

---

# Comprehensive Annual Financial Report

For the Year Ended December 31, 2007

---



**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, 2007**

**PREPARED BY:**

**FINANCE DEPARTMENT**

**-This page intentionally left blank-**

CITY OF SOUTH ST. PAUL, MINNESOTA  
TABLE OF CONTENTS

---

	<u>Reference</u>	<u>Page No.</u>
<b>I. INTRODUCTORY SECTION</b>		
Letter of Transmittal		3
Certificate of Achievement		9
Elected and Appointed Officials		11
Organization Chart		13
<b>II. FINANCIAL SECTION</b>		
Independent Auditor's Report		17
Management's Discussion and Analysis		21
<b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Assets	Statement 1	36
Statement of Activities	Statement 2	37
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	38
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	Statement 4	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds	Statement 5	42
Statement of Net Assets - Proprietary Funds	Statement 6	43
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	Statement 7	44
Statement of Cash Flows - Proprietary Funds	Statement 8	45
Statement of Fiduciary Net Assets - Fiduciary Funds	Statement 9	46
Notes to Financial Statements		47
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule - General Fund	Statement 10	80
Budgetary Comparison Schedule - Airport Fund	Statement 11	85
Budgetary Comparison Schedule - Note to RSI		86

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

---

	<u>Reference</u>	<u>Page No.</u>
<b>Combining and Individual Fund Statements and Schedules:</b>		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 12	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 13	93
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 14	96
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement 15	97
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 16	101
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement 17	105
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 18	111
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds	Statement 19	115
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:		
Library Fund	Statement 20	118
Wakota Arena	Statement 21	119
Central Square	Statement 22	120
Statement of Changes in Assets and Liabilities - Agency Funds	Statement 23	121
<b>Supplementary Financial Information:</b>		
Schedule of Cash and Investments	Exhibit 1	125
Combined Schedule of Indebtedness	Exhibit 2	126
Schedule of Debt Service Payments to Maturity	Exhibit 3	128
Schedule of Deferred Tax Levies - Debt Service Funds	Exhibit 4	134

CITY OF SOUTH ST. PAUL, MINNESOTA  
TABLE OF CONTENTS

---

	<u>Reference</u>	<u>Page No.</u>
<b>III. STATISTICAL SECTION (UNAUDITED)</b>		
<b>Financial Trends:</b>		
Net Assets by Component - Last Four Fiscal Years	Table 1	137
Changes in Net Assets - Last Four Fiscal Years	Table 2	138
Fund Balances, Governmental Funds - Last Four Fiscal Years	Table 3	141
Changes in Fund Balances, Governmental Funds - Last Four Fiscal Years	Table 4	142
<b>Revenue Capacity:</b>		
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 5	144
Direct and Overlapping Property Tax Capacity Rates	Table 6	145
Principal Property Taxpayers	Table 7	146
Property Tax Levies and Collections	Table 8	147
<b>Debt Capacity:</b>		
Ratios of Outstanding Debt by Type	Table 9	148
Direct and Overlapping Governmental Activities Debt	Table 10	151
Legal Debt Margin Information	Table 11	152
Pledged-Revenue Coverage	Table 12	154
<b>Demographic and Economic:</b>		
Demographic and Economic Statistics	Table 13	156
Principal Employers	Table 14	157
<b>Operating Information:</b>		
Full-Time Equivalent City Government Employees by Function/Program	Table 15	158
Operating Indicators by Function/Program	Table 16	160
Capital Asset Statistics by Function/Program	Table 17	162

**-This page intentionally left blank-**



## **I. INTRODUCTORY SECTION**

**-This page intentionally left blank-**



June 16, 2008

**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, 2007.

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, 2007 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.

**-This page intentionally left blank-**

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 and sewer services], building permits, inspections 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 local 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 paper 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 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 to understanding the financial statements. The City of South St. Paul is situated in Dakota County adjacent to and south of the capitol city of St. Paul. With diversified commercial and industrial development lining the waterfront, the Mississippi River forms the eastern border of the City. The river bluff is about a half mile west and marks the beginning of the balance of the City's land area (about 80%) which is primarily residential and fully developed. The single family housing stock is quite 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 20,000 people and has rebounded from the 1970's when one of the largest meat-packing centers in the nation went into a steep decline in the aftermath of the segregated closings of two huge meat processing facilities resulting in a loss of 20% of the population. Property values, which had seen little growth into the 1990's have been revitalized with average residential market values rising at over 8% per year since 1996 until 2007. The City's general economic environment parallels that of the Twin Cities Metropolitan Area, which has one of the most stable and diversified economic bases of any major U. S. city. The Metro Area is the fastest growing city in the frost belt and seldom loses its number one ranking for having the lowest unemployment rate of any major population center. A well-educated labor market joins together with a diversity of industries to make the area nearly recession proof. The regional infrastructure is vibrant and regional services including mass transit, planning, airports and sewer treatment the responsibility of the Metropolitan Council.

Based on history, the economy of the Metropolitan Twin Cities Area should be stable well into the future. The resilient nature of the diverse economic make-up resists large downturns. Both unemployment and inflation are expected to increase with stabilization in the near term. The City expects that annual building permit values to decrease as a result of the downturn of the residential construction market in the state.

Internally, the future outlook of the City is bright with a stable and well-trained work force operating within a financial umbrella, which has had growing general reserves and stable finances. Reductions by the State Legislature affecting 2003 (retroactively), 2004 and 2005 in the level of state support were met primarily by reductions in budgeted expenditures with only a minimal property tax increase enacted. In 2007, State Aid decreased slightly to near the 2004 level with 2008 expecting a slight increase, which will be offset with other revenues and expenditure adjustments.

The Capital Improvement Program (“CIP”) focused primarily on the City Hall Renovation project in 2007 and bringing it to 99% completion. The project is expected to be complete in 2008, with corresponding closure of the capital project fund.

The City is over 95% complete with the closing and preparing of an undeveloped 90-acre demolition/construction debris landfill site (Port Crosby) for recreational property. The site includes over a mile of Mississippi River frontage acquired by the City a few years ago. In late 2003, the site was made accessible by motor vehicles with the completion of a state-aid funded, \$1.8 million bridge. In 2005, the State approved a \$2,500,000 grant to the City to aid in the development of the site with an additional \$2,000,000 grant approved in 2006. In addition, significant land improvements were made in preparation for usable park land and facilities to complete the newly named Kaposia Landing. The community has continued to benefit from the conversion of the reformed meatpacking complex into the modern office-worker facilities (Bridgepoint) with exceptional location advantages. In 2008, the last remnant of the Stock Yards will begin its redevelopment into a complex of office showroom facilities. The Airport completed a 20-aircraft “T-Hangar” which will provide lease income for airport operations.

The City is an active participant with the County, local School District and other neighboring cities to effectuate collaborative arrangements to reduce the cost of services while maintaining or improving quality. Six miles of the regional Dakota County Trail system winds its way through City property and a school-city joint powers agreement governs the City operation of the Central Square Community Center. An agreement was reached in 2005 with a neighboring city to merge full-time fire departments and operational plans were successfully completed in 2007 with the operational date of January 1, 2008. These are all positive signs for future financial efficiencies through multi-government cooperative efforts.

### **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 a long-term investments held to maturity. The supplementary section of this report includes a schedule of investments as of December 31, 2007.

### **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.

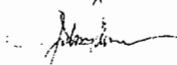
### **Awards and Acknowledgments**

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, 2006. 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,



---

Joshua Feldman  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South St. Paul  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**ELECTED AND APPOINTED OFFICIALS**  
 December 31, 2007

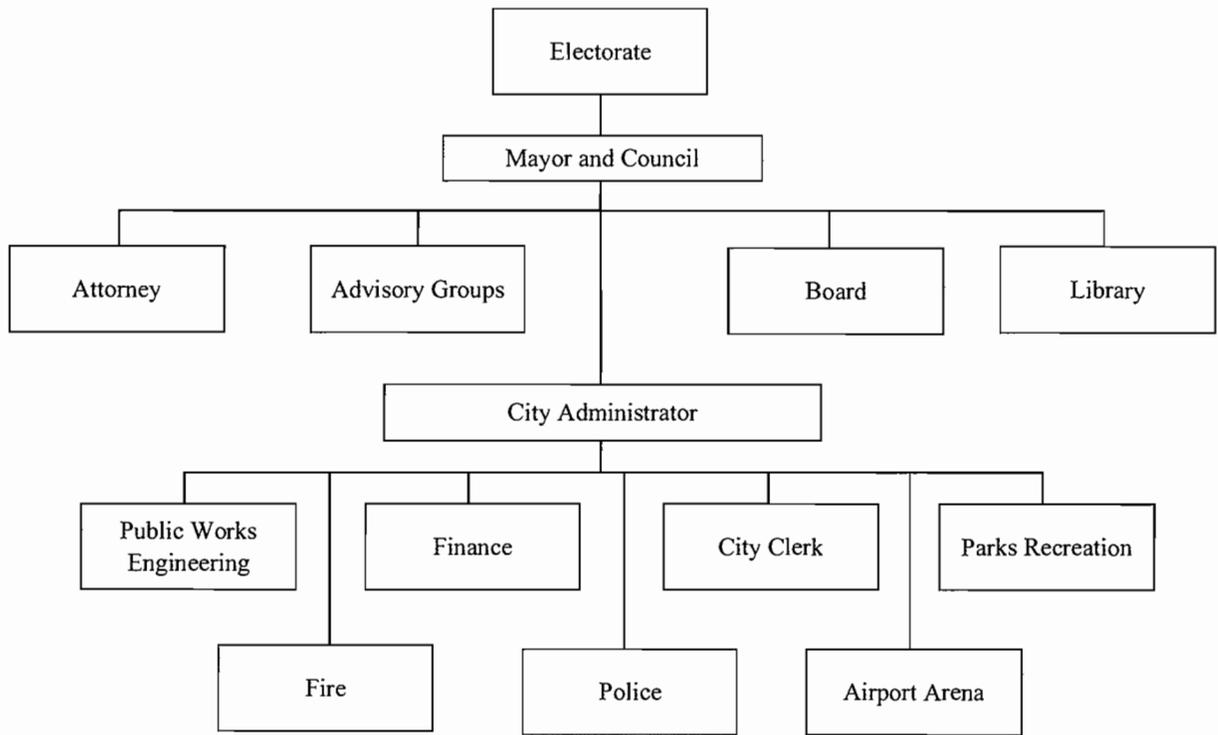
---

		<u>Term Expires</u>
Mayor	Beth A. Baumann	January 1, 2009
Councilmembers	Lori Hansen	January 1, 2009
	Christopher J. Lehmann	January 1, 2009
	Dan Niederkorn	January 1, 2009
	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	Michael J. Messerich	Appointed
City Clerk	Christy M. Wilcox	Appointed
Library Director	Jane A. Kroschel	Appointed
Director Revenue Facilities	Glenn C. Burke	Appointed

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**ORGANIZATION CHART**  
December 31, 2007

---



**-This page intentionally left blank-**

## **II. FINANCIAL SECTION**

**-This page intentionally left blank-**

## 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, 2007, 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 2006 financial statements. The financial statements of the City as of December 31, 2006, were audited by other auditors whose report dated August 16, 2007, expressed unqualified opinions on those statements.

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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 4 to the financial statements, the City changed its method of calculating depreciation during fiscal year 2007.

As discussed in Note 14 to the financial statements, the City restated the December 31, 2006 beginning net assets to correct capital asset balances and recognition of expenditures.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2008, 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.

**-This page intentionally left blank-**

Honorable Mayor and  
Members of the City Council

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

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

  
**LarsonAllen LLP**

Minneapolis, Minnesota  
June 17, 2008

**-This page intentionally left blank-**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of South St. Paul, Minnesota (the City) we offer readers of the City's comprehensive annual financial report this overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 8 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$75,779,595 (net assets). Of this amount, \$12,499,987 (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 \$11,632,817 from the prior year, of which, \$6,248,238 is due to a change in depreciation method.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,939,271. Of this amount, \$13,170,914 is designated or reserved through legal restrictions and City Council authorization. The undesignated fund balance is \$1,768,357.
- At the end of the current fiscal year \$3,009,876 of the general fund balance of \$3,157,255 are undesignated funds.
- The City's total debt increased by \$578,105 during the current fiscal year, from \$17,801,370 to \$18,379,475.

### 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 are comprised 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.

## Management's Discussion and Analysis

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.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 36 and 37 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. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial 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.

## Management's Discussion and Analysis

The City maintains six major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, one special revenue fund (Airport), three capital project funds (Special Projects, General Programs, City Hall Renovation), and one debt service fund (2007A Improvement Bonds).

Data from the other 36 governmental funds (five special revenue, eighteen debt service, thirteen capital projects) are combined into a single, aggregated presentation under the title of nonmajor governmental funds. Individual fund data for each of these funds is provided in the form of combining statements and can be found after the notes in the financial section of this report.

The City adopts an annual appropriated budget for major funds as follows: 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 38 through 42 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. Second, the City has a single internal service fund to account for its central garage activity. 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. Investment earnings from the central garage have been included within governmental activities in the government-wide financial statements. The central garage is not reported separately on the government-wide statement of activities but has been included within governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Storm Water Utility and the Central Garage Internal Service Fund.

The basic proprietary fund financial statements can be found on pages 43 through 45 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 46 of this report.

## Management's Discussion and Analysis

**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 43-71 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 92 through 121 of this report. Following the combining statements is supplementary financial information (pages 125-134) and the statistical section (pages 137-162).

### 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 \$75,779,595 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$56,974,528 or 75%) reflects its investment in capital assets (e.g. land, buildings and land improvements, infrastructure, machinery, equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, 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, 2007 is displayed as a separate line item in the fund statements of the proprietary funds. However, in the government-wide Statement of Net Assets it is netted against assets and not shown separately.

## Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$20,587,367	\$21,101,884	\$4,544,495	\$3,563,051	\$25,131,862	\$24,664,935
Capital and Non-current assets	60,377,957	50,002,621	11,547,913	11,850,391	71,925,870	61,853,012
Total Assets	<u>80,965,324</u>	<u>71,104,505</u>	<u>16,092,408</u>	<u>15,413,442</u>	<u>97,057,732</u>	<u>86,517,947</u>
Current Liabilities	2,531,615	4,060,676	380,442	509,123	2,912,057	4,569,799
Non-current Liabilities	18,307,713	17,741,790	58,367	59,580	18,366,080	17,801,370
Total Liabilities	<u>20,839,328</u>	<u>21,802,466</u>	<u>438,809</u>	<u>568,703</u>	<u>21,278,137</u>	<u>22,371,169</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	45,426,615	36,290,023	11,547,913	11,850,391	56,974,528	48,140,414
Restricted	6,305,080	4,665,216	-	-	6,305,080	4,665,216
Unrestricted	8,394,301	8,346,800	4,105,686	2,994,348	12,499,987	11,341,148
Total Net Assets	<u>\$60,125,996</u>	<u>\$49,302,039</u>	<u>\$15,653,599</u>	<u>\$14,844,739</u>	<u>\$75,779,595</u>	<u>\$64,146,778</u>

Net assets at the end of the current fiscal year for the government as a whole, which includes its separate governmental and business-type activities, totaled \$75,779,595. The major element of the year-end current asset balance of \$25,131,862 was cash/investments of \$15,975,365, which represented 64% of the total current asset balance.

As of December 31, 2007, total liabilities for governmental activities and business-type activities were \$21,278,137. Of this amount, \$18,366,080 or 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, 2007, \$6,305,080 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 \$12,499,987 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 \$10,611,790, as a result of a change in depreciation method, which accounted for \$6,494,081 of the increase. Another key element of this increase is driven by capital improvements funded through \$3,187,000 of state appropriations for the development of Kaposia Landing, a new city park. 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, transfers in, special items and prior period adjustments were \$27,603,323 against expenses of \$16,991,533 resulting in an increase in net assets of \$10,611,790.

## Management's Discussion and Analysis

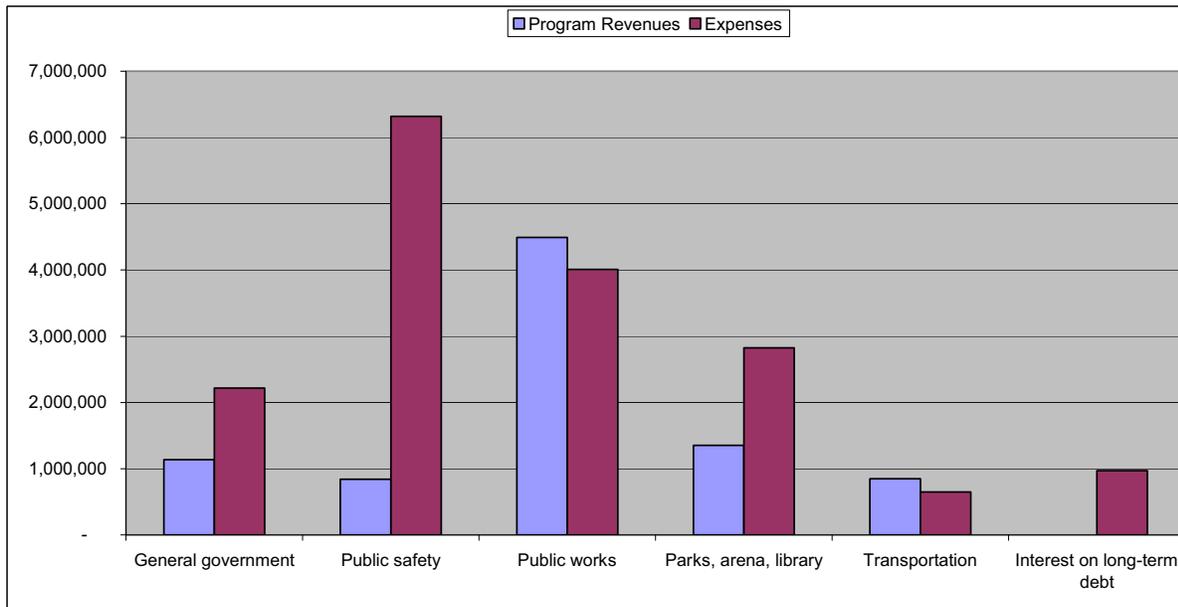
### City of South St. Paul, Minnesota's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$3,884,236	\$5,076,119	\$4,920,658	\$4,638,739	\$8,804,894	\$9,714,858
Operating grants and contributions	1,557,846	1,342,519	-	-	1,557,846	1,342,519
Capital grants and contributions	3,331,011	1,966,898	263,977	-	3,594,988	1,966,898
General revenues:						
Property taxes	5,744,747	5,305,741	-	-	5,744,747	5,305,741
Tax increment	1,618,275	1,443,232	-	-	1,618,275	1,443,232
Franchise taxes	755,296	749,039	-	-	755,296	749,039
Grants and contributions not restricted to specific programs	2,537,158	2,781,385	-	-	2,537,158	2,781,385
Unrestricted investment earnings	1,112,186	763,661	264,641	52,699	1,376,827	816,360
Miscellaneous revenues	18,225	116,366	-	-	18,225	116,366
<b>Total revenues</b>	<b>20,558,980</b>	<b>19,544,960</b>	<b>5,449,276</b>	<b>4,691,438</b>	<b>26,008,256</b>	<b>24,236,398</b>
<b>Expenses:</b>						
General government	2,216,808	2,869,806	-	-	2,216,808	2,869,806
Public safety	6,319,181	5,535,003	-	-	6,319,181	5,535,003
Public works	4,009,014	4,133,175	-	-	4,009,014	4,133,175
Parks, arena, library	2,825,016	2,895,568	-	-	2,825,016	2,895,568
Transportation	651,897	1,303,503	-	-	651,897	1,303,503
Interest on long-term debt	969,617	604,805	-	-	969,617	604,805
Water and sanitary sewer	-	-	3,721,772	3,390,216	3,721,772	3,390,216
Storm sewer utility	-	-	203,315	198,225	203,315	198,225
<b>Total expenses</b>	<b>16,991,533</b>	<b>17,341,860</b>	<b>3,925,087</b>	<b>3,588,441</b>	<b>20,916,620</b>	<b>20,930,301</b>
<b>Increase (decrease) in net assets before transfers and special items</b>	<b>3,567,447</b>	<b>2,203,100</b>	<b>1,524,189</b>	<b>1,102,997</b>	<b>5,091,636</b>	<b>3,306,097</b>
Transfers	550,262	440,273	(550,262)	(440,273)	-	-
Special Item	6,494,081	-	(245,843)	-	6,248,238	-
<b>Change in net assets</b>	<b>10,611,790</b>	<b>2,643,373</b>	<b>728,084</b>	<b>662,724</b>	<b>11,339,874</b>	<b>3,306,097</b>
Net assets - January 1, previously reported	49,302,039	46,486,415	14,844,739	14,182,015	64,146,778	60,668,430
Prior period adjustment	212,167	172,251	80,776	-	292,943	172,251
Net assets - January 1, as restated	49,514,206	46,658,666	14,925,515	14,182,015	64,439,721	60,840,681
Net assets - December 31	<b>\$60,125,996</b>	<b>\$49,302,039</b>	<b>\$15,653,599</b>	<b>\$14,844,739</b>	<b>\$75,779,595</b>	<b>\$64,146,778</b>

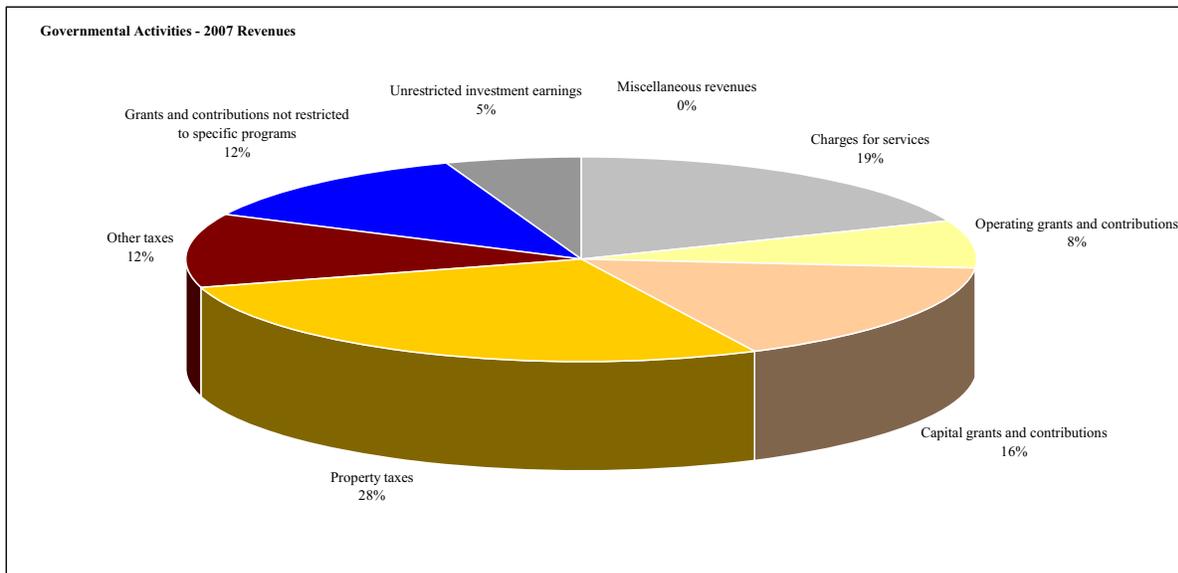
## Management's Discussion and Analysis

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

### Expenses and Program Revenues – Governmental Activities



### Governmental Activities – Revenues

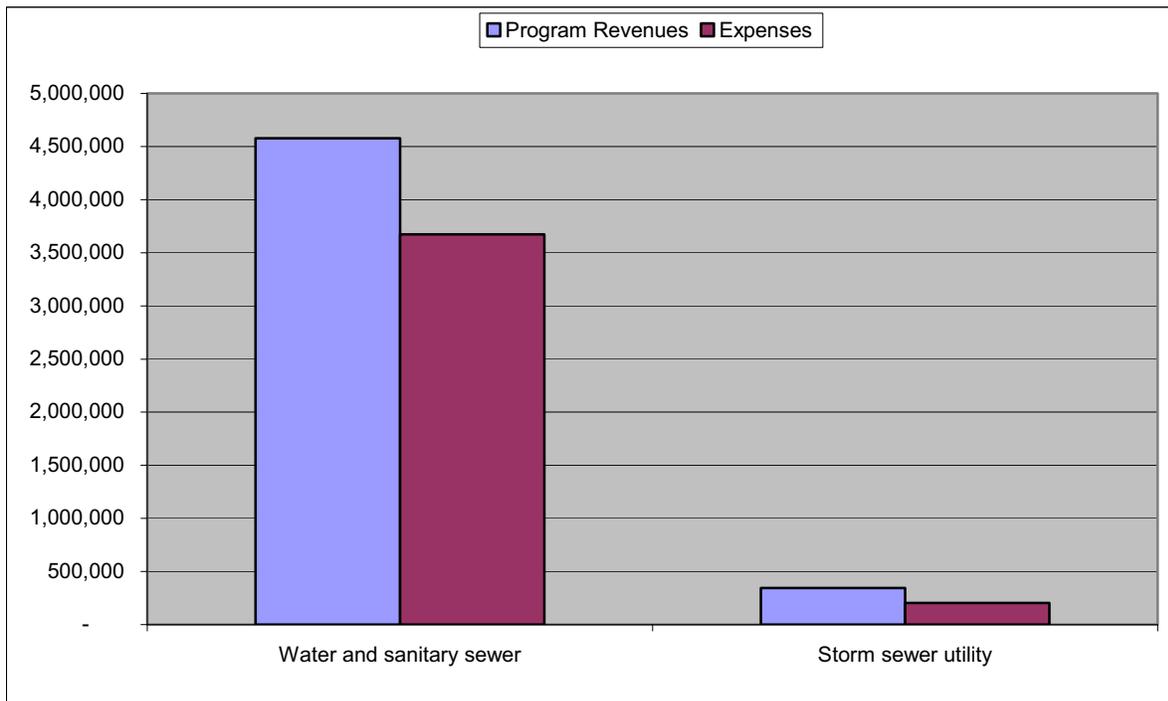


## Management's Discussion and Analysis

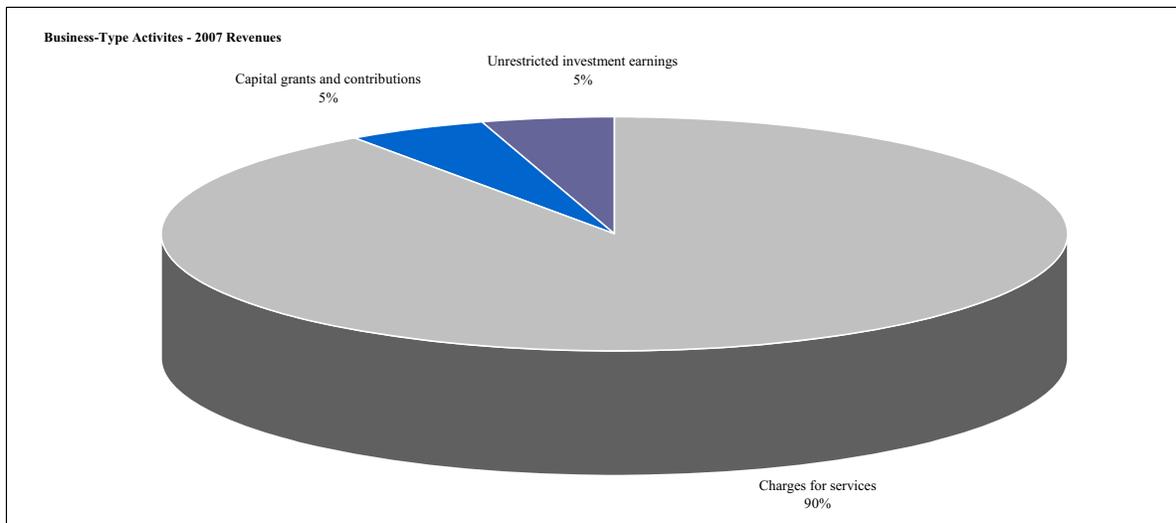
### Business-Type Activities

Business-type activities increased net assets by \$728,084 accounting for 6.4% of the City's growth in net assets. Charges for services increased by 6.1% overall. The increase is a result of 2007 sewer rate adjustments. The additional revenue generated by the increase is designated for capital improvements to the City's sewer and water infrastructure system. Funds were transferred in 2007 to the Special Project fund for such improvements. 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 government's net resources available for spending 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 \$14,939,271. Of this total amount, approximately 34% or \$5,172,517 constitutes unreserved fund balance. The remainder of the fund balance is reserved as follows: prepaid items of \$2,951, debt service funds reserve of \$6,305,080 and a reservation for interfund advances against the lending fund (General Programs) of \$3,458,723

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

**The General Fund:** Decrease of (\$299,853). The General fund is the chief operating fund of the City of South St. Paul. During the current fiscal year, December 31, 2007, the General Fund revenues decreased \$175,712 from year ending December 31, 2006. A portion of the decrease (\$79,468) can be attributed to the police amortization aids phasing out. In addition, the city also experienced a decrease in Permit and check planning revenues of \$55,247 due to economic changes to the housing market. The General Fund expenditures increased \$1,109,494 during the fiscal year ending December 31, 2007. The increase in spending is due to many factors. First, the City contracted for approximately \$50,000 of additional professional services related to internal finance functions during the year. These costs are considered to be one-time expenditures. Second, the City incurred additional expenditures of approximately \$50,000 for the City Hall utilities during the City Hall Remodeling project. The Fire department, in preparation for the consolidation with the City of West St. Paul Fire department, incurred additional professional service expenditures and severance components, which resulted in an additional one-time expenditure increase of approximately \$313,863 for 2007. Other significant increases in spending occurred through the settlement of three union contracts and mandated increases, such as PERA increases and the Dakota Communications Center dispatch services.

**Airport Fund:** Decrease of (\$228,214). The Airport had revenues under expenditures of \$236,214 due to the purchase of a snow blower (\$110,398) for runway clearing. The city received a reimbursement grant with a matching component of 5% and has not received reimbursement in 2007; therefore, due to timing difference fund balance will increase in 2008. The ten-year plan for the Airport operation shows elimination of the year-end fund balance deficit of \$1,181,491 through increased charges for services resulting from recent extension of infrastructure facilities making many new hangar sites available for lease and the construction of a new T-hangar.

**Special Projects Fund:** Increase of \$20,078: In 2007, the capital improvement program expenditures were increased from the prior year as a majority of the capital outlay expenditures were made for the Port Crosby improvement project.

## Management's Discussion and Analysis

A significant portion of this project is funded by intergovernmental revenue; therefore, the impact to the City's 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 of the portion of the City's 2008 General Fund and Library Fund budgets which are financed by state aid and property taxes.

Based on that formula, because of the fund balance needed as of December 31, 2007, approximately \$4,344,674, a transfer from the General Fund was not needed to finance 2008 operations.

**City Hall Renovation.** Decrease of \$2,273,080. The City Hall Renovation Fund accounted for significant activity in 2007 as the City Hall renovation project was well underway during the year. To fund the renovation, the City transferred funds in 2006 from the Special Projects and General Fund totaling \$5,100,000. In addition the City also issued General Obligation debt in 2006 for \$3,800,000. As of December 31, 2007, the City Hall renovation project was not complete, however, the City anticipates completion of the project in 2008.

**2007A Improvement Bonds.** Increase of \$230,291. 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 in more detail.

The unrestricted net assets in the respective proprietary funds are Water and Sewer, \$3,463,854 and Storm Water Utility, \$641,832.

Net assets in the Water and Sewer Fund increased by \$681,497 in 2007 and stood at \$8,566,008 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 2007 to fund Capital Improvement Program expenditures for anticipated capital projects.

Net assets increased \$127,363 in the Storm Water Utility Fund. The change is primarily due to an increase in investment income and a state grant for the Port Crosby Project.

### **Budgetary Highlights**

The City Council adopted 7 operating budgets for the General Fund and three special revenue funds. Schedules which compare actual results to budget can be found: major Airport Fund, nonmajor Library Fund and Wakota Arena Fund. A summary of the General Fund follows:

## Management's Discussion and Analysis

### General Fund

As part of the annual budget process, the current General Fund revenue and expenditure budgets are revised to reflect a more accurate picture throughout the current fiscal year. The adoption of the 2007 original budget reflected a contingency amount for unsettled union contracts; therefore to accurately reflect the settled contracts in the budget, a revised amount is allocated from the contingency line. In addition to unsettled union contracts, the original budget reflected the consolidation of the Fire department as of 1/1/07, and therefore does not reflect the expected revenues and expenditures, as a result of the change in operational date of 1/1/08. Revisions were made to reflect the changes in fire department staffing, pay increases, and the year ending fire department buyout provisions.

The City receives a significant portion of revenue from Local Government Aid as determined by a complex formula and the legislature activity. In previous years, the City has been impacted by reductions of this aid. In 2007, the City received a decrease in the Local Government Aid over the 2006 levels, and therefore, had to increase property tax rates for its residents during the year while continuing current service levels.

Total budgeted revenues (\$10,499,994) and total actual revenues (\$10,156,058) resulted in difference of (\$343,936). Franchise Tax revenue is under budget by \$78,704 and is a result of an aggressive budgeting approach taken in 2007. Licenses and permit revenue is under budget by \$92,737 for the year mostly due to a decrease in building permits and check planning revenues of \$79,869 as a result of construction industry and other economic issues. Fire and Police Aids revenue is under budget by \$117,459. This variance is a result of a decrease in police aid and amortization aid of \$79,468 and \$7,332, respectively from prior years. In addition, a fairly aggressive budget approach is also considered due to Police Aids being under budget in 2006 by \$38,519, with only a reduction of \$3,000 in the 2007 and 2006 budget. Charges for services revenue for the General government function is under budget by \$49,245 as a result of timing differences between when staff time charges were incurred (2007) and when the revenue is recognized due the grant reimbursement process for the Port Crosby project. In other words, this is an example of capital projects having a greater lifespan than a budget cycle.

Total Final budgeted expenditures increased \$442,653 from 2006 (\$10,241,110) to 2007 (\$10,683,763). Total Final budgeted expenditures (\$10,683,763) and total actual expenditures (\$10,785,178) resulted in a negative variance of \$101,415. A significant portion of that decrease is related to one-time Fire Department consolidation with City of West St. Paul. Personal services were over budget by \$107,131 due to the increased overtime needed to cover shifts of terminated/retired employees during 2007. In addition, services and other charges were over budget by \$89,984 due to professional services needed to settle the labor agreements, and other consolidation items. In addition, the City Hall department did not anticipate additional utility costs (\$49,036) for the City Hall during its renovation.

## Management's Discussion and Analysis

Major areas of expenditures finishing the year under budget included the following departments: Mayor and city council \$3,033; City administration \$20,460; City clerk \$5,351; Computer \$29,518; Police \$10,138; Animal control \$4,611 Public works \$22,281; Parks administration \$14,113. An overall assessment for the deficit fund balance from operations in 2007 is a mostly a result of being under budget in revenue categories and not excess spending among departments. This is an important note for the upcoming fiscal budget cycle. There will be a need to more closely evaluate City's practice of budgeting for revenues to have a favorable impact on the fund balance reserves.

### 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, 2007 was \$71,925,870 (net of accumulated depreciation). This investment in capital assets includes land, buildings and land improvements, infrastructure, machinery and equipment.

More detailed information regarding capital assets are found in the notes to the financial statements.

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

- The City Hall Remodeling Project (construction in progress) received significant investments during 2007 with anticipated completion in 2008.
- The City invested \$275,082 to replace a variety of City vehicles
- \$264,743 to reconstruct numerous segments of City streets.

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	9,988,614	9,988,614	295,900	295,900	10,284,514	10,284,514
Building and Improvements	6,349,231	6,605,761	824,754	715,393	7,173,985	7,321,154
Machinery and Equipment	2,162,530	1,903,734	81,472	147,619	2,244,002	2,051,353
Infrastructure	26,442,299	20,321,451	10,196,926	10,313,811	36,639,225	30,635,262
Construction in Process	15,435,283	11,183,061	148,861	377,668	15,584,144	11,560,729
	<u>60,377,957</u>	<u>50,002,621</u>	<u>11,547,913</u>	<u>11,850,391</u>	<u>71,925,870</u>	<u>61,853,012</u>

## Management's Discussion and Analysis

**Long-term debt.** At the end of the current fiscal year, the City had a total bonded debt outstanding of \$17,430,000, an increase of \$615,000 from 2006. This number is comprised of G.O. debt of \$7,795,000, Tax Increment debt of \$2,800,000, G.O debt supported by special assessments of \$5,385,000 and Revenue supported bonds in the amount of \$1,450,000.

Additional long-term debt amounts in compensated absences in the amount of \$536,643 (governmental funds) and \$58,367 (enterprise funds).

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Special assessment bonds	5,385,000	5,010,000	-	-	5,385,000	5,010,000
Tax increment bonds	2,800,000	4,120,000	-	-	2,800,000	4,120,000
General purpose bonds	7,795,000	6,125,000	-	-	7,795,000	6,125,000
Revenue bonds	1,450,000	1,560,000	-	-	1,450,000	1,560,000
Soil remediation liability	-	-	-	-	-	-
Notes payable	375,490	375,490	-	-	375,490	375,490
Compensated absences	536,643	550,802	58,367	59,580	595,010	610,382
	<u>18,342,133</u>	<u>17,741,292</u>	<u>58,367</u>	<u>59,580</u>	<u>18,400,500</u>	<u>17,800,872</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 2% of total estimated market value. The current debt limitation for the City of South St. Paul is \$31,473,972. General obligation bonds of \$7,795,000 are counted within the statutory limitation as this debt is wholly financed by a general tax levy. The difference between the legal limit and related debt is \$23,678,972, 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 an integral part of 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. The 2007 budget was set for \$2,019,642 a decrease of \$180,161, of which is offset with property tax and other revenues. 2008 budget was set for \$2,043,465, an increase of \$23,823.

## Management's Discussion and Analysis

- State of Minnesota Local Governmental Aid (LGA) for the 2009 budget cycle was recently determined by the recent legislation for an increase of \$257,000. In addition, recent legislation enacted levy limits with special exceptions for the local governments.
- The City Council took action in December of 2005, and increased water and sanitary sewer rates effective for January 1, 2006. The increases were a proactive step towards meeting the needs of rising operating costs and future infrastructure improvements and are based on a five year financial plan which call for increases in sanitary sewer rates for 2007 and 2008. The impact of the increased rates for the City is noted by the increase in revenues and fund balance in the Water and Sewer Enterprise Fund.

**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).

**Financial Section  
Basic Financial  
Statements**

## **BASIC FINANCIAL STATEMENTS**

CITY OF SOUTH ST. PAUL, MINNESOTA  
 STATEMENT OF NET ASSETS  
 December 31, 2007

Statement 1

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash, cash equivalents and investments	\$13,053,074	\$2,922,291	\$15,975,365
Cash and investments with escrow agent	1,811,699	-	1,811,699
Accrued interest	159,971	-	159,971
Accounts receivable	360,428	1,287,018	1,647,446
Taxes receivable	746,722	-	746,722
Special assessments receivable	2,370,012	303,773	2,673,785
Due from other governmental units	1,835,266	31,413	1,866,679
Inventories - at cost	52,200	-	52,200
Prepays	2,951	-	2,951
Deferred charges	195,044	-	195,044
Capital assets (net of accumulated depreciation):			
Land	9,988,614	295,900	10,284,514
Buildings and land improvements	6,349,231	824,754	7,173,985
Machinery and equipment	2,162,530	81,472	2,244,002
Infrastructure	26,442,299	10,196,926	36,639,225
Construction in process	15,435,283	148,861	15,584,144
Total assets	<u>80,965,324</u>	<u>16,092,408</u>	<u>97,057,732</u>
<b>Liabilities:</b>			
Accounts, salaries and contracts payable	1,676,281	182,367	1,858,648
Deposits payable	9,679	-	9,679
Due to other governmental units	56,248	250	56,498
Accrued interest payable	283,950	-	283,950
Unearned revenue	505,457	197,825	703,282
Noncurrent liabilities:			
Due within one year	3,097,275	10,652	3,107,927
Due in more than one year	15,210,438	47,715	15,258,153
Total liabilities	<u>20,839,328</u>	<u>438,809</u>	<u>21,278,137</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	45,426,615	11,547,913	56,974,528
Restricted for:			
Debt service	6,305,080	-	6,305,080
Unrestricted	8,394,301	4,105,686	12,499,987
Total net assets	<u>\$60,125,996</u>	<u>\$15,653,599</u>	<u>\$75,779,595</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, 2007

Statement 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$2,216,808	\$1,182,542	\$56,712	\$ -	(\$977,554)	\$ -	(\$977,554)
Public safety	6,319,181	215,865	615,479	10,012	(5,477,825)	-	(5,477,825)
Public works	4,009,014	460,621	836,073	3,195,246	482,926	-	482,926
Parks, arena, and library	2,825,016	1,205,730	20,313	125,753	(1,473,220)	-	(1,473,220)
Transportation	651,897	819,478	29,269	-	196,850	-	196,850
Interest on long-term debt	969,617	-	-	-	(969,617)	-	(969,617)
Total governmental activities	<u>16,991,533</u>	<u>3,884,236</u>	<u>1,557,846</u>	<u>3,331,011</u>	<u>(8,218,440)</u>	<u>0</u>	<u>(8,218,440)</u>
<b>Business-type activities:</b>							
Water and sewer	3,721,772	4,577,377	-	-	-	855,605	855,605
Storm water	203,315	343,281	-	263,977	-	403,943	403,943
Total business-type activities	<u>3,925,087</u>	<u>4,920,658</u>	<u>0</u>	<u>263,977</u>	<u>0</u>	<u>1,259,548</u>	<u>1,259,548</u>
Total primary government	<u>\$20,916,620</u>	<u>\$8,804,894</u>	<u>\$1,557,846</u>	<u>\$3,594,988</u>	<u>(8,218,440)</u>	<u>1,259,548</u>	<u>(6,958,892)</u>
<b>General revenues:</b>							
General property taxes					5,744,747	-	5,744,747
Tax increment					1,618,275	-	1,618,275
Franchise tax					755,296	-	755,296
Unrestricted grants and contributions					2,537,158	-	2,537,158
Investment earnings					1,112,186	264,641	1,376,827
Miscellaneous revenues					18,225	-	18,225
Special item- change in depreciation method					6,494,081	(245,843)	6,248,238
Transfers					550,262	(550,262)	-
Total general revenues, special items, and transfers					<u>18,830,230</u>	<u>(531,464)</u>	<u>18,298,766</u>
Change in net assets					<u>10,611,790</u>	<u>728,084</u>	<u>11,339,874</u>
Net assets - beginning - as previously stated					49,302,039	14,844,739	64,146,778
Prior period adjustment					212,167	80,776	292,943
Net assets - beginning - as restated					<u>49,514,206</u>	<u>14,925,515</u>	<u>64,439,721</u>
Net assets - ending					<u>\$60,125,996</u>	<u>\$15,653,599</u>	<u>\$75,779,595</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2007

	General Fund	245 - Airport	402 - Special Projects
<b>Assets</b>			
Cash and investments	\$3,318,025	\$ -	\$ -
Cash and investments with escrow agent	-	-	-
Accrued interest	-	-	-
Accounts receivable - net	197,214	83,952	-
Property taxes receivable:			
Delinquent	118,348	-	-
Due from county	489,784	-	-
Special assessments receivable:			
Delinquent	218	-	264
Deferred	2,571	-	158,876
Due from county	-	-	-
Due from other governmental units	39,068	131,143	990,720
Advances to other funds	-	-	-
Inventory	-	52,200	-
Prepaid items	2,951	-	-
<b>Total assets</b>	<b>\$4,168,179</b>	<b>\$267,295</b>	<b>\$1,149,860</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Overdraft payable	\$ -	\$ -	\$ -
Accounts, salaries and contracts payable	839,176	139,658	209,811
Deposits payable	-	-	-
Due to other governmental units	53,400	7	-
Advances from other funds	-	1,204,243	301,671
Deferred revenue	118,348	104,878	164,695
<b>Total liabilities</b>	<b>1,010,924</b>	<b>1,448,786</b>	<b>676,177</b>
<b>Fund balance:</b>			
<b>Reserved for:</b>			
Prepaid items	2,951	-	-
Advances to other funds	-	-	-
Debt service	-	-	-
<b>Unreserved:</b>			
<b>Designated for:</b>			
Working capital	-	-	-
Other Post Employment Benefits	144,428	-	-
Future projects	-	-	473,683
<b>Undesignated reported in:</b>			
General Fund	3,009,876	-	-
Special Revenue Funds	-	(1,181,491)	-
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
<b>Total fund balance</b>	<b>3,157,255</b>	<b>(1,181,491)</b>	<b>473,683</b>
<b>Total liabilities and fund balance</b>	<b>\$4,168,179</b>	<b>\$267,295</b>	<b>\$1,149,860</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	406 - City Hall Renovation	354- 2007A Improvement Bonds	Other Governmental Funds	Intra-Activity Eliminations	Total Governmental Funds	
					2007	2006
					\$1,001,625	\$777,337
-	-	-	1,811,699	-	1,811,699	-
130,622	-	-	29,349	-	159,971	207,801
-	-	-	78,762	-	359,928	474,809
-	-	-	120,495	-	238,843	156,354
-	-	-	18,095	-	507,879	511,475
-	-	1,293	23,100	-	24,875	26,334
-	-	937,508	1,230,383	-	2,329,338	2,757,387
-	-	2,679	13,120	-	15,799	15,617
-	-	-	674,086	-	1,835,017	1,792,671
3,458,723	-	-	-	(3,458,723)	-	-
-	-	-	-	-	52,200	35,476
-	-	-	-	-	2,951	-
<u>\$4,590,970</u>	<u>\$777,337</u>	<u>\$1,489,797</u>	<u>\$10,730,002</u>	<u>(\$3,458,723)</u>	<u>\$19,714,717</u>	<u>\$21,329,080</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,483,497
-	190,929	-	234,224	-	1,613,798	2,882,407
-	-	-	9,679	-	9,679	22,100
-	-	-	2,841	-	56,248	2,567
-	604,768	-	1,348,041	(3,458,723)	-	-
-	-	938,801	1,768,999	-	3,095,721	3,628,908
<u>0</u>	<u>795,697</u>	<u>938,801</u>	<u>3,363,784</u>	<u>(3,458,723)</u>	<u>4,775,446</u>	<u>8,019,479</u>
-	-	-	-	-	2,951	-
3,458,723	-	-	-	-	3,458,723	2,283,911
-	-	550,996	5,754,084	-	6,305,080	4,665,216
1,132,247	-	-	-	-	1,132,247	2,307,059
-	-	-	-	-	144,428	-
-	-	-	1,653,802	-	2,127,485	1,717,521
-	-	-	-	-	3,009,876	3,457,108
-	-	-	(282,190)	-	(1,463,681)	(1,152,603)
-	-	-	663,984	-	663,984	285,598
-	(18,360)	-	(423,462)	-	(441,822)	(254,209)
<u>4,590,970</u>	<u>(18,360)</u>	<u>550,996</u>	<u>7,366,218</u>	<u>0</u>	<u>14,939,271</u>	<u>13,309,601</u>
<u>\$4,590,970</u>	<u>\$777,337</u>	<u>\$1,489,797</u>	<u>\$10,730,002</u>	<u>(\$3,458,723)</u>	<u>\$19,714,717</u>	<u>\$21,329,080</u>
					\$14,939,271	\$13,309,601
					59,195,372	48,860,080
					2,590,264	2,938,763
					(18,388,865)	(17,887,471)
					1,789,954	2,081,066
					<u>\$60,125,996</u>	<u>\$49,302,039</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, 2007

	General Fund	245 - Airport	402 - Special Projects
<b>Revenues:</b>			
General property taxes	\$4,398,971	\$ -	\$ -
Tax increment collections	-	-	-
Franchise tax	755,296	-	-
Licenses and permits	385,103	-	-
Intergovernmental	3,321,590	29,269	3,208,799
Charges for services	861,298	819,478	176,667
Fines and forfeits	116,881	-	-
Special assessments	1,285	-	92,727
Investment income	213,588	-	276
Contributions and donations	-	-	-
Miscellaneous	102,046	-	40,000
Total revenues	<u>10,156,058</u>	<u>848,747</u>	<u>3,518,469</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,668,356	-	16,249
Public safety	6,275,657	-	-
Public works	1,728,291	-	-
Parks, arena, library	1,088,402	-	37,562
Transportation	-	798,931	-
Nondepartmental	-	-	-
<b>Capital outlay:</b>			
General government	-	-	-
Public safety	24,472	-	151,651
Public works	-	-	2,887,275
Parks, arena, library	-	-	6,058
Transportation	-	134,573	-
Interest expenditure	-	117,037	1,713
<b>Debt service:</b>			
Principal	-	34,420	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>10,785,178</u>	<u>1,084,961</u>	<u>3,100,508</u>
Revenues over (under) expenditures	<u>(629,120)</u>	<u>(236,214)</u>	<u>417,961</u>
<b>Other financing sources (uses):</b>			
Bond issued	-	-	-
Issuance of refunding bonds	-	-	-
Bond discount	-	-	-
Bond premium	-	-	-
Loan proceeds	-	-	-
Sale of capital assets	-	8,000	-
Transfers in	509,361	-	8,568
Transfers out	(180,094)	-	(406,451)
Total other financing sources (uses)	<u>329,267</u>	<u>8,000</u>	<u>(397,883)</u>
Net change in fund balance	(299,853)	(228,214)	20,078
Fund balance (deficit) - January 1	3,457,108	(953,277)	453,605
Prior period adjustment	-	-	-
Fund balance (deficit) - December 31	<u>\$3,157,255</u>	<u>(\$1,181,491)</u>	<u>\$473,683</u>

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

401 - General Programs	406 - City Hall Renovation	354 - 2007A Improvement Bonds	Other Governmental Funds	Intra Activity Eliminations	Total Governmental Funds	
					2007	2006
\$ -	\$ -	\$ -	\$1,263,286	\$ -	\$5,662,257	\$5,300,707
-	-	-	1,618,276	-	1,618,276	1,443,232
-	-	-	-	-	755,296	749,039
-	-	-	-	-	385,103	472,357
-	-	-	798,111	-	7,357,769	5,964,368
-	-	-	1,016,201	-	2,873,644	2,903,963
-	-	-	23,085	-	139,966	211,069
-	-	214,968	541,305	-	850,285	1,053,449
-	113,898	44,827	663,515	-	1,036,104	732,660
-	-	-	4,541	-	4,541	36,527
-	-	-	5,337	-	147,383	114,844
0	113,898	259,795	5,933,657	0	20,830,624	18,982,215
-	229,713	-	222,763	-	2,137,081	1,885,093
-	-	-	14,607	-	6,290,264	5,475,732
-	-	-	941,712	-	2,670,003	2,760,025
-	-	-	1,448,758	-	2,574,722	2,674,930
-	-	-	-	-	798,931	772,059
-	-	-	12,058	-	12,058	950,301
-	2,157,265	-	3,762	-	2,161,027	6,303,452
-	-	-	-	-	176,123	-
-	-	-	269,232	-	3,156,507	3,304,686
-	-	-	-	-	6,058	211,724
-	-	-	42,185	-	176,758	1,548,936
-	-	-	175,559	-	294,309	-
-	-	-	2,695,496	-	2,729,916	1,480,000
-	-	29,504	677,440	-	706,944	506,583
-	-	-	53,529	-	53,529	32,740
0	2,386,978	29,504	6,557,101	0	23,944,230	27,906,261
0	(2,273,080)	230,291	(623,444)	0	(3,113,606)	(8,924,046)
-	-	-	1,420,000	-	1,420,000	3,800,000
-	-	-	1,840,000	-	1,840,000	-
-	-	-	-	-	-	(41,707)
-	-	-	14,249	-	14,249	-
-	-	-	375,490	-	375,490	-
-	-	-	-	-	8,000	-
-	-	-	2,528,309	(2,191,615)	854,623	2,542,933
-	-	-	(1,605,070)	2,191,615	-	(2,102,660)
0	0	0	4,572,978	0	4,512,362	4,198,566
0	(2,273,080)	230,291	3,949,534	0	1,398,756	(4,725,480)
4,590,970	2,254,720	320,705	3,185,770	-	13,309,601	18,035,081
-	-	-	230,914	-	230,914	\$0
\$4,590,970	(\$18,360)	\$550,996	\$7,366,218	\$0	\$14,939,271	\$13,309,601

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, 2007

**Statement 5**

	<u>2007</u>	<u>2006</u>
Amounts reported for governmental activities in the statement of activities (statement 2) are different because:		
Net changes in fund balances - total governmental funds (statement 4)	\$1,398,756	(\$4,725,480)
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.	3,899,551	9,501,544
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.	(8,000)	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(348,499)	531,714
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.	(526,553)	(2,563,783)
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.	25,159	(49,555)
Internal service funds are used by management to charge the costs of central garage to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(322,705)</u>	<u>(51,067)</u>
Change in net assets of governmental activities (statement 2)	<u><u>\$10,611,790</u></u>	<u><u>\$2,643,373</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, 2007

Statement 6

	Business-Type Activities Enterprise Funds				Governmental
	605 - Water	610 - Storm	Totals		Activities -
	and Sewer	Water Utility			Internal
			2007	2006	Service Fund
					703 - Central Garage
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments	\$2,383,113	\$539,178	\$2,922,291	\$1,883,551	\$676,857
Accounts receivable - billed	229,242	22,236	251,478	289,132	-
Accounts receivable - unbilled	949,479	86,061	1,035,540	968,335	500
Special assessments receivable:					
Current	259,296	-	259,296	356,208	-
Delinquent	37,817	-	37,817	27,457	-
Due from county	6,660	-	6,660	-	-
Due from other governments	-	31,413	31,413	187,664	249
Total current assets	<u>3,865,607</u>	<u>678,888</u>	<u>4,544,495</u>	<u>3,712,347</u>	<u>677,606</u>
<b>Noncurrent assets:</b>					
Special assessments - deferred	-	-	-	(149,296)	-
<b>Capital assets:</b>					
Land	295,900	-	295,900	295,900	-
Buildings and land improvements	1,949,999	-	1,949,999	1,896,997	-
Machinery and equipment	575,071	-	575,071	628,073	4,031,428
Infrastructure	8,255,145	9,963,384	18,218,529	17,772,211	-
Construction in process	-	148,861	148,861	377,668	-
Total capital assets	<u>11,076,115</u>	<u>10,112,245</u>	<u>21,188,360</u>	<u>20,970,849</u>	<u>4,031,428</u>
Less: Allowance for depreciation	<u>(5,973,961)</u>	<u>(3,666,486)</u>	<u>(9,640,447)</u>	<u>(9,120,458)</u>	<u>(2,848,843)</u>
Net capital assets	<u>5,102,154</u>	<u>6,445,759</u>	<u>11,547,913</u>	<u>11,850,391</u>	<u>1,182,585</u>
Total noncurrent assets	<u>5,102,154</u>	<u>6,445,759</u>	<u>11,547,913</u>	<u>11,701,095</u>	<u>1,182,585</u>
Total assets	<u>8,967,761</u>	<u>7,124,647</u>	<u>16,092,408</u>	<u>15,413,442</u>	<u>1,860,191</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	121,267	37,056	158,323	279,848	56,599
Wages and payroll taxes payable	24,044	-	24,044	19,037	5,884
Compensated absences	10,652	-	10,652	15,071	-
Due to other governmental units	250	-	250	238	-
Unearned revenue	197,825	-	197,825	210,000	-
Total current liabilities	<u>354,038</u>	<u>37,056</u>	<u>391,094</u>	<u>524,194</u>	<u>62,483</u>
<b>Noncurrent liabilities:</b>					
Compensated absences	47,715	-	47,715	44,509	7,754
Total noncurrent liabilities	<u>47,715</u>	<u>0</u>	<u>47,715</u>	<u>44,509</u>	<u>7,754</u>
Total liabilities	<u>401,753</u>	<u>37,056</u>	<u>438,809</u>	<u>568,703</u>	<u>70,237</u>
<b>Net assets:</b>					
Invested in capital assets	5,102,154	6,445,759	11,547,913	11,850,391	1,182,585
Unrestricted	3,463,854	641,832	4,105,686	2,994,348	607,369
Total net assets	<u>\$8,566,008</u>	<u>\$7,087,591</u>	<u>\$15,653,599</u>	<u>\$14,844,739</u>	<u>\$1,789,954</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**  
For The Year Ended December 31, 2007

**Statement 7**

	Business-Type Activities Enterprise Funds				Governmental
	605 - Water and Sewer	610 - Storm Water Utility	Totals		Activities - Internal Service Fund
			2007	2006	703 - Central Garage
Operating revenues:					
Customer billings:					
General customers	\$2,598,553	\$337,962	\$2,936,515	\$2,810,395	\$ -
Heavy industry customers	1,441,395	-	1,441,395	1,275,611	-
Service charges	218,633	-	218,633	201,792	-
Penalties	87,509	5,319	92,828	79,429	-
Other charges	187,899	-	187,899	230,156	773
State surcharges	43,388	-	43,388	41,356	-
Equipment rental and repair charges	-	-	-	-	663,767
Total operating revenues	<u>4,577,377</u>	<u>343,281</u>	<u>4,920,658</u>	<u>4,638,739</u>	<u>664,540</u>
Operating expenses:					
Personal services:					
Salaries and wages	436,643	-	436,643	424,045	110,542
Pension contributions	59,486	-	59,486	56,523	14,928
Insurance	65,897	-	65,897	63,831	18,280
Total personal services	<u>562,026</u>	<u>0</u>	<u>562,026</u>	<u>544,399</u>	<u>143,750</u>
Materials and supplies:					
Maintenance materials	86,809	-	86,809	145,189	329,689
Contractual services:					
Sewage disposal - Met Council	2,080,695	-	2,080,695	1,985,319	-
Insurance	26,796	-	26,796	25,679	17,181
Professional services	59,471	-	59,471	25,608	7,215
Public utility service	160,767	-	160,767	170,930	-
Repairs and maintenance	304,665	14,259	318,924	67,610	-
Rentals	113,193	-	113,193	110,183	10,100
Communications	23,804	-	23,804	22,806	-
Other	137,680	-	137,680	133,758	17,035
Total contractual services	<u>2,907,071</u>	<u>14,259</u>	<u>2,921,330</u>	<u>2,541,893</u>	<u>51,531</u>
Depreciation	165,866	189,056	354,922	356,960	246,519
Total operating expenses	<u>3,721,772</u>	<u>203,315</u>	<u>3,925,087</u>	<u>3,588,441</u>	<u>771,489</u>
Operating income (loss)	<u>855,605</u>	<u>139,966</u>	<u>995,571</u>	<u>1,050,298</u>	<u>(106,949)</u>
Nonoperating revenues (expenses):					
Investment income	222,025	42,616	264,641	52,699	76,082
Intergovernmental revenue	-	263,977	263,977	-	-
Gain on sale of capital assets	-	-	-	-	12,523
Total nonoperating revenues (expenses)	<u>222,025</u>	<u>306,593</u>	<u>528,618</u>	<u>52,699</u>	<u>88,605</u>
Income (loss) before transfers and special items	1,077,630	446,559	1,524,189	1,102,997	(18,344)
Transfers:					
Transfers out	(476,909)	(73,353)	(550,262)	(440,273)	(304,361)
Special items:					
Change in depreciation method	-	(245,843)	(245,843)	-	-
Change in net assets	600,721	127,363	728,084	662,724	(322,705)
Net assets - January 1	7,884,511	6,960,228	14,844,739	14,182,015	2,081,066
Prior period adjustment	80,776	-	80,776	-	31,593
Net assets - December 31	<u>\$8,566,008</u>	<u>\$7,087,591</u>	<u>\$15,653,599</u>	<u>\$14,844,739</u>	<u>\$1,789,954</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, 2007

**Statement 8**

	Business-Type Activities Enterprise Funds				Governmental
	605 - Water	610 - Storm	Totals		Activities -
	and Sewer	Water Utility			Internal Service
			2007	2006	Fund
					703 - Central Garage
Cash flows from operating activities:					
Receipts from customers and users	\$4,472,579	\$493,200	\$4,965,779	\$4,239,957	\$663,791
Payment to suppliers	(2,957,122)	(172,530)	(3,129,652)	(2,439,388)	(469,398)
Payment to employees	(558,232)	-	(558,232)	(545,788)	(138,974)
Net cash flows from operating activities	<u>957,225</u>	<u>320,670</u>	<u>1,277,895</u>	<u>1,254,781</u>	<u>55,419</u>
Cash flows from noncapital financing activities:					
Transfer to other funds	(476,909)	(73,353)	(550,262)	(440,273)	(304,361)
Net cash flows from noncapital financing activities	<u>(476,909)</u>	<u>(73,353)</u>	<u>(550,262)</u>	<u>(440,273)</u>	<u>(304,361)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	(217,511)	(217,511)	(377,668)	(275,082)
Capital grants	-	263,977	263,977	-	-
Proceeds from sale of capital assets	-	-	-	-	32,635
Net cash flows from capital and related financing activities	<u>0</u>	<u>46,466</u>	<u>46,466</u>	<u>(377,668)</u>	<u>(242,447)</u>
Cash flows from investing activities:					
Investment income	<u>222,025</u>	<u>42,616</u>	<u>264,641</u>	<u>52,699</u>	<u>76,082</u>
Net increase (decrease) in cash and cash equivalents	<u>702,341</u>	<u>336,399</u>	<u>1,038,740</u>	<u>489,539</u>	<u>(415,307)</u>
Cash and cash equivalents - January 1	<u>1,680,772</u>	<u>202,779</u>	<u>1,883,551</u>	<u>1,394,012</u>	<u>1,092,164</u>
Cash and cash equivalents - December 31	<u>\$2,383,113</u>	<u>\$539,178</u>	<u>\$2,922,291</u>	<u>\$1,883,551</u>	<u>\$676,857</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$855,605</u>	<u>\$139,966</u>	<u>\$995,571</u>	<u>\$1,050,298</u>	<u>(\$106,949)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	165,866	189,056	354,922	356,960	246,519
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	(98,076)	(879)	(98,955)	(206,008)	(500)
Decrease (increase) in due from other governmental units	5,453	150,798	156,251	(183,834)	(249)
Increase (decrease) in accounts payable	36,746	(158,271)	(121,525)	247,578	(88,178)
Increase (decrease) in salaries payable	5,007	-	5,007	(1,379)	1,438
Increase (decrease) in compensated absences	(1,213)	-	(1,213)	(10)	3,338
Increase (decrease) in due to other governmental units	12	-	12	116	-
Increase (decrease) in unearned revenue	(12,175)	-	(12,175)	(8,940)	-
Total adjustments	<u>101,620</u>	<u>180,704</u>	<u>282,324</u>	<u>204,483</u>	<u>162,368</u>
Net cash provided by operating activities	<u>\$957,225</u>	<u>\$320,670</u>	<u>\$1,277,895</u>	<u>\$1,254,781</u>	<u>\$55,419</u>

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, 2007**

**Statement 9**

---

	<u>2007</u>	<u>2006</u>
Assets:		
Cash and investments	<u>\$108,238</u>	<u>\$96,905</u>
Liabilities:		
Deposits payable	<u>\$108,238</u>	<u>\$96,905</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 nor 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 changes in net assets) 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 activity 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 *Special Projects Capital Projects Fund* accounts for the resources and expenditures required for the acquisition and construction of capital improvements, which will provide a direct or significant indirect benefit to individual property owners.

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

The *City Hall Renovation Capital Projects Fund* is used to account for resources and payments related to the remodeling of City Hall.

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

The City's internal service fund is 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 fund 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary-fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

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 three of the five 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 three 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, 2007 expenditures exceeded appropriations in the General Fund and the Airport special revenue fund listed below. These excess expenditures were funded by greater than anticipated revenues in the General Fund.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund:			
Community relations	\$76,672	\$76,405	(\$267)
City planner	91,776	88,448	(3,328)
Finance	329,989	324,970	(5,019)
City attorney	265,833	246,500	(19,333)
City hall	247,625	183,975	(63,650)
Recycling	57,811	57,782	(29)
Public safety - Fire	2,550,587	2,338,202	(212,385)
Public safety - Fire consolidation	25,373	-	(25,373)
Code enforcement	257,485	240,494	(16,991)
Parks and recreation - parks, pools and main.	703,528	688,991	(14,537)
Airport	1,084,961	924,059	(160,902)

**H. DEFICIT FUND EQUITY**

The City has deficit fund balances at December 31, 2007 as follows:

	<u>Amount</u>
Special Revenue Funds:	
Airport	\$1,181,491
Wakota Arena	391,410
Capital Project Funds:	
City Hall Renovation	18,360
Airport Improvement	645,494
2005 Local Improvement	97,356
2007 Local Improvement	3,720
Stockyards Redevelopment	38,440

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, Stockyards Redevelopment, 2005 and 2007 Local Improvement Funds 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.

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. FUNDEQUITY**

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 (\$18,423,004) difference are as follows:

Bonds payable	(\$17,430,000)
Plus: Bond Premium (to be amortized over life of debt)	(13,395)
Less: Issuance discount (to be amortized as interest expense)	208,439
Accrued interest payable	(283,950)
Notes payable	(341,070)
Compensated absences	<u>(528,889)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	 <u><u>(\$18,388,865)</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 a 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 \$3,899,551 difference are as follows:

Capital outlay	\$5,676,473
Depreciation expense	<u>(1,776,922)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$3,899,551</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 (\$526,553) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	(\$1,420,000)
Issuance of refunding bonds	(1,840,000)
Less: premium	(14,249)
Plus: issue costs and discount	53,529
Loan proceeds	(375,490)
Principal repayments:	
General obligation debt	2,729,916
Notes payable	<u>339,741</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>(526,553)</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$44,549 difference are as follows:

Compensated absences	\$17,497
Accrued interest	30,284
Amortization of issuance costs and discount	(23,974)
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>\$25,159</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, 2007 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, 2007 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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Investments and maturities of the cash pool at December 31, 2007 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	\$10,391,037	\$ -	\$1,404,062	\$4,183,418	\$4,803,557
Certificate of deposits	AAA	195,080	100,000	-	-	95,080
Government money market mutual funds	AAA	70,397	70,397	-	-	-
Total investments in cash and investment pool		<u>\$10,656,514</u>	<u>\$170,397</u>	<u>\$1,404,062</u>	<u>\$4,183,418</u>	<u>\$4,898,637</u>

Cash and investments comprising the City's cash pool at December 31, 2007 were as follows:

	Fair Value
<b>Cash:</b>	
Cash on hand	\$3,050
<b>Cash in banks:</b>	
Bank accounts	59,740
Cash held in escrow	1,811,699
Money manager savings account	150,237
Treasury plus	5,214,062
Total cash	<u>7,238,788</u>
<b>Investments:</b>	
U.S. government securities	10,391,037
Certificates of deposit	195,080
Government money market mutual funds	70,397
Total investments	<u>10,656,514</u>
Total cash and investments	<u>\$17,895,302</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**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

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, 2007.

Investment issuer:	Fair Value	Percent of Total Investments
FHLMC	\$7,529,866	71.1%
FHLB	1,000,000	9.4%
FMN	600,198	5.7%
FNMA	1,260,973	11.9%
Bremer Bank, N.A.	100,000	0.9%
Smith Barney	95,080	0.9%
<b>Total investments</b>	<b>\$10,586,117</b>	

**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					Nonmajor Governmental Funds	Water and Sewer	Storm Water Utility	Total
	General	Airport	Special Projects	General Programs	2007A Improvement Bonds				
Receivables:									
Accrued interest	\$ -	\$ -	\$ -	\$130,622	\$ -	\$29,349	\$ -	\$ -	\$159,971
Accounts	197,214	83,952	-	-	-	78,762	1,178,721	108,297	1,646,946
Taxes	608,132	-	-	-	-	138,590	-	-	746,722
Special assessments	2,789	-	159,140	-	941,480	1,266,603	303,773	-	2,673,785
Due from other governmental units	39,068	131,143	990,720	-	-	674,086	-	31,413	1,866,430
<b>Total receivables</b>	<b>\$847,203</b>	<b>\$215,095</b>	<b>\$1,149,860</b>	<b>\$130,622</b>	<b>\$941,480</b>	<b>\$2,187,390</b>	<b>\$1,482,494</b>	<b>\$139,710</b>	<b>\$7,093,854</b>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

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>
<b>Governmental Funds:</b>		
Taxes receivable	\$238,843	\$ -
Special assessments delinquent	24,656	-
Special assessments deferred	2,247,905	-
Special assessments special deferred	78,860	-
Due from other governmental units	-	499,901
Barge lease	-	5,556
	<u>                    </u>	<u>                    </u>
Total unavailable/unearned revenue for governmental funds	<u>\$2,590,264</u>	<u>\$505,457</u>
 <b>Proprietary Funds:</b>		
Service availability	<u>\$ -</u>	<u>\$197,825</u>
	<u>                    </u>	<u>                    </u>
Total unearned revenue for proprietary funds	<u>\$0</u>	<u>\$197,825</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**Note 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Prior Period Adjustment	Adjusted Beginning Balance	Additions	Deletions	Reclass/Adj	Change in Accounting Principle	Ending Balance
<b>Primary Government</b>								
Governmental activities:								
Capital assets, not being depreciated:								
Land	\$ 9,988,614	\$ -	\$ 9,988,614	\$ -	\$ -	\$ -	\$ -	\$ 9,988,614
Construction in progress	11,183,061	-	11,183,061	5,022,544	-	(770,322)	-	15,435,283
Total capital assets, not being depreciated	21,171,675	-	21,171,675	5,022,544	-	(770,322)	-	25,423,897
Capital assets, being depreciated:								
Buildings and structures	12,061,779	-	12,061,779	-	-	-	-	12,061,779
Machinery and equipment	6,512,013	(110,302)	6,401,711	698,212	(206,609)	-	-	6,893,314
Infrastructure	53,738,451	-	53,738,451	230,804	(52,891)	770,322	-	54,686,686
Total capital assets, being depreciated	72,312,243	(110,302)	72,201,941	929,016	(259,500)	770,322	-	73,641,779
Less accumulated depreciation for:								
Buildings and structures	5,456,018	-	5,456,018	256,530	-	-	-	5,712,548
Machinery and equipment	4,608,279	(91,552)	4,516,727	398,941	(184,884)	-	-	4,730,784
Infrastructure	33,417,000	-	33,417,000	1,356,727	(35,259)	-	(6,494,081)	28,244,387
Total accumulated depreciation	43,481,297	(91,552)	43,389,745	2,012,198	(220,143)	-	(6,494,081)	38,687,719
Total capital assets being depreciated-net	28,830,946	(18,750)	28,812,196	(1,083,182)	(39,357)	770,322	6,494,081	34,954,060
Governmental activities capital assets-net	\$50,002,621	\$ (18,750)	\$49,983,871	\$3,939,362	\$ (39,357)	\$ -	\$6,494,081	\$60,377,957
<b>Primary Government</b>								
Business-type activities:								
Capital assets, not being depreciated:								
Land	\$ 295,900	\$ -	\$ 295,900	\$ -	\$ -	\$ -	\$ -	\$ 295,900
Construction in progress	377,668	-	377,668	148,861	-	(377,668)	-	148,861
Total capital assets, not being depreciated	673,568	-	673,568	148,861	-	(377,668)	-	444,761
Capital assets, being depreciated:								
Buildings and structures	1,896,997	-	1,896,997	-	-	53,002	-	1,949,999
Machinery and equipment	628,073	-	628,073	-	-	(53,002)	-	575,071
Infrastructure	17,772,211	-	17,772,211	68,650	-	377,668	-	18,218,529
Total capital assets, being depreciated	20,297,281	-	20,297,281	68,650	-	377,668	-	20,743,599
Less accumulated depreciation for:								
Buildings and structures	1,181,604	(88,642)	1,092,962	32,283	-	-	-	1,125,245
Machinery and equipment	480,454	7,866	488,320	5,279	-	-	-	493,599
Infrastructure	7,458,403	-	7,458,403	317,357	-	-	245,843	8,021,603
Total accumulated depreciation	9,120,461	(80,776)	9,039,685	354,919	-	-	245,843	9,640,447
Total capital assets being depreciated-net	11,176,820	80,776	11,257,596	(286,269)	-	377,668	(245,843)	11,103,152
Business-type activities capital assets-net	\$11,850,388	\$ 80,776	\$11,931,164	\$ (137,408)	\$ -	\$ -	\$ (245,843)	\$11,547,913

The City changed its method for depreciating the City's infrastructure capital assets during 2007 from the composite method to the straight-line method. The composite depreciation method is a method of depreciation in which a group of related assets is depreciated as a whole over their average useful lives rather than individually. Straight-line method depreciates individual capital assets equally over the asset's useful life. The change in depreciation methods was made to simplify the deletion of individual infrastructure capital assets and the associated accumulated depreciation. The change was applied retrospective back to 2003, the cumulative effect of the change is shown above as a change in accounting principle. The retrospective application decreased the governmental activities infrastructure accumulated depreciation \$6,494,081, and increased business-type

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

infrastructure accumulated depreciation \$245,843. These changes are indicated in the government-wide and proprietary financial statements as *Special item*-change in depreciation method.

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

Governmental activities:	
General government	\$ 33,690
Public safety	27,008
Public works	1,297,707
Parks, arena, library	244,398
Transportation	162,876
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>246,519</u>
Total depreciation expense - governmental activities	<u>\$ 2,012,198</u>
Business-type activities:	
Water and sewer	\$ 165,863
Storm sewer	<u>189,056</u>
Total depreciation expense - business-type activities	<u>\$ 354,919</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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Bonds outstanding at December 31, 2007 are as follows:

	<u>Final Maturities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 12/31/07</u>
General Obligation Debt:				
Tax Increment Bonds	2009	2.75%	\$4,320,000	\$2,800,000
Special Assessment Bonds	2008 - 2016	1.90% - 5.40%	12,840,000	5,385,000
General Obligation Bonds	2010 - 2027	2.00% - 5.50%	<u>10,675,000</u>	<u>9,245,000</u>
Total bonds payable			<u>\$27,835,000</u>	<u>\$17,430,000</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>
2008	\$2,955,000	\$802,043
2009	2,820,000	699,272
2010	1,350,000	604,287
2011	1,125,000	554,250
2012	1,030,000	511,711
2013-2017	4,335,000	1,956,087
2018-2022	2,535,000	516,992
2023-2027	<u>1,280,000</u>	<u>141,062</u>
Total	<u>\$17,430,000</u>	<u>\$5,785,704</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Changes in long-term liabilities during December 31, 2007 are summarized as follows:

	Balance 01/01/07	Additions	Deletions	Balance 12/31/07	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Tax increment	\$4,120,000	\$ -	\$1,320,000	\$2,800,000	\$1,380,000
Special assessment	5,010,000	1,420,000	1,045,000	5,385,000	1,170,000
General obligation	7,685,000	1,840,000	280,000	9,245,000	405,000
Plus deferred amounts:					
For issuance premium	498	14,249	1,352	13,395	1,352
Total bonds payable	16,815,498	3,274,249	2,646,352	17,443,395	2,956,352
Note payable	-	375,490	34,420	341,070	37,549
Compensated absences	550,802	95,129	109,288	536,643	104,726
Total governmental activities long-term debt	<u>\$17,366,300</u>	<u>\$3,744,868</u>	<u>\$2,790,060</u>	<u>\$18,321,108</u>	<u>\$3,098,627</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$59,580</u>	<u>\$13,233</u>	<u>\$14,446</u>	<u>\$58,367</u>	<u>\$10,652</u>

On January 24, 2007, the City issued \$1,420,000 General Obligation Improvement Bonds, Series 2007A with an interest and rate of 4%. The interest payment on the bond is August 1, 2007, 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 2008 through 2017. The City issued the bonds for the purpose of financing street reconstruction projects.

On January 24, 2007, the City issued \$1,840,000 of General Obligation Refunding Bonds, Series 2007B. The interest payment on the bond is August 1, 2007, 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 2009 through 2021. The bonds were issued to prepay the callable portion of the \$2,375,00 General Obligation Bonds, Series 2000, (bonds maturing in the years 2009 through 2021) will be redeemed on February 1, 2008. The City will continue 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.

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, \$7,754 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.

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 12/31/07
T-Hangar note payable	2/1/2007	1/1/2017	0.00%	\$375,490	\$341,070

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Annual payments to maturity are as follows:

Year Ending December 31	Principal
2008	\$37,549
2009	37,549
2010	37,549
2011	37,549
2012	37,549
2013-2017	<u>153,325</u>
Total	<u>\$341,070</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 will be required to make annual additional municipal contributions of \$224,204 and \$106,261, respectively, until January 2009.

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 5.7%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9% respectively, effective January 1, 2008. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$196,335, \$178,414 and \$165,153, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2007, 2006 and 2005 were \$365,610, \$281,418 and \$257,477, 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**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Total contributions made by the City during fiscal year 2007 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	<u>\$1,073</u>	<u>\$1,073</u>	<u>5.00%</u>	<u>5.00%</u>	<u>5.00%</u>

**D. POST EMPLOYMENT BENEFITS**

The City of South St. Paul provides post-employment comprehensive (HMO) health care benefits to qualifying retirees equal to the benefits they would receive were they still City employees. The split of premium costs between the City and retirees are pursuant to the specific terms of the City's five bargaining unit agreements. The City cost is on a pay-as-you-go basis and is budgeted to the appropriate fund and paid from the former home base of the retired employee. Thirty-one employees are currently eligible. The City's cost of this benefit as of December 31, 2007 was \$207,602.

**Note 7 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 2007:

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

Related bonded indebtedness is as follows:

	<u>G.O. Refunding</u> <u>Bonds</u> <u>Series 2004A</u>
Date of issue	12/28/2004
Bonds issued	\$4,320,000
Bonds retired	<u>(1,520,000)</u>
Bonds outstanding, December 31, 2007	<u>\$2,800,000</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2007

---

**Note 8 FUND CHANGES**

The following funds were opened in 2007:

Special Revenue Funds

Park Land Dedication

Debt Service Funds

2007 DCC Revenue Bonds  
 2007B Refunding Bonds

The following funds were closed in 2007:

Capital Project Funds

Wilson Site Development  
 2004 Local Improvement  
 Southview/52 Development

**Note 9 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS**

The composition of interfund balances at December 31, 2007 is as follows:

<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amount</u>
General Programs	Airport	\$1,204,243
General Programs	Special Projects	301,671
General Programs	City Hall Renovation	604,768
	Nonmajor Governmental Funds:	
General Programs	Wakota Arena	394,021
General Programs	Airport Improvements	630,761
General Programs	Stockyards Redevelopment	1,223
General Programs	2005 Local Improvement	319,155
General Programs	2007 Local Improvement	2,881
		<u>2,881</u>
Total		<u>\$3,458,723</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.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

Interfund transfers:

	Transfer In			Total
	General Fund	Special Projects	Nonmajor Governmental Fund	
Transfer out:				
General Fund	\$ -	\$ -	\$180,094	\$180,094
Special Projects	-	-	406,451	406,451
Nonmajor Governmental Funds	-	8,568	1,596,503	1,605,071
Water and Sewer	150,000	-	326,909	476,909
Storm Water Utility	55,000	-	18,353	73,353
Internal Service Fund	304,361	-	-	304,361
Total transfers	<u>\$509,361</u>	<u>\$8,568</u>	<u>\$2,528,310</u>	<u>\$3,046,239</u>

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

**Note 10 OPERATING LEASES**

**A. BALLISTIC RECOVERY SYSTEM, INC. LEASE**

On December 3, 2007, \$1,750,000 Lease Revenue bonds (City of South St. Paul Airport Project), Series 2007 (the "Bonds") were issued by the Housing and Redevelopment Authority of the City of South St. Paul, Minnesota (the "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 will, in turn, sublease 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**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

The Corporation Base Rent payments to the City and the City Base Rent payments to the Authority as of December 31, 2007 are as follows:

<u>Payment Year</u>	<u>Corporation Payment to City</u>	<u>City Payment to Authority</u>
2008	\$61,980	\$65,521
2009	170,602	137,670
2010	170,925	146,320
2011	171,985	148,736
2012	173,095	151,150
2013-2017	884,074	746,806
2018-2022	877,070	710,222
2023-2027	902,615	694,528
2028-2029	184,706	243,658
Total	<u>\$3,597,052</u>	<u>\$3,044,611</u>

**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, 2007, the City’s hangar lease tenants were 31 T-Hangar leases, 78 Land leases, and 5 Building leases. The City’s airport hangar lease revenue for the year ended December 31, 2007 was \$299,345.

**C. ANTENNA LEASES**

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

Location	Lessee	2007 Lease Amount	Annual Lease Adjustment Factor	Expiration Date	Renewal Options
Kaposia Park	T-Mobile	\$18,378.45	5% Increase on Jan 1	12/31/2008	4 - 5 year terms
Thompson Water Tower	T-Mobile	18,378.45	5% Increase on Jan 1	12/31/2010	4 - 5 year terms
Alice Court Water Tower	T-Mobile	19,303.50	5% Increase on Jan 1	12/31/2009	3 - 5 year terms
Thompson Water Tower	Sprint Nextel	21,325.95	Greater of CPI or 5%	12/31/2011	2 - 5 year terms
Alice Court Water Tower	Sprint Nextel	16,162.68	5% Increase on Jan 1	12/31/2009	2 - 5 year terms
Thompson Water Tower	Verizon	15,778.02	5% Increase on July 1	12/31/2009	2 - 5 year terms

**Note 11 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**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

---

The City of South St. Paul's debt payments for the year ending 12/31/2007 were \$59,419. The City of South St. Paul's future debt payments as of December 31, 2007 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>\$441,733</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 power 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 will transfer 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. In addition, each city will perform in-kind contributed services of approximate equal value during 2008 with additional service agreements in future years.

**Note 12 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 is 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, 2007.

**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, 2007

**Note 13 COMMITTED CONTRACTS**

The government has active construction projects as of December 31, 2007. 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>
Kaposia Park	\$183,137
Airport	243,872
City Hall	210,563
Storm Sewer Project	<u>5,787</u>
Total	<u><u>\$643,358</u></u>

**Note 14 PRIOR PERIOD ADJUSTMENTS**

The government-fund financial statements are adjusted for over recorded capital outlay expenditures in the prior year in the amount of \$230,914. Construction in progress will be adjusted for over recorded costs incurred in 2006 for the Airport West Hanger Area project.

The proprietary-fund financial statements are adjusted for errors in capital assets depreciation expense recorded in the prior year for \$80,776 and for capital asset deletions in the prior year. Machinery and Equipment deletions will be recognized for capital asset deletions incurred in 2006 for \$110,302 and accumulated depreciation will be adjusted \$141,895 for the Central Garage Fund.

The government-wide financial statements are adjusted for an error in overstating depreciation expense calculated for general government Machinery and Equipment for 2006 for \$50,340 and for fund financial adjustments of \$230,914 indicated above.

A summary of the corrections to net assets are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net asset increase (decrease):			
Overstated expenditures correction	\$230,914	\$ -	\$230,914
Accumulated depreciation corrections	91,555	80,776	172,331
Capital asset correction	<u>(110,302)</u>	-	<u>(110,302)</u>
Net asset restatement	<u>\$212,167</u>	<u>\$80,776</u>	<u>\$292,943</u>

**Note 15 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. 45** *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension.* Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged.

**Statement No. 49** *Accounting and Financial Reporting for Pollution Remediation Obligations.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2007.

**Statement No. 50** *Pension Disclosures -- an amendment of GASB Statements No. 25 and No. 27.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2007.

**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.

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

**-This page intentionally left blank-**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

**Statement 10**  
**Page 1 of 5**

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget -	2006 Actual Amounts
	Original	Final		Positive	
				(Negative)	
Revenues:					
General property taxes:					
Current	\$3,493,420	\$3,493,420	\$3,370,856	(\$122,564)	\$3,290,891
Delinquent	-	-	85,330	85,330	86,844
Fiscal disparities	910,000	910,000	938,848	28,848	949,435
Other	-	-	3,937	3,937	4,859
Total general property taxes	4,403,420	4,403,420	4,398,971	(4,449)	4,332,029
Franchise tax	834,000	834,000	755,296	(78,704)	749,039
Licenses and permits	477,840	477,840	385,103	(92,737)	472,357
Intergovernmental:					
Federal:					
Grants	-	-	7,201	7,201	-
State:					
Market value homestead credit	422,000	422,000	438,395	16,395	466,618
Local government aid	2,019,642	2,019,642	2,019,642	-	2,199,803
Road maintenance	177,000	177,000	163,827	(13,173)	174,782
Fire and police aids	557,000	667,000	549,541	(117,459)	634,942
Other	24,226	24,226	28,676	4,450	25,551
County:					
Gravel tax	4,200	4,200	3,989	(211)	4,244
Road maintenance	29,000	29,000	28,493	(507)	28,463
Recycling grant	18,000	18,000	17,900	(100)	17,900
Other	-	-	-	-	10,993
Local - other	64,790	64,790	63,926	(864)	62,652
Total intergovernmental	3,315,858	3,425,858	3,321,590	(104,268)	3,625,948
Charges for services:					
General government	262,800	262,800	213,555	(49,245)	257,499
Public safety	12,800	92,800	100,333	7,533	105,224
Public works	5,000	5,000	2,612	(2,388)	2,814
Parks and recreation	195,200	195,200	178,556	(16,644)	167,433
Administrative fee - other funds	100,900	100,900	101,300	400	106,000
Engineering project fees	175,000	175,000	176,328	1,328	144,067
Rents	87,176	87,176	88,614	1,438	82,907
Total charges for services	838,876	918,876	861,298	(57,578)	865,944
Fines and forfeits	90,000	90,000	116,881	26,881	104,192
Special assessments	-	-	1,285	1,285	2,625
Miscellaneous:					
Investment income	230,000	230,000	213,588	(16,412)	82,711
Other	120,000	120,000	102,046	(17,954)	96,925
Total miscellaneous	350,000	350,000	315,634	(34,366)	179,636
Total revenues	10,309,994	10,499,994	10,156,058	(343,936)	10,331,770

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

**Statement 10**  
**Page 2 of 5**

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget -	2006 Actual Amounts
	Original	Final		Positive (Negative)	
<b>Expenditures:</b>					
<b>General government:</b>					
<b>Mayor and city council:</b>					
<b>Current:</b>					
Personal services	\$56,330	\$56,330	\$58,063	(\$1,733)	\$59,864
Materials and supplies	550	550	321	229	310
Other services and charges	49,596	49,596	45,059	4,537	40,953
<b>Total mayor and city council</b>	<b>106,476</b>	<b>106,476</b>	<b>103,443</b>	<b>3,033</b>	<b>101,127</b>
<b>City administration:</b>					
<b>Current:</b>					
Personal services	206,529	231,366	234,154	(2,788)	214,224
Materials and supplies	6,600	6,600	7,435	(835)	2,123
Other services and charges	63,800	63,800	39,717	24,083	45,934
<b>Total city administration</b>	<b>276,929</b>	<b>301,766</b>	<b>281,306</b>	<b>20,460</b>	<b>262,281</b>
<b>Community relations:</b>					
<b>Current:</b>					
Personal services	59,084	66,278	66,998	(720)	62,728
Materials and supplies	8,162	8,162	8,720	(558)	9,230
Other services and charges	1,965	1,965	954	1,011	1,468
<b>Total community relations</b>	<b>69,211</b>	<b>76,405</b>	<b>76,672</b>	<b>(267)</b>	<b>73,426</b>
<b>City planner:</b>					
<b>Current:</b>					
Personal services	78,097	82,448	84,944	(2,496)	76,252
Materials and supplies	650	650	359	291	251
Other services and charges	5,350	5,350	6,473	(1,123)	3,651
<b>Total city planner</b>	<b>84,097</b>	<b>88,448</b>	<b>91,776</b>	<b>(3,328)</b>	<b>80,154</b>
<b>City clerk:</b>					
<b>Current:</b>					
Personal services	107,895	105,914	107,167	(1,253)	114,627
Materials and supplies	7,500	7,500	4,992	2,508	6,083
Other services and charges	11,900	11,900	7,804	4,096	9,880
<b>Total city clerk</b>	<b>127,295</b>	<b>125,314</b>	<b>119,963</b>	<b>5,351</b>	<b>130,590</b>
<b>City finance:</b>					
<b>Current:</b>					
Personal services	252,318	255,686	219,155	36,531	242,232
Materials and supplies	9,189	9,189	13,108	(3,919)	9,863
Other services and charges	55,095	55,095	97,726	(42,631)	31,548
Capital outlay	5,000	5,000	-	5,000	7,102
<b>Total city finance</b>	<b>321,602</b>	<b>324,970</b>	<b>329,989</b>	<b>(5,019)</b>	<b>290,745</b>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

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

	Budgeted Amounts		2007 Actual Amounts	Variance with	2006 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
Expenditures: (continued)					
General government: (continued)					
Computer:					
Current:					
Personal services	\$92,874	\$97,766	\$82,401	\$15,365	\$77,250
Materials and supplies	12,250	12,250	5,632	6,618	7,067
Other services and charges	13,440	13,440	5,905	7,535	39,739
Total computer	118,564	123,456	93,938	29,518	124,056
City attorney:					
Current:					
Materials and supplies	1,500	1,500	-	1,500	-
Other services and charges	245,000	245,000	265,833	(20,833)	254,627
Total city attorney	246,500	246,500	265,833	(19,333)	254,627
City hall:					
Current:					
Personal services	74,323	76,538	92,481	(15,943)	83,891
Materials and supplies	10,500	10,500	9,171	1,329	5,029
Other services and charges	96,937	96,937	145,973	(49,036)	91,640
Total city hall	181,760	183,975	247,625	(63,650)	180,560
Recycling:					
Current:					
Personal services	26,741	27,432	33,672	(6,240)	28,972
Materials and supplies	4,500	4,500	203	4,297	858
Other services and charges	25,850	25,850	23,936	1,914	21,392
Total recycling	57,091	57,782	57,811	(29)	51,222
Total general government	1,589,525	1,635,092	1,668,356	(33,264)	1,548,788
Public safety:					
Police:					
Current:					
Personal services	2,656,924	2,731,937	2,751,116	(19,179)	2,593,515
Materials and supplies	37,900	37,900	35,766	2,134	31,918
Other services and charges	667,767	667,767	628,112	39,655	515,342
Capital outlay	12,000	12,000	24,472	(12,472)	-
Total police	3,374,591	3,449,604	3,439,466	10,138	3,140,775
Fire:					
Current:					
Personal services	294,188	2,073,794	2,180,925	(107,131)	1,818,885
Materials and supplies	-	51,150	66,420	(15,270)	40,320
Other services and charges	1,695,150	213,258	303,242	(89,984)	165,539
Total fire	1,989,338	2,338,202	2,550,587	(212,385)	2,024,744

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
	Expenditures: (continued)				
Public safety: (continued)					
Fire consolidation:					
Current:					
Personal services	\$ -	\$ -	\$9,590	(\$9,590)	\$10,667
Materials and supplies	-	-	2,912	(2,912)	624
Other services and charges	-	-	12,871	(12,871)	30,124
Total fire consolidation	<u>0</u>	<u>0</u>	<u>25,373</u>	<u>(25,373)</u>	<u>41,415</u>
Code enforcement:					
Current:					
Personal services	219,706	218,609	241,446	(22,837)	211,100
Materials and supplies	6,350	6,350	2,090	4,260	1,758
Other services and charges	15,535	15,535	13,949	1,586	13,272
Total code enforcement	<u>241,591</u>	<u>240,494</u>	<u>257,485</u>	<u>(16,991)</u>	<u>226,130</u>
Animal control:					
Current:					
Personal services	16,538	16,329	13,745	2,584	14,496
Materials and supplies	500	500	-	500	-
Other services and charges	15,000	15,000	13,473	1,527	14,466
Total animal control	<u>32,038</u>	<u>31,829</u>	<u>27,218</u>	<u>4,611</u>	<u>28,962</u>
Total public safety	<u>5,637,558</u>	<u>6,060,129</u>	<u>6,300,129</u>	<u>(240,000)</u>	<u>5,462,026</u>
Public works:					
Engineering:					
Current:					
Personal services	396,306	418,333	428,582	(10,249)	373,294
Materials and supplies	6,000	6,000	3,474	2,526	4,715
Other services and charges	48,443	48,443	39,084	9,359	46,330
Total engineering	<u>450,749</u>	<u>472,776</u>	<u>471,140</u>	<u>1,636</u>	<u>424,339</u>
Public works:					
Current:					
Personal services	596,992	602,834	582,651	20,183	554,551
Materials and supplies	185,000	185,000	162,176	22,824	149,536
Other services and charges	491,598	491,598	512,324	(20,726)	494,664
Total public works	<u>1,273,590</u>	<u>1,279,432</u>	<u>1,257,151</u>	<u>22,281</u>	<u>1,198,751</u>
Total public works	<u>1,724,339</u>	<u>1,752,208</u>	<u>1,728,291</u>	<u>23,917</u>	<u>1,623,090</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

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

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget -	2006 Actual Amounts
	Original	Final		Positive	
				(Negative)	
Expenditures: (continued)					
Parks:					
Administration					
Current:					
Personal services	\$319,938	\$360,227	\$337,298	\$22,929	\$321,640
Materials and supplies	7,550	7,550	8,052	(502)	8,716
Other services and charges	31,210	31,210	39,524	(8,314)	40,746
Total administration	<u>358,698</u>	<u>398,987</u>	<u>384,874</u>	<u>14,113</u>	<u>371,102</u>
Parks, pools and maintenance operations:					
Current:					
Personal services	441,149	419,270	398,093	21,177	387,720
Materials and supplies	90,036	90,036	111,591	(21,555)	102,335
Other services and charges	179,685	179,685	193,844	(14,159)	180,623
Total parks, pools and maintenance operations	<u>710,870</u>	<u>688,991</u>	<u>703,528</u>	<u>(14,537)</u>	<u>670,678</u>
Total parks	<u>1,069,568</u>	<u>1,087,978</u>	<u>1,088,402</u>	<u>(424)</u>	<u>1,041,780</u>
Contingency	<u>313,910</u>	<u>148,356</u>	<u>-</u>	<u>148,356</u>	<u>-</u>
Total expenditures	<u>10,334,900</u>	<u>10,683,763</u>	<u>10,785,178</u>	<u>(101,415)</u>	<u>9,675,684</u>
Revenues over expenditures	<u>(24,906)</u>	<u>(183,769)</u>	<u>(629,120)</u>	<u>(445,351)</u>	<u>656,086</u>
Other financing sources (uses):					
Transfers in	205,000	509,361	509,361	-	121,600
Transfers out	<u>(180,094)</u>	<u>(180,094)</u>	<u>(180,094)</u>	<u>-</u>	<u>(1,619,575)</u>
Total other financing sources and uses	<u>24,906</u>	<u>329,267</u>	<u>329,267</u>	<u>0</u>	<u>(1,497,975)</u>
Net change in fund balance	<u>\$0</u>	<u>\$145,498</u>	<u>(299,853)</u>	<u>(\$445,351)</u>	<u>(841,889)</u>
Fund balance - January 1			<u>3,457,108</u>		<u>4,298,997</u>
Fund balance - December 31			<u>\$3,157,255</u>		<u>\$3,457,108</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - 245 - AIRPORT**  
For The Year Ended December 31, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

**Statement 11**

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>Revenues:</b>					
Intergovernmental:					
State:					
Airport operations and maintenance	\$29,769	\$29,259	\$29,269	\$10	\$29,269
Charges for services:					
Transportation					
Hangar rentals/land leases	331,906	306,669	299,345	(7,324)	290,975
Aircraft fuel sales	631,589	641,404	517,796	(123,608)	553,797
Other	-	-	2,337	2,337	5,745
Total charges for services	963,495	948,073	819,478	(128,595)	850,517
Miscellaneous:					
Contributions and donations	-	-	-	-	200
Fines and forfeitures	-	-	-	-	120
Investment income	-	-	-	-	1,039
Other	3,610	2,611	-	(2,611)	6,335
Total miscellaneous	3,610	2,611	0	(2,611)	7,694
Total revenues	996,874	979,943	848,747	(131,196)	887,480
<b>Expenditures:</b>					
Transportation:					
Current:					
Personal services	127,886	130,542	127,437	3,105	124,533
Materials and supplies	573,144	586,681	527,748	58,933	501,969
Other services and charges	132,125	126,783	143,746	(16,963)	144,057
Capital outlay	6,500	1,357	134,573	(133,216)	18,351
Total transportation	839,655	845,363	933,504	(88,141)	788,910
Long term debt	38,696	38,696	34,420	4,276	-
Interest expenditure	40,000	40,000	117,037	(77,037)	-
Total expenditures	918,351	924,059	1,084,961	(160,902)	788,910
Revenues over (under) expenditures	78,523	55,884	(236,214)	(292,098)	98,570
Other financing sources (uses):					
Sale of capital assets	-	-	8,000	(8,000)	-
Net change in fund balance	\$78,523	\$55,884	(228,214)	(\$300,098)	98,570
Fund balance (deficit) - January 1			(953,277)		(1,051,847)
Fund balance (deficit) - December 31			(\$1,181,491)		(\$953,277)

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO RSI**  
December 31, 2007

---

**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, 2007. A detailed listing of these funds can be found in the notes to the financial statements, Note 1.G.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
SCHEDULES**

**-This page intentionally left blank-**

**NONMAJOR GOVERNMENTAL FUNDS**

**-This page intentionally left blank-**

### 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, 2007  
With Comparative Totals For December 31, 2006

**Statement 12**

Assets	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2007	2006
Cash and investments	\$307,843	\$4,559,173	\$1,863,897	\$6,730,913	\$6,291,259
Cash and investments with escrow agent	-	1,811,699	-	1,811,699	-
Accrued interest	-	29,349	-	29,349	-
Accounts receivable	78,762	-	-	78,762	137,862
Property taxes receivable:					
Delinquent	27,034	26,567	66,894	120,495	62,929
Due from county	4,457	4,728	8,910	18,095	8,138
Special assessments receivable:					
Delinquent	-	22,155	945	23,100	25,252
Deferred	-	1,229,979	404	1,230,383	1,639,924
Due from county	-	13,120	-	13,120	15,539
Due from other governmental units	57,266	-	616,820	674,086	1,192,297
<b>Total assets</b>	<b>\$475,362</b>	<b>\$7,696,770</b>	<b>\$2,557,870</b>	<b>\$10,730,002</b>	<b>\$9,373,200</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Overdraft payable	\$ -	\$ -	\$ -	\$ -	\$1,480,707
Accounts, salaries and contracts payable	179,139	-	55,085	234,224	848,127
Deposits payable	5,579	-	4,100	9,679	22,100
Due to other governmental units	2,841	-	-	2,841	2,924
Advances from other funds	394,021	-	954,020	1,348,041	1,437,546
Deferred revenue	27,034	1,278,702	463,263	1,768,999	2,396,026
<b>Total liabilities</b>	<b>608,614</b>	<b>1,278,702</b>	<b>1,476,468</b>	<b>3,363,784</b>	<b>6,187,430</b>
<b>Fund balance:</b>					
Reserved	-	5,754,084	-	5,754,084	4,344,511
<b>Unreserved:</b>					
Designated for future projects	148,938	-	1,504,864	1,653,802	1,263,916
Undesignated	(282,190)	663,984	(423,462)	(41,668)	(2,422,657)
<b>Total fund balance</b>	<b>(133,252)</b>	<b>6,418,068</b>	<b>1,081,402</b>	<b>7,366,218</b>	<b>3,185,770</b>
<b>Total liabilities and fund balance</b>	<b>\$475,362</b>	<b>\$7,696,770</b>	<b>\$2,557,870</b>	<b>\$10,730,002</b>	<b>\$9,373,200</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, 2007**  
**With Comparative Actual Amounts For The Year Ended December 31, 2006**

**Statement 13**

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2007	2006
<b>Revenues:</b>					
General property taxes	\$615,317	\$647,969	\$ -	\$1,263,286	\$968,669
Tax increment collections	-	-	1,618,276	1,618,276	1,443,232
Intergovernmental	32,669	-	765,442	798,111	1,722,471
Charges for services	1,016,201	-	-	1,016,201	1,024,168
Fines and forfeits	23,085	-	-	23,085	6,938
Special assessments	-	540,196	1,109	541,305	637,238
Investment income	24,963	491,326	147,226	663,515	170,143
Contributions and donations	4,541	-	-	4,541	36,327
Miscellaneous	5,337	-	-	5,337	8,959
<b>Total revenues</b>	<b>1,722,113</b>	<b>1,679,491</b>	<b>2,532,053</b>	<b>5,933,657</b>	<b>6,018,145</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	191,301	-	31,462	222,763	5,176
Public safety	14,607	-	-	14,607	13,706
Public works	-	-	941,712	941,712	1,130,498
Parks, arena, library	1,448,758	-	-	1,448,758	1,632,550
Transportation	-	-	-	-	1,500
Nondepartmental	-	-	12,058	12,058	878,116
<b>Capital outlay:</b>					
General government	-	-	3,762	3,762	-
Public works	-	-	269,232	269,232	2,155,990
Transportation	-	-	42,185	42,185	1,530,585
Interest expenditure	54,650	-	120,909	175,559	-
<b>Debt service:</b>					
Principal	-	2,695,496	-	2,695,496	1,480,000
Interest	-	677,440	-	677,440	506,583
Bond issuance costs	-	31,276	22,253	53,529	-
<b>Total expenditures</b>	<b>1,709,316</b>	<b>3,404,212</b>	<b>1,443,573</b>	<b>6,557,101</b>	<b>9,334,704</b>
Revenues over (under) expenditures	12,797	(1,724,721)	1,088,480	(623,444)	(3,316,559)
<b>Other financing sources (uses):</b>					
Bond issued	-	-	1,420,000	1,420,000	-
Issuance of refunding bonds	-	1,840,000	-	1,840,000	-
Bond premium	-	4,976	9,273	14,249	-
Loan proceeds	-	-	375,490	375,490	-
Transfers in	113,000	1,667,704	747,605	2,528,309	1,219,607
Transfers out	(163,203)	-	(1,441,867)	(1,605,070)	(551,078)
<b>Total other financing sources (uses)</b>	<b>(50,203)</b>	<b>3,512,680</b>	<b>1,110,501</b>	<b>4,572,978</b>	<b>668,529</b>
Net change in fund balance	(37,406)	1,787,959	2,198,981	3,949,534	(2,648,030)
Fund balance - January 1	(95,846)	4,630,109	(1,348,493)	3,185,770	5,833,800
Prior period adjustment	-	-	230,914	230,914	-
Fund balance (deficit) - December 31	<u>(\$133,252)</u>	<u>\$6,418,068</u>	<u>\$1,081,402</u>	<u>\$7,366,218</u>	<u>\$3,185,770</u>

**-This page intentionally left blank-**

## 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, 2007  
With Comparative Totals For December 31, 2006

Statement 14

Assets	201 -	202- Park	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants	Land Dedication		Arena	Square	Revenue Funds	
						2007	2006
Cash and investments	\$149,780	\$2,625	\$56,486	\$ -	\$98,952	\$307,843	\$195,470
Accounts receivable	-	-	-	78,645	117	78,762	136,180
Property taxes receivable:							
Delinquent	-	-	27,034	-	-	27,034	15,173
Due from county	-	-	4,457	-	-	4,457	5,428
Due from other governmental units	183	-	-	57,083	-	57,266	-
<b>Total assets</b>	<b>\$149,963</b>	<b>\$2,625</b>	<b>\$87,977</b>	<b>\$135,728</b>	<b>\$99,069</b>	<b>\$475,362</b>	<b>\$352,251</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts, salaries and contracts payable	\$1,025	\$ -	\$36,308	\$130,826	\$10,980	\$179,139	\$124,022
Deposits payable	-	-	-	-	5,579	5,579	-
Due to other governmental units	-	-	44	2,291	506	2,841	2,924
Advances from other funds	-	-	-	394,021	-	394,021	273,359
Deferred revenue	-	-	27,034	-	-	27,034	47,792
<b>Total liabilities</b>	<b>1,025</b>	<b>0</b>	<b>63,386</b>	<b>527,138</b>	<b>17,065</b>	<b>608,614</b>	<b>448,097</b>
<b>Fund balance:</b>							
<b>Unreserved:</b>							
Designated for future projects	148,938	-	-	-	-	148,938	103,480
Undesignated	-	2,625	24,591	(391,410)	82,004	(282,190)	(199,326)
<b>Total fund balance</b>	<b>148,938</b>	<b>2,625</b>	<b>24,591</b>	<b>(391,410)</b>	<b>82,004</b>	<b>(133,252)</b>	<b>(95,846)</b>
<b>Total liabilities and fund balance</b>	<b>\$149,963</b>	<b>\$2,625</b>	<b>\$87,977</b>	<b>\$135,728</b>	<b>\$99,069</b>	<b>\$475,362</b>	<b>\$352,251</b>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**Statement 15**

For The Year Ended December 31, 2007

With Comparative Actual Amounts For The Year Ended December 31, 2006

	201 -	202- Park	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants	Land Dedication		Arena	Square	Revenue Funds	
						2007	2006
<b>Revenues:</b>							
General property taxes	\$ -	\$ -	\$615,317	\$ -	\$ -	\$615,317	\$593,030
Intergovernmental	32,669	-	-	-	-	32,669	3,311
Charges for services	-	-	4,467	809,675	202,059	1,016,201	1,024,168
Fines and forfeits	14,626	-	8,459	-	-	23,085	6,438
Investment income	15,641	25	-	-	9,297	24,963	4,583
Contributions and donations	4,241	-	300	-	-	4,541	36,327
Miscellaneous	1,196	2,600	1,541	-	-	5,337	1,492
<b>Total revenues</b>	<b>68,373</b>	<b>2,625</b>	<b>630,084</b>	<b>809,675</b>	<b>211,356</b>	<b>1,722,113</b>	<b>1,669,349</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	7,530	-	-	-	183,771	191,301	4,676
Public safety	14,607	-	-	-	-	14,607	13,706
Parks, arena, library	778	-	604,074	843,906	-	1,448,758	1,632,550
Interest expenditure	-	-	10,680	43,958	12	54,650	-
<b>Total expenditures</b>	<b>22,915</b>	<b>0</b>	<b>614,754</b>	<b>887,864</b>	<b>183,783</b>	<b>1,709,316</b>	<b>1,650,932</b>
<b>Revenues over (under) expenditures</b>	<b>45,458</b>	<b>2,625</b>	<b>15,330</b>	<b>(78,189)</b>	<b>27,573</b>	<b>12,797</b>	<b>18,417</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	113,000	-	113,000	-
Transfers out	-	-	-	(163,203)	-	(163,203)	(165,678)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(50,203)</b>	<b>0</b>	<b>(50,203)</b>	<b>(165,678)</b>
<b>Net change in fund balance</b>	<b>45,458</b>	<b>2,625</b>	<b>15,330</b>	<b>(128,392)</b>	<b>27,573</b>	<b>(37,406)</b>	<b>(147,261)</b>
<b>Fund balance (deficit) - January 1</b>	<b>103,480</b>	<b>-</b>	<b>9,261</b>	<b>(263,018)</b>	<b>54,431</b>	<b>(95,846)</b>	<b>51,415</b>
<b>Fund balance (deficit) - December 31</b>	<b>\$148,938</b>	<b>\$2,625</b>	<b>\$24,591</b>	<b>(\$391,410)</b>	<b>\$82,004</b>	<b>(\$133,252)</b>	<b>(\$95,846)</b>

**-This page intentionally left blank-**

## 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 – 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.
- 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 2007 Improvement Bonds – issued primary for alley and street reconstruction.

**-This page intentionally left blank-**

	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	\$1,534	\$243,999	\$440	\$235,544	\$ -	\$11,783
Cash and investments with escrow agent	-	-	1,811,699	-	-	-
Accrued interest	-	-	29,349	-	-	-
Property taxes receivable:						
Delinquent	-	4,271	-	9,060	-	-
Due from county	-	687	-	1,461	-	-
Special assessments receivable:						
Delinquent	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Due from county	-	-	-	-	-	-
<b>Total assets</b>	<b>\$1,534</b>	<b>\$248,957</b>	<b>\$1,841,488</b>	<b>\$246,065</b>	<b>\$0</b>	<b>\$11,783</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Deferred revenue	\$ -	\$4,271	\$ -	\$9,060	\$ -	\$ -
<b>Fund balance:</b>						
Reserved for debt service	1,534	244,686	1,841,488	237,005	-	11,783
<b>Unreserved:</b>						
Undesignated	-	-	-	-	-	-
<b>Total fund balance</b>	<b>1,534</b>	<b>244,686</b>	<b>1,841,488</b>	<b>237,005</b>	<b>0</b>	<b>11,783</b>
<b>Total liabilities and fund balance</b>	<b>\$1,534</b>	<b>\$248,957</b>	<b>\$1,841,488</b>	<b>\$246,065</b>	<b>\$0</b>	<b>\$11,783</b>

CITY OF SOUTH ST. PAUL, MINNESOTA  
 SUBCOMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 December 31, 2007  
 With Comparative Totals For December 31, 2006

	340 - 1994 Improvement Bonds	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds
<b>Assets</b>						
Cash and investments	\$87,576	\$686,592	\$191,083	\$223,220	\$231,944	\$445,598
Cash and investments with escrow agent	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Property taxes receivable:						
Delinquent	2,931	-	-	-	-	-
Due from county	480	-	-	-	-	-
Special assessments receivable:						
Delinquent	381	4,255	1,522	1,312	1,529	1,357
Deferred	1,575	3,467	-	41,022	49,690	79,762
Due from county	-	114	274	373	218	259
<b>Total assets</b>	<b>\$92,943</b>	<b>\$694,428</b>	<b>\$192,879</b>	<b>\$265,927</b>	<b>\$283,381</b>	<b>\$526,976</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Deferred revenue	\$4,887	\$7,722	\$1,522	\$42,334	\$51,219	\$81,120
<b>Fund balance:</b>						
Reserved for debt service	88,056	205,000	86,827	145,845	232,162	445,856
<b>Unreserved:</b>						
Undesignated	-	481,706	104,530	77,748	-	-
<b>Total fund balance</b>	<b>88,056</b>	<b>686,706</b>	<b>191,357</b>	<b>223,593</b>	<b>232,162</b>	<b>445,856</b>
<b>Total liabilities and fund balance</b>	<b>\$92,943</b>	<b>\$694,428</b>	<b>\$192,879</b>	<b>\$265,927</b>	<b>\$283,381</b>	<b>\$526,976</b>

348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	Totals Nonmajor Debt Service Funds	
						2007	2006
\$307,822	\$304,625	\$668,154	\$567,496	\$239,847	\$111,916	\$4,559,173	\$4,613,026
-	-	-	-	-	-	1,811,699	-
-	-	-	-	-	-	29,349	-
-	-	-	-	-	10,305	26,567	9,820
-	-	-	-	-	2,100	4,728	3,434
3,990	1,196	3,308	2,807	498	-	22,155	24,229
118,118	126,012	282,228	253,355	274,750	-	1,229,979	1,638,603
1,395	1,616	1,494	2,089	5,288	-	13,120	13,647
<u>\$431,325</u>	<u>\$433,449</u>	<u>\$955,184</u>	<u>\$825,747</u>	<u>\$520,383</u>	<u>\$124,321</u>	<u>\$7,696,770</u>	<u>\$6,302,759</u>
\$122,108	\$127,208	\$285,536	\$256,162	\$275,248	\$10,305	\$1,278,702	\$1,672,650
309,217	306,241	669,648	569,585	245,135	114,016	5,754,084	4,344,511
-	-	-	-	-	-	663,984	285,598
<u>309,217</u>	<u>306,241</u>	<u>669,648</u>	<u>569,585</u>	<u>245,135</u>	<u>114,016</u>	<u>6,418,068</u>	<u>4,630,109</u>
<u>\$431,325</u>	<u>\$433,449</u>	<u>\$955,184</u>	<u>\$825,747</u>	<u>\$520,383</u>	<u>\$124,321</u>	<u>\$7,696,770</u>	<u>\$6,302,759</u>

**-This page intentionally left blank-**

**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, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

**Statement 17**  
**Page 1 of 2**

	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	\$ -	\$95,030	\$ -	\$202,031	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Investment income	-	20,624	66,198	14,676	-	-
Total revenues	<u>0</u>	<u>115,654</u>	<u>66,198</u>	<u>216,707</u>	<u>0</u>	<u>0</u>
<b>Expenditures:</b>						
<b>Debt service:</b>						
Principal	1,320,000	75,000	-	95,000	110,000	50,496
Interest	113,300	14,977	38,410	102,841	53,202	8,923
Bond issuance costs	-	-	31,276	-	-	-
Total expenditures	<u>1,433,300</u>	<u>89,977</u>	<u>69,686</u>	<u>197,841</u>	<u>163,202</u>	<u>59,419</u>
Revenues over (under) expenditures	<u>(1,433,300)</u>	<u>25,677</u>	<u>(3,488)</u>	<u>18,866</u>	<u>(163,202)</u>	<u>(59,419)</u>
<b>Other financing sources (uses):</b>						
Issuance of refunding bonds	-	-	1,840,000	-	-	-
Bond premium	-	-	4,976	-	-	-
Transfers in	1,433,300	-	-	-	163,202	71,202
Total other financing sources (uses)	<u>1,433,300</u>	<u>0</u>	<u>1,844,976</u>	<u>0</u>	<u>163,202</u>	<u>71,202</u>
Net change in fund balance	0	25,677	1,841,488	18,866	0	11,783
Fund balance - January 1	<u>1,534</u>	<u>219,009</u>	<u>-</u>	<u>218,139</u>	<u>-</u>	<u>-</u>
Fund balance - December 31	<u>\$1,534</u>	<u>\$244,686</u>	<u>\$1,841,488</u>	<u>\$237,005</u>	<u>\$0</u>	<u>\$11,783</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, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

	340 - 1994 Improvement Bonds	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds
<b>Revenues:</b>						
General property taxes	\$66,264	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	164	58,974	25,210	40,412	30,197	42,499
Investment income	5,358	70,674	19,273	21,456	23,333	45,511
Total revenues	<u>71,786</u>	<u>129,648</u>	<u>44,483</u>	<u>61,868</u>	<u>53,530</u>	<u>88,010</u>
<b>Expenditures:</b>						
<b>Debt service:</b>						
Principal	50,000	200,000	85,000	70,000	75,000	105,000
Interest	10,529	15,000	5,460	7,211	12,454	22,366
Bond issuance costs	-	-	-	-	-	-
Total expenditures	<u>60,529</u>	<u>215,000</u>	<u>90,460</u>	<u>77,211</u>	<u>87,454</u>	<u>127,366</u>
Revenues over (under) expenditures	<u>11,257</u>	<u>(85,352)</u>	<u>(45,977)</u>	<u>(15,343)</u>	<u>(33,924)</u>	<u>(39,356)</u>
<b>Other financing sources (uses):</b>						
Issuance of refunding bonds	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	11,257	(85,352)	(45,977)	(15,343)	(33,924)	(39,356)
Fund balance - January 1	<u>76,799</u>	<u>772,058</u>	<u>237,334</u>	<u>238,936</u>	<u>266,086</u>	<u>485,212</u>
Fund balance - December 31	<u>\$88,056</u>	<u>\$686,706</u>	<u>\$191,357</u>	<u>\$223,593</u>	<u>\$232,162</u>	<u>\$445,856</u>

348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	353 - 2006A Capital Improvement Bonds	Totals Nonmajor Debt Service Funds	
						2007	2006
\$ -	\$ -	\$ -	\$ -	\$ -	\$284,644	\$647,969	\$375,639
50,733	45,209	85,957	84,346	76,495	-	540,196	619,024
30,556	29,906	66,375	55,647	21,739	-	491,326	126,462
<u>81,289</u>	<u>75,115</u>	<u>152,332</u>	<u>139,993</u>	<u>98,234</u>	<u>284,644</u>	<u>1,679,491</u>	<u>1,121,125</u>
100,000	65,000	115,000	105,000	75,000	-	2,695,496	1,480,000
17,229	12,394	28,177	23,844	20,495	170,628	677,440	506,583
-	-	-	-	-	-	31,276	-
<u>117,229</u>	<u>77,394</u>	<u>143,177</u>	<u>128,844</u>	<u>95,495</u>	<u>170,628</u>	<u>3,404,212</u>	<u>1,986,583</u>
(35,940)	(2,279)	9,155	11,149	2,739	114,016	(1,724,721)	(865,458)
-	-	-	-	-	-	1,840,000	-
-	-	-	-	-	-	4,976	-
-	-	-	-	-	-	1,667,704	484,478
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,512,680</u>	<u>484,478</u>
(35,940)	(2,279)	9,155	11,149	2,739	114,016	1,787,959	(380,980)
345,157	308,520	660,493	558,436	242,396	-	4,630,109	5,011,089
<u>\$309,217</u>	<u>\$306,241</u>	<u>\$669,648</u>	<u>\$569,585</u>	<u>\$245,135</u>	<u>\$114,016</u>	<u>\$6,418,068</u>	<u>\$4,630,109</u>

**-This page intentionally left blank-**

## NONMAJOR CAPITAL PROJECT FUNDS

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

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.

Airport Improvements – used to account for revenues and expenditures for airport improvements.

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

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

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

Wilson Site Development and Southview/52 Development – these two funds are used to account for the acquisition, development and sale of surplus vacant property in various areas of the City.

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

2004 - 2007 Local Improvement – used to account for reconstruction of streets. These funds are typically viable for two years.

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

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
 December 31, 2007  
 With Comparative Totals For December 31, 2006

**Statement 18**  
**Page 1 of 2**

	<u>403 - Municipal State Aid</u>	<u>404 - Airport Improvements</u>	<u>405 - Floodwall Construction</u>
<b>Assets</b>			
Cash and investments	\$9,455	\$ -	\$224,863
Accounts receivable	-	-	-
Property taxes receivable:			
Delinquent	-	-	-
Due from county	-	-	-
Special assessments receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Due from county	-	-	-
Due from other governmental units	395,020	-	-
<b>Total assets</b>	<u><u>\$404,475</u></u>	<u><u>\$0</u></u>	<u><u>\$224,863</u></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Overdraft payable	\$ -	\$ -	\$ -
Accounts, salaries and contracts payable	-	14,734	-
Deposits payable	-	-	-
Advances from other funds	-	630,760	-
Deferred revenue	395,020	-	-
<b>Total liabilities</b>	<u><u>395,020</u></u>	<u><u>645,494</u></u>	<u><u>0</u></u>
<b>Fund balance (deficit):</b>			
<b>Unreserved:</b>			
Designated for future projects	9,455	-	224,863
Undesignated	-	(645,494)	-
<b>Total fund balance (deficit)</b>	<u><u>9,455</u></u>	<u><u>(645,494)</u></u>	<u><u>224,863</u></u>
<b>Total liabilities and fund balance</b>	<u><u>\$404,475</u></u>	<u><u>\$0</u></u>	<u><u>\$224,863</u></u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
December 31, 2007  
With Comparative Totals For December 31, 2006

	<u>412 - Tax Increment</u>	<u>420 - Equipment Acquisition</u>	<u>431 - Local Improvement</u>
<b>Assets</b>			
Cash and investments	\$971,345	\$499,519	\$130,627
Accounts receivable	-	-	-
Property taxes receivable:			
Delinquent	66,894	-	-
Due from county	8,910	-	-
Special assessments receivable:			
Delinquent	-	-	945
Deferred	-	-	404
Due from county	-	-	-
Due from other governmental units	-	-	-
<b>Total assets</b>	<u><u>\$1,047,149</u></u>	<u><u>\$499,519</u></u>	<u><u>\$131,976</u></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Overdraft payable	\$ -	\$ -	\$ -
Accounts, salaries and contracts payable	-	2,295	-
Deposits payable	-	-	-
Advances from other funds	-	-	-
Deferred revenue	66,894	-	1,349
<b>Total liabilities</b>	<u><u>66,894</u></u>	<u><u>2,295</u></u>	<u><u>1,349</u></u>
<b>Fund balance (deficit):</b>			
<b>Unreserved:</b>			
Designated for future projects	773,322	497,224	-
Undesignated	206,933	-	130,627
<b>Total fund balance (deficit)</b>	<u><u>980,255</u></u>	<u><u>497,224</u></u>	<u><u>130,627</u></u>
<b>Total liabilities and fund balance</b>	<u><u>\$1,047,149</u></u>	<u><u>\$499,519</u></u>	<u><u>\$131,976</u></u>

451 - 2005 Local Improvement	452 - 2006 Local Improvement	453 - 2007 Local Improvement	425 - Stockyards Redevelopment	Totals Nonmajor Capital Project Funds	
				2007	2006
\$ -	\$28,088	\$ -	\$ -	\$1,863,897	\$1,482,763
-	-	-	-	-	1,682
-	-	-	-	66,894	37,936
-	-	-	-	8,910	(724)
-	-	-	-	945	1,023
-	-	-	-	404	1,321
-	-	-	-	-	1,892
221,800	-	-	-	616,820	1,192,297
<u>\$221,800</u>	<u>\$28,088</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,557,870</u>	<u>\$2,718,190</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,480,707
-	-	839	37,217	55,085	724,105
-	4,100	-	-	4,100	22,100
319,156	-	2,881	1,223	954,020	1,164,187
-	-	-	-	463,263	675,584
<u>319,156</u>	<u>4,100</u>	<u>3,720</u>	<u>38,440</u>	<u>1,476,468</u>	<u>4,066,683</u>
-	-	-	0	1,504,864	1,160,436
(97,356)	23,988	(3,720)	(38,440)	(423,462)	(2,508,929)
<u>(97,356)</u>	<u>23,988</u>	<u>(3,720)</u>	<u>(38,440)</u>	<u>1,081,402</u>	<u>(1,348,493)</u>
<u>\$221,800</u>	<u>\$28,088</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,557,870</u>	<u>\$2,718,190</u>

**-This page intentionally left blank-**

**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, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

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

	403 - Municipal State Aid	404 - Airport Improvements	405 - Floodwall Construction	412 - Tax Increment
<b>Revenues:</b>				
Tax increment collections	\$ -	\$ -	\$ -	\$1,618,276
Intergovernmental revenue	-	125,754	-	13,475
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Other	-	-	-	-
Investment income	990	-	23,893	57,378
Total revenues	<u>990</u>	<u>125,754</u>	<u>23,893</u>	<u>1,689,129</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	-
Public works	-	-	6,546	-
Transportation	-	-	-	-
Nondepartmental	-	-	-	12,058
<b>Capital outlay:</b>				
General government	-	-	-	-
Public works	-	-	-	-
Transportation	-	42,185	-	-
Interest expenditure	-	79,466	-	-
<b>Debt service:</b>				
Bond issuance costs	-	-	-	-
Total expenditures	<u>0</u>	<u>121,651</u>	<u>6,546</u>	<u>12,058</u>
Revenues over (under) expenditures	<u>990</u>	<u>4,103</u>	<u>17,347</u>	<u>1,677,071</u>
<b>Other financing sources (uses):</b>				
Bond issued	-	-	-	-
Bond premium	-	-	-	-
Loan proceeds	-	375,490	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,433,300)
Total other financing sources (uses)	<u>0</u>	<u>375,490</u>	<u>0</u>	<u>(1,433,300)</u>
Net change in fund balance	990	379,593	17,347	243,771
Fund balance (deficit) - January 1	8,465	(1,256,001)	207,516	736,484
Prior period adjustment	-	230,914	-	-
Fund balance (deficit) - December 31	<u>\$9,455</u>	<u>(\$645,494)</u>	<u>\$224,863</u>	<u>\$980,255</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, 2007  
With Comparative Actual Amounts For The Year Ended December 31, 2006

	420 - Equipment Acquisition	409 - Wilson Site Development	424 - Southview/52 Development
<b>Revenues:</b>			
Tax increment collections	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	7,357
Special assessments	-	-	-
Fines and forfeitures	-	-	-
Other	-	-	-
Investment income	50,450	60	-
Total revenues	<u>50,450</u>	<u>60</u>	<u>7,357</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	31,462	-	-
Public works	-	-	26,961
Transportation	-	-	-
Nondepartmental	-	-	-
<b>Capital outlay:</b>			
General government	3,762	-	-
Public works	-	-	-
Transportation	-	-	-
Interest expenditure	-	-	1,548
<b>Debt service:</b>			
Bond issuance costs	-	-	-
Total expenditures	<u>35,224</u>	<u>0</u>	<u>28,509</u>
Revenues over (under) expenditures	<u>15,226</u>	<u>60</u>	<u>(21,152)</u>
<b>Other financing sources (uses):</b>			
Bond issued	-	-	-
Bond premium	-	-	-
Loan Proceeds	-	-	-
Transfers in	67,094	-	21,110
Transfers out	-	(574)	-
Total other financing sources (uses)	<u>67,094</u>	<u>(574)</u>	<u>21,110</u>
Net change in fund balance	82,320	(514)	(42)
Fund balance (deficit) - January 1	414,904	514	42
Prior period adjustment	-	-	-
Fund balance (deficit) - December 31	<u>\$497,224</u>	<u>\$0</u>	<u>\$0</u>

431 - Local Improvement	450 - 2004	451 - 2005	452 - 2006	453 - 2007	425 - Stockyards Redevelopment	Totals Nonmajor Capital Project Funds	
	Local Improvement	Local Improvement	Local Improvement	Local Improvement		2007	2006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,618,276	\$1,443,232
-	-	221,800	168,047	229,009	-	765,442	1,719,160
1,109	-	-	-	-	-	1,109	18,214
-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	7,467
13,612	843	-	-	-	-	147,226	39,098
14,721	843	221,800	168,047	229,009	0	2,532,053	3,227,671
-	-	-	-	-	-	31,462	500
-	-	567,688	4,180	336,337	-	941,712	1,130,498
-	-	-	-	-	-	-	1,500
-	-	-	-	-	-	12,058	878,116
-	-	-	-	-	-	3,762	-
-	-	-	2,710	228,094	38,428	269,232	2,155,990
-	-	-	-	-	-	42,185	1,530,585
-	-	11,646	7,443	20,794	12	120,909	-
-	-	-	22,253	-	-	22,253	-
0	0	579,334	36,586	585,225	38,440	1,443,573	5,697,189
14,721	843	(357,534)	131,461	(356,216)	(38,440)	1,088,480	(2,469,518)
-	-	-	1,420,000	-	-	1,420,000	-
-	-	-	9,273	-	-	9,273	-
-	-	-	-	-	-	375,490	-
-	-	306,656	-	352,745	-	747,605	735,129
-	(7,993)	-	-	-	-	(1,441,867)	(385,400)
0	(7,993)	306,656	1,429,273	352,745	0	1,110,501	349,729
14,721	(7,150)	(50,878)	1,560,734	(3,471)	(38,440)	2,198,981	(2,119,789)
115,906	7,150	(46,478)	(1,536,746)	(249)	-	(1,348,493)	771,296
-	-	-	-	-	-	230,914	-
\$130,627	\$0	(\$97,356)	\$23,988	(\$3,720)	(\$38,440)	\$1,081,402	(\$1,348,493)

**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, 2007**  
**With Comparative Actual Amounts For The Year Ended December 31, 2006**

**Statement 20**

	2007			2006 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
General property taxes:				
Current	\$626,067	\$613,546	\$604,102	\$581,839
Delinquent	-	-	11,215	11,191
Total general property taxes	<u>626,067</u>	<u>613,546</u>	<u>615,317</u>	<u>593,030</u>
Rental fees	5,000	4,000	4,467	3,764
Fines	6,000	6,500	8,459	5,877
Donations/other	2,000	1,500	1,841	659
Total revenues	<u>639,067</u>	<u>625,546</u>	<u>630,084</u>	<u>603,330</u>
Expenditures:				
Parks, arena, library:				
Personal services	466,958	456,450	456,523	455,739
Materials and supplies	85,550	85,550	85,682	84,008
Other services and charges	86,559	75,081	72,549	54,322
Total expenditures	<u>639,067</u>	<u>617,081</u>	<u>614,754</u>	<u>594,069</u>
Net change in fund balance	<u>\$ -</u>	<u>\$8,465</u>	15,330	9,261
Fund balance - January 1			<u>9,261</u>	<u>-</u>
Fund balance - December 31			<u>\$24,591</u>	<u>\$9,261</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, 2007**  
**With Comparative Actual Amounts For The Year Ended December 31, 2006**

**Statement 21**

	2007			2006
	Budgeted Amounts		Actual	Actual
	Original	Final		
Revenues:				
Charges for services:				
Ice rentals	\$539,500	\$538,800	\$567,675	\$520,105
Ticket sales league games	46,000	31,000	29,887	56,696
Public/figure skating	17,250	18,750	23,865	23,246
Concessions	100,000	95,000	98,878	104,850
Rent of annex	66,217	66,217	66,217	64,648
Other	24,600	22,412	23,153	55,275
Donations and contributions	25,000	-	-	9,643
Total revenues	<u>818,567</u>	<u>772,179</u>	<u>809,675</u>	<u>834,463</u>
Expenditures:				
Parks, arena, library:				
Personal services	272,600	299,585	308,326	285,749
Materials and supplies	88,500	93,200	139,798	126,208
Services and other charges	328,594	314,666	395,783	447,814
Interest expenditure	14,200	14,200	43,957	-
Total expenditures	<u>703,894</u>	<u>721,651</u>	<u>887,864</u>	<u>859,771</u>
Revenues over (under) expenditures	<u>114,673</u>	<u>50,528</u>	<u>(78,189)</u>	<u>(25,308)</u>
Other financing sources (uses):				
Transfers in	113,000	113,000	113,000	-
Transfers out	(163,203)	(164,578)	(163,203)	(165,678)
Total other financing sources (uses)	<u>(50,203)</u>	<u>(51,578)</u>	<u>(50,203)</u>	<u>(165,678)</u>
Net change in fund balance	<u>\$64,470</u>	<u>(\$1,050)</u>	(128,392)	(190,986)
Fund balance (deficit) - January 1			<u>(263,018)</u>	<u>(72,032)</u>
Fund balance (deficit) - December 31			<u>(\$391,410)</u>	<u>(\$263,018)</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, 2007**  
**With Comparative Actual Amounts For The Year Ended December 31, 2006**

**Statement 22**

	2007			2006 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services:				
Memberships	\$99,000	\$119,000	\$118,936	\$109,385
Programming	63,000	72,000	72,472	71,420
Open Swim	6,000	8,000	5,406	8,143
Room Rental	4,000	6,000	3,597	6,157
Other	-	800	1,648	479
Investment income	-	-	9,297	1,792
Donations and contributions	-	2,000	-	2,000
Miscellaneous	500	500	-	39
Total revenues	<u>172,500</u>	<u>208,300</u>	<u>211,356</u>	<u>199,415</u>
Expenditures:				
Parks, arena, library:				
Personal services	135,029	131,530	135,469	134,324
Materials and supplies	4,050	4,050	16,498	10,413
Services and other charges	31,636	29,036	31,804	28,110
Interest expenditure	-	-	12	-
Capital outlay	1,300	8,300	-	-
Total expenditures	<u>172,015</u>	<u>172,916</u>	<u>183,783</u>	<u>172,847</u>
Net change in fund balance	<u>\$485</u>	<u>\$35,384</u>	27,573	26,568
Fund balance (deficit) - January 1			<u>54,431</u>	<u>27,863</u>
Fund balance (deficit) - December 31			<u>\$82,004</u>	<u>\$54,431</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For The Year Ended December 31, 2007

**Statement 23**

---

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
<u>804 - Landscape/landfill</u>				
Assets:				
Cash and investments	<u>\$96,905</u>	<u>\$11,333</u>	<u>\$ -</u>	<u>\$108,238</u>
Liabilities:				
Deposits payable	<u>\$96,905</u>	<u>\$11,333</u>	<u>\$ -</u>	<u>\$108,238</u>

**-This page intentionally left blank-**

## **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, 2007.

Schedule of Cash and Investments

Combined Schedule of Indebtness

Schedule of Debt Service Payments to Maturity

Schedule of Deferred Tax Levies

**-This page intentionally left blank-**

CITY OF SOUTH ST. PAUL, MINNESOTA  
SCHEDULE OF CASH AND INVESTMENTS  
December 31, 2007

Exhibit 1

		Yield	Settlement Date	Maturity Date	Market Value
Certificate of Deposit - Bremer Bank	Cert. of Dep.	4.90%	07/23/07	05/23/08	100,000
Federal Home Loan Note Step Up	Agency	4.00%	07/16/03	07/16/12	1,000,310
Federal Home Loan Note	Agency	5.21%	10/30/07	10/30/12	403,752
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.17%	07/24/03	07/09/13	200,024
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.96%	07/23/03	07/23/13	397,828
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.91%	06/30/03	12/30/13	295,692
Federal Home Loan Mortgage Corp Step Up Freddie Note	Agency	4.22%	01/08/04	01/15/14	400,032
Federal Home Loan Mortgage Corp	Agency	5.25%	12/22/04	01/27/14	300,024
Federal National Mortgage Assn Medium Term Note	Agency	5.12%	07/16/03	03/12/14	298,782
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.32%	04/29/04	04/29/14	200,062
Freddie Mac Note Step Up	Agency	4.00%	01/27/05	01/27/15	300,174
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.27%	03/10/04	03/10/15	290,020
Federal Home Loan Note Step Up	Agency	4.36%	06/05/03	06/05/15	500,780
Federal Home Loan Bank Cons	Agency	5.66%	06/28/05	06/28/17	1,000,000
Bank Hapoalim B.M. CD	Cert. of Dep.	6.13%	08/14/02	08/14/17	95,080
Federal Home Loan Note	Agency	5.05%	04/30/03	04/30/18	400,252
Federal Home Loan Note Step Up	Agency	5.02%	05/21/03	05/21/18	498,125
Federal Home Loan Note Step Up	Agency	5.28%	06/05/03	06/05/18	199,876
Federal Home Loan Mortgage Corp Medium Term Note Step Up	Agency	4.54%	06/25/03	06/25/18	249,378
Federal Home Loan Note Step Up	Agency	4.41%	06/26/03	06/26/18	497,190
Federal National Mortgage Association Medium Term Note	Agency	5.49%	07/02/03	07/02/18	362,036
Federal Home Loan Note Step Up	Agency	5.36%	07/30/03	07/30/18	300,000
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.41%	07/30/03	07/30/18	496,570
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.16%	12/17/03	12/17/18	400,036
Federal Home Loan Mortgage Corp Med Term Step Up Note	Agency	4.87%	03/29/04	03/29/19	499,915
Freddie Mac Note Step UP Series Mtn	Agency	5.00%	07/29/04	07/29/19	300,024
Federal National Mortgage Association Medium Term Bonds	Agency	5.82%	11/22/04	11/22/19	100,000
Federal National Mtg Assn Med Term Note	Agency	6.15%	08/18/05	08/18/20	500,155
Money Manager Savings Account		4.68%			150,237
Treasury Plus Money Market Fund	Agency	4.27%			5,214,062
Government money market mutual funds		4.78%			70,397
Cash held in escrow		n/a			1,811,699
Cash on Hand and in Checking Accounts		n/a			62,790
					<u>\$17,895,302</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**COMBINED SCHEDULE OF INDEBTEDNESS**  
December 31, 2007

	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Original Interest Rates</u>
<b>Bonded indebtedness:</b>			
<b>Tax increment bonds:</b>			
G.O. Refunding Bonds, Series 2004A	12/28/2004	8/1/2009	0.0275%
<b>General long-term debt bonds:</b>			
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			
<b>Special assessment bonds:</b>			
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%
Total special assessment bonds			
<b>Revenue bonds:</b>			
Arena Refunding Bonds, Series 2003B	12/23/2003	2/1/2018	2.00% - 4.15%
Total bonded indebtedness			

Exhibit 2

Prior Years		Payable 01/01/07	2007		Payable 12/31/07	Principal Due In 2008	Interest Due In 2008
Original Issue	Payments		Issued	Payments			
<u>\$4,320,000</u>	<u>\$1,520,000</u>	<u>\$4,120,000</u>	<u>\$ -</u>	<u>\$1,320,000</u>	<u>\$2,800,000</u>	<u>\$1,380,000</u>	<u>\$113,300</u>
890,000	640,000	325,000	-	75,000	250,000	75,000	14,978
2,375,000	470,000	2,000,000	-	95,000	1,905,000	95,000	102,840
-	-	3,800,000	-	-	3,800,000	125,000	170,628
-	-	-	1,840,000	-	1,840,000	-	38,410
<u>3,265,000</u>	<u>1,110,000</u>	<u>6,125,000</u>	<u>1,840,000</u>	<u>170,000</u>	<u>7,795,000</u>	<u>295,000</u>	<u>326,856</u>
1,525,000	1,355,000	220,000	-	50,000	170,000	55,000	10,530
1,800,000	1,600,000	400,000	-	200,000	200,000	200,000	15,000
835,000	750,000	170,000	-	85,000	85,000	85,000	5,461
910,000	770,000	210,000	-	70,000	140,000	70,000	7,210
935,000	720,000	290,000	-	75,000	215,000	75,000	12,456
1,295,000	875,000	525,000	-	105,000	420,000	105,000	22,365
860,000	500,000	460,000	-	100,000	360,000	75,000	17,228
600,000	275,000	390,000	-	65,000	325,000	65,000	12,394
1,150,000	325,000	940,000	-	115,000	825,000	115,000	28,178
920,000	210,000	815,000	-	105,000	710,000	100,000	23,844
590,000	75,000	590,000	-	75,000	515,000	75,000	20,495
-	-	-	1,420,000	-	1,420,000	150,000	29,504
<u>11,420,000</u>	<u>7,455,000</u>	<u>5,010,000</u>	<u>1,420,000</u>	<u>1,045,000</u>	<u>5,385,000</u>	<u>1,170,000</u>	<u>204,665</u>
1,770,000	100,000	1,560,000	-	110,000	1,450,000	110,000	53,202
<u>\$20,775,000</u>	<u>\$10,185,000</u>	<u>\$16,815,000</u>	<u>\$3,260,000</u>	<u>\$2,645,000</u>	<u>\$17,430,000</u>	<u>\$2,955,000</u>	<u>\$698,023</u>

CITY OF SOUTH ST. PAUL, MINNESOTA  
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
December 31, 2007

	General Long Term Financing									
	Refunding Park Bonds 1995B		G.O. Bonds of 2000		G.O. Cap Imp Bonds of 2006		G.O. Refunding Bonds 2007B		Total General Long Term	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	75,000	11,190	95,000	98,090	125,000	153,404	-	73,945	295,000	336,629
2009	85,000	7,046	100,000	93,215	130,000	148,304	110,000	71,745	425,000	320,310
2010	90,000	2,408	105,000	88,090	135,000	143,004	115,000	67,245	445,000	300,747
2011	-	-	110,000	82,715	140,000	137,504	120,000	62,545	370,000	282,764
2012	-	-	120,000	76,965	145,000	131,804	125,000	57,645	390,000	266,414
2013	-	-	125,000	70,777	150,000	125,904	130,000	52,545	405,000	249,226
2014	-	-	130,000	64,242	160,000	119,704	135,000	47,245	425,000	231,191
2015	-	-	135,000	57,351	165,000	113,204	140,000	41,745	440,000	212,300
2016	-	-	145,000	49,929	170,000	106,504	145,000	36,045	460,000	192,478
2017	-	-	150,000	42,000	180,000	99,504	150,000	30,145	480,000	171,649
2018	-	-	160,000	33,550	185,000	92,204	160,000	23,945	505,000	149,699
2019	-	-	170,000	24,475	195,000	84,604	165,000	17,445	530,000	126,524
2020	-	-	175,000	14,988	205,000	76,501	170,000	10,660	550,000	102,149
2021	-	-	185,000	5,088	215,000	67,864	175,000	3,588	575,000	76,540
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
<b>Total</b>	<b>\$250,000</b>	<b>\$20,644</b>	<b>\$1,905,000</b>	<b>\$801,475</b>	<b>\$3,800,000</b>	<b>\$1,799,938</b>	<b>\$1,840,000</b>	<b>\$596,488</b>	<b>\$7,795,000</b>	<b>\$3,218,545</b>



CITY OF SOUTH ST. PAUL, MINNESOTA  
 SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
 December 31, 2007

	Special Assessment Financing					
	Improvement Bonds of 1998		Improvement Bonds of 1998B		Improvement Bonds of 1999	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	85,000	1,827	70,000	4,375	75,000	8,837
2009	-	-	70,000	1,470	70,000	5,250
2010	-	-	-	-	70,000	1,750
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
<b>Total</b>	<b>\$85,000</b>	<b>\$1,827</b>	<b>\$140,000</b>	<b>\$5,845</b>	<b>\$215,000</b>	<b>\$15,837</b>



CITY OF SOUTH ST. PAUL, MINNESOTA  
 SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY  
 December 31, 2007

	Special Assessment Financing							
	Improvement Bonds of 2003A		Improvement Bonds of 2005A		Improvement Bonds of 2005B		Improvement Bonds of 2007A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	115,000	25,302	100,000	21,257	75,000	17,983	150,000	203,800
2009	115,000	22,140	95,000	18,628	75,000	15,395	145,000	192,900
2010	110,000	18,627	100,000	15,797	75,000	12,732	145,000	187,100
2011	110,000	15,053	85,000	12,959	65,000	10,180	145,000	181,300
2012	120,000	11,225	85,000	10,196	45,000	8,123	145,000	175,500
2013	125,000	6,997	85,000	7,306	45,000	6,390	145,000	169,700
2014	130,000	2,405	80,000	4,400	45,000	4,612	145,000	163,900
2015	-	-	80,000	1,480	45,000	2,790	140,000	153,200
2016	-	-	-	-	45,000	934	130,000	137,800
2017	-	-	-	-	-	-	130,000	132,600
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
Total	<u>\$825,000</u>	<u>\$101,749</u>	<u>\$710,000</u>	<u>\$92,023</u>	<u>\$515,000</u>	<u>\$79,139</u>	<u>\$1,420,000</u>	<u>\$1,697,800</u>

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
1,170,000	337,962	110,000	50,452	2,955,000	802,043
860,000	292,560	115,000	47,352	2,820,000	699,272
785,000	259,862	120,000	43,678	1,350,000	604,287
635,000	231,709	120,000	39,777	1,125,000	554,250
515,000	209,594	125,000	35,703	1,030,000	511,711
450,000	191,393	130,000	31,303	985,000	471,922
400,000	175,317	135,000	26,530	960,000	433,038
265,000	157,470	145,000	21,132	850,000	390,902
175,000	138,734	145,000	15,333	780,000	346,545
130,000	132,600	150,000	9,432	760,000	313,681
-	-	155,000	3,216	660,000	152,915
-	-	-	-	530,000	126,524
-	-	-	-	550,000	102,149
-	-	-	-	575,000	76,540
-	-	-	-	220,000	58,865
-	-	-	-	235,000	49,365
-	-	-	-	245,000	39,285
-	-	-	-	255,000	28,721
-	-	-	-	265,000	17,671
-	-	-	-	280,000	6,020
<u>\$5,385,000</u>	<u>\$2,127,201</u>	<u>\$1,450,000</u>	<u>\$323,908</u>	<u>\$17,430,000</u>	<u>\$5,785,704</u>

CITY OF SOUTH ST. PAUL, MINNESOTA  
 SCHEDULE OF DEFERRED TAX LEVIES  
 DEBT SERVICE FUNDS  
 December 31, 2007

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
2006/2007	67,400	96,500	205,200	294,949	75,383	72,824	812,256
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>\$198,200</u>	<u>\$288,100</u>	<u>\$2,894,400</u>	<u>\$5,961,785</u>	<u>\$2,594,871</u>	<u>\$389,676</u>	<u>\$12,327,032</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.	137
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	144
<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.	148
<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.	156
<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.	158

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NET ASSETS BY COMPONENT**  
 Last Five Fiscal Years  
 (Accrual Basis of Accounting)

**Table 1**

	Fiscal Year				
	2003	2004	2005	2006	2007
<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
Restricted	7,398,411	9,699,511	4,727,025	4,665,216	6,305,080
Unrestricted	13,166,182	14,860,912	15,794,256	8,346,800	8,394,301
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>
<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
Restricted	-	-	-	-	-
Unrestricted	3,086,984	2,175,655	23,523,321	2,994,348	4,105,686
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>
<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
Restricted	7,398,411	9,699,511	4,727,025	4,665,216	6,305,080
Unrestricted	16,253,166	17,036,567	39,317,577	11,341,148	12,499,987
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>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**CHANGES IN NET ASSETS**  
 Last Five Fiscal Years  
 (Accrual Basis of Accounting)

**Table 2**  
**Page 1 of 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$1,366,181	\$1,841,098	\$2,067,202	\$2,869,806	\$2,216,808
Public safety	5,045,513	5,250,220	5,343,939	5,535,003	6,319,181
Public works	4,529,332	4,018,591	3,328,511	4,133,175	4,009,014
Parks, arena, library	2,542,146	2,612,547	2,721,746	2,895,568	2,825,016
Transportation	1,075,523	1,359,049	1,405,760	1,303,503	651,897
Interest on long-term debt	799,590	667,195	544,450	604,805	969,617
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>
<b>Business-type activities:</b>					
Water and sewer	3,119,265	3,135,135	3,354,849	3,390,216	3,721,772
Storm water	184,776	184,343	188,090	198,225	203,315
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>
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>
<b>Program revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Airport	\$659,366	\$670,385	\$785,470	\$850,517	\$819,478
Arena	810,470	741,826	741,305	824,820	809,676
Parks and recreation	-	-	-	167,433	178,555
Other activities	4,388,687	3,399,253	2,813,154	3,233,349	2,076,527
Operating grants and contributions	1,219,824	1,203,916	994,062	1,342,519	1,557,846
Capital grants and contributions	644,270	487,949	1,519,639	1,966,898	3,331,011
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>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Water and sewer	3,359,362	3,330,598	3,319,492	4,113,596	4,577,377
Storm water	25,466	339,780	341,317	525,143	343,281
Capital grants and contributions	-	-	-	-	263,977
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>
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>
<b>Net (expense) revenue:</b>					
Governmental activities	(\$7,635,668)	(\$9,245,371)	(\$8,557,978)	(\$8,956,324)	(\$8,218,440)
Business-type activities	80,787	350,900	117,870	1,050,298	1,259,548
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>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**CHANGES IN NET ASSETS**  
 Last Four Fiscal Years  
 (Accrual Basis of Accounting)

**Table 2**  
**Page 2 of 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General revenues and other changes in net assets</b>					
<b>Governmental activities:</b>					
Taxes:					
Property taxes	\$4,578,528	\$4,600,156	\$5,017,990	\$5,305,741	\$5,744,747
Tax increment	1,265,819	1,369,702	1,294,075	1,443,232	1,618,275
Franchise taxes	597,815	601,642	723,491	749,039	755,296
Unrestricted grants and contributions	3,193,095	2,808,461	2,249,007	2,781,385	2,537,158
Investment earnings	293,727	612,784	609,957	763,661	1,112,186
Miscellaneous	-	-	-	116,366	18,225
<i>Special item</i> -change in depreciation method	-	-	-	-	6,494,081
Transfers	-	1,245,000	55,000	440,273	550,262
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>
<b>Business-type activities:</b>					
Investment earnings	40,788	92,864	46,723	52,699	264,641
<i>Special item</i> -change in depreciation method	-	-	-	-	(245,843)
Transfers	-	(1,245,000)	(55,000)	(440,273)	(550,262)
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>
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>
<b>Change in net assets:</b>					
Governmental activities	\$2,293,316	\$1,992,374	\$1,391,542	\$2,643,373	\$10,611,790
Business-type activities	121,575	(801,236)	109,593	662,724	728,084
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>

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Five Fiscal Years<sup>(1)</sup>  
 (Modified Accrual Basis of Accounting)

**Table 3**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$2,951
Unreserved	2,886,115	3,588,092	4,298,997	3,457,108	3,154,304
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>
All other governmental funds:					
Reserved	\$9,111,862	\$12,017,779	\$6,325,474	\$6,949,127	\$9,763,803
Unreserved, reported in:					
Special revenue funds	(1,293,720)	(1,412,915)	(1,096,016)	(1,152,603)	(1,314,743)
Debt service funds	1,312,940	1,531,741	284,064	285,598	663,984
Capital projects funds	5,308,814	5,582,005	8,222,562	3,770,371	2,668,972
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>

<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 FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Five Fiscal Years<sup>(1)</sup>

**Table 4**  
**Page 1 of 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues:</b>					
General property taxes	\$4,605,997	\$4,614,388	\$4,990,439	\$5,300,707	\$5,662,257
Tax increment collections	1,265,819	1,369,702	1,294,075	1,443,232	1,618,276
Franchise tax	597,815	601,642	723,491	749,039	755,296
Licenses and permits	499,007	534,477	537,347	472,357	385,103
Intergovernmental	5,010,496	4,398,556	4,793,110	5,964,368	7,357,769
Charges for services	2,821,609	2,328,097	2,558,303	2,903,963	2,873,644
Fines and forfeits	97,322	104,175	103,927	211,069	139,966
Special assessments	1,414,251	1,163,401	916,541	1,053,449	850,285
Investment earnings	274,179	567,988	570,142	732,660	1,036,104
Contributions and donations	-	-	27,342	36,527	4,541
Miscellaneous	1,195,230	1,027,356	371,558	114,844	147,383
<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>Expenditures:</b>					
<b>Current:</b>					
General government	1,315,721	1,402,632	1,506,725	1,885,093	2,137,081
Public safety	4,947,594	5,212,633	5,169,070	5,475,732	6,290,264
Public works	1,552,977	1,536,021	2,854,649	2,760,025	2,670,003
Parks, arena, library	2,209,951	2,349,622	2,342,498	2,674,930	2,574,722
Transportation	568,904	634,359	770,504	772,059	798,931
Nondepartmental	41,129	39,616	273,538	950,301	12,058
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
Public safety	21,129	10,417	16,414	-	176,123
Public works	3,708,648	1,349,554	64,906	3,304,686	3,156,507
Parks, arena, library	45,529	122,143	62,249	211,724	6,058
Transportation	614,098	158,766	734,440	1,548,936	176,758
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
Interest	829,348	754,156	621,451	506,583	706,944
Bond discounts, issuance costs, agents fees and other	48,309	48,408	29,459	32,740	53,529
<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>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>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
 Last Five Fiscal Years<sup>(1)</sup>

**Table 4**  
**Page 2 of 2**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Other financing sources (uses):</b>					
Bond proceeds	\$2,920,000	\$4,320,000	\$1,510,000	\$3,800,000	\$1,420,000
Issuance of refunding bonds	-	-	-	-	1,840,000
Bond discount	-	-	-	(41,707)	-
Bond premiums	-	882	-	-	14,249
Loan Proceeds	-	-	-	-	375,490
Transfers in	2,898,299	3,531,804	4,273,273	2,542,933	854,623
Transfers out	(2,898,299)	(2,286,804)	(4,263,273)	(2,102,660)	-
Sale of capital assets	-	-	159,217	-	8,000
<b>Total other financing sources (uses)</b>	<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>
<b>Net change in fund balance</b>	<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>
Debt service as a percentage of noncapital expenditures	21.1%	28.6%	36.7%	12.0%	17.4%
Debt service as percentage of total expenditures	15.4%	24.8%	34.5%	7.2%	14.6%

<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
1998	\$6,023,785	\$4,004,230	\$ 420,433	\$10,448,448	\$ 1,239,930	\$11,688,378	29.71%	\$ 648,002,600	1.80%
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%

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*			County	Total
		School District		Other Districts		
		#6	#199			
1998	29.71%	59.19%	53.72%	6.31%	25.46%	120.66%
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%

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	2007			1998		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Northern States Power	\$276,445	1	1.55%	\$404,124	1	3.70%
Blue Dog Properties Trust	186,968	2	1.05%	-	-	0.00%
Waterford Green Limited Partnership	111,250	3	0.62%	145,000	4	1.33%
Waterous Co	118,046	4	0.66%	120,438	6	1.10%
Chicago & NW Trans. Co	92,577	5	0.52%	132,136	5	1.21%
Healtheast Bethesda Lutheran Care Center	58,036	6	0.33%	-	-	0.00%
Jebco Group Inc	90,674	7	0.51%	-	-	0.00%
Dakota Bulk Property LLC	90,316	8	0.51%	118,871	7	1.09%
Leonard Investment Co.	87,123	9	0.49%	-	-	0.00%
Digital Angel Holdings LLC	61,216	10	0.34%	-	-	0.00%
Canal Capital Corp	-	-	-	242,465	2	2.22%
American Real Estate Holdings Limited Partnership	-	-	-	219,486	3	2.01%
Drovers Inn Assoc.	-	-	-	89,210	8	0.82%
E&E Enterprise Inc	-	-	-	72,068	9	0.66%
HRA of South St. Paul	-	-	-	64,076	10	0.59%
<b>Total</b>	<b>\$1,172,651</b>		<b>6.58%</b>	<b>\$1,607,874</b>		<b>14.73%</b>
<b>Total All Property</b>	<b>\$17,846,292</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
1998	\$ 2,676,371	\$ 2,596,219	97.01%	\$ 83,768	\$ 2,679,987	100.14%
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%	77,876	3,425,950	100.51%
2003	3,446,357	3,383,422	98.17%	62,322	3,445,744	99.98%
2004	3,668,117	3,605,900	98.30%	55,005	3,660,905	99.80%
2005	3,105,810	3,026,707	97.45%	38,210	3,064,917	98.68%
2006	5,743,845	5,658,020	98.51%	109,467	5,767,487	100.41%
2007	6,115,536	5,993,668	98.01%	102,679	6,096,347	99.69%

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	Improvement	Tax Increment
	Bonds	Bonds	Bonds
1998	\$ 2,820,000	\$ 7,860,000	\$ 8,125,000
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

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**

Governmental Activities		Percentage of Tax Capacity	Business-Type Activities		Per Customer	Total Primary Government	Per Capita <sup>(a)</sup>
Certificates of Indebtedness	Total Governmental Activities		Sewer/Water Revenue Bonds	Total Business-Type Activities			
\$ 45,000	\$ 18,850,000	180%	\$ 175,804	\$ 175,804	26	\$ 19,025,804	947
-	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

**-This page intentionally left blank-**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
 December 31, 2007

**Table 10**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School Districts:			
Special School District No. 6	\$24,945,182	100.00%	\$24,945,182
ISD No. 199	39,105,000	35.00%	13,686,750
Dakota County	100,710,000	3.61%	3,635,631
Special Districts:			
Metropolitan Council	1,026,343,000	3.62%	37,153,617
CDA	387,934,783	3.61%	14,004,446
Subtotal - overlapping debt			93,425,626
City direct debt			17,430,000
Total direct and overlapping debt			<u>\$110,855,626</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 2007**

Market value	<u>\$1,573,698,600</u>
Debt limit (2% of market value)	<u>31,473,972</u>
Debt applicable to limit:	
General obligation bonds	7,795,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>7,795,000</u>
Legal debt margin	<u><u>\$23,678,972</u></u>

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Debt limit	\$12,960,052	\$13,605,554	\$14,628,550	\$15,971,334
Total net debt applicable to limit	<u>2,820,000</u>	<u>2,755,000</u>	<u>5,050,000</u>	<u>4,955,000</u>
Legal debt margin	<u><u>\$10,140,052</u></u>	<u><u>\$10,850,554</u></u>	<u><u>\$9,578,550</u></u>	<u><u>\$11,016,334</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	21.76%	20.25%	34.52%	31.02%
---	--------	--------	--------	--------

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.

**Table 11**

---

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$17,547,432	\$19,471,494	\$21,795,348	\$24,824,944	\$28,234,290	\$31,473,972
<u>4,800,000</u>	<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>\$12,747,432</u>	<u>\$13,106,494</u>	<u>\$17,380,348</u>	<u>\$20,664,944</u>	<u>\$22,109,290</u>	<u>\$23,678,972</u>
27.35%	32.69%	20.26%	16.76%	21.69%	24.77%

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**PLEDGED-REVENUE COVERAGE**  
 Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1998	\$ 857,972	\$ 657,643	\$ 200,329	\$ 40,000	\$ 9,554	4.04	
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	-	-	-	-	-	-	

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

Table 12

Special Assessment Collections	Improvement Bonds			Tax Increment Collections	Tax Increment Bonds		
	Debt Service		Coverage		Debt Service		Coverage
	Principal	Interest			Principal	Interest	
\$ 1,219,258	\$ 950,000	341,206	0.94	\$ 1,459,526	\$ 350,000	\$ 398,878	1.95
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

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

**Table 13**

---

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income*</u>	<u>Dakota Unemployment Rate*</u>
1998	20,088	667,745,208	33,241	1.80%
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	N/A	N/A	4.10%

Amounts noted as N/A were not available

Sources:

Population: 1997 - 1999, US Census Bureau estimates, 2000 - 2005 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	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsman's Guide	524	1	6.15%	687	1	9.65%
Special School District No. 6	518	2	6.08%	610	2	8.57%
Waterous Company	387	3	4.54%	360	3	5.06%
City of South St. Paul	302	4	3.55%	211	4	2.96%
Wells Fargo Bank Minnesota, NA <sup>1</sup>	267	5	3.13%	194	6	2.72%
Dakota Premium Foods	280	6	3.29%	-	-	-
HealthEast Bethesda Care Center	218	7	2.56%	-	-	-
Stockyard's Meat Packing Co. <sup>2</sup>	150	8	1.76%	175	7	2.46%
American Bottling	142	9	1.67%	-	-	-
Twin City Bagel	140	10	1.64%	-	-	-
Long Prairie Packing	-	-	-	200	5	2.81%
American Agco	-	-	-	115	8	1.61%
Allstate Peterbilt Utility	-	-	-	80	9	1.12%
Twin City Tanning	-	-	-	80	10	1.12%
<b>Total</b>	<b>2,928</b>		<b>34.37%</b>	<b>2,712</b>		<b>38.08%</b>
<b>Total city employment</b>	<b>8,518</b>			<b>7,121</b>		

<sup>1</sup> Formerly Norwest Bank Minnesota, NA

<sup>2</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,		
	1998	1999	2000
General government:			
Management services	3.51	3.73	3.73
Finance	2.80	2.80	2.80
Planning	1.00	1.00	1.00
Building	1.25	1.25	1.25
Other	0.20	0.20	1.20
Police:			
Officers	26.00	25.00	25.00
Civilians			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	6.10	5.85
Code enforcement	2.00	2.00	2.00
Public works	9.41	9.41	9.40
Parks and recreation	6.43	6.43	6.03
Library	8.00	8.00	8.00
Arena	3.00	3.00	3.00
Airport	1.00	1.00	2.00
Water	6.42	7.42	7.42
Central Garage	2.00	2.00	2.00
<b>Total</b>	<b>99.62</b>	<b>99.84</b>	<b>104.68</b>

Source: City Budget Office.

Table 15

Full-Time Equivalent Employees as of December 31,						
2001	2002	2003	2004	2005	2006	2007
4.38	4.38	4.28	4.28	5.28	5.28	5.28
2.80	2.80	2.80	2.80	2.80	2.80	3.20
1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.25	1.00	1.00	1.00	1.00	1.00	1.00
1.20	0.20	0.95	0.95	1.20	1.20	1.20
25.00	27.00	26.00	26.00	26.00	27.00	27.00
3.50	3.00	3.00	3.00	3.50	4.00	4.00
19.00	19.00	19.00	19.00	19.00	19.00	18.50
1.00	1.00	1.00	1.00	1.00	1.00	1.00
0.50	0.50	0.43	0.33	0.50	0.50	0.50
5.85	5.85	4.85	4.85	4.85	4.85	4.85
2.00	3.00	2.00	3.00	3.00	3.00	3.00
9.40	9.40	8.40	8.40	8.40	8.40	8.40
6.63	7.13	6.63	6.63	7.03	7.43	7.43
8.00	8.00	8.00	8.00	8.00	8.00	8.00
2.50	2.50	2.00	1.50	1.75	2.50	2.50
2.00	2.00	2.00	2.00	2.00	2.00	2.00
7.42	7.42	9.12	9.12	7.42	7.42	7.42
2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>105.43</u>	<u>107.18</u>	<u>104.46</u>	<u>104.86</u>	<u>105.73</u>	<u>108.38</u>	<u>108.28</u>

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

Function/Program	Fiscal Year		
	1998	1999	2000
<b>Police:</b>			
Calls for Service	12,634	11,900	13,840
Part I offenses	N/A	N/A	863
Part II offenses	N/A	N/A	2,034
Felony charges	184	153	153
DUI	147	134	188
Traffic Accidents	458	501	495
Traffic Violations	942	848	728
<b>Fire:</b>			
Emergency responses - Non-fire	1,462	1,370	1,512
Fires extinguished - Fire calls	376	389	327
Inspections	1,007	1,066	918
<b>Recycling</b>			
Appliances collected	N/A	250	220
Oil collected (gallons)	N/A	N/A	800
Scrap metal recycled	N/A	26,760	21,800
<b>City Planner</b>			
Site Plan reviews	N/A	6	6
<b>Other public works:</b>			
Segments of streets/alleys rehabbed	37	39	27
<b>Parks and recreation:</b>			
Mclain and Splash pool uses (avg daily attendance*) <sup>(1)</sup>	33,000	35,000	15,135
Northview pool (avg daily attendance*)	5,000	7,000	11,000
<b>Library:</b>			
Charged circulation (usage)	186,179	177,156	151,638
<b>Arena:</b>			
Ice rented (hours)	2,000	3,000	3,500
<b>Transportation:</b>			
Fuel sold (gallons)	175,136	197,856	184,512
Aircraft operations	49,800	52,400	49,940
<b>Water:</b>			
Utility customers	6,896	6,700	6,800
Pumpage/year (millions of gallons)	1,152	1,128	1,210
<b>Wastewater:</b>			
Sewage treatment (thousands of gallons)	1,327	1,128	1,208

Sources: City Budgets

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

\* - Operations are seasonal

\*\* - 2007 amounts are estimates

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

Table 16

Fiscal Year						
2001	2002	2003	2004	2005	2006	2007**
17,280	18,766	17,394	19,183	17,036	16,000	17,000
740	789	683	662	870	900	900
1,944	2,097	1,977	2,000	1,784	1,800	1,800
231	256	215	261	225	225	225
208	226	152	122	168	120	120
470	477	492	377	275	275	300
951	1,524	1,151	1,432	1,335	1,200	1,300
1,541	1,424	1,519	1,477	N/A	N/A	N/A
341	362	335	359	N/A	N/A	N/A
1,017	1,251	1,208	1,495	N/A	N/A	N/A
220	272	400	216	208	220	211
800	850	870	890	900	900	900
21,800	28,940	30,430	24,500	19,460	20,000	21,000
1	4	4	1	4	4	4
28	24	34	37	32	34	27
14,500	13,000	12,800	11,000	11,000	11,000	11,000
11,000	11,000	11,000	8,035	8,500	8,700	8,700
146,419	161,685	140,600	133,800	128,729	123,723	125,000
3,693	3,226	3,116	3,157	3,525	3,698	3,719
267,093	232,564	204,146	193,254	199,606	191,400	171,385
78,300	56,210	61,320	63,150	64,413	65,701	52,865
6,900	6,900	6,900	6,900	6,900	6,900	6,900
1,171	1,250	1,172	1,183	1,085	1,195	1,250
1,170	1,063	1,172	1,183	1,085	1,200	1,250

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
 Last Two Fiscal Years<sup>(1)</sup>

**Table 17**

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

Sources: Various City departments.

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

N/A - information is not available

<sup>(1)</sup>Information for fiscal years 1998-2005 is not available.