds
2007/2008	\$64,300	\$92,600	\$205,500	\$294,949	\$193,142	\$75,303	\$925,794
2008/2009	66,500	99,000	205,500	294,739	193,772	77,473	936,984
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>\$130,800</u>	<u>\$191,600</u>	<u>\$2,689,200</u>	<u>\$5,666,836</u>	<u>\$2,519,488</u>	<u>\$316,852</u>	<u>\$11,514,776</u>

### 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
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	143
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	150
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	154
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	162
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	164

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**CITY OF SOUTH ST. PAUL, MINNESOTA**

**NET ASSETS BY COMPONENT**

**Table 1**

Last Six Fiscal Years<sup>(1)</sup>

(Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities:</b>						
Invested in capital assets, net of related debt	\$22,537,906	\$20,534,450	\$25,965,134	\$36,290,023	\$45,426,615	\$50,127,360
Restricted	7,398,411	9,699,511	4,727,025	4,665,216	6,305,080	3,965,427
Unrestricted	13,166,182	14,860,912	15,794,256	8,346,800	8,394,301	8,268,709
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>	<u>\$60,125,996</u>	<u>\$62,361,496</u>
<b>Business-type activities:</b>						
Invested in capital assets, net of related debt	\$11,786,674	\$11,896,767	\$11,829,683	\$11,850,391	\$11,547,913	\$11,307,727
Unrestricted	3,086,984	2,175,655	23,523,321	2,994,348	4,105,686	5,230,975
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>	<u>\$15,653,599</u>	<u>\$16,538,702</u>
<b>Primary government:</b>						
Invested in capital assets, net of related debt	\$34,324,580	\$32,431,217	\$37,794,817	\$48,140,414	\$56,974,528	\$61,435,087
Restricted	7,398,411	9,699,511	4,727,025	4,665,216	6,305,080	3,965,427
Unrestricted	16,253,166	17,036,567	39,317,577	11,341,148	12,499,987	13,499,684
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>	<u>\$75,779,595</u>	<u>\$78,900,198</u>

<sup>(1)</sup>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**

**CHANGES IN NET ASSETS**

Last Six Fiscal Years<sup>(1)</sup>

(Accrual Basis of Accounting)

**Table 2**

**Page 1 of 2**

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$1,366,181	\$1,841,098	\$2,067,202	\$2,869,806	\$2,216,808	\$1,870,742
Public safety	5,045,513	5,250,220	5,343,939	5,535,003	6,319,181	6,515,301
Public works	4,529,332	4,018,591	3,328,511	4,133,175	4,009,014	3,935,557
Parks, arena, library	2,542,146	2,612,547	2,721,746	2,895,568	2,825,016	3,085,507
Transportation	1,075,523	1,359,049	1,405,760	1,303,503	651,897	1,212,501
Interest on long-term debt	799,590	667,195	544,450	604,805	969,617	569,908
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>
Business-type activities:						
Water and sewer	3,119,265	3,135,135	3,354,849	3,390,216	3,721,772	3,904,842
Storm water	184,776	184,343	188,090	198,225	203,315	278,354
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>
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>
<b>Program revenues</b>						
Governmental activities:						
Charges for services:						
Airport	\$659,366	\$670,385	\$785,470	\$850,517	\$819,478	\$998,095
Arena	810,470	741,826	741,305	824,820	809,676	797,149
Parks and recreation	-	-	-	167,433	178,555	206,268
Other activities	4,388,687	3,399,253	2,813,154	3,233,349	2,076,527	2,209,635
Operating grants and contributions	1,219,824	1,203,916	994,062	1,342,519	1,557,846	1,069,733
Capital grants and contributions	644,270	487,949	1,519,639	1,966,898	3,331,011	2,238,852
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>
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
Storm water	25,466	339,780	341,317	525,143	343,281	343,426
Capital grants and contributions	-	-	-	-	263,977	77
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>
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>
<b>Net (expense) revenue:</b>						
Governmental activities	(\$7,635,668)	(\$9,245,371)	(\$8,557,978)	(\$8,956,324)	(\$8,218,440)	(\$9,669,784)
Business-type activities	80,787	350,900	117,870	1,050,298	1,259,548	896,998
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>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>General revenues and other changes in net assets</b>						
Governmental activities:						
Taxes:						
Property taxes	\$4,578,528	\$4,600,156	\$5,017,990	\$5,305,741	\$5,744,747	\$6,367,319
Tax increment	1,265,819	1,369,702	1,294,075	1,443,232	1,618,275	1,895,194
Franchise taxes	597,815	601,642	723,491	749,039	755,296	896,215
Unrestricted grants and contributions	3,193,095	2,808,461	2,249,007	2,781,385	2,537,158	2,130,674
Investment earnings	293,727	612,784	609,957	763,661	1,112,186	334,520
Gain on sale of capital assets	-	-	-	-	-	27,630
Miscellaneous	-	-	-	116,366	18,225	53,680
<i>Special item</i> -change in depreciation method	-	-	-	-	6,494,081	-
Transfers	-	1,245,000	55,000	440,273	550,262	200,052
Total governmental activities	<u>9,928,984</u>	<u>11,237,745</u>	<u>9,949,520</u>	<u>11,599,697</u>	<u>18,830,230</u>	<u>11,905,284</u>
Business-type activities:						
Investment earnings	40,788	92,864	46,723	52,699	264,641	188,157
<i>Special item</i> -change in depreciation method	-	-	-	-	(245,843)	-
Transfers	-	(1,245,000)	(55,000)	(440,273)	(550,262)	(200,052)
Total business-type activities	<u>40,788</u>	<u>(1,152,136)</u>	<u>(8,277)</u>	<u>(387,574)</u>	<u>(531,464)</u>	<u>(11,895)</u>
Total primary government	<u>\$9,969,772</u>	<u>\$10,085,609</u>	<u>\$9,941,243</u>	<u>\$11,212,123</u>	<u>\$18,298,766</u>	<u>\$11,893,389</u>
<b>Change in net assets:</b>						
Governmental activities	\$2,293,316	\$1,992,374	\$1,391,542	\$2,643,373	\$10,611,790	\$2,235,500
Business-type activities	121,575	(801,236)	109,593	662,724	728,084	885,103
Total primary government	<u>\$2,414,891</u>	<u>\$1,191,138</u>	<u>\$1,501,135</u>	<u>\$3,306,097</u>	<u>\$11,339,874</u>	<u>\$3,120,603</u>

<sup>(1)</sup>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.

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

**Table 3**

Last Six Fiscal Years<sup>(1)</sup>  
 (Modified Accrual Basis of Accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>General Fund:</b>						
Reserved	\$ -	\$ -	\$ -	\$ -	\$2,951	\$578
Unreserved	2,886,115	3,588,092	4,298,997	3,457,108	3,154,304	1,902,052
Total general fund	<u>\$2,886,115</u>	<u>\$3,588,092</u>	<u>\$4,298,997</u>	<u>\$3,457,108</u>	<u>\$3,157,255</u>	<u>\$1,902,630</u>
<b>All other governmental funds:</b>						
Reserved	\$9,111,862	\$12,017,779	\$6,325,474	\$6,949,127	\$9,763,803	\$7,051,731
Unreserved, reported in:						
Special revenue funds	(1,293,720)	(1,412,915)	(1,096,016)	(1,152,603)	(1,314,743)	(1,413,702)
Debt service funds	1,312,940	1,531,741	284,064	285,598	663,984	910,779
Capital projects funds	5,308,814	5,582,005	8,222,562	3,770,371	2,668,972	3,934,133
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>	<u>\$11,782,016</u>	<u>\$10,482,941</u>

<sup>(1)</sup>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					
	2003	2004	2005	2006	2007	2008
<b>Revenues:</b>						
General property taxes	\$4,605,997	\$4,614,388	\$4,990,439	\$5,300,707	\$5,662,257	\$6,237,649
Tax increment collections	1,265,819	1,369,702	1,294,075	1,443,232	1,618,276	1,895,194
Franchise tax	597,815	601,642	723,491	749,039	755,296	896,215
Licenses and permits	499,007	534,477	537,347	472,357	385,103	377,503
Intergovernmental	5,010,496	4,398,556	4,793,110	5,964,368	7,357,769	5,410,813
Charges for services	2,821,609	2,328,097	2,558,303	2,903,963	2,873,644	3,025,216
Fines and forfeits	97,322	104,175	103,927	211,069	139,966	113,221
Special assessments	1,414,251	1,163,401	916,541	1,053,449	850,285	798,164
Investment earnings	274,179	567,988	570,142	732,660	1,036,104	304,388
Contributions and donations	-	-	27,342	36,527	4,541	28,443
Miscellaneous	1,195,230	1,027,356	371,558	114,844	147,383	52,771
<b>Total revenues</b>	<b>17,781,725</b>	<b>16,709,782</b>	<b>16,886,275</b>	<b>18,982,215</b>	<b>20,830,624</b>	<b>19,139,577</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	1,315,721	1,402,632	1,506,725	1,885,093	2,137,081	1,824,108
Public safety	4,947,594	5,212,633	5,169,070	5,475,732	6,290,264	6,327,399
Public works	1,552,977	1,536,021	2,854,649	2,760,025	2,670,003	2,378,366
Parks, arena, library	2,209,951	2,349,622	2,342,498	2,674,930	2,574,722	2,772,001
Transportation	568,904	634,359	770,504	772,059	798,931	1,049,719
Nondepartmental	41,129	39,616	273,538	950,301	12,058	25,285
Development and other costs	827,914	667,580	285,965	-	-	-
<b>Capital outlay:</b>						
General government	14,343	193,089	172,251	6,303,452	2,161,027	133,826
Public safety	21,129	10,417	16,414	-	176,123	52,194
Public works	3,708,648	1,349,554	64,906	3,304,686	3,156,507	2,981,684
Parks, arena, library	45,529	122,143	62,249	211,724	6,058	233,341
Transportation	614,098	158,766	734,440	1,548,936	176,758	458,672
Interest expenditure	41,795	85,977	52,994	-	294,309	-
<b>Debt service:</b>						
Principal retirement	2,020,000	3,730,000	6,880,000	1,480,000	2,729,916	3,006,666
Interest	829,348	754,156	621,451	506,583	706,944	613,331
Bond discounts, issuance costs, agents fees and other	48,309	48,408	29,459	32,740	53,529	31,044
<b>Total expenditures</b>	<b>18,807,389</b>	<b>18,294,973</b>	<b>21,837,113</b>	<b>27,906,261</b>	<b>23,944,230</b>	<b>21,887,636</b>
<b>Revenues over (under) expenditures</b>	<b>(1,025,664)</b>	<b>(1,585,191)</b>	<b>(4,950,838)</b>	<b>(8,924,046)</b>	<b>(3,113,606)</b>	<b>(2,748,059)</b>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Other financing sources (uses):						
Bond proceeds	\$2,920,000	\$4,320,000	\$1,510,000	\$3,800,000	\$1,420,000	\$1,955,000
Issuance of refunding bonds	-	-	-	-	1,840,000	-
Bond discount	-	-	-	(41,707)	-	(6,265)
Bond premiums	-	882	-	-	14,249	-
Loan Proceeds	-	-	-	-	375,490	-
Payment to refunding escrow agent	-	-	-	-	-	(1,810,000)
Transfers in	2,898,299	3,531,804	4,273,273	2,542,933	854,623	200,052
Transfers out	(2,898,299)	(2,286,804)	(4,263,273)	(2,102,660)	-	-
Sale of capital assets	-	-	159,217	-	8,000	(144,428)
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>	<u>4,512,362</u>	<u>194,359</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>	<u>\$1,398,756</u>	<u>(\$2,553,700)</u>
Debt service as a percentage of noncapital expenditures	21.1%	28.6%	36.7%	12.0%	17.4%	17.4%
Debt service as percentage of total expenditures	15.4%	24.8%	34.5%	7.2%	14.6%	16.7%

<sup>(1)</sup>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**  
**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	
1999	\$5,909,098 *	\$3,927,993 *	\$412,428 *	\$10,249,519	\$1,262,899	\$11,512,418	29.83%	\$680,277,700	1.69%	**
2000	6,740,546	3,733,410	445,801	10,919,757	1,495,354	12,415,111	27.84%	731,427,500	1.70%	**
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	1.26%	**
2003	7,772,674	3,131,294	323,767	11,227,735	731,743	11,959,478	41.26%	973,574,700	1.23%	
2004	8,781,975	3,292,029	330,428	12,404,432	(662,775)	11,741,657	39.45%	1,089,767,400	1.08%	
2005	10,173,618	3,497,313	376,911	14,047,842	656,676	14,704,518	36.91%	1,241,247,200	1.18%	
2006	11,675,953	3,815,562	407,555	15,899,070	371,768	16,270,838	35.00%	1,411,714,500	1.15%	
2007	12,995,800	4,410,391	440,101	17,846,292	(2,384)	17,843,908	34.14%	1,576,157,200	1.13%	
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%	

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

\* A complete breakdown of tax capacity was not available, these numbers have been estimated by considering total tax capacity and the related percentage breakdown from the previous year

\*\* The Minnesota Legislature reduced some of the "class rates" used to calculate tax capacity values in levy years 1998,1999 and 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 Direct Rate	Overlapping Rates*				Total
		School District		Other Districts	County	
		#6	#199			
1999	29.83%	65.11%	55.61%	6.70%	28.32%	129.96%
2000	27.84%	56.28%	43.39%	6.46%	27.25%	117.83%
2001	28.24%	57.94%	44.57%	6.38%	25.32%	117.88%
2002	44.89%	38.43%	16.92%	5.02%	33.10%	121.44% **
2003	41.26%	38.79%	14.76%	5.23%	32.46%	117.74%
2004	39.45%	29.44%	10.20%	4.38%	30.31%	103.58%
2005	36.91%	26.34%	7.95%	5.92%	28.27%	97.45%
2006	35.00%	26.07%	17.94%	5.91%	26.32%	93.31%
2007	34.14%	23.76%	16.59%	5.72%	22.99%	86.61%
2008	36.14%	27.64%	19.76%	5.66%	23.07%	92.51%

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	2008			1999		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Northern States Power	\$282,982	1	1.52%	\$358,673	1	3.28%
Blue Dog Properties Trust	218,148	2	1.17%	-	-	0.00%
Waterous Co	124,118	3	0.66%	103,555	7	0.95%
Leonard Investment Co.	120,246	4	0.64%	-	-	0.00%
Waterford Green Limited Partnership	117,500	5	0.63%	131,250	5	1.20%
Chicago & NW Trans. Co	107,950	6	0.58%	132,751	4	1.22%
Dakota Bulk Property LLC	102,396	7	0.55%	112,470	6	1.03%
Jebco Group Inc	99,560	8	0.53%	-	-	0.00%
Langer Development INC	95,994	9	0.51%	-	-	0.00%
Holtkoetter International INC	84,240	10	0.45%	-	-	0.00%
American Real Estate Holdings Limited Partnership	-	-	-	201,376	2	1.84%
Canal Capital Corp	-	-	-	160,586	3	1.47%
Drovers Inn Assoc.	-	-	-	81,291	8	0.74%
E&E Enterprise Inc	-	-	-	67,914	9	0.62%
South St. Paul Feed	-	-	-	61,331	10	0.56%
<b>Total</b>	<b>\$1,353,134</b>		<b>7.24%</b>	<b>\$1,411,197</b>		<b>12.91%</b>
<b>Total All Property</b>	<b>\$18,666,122</b>			<b>\$10,925,804</b>		

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
1999	\$2,653,529	\$2,581,970	97.30%	\$77,123	\$2,659,093	100.21%
2000	2,628,550	2,571,044	97.81%	51,056	2,622,100	99.75%
2001	2,917,987	2,845,498	97.52%	72,930	2,918,428	100.02%
2002	3,408,718	3,348,074	98.22%	78,634	3,426,708	100.53%
2003	3,446,357	3,383,422	98.17%	62,523	3,445,945	99.99%
2004	3,668,117	3,605,900	98.30%	56,825	3,662,725	99.85%
2005	3,105,810	3,026,707	97.45%	43,196	3,069,903	98.84%
2006	5,743,845	5,658,020	98.51%	126,437	5,784,457	100.71%
2007	6,115,536	5,993,668	98.01%	125,450	6,119,118	100.06%
2008	6,652,578	6,505,188	97.78%	31,975	6,537,163	98.27%

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		
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds
1999	\$2,755,000	\$7,870,000	\$7,800,000
2000	5,050,000	8,115,000	7,450,000
2001	4,955,000	7,805,000	6,925,000
2002	4,800,000	7,265,000	6,310,000
2003	6,365,000	7,180,000	5,730,000
2004	4,415,000	5,945,000	9,505,000
2005	4,160,000	6,015,000	4,320,000
2006	7,685,000	5,010,000	4,120,000
2007	9,245,000	5,385,000	2,800,000
2008	7,030,000	6,170,000	1,420,000

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

<sup>(a)</sup>See Table 13 for personal income and population data.

**Table 9**

<u>Governmental Activities</u>		<u>Business-Type Activities</u>			Per Customer	Total Primary Government	Per Capita <sup>(a)</sup>
Total Governmental Activities	Percentage of Tax Capacity	Sewer/Water Revenue Bonds	Total Business-Type Activities				
\$18,425,000	180%	\$137,153	\$137,153	20	\$18,562,153	916	
20,615,000	189%	93,501	93,501	14	20,708,501	1,027	
19,685,000	162%	50,000	50,000	7	19,735,000	978	
18,375,000	179%	-	-	-	18,375,000	905	
19,275,000	172%	-	-	-	19,275,000	949	
19,865,000	160%	-	-	-	19,865,000	981	
14,495,000	103%	-	-	-	14,495,000	722	
16,815,000	106%	-	-	-	16,815,000	840	
17,430,000	98%	-	-	-	17,430,000	867	
14,620,000	98%	-	-	-	14,620,000	759	

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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	\$24,430,000	100.00%	\$24,430,000
ISD No. 199	39,105,000	35.00%	13,686,750
Dakota County	124,580,000	3.55%	4,422,590
Special Districts:			
Metropolitan Council	18,400,000	3.56%	655,040
Metropolitan Transit Commission	186,065,000	4.94%	9,191,611
CDA	419,216,981	3.55%	<u>14,882,203</u>
Subtotal - overlapping debt			67,268,194
City direct debt			<u>14,620,000</u>
Total direct and overlapping debt			<u><u>\$81,888,194</u></u>

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 2008**

Market value	<u>\$1,632,184,800</u>
Debt limit (3% of market value) <sup>(a)</sup>	<u>48,965,544</u>
Debt applicable to limit:	
General obligation bonds	5,690,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>5,690,000</u>
Legal debt margin	<u><u>\$43,275,544</u></u>

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt limit	\$13,605,554	\$14,628,550	\$15,971,334	\$17,547,432
Total net debt applicable to limit	<u>2,755,000</u>	<u>5,050,000</u>	<u>4,955,000</u>	<u>4,800,000</u>
Legal debt margin	<u><u>\$10,850,554</u></u>	<u><u>\$9,578,550</u></u>	<u><u>\$11,016,334</u></u>	<u><u>\$12,747,432</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	20.25%	34.52%	31.02%	27.35%
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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.

<sup>(a)</sup> The debt limit percentage increased in 2008 from 2% to 3%.

**Table 11**

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<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$19,471,494	\$21,795,348	\$24,824,944	\$28,234,290	\$31,473,972	\$48,965,544
<u>6,365,000</u>	<u>4,415,000</u>	<u>4,160,000</u>	<u>6,125,000</u>	<u>7,795,000</u>	<u>5,690,000</u>
<u><u>\$13,106,494</u></u>	<u><u>\$17,380,348</u></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>
32.69%	20.26%	16.76%	21.69%	24.77%	11.62%

**CITY OF SOUTH ST. PAUL, MINNESOTA**

**PLEDGED-REVENUE COVERAGE**

Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$863,787	\$663,778	\$200,009	\$40,000	\$8,509	4.12
2000	867,459	832,573	34,886	45,000	6,061	0.68
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	-	-	-	-	-	-

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 Bonds			
	Debt Service		Coverage	Tax Increment Collections	Debt Service		Coverage
	Principal	Interest			Principal	Interest	
\$1,203,083	\$925,000	\$337,052	0.95	\$1,515,304	\$325,000	\$385,053	2.13
1,421,679	1,050,000	333,534	1.03	1,318,637	350,000	370,615	1.83
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	1,280,000	387,783	0.63	1,443,232	200,000	118,800	4.53
850,285	1,325,000	516,809	0.46	1,618,276	1,320,000	113,300	1.13
798,164	1,575,000	725,043	0.35	1,895,194	1,380,000	77,000	1.30

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<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income*</u>	<u>Dakota Unemployment Rate*</u>
1999	20,268	\$700,603,956	\$34,567	1.60%
2000	20,167	737,527,357	36,571	2.20%
2001	20,174	741,515,544	36,756	2.80%
2002	20,313	762,407,829	37,533	3.70%
2003	20,304	787,003,344	38,761	4.20%
2004	20,249	816,338,435	40,315	4.00%
2005	20,078	831,550,448	41,416	3.20%
2006	20,024	862,934,280	43,095	3.50%
2007	20,108	875,200,700	43,525	4.00%
2008	20,135	N/A	N/A	4.10%

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	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsman's Guide	800	1	9.39%	687	1	9.65%
Special School District No. 6	450	2	5.28%	600	2	8.43%
Waterous Company	387	3	4.54%	360	3	5.06%
Dakota Premium Foods	280	4	3.29%	-	-	0.00%
City of South St. Paul	261	5	3.06%	315	4	4.42%
American Bottling	160	6	1.88%	-	-	-
Stockyard's Meat Packing Co. <sup>1</sup>	150	7	1.76%	175	7	-
Wipaire	142	8	1.67%	-	-	0.00%
Twin City Bagel	140	9	1.64%	-	-	-
Allstate Peterbilt Utility	115	10	1.35%	80	9	-
Long Prairie Packing	-	-	-	200	5	2.81%
Norwest Bank MN, NA (Wells Fargo)	-	-	-	194	6	-
American Agco	-	-	-	115	8	1.61%
Twin City Tanning	-	-	-	80	10	1.12%
Total	<u>2,885</u>		<u>33.87%</u>	<u>2,806</u>		<u>33.10%</u>
Total city employment	<u>8,518</u>			<u>7,121</u>		

<sup>1</sup> 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,		
	1999	2000	2001
General government:			
Management services	3.73	3.73	4.38
Finance	2.80	2.80	2.80
Planning	1.00	1.00	1.00
Building	1.25	1.25	1.25
Other	0.20	1.20	1.20
Police:			
Officers	25.00	25.00	25.00
Civilians	-	3.50	3.50
Fire:			
Firefighters and officers	19.00	19.00	19.00
Civilians	1.00	1.00	1.00
Animal control	0.50	0.50	0.50
Other public works:			
Engineering	6.10	5.85	5.85
Code enforcement	2.00	2.00	2.00
Public works	9.41	9.40	9.40
Parks and recreation	6.43	6.03	6.63
Library	8.00	8.00	8.00
Arena	3.00	3.00	2.50
Airport	1.00	2.00	2.00
Water	7.42	7.42	7.42
Central Garage	2.00	2.00	2.00
<b>Total</b>	<b>99.84</b>	<b>104.68</b>	<b>105.43</b>

Source: City Budget Office.

<sup>(a)</sup> 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,						
2002	2003	2004	2005	2006	2007	2008 <sup>(a)</sup>
4.38	4.28	4.28	5.28	5.28	5.28	5.10
2.80	2.80	2.80	2.80	2.80	3.20	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
0.20	0.95	0.95	1.20	1.20	1.20	1.20
27.00	26.00	26.00	26.00	27.00	27.00	27.00
3.00	3.00	3.00	3.50	4.00	4.00	4.00
19.00	19.00	19.00	19.00	19.00	18.50	-
1.00	1.00	1.00	1.00	1.00	1.00	-
0.50	0.43	0.33	0.50	0.50	0.50	0.50
5.85	4.85	4.85	4.85	4.85	4.85	4.85
3.00	2.00	3.00	3.00	3.00	3.00	3.00
9.40	8.40	8.40	8.40	8.40	8.40	8.40
7.13	6.63	6.63	7.03	7.43	7.43	7.43
8.00	8.00	8.00	8.00	8.00	8.00	8.00
2.50	2.00	1.50	1.75	2.50	2.50	2.50
2.00	2.00	2.00	2.00	2.00	2.00	2.00
7.42	9.12	9.12	7.42	7.42	7.42	7.42
2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>107.18</u>	<u>104.46</u>	<u>104.86</u>	<u>105.73</u>	<u>108.38</u>	<u>108.28</u>	<u>88.65</u>

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

Function/Program	Fiscal Year		
	1999	2000	2001
<b>Police:</b>			
Calls for Service	11,900	13,840	17,280
Part I offenses	N/A	863	740
Part II offenses	N/A	2,034	1,944
Felony charges	153	153	231
DUI	134	188	208
Traffic Accidents	501	495	470
Traffic Violations	848	728	951
<b>Fire:</b>			
Emergency responses - Non-fire	1,370	1,512	1,541
Fires extinguished - Fire calls	389	327	341
Inspections	1,066	918	1,017
<b>Recycling</b>			
Appliances collected	250	220	220
Oil collected (gallons)	N/A	800	800
Scrap metal recycled	26,760	21,800	21,800
<b>City Planner</b>			
Site Plan reviews	6	6	1
<b>Other public works:</b>			
Segments of streets/alleys rehabbed	39	27	28
<b>Parks and recreation:</b>			
Mclain and Splash pool uses (avg daily attendance*) <sup>(1)</sup>	35,000	15,135	14,500
Northview pool (avg daily attendance*)	7,000	11,000	11,000
<b>Library:</b>			
Charged circulation (usage)	177,156	151,638	146,419
<b>Arena:</b>			
Ice rented (hours)	3,000	3,500	3,693
<b>Transportation:</b>			
Fuel sold (gallons)	197,856	184,512	267,093
Aircraft operations	52,400	49,940	78,300
<b>Water:</b>			
Utility customers	6,700	6,800	6,900
Pumpage/year (millions of gallons)	1,128	1,210	1,171
<b>Wastewater:</b>			
Sewage treatment (thousands of gallons)	1,128	1,208	1,170

Sources: City Budgets

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

\* - Operations are seasonal

\*\* - 2008 amounts are estimates

<sup>(1)</sup> - Mclain pool operations ceased in 2000

Table 16

Fiscal Year						
2002	2003	2004	2005	2006	2007	2008**
18,766	17,394	19,183	17,036	16,000	17,000	17,073
789	683	662	870	900	900	697
2,097	1,977	2,000	1,784	1,800	1,800	1,504
256	215	261	225	225	225	215
226	152	122	168	120	120	158
477	492	377	275	275	300	279
1,524	1,151	1,432	1,335	1,200	1,300	808
1,424	1,519	1,477	N/A	N/A	N/A	N/A
362	335	359	N/A	N/A	N/A	N/A
1,251	1,208	1,495	N/A	N/A	N/A	N/A
272	400	216	208	220	211	197
850	870	890	900	900	900	825
28,940	30,430	24,500	19,460	20,000	21,000	20,500
4	4	1	4	4	4	4
24	34	37	32	34	27	19
13,000	12,800	11,000	11,000	11,000	6,214	11,523
11,000	11,000	8,035	8,500	8,700	8,632	8,802
161,685	140,600	133,800	128,729	123,723	125,000	140,493
3,226	3,116	3,157	3,525	3,698	3,719	3,696
232,564	204,146	193,254	199,606	191,400	171,385	165,000
56,210	61,320	63,150	64,413	65,701	52,865	54,980
6,900	6,900	6,900	6,900	6,900	6,900	7,051
1,250	1,172	1,183	1,085	1,195	1,250	1,600
1,063	1,172	1,183	1,085	1,200	1,250	1,290

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

**Table 17**

Last Three Fiscal Years<sup>(1)</sup>

Function/Program	2006	2007	2008
Police:			
Stations	1	1	1
Patrol units	18	18	18
Fire stations	1	1	0*
Other public works:			
Streets (miles)	N/A	66.7	66.7
Highways (miles) <sup>(a)</sup>	N/A	N/A	N/A
Streetlights	N/A	N/A	N/A
Traffic signals	N/A	N/A	N/A
Parks and recreation:			
Parks	10	10	10
Acreage	180	180	180
Library books	N/A	90,000	90,000
Swimming pools	3	3	3
Ice arena rinks	2	2	2
Water:			
Water mains (miles)	N/A	N/A	N/A
Wells	N/A	N/A	N/A
Storage capacity (thousands of gallons)			
Wastewater:			
Sanitary sewers (miles)	N/A	N/A	N/A
Storm sewers (miles)	46.2	46.2	46.2
Treatment capacity (thousands of gallons)	N/A	N/A	N/A
Airport:			
Hangars	29	29	29
Acres	N/A	270	270

Sources: Various City departments.

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

N/A - information is not available

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

<sup>(1)</sup>Information for fiscal years 1999-2005 is not available.