
Comprehensive Annual Financial Report

For the Year Ended December 31, 2006



City of South St. Paul, Minnesota

- This page intentionally left blank -

CITY OF SOUTH ST. PAUL, MINNESOTA
TABLE OF CONTENTS

	Reference	Page No.
I. INTRODUCTORY SECTION		
Letter of Transmittal		3
Certificate of Achievement		9
Elected and Appointed Officials		11
Organization Chart		13
II. FINANCIAL SECTION		
Independent Auditor's Report		17
Management's Discussion and Analysis		21
Basic Financial Statements:		
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
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 10	76
Budgetary Comparison Schedule - Airport Fund	Statement 11	81
Budgetary Comparison Schedule - Note to RSI		82

CITY OF SOUTH ST. PAUL, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 12	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 13	89
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 14	92
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement 15	93
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 16	97
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement 17	101
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 18	107
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds	Statement 19	111
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:		
Library Fund	Statement 20	114
Wakota Arena	Statement 21	115
Statement of Changes in Assets and Liabilities - Agency Funds	Statement 22	116
Supplementary Financial Information:		
Schedule of Cash and Investments	Exhibit 1	119
Combined Schedule of Indebtedness	Exhibit 2	120
Schedule of Debt Service Payments to Maturity	Exhibit 3	122
Schedule of Deferred Tax Levies - Debt Service Funds	Exhibit 4	128

CITY OF SOUTH ST. PAUL, MINNESOTA
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u> <u>No.</u>
III. STATISTICAL SECTION (UNAUDITED)		
Financial Trends:		
Net Assets by Component - Last Four Fiscal Years	Table 1	131
Changes in Net Assets - Last Four Fiscal Years	Table 2	132
Fund Balances, Governmental Funds - Last Four Fiscal Years	Table 3	135
Changes in Fund Balances, Governmental Funds - Last Four Fiscal Years	Table 4	136
Revenue Capacity:		
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 5	138
Direct and Overlapping Property Tax Capacity Rates	Table 6	139
Principal Property Taxpayers	Table 7	140
Property Tax Levies and Collections	Table 8	141
Debt Capacity:		
Ratios of Outstanding Debt by Type	Table 9	142
Direct and Overlapping Governmental Activities Debt	Table 10	145
Legal Debt Margin Information	Table 11	146
Pledged-Revenue Coverage	Table 12	148
Demographic and Economic:		
Demographic and Economic Statistics	Table 13	150
Principal Employers	Table 14	151
Operating Information:		
Full-Time Equivalent City Government Employees by Function/Program	Table 15	152
Operating Indicators by Function/Program	Table 16	154
Capital Asset Statistics by Function/Program	Table 17	156

- This page intentionally left blank -

I. INTRODUCTORY SECTION

- This page intentionally left blank -



August 8, 2007

**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 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 requested and was granted an extension of 45 days from the Office of the State Auditor. 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, 2006.

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 Eide Bailly 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, 2006 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 each month.

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. 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 are 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 remain low with a continuation of strong construction activity. The City expects that annual building permit values will remain strong (\$20,000,000 range) and the “Rediscover South St. Paul,” purchases dilapidated residential housing projects, cleans them and then provides sites for new homes, will continue to grow in the future.

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 2006, state aid increased back to near the 2004 level with 2007 expecting a slight decrease which will be offset with other revenue and expenditure reductions.

The 'pay-as-you go' Capital Improvement Program ("CIP") focused primarily on the City Hall Renovation project in 2006. Construction is expected to be complete in 2007.

The City is currently finishing 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. 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 are underway with implementation expected in the beginning of 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, 2006.

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 capital 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.

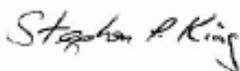
Awards and Acknowledgments

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, 2005. 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,



Steven P. King
City Administrator

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, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

- This page intentionally left blank -

CITY OF SOUTH ST. PAUL, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
 December 31, 2006

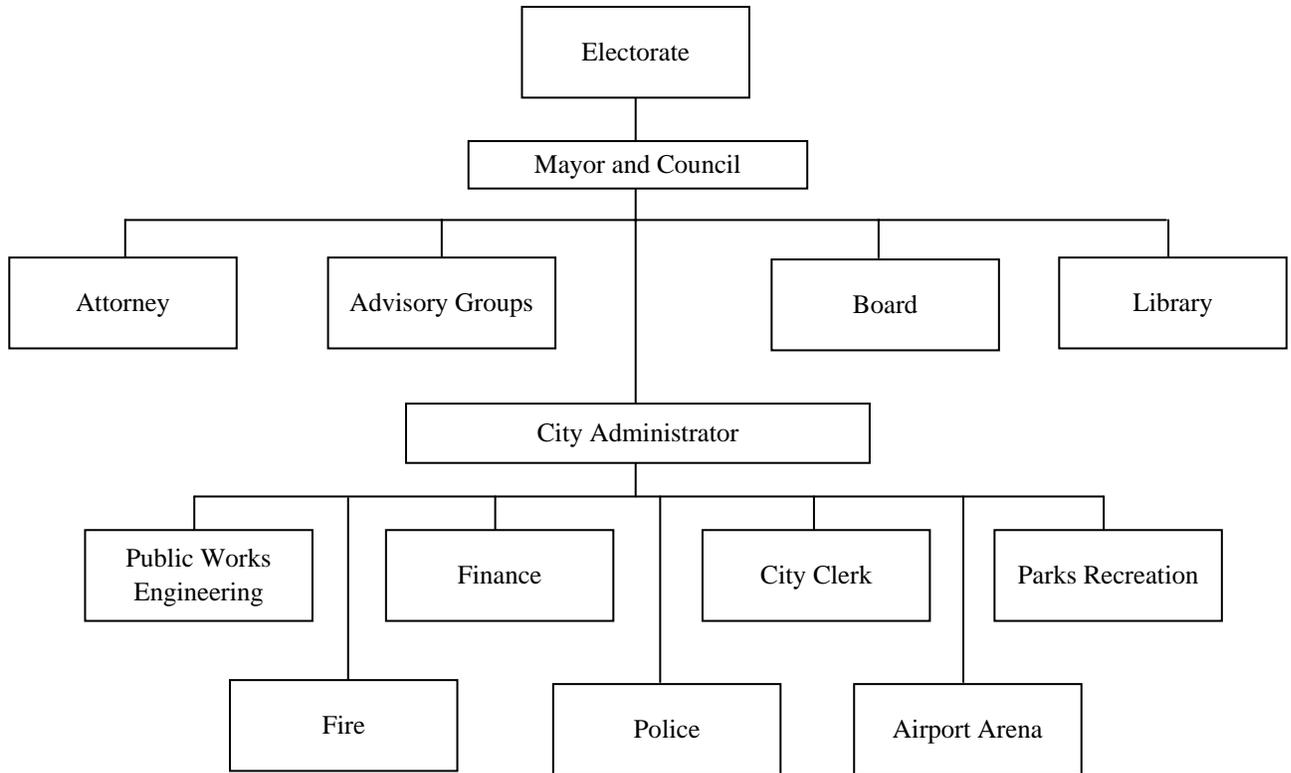
		<u>Term Expires</u>
Mayor	Beth A. Baumann	January 1, 2009
Councilmembers	Lori Hansen	January 1, 2009
	Christopher J. Lehmann	January 1, 2009
	Dan Niederkorn	January 1, 2009
	Norm Nistler	January 1, 2007
	Tom Seaberg	January 1, 2007
	David A. Vujovich	January 1, 2007
City Administrator	Stephen P. King	Appointed
Acting City Finance Director	Clara Thorne	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, 2006



- This page intentionally left blank -

II. FINANCIAL SECTION

- This page intentionally left blank -



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the 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 (the City), as of and for the year ended December 31, 2006, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and 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 basic 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, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Airport Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

- This page intentionally left blank -

The management's discussion and analysis on pages 21 through 34 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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, supplementary information, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Minneapolis, Minnesota
August 16, 2007

- 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 financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. 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 \$64,146,778 (net assets). Of this amount, \$11,341,148 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$3,478,348.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,309,601. Of this total amount, \$10,973,707 is designated or reserved through legal restrictions and City Council authorization. The undesignated fund balance is \$2,335,894.
- At the end of the current fiscal year the general fund balance of \$3,457,108 of undesignated funds.
- The City's total debt increased by \$2,570,654 during the current fiscal year, from \$15,230,716 to \$17,801,370.

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 comprise three components: 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, Minnesota – 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 spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balance 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 balance 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 32 governmental funds (four special revenue, fifteen debt service, thirteen capital projects) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for major funds as follows: General Fund, 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 government-wide financial statements. The City uses enterprise funds to account for 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, Minnesota.

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 47 through 74 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 88 through 116 of this report. Following the combining statements is supplementary financial information (pages 119 - 128) and the statistical section (pages 131 - 156).

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 \$64,146,778 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$48,140,414 or 75 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure, construction in progress and equipment) 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, 2006 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 NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$21,101,884	\$40,351,878	\$3,563,051	\$2,683,670	\$24,664,935	\$43,035,548
Capital assets	50,002,621	23,481,382	11,850,391	11,829,683	61,853,012	35,311,065
Total assets	<u>\$71,104,505</u>	<u>\$63,833,260</u>	<u>\$15,413,442</u>	<u>\$14,513,353</u>	<u>\$86,517,947</u>	<u>\$78,346,613</u>
Current liabilities	\$4,060,676	\$2,175,719	\$509,123	\$271,748	\$4,569,799	\$2,447,467
Noncurrent liabilities	17,741,790	15,171,126	59,580	59,590	17,801,370	15,230,716
Total liabilities	<u>\$21,802,466</u>	<u>\$17,346,845</u>	<u>\$568,703</u>	<u>\$331,338</u>	<u>\$22,371,169</u>	<u>\$17,678,183</u>
Net assets						
Invested in capital assets net of related debt	\$36,290,023	\$25,965,134	\$11,850,391	\$11,829,683	\$48,140,414	\$37,794,817
Restricted	4,665,216	4,727,025	-	-	4,665,216	4,727,025
Unrestricted	8,346,800	15,794,256	2,994,348	2,352,332	11,341,148	18,146,588
Total net assets	<u>\$49,302,039</u>	<u>\$46,486,415</u>	<u>\$14,844,739</u>	<u>\$14,182,015</u>	<u>\$64,146,778</u>	<u>\$60,668,430</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 \$64,146,778. The major element of the year end current asset balance of \$86,517,947 was cash/investments of \$16,843,374 which represented 19% of the total current asset balance.

As of December 31, 2006, total liabilities for governmental activities and business-type activities were \$22,371,169. Of this amount, \$17,801,370 or 79% were noncurrent 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, 2006, \$4,665,216 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 \$11,341,148 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities increased the City's net assets by \$2,815,624, accounting for 80% of the total growth in net assets. The key element of this increase is driven by capital improvements funded by business-type activities. 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 and prior period adjustments were \$20,157,484 against expenses of \$17,341,860 resulting in an increase in net assets of \$2,815,624.

Management's Discussion and Analysis

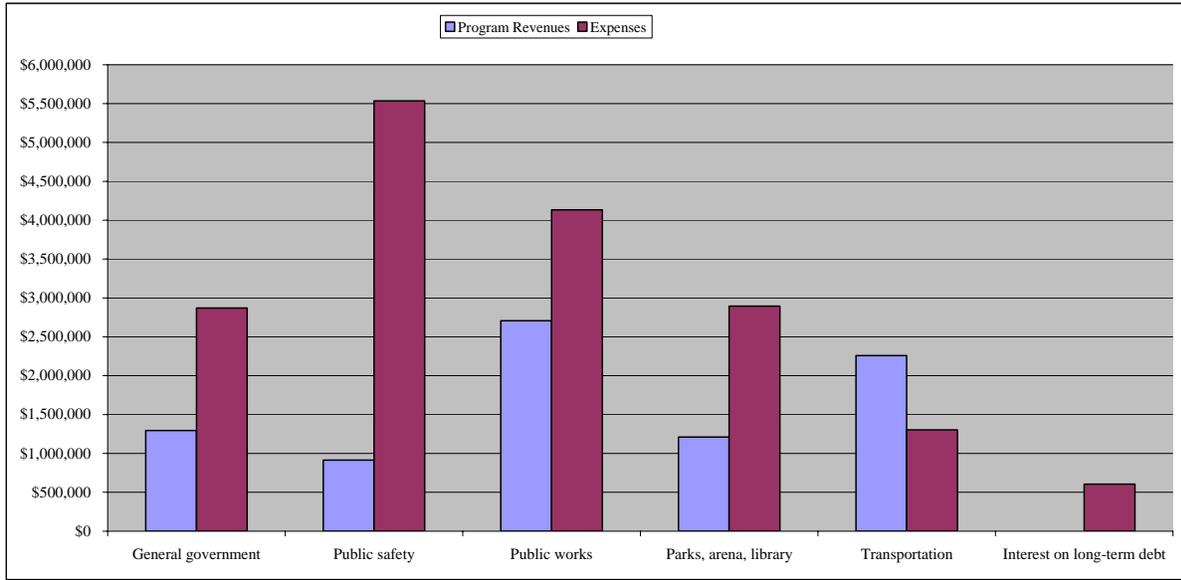
City of South St. Paul, Minnesota's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$5,076,119	\$4,339,929	\$4,638,739	\$3,660,809	\$9,714,858	\$8,000,738
Operating grants and contributions	1,342,519	994,062	-	-	1,342,519	994,062
Capital grants and contributions	1,966,898	1,519,639	-	-	1,966,898	1,519,639
General revenues:						
Property taxes	5,305,741	5,017,990	-	-	5,305,741	5,017,990
Tax increment	1,443,232	1,294,075	-	-	1,443,232	1,294,075
Franchise taxes	749,039	723,491	-	-	749,039	723,491
Grants and contributions not restricted to specific programs	2,781,385	2,249,007	-	-	2,781,385	2,249,007
Unrestricted investment earnings	763,661	609,957	52,699	46,723	816,360	656,680
Miscellaneous revenues	116,366	-	-	-	116,366	-
Total revenues	<u>19,544,960</u>	<u>16,748,150</u>	<u>4,691,438</u>	<u>3,707,532</u>	<u>24,236,398</u>	<u>20,455,682</u>
Expenses:						
General government	2,869,806	2,067,202	-	-	2,869,806	2,067,202
Public safety	5,535,003	5,343,939	-	-	5,535,003	5,343,939
Public works	4,133,175	3,328,511	-	-	4,133,175	3,328,511
Parks, arena, library	2,895,568	2,721,746	-	-	2,895,568	2,721,746
Transportation	1,303,503	1,405,760	-	-	1,303,503	1,405,760
Interest on long-term debt	604,805	544,450	-	-	604,805	544,450
Water and sanitary sewer	-	-	3,390,216	3,354,849	3,390,216	3,354,849
Storm sewer utility	-	-	198,225	188,090	198,225	188,090
Total expenses	<u>17,341,860</u>	<u>15,411,608</u>	<u>3,588,441</u>	<u>3,542,939</u>	<u>20,930,301</u>	<u>18,954,547</u>
Increase in net assets before transfers	2,203,100	1,336,542	1,102,997	164,593	3,306,097	1,501,135
Transfers	<u>440,273</u>	<u>55,000</u>	<u>(440,273)</u>	<u>(55,000)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>2,643,373</u>	<u>1,391,542</u>	<u>662,724</u>	<u>109,593</u>	<u>3,306,097</u>	<u>1,501,135</u>
Net assets - January 1, previously reported	46,486,415	45,094,873	14,182,015	14,072,422	60,668,430	59,167,295
Prior period adjustment	172,251	-	-	-	172,251	-
Net assets - January 1, as restated	<u>46,658,666</u>	<u>45,094,873</u>	<u>14,182,015</u>	<u>14,072,422</u>	<u>60,840,681</u>	<u>59,167,295</u>
Net assets - December 31	<u>\$49,302,039</u>	<u>\$46,486,415</u>	<u>\$14,844,739</u>	<u>\$14,182,015</u>	<u>\$64,146,778</u>	<u>\$60,668,430</u>

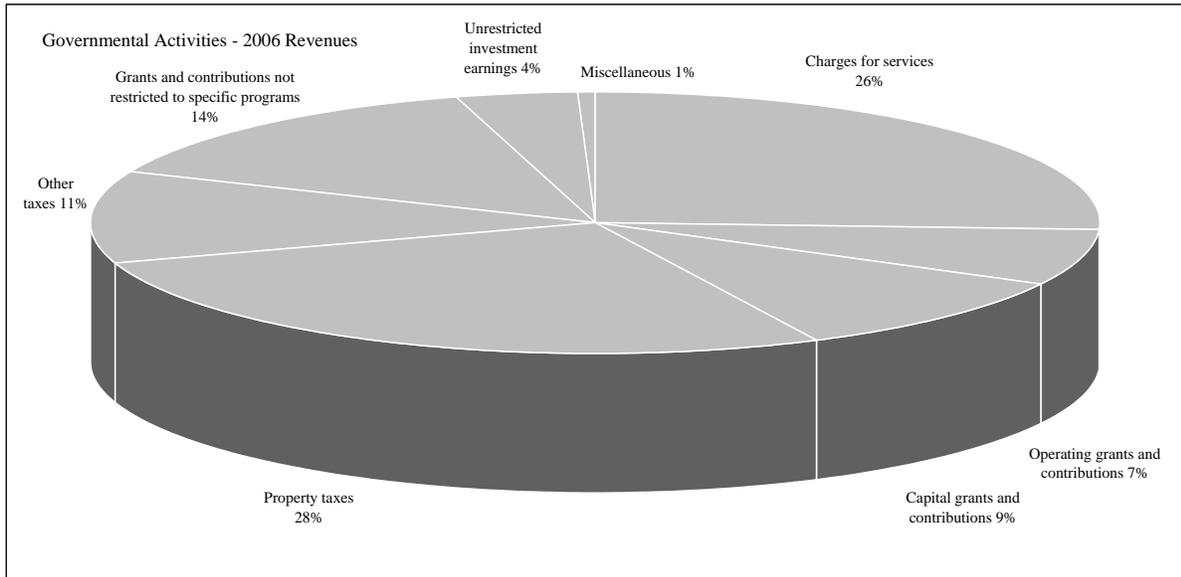
Management's Discussion and Analysis

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

Expenses and Program Revenues – Governmental Activities



Governmental Activities – Revenues

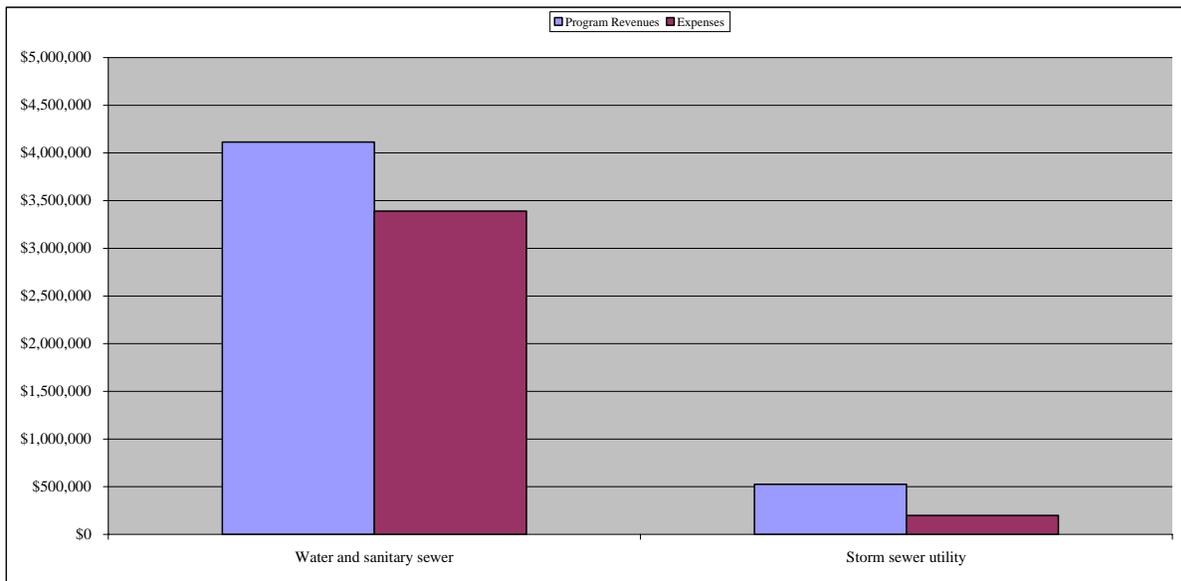


Management's Discussion and Analysis

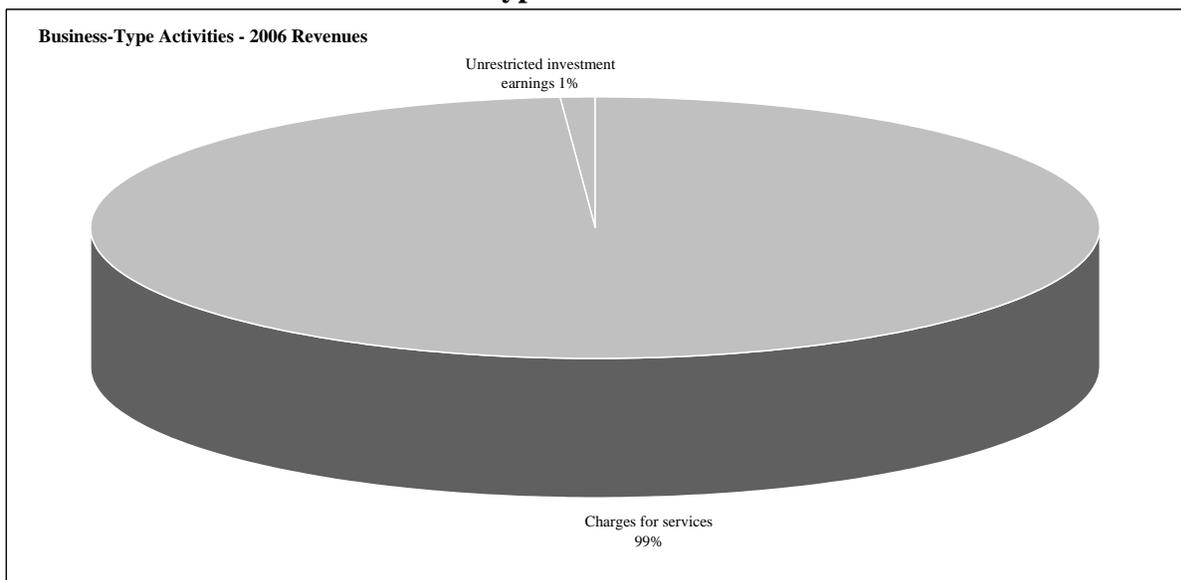
Business-Type Activities

Business-type activities increased net assets by \$662,724 accounting for 4.7% of the City's growth in net assets. Charges for services increased by 26.7% overall. The increase is a result of 2006 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 2006 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 a 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 \$13,309,601. Approximately 47 percent of this total amount (\$6,360,474) constitutes unreserved fund balance. The remainder of the fund balance (\$6,949,127) is reserved because it has already been committed to provide for advances to other funds (\$2,283,911) and debt service payments \$4,665,216.

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

The General Fund: Decrease of (\$841,899). The General fund is the chief operating fund of the City of South St. Paul. At the end of the current fiscal year and December 31, 2005, the General Fund had a decrease of \$841,899 in overall fund balance. The decrease can mostly be attributed to transfer activity throughout the year as revenue and expenditures were consistent to the prior year. Significant transfers in 2006 were made to the City Hall Renovation Fund for partial funding of the City Hall project.

Airport Fund: Increase of \$98,570. The Airport had revenues over expenditures of \$98,570 due in large measure to an increase in aircraft fuel sales. The ten-year plan for the Airport operation shows elimination of the year end fund balance deficit of \$953,277 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: Decrease of (\$4,200,526): In 2006, 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. 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. In addition, the City transferred \$3,700,000 to the City Hall Renovation Fund for project expenditures related to the City Hall remodeling project. This one time transfer severely impacted the overall fund balance of the Fund.

General Programs Fund: Increase of \$290,970. 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 2007 General Fund and Library Fund budgets which are financed by state aid and property taxes.

Management's Discussion and Analysis

Based on that formula, because of the fund balance needed as of December 31, 2006, approximately \$4,179,000, a transfer from the General Fund was not needed to finance 2007.

City Hall Renovation. Increase of \$2,254,720. The City Hall Renovation Fund accounted for significant activity in 2006 as the City Hall renovation project was well underway during the year. To fund the renovation, the City transferred funds 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, 2006, the City Hall renovation project was not complete, however, the City anticipates completion of the project in 2007.

2007A Improvement Bonds. Increase of \$320,705. 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, \$2,697,267 and Storm Water Utility, \$297,081.

Net assets in the Water and Sewer Enterprise Fund increased by \$431,027 in 2006 and stood at \$7,884,511 at year end. The income from operations is mostly due to the increase in revenues from general and heavy industry customers as the City increased utility rates in 2006 to fund the Capital Improvement Program expenditures for anticipated capital projects. However, the City did not begin construction and incur capital expenditures until 2007, therefore, transfers from the Water and Sewer fund to the capital project funds were not made in 2006, and will be made in 2007, which ultimately will reduce net assets.

Net assets increased \$231,697 in the Storm Water Utility Fund, which is an increase from last years change in fund balance (\$158,324) of \$73,373. This change is primarily due to an increase of a transfer out to fund the capital improvement activities.

Budgetary Highlights

The City Council adopted 2006 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 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 2006, the City received an increase of the Local Government Aid over 2005 levels, and therefore, is able to maintain relatively low property tax rates for its residents during the year while continuing current service levels.

Total budgeted revenues (\$10,339,085) and total actual revenues (\$10,331,770) resulted in difference of (\$7,315). A significant budgeting difference (\$127,289) is noted as investment income, which can be attributed to a smaller cash balance in the General fund compared to other funds throughout the year. Therefore, other funds received a greater portion of investment income than expected. Other differences were minimal both on the positive and negative side.

Total final budgeted expenditures increased \$627,692 from 2005 (\$9,613,418) to 2006 (\$10,241,110). A majority of the increase is attributed to personal services across a significant number of departments as employee wages and benefits were expected to increase from 2005 to 2006. Another significant increase is noted in the fire consolidation department as the increase from 2005 to 2006 is approximately \$120,000. This increase is due to expected costs being higher in 2006 than 2005 for the consolidation of the City of South St. Paul and the City of West St. Paul Fire departments. However, the actual expenditures were \$99,493 less than expected.

Major areas of expenditures finishing the year under budget included the following departments: City administration \$6,641; City clerk \$5,040; Computer \$15,791; City Hall \$58,085; Police \$103,293; Fire \$3,745; Fire consolidation \$99,493; Engineering \$34,656; Public works \$30,769. The changes between appropriation (original and final) categories during the year reflect transfers from the contingency account to operating departments pursuant to City Council directive. The majority of the transfers were to fund wage increases as union contracts were settled during the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in net capital assets for its governmental and business type activities as of December 31, 2006, is \$48,140,414 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment and City infrastructure.

More detailed information regarding capital assets are found in the notes to the financial statements. Major capital asset events during the current fiscal year include:

- T-hangar building was placed in service. The \$814,793 investment will provide additional rental income.

Management's Discussion and Analysis

- The City Hall Remodeling Project (construction in progress) received significant investments during 2006 with anticipated completion in 2007.
- The City invested in land improvements for the Port Crosby, Simon's Ravine and the Airport West Area projects with additional investment continuing into 2007 and 2008. These projects are noted as construction in progress as of December 31, 2006.

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$9,988,614	\$9,852,335	\$295,900	\$295,900	\$10,284,514	\$10,148,235
Buildings and structures	6,605,761	6,033,117	715,393	748,015	7,321,154	6,781,132
Machinery and equipment	1,903,734	1,904,785	147,619	153,314	2,051,353	2,058,099
Infrastructure	20,321,451	21,839,759	10,313,811	10,632,454	30,635,262	32,472,213
Construction in progress	11,183,061	721,882	377,668	-	11,560,729	721,882
	<u>\$50,002,621</u>	<u>\$40,351,878</u>	<u>\$11,850,391</u>	<u>\$11,829,683</u>	<u>\$61,853,012</u>	<u>\$52,181,561</u>

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$16,815,000, an increase of \$2,320,000 from 2005. This number is comprised of G.O. debt of \$6,125,000, Tax Increment debt of \$4,120,000, G.O. debt supported by special assessments of \$5,010,000 and Revenue supported bonds in the amount of \$1,560,000.

Additional long-term debt amounts to compensated absences in the amount of \$550,802 (government funds) and \$59,580 (enterprise funds).

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Special assessment bonds	\$5,010,000	\$6,015,000	\$ -	\$ -	\$5,010,000	\$6,015,000
Tax increment bonds	4,120,000	4,320,690	-	-	4,120,000	4,320,690
General purpose bonds	6,125,000	2,490,000	-	-	6,125,000	2,490,000
Revenue bonds	1,560,000	1,670,000	-	-	1,560,000	1,670,000
Soil remediation liability	-	90,000	-	-	-	90,000
Notes payable	375,490	-	-	-	375,490	-
Compensated absences	550,802	585,436	59,580	59,590	610,382	645,026
	<u>\$17,741,292</u>	<u>\$15,171,126</u>	<u>\$59,580</u>	<u>\$59,590</u>	<u>\$17,800,872</u>	<u>\$15,230,716</u>

The City of South St. Paul, Minnesota 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, Minnesota is \$28,234,290. General obligation bonds of \$6,125,000 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 \$22,109,290 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 pages 64 through 67 and in the supplementary section of this report starting on page 120.

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:

- The local economy is expected to stay healthy with residential values holding strong for 2007.
- 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 revenues of \$481,700. 2007 budget was set for \$2,019,642, a decrease of \$180,161, of which will be offset with property tax and other revenues.

Management's Discussion and Analysis

- 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. The fund balance is expected to be used to fund capital projects in 2007.

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.

BASIC FINANCIAL STATEMENTS

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2006

Statement 1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$1,340,535	\$592,360	\$1,932,895
Investments	13,619,288	1,291,191	14,910,479
Accrued interest	207,801	-	207,801
Accounts receivable	474,809	1,257,467	1,732,276
Taxes receivable	667,829	-	667,829
Special assessments receivable	2,799,338	234,369	3,033,707
Due from other governmental units	1,792,671	187,664	1,980,335
Inventories - at cost	35,476	-	35,476
Deferred charges	164,137	-	164,137
Capital assets (net of accumulated depreciation):			
Land	9,988,614	295,900	10,284,514
Buildings and land improvements	6,605,761	715,393	7,321,154
Machinery and equipment	1,903,734	147,619	2,051,353
Infrastructure	20,321,451	10,313,811	30,635,262
Construction in process	11,183,061	377,668	11,560,729
Total assets	<u>71,104,505</u>	<u>15,413,442</u>	<u>86,517,947</u>
Liabilities:			
Accounts, salaries and contracts payable	3,031,630	298,885	3,330,515
Deposits payable	22,100	-	22,100
Due to other governmental units	2,567	238	2,805
Accrued interest payable	314,234	-	314,234
Unearned revenue	690,145	210,000	900,145
Noncurrent liabilities:			
Due within one year	2,722,109	15,071	2,737,180
Due in more than one year	15,019,681	44,509	15,064,190
Total liabilities	<u>21,802,466</u>	<u>568,703</u>	<u>22,371,169</u>
Net assets:			
Invested in capital assets, net of related debt	36,290,023	11,850,391	48,140,414
Restricted for:			
Debt service	4,665,216	-	4,665,216
Unrestricted	8,346,800	2,994,348	11,341,148
Total net assets	<u>\$49,302,039</u>	<u>\$14,844,739</u>	<u>\$64,146,778</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, 2006

Statement 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Primary Government			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$2,869,806	\$1,226,122	\$68,780	\$ -	(\$1,574,904)	\$ -	(\$1,574,904)
Public safety	5,535,003	209,416	703,442	1,093	(4,621,052)	-	(4,621,052)
Public works	4,133,175	1,582,943	537,610	586,680	(1,425,942)	-	(1,425,942)
Parks, arena, and library	2,895,568	1,207,121	3,218	-	(1,685,229)	-	(1,685,229)
Transportation	1,303,503	850,517	29,469	1,379,125	955,608	-	955,608
Interest on long-term debt	604,805	-	-	-	(604,805)	-	(604,805)
Total governmental activities	<u>17,341,860</u>	<u>5,076,119</u>	<u>1,342,519</u>	<u>1,966,898</u>	<u>(8,956,324)</u>	<u>0</u>	<u>(8,956,324)</u>
Business-type activities:							
Water and sewer	3,390,216	4,113,596	-	-	-	723,380	723,380
Storm water	198,225	525,143	-	-	-	326,918	326,918
Total business-type activities	<u>3,588,441</u>	<u>4,638,739</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,050,298</u>	<u>1,050,298</u>
Total primary government	<u>\$20,930,301</u>	<u>\$9,714,858</u>	<u>\$1,342,519</u>	<u>\$1,966,898</u>	<u>(8,956,324)</u>	<u>1,050,298</u>	<u>(7,906,026)</u>
General revenues:							
General property taxes					5,305,741	-	5,305,741
Tax increment					1,443,232	-	1,443,232
Franchise tax					749,039	-	749,039
Unrestricted grants and contributions					2,781,385	-	2,781,385
Investment earnings					763,661	52,699	816,360
Miscellaneous revenues					116,366	-	116,366
Transfers					440,273	(440,273)	-
Total general revenues and transfers					<u>11,599,697</u>	<u>(387,574)</u>	<u>11,212,123</u>
Change in net assets					<u>2,643,373</u>	<u>662,724</u>	<u>3,306,097</u>
Net assets - beginning - as previously stated					46,486,415	14,182,015	60,668,430
Prior period adjustment					172,251	-	172,251
Net assets - beginning - as restated					<u>46,658,666</u>	<u>14,182,015</u>	<u>60,840,681</u>
Net assets - ending					<u>\$49,302,039</u>	<u>\$14,844,739</u>	<u>\$64,146,778</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	<u>General Fund</u>	<u>245 - Airport</u>	<u>402 - Special Projects</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$50,507
Investments	2,026,511	-	371,992
Accrued interest	-	-	-
Accounts receivable - net	215,290	121,657	-
Property taxes receivable:			
Delinquent	93,425	-	-
Due from county	503,337	-	-
Special assessments receivable:			
Delinquent	634	-	448
Deferred	676	-	48,194
Due from county	76	-	2
Due from other governmental units	13,694	-	586,680
Advances to other funds	1,146,152	-	-
Inventory	-	35,476	-
Prepaid items	-	-	-
Total assets	<u><u>\$3,999,795</u></u>	<u><u>\$157,133</u></u>	<u><u>\$1,057,823</u></u>
Liabilities and Fund Balance			
Liabilities:			
Overdraft payable	\$2,790	\$ -	\$ -
Accounts, salaries and contracts payable	446,844	29,629	533,354
Deposits payable	-	-	-
Due to other governmental units	(371)	14	-
Advances from other funds	-	1,080,767	-
Deferred revenue	93,424	-	70,864
Total liabilities	<u><u>542,687</u></u>	<u><u>1,110,410</u></u>	<u><u>604,218</u></u>
Fund balance:			
Reserved for:			
Advances to other funds	-	-	-
Debt service	-	-	-
Unreserved:			
Designated for:			
Working capital	-	-	-
Future projects	-	-	453,605
Undesignated reported in:			
General Fund	3,457,108	-	-
Special Revenue Funds	-	(953,277)	-
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
Total fund balance	<u><u>3,457,108</u></u>	<u><u>(953,277)</u></u>	<u><u>453,605</u></u>
Total liabilities and fund balance	<u><u>\$3,999,795</u></u>	<u><u>\$157,133</u></u>	<u><u>\$1,057,823</u></u>

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	
					2006	2005
\$ -	\$ -	\$282,369	\$2,158,544	\$ -	\$2,491,420	\$4,029,438
2,099,258	4,190,923	38,337	4,132,715	-	12,859,736	13,991,301
207,801	-	-	-	-	207,801	228,681
-	-	-	137,862	-	474,809	357,765
-	-	-	62,929	-	156,354	151,317
-	-	-	8,138	-	511,475	528,993
-	-	-	25,252	-	26,334	38,774
-	-	1,068,593	1,639,924	-	2,757,387	2,228,555
-	-	-	15,539	-	15,617	15,392
-	-	-	1,192,297	-	1,792,671	630,737
2,283,911	-	-	-	(3,430,063)	-	1,598,449
-	-	-	-	-	35,476	35,635
-	-	-	-	-	-	1,181
<u>\$4,590,970</u>	<u>\$4,190,923</u>	<u>\$1,389,299</u>	<u>\$9,373,200</u>	<u>(\$3,430,063)</u>	<u>\$21,329,080</u>	<u>\$23,836,218</u>
\$ -	\$ -	\$ -	\$1,480,707	\$ -	\$1,483,497	\$ -
-	1,024,453	-	848,127	-	2,882,407	1,183,950
-	-	-	22,100	-	22,100	-
-	-	-	2,924	-	2,567	3,204
-	911,750	-	1,437,546	(3,430,063)	-	1,598,449
-	-	1,068,594	2,396,026	-	3,628,908	3,015,534
<u>0</u>	<u>1,936,203</u>	<u>1,068,594</u>	<u>6,187,430</u>	<u>(3,430,063)</u>	<u>8,019,479</u>	<u>5,801,137</u>
2,283,911	-	-	-	-	2,283,911	1,598,449
-	-	320,705	4,344,511	-	4,665,216	4,727,025
2,307,059	-	-	-	-	2,307,059	2,701,551
-	-	-	1,263,916	-	1,717,521	5,847,975
-	-	-	-	-	3,457,108	4,298,997
-	-	-	(199,326)	-	(1,152,603)	(1,096,016)
-	-	-	285,598	-	285,598	284,064
-	2,254,720	-	(2,508,929)	-	(254,209)	(326,964)
<u>4,590,970</u>	<u>2,254,720</u>	<u>320,705</u>	<u>3,185,770</u>	<u>0</u>	<u>13,309,601</u>	<u>18,035,081</u>
<u>\$4,590,970</u>	<u>\$4,190,923</u>	<u>\$1,389,299</u>	<u>\$9,373,200</u>	<u>(\$3,430,063)</u>	<u>\$21,329,080</u>	<u>\$23,836,218</u>
					\$13,309,601	\$18,035,081
					48,860,080	39,186,285
					2,938,763	2,407,049
					(17,887,471)	(15,274,133)
					<u>2,081,066</u>	<u>2,132,133</u>
					<u>\$49,302,039</u>	<u>\$46,486,415</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, 2006

	<u>General Fund</u>	<u>245 - Airport</u>	<u>402 - Special Projects</u>
Revenues:			
General property taxes	\$4,332,029	\$ -	\$9
Tax increment collections	-	-	-
Franchise tax	749,039	-	-
Licenses and permits	472,357	-	-
Intergovernmental	3,625,948	29,269	586,680
Charges for services	865,944	850,517	163,334
Fines and forfeits	104,192	120	99,819
Special assessments	-	-	97,071
Investment income	82,711	1,039	148,143
Contributions and donations	-	200	-
Miscellaneous	99,550	6,335	-
Total revenues	<u>10,331,770</u>	<u>887,480</u>	<u>1,095,056</u>
Expenditures:			
Current:			
General government	1,541,686	-	25,659
Public safety	5,462,026	-	-
Public works	1,623,090	-	6,437
Parks, arena, library	1,041,780	-	600
Transportation	-	770,559	-
Nondepartmental	-	-	72,185
Development and other costs	-	-	-
Capital outlay:			
General government	7,102	-	-
Public safety	-	-	-
Public works	-	-	1,148,696
Parks, arena, library	-	-	211,724
Transportation	-	18,351	-
Interest expenditure	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>9,675,684</u>	<u>788,910</u>	<u>1,465,301</u>
Revenues over (under) expenditures	<u>656,086</u>	<u>98,570</u>	<u>(370,245)</u>
Other financing sources (uses):			
Bond issued	-	-	-
Bond discount	-	-	-
Sale of capital assets	-	-	-
Transfers in	121,600	-	320,000
Transfers out	(1,619,575)	-	(4,150,281)
Total other financing sources (uses)	<u>(1,497,975)</u>	<u>0</u>	<u>(3,830,281)</u>
Net change in fund balance	(841,889)	98,570	(4,200,526)
Fund balance (deficit) - January 1	<u>4,298,997</u>	<u>(1,051,847)</u>	<u>4,654,131</u>
Fund balance (deficit) - December 31	<u>\$3,457,108</u>	<u>(\$93,277)</u>	<u>\$453,605</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	
					2006	2005
\$ -	\$ -	\$ -	\$968,669	\$ -	\$5,300,707	\$4,990,439
-	-	-	1,443,232	-	1,443,232	1,294,075
-	-	-	-	-	749,039	723,491
-	-	-	-	-	472,357	537,347
-	-	-	1,722,471	-	5,964,368	4,793,110
-	-	-	1,024,168	-	2,903,963	2,558,303
-	-	-	6,938	-	211,069	103,927
-	-	319,140	637,238	-	1,053,449	916,541
290,970	38,089	1,565	170,143	-	732,660	570,142
-	-	-	36,327	-	36,527	27,342
-	-	-	8,959	-	114,844	371,558
<u>290,970</u>	<u>38,089</u>	<u>320,705</u>	<u>6,018,145</u>	<u>0</u>	<u>18,982,215</u>	<u>16,886,275</u>
-	312,572	-	5,176	-	1,885,093	1,506,725
-	-	-	13,706	-	5,475,732	5,169,070
-	-	-	1,130,498	-	2,760,025	2,854,649
-	-	-	1,632,550	-	2,674,930	2,342,498
-	-	-	1,500	-	772,059	770,504
-	-	-	878,116	-	950,301	273,538
-	-	-	-	-	-	285,965
-	6,296,350	-	-	-	6,303,452	172,251
-	-	-	-	-	-	16,414
-	-	-	2,155,990	-	3,304,686	64,906
-	-	-	-	-	211,724	62,249
-	-	-	1,530,585	-	1,548,936	734,440
-	-	-	-	-	-	52,994
-	-	-	1,480,000	-	1,480,000	6,880,000
-	-	-	506,583	-	506,583	621,451
-	32,740	-	-	-	32,740	29,459
<u>0</u>	<u>6,641,662</u>	<u>0</u>	<u>9,334,704</u>	<u>0</u>	<u>27,906,261</u>	<u>21,837,113</u>
<u>290,970</u>	<u>(6,603,573)</u>	<u>320,705</u>	<u>(3,316,559)</u>	<u>0</u>	<u>(8,924,046)</u>	<u>(4,950,838)</u>
-	3,800,000	-	-	-	3,800,000	1,510,000
-	(41,707)	-	-	-	(41,707)	-
-	-	-	-	-	-	159,217
-	5,100,000	-	1,219,607	(4,218,274)	2,542,933	4,273,273
-	-	-	(551,078)	4,218,274	(2,102,660)	(4,263,273)
<u>0</u>	<u>8,858,293</u>	<u>0</u>	<u>668,529</u>	<u>0</u>	<u>4,198,566</u>	<u>1,679,217</u>
290,970	2,254,720	320,705	(2,648,030)	0	(4,725,480)	(3,271,621)
4,300,000	-	-	5,833,800	-	18,035,081	21,306,702
<u>\$4,590,970</u>	<u>\$2,254,720</u>	<u>\$320,705</u>	<u>\$3,185,770</u>	<u>\$0</u>	<u>\$13,309,601</u>	<u>\$18,035,081</u>

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

CITY OF SOUTH ST. PAUL, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

Statement 5

	<u>2006</u>	<u>2005</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)	(\$4,725,480)	(\$3,271,621)
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.	9,501,544	(162,689)
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.	-	(198,600)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	531,714	(153,721)
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.	(2,563,783)	5,370,000
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.	(49,555)	(182,177)
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>(51,067)</u>	<u>(9,650)</u>
Change in net assets of governmental activities (statement 2)	<u><u>\$2,643,373</u></u>	<u><u>\$1,391,542</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, 2006

Statement 6

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	605 - Water and Sewer	610 - Storm Water Utility	Totals		703 - Central Garage
			2006	2005	
Assets:					
Current assets:					
Cash and cash equivalents	\$592,275	\$85	\$592,360	\$311,701	\$332,612
Investments	1,088,497	202,694	1,291,191	1,082,311	759,552
Accounts receivable - billed	267,491	21,641	289,132	213,534	-
Accounts receivable - unbilled	882,558	85,777	968,335	889,402	-
Special assessments receivable:					
Current	356,208	-	356,208	182,892	-
Delinquent	27,457	-	27,457	-	-
Due from other governments	5,453	182,211	187,664	3,830	-
Total current assets	<u>3,219,939</u>	<u>492,408</u>	<u>3,712,347</u>	<u>2,683,670</u>	<u>1,092,164</u>
Noncurrent assets:					
Special assessments - deferred	(149,296)	-	(149,296)	-	-
Capital assets:					
Land	295,900	-	295,900	295,900	-
Buildings and land improvements	1,896,997	-	1,896,997	1,896,997	-
Machinery and equipment	628,073	-	628,073	628,073	3,956,476
Infrastructure	8,255,145	9,517,066	17,772,211	17,772,211	-
Construction in process	-	377,668	377,668	-	-
Total capital assets	<u>11,076,115</u>	<u>9,894,734</u>	<u>20,970,849</u>	<u>20,593,181</u>	<u>3,956,476</u>
Less: Allowance for depreciation	(5,888,871)	(3,231,587)	(9,120,458)	(8,763,498)	(2,813,935)
Net capital assets	<u>5,187,244</u>	<u>6,663,147</u>	<u>11,850,391</u>	<u>11,829,683</u>	<u>1,142,541</u>
Total noncurrent assets	<u>5,037,948</u>	<u>6,663,147</u>	<u>11,701,095</u>	<u>11,829,683</u>	<u>1,142,541</u>
Total assets	<u>8,257,887</u>	<u>7,155,555</u>	<u>15,413,442</u>	<u>14,513,353</u>	<u>2,234,705</u>
Liabilities:					
Current liabilities:					
Accounts payable	84,521	195,327	279,848	32,270	144,777
Wages and payroll taxes payable	19,037	-	19,037	20,416	4,446
Compensated absences	15,071	-	15,071	38,638	-
Due to other governmental units	238	-	238	122	-
Unearned revenue	210,000	-	210,000	218,940	-
Total current liabilities	<u>328,867</u>	<u>195,327</u>	<u>524,194</u>	<u>310,386</u>	<u>149,223</u>
Noncurrent liabilities:					
Compensated absences	44,509	-	44,509	20,952	4,416
Total noncurrent liabilities	<u>44,509</u>	<u>0</u>	<u>44,509</u>	<u>20,952</u>	<u>4,416</u>
Total liabilities	<u>373,376</u>	<u>195,327</u>	<u>568,703</u>	<u>331,338</u>	<u>153,639</u>
Net assets:					
Invested in capital assets, net of related debt	5,187,244	6,663,147	11,850,391	11,829,683	759,975
Unrestricted	2,697,267	297,081	2,994,348	2,352,332	1,321,091
Total net assets	<u>\$7,884,511</u>	<u>\$6,960,228</u>	<u>\$14,844,739</u>	<u>\$14,182,015</u>	<u>\$2,081,066</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, 2006

Statement 7

	Business-Type Activities Enterprise Funds				Governmental
	605 - Water and	610 - Storm	Totals		Activities -
	Sewer	Water Utility	2006	2005	Internal Service
					Fund
					703 - Central
					Garage
Operating revenues:					
Customer billings:					
General customers	\$2,472,535	\$337,860	\$2,810,395	\$2,371,657	\$ -
Heavy industry customers	1,275,611	-	1,275,611	947,199	-
Service charges	201,792	-	201,792	200,095	-
Penalties	74,357	5,072	79,429	61,446	-
Other charges	47,945	182,211	230,156	45,151	30
State surcharges	41,356	-	41,356	35,261	-
Equipment rental and repair charges	-	-	-	-	631,957
Total operating revenues	<u>4,113,596</u>	<u>525,143</u>	<u>4,638,739</u>	<u>3,660,809</u>	<u>631,987</u>
Operating expenses:					
Personal services:					
Salaries and wages	424,045	-	424,045	431,780	100,011
Pension contributions	56,523	-	56,523	54,268	13,559
Insurance	63,831	-	63,831	64,535	15,451
Total personal services	<u>544,399</u>	<u>0</u>	<u>544,399</u>	<u>550,583</u>	<u>129,021</u>
Materials and supplies:					
Maintenance materials	<u>145,189</u>	<u>-</u>	<u>145,189</u>	<u>127,529</u>	<u>275,740</u>
Contractual services:					
Sewage disposal - Met Council	1,985,319	-	1,985,319	1,914,623	-
Insurance	25,679	-	25,679	24,978	16,466
Professional services	25,608	-	25,608	69,514	2,520
Public utility service	170,930	-	170,930	142,439	-
Repairs and maintenance	59,726	7,884	67,610	105,016	-
Rentals	110,183	-	110,183	103,851	4,839
Communications	22,806	-	22,806	20,059	-
Other	133,758	-	133,758	114,021	17,124
Total contractual services	<u>2,534,009</u>	<u>7,884</u>	<u>2,541,893</u>	<u>2,494,501</u>	<u>40,949</u>
Depreciation	<u>166,619</u>	<u>190,341</u>	<u>356,960</u>	<u>370,326</u>	<u>262,524</u>
Total operating expenses	<u>3,390,216</u>	<u>198,225</u>	<u>3,588,441</u>	<u>3,542,939</u>	<u>708,234</u>
Operating income (loss)	<u>723,380</u>	<u>326,918</u>	<u>1,050,298</u>	<u>117,870</u>	<u>(76,247)</u>
Nonoperating revenues (expenses):					
Investment income	44,426	8,273	52,699	46,723	31,001
Gain on sale of capital assets	-	-	-	-	(11,366)
Miscellaneous revenue	-	-	-	-	5,546
Total nonoperating revenues (expenses)	<u>44,426</u>	<u>8,273</u>	<u>52,699</u>	<u>46,723</u>	<u>25,181</u>
Income (loss) before transfers	<u>767,806</u>	<u>335,191</u>	<u>1,102,997</u>	<u>164,593</u>	<u>(51,066)</u>
Transfers:					
Transfers out	<u>(336,779)</u>	<u>(103,494)</u>	<u>(440,273)</u>	<u>(55,000)</u>	<u>-</u>
Change in net assets	<u>431,027</u>	<u>231,697</u>	<u>662,724</u>	<u>109,593</u>	<u>(51,066)</u>
Net assets - January 1	<u>7,453,484</u>	<u>6,728,531</u>	<u>14,182,015</u>	<u>14,072,422</u>	<u>2,132,132</u>
Net assets - December 31	<u>\$7,884,511</u>	<u>\$6,960,228</u>	<u>\$14,844,739</u>	<u>\$14,182,015</u>	<u>\$2,081,066</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, 2006

Statement 8

	Business-Type Activities		Enterprise Funds		Governmental
	605 - Water and Sewer	610 - Storm Water Utility	Totals		Activities - Internal Service Fund
			2006	2005	703 - Central Garage
Cash flows from operating activities:					
Receipts from customers and users	\$3,899,056	\$340,901	\$4,239,957	\$3,585,253	\$631,987
Payment to suppliers	(2,626,831)	187,443	(2,439,388)	(2,653,717)	(331,395)
Payment to employees	(545,788)	-	(545,788)	(539,236)	(128,803)
Miscellaneous revenue	-	-	-	-	5,546
Net cash flows from operating activities	<u>726,437</u>	<u>528,344</u>	<u>1,254,781</u>	<u>392,300</u>	<u>177,335</u>
Cash flows from noncapital financing activities:					
Transfer to other funds	(336,779)	(103,494)	(440,273)	(55,000)	-
Repayment of advance from other funds	-	-	-	(1,795)	-
Net cash flows from noncapital financing activities	<u>(336,779)</u>	<u>(103,494)</u>	<u>(440,273)</u>	<u>(56,795)</u>	<u>0</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	(377,668)	(377,668)	-	(275,257)
Proceeds from sale of capital assets	-	-	-	-	24,418
Interest paid on debt	-	-	-	(303,242)	-
Net cash flows from capital and related financing activities	<u>0</u>	<u>(377,668)</u>	<u>(377,668)</u>	<u>(303,242)</u>	<u>(250,839)</u>
Cash flows from investing activities:					
Investment income	<u>44,426</u>	<u>8,273</u>	<u>52,699</u>	<u>46,723</u>	<u>31,001</u>
Net increase (decrease) in cash and cash equivalents	434,084	55,455	489,539	78,986	(42,503)
Cash and cash equivalents - January 1	<u>1,246,688</u>	<u>147,324</u>	<u>1,394,012</u>	<u>1,315,026</u>	<u>1,134,667</u>
Cash and cash equivalents - December 31	<u>\$1,680,772</u>	<u>\$202,779</u>	<u>\$1,883,551</u>	<u>\$1,394,012</u>	<u>\$1,092,164</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$723,380</u>	<u>\$326,918</u>	<u>\$1,050,298</u>	<u>\$117,870</u>	<u>(\$76,247)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Miscellaneous revenue (expense)	-	-	-	-	5,546
Depreciation	166,619	190,341	356,960	370,326	262,524
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	(203,977)	(2,031)	(206,008)	(103,623)	-
Decrease (increase) in due from other governmental units	(1,623)	(182,211)	(183,834)	(3,190)	-
Increase (decrease) in accounts payable	52,251	195,327	247,578	(28,498)	(14,706)
Increase (decrease) in salaries payable	(1,379)	-	(1,379)	2,010	(331)
Increase (decrease) in compensated absences	(10)	-	(10)	238	549
Increase (decrease) in due to other governmental units	116	-	116	1	-
Increase (decrease) in unearned revenue	(8,940)	-	(8,940)	37,166	-
Total adjustments	<u>3,057</u>	<u>201,426</u>	<u>204,483</u>	<u>274,430</u>	<u>253,582</u>
Net cash provided by operating activities	<u>\$726,437</u>	<u>\$528,344</u>	<u>\$1,254,781</u>	<u>\$392,300</u>	<u>\$177,335</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, 2006

Statement 9

	<u>2006</u>	<u>2005</u>
Assets:		
Cash and cash equivalents	\$25,543	\$20,495
Investments	<u>71,362</u>	<u>73,497</u>
Total assets	<u><u>\$96,905</u></u>	<u><u>\$93,992</u></u>
Liabilities:		
Deposits payable	<u>\$96,905</u>	<u>\$93,992</u>
Total liabilities	<u><u>\$96,905</u></u>	<u><u>\$93,992</u></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 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 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.

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 reimbursed by the School District for salary and benefits.

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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, 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 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, 2006, expenditures exceeded appropriations in the General Fund as listed below. These over 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	\$73,426	\$66,316	(\$7,110)
Finance	290,745	286,576	(4,169)
City attorney	254,627	229,500	(25,127)
Code enforcement	226,130	226,064	(66)
Parks and recreation - administration	371,102	359,150	(11,952)
Parks and recreation - parks, pools and maintenance	670,678	641,966	(28,712)

H. DEFICIT FUND EQUITY

The City has deficit fund balances at December 31, 2006 as follows:

	<u>Amount</u>
Special Revenue Funds:	
Airport	\$953,277
Wakota Arena	263,018
Capital Project Funds:	
Airport Improvement	1,256,001
2005 Local Improvement	46,478
2006 Local Improvement	1,536,746
2007 Local Improvement	249

The Airport deficit is caused by planned infrastructure expansion which will produce future revenue. Deficits in the Wakota Arena, 2005, 2006 and 2007 Local Improvement Funds are expected to be funded with future revenues. The Airport Improvement will be funded by a future loan.

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.

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.

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:

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

O. COMPENSATED ABSENCES

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

P. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. FUND EQUITY

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

R. USE OF ESTIMATES

The preparation of financial statements in accordance with 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 a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$17,887,471) difference are as follows:

Bonds payable	(\$16,815,498)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	122,430
Less: Issuance discount (to be amortized as interest expense)	41,707
Accrued interest payable	(314,234)
Notes payable	(375,490)
Compensated absences	<u>(546,386)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	 <u><u>(\$17,887,471)</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 \$9,501,544 difference are as follows:

Capital outlay	\$11,368,798
Depreciation expense	<u>(1,867,254)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>\$9,501,544</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 (\$2,563,783) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	(\$3,800,000)
Less discounts	41,707
Notes payable	(375,490)
Principal repayments:	
General obligation debt	1,480,000
Notes payable	<u>90,000</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>(\$2,563,783)</u></u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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 (\$49,555) difference are as follows:

Compensated absences	\$35,183
Accrued interest	(98,414)
Amortization of deferred charge on refunding	(19,256)
Amortization of issuance costs	32,740
Amortization of bond premium	<u>192</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities.	<u><u>(\$49,555)</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, 2006 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, 2006 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, 2006

Investments and maturities of the cash pool at December 31, 2006 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	\$14,787,967	\$497,847	\$ -	\$4,860,817	\$9,429,303
Certificate of deposits	AAA	193,876	100,000	-	-	93,876
Government money market mutual funds	AAA	1,076,110	1,076,110	-	-	-
Total investments in cash and investment pool		<u>\$16,057,953</u>	<u>\$1,673,957</u>	<u>\$0</u>	<u>\$4,860,817</u>	<u>\$9,523,179</u>

Cash and investments comprising the City's cash pool at December 31, 2006 were as follows:

	Fair Value
Cash:	
Cash on hand	\$4,050
Cash in banks:	
Bank accounts	29,835
Money manager savings account	143,712
Government money market mutual funds	1,076,110
Treasury plus	704,729
Total cash	<u>1,958,436</u>
Investments:	
U.S. government securities	14,787,967
Certificates of deposit	193,876
Total investments	<u>14,981,843</u>
Total cash and investments	<u>\$16,940,279</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.

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, 2006

Concentration of credit risk. 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, 2006.

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Investment issuer:		
FHLMC	\$3,797,881	25.3%
FHLB	6,046,127	40.4%
FNMA	4,943,959	33.0%
Bremer Bank, N.A.	100,000	0.7%
Smith Barney	93,876	0.6%
	<u> </u>	
Total investments	<u><u>\$14,981,843</u></u>	

Note 3 RECEIVABLES

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

	<u>Major Funds</u>							<u>Storm Water Utility</u>	<u>Total</u>
	<u>General</u>	<u>Airport</u>	<u>Special Projects</u>	<u>General Programs</u>	<u>2007A Improvement Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer</u>		
Receivables:									
Accrued interest	\$ -	\$ -	\$ -	\$207,801	\$ -	\$ -	\$ -	\$ -	\$207,801
Accounts	215,290	121,657	-	-	-	137,862	1,150,049	107,418	1,732,276
Taxes	596,762	-	-	-	-	71,067	-	-	667,829
Special assessments	1,386	-	48,644	-	1,068,593	1,680,715	383,665	-	3,183,003
Due from other governmental units	13,694	-	586,680	-	-	1,192,297	5,453	182,211	1,980,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>				
Total receivables	<u><u>\$827,132</u></u>	<u><u>\$121,657</u></u>	<u><u>\$635,324</u></u>	<u><u>\$207,801</u></u>	<u><u>\$1,068,593</u></u>	<u><u>\$3,081,941</u></u>	<u><u>\$1,539,167</u></u>	<u><u>\$289,629</u></u>	<u><u>\$7,771,244</u></u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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>
Taxes receivable	\$156,353	\$ -
Special assessments delinquent	25,700	-
Special assessments deferred	2,687,177	-
Special assessments special deferred	69,533	-
Due from other governmental units	-	635,304
Barge lease	-	22,222
Other revenue earned in 2007	-	32,619
	<u> </u>	<u> </u>
Total unavailable/unearned revenue for governmental funds	<u>\$2,938,763</u>	<u>\$690,145</u>
Service availability	<u>\$ -</u>	<u>\$210,000</u>
Total unearned revenue for proprietary funds	<u>\$0</u>	<u>\$210,000</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Adjusted Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$9,852,335	\$ -	\$9,852,335	\$136,279	\$ -	\$9,988,614
Construction in progress	721,882	172,251	894,133	11,010,810	(721,882)	11,183,061
Total capital assets, not being depreciated	<u>10,574,217</u>	<u>172,251</u>	<u>10,746,468</u>	<u>11,147,089</u>	<u>(721,882)</u>	<u>21,171,675</u>
Capital assets, being depreciated:						
Buildings and structures	11,246,986	-	11,246,986	814,793	-	12,061,779
Machinery and equipment	6,153,402	-	6,153,402	396,949	(38,338)	6,512,013
Infrastructure	54,087,951	-	54,087,951	7,106	(356,606)	53,738,451
Total capital assets, being depreciated	<u>71,488,339</u>	<u>0</u>	<u>71,488,339</u>	<u>1,218,848</u>	<u>(394,944)</u>	<u>72,312,243</u>
Less accumulated depreciation for:						
Buildings and structures	5,213,869	-	5,213,869	242,149	-	5,456,018
Machinery and equipment	4,248,617	-	4,248,617	362,215	(2,553)	4,608,279
Infrastructure	32,248,192	-	32,248,192	1,421,835	(253,027)	33,417,000
Total accumulated depreciation	<u>41,710,678</u>	<u>0</u>	<u>41,710,678</u>	<u>2,026,199</u>	<u>(255,580)</u>	<u>43,481,297</u>
Total capital assets being depreciated - net	<u>29,777,661</u>	<u>0</u>	<u>29,777,661</u>	<u>(807,351)</u>	<u>(139,364)</u>	<u>28,830,946</u>
Governmental activities capital assets - net	<u>\$40,351,878</u>	<u>\$172,251</u>	<u>\$40,524,129</u>	<u>\$10,339,738</u>	<u>(\$861,246)</u>	<u>\$50,002,621</u>

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$295,900	\$ -	\$ -	\$295,900
Construction in progress	-	377,668	-	377,668
Total capital assets, not being depreciated	<u>295,900</u>	<u>377,668</u>	<u>0</u>	<u>673,568</u>
Capital assets, being depreciated:				
Buildings and structures	1,896,997	-	-	1,896,997
Machinery and equipment	628,073	-	-	628,073
Infrastructure	17,772,211	-	-	17,772,211
Total capital assets, being depreciated	<u>20,297,281</u>	<u>0</u>	<u>0</u>	<u>20,297,281</u>
Less accumulated depreciation for:				
Buildings and structures	1,148,982	32,622	-	1,181,604
Machinery and equipment	474,759	5,695	-	480,454
Infrastructure	7,139,757	318,643	-	7,458,400
Total accumulated depreciation	<u>8,763,498</u>	<u>356,960</u>	<u>0</u>	<u>9,120,458</u>
Total capital assets being depreciated - net	<u>11,533,783</u>	<u>(356,960)</u>	<u>0</u>	<u>11,176,823</u>
Business-type activities capital assets - net	<u>\$11,829,683</u>	<u>\$20,708</u>	<u>\$0</u>	<u>\$11,850,391</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

Governmental activities:	
General government	\$28,094
Public safety	20,551
Public works	1,354,881
Parks, arena, library	206,134
Transportation	154,015
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	262,524
Total depreciation expense - governmental activities	<u><u>\$2,026,199</u></u>
Business-type activities:	
Water and sewer	166,619
Storm sewer	190,341
Total depreciation expense - business-type activities	<u><u>\$356,960</u></u>

Note 5 LONG-TERM DEBT

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

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

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

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

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

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Bonds outstanding at December 31, 2006 are as follows:

	<u>Maturities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 12/31/06</u>
General Obligation Debt:				
Tax Increment Bonds	2005 - 2009	2.75%	\$4,320,000	\$4,120,000
Special Assessment Bonds	2008 - 2016	1.90% - 5.40%	11,420,000	5,010,000
General Obligation Bonds	2010 - 2021	2.00% - 5.50%	<u>8,835,000</u>	<u>7,685,000</u>
Total bonds payable			<u><u>\$24,575,000</u></u>	<u><u>\$16,815,000</u></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>
2007	\$2,645,000	\$630,109
2008	2,805,000	524,298
2009	2,565,000	434,627
2010	1,090,000	349,942
2011	860,000	310,405
2012-2016	3,225,000	1,118,792
2017-2021	2,125,000	553,426
2022-2026	1,220,000	193,907
2027	<u>280,000</u>	<u>6,020</u>
Total	<u><u>\$16,815,000</u></u>	<u><u>\$4,121,526</u></u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Changes in long-term liabilities during 2006 are summarized as follows:

	Balance 01/01/06	Additions	Deletions	Balance 12/31/06	Due Within One Year
Governmental activities:					
Bonds payable:					
Tax increment	\$4,320,000	\$ -	\$200,000	\$4,120,000	\$1,320,000
Special assessment	6,015,000	-	1,005,000	5,010,000	1,045,000
General obligation	4,160,000	3,800,000	275,000	7,685,000	280,000
Plus deferred amounts:					
For issuance premium	690	-	192	498	192
Total bonds payable	14,495,690	3,800,000	1,480,192	16,815,498	2,645,192
Soil remediation liability	90,000	-	90,000	-	-
Note payable	-	375,490	-	375,490	34,420
Compensated absences	585,436	66,078	100,712	550,802	42,497
Total governmental activities long-term debt	<u>\$15,171,126</u>	<u>\$4,241,568</u>	<u>\$1,670,904</u>	<u>\$17,741,790</u>	<u>\$2,722,109</u>
Business-type activities:					
Compensated absences	<u>\$59,590</u>	<u>\$6,848</u>	<u>\$6,858</u>	<u>\$59,580</u>	<u>\$15,071</u>

On June 27, 2006, the City issued \$3,800,000 General Obligation Improvement Bonds, Series 2006A with interest and rates ranging between 4% and 4.3%. The interest payment on the bond is February 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 2027. The City issued the bonds for the purpose of financing the City Hall Remodeling Project.

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, \$4,416 of internal service funds compensated absences are 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 2006, the City entered into an agreement with the State of Minnesota Department of Transportation for the financing of a 20 unit T-hangar for storage of aircraft. A summary of the financial terms are as follows:

<u>Governmental Activities</u>	<u>Issue Date</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 12/31/06</u>
T-Hangar note payable	2/1/2007	1/1/2017	0.00%	\$375,490	\$375,490

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2006

Annual payments to maturity are as follows:

Year Ending December 31	Principal
2007	\$34,420
2008	37,549
2009	37,549
2010	37,549
2011	37,549
2012-2017	<u>190,874</u>
Total	<u><u>\$375,490</u></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, 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 5.50%, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.7%. PEPFF members were required to contribute 7.0% of their annual covered salary in 2006. That rate will increase to 7.8% in 2007. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members, and 10.5% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.7% respectively, effective January 1, 2007. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005 and 2004 were \$178,414, \$165,153 and \$151,893, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2006, 2005 and 2004 were \$281,418, \$257,477 and \$257,269, 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, 2006

Total contributions made by the City during fiscal year 2006 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	<u>\$1,375</u>	<u>\$1,375</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. Twenty-seven employees are currently eligible. The City's cost of this benefit in 2006 was \$206,674.

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 a duration until 2009. Tax capacity value for taxes collectible 2006:

Current tax capacity value	\$1,918,983
Less original tax capacity value	<u>(319,342)</u>
Value retained by authority	<u>\$1,599,641</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Related bonded indebtedness is as follows:

	<u>G.O. Refunding Bonds Series 2004A</u>
Date of issue	12/28/2004
Bonds issued	\$4,320,000
Bonds retired	<u>(200,000)</u>
Bonds outstanding, December 31, 2006	<u><u>\$4,120,000</u></u>

Note 8 FUND CHANGES

The following funds were opened in 2006:

Debt Service Funds

2007A Improvement Bonds

Capital Project Funds

Stockyards Redevelopment
2006 Local Improvement
2007 Local Improvement

Note 9 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

The composition of interfund balances at December 31, 2006 is as follows:

<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>	<u>Amount</u>
General Fund	Airport	\$186,224
General Programs	Airport	894,543
General Fund	City Hall Renovation	911,750
	Nonmajor Governmental Funds:	
General Programs	Wakota Arena	273,359
General Programs	Airport Improvements	1,116,009
General Fund	2005 Local Improvement	<u>48,178</u>
Total		<u><u>\$3,430,063</u></u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Interfund transfers:

	Transfer In				Total
	General Fund	City Hall Renovations	Special Projects	Nonmajor Governmental Fund	
Transfer out:					
General Fund	\$ -	\$1,400,000	\$170,000	\$49,575	\$1,619,575
Special Projects	-	3,700,000	-	450,281	4,150,281
Nonmajor Governmental Funds	66,600	-	-	484,478	551,078
Water and Sewer	-	-	150,000	186,779	336,779
Storm Water Utility	55,000	-	-	48,494	103,494
Total transfers	<u>\$121,600</u>	<u>\$5,100,000</u>	<u>\$320,000</u>	<u>\$1,219,607</u>	<u>\$6,761,207</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 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.

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, 2006.

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.

Note 11 COMMITTED CONTRACTS

The government has active construction projects as of December 31, 2006. 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>
Port Crosby	\$2,239,921
Airport	243,872
City Hall	1,910,771
Street reconstruction	91,774
Rehab of wells	<u>45,179</u>
Total	<u><u>\$4,531,517</u></u>

Note 12 SUBSEQUENT EVENTS

The City issued debt in 2007 for 2006 Street reconstruction and maintenance projects. The proceeds from this issuance will be recorded in the 2006 Local Improvement Fund and will provide cash to eliminate the overdraft payable at the fund level.

The City issued crossover refunding debt in 2007 for \$2,375,000 General Obligation Bonds, Series 2000. Interest payments are scheduled to be made in 2007 and 2008 from the established escrow account with principal and interest payments to begin in 2009.

Note 13 PRIOR PERIOD ADJUSTMENT

The government-wide financial statements are adjusted for capital assets not recorded in the prior year. Construction in progress will be recognized for costs incurred in 2005 for the City Hall Remodeling project.

Note 14 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. 43 *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans.* The requirements of this Statement for OPEB plan reporting are effective *one year prior* to the effective date of the related Statement # 45 for the employer (single-employer plan) or for the largest participating employer in the plan (multiple-employer plan).

Statement No. 44 *Economic Condition Reporting: The Statistical Section – an amendment to NCGA Statement 1.* The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

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. 46 *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement 34.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2005.

Statement No. 47 *Accounting for Termination Benefits.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2005.

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, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
Revenues:					
General property taxes:					
Current	\$3,208,468	\$3,208,468	\$3,290,891	\$82,423	\$2,990,916
Delinquent	-	-	86,844	86,844	75,116
Fiscal disparities	1,016,000	1,016,000	949,435	(66,565)	990,012
Other	-	-	4,859	4,859	4,575
Total general property taxes	<u>4,224,468</u>	<u>4,224,468</u>	<u>4,332,029</u>	<u>107,561</u>	<u>4,060,619</u>
Franchise tax	<u>600,000</u>	<u>600,000</u>	<u>749,039</u>	<u>149,039</u>	<u>723,491</u>
Licenses and permits	<u>470,000</u>	<u>470,000</u>	<u>472,357</u>	<u>2,357</u>	<u>537,347</u>
Intergovernmental:					
Federal:					
Grants	-	-	-	-	6,000
State:					
Market value homestead credit	550,000	550,000	466,618	(83,382)	519,350
Local government aid	2,199,803	2,199,803	2,199,803	-	1,718,103
Road maintenance	174,550	174,550	174,782	232	174,460
Fire and police aids	670,000	670,000	634,942	(35,058)	649,312
Other	26,164	26,164	25,551	(613)	24,226
County:					
Gravel tax	4,500	4,500	4,244	(256)	4,838
Road maintenance	29,000	29,000	28,463	(537)	28,583
Recycling grant	18,000	18,000	17,900	(100)	18,000
Other	-	-	10,993	10,993	-
Local - other	<u>64,000</u>	<u>64,000</u>	<u>62,652</u>	<u>(1,348)</u>	<u>57,744</u>
Total intergovernmental	<u>3,736,017</u>	<u>3,736,017</u>	<u>3,625,948</u>	<u>(110,069)</u>	<u>3,200,616</u>
Charges for services:					
General government	245,000	245,000	257,499	12,499	217,540
Public safety	90,000	90,000	105,224	15,224	101,379
Public works	3,500	3,500	2,814	(686)	5,028
Parks and recreation	185,200	185,200	167,433	(17,767)	175,680
Administrative fee - other funds	106,000	106,000	106,000	-	106,000
Engineering project fees	180,000	180,000	144,067	(35,933)	156,049
Rents	<u>78,900</u>	<u>78,900</u>	<u>82,907</u>	<u>4,007</u>	<u>79,188</u>
Total charges for services	<u>888,600</u>	<u>888,600</u>	<u>865,944</u>	<u>(22,656)</u>	<u>840,864</u>
Fines and forfeits	<u>90,000</u>	<u>90,000</u>	<u>104,192</u>	<u>14,192</u>	<u>95,612</u>
Miscellaneous:					
Investment income	210,000	210,000	82,711	(127,289)	230,107
Other	<u>120,000</u>	<u>120,000</u>	<u>99,550</u>	<u>(20,450)</u>	<u>162,042</u>
Total miscellaneous	<u>330,000</u>	<u>330,000</u>	<u>182,261</u>	<u>(147,739)</u>	<u>392,149</u>
Total revenues	<u>10,339,085</u>	<u>10,339,085</u>	<u>10,331,770</u>	<u>(7,315)</u>	<u>9,850,698</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
Expenditures:					
General government:					
Mayor and city council:					
Current:					
Personal services	\$55,238	\$55,238	\$59,864	(\$4,626)	\$55,091
Materials and supplies	1,050	1,050	310	740	487
Other services and charges	52,194	52,194	40,953	11,241	42,118
Total mayor and city council	<u>108,482</u>	<u>108,482</u>	<u>101,127</u>	<u>7,355</u>	<u>97,696</u>
City administration:					
Current:					
Personal services	195,722	195,722	214,224	(18,502)	185,259
Materials and supplies	5,600	5,600	2,123	3,477	5,343
Other services and charges	57,100	67,600	45,934	21,666	40,840
Total city administration	<u>258,422</u>	<u>268,922</u>	<u>262,281</u>	<u>6,641</u>	<u>231,442</u>
Community relations:					
Current:					
Personal services	56,531	56,531	62,728	(6,197)	57,050
Materials and supplies	7,925	7,925	9,230	(1,305)	7,894
Other services and charges	1,860	1,860	1,468	392	1,456
Total community relations	<u>66,316</u>	<u>66,316</u>	<u>73,426</u>	<u>(7,110)</u>	<u>66,400</u>
City planner:					
Current:					
Personal services	81,196	81,196	76,252	4,944	79,353
Materials and supplies	550	550	251	299	501
Other services and charges	5,750	5,750	3,651	2,099	4,269
Total city planner	<u>87,496</u>	<u>87,496</u>	<u>80,154</u>	<u>7,342</u>	<u>84,123</u>
City clerk:					
Current:					
Personal services	114,080	114,080	114,627	(547)	103,475
Materials and supplies	7,000	7,000	6,083	917	4,156
Other services and charges	14,550	14,550	9,880	4,670	6,396
Total city clerk	<u>135,630</u>	<u>135,630</u>	<u>130,590</u>	<u>5,040</u>	<u>114,027</u>
City finance:					
Current:					
Personal services	240,004	240,004	242,232	(2,228)	236,149
Materials and supplies	8,800	8,800	9,863	(1,063)	7,743
Other services and charges	25,450	30,572	31,548	(976)	24,068
Capital outlay	7,200	7,200	7,102	98	-
Total city finance	<u>281,454</u>	<u>286,576</u>	<u>290,745</u>	<u>(4,169)</u>	<u>267,960</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
	Expenditures: (continued)				
General government: (continued)					
Computer:					
Current:					
Personal services	\$86,175	\$86,175	\$77,250	\$8,925	\$53,702
Materials and supplies	11,500	11,500	7,067	4,433	8,425
Other services and charges	42,172	42,172	39,739	2,433	78,495
Total computer	<u>139,847</u>	<u>139,847</u>	<u>124,056</u>	<u>15,791</u>	<u>140,622</u>
City attorney:					
Current:					
Materials and supplies	1,500	1,500	-	1,500	-
Other services and charges	228,000	228,000	254,627	(26,627)	221,782
Total city attorney	<u>229,500</u>	<u>229,500</u>	<u>254,627</u>	<u>(25,127)</u>	<u>221,782</u>
City hall:					
Current:					
Personal services	73,457	73,457	83,891	(10,434)	82,246
Materials and supplies	17,150	17,150	5,029	12,121	11,628
Other services and charges	138,038	148,038	91,640	56,398	117,067
Total city hall	<u>228,645</u>	<u>238,645</u>	<u>180,560</u>	<u>58,085</u>	<u>210,941</u>
Recycling:					
Current:					
Personal services	26,373	26,373	28,972	(2,599)	29,087
Materials and supplies	1,000	1,000	858	142	872
Other services and charges	29,350	29,350	21,392	7,958	21,996
Total recycling	<u>56,723</u>	<u>56,723</u>	<u>51,222</u>	<u>5,501</u>	<u>51,955</u>
Total general government	<u>1,592,515</u>	<u>1,618,137</u>	<u>1,548,788</u>	<u>69,349</u>	<u>1,486,948</u>
Public safety:					
Police:					
Current:					
Personal services	2,641,066	2,641,066	2,593,515	47,551	2,454,123
Materials and supplies	40,450	40,450	31,918	8,532	30,961
Other services and charges	557,152	557,152	515,342	41,810	451,278
Capital outlay	5,400	5,400	-	5,400	5,324
Total police	<u>3,244,068</u>	<u>3,244,068</u>	<u>3,140,775</u>	<u>103,293</u>	<u>2,941,686</u>
Fire:					
Current:					
Personal services	1,885,831	1,780,423	1,818,885	(38,462)	1,726,125
Materials and supplies	49,200	49,200	40,320	8,880	36,666
Other services and charges	191,866	191,866	165,539	26,327	183,510
Capital outlay	7,000	7,000	-	7,000	11,090
Total fire	<u>2,133,897</u>	<u>2,028,489</u>	<u>2,024,744</u>	<u>3,745</u>	<u>1,957,391</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
	Expenditures: (continued)				
Public safety: (continued)					
Fire consolidation:					
Current:					
Personal services	\$5,000	\$110,408	\$10,667	\$99,741	\$5,692
Materials and supplies	-	5,500	624	4,876	4,067
Other services and charges	30,500	25,000	30,124	(5,124)	11,928
Total fire consolidation	<u>35,500</u>	<u>140,908</u>	<u>41,415</u>	<u>99,493</u>	<u>21,687</u>
Code enforcement:					
Current:					
Personal services	209,137	209,137	211,100	(1,963)	169,008
Materials and supplies	3,600	3,600	1,758	1,842	1,074
Other services and charges	13,327	13,327	13,272	55	10,789
Total code enforcement	<u>226,064</u>	<u>226,064</u>	<u>226,130</u>	<u>(66)</u>	<u>180,871</u>
Animal control:					
Current:					
Personal services	16,879	16,879	14,496	2,383	13,570
Materials and supplies	500	500	-	500	-
Other services and charges	13,000	13,000	14,466	(1,466)	19,382
Total animal control	<u>30,379</u>	<u>30,379</u>	<u>28,962</u>	<u>1,417</u>	<u>32,952</u>
Total public safety	<u>5,669,908</u>	<u>5,669,908</u>	<u>5,462,026</u>	<u>207,882</u>	<u>5,134,587</u>
Public works:					
Engineering:					
Current:					
Personal services	404,854	404,854	373,294	31,560	378,950
Materials and supplies	6,900	6,900	4,715	2,185	5,379
Other services and charges	47,241	47,241	46,330	911	35,365
Total engineering	<u>458,995</u>	<u>458,995</u>	<u>424,339</u>	<u>34,656</u>	<u>419,694</u>
Public works:					
Current:					
Personal services	589,440	589,440	554,551	34,889	542,810
Materials and supplies	160,000	160,000	149,536	10,464	198,343
Other services and charges	480,080	480,080	494,664	(14,584)	456,002
Total public works	<u>1,229,520</u>	<u>1,229,520</u>	<u>1,198,751</u>	<u>30,769</u>	<u>1,197,155</u>
Total public works	<u>1,688,515</u>	<u>1,688,515</u>	<u>1,623,090</u>	<u>65,425</u>	<u>1,616,849</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
Expenditures: (continued)					
Parks, arena, library:					
Administration					
Current:					
Personal services	\$310,803	\$310,803	\$321,640	(\$10,837)	\$294,816
Materials and supplies	8,150	8,150	8,716	(566)	7,547
Other services and charges	16,294	40,197	40,746	(549)	18,938
Total administration	<u>335,247</u>	<u>359,150</u>	<u>371,102</u>	<u>(11,952)</u>	<u>321,301</u>
Parks, pools and maintenance operations:					
Current:					
Personal services	375,634	375,634	387,720	(12,086)	385,747
Materials and supplies	86,080	86,080	102,335	(16,255)	89,192
Other services and charges	180,252	180,252	180,623	(371)	165,949
Total parks, pools and maintenance operations	<u>641,966</u>	<u>641,966</u>	<u>670,678</u>	<u>(28,712)</u>	<u>640,888</u>
Total parks, arena, library	<u>977,213</u>	<u>1,001,116</u>	<u>1,041,780</u>	<u>(40,664)</u>	<u>962,189</u>
Contingency	<u>312,959</u>	<u>263,434</u>	<u>-</u>	<u>263,434</u>	<u>-</u>
Total expenditures	<u>10,241,110</u>	<u>10,241,110</u>	<u>9,675,684</u>	<u>565,426</u>	<u>9,200,573</u>
Revenues over expenditures	<u>97,975</u>	<u>97,975</u>	<u>656,086</u>	<u>558,111</u>	<u>650,125</u>
Other financing sources (uses):					
Transfers in	121,600	121,600	121,600	-	117,200
Transfers out	<u>(1,619,575)</u>	<u>(1,619,575)</u>	<u>(1,619,575)</u>	<u>-</u>	<u>(56,420)</u>
Total other financing sources and uses	<u>(1,497,975)</u>	<u>(1,497,975)</u>	<u>(1,497,975)</u>	<u>0</u>	<u>60,780</u>
Net change in fund balance	<u>(\$1,400,000)</u>	<u>(\$1,400,000)</u>	<u>(841,889)</u>	<u>\$558,111</u>	<u>710,905</u>
Fund balance - January 1			<u>4,298,997</u>		<u>3,588,092</u>
Fund balance - December 31			<u>\$3,457,108</u>		<u>\$4,298,997</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 245 - AIRPORT
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

Statement 11

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental:					
State:					
Airport operations and maintenance	\$29,769	\$29,769	\$29,269	(\$500)	\$29,769
Charges for services:					
Transportation					
Hangar rentals/land leases	301,722	301,722	290,975	(10,747)	239,530
Aircraft fuel sales	630,525	630,525	553,797	(76,728)	543,898
Other	-	-	5,745	5,745	2,042
Total charges for services	932,247	932,247	850,517	(81,730)	785,470
Miscellaneous:					
Contributions and donations	-	-	200	200	200
Fines and forfeitures	-	-	120	120	-
Investment income	-	-	1,039	1,039	-
Other	8,500	8,500	6,335	(2,165)	28,846
Total miscellaneous	8,500	8,500	7,694	(806)	29,046
Total revenues	970,516	970,516	887,480	(83,036)	844,285
Expenditures:					
Transportation:					
Current:					
Personal services	116,885	116,885	124,533	(7,648)	124,522
Materials and supplies	563,089	563,089	501,969	61,120	503,027
Other services and charges	129,364	129,364	144,057	(14,693)	139,765
Capital outlay	10,100	10,100	18,351	(8,251)	11,061
Total transportation	819,438	819,438	788,910	30,528	778,375
Long term debt	38,696	38,696	-	38,696	-
Interest expenditure	40,000	40,000	-	40,000	40,424
Total expenditures	898,134	898,134	788,910	109,224	818,799
Revenues over (under) expenditures	72,382	72,382	98,570	26,188	25,486
Other financing sources (uses):					
Transfers in	26,435	-	-	-	-
Net change in fund balance	\$98,817	\$72,382	98,570	\$26,188	25,486
Fund balance (deficit) - January 1			(1,051,847)		(1,077,333)
Fund balance (deficit) - December 31			(\$953,277)		(\$1,051,847)

CITY OF SOUTH ST. PAUL, MINNESOTA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2006

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, 2006. 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, 2006

With Comparative Totals For December 31, 2005

Statement 12

Assets	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2006	2005
Cash and equivalents	\$83,169	\$1,550,568	\$524,807	\$2,158,544	\$1,461,148
Investments	112,301	3,062,458	957,956	4,132,715	5,073,501
Accounts receivable	136,180	-	1,682	137,862	42,056
Property taxes receivable:					
Delinquent	15,173	9,820	37,936	62,929	55,072
Due from county	5,428	3,434	(724)	8,138	16,094
Special assessments receivable:					
Delinquent	-	24,229	1,023	25,252	36,890
Deferred	-	1,638,603	1,321	1,639,924	2,117,222
Due from county	-	13,647	1,892	15,539	15,392
Due from other governmental units	-	-	1,192,297	1,192,297	617,111
Total assets	\$352,251	\$6,302,759	\$2,718,190	\$9,373,200	\$9,434,486
Liabilities and Fund Balance					
Liabilities:					
Overdraft payable	\$ -	\$ -	\$1,480,707	\$1,480,707	\$ -
Accounts, salaries and contracts payable	124,022	-	724,105	848,127	380,691
Deposits payable	-	-	22,100	22,100	-
Due to other governmental units	2,924	-	-	2,924	35
Advances from other funds	273,359	-	1,164,187	1,437,546	447,716
Deferred revenue	47,792	1,672,650	675,584	2,396,026	2,772,244
Total liabilities	448,097	1,672,650	4,066,683	6,187,430	3,600,686
Fund balance:					
Reserved	-	4,344,511	-	4,344,511	4,727,025
Unreserved:					
Designated for future projects	103,480	-	1,160,436	1,263,916	1,193,844
Undesignated	(199,326)	285,598	(2,508,929)	(2,422,657)	(87,069)
Total fund balance	(95,846)	4,630,109	(1,348,493)	3,185,770	5,833,800
Total liabilities and fund balance	\$352,251	\$6,302,759	\$2,718,190	\$9,373,200	\$9,434,486

CITY OF SOUTH ST. PAUL, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Statement 13

NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended December 31, 2006

With Comparative Totals For The Year Ended December 31, 2005

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2006	2005
Revenues:					
General property taxes	\$593,030	\$375,639	\$ -	\$968,669	\$929,765
Tax increment collections	-	-	1,443,232	1,443,232	1,294,075
Intergovernmental	3,311	-	1,719,160	1,722,471	1,562,725
Charges for services	1,024,168	-	-	1,024,168	915,302
Fines and forfeits	6,438	-	500	6,938	8,315
Special assessments	-	619,024	18,214	637,238	904,306
Investment income	4,583	126,462	39,098	170,143	211,934
Contributions and donations	36,327	-	-	36,327	27,042
Miscellaneous	1,492	-	7,467	8,959	7,437
Total revenues	1,669,349	1,121,125	3,227,671	6,018,145	5,860,901
Expenditures:					
Current:					
General government	4,676	-	500	5,176	8,333
Public safety	13,706	-	-	13,706	48,177
Public works	-	-	1,130,498	1,130,498	1,231,954
Parks, arena, library	1,632,550	-	-	1,632,550	1,380,309
Transportation	-	-	1,500	1,500	3,190
Nondepartmental	-	-	878,116	878,116	273,538
Development and other costs	-	-	-	-	285,965
Capital outlay:					
General government	-	-	-	-	172,251
Public works	-	-	2,155,990	2,155,990	-
Transportation	-	-	1,530,585	1,530,585	723,379
Interest expenditure	-	-	-	-	12,570
Debt service:					
Principal	-	1,480,000	-	1,480,000	2,005,000
Interest	-	506,583	-	506,583	501,607
Bond issuance costs	-	-	-	-	29,459
Total expenditures	1,650,932	1,986,583	5,697,189	9,334,704	6,675,732
Revenues over (under) expenditures	18,417	(865,458)	(2,469,518)	(3,316,559)	(814,831)
Other financing sources (uses):					
Bond issued	-	-	-	-	1,510,000
Sale of capital asset	-	-	-	-	159,217
Transfers in	-	484,478	735,129	1,219,607	1,414,353
Transfers out	(165,678)	-	(385,400)	(551,078)	(3,874,841)
Total other financing sources (uses)	(165,678)	484,478	349,729	668,529	(791,271)
Net change in fund balance	(147,261)	(380,980)	(2,119,789)	(2,648,030)	(1,606,102)
Fund balance - January 1	51,415	5,011,089	771,296	5,833,800	7,439,902
Fund balance (deficit) - December 31	(\$95,846)	\$4,630,109	(\$1,348,493)	\$3,185,770	\$5,833,800

- 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.

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, 2006
 With Comparative Totals For December 31, 2005

Statement 14

Assets	201 -	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants		Arena	Square	Revenue Funds	2006
Cash and cash equivalents	\$35,880	\$29,980	\$ -	\$17,309	\$83,169	\$36,556
Investments	68,389	-	-	43,912	112,301	126,934
Accounts receivable	-	-	136,180	-	136,180	42,056
Property taxes receivable:						
Delinquent	-	15,173	-	-	15,173	11,816
Due from county	-	5,428	-	-	5,428	3,784
Due from other governmental units	-	-	-	-	-	2,169
Total assets	\$104,269	\$50,581	\$136,180	\$61,221	\$352,251	\$223,315
Liabilities and Fund Balance						
Liabilities:						
Accounts, salaries and contracts payable	\$789	\$26,106	\$90,874	\$6,253	\$124,022	\$115,549
Due to other governmental units	-	41	2,346	537	2,924	35
Advances from other funds	-	-	273,359	-	273,359	44,500
Deferred revenue	-	15,173	32,619	-	47,792	11,816
Total liabilities	789	41,320	399,198	6,790	448,097	171,900
Fund balance:						
Unreserved:						
Designated for future projects	103,480	-	-	-	103,480	95,584
Undesignated	-	9,261	(263,018)	54,431	(199,326)	(44,169)
Total fund balance	103,480	9,261	(263,018)	54,431	(95,846)	51,415
Total liabilities and fund balance	\$104,269	\$50,581	\$136,180	\$61,221	\$352,251	\$223,315

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, 2006

With Comparative Totals For The Year Ended December 31, 2005

	201 -	213 - Library	243 - Wakota	250 - Central	Totals Nonmajor Special	
	Donations/ Grants		Arena	Square	Revenue Funds	
					2006	2005
Revenues:						
General property taxes	\$ -	\$593,030	\$ -	\$ -	\$593,030	\$555,872
Intergovernmental	3,311	-	-	-	3,311	36,369
Charges for services	-	3,764	824,820	195,584	1,024,168	915,302
Fines and forfeits	561	5,877	-	-	6,438	8,315
Investment income	2,791	-	-	1,792	4,583	4,393
Contributions and donations	24,025	659	9,643	2,000	36,327	27,042
Miscellaneous	1,453	-	-	39	1,492	7,437
Total revenues	<u>32,141</u>	<u>603,330</u>	<u>834,463</u>	<u>199,415</u>	<u>1,669,349</u>	<u>1,554,730</u>
Expenditures:						
Current:						
General government	4,676	-	-	-	4,676	5,133
Public safety	13,706	-	-	-	13,706	48,177
Parks, arena, library	5,863	594,069	859,771	172,847	1,632,550	1,380,309
Interest expenditure	-	-	-	-	-	1,683
Total expenditures	<u>24,245</u>	<u>594,069</u>	<u>859,771</u>	<u>172,847</u>	<u>1,650,932</u>	<u>1,435,302</u>
Revenues over (under) expenditures	<u>7,896</u>	<u>9,261</u>	<u>(25,308)</u>	<u>26,568</u>	<u>18,417</u>	<u>119,428</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	384,127
Transfers out	-	-	(165,678)	-	(165,678)	(245,289)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(165,678)</u>	<u>0</u>	<u>(165,678)</u>	<u>138,838</u>
Net change in fund balance	7,896	9,261	(190,986)	26,568	(147,261)	258,266
Fund balance (deficit) - January 1	95,584	-	(72,032)	27,863	51,415	(206,851)
Fund balance (deficit) - December 31	<u>\$103,480</u>	<u>\$9,261</u>	<u>(\$263,018)</u>	<u>\$54,431</u>	<u>(\$95,846)</u>	<u>\$51,415</u>

- 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.
- 2003B Arena Revenue Refunding Bonds – issued to provide funds to refund the 1997A Arena Revenue Bonds 2004-2018 maturities. The 1997A Bonds financed construction a second sheet of ice at the City's Wakota Arena.

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 2005 Improvement Bonds – issued primarily for alley and street reconstruction.

- This page intentionally left blank -

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2006
With Comparative Totals For December 31, 2005

	317 - 2004A Refunding Bonds	316 - 1995B Refunding Park Bonds	327 - 2000 General Obligation Bonds	320 - 2003B Arena Revenue Bonds	340 - 1994 Improvement Bonds
Assets					
Cash and cash equivalents	\$ -	\$150,236	\$120,849	\$ -	\$43,853
Investments	1,534	67,855	95,368	-	32,352
Property taxes receivable:					
Delinquent	-	2,623	5,516	-	1,681
Due from county	-	918	1,922	-	594
Special assessments receivable:					
Delinquent	-	-	-	-	426
Deferred	-	-	-	-	1,575
Due from county	-	-	-	-	-
Total assets	\$1,534	\$221,632	\$223,655	\$0	\$80,481
Liabilities and Fund Balance					
Liabilities:					
Deferred revenue	\$ -	\$2,623	\$5,516	\$ -	\$3,682
Fund balance:					
Reserved for debt service	-	219,009	218,139	-	76,799
Unreserved:					
Undesignated	1,534	-	-	-	-
Total fund balance	1,534	219,009	218,139	0	76,799
Total liabilities and fund balance	\$1,534	\$221,632	\$223,655	\$0	\$80,481

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2006
With Comparative Totals For December 31, 2005

	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds
Assets					
Cash and cash equivalents	\$211,531	\$67,226	\$74,264	\$78,370	\$126,143
Investments	559,937	169,872	164,605	186,900	359,007
Property taxes receivable:					
Delinquent	-	-	-	-	-
Due from county	-	-	-	-	-
Special assessments receivable:					
Delinquent	1,108	884	2,102	1,043	2,915
Deferred	51,890	23,915	75,613	74,962	111,254
Due from county	591	236	66	815	63
Total assets	\$825,057	\$262,133	\$316,650	\$342,090	\$599,382
Liabilities and Fund Balance					
Liabilities:					
Deferred revenue	\$52,999	\$24,799	\$77,714	\$76,004	\$114,170
Fund balance:					
Reserved for debt service	510,423	214,905	238,936	266,086	485,212
Unreserved:					
Undesignated	261,635	22,429	-	-	-
Total fund balance	772,058	237,334	238,936	266,086	485,212
Total liabilities and fund balance	\$825,057	\$262,133	\$316,650	\$342,090	\$599,382

348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	Totals Nonmajor Debt Service Funds	
					2006	2005
					\$105,422	\$97,369
238,386	210,046	456,148	378,391	142,057	3,062,458	3,876,699
-	-	-	-	-	9,820	8,140
-	-	-	-	-	3,434	2,543
5,894	1,035	5,564	2,245	1,013	24,229	35,058
155,542	158,916	340,828	315,602	328,506	1,638,603	2,112,690
1,349	1,104	3,059	3,778	2,586	13,647	15,371
<u>\$506,593</u>	<u>\$468,470</u>	<u>\$1,006,885</u>	<u>\$876,282</u>	<u>\$571,915</u>	<u>\$6,302,759</u>	<u>\$7,166,976</u>
<u>\$161,436</u>	<u>\$159,950</u>	<u>\$346,392</u>	<u>\$317,846</u>	<u>\$329,519</u>	<u>\$1,672,650</u>	<u>\$2,155,887</u>
345,157	308,520	660,493	558,436	242,396	4,344,511	4,727,025
-	-	-	-	-	285,598	284,064
<u>345,157</u>	<u>308,520</u>	<u>660,493</u>	<u>558,436</u>	<u>242,396</u>	<u>4,630,109</u>	<u>5,011,089</u>
<u>\$506,593</u>	<u>\$468,470</u>	<u>\$1,006,885</u>	<u>\$876,282</u>	<u>\$571,915</u>	<u>\$6,302,759</u>	<u>\$7,166,976</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, 2006
With Comparative Totals For The Year Ended December 31, 2005

	317 - 2004A Refunding Bonds	316 - 1995B Refunding Park Bonds	327 - 2000 General Obligation Bonds	320 - 2003B Arena Revenue Bonds	340 - 1994 Improvement Bonds
Revenues:					
General property taxes	\$ -	\$100,406	\$210,287	\$ -	\$64,946
Special assessments	-	-	-	-	234
Investment income	1,534	2,769	3,892	-	1,320
Total revenues	<u>1,534</u>	<u>103,175</u>	<u>214,179</u>	<u>0</u>	<u>66,500</u>
Expenditures:					
Debt service:					
Principal	200,000	75,000	90,000	110,000	45,000
Interest	118,800	18,690	107,465	55,678	13,073
Total expenditures	<u>318,800</u>	<u>93,690</u>	<u>197,465</u>	<u>165,678</u>	<u>58,073</u>
Revenues over (under) expenditures	<u>(317,266)</u>	<u>9,485</u>	<u>16,714</u>	<u>(165,678)</u>	<u>8,427</u>
Other financing sources (uses):					
Bonds issued	-	-	-	-	-
Transfers in	318,800	-	-	165,678	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>318,800</u>	<u>0</u>	<u>0</u>	<u>165,678</u>	<u>0</u>
Net change in fund balance	1,534	9,485	16,714	0	8,427
Fund balance - January 1	<u>-</u>	<u>209,524</u>	<u>201,425</u>	<u>-</u>	<u>68,372</u>
Fund balance - December 31	<u><u>\$1,534</u></u>	<u><u>\$219,009</u></u>	<u><u>\$218,139</u></u>	<u><u>\$0</u></u>	<u><u>\$76,799</u></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, 2006
With Comparative Totals For The Year Ended December 31, 2005

	343 - 1997B Improvement Bonds	344 - 1998 Improvement Bonds	345 - 1998B Improvement Bonds	346 - 1999 Improvement Bonds	347 - 2000B Improvement Bonds
Revenues:					
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	67,570	30,684	41,180	41,331	45,636
Investment income	22,853	6,933	6,718	7,628	14,653
Total revenues	<u>90,423</u>	<u>37,617</u>	<u>47,898</u>	<u>48,959</u>	<u>60,289</u>
Expenditures:					
Debt service:					
Principal	200,000	85,000	70,000	75,000	150,000
Interest	24,850	9,053	10,010	16,000	28,193
Total expenditures	<u>224,850</u>	<u>94,053</u>	<u>80,010</u>	<u>91,000</u>	<u>178,193</u>
Revenues over (under) expenditures	<u>(134,427)</u>	<u>(56,436)</u>	<u>(32,112)</u>	<u>(42,041)</u>	<u>(117,904)</u>
Other financing sources (uses):					
Bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(134,427)	(56,436)	(32,112)	(42,041)	(117,904)
Fund balance - January 1	<u>906,485</u>	<u>293,770</u>	<u>271,048</u>	<u>308,127</u>	<u>603,116</u>
Fund balance - December 31	<u><u>\$772,058</u></u>	<u><u>\$237,334</u></u>	<u><u>\$238,936</u></u>	<u><u>\$266,086</u></u>	<u><u>\$485,212</u></u>

348 - 2001 Improvement Bonds	349 - 2002 Improvement Bonds	350 - 2003A Improvement Bonds	351 - 2005A Improvement Bonds	352 - 2005B Improvement Bonds	Totals Nonmajor Debt Service Funds	
					2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$375,639	\$373,893
64,931	54,712	94,137	100,164	78,445	619,024	891,497
9,730	8,573	18,617	15,444	5,798	126,462	148,288
<u>74,661</u>	<u>63,285</u>	<u>112,754</u>	<u>115,608</u>	<u>84,243</u>	<u>1,121,125</u>	<u>1,413,678</u>
100,000	70,000	105,000	105,000	-	1,480,000	2,005,000
20,853	14,075	30,665	26,259	12,919	506,583	501,607
<u>120,853</u>	<u>84,075</u>	<u>135,665</u>	<u>131,259</u>	<u>12,919</u>	<u>1,986,583</u>	<u>2,506,607</u>
(46,192)	(20,790)	(22,911)	(15,651)	71,324	(865,458)	(1,092,929)
-	-	-	-	-	-	1,527
-	-	-	-	-	484,478	643,014
-	-	-	-	-	-	(1,448,893)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>484,478</u>	<u>(804,352)</u>
(46,192)	(20,790)	(22,911)	(15,651)	71,324	(380,980)	(1,897,281)
391,349	329,310	683,404	574,087	171,072	5,011,089	6,908,370
<u>\$345,157</u>	<u>\$308,520</u>	<u>\$660,493</u>	<u>\$558,436</u>	<u>\$242,396</u>	<u>\$4,630,109</u>	<u>\$5,011,089</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 – created in 2006 to account for redevelopment capital projects for the old stockyards location.

- This page intentionally left blank -

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2006
 With Comparative Totals For December 31, 2005

	<u>403 - Municipal State Aid</u>	<u>404 - Airport Improvements</u>	<u>405 - Floodwall Construction</u>	<u>412 - Tax Increment</u>
Assets				
Cash and cash equivalents	\$2,231	\$ -	\$52,481	\$302,790
Investments	6,234	-	155,035	423,939
Accounts receivable	-	-	-	-
Property taxes receivable:				
Delinquent	-	-	-	37,936
Due from county	-	-	-	(724)
Special assessments receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from county	-	-	-	-
Due from other governmental units	<u>635,304</u>	<u>546,514</u>	<u>-</u>	<u>10,479</u>
Total assets	<u><u>\$643,769</u></u>	<u><u>\$546,514</u></u>	<u><u>\$207,516</u></u>	<u><u>\$774,420</u></u>
Liabilities and Fund Balance				
Liabilities:				
Overdraft payable	\$ -	\$ -	\$ -	\$ -
Accounts, salaries and contracts payable	-	686,506	-	-
Deposits payable	-	-	-	-
Advances from other funds	-	1,116,009	-	-
Deferred revenue	<u>635,304</u>	<u>-</u>	<u>-</u>	<u>37,936</u>
Total liabilities	<u><u>635,304</u></u>	<u><u>1,802,515</u></u>	<u><u>0</u></u>	<u><u>37,936</u></u>
Fund balance (deficit):				
Unreserved:				
Designated for future projects	8,465	-	207,516	529,551
Undesignated	<u>-</u>	<u>(1,256,001)</u>	<u>-</u>	<u>206,933</u>
Total fund balance (deficit)	<u><u>8,465</u></u>	<u><u>(1,256,001)</u></u>	<u><u>207,516</u></u>	<u><u>736,484</u></u>
Total liabilities and fund balance	<u><u>\$643,769</u></u>	<u><u>\$546,514</u></u>	<u><u>\$207,516</u></u>	<u><u>\$774,420</u></u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2006
With Comparative Totals For December 31, 2005

	420 - Equipment Acquisition	409 - Wilson Site Development	424 - Southview/52 Development
Assets			
Cash and cash equivalents	\$130,365	\$164	\$1,361
Investments	284,539	350	410
Accounts receivable	-	-	-
Property taxes receivable:			
Delinquent	-	-	-
Due from county	-	-	-
Special assessments receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Due from county	-	-	-
Due from other governmental units	-	-	-
Total assets	\$414,904	\$514	\$1,771
Liabilities and Fund Balance			
Liabilities:			
Overdraft payable	\$ -	\$ -	\$ -
Accounts, salaries and contracts payable	-	-	1,729
Deposits payable	-	-	-
Advances from other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	0	0	1,729
Fund balance (deficit):			
Unreserved:			
Designated for future projects	414,904	-	-
Undesignated	-	514	42
Total fund balance (deficit)	414,904	514	42
Total liabilities and fund balance	\$414,904	\$514	\$1,771

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		2006	2005
\$32,741	\$2,674	\$ -	\$ -	\$ -	\$ -	\$524,807	\$308,117
82,973	4,476	-	-	-	-	957,956	1,069,868
-	-	-	-	-	1,682	1,682	-
-	-	-	-	-	-	37,936	35,116
-	-	-	-	-	-	(724)	9,767
1,023	-	-	-	-	-	1,023	1,832
1,321	-	-	-	-	-	1,321	4,532
192	-	1,700	-	-	-	1,892	21
-	-	-	-	-	-	1,192,297	614,942
<u>\$118,250</u>	<u>\$7,150</u>	<u>\$1,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,682</u>	<u>\$2,718,190</u>	<u>\$2,044,195</u>
\$ -	\$ -	\$ -	\$1,480,707	\$ -	\$ -	\$1,480,707	\$ -
-	-	-	33,939	249	1,682	724,105	265,142
-	-	-	22,100	-	-	22,100	-
-	-	48,178	-	-	-	1,164,187	403,216
2,344	-	-	-	-	-	675,584	604,541
<u>2,344</u>	<u>0</u>	<u>48,178</u>	<u>1,536,746</u>	<u>249</u>	<u>1,682</u>	<u>4,066,683</u>	<u>1,272,899</u>
-	-	-	-	-	-	1,160,436	1,098,260
115,906	7,150	(46,478)	(1,536,746)	(249)	-	(2,508,929)	(326,964)
<u>115,906</u>	<u>7,150</u>	<u>(46,478)</u>	<u>(1,536,746)</u>	<u>(249)</u>	<u>0</u>	<u>(1,348,493)</u>	<u>771,296</u>
<u>\$118,250</u>	<u>\$7,150</u>	<u>\$1,700</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,682</u>	<u>\$2,718,190</u>	<u>\$2,044,195</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, 2006
With Comparative Totals For The Year Ended December 31, 2005

	403 - Municipal State Aid	404 - Airport Improvements	405 - Floodwall Construction	412 - Tax Increment
Revenues:				
Tax increment collections	\$ -	\$ -	\$ -	\$1,443,232
Intergovernmental revenue	-	1,379,125	-	9,914
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Other	-	-	-	-
Investment income	254	-	6,328	17,303
Total revenues	<u>254</u>	<u>1,379,125</u>	<u>6,328</u>	<u>1,470,449</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	5,594	-
Transportation	-	1,500	-	-
Nondepartmental	-	-	-	878,116
Development and other costs	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Public works	-	682,821	-	-
Transportation	-	1,530,585	-	-
Interest expenditure	-	-	-	-
Debt service:				
Bond issuance and underwriters discount	-	-	-	-
Total expenditures	<u>0</u>	<u>2,214,906</u>	<u>5,594</u>	<u>878,116</u>
Revenues over (under) expenditures	<u>254</u>	<u>(835,781)</u>	<u>734</u>	<u>592,333</u>
Other financing sources (uses):				
Bond issued	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(385,400)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(385,400)</u>
Net change in fund balance	254	(835,781)	734	206,933
Fund balance (deficit) - January 1	<u>8,211</u>	<u>(420,220)</u>	<u>206,782</u>	<u>529,551</u>
Fund balance (deficit) - December 31	<u>\$8,465</u>	<u>(\$1,256,001)</u>	<u>\$207,516</u>	<u>\$736,484</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, 2006
With Comparative Totals For The Year Ended December 31, 2005

	420 - Equipment Acquisition	409 - Wilson Site Development	424 - Southview/52 Development
Revenues:			
Tax increment collections	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	37,433
Special assessments	-	-	-
Fines and forfeitures	-	500	-
Other	-	-	-
Investment income	11,613	14	17
Total revenues	<u>11,613</u>	<u>514</u>	<u>37,450</u>
Expenditures:			
Current:			
General government	-	-	-
Public works	-	-	37,408
Transportation	-	-	-
Nondepartmental	-	-	-
Development and other costs	-	-	-
Capital outlay:			
General government	-	-	-
Public works	-	-	-
Transportation	-	-	-
Interest expenditure	-	-	-
Debt service:			
Bond issuance and underwriters discount	-	-	-
Total expenditures	<u>0</u>	<u>0</u>	<u>37,408</u>
Revenues over (under) expenditures	<u>11,613</u>	<u>514</u>	<u>42</u>
Other financing sources (uses):			
Bond issued	-	-	-
Sale of capital assets	-	-	-
Transfers in	49,575	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>49,575</u>	<u>0</u>	<u>0</u>
Net change in fund balance	61,188	514	42
Fund balance (deficit) - January 1	<u>353,716</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) - December 31	<u><u>\$414,904</u></u>	<u><u>\$514</u></u>	<u><u>\$42</u></u>

431 - Local Improvement	450 - 2004	451 - 2005	452 - 2006	453 - 2007	425 - Stockyards Redevelopment	Totals Nonmajor Capital Project Funds	
	Local	Local	Local	Local		2006	2005
	Improvement	Improvement	Improvement	Improvement			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,443,232	\$1,294,075
-	-	28,401	264,287	-	-	1,719,160	1,526,356
4,682	-	13,532	-	-	-	18,214	12,809
-	-	-	-	-	-	500	-
-	7,467	-	-	-	-	7,467	-
3,386	183	-	-	-	-	39,098	59,253
<u>8,068</u>	<u>7,650</u>	<u>41,933</u>	<u>264,287</u>	<u>0</u>	<u>0</u>	<u>3,227,671</u>	<u>2,892,493</u>
-	500	-	-	-	-	500	3,200
-	-	73,829	1,013,418	249	-	1,130,498	1,231,954
-	-	-	-	-	-	1,500	3,190
-	-	-	-	-	-	878,116	273,538
-	-	-	-	-	-	-	285,965
-	-	-	-	-	-	-	172,251
-	-	-	1,473,169	-	-	2,155,990	-
-	-	-	-	-	-	1,530,585	723,379
-	-	-	-	-	-	-	10,887
-	-	-	-	-	-	-	29,459
<u>0</u>	<u>500</u>	<u>73,829</u>	<u>2,486,587</u>	<u>249</u>	<u>0</u>	<u>5,697,189</u>	<u>2,733,823</u>
<u>8,068</u>	<u>7,150</u>	<u>(31,896)</u>	<u>(2,222,300)</u>	<u>(249)</u>	<u>0</u>	<u>(2,469,518)</u>	<u>158,670</u>
-	-	-	-	-	-	-	1,508,473
-	-	-	-	-	-	-	159,217
-	-	-	685,554	-	-	735,129	387,212
-	-	-	-	-	-	(385,400)	(2,180,659)
<u>0</u>	<u>0</u>	<u>0</u>	<u>685,554</u>	<u>0</u>	<u>0</u>	<u>349,729</u>	<u>(125,757)</u>
8,068	7,150	(31,896)	(1,536,746)	(249)	0	(2,119,789)	32,913
107,838	-	(14,582)	-	-	-	771,296	738,383
<u>\$115,906</u>	<u>\$7,150</u>	<u>(\$46,478)</u>	<u>(\$1,536,746)</u>	<u>(\$249)</u>	<u>\$0</u>	<u>(\$1,348,493)</u>	<u>\$771,296</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SPECIAL REVENUE FUND - 213 - LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Year Ended December 31, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

Statement 20

	2006			2005
	Budgeted Amounts		Actual	Actual
	Original	Final		
Revenues:				
General property taxes:				
Current	\$593,777	\$593,777	\$581,839	\$545,980
Delinquent	-	-	11,191	9,892
Total general property taxes	<u>593,777</u>	<u>593,777</u>	<u>593,030</u>	<u>555,872</u>
Rental fees	4,000	4,000	3,764	4,582
Fines	11,000	11,000	5,877	8,315
Donations/other	500	500	659	1,236
Total revenues	<u>609,277</u>	<u>609,277</u>	<u>603,330</u>	<u>570,005</u>
Expenditures:				
Parks, arena, library:				
Personal services	455,297	455,297	455,739	439,082
Materials and supplies	84,800	84,800	84,008	77,815
Other services and charges	69,180	69,180	54,322	54,328
Total expenditures	<u>609,277</u>	<u>609,277</u>	<u>594,069</u>	<u>571,225</u>
Revenues over (under) expenditures	0	0	9,261	(1,220)
Other financing sources:				
Transfers in	-	-	-	1,220
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	9,261	0
Fund balance - January 1			-	-
Fund balance - December 31			<u>\$9,261</u>	<u>\$0</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, 2006
With Comparative Actual Amounts For The Year Ended December 31, 2005

Statement 21

	2006			2005 Actual
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services:				
Ice rentals	\$498,195	\$498,195	\$520,105	\$499,024
Ticket sales league games	38,000	38,000	56,696	39,878
Public/figure skating	15,000	15,000	23,246	21,585
Concessions	96,000	96,000	104,850	95,272
Rent of annex	64,288	64,288	64,648	62,416
Other	25,200	25,200	55,275	23,130
Donations and contributions	-	-	9,643	1,000
Total revenues	<u>736,683</u>	<u>736,683</u>	<u>834,463</u>	<u>742,305</u>
Expenditures:				
Parks, arena, library:				
Personal services	260,485	260,485	285,749	258,643
Materials and supplies	81,000	81,000	126,208	109,362
Services and other charges	287,905	287,905	447,814	289,196
Interest expenditure	6,000	6,000	-	1,683
Total expenditures	<u>635,390</u>	<u>635,390</u>	<u>859,771</u>	<u>658,884</u>
Revenues over (under) expenditures	<u>101,293</u>	<u>101,293</u>	<u>(25,308)</u>	<u>83,421</u>
Other financing sources (uses):				
Transfers in	-	-	-	382,907
Transfers out	<u>(165,677)</u>	<u>(165,677)</u>	<u>(165,678)</u>	<u>(202,778)</u>
Total other financing sources (uses)	<u>(165,677)</u>	<u>(165,677)</u>	<u>(165,678)</u>	<u>180,129</u>
Net change in fund balance	<u>(\$64,384)</u>	<u>(\$64,384)</u>	(190,986)	263,550
Fund balance (deficit) - January 1			<u>(72,032)</u>	<u>(335,582)</u>
Fund balance (deficit) - December 31			<u>(\$263,018)</u>	<u>(\$72,032)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 December 31, 2006

Statement 22

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<u>804 - Landscape/Landfill</u>				
Assets:				
Cash and investments	\$93,992	\$2,913	\$ -	\$96,905
Total assets	<u>\$93,992</u>	<u>\$2,913</u>	<u>\$0</u>	<u>\$96,905</u>
Liabilities:				
Deposits payable	\$93,992	\$2,913	\$ -	\$96,905
Total liabilities	<u>\$93,992</u>	<u>\$2,913</u>	<u>\$0</u>	<u>\$96,905</u>

SUPPLEMENTARY FINANCIAL INFORMATION

Supplementary Financial Data, although not required by GAAP, are intended to augment the readers understanding of information presented in the financial section dealing with bonded indebtedness, cash/investments, and property tax levies. The schedules listed below are provided as non-required supplementary financial data for the year ended December 31, 2006.

Schedule of Cash and Investments

Combined Schedule of Indebtedness

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, 2006

Exhibit 1

		Yield	Settlement Date	Maturity Date	Market Value
Certificate of Deposit - Bremer Bank	Cert. of Dep.	5.35%	07/23/06	07/23/07	\$100,000
Federal Home Loan Bank Cons	Agency	4.79%	07/26/05	01/26/07	254,760
Federal Home Loan Bank Cons	Agency	4.77%	07/26/05	10/26/07	243,087
Federal Home Loan Note Step Up	Agency	3.10%	07/16/03	07/16/12	979,900
Federal Home Loan Note Step Up	Agency	4.00%	05/21/03	05/21/13	296,790
Federal Home Loan Note Step Up	Agency	4.00%	05/22/03	05/22/13	197,000
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.17%	07/24/03	07/09/13	192,020
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.96%	07/23/03	07/23/13	380,024
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.91%	06/30/03	12/30/13	280,590
Federal Home Loan Mortgage Corp Step Up Freddie Note	Agency	4.22%	01/08/04	01/15/14	395,396
Federal Home Loan Mortgage Corp	Agency	5.25%	12/22/04	01/27/14	292,536
Federal National Mortgage Assn Medium Term Note	Agency	5.12%	07/16/03	03/12/14	285,939
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.32%	04/29/04	04/29/14	194,938
Freddie Mac Note Step Up	Agency	4.00%	01/27/05	01/27/15	297,750
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.27%	03/10/04	03/10/15	281,384
Federal Home Loan Note Step Up	Agency	4.36%	06/05/03	06/05/15	487,750
Freddie Mac Medium Term Note	Agency	6.00%	11/21/05	11/20/15	298,800
Federal Home Loan Bank Cons	Agency	5.66%	06/28/05	06/28/17	975,000
Federal Home Loan Note	Agency	5.55%	07/05/05	07/05/17	489,900
Bank Hapoalim B.M. CD	Cert. of Dep.	6.13%	08/14/02	08/14/17	93,876
Federal Home Loan Note	Agency	5.05%	04/30/03	04/30/18	388,000
Federal Home Loan Note	Agency	5.55%	05/01/03	05/01/18	195,880
Federal Home Loan Note Step Up	Agency	5.02%	05/21/03	05/21/18	486,550
Federal Home Loan Note Step Up	Agency	5.28%	06/05/03	06/05/18	191,600
Fannie Mae Note	Agency	5.02%	06/24/03	06/24/18	472,000
Federal Home Loan Mortgage Corp Medium Term Note Step Up	Agency	4.54%	06/25/03	06/25/18	237,858
Federal Home Loan Note Step Up	Agency	4.41%	06/26/03	06/26/18	474,100
Federal National Mortgage Association Medium Term Note	Agency	5.49%	07/02/03	07/02/18	347,549
Federal Home Loan Note Step Up	Agency	5.36%	07/30/03	07/30/18	287,310
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.41%	07/30/03	07/30/18	475,195
Federal Home Loan Note Step Up	Agency	4.00%	08/06/03	08/06/18	295,500
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.16%	12/17/03	12/17/18	391,640
Federal Home Loan Mortgage Corp Med Term Step Up Note	Agency	4.87%	03/29/04	03/29/19	479,300
Freddie Mac Note Step UP Series Mtn	Agency	5.00%	07/29/04	07/29/19	292,860
Federal National Mortgage Association Medium Term Bonds	Agency	5.82%	11/22/04	11/22/19	96,656
Fannie Mae Note	Agency	5.91%	08/10/05	08/10/20	1,473,150
Federal National Mtg Assn Med Term Note	Agency	6.15%	08/18/05	08/18/20	491,095
Fannie Mae Note	Agency	6.00%	10/20/05	10/20/20	196,100
Freddic Mac Note	Agency	6.12%	01/12/06	11/17/20	196,860
Freddic Mac Note	Agency	6.00%	01/26/06	01/26/18	495,200
Money Manager Savings Account		4.68%			143,712
Treasury Plus Money Market Fund	Agency	4.27%			704,729
Government money market mutual funds		4.78%			1,076,110
Cash on Hand and in Checking Accounts		n/a			33,885
					\$16,940,279

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2006

	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Original Interest Rates</u>
Bonded indebtedness:			
Tax increment bonds:			
G.O. Refunding Bonds, Series 2004A	12/28/2004	8/1/2009	0.0275%
General long-term debt bonds:			
G.O. Refunding Park Bonds, Series 1995B	12/28/1995	2/1/2010	3.90% - 5.35%
G.O. Bonds of 2000	10/19/2000	2/1/2021	4.75% - 5.50%
G.O. Capital Improvement Bonds of 2006	6/27/2006	2/1/2027	4.00% - 4.30%
Total general long-term debt bonds			
Special assessment bonds:			
Improvement Bonds of 1994	6/16/1994	2/1/2010	5.00% - 5.40%
Improvement Bonds, Series 1997B	2/12/1997	2/1/2008	3.85% - 5.00%
Improvement Bonds of 1998	2/1/1998	2/1/2008	3.65% - 4.30%
Improvement Bonds, Series 1998B	12/29/1998	2/1/2009	3.40% - 4.20%
Improvement Bonds of 1999	12/1/1999	2/1/2010	4.10% - 5.00%
Improvement Bonds, Series 2000B	12/28/2000	2/1/2011	4.35% - 4.85%
Improvement Bonds, Series 2001	12/26/2001	2/1/2012	2.00% - 4.50%
Improvement Bonds, Series 2002	12/16/2002	2/1/2013	1.90% - 4.00%
Improvement Bonds, Series 2003A	12/23/2003	2/1/2014	2.00% - 3.70%
Improvement Bonds, Series 2005A	1/5/2005	2/1/2015	2.15% - 3.70%
Improvement Bonds, Series 2005B	12/27/2005	2/1/2016	3.30% - 4.15%
Total special assessment bonds			
Revenue bonds:			
Arena Refunding Bonds, Series 2003B	12/23/2003	2/1/2018	2.00% - 4.15%
Total bonded indebtedness			

Prior Years		Payable 01/01/06	2006		Payable 12/31/06	Principal Due In 2006	Interest Due In 2006
Original Issue	Payments		Issued	Payments			
\$4,320,000	\$ -	\$4,320,000	\$ -	\$200,000	\$4,120,000	\$1,320,000	\$2,800,000
890,000	490,000	400,000	-	75,000	325,000	75,000	250,000
2,375,000	285,000	2,090,000	-	90,000	2,000,000	95,000	1,905,000
-	-	-	3,800,000	-	3,800,000	-	3,800,000
3,265,000	775,000	2,490,000	3,800,000	165,000	6,125,000	170,000	5,955,000
1,525,000	1,260,000	265,000	-	45,000	220,000	50,000	170,000
1,800,000	1,200,000	600,000	-	200,000	400,000	200,000	200,000
835,000	580,000	255,000	-	85,000	170,000	85,000	85,000
910,000	630,000	280,000	-	70,000	210,000	70,000	140,000
935,000	570,000	365,000	-	75,000	290,000	75,000	215,000
1,295,000	620,000	675,000	-	150,000	525,000	105,000	420,000
860,000	300,000	560,000	-	100,000	460,000	100,000	360,000
600,000	140,000	460,000	-	70,000	390,000	65,000	325,000
1,150,000	105,000	1,045,000	-	105,000	940,000	115,000	825,000
920,000	-	920,000	-	105,000	815,000	105,000	710,000
590,000	-	590,000	-	-	590,000	75,000	515,000
11,420,000	5,405,000	6,015,000	0	1,005,000	5,010,000	1,045,000	3,965,000
1,770,000	100,000	1,670,000	-	110,000	1,560,000	110,000	1,450,000
\$20,775,000	\$6,280,000	\$14,495,000	\$3,800,000	\$1,480,000	\$16,815,000	\$2,645,000	\$14,170,000

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
December 31, 2006

	General Long Term Financing							
	Refunding Park Bonds 1995B		G.O. Bonds of 2000		G.O. Cap Imp Bonds of 2006		Total General Long Term	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$75,000	\$14,977	\$95,000	\$102,840	\$ -	\$170,628	\$170,000	\$288,445
2008	75,000	11,190	95,000	98,090	125,000	153,404	295,000	262,684
2009	85,000	7,046	100,000	93,215	130,000	148,304	315,000	248,565
2010	90,000	2,408	105,000	88,090	135,000	143,004	330,000	233,502
2011	-	-	110,000	82,715	140,000	137,504	250,000	220,219
2012	-	-	120,000	76,965	145,000	131,804	265,000	208,769
2013	-	-	125,000	70,777	150,000	125,904	275,000	196,681
2014	-	-	130,000	64,242	160,000	119,704	290,000	183,946
2015	-	-	135,000	57,351	165,000	113,204	300,000	170,555
2016	-	-	145,000	49,929	170,000	106,504	315,000	156,433
2017	-	-	150,000	42,000	180,000	99,504	330,000	141,504
2018	-	-	160,000	33,550	185,000	92,204	345,000	125,754
2019	-	-	170,000	24,475	195,000	84,604	365,000	109,079
2020	-	-	175,000	14,988	205,000	76,501	380,000	91,489
2021	-	-	185,000	5,088	215,000	67,864	400,000	72,952
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
Total	\$325,000	\$35,621	\$2,000,000	\$904,315	\$3,800,000	\$1,970,566	\$6,125,000	\$2,910,502

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
December 31, 2006

	Special Assessment Financing					
	Improvement Bonds of 1998		Improvement Bonds of 1998B		Improvement Bonds of 1999	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$85,000	\$5,461	\$70,000	\$7,210	\$75,000	\$12,456
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	-	-	-	-	-	-
Total	\$170,000	\$7,288	\$210,000	\$13,055	\$290,000	\$28,293

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY
 December 31, 2006

	Special Assessment Financing					
	Improvement Bonds of 2003A		Improvement Bonds of 2005A		Improvement Bonds of 2005B	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$115,000	\$28,178	\$105,000	\$23,844	\$75,000	\$20,495
2008	115,000	25,302	100,000	21,257	75,000	17,983
2009	115,000	22,140	95,000	18,628	75,000	15,395
2010	110,000	18,627	100,000	15,797	75,000	12,732
2011	110,000	15,053	85,000	12,959	65,000	10,180
2012	120,000	11,225	85,000	10,196	45,000	8,123
2013	125,000	6,997	85,000	7,306	45,000	6,390
2014	130,000	2,405	80,000	4,400	45,000	4,612
2015	-	-	80,000	1,480	45,000	2,790
2016	-	-	-	-	45,000	934
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Total	\$940,000	\$129,927	\$815,000	\$115,867	\$590,000	\$99,634

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
\$1,045,000	\$175,161	\$110,000	\$53,203	\$2,645,000	\$630,109
1,020,000	134,162	110,000	50,452	2,805,000	524,298
715,000	99,660	115,000	47,352	2,565,000	434,627
640,000	72,762	120,000	43,678	1,090,000	349,942
490,000	50,409	120,000	39,777	860,000	310,405
370,000	34,094	125,000	35,703	760,000	278,566
305,000	21,693	130,000	31,303	710,000	249,677
255,000	11,417	135,000	26,530	680,000	221,893
125,000	4,270	145,000	21,132	570,000	195,957
45,000	934	145,000	15,333	505,000	172,700
-	-	150,000	9,432	480,000	150,936
-	-	155,000	3,216	500,000	128,970
-	-	-	-	365,000	109,079
-	-	-	-	380,000	91,489
-	-	-	-	400,000	72,952
-	-	-	-	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>\$5,010,000</u>	<u>\$604,562</u>	<u>\$1,560,000</u>	<u>\$377,111</u>	<u>\$16,815,000</u>	<u>\$4,121,525</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
DEBT SERVICE FUNDS
December 31, 2006

Exhibit 4

Year of Levy/ Collection	1994A Improvement Bonds	1995B G.O. Refunding Park Bonds	2000 General Obligation Bonds	Total All Funds
2005/2006	\$65,000	\$100,400	\$210,200	\$375,600
2006/2007	67,400	96,500	205,200	369,100
2007/2008	64,300	92,600	205,500	362,400
2008/2009	66,500	99,000	205,500	371,000
2009/2010	-	-	205,200	205,200
2009/2011	-	-	210,000	210,000
2009/2012	-	-	208,900	208,900
2009/2013	-	-	207,500	207,500
2009/2014	-	-	205,700	205,700
2009/2015	-	-	208,700	208,700
2009/2016	-	-	205,900	205,900
2009/2017	-	-	207,800	207,800
2009/2018	-	-	209,100	209,100
2009/2019	-	-	204,500	204,500
2009/2020	-	-	204,900	204,900
	<u>\$263,200</u>	<u>\$388,500</u>	<u>\$3,104,600</u>	<u>\$3,756,300</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
Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	131
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	138
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	142
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	150
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	152

- This page intentionally left blank -

CITY OF SOUTH ST. PAUL, MINNESOTA

NET ASSETS BY COMPONENT

Last Four Fiscal Years

(Accrual Basis of Accounting)

Table 1

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

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET ASSETS

Last Four Fiscal Years

(Accrual Basis of Accounting)

Table 2

Page 1 of 2

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$1,366,181	\$1,841,098	\$2,067,202	\$2,869,806
Public safety	5,045,513	5,250,220	5,343,939	5,535,003
Public works	4,529,332	4,018,591	3,328,511	4,133,175
Parks, arena, library	2,542,146	2,612,547	2,721,746	2,895,568
Transportation	1,075,523	1,359,049	1,405,760	1,303,503
Interest on long-term debt	799,590	667,195	544,450	604,805
Total governmental activities expenses	<u>15,358,285</u>	<u>15,748,700</u>	<u>15,411,608</u>	<u>17,341,860</u>
Business-type activities:				
Water and sewer	3,119,265	3,135,135	3,354,849	3,390,216
Storm water	184,776	184,343	188,090	198,225
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>
Total primary government expenses	<u><u>\$18,662,326</u></u>	<u><u>\$19,068,178</u></u>	<u><u>\$18,954,547</u></u>	<u><u>\$20,930,301</u></u>
Program revenues				
Governmental activities:				
Charges for services:				
Airport	\$659,366	\$670,385	\$785,470	\$850,517
Arena	810,470	741,826	741,305	824,820
Parks and recreation	-	-	-	167,433
Other activities	4,388,687	3,399,253	2,813,154	3,233,349
Operating grants and contributions	1,219,824	1,203,916	994,062	1,342,519
Capital grants and contributions	644,270	487,949	1,519,639	1,966,898
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>
Business-type activities:				
Charges for services:				
Water and sewer	3,359,362	3,330,598	3,319,492	4,113,596
Storm water	25,466	339,780	341,317	525,143
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>
Total primary government program revenues	<u><u>\$11,107,445</u></u>	<u><u>\$10,173,707</u></u>	<u><u>\$10,514,439</u></u>	<u><u>\$13,024,275</u></u>
Net (expense) revenue:				
Governmental activities	(\$7,635,668)	(\$9,245,371)	(\$8,557,978)	(\$8,956,324)
Business-type activities	80,787	350,900	117,870	1,050,298
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>

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
General revenues and other changes in net assets				
Governmental activities:				
Taxes:				
Property taxes	\$4,578,528	\$4,600,156	\$5,017,990	\$5,305,741
Tax increment	1,265,819	1,369,702	1,294,075	1,443,232
Franchise taxes	597,815	601,642	723,491	749,039
Unrestricted grants and contributions	3,193,095	2,808,461	2,249,007	2,781,385
Investment earnings	293,727	612,784	609,957	763,661
Miscellaneous	-	-	-	116,366
Transfers	-	1,245,000	55,000	440,273
Total governmental activities	<u>9,928,984</u>	<u>11,237,745</u>	<u>9,949,520</u>	<u>11,599,697</u>
Business-type activities:				
Investment earnings	40,788	92,864	46,723	52,699
Transfers	-	(1,245,000)	(55,000)	(440,273)
Total business-type activities	<u>40,788</u>	<u>(1,152,136)</u>	<u>(8,277)</u>	<u>(387,574)</u>
Total primary government	<u><u>\$9,969,772</u></u>	<u><u>\$10,085,609</u></u>	<u><u>\$9,941,243</u></u>	<u><u>\$11,212,123</u></u>
Change in net assets:				
Governmental activities	\$2,293,316	\$1,992,374	\$1,391,542	\$2,643,373
Business-type activities	121,575	(801,236)	109,593	662,724
Total primary government	<u><u>\$2,414,891</u></u>	<u><u>\$1,191,138</u></u>	<u><u>\$1,501,135</u></u>	<u><u>\$3,306,097</u></u>

- This page intentionally left blank -

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

Table 3

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

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Four Fiscal Years

Table 4
Page 1 of 2

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
General property taxes	\$4,605,997	\$4,614,388	\$4,990,439	\$5,300,707
Tax increment collections	1,265,819	1,369,702	1,294,075	1,443,232
Franchise tax	597,815	601,642	723,491	749,039
Licenses and permits	499,007	534,477	537,347	472,357
Intergovernmental	5,010,496	4,398,556	4,793,110	5,632,068
Charges for services	2,821,609	2,328,097	2,558,303	2,903,963
Fines and forfeits	97,322	104,175	103,927	211,069
Special assessments	1,414,251	1,163,401	916,541	1,053,449
Investment earnings	274,179	567,988	570,142	732,660
Contributions and donations	-	-	27,342	36,527
Miscellaneous	1,195,230	1,027,356	371,558	114,844
Total revenues	17,781,725	16,709,782	16,886,275	18,649,915
Expenditures:				
Current:				
General government	1,315,721	1,402,632	1,506,725	1,885,093
Public safety	4,947,594	5,212,633	5,169,070	5,475,732
Public works	1,552,977	1,536,021	2,854,649	2,760,025
Parks, arena, library	2,209,951	2,349,622	2,342,498	2,674,930
Transportation	568,904	634,359	770,504	772,059
Nondepartmental	41,129	39,616	273,538	950,301
Development and other costs	827,914	667,580	285,965	-
Capital outlay:				
General government	14,343	193,089	172,251	6,303,452
Public safety	21,129	10,417	16,414	-
Public works	3,708,648	1,349,554	64,906	3,304,686
Parks, arena, library	45,529	122,143	62,249	211,724
Transportation	614,098	158,766	734,440	1,548,936
Interest expenditure	41,795	85,977	52,994	-
Debt service:				
Principal retirement	2,020,000	3,730,000	6,880,000	1,480,000
Interest	829,348	754,156	621,451	506,583
Bond discounts, issuance costs, agents fees and other	48,309	48,408	29,459	32,740
Total expenditures	18,807,389	18,294,973	21,837,113	27,906,261
Revenues over (under) expenditures	(1,025,664)	(1,585,191)	(4,950,838)	(9,256,346)

CITY OF SOUTH ST. PAUL, MINNESOTA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Four Fiscal Years

Table 4
Page 2 of 2

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

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
1997	\$6,052,614	\$4,408,672	\$464,518	\$10,925,804	\$1,249,915	\$12,175,719	28.09%	\$623,475,800	1.95%
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%

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

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

** The Minnesota Legislature reduced some of the "class rates" used to calculate tax capacity values in levy years 1998,1999 and 2001. The lower rates reduce the amount of Taxable Market Value that converts to value for the calculation of property taxes and tax rates.

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

Table 6

Fiscal Year	City Direct Rate	Overlapping Rates*				Total
		School District		Other Districts	County	
		#6	#199			
1997	28.09%	61.68%	56.64%	5.51%	23.94%	119.21%
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%

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	2006			1997		
	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	1.74%	\$451,315	1	4.13%
Blue Dog Properties Trust	186,968	2	1.18%	-	-	0.00%
Waterford Green Limited Partnership	111,250	3	0.70%	163,200	4	1.49%
Waterous Co	118,046	4	0.74%	123,672	6	1.13%
Chicago & NW Trans. Co	92,577	5	0.58%	158,162	5	1.45%
Healtheast Bethesda Lutheran Care Center	58,036	6	0.37%	-	-	0.00%
Jebco Group Inc	90,674	7	0.57%	-	-	0.00%
Dakota Bulk Property LLC	90,316	8	0.57%	122,587	7	1.12%
Leonard Investment Co.	87,123	9	0.55%	-	-	0.00%
Digital Angel Holdings LLC	61,216	10	0.39%	-	-	0.00%
Canal Capital Corp	-	-	-	272,861	2	2.50%
American Real Estate Holdings Limited Partnership	-	-	-	249,864	3	2.29%
Drovers Inn Assoc.	-	-	-	100,824	8	0.92%
South St. Paul Feed Inc.	-	-	-	77,617	9	0.71%
Drovers State Bank	-	-	-	72,588	10	0.66%
Total	\$387,365		2.45%	\$896,341		8.20%
Total All Property	\$15,899,070			\$10,925,804		

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

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

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$2,610,396	\$2,562,616	98.17%	\$47,028	\$2,609,644	99.97%
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	4,792,996	4,708,423	98.24%	109,467	4,817,890	100.52%

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

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

Fiscal Year	Governmental Activities		
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds
1997	\$2,865,000	\$7,065,000	\$8,475,000
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

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

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

Table 9

<u>Governmental Activities</u>		Percentage of Tax Capacity	<u>Business-Type Activities</u>		Per Customer	Total Primary Government	Per Capita ^(a)
Certificates of Indebtedness	Total Governmental Activities		Sewer/Water Revenue Bonds	Total Business-Type Activities			
\$85,000	\$18,490,000	169%	\$219,642	\$219,642	33	\$18,709,642	937
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	0%	-	-	-	16,815,000	840

- This page intentionally left blank -

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School Districts:			
Special School District No. 6	\$26,350,983	100.00%	\$26,350,983
ISD No. 199	39,805,000	0.35%	139,318
Dakota County	100,595,000	3.61%	3,631,480
Special Districts:			
Metropolitan Council	1,049,362,184	3.62%	37,986,911
CDA	389,339,226	3.61%	<u>14,055,146</u>
Subtotal - overlapping debt			82,163,838
City direct debt			<u>16,815,000</u>
Total direct and overlapping debt			<u><u>\$98,978,838</u></u>

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

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

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

CITY OF SOUTH ST. PAUL, MINNESOTA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2006

Market value	<u>\$1,411,714,500</u>
Debt limit (2% of market value)	<u>28,234,290</u>
Debt applicable to limit:	
General obligation bonds	6,125,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>6,125,000</u>
Legal debt margin	<u><u>\$22,109,290</u></u>

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt limit	\$11,728,082	\$12,960,052	\$13,605,554	\$14,628,550
Total net debt applicable to limit	<u>980,000</u>	<u>2,820,000</u>	<u>2,755,000</u>	<u>5,050,000</u>
Legal debt margin	<u><u>\$10,748,082</u></u>	<u><u>\$10,140,052</u></u>	<u><u>\$10,850,554</u></u>	<u><u>\$9,578,550</u></u>

Amount of Debt Applicable to Debt Limit:

Total net debt applicable to the limit as a percentage of debt limit	8.36%	21.76%	20.25%	34.52%
---	-------	--------	--------	--------

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$15,971,334	\$17,547,432	\$19,471,494	\$21,795,348	\$24,824,944	\$28,234,290
<u>4,955,000</u>	<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><u>\$11,016,334</u></u>	<u><u>\$12,747,432</u></u>	<u><u>\$13,106,494</u></u>	<u><u>\$17,380,348</u></u>	<u><u>\$20,664,944</u></u>	<u><u>\$22,109,290</u></u>
31.02%	27.35%	32.69%	20.26%	16.76%	21.69%

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	
1997	\$845,526	\$752,901	\$92,625	\$45,870	\$12,665	1.58
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	-	-	-	-	-	-

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	
\$1,190,662	\$775,000	\$328,136	1.08	\$1,651,910	\$400,000	\$315,759	2.31
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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income*</u>	<u>Dakota Unemployment Rate*</u>
1997	19,973	613,890,128	30,736	2.00%
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	N/A	N/A	N/A

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	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsman's Guide	524	1	6.15%	686	1	9.63%
Special School District No. 6	518	2	6.08%	569	2	7.99%
Waterous Company	382	3	4.48%	354	3	4.97%
City of South St. Paul	302	4	3.55%	280	4	3.93%
Wells Fargo Bank Minnesota, NA ¹	267	5	3.13%	124	7	1.74%
Dakota Premium Foods	250	6	2.93%	-	-	-
HealthEast Bethesda Care Center	218	7	2.56%	-	-	-
Twin City Bagel	180	8	2.11%	-	-	-
Stockyard's Meat Packing Co. ²	149	9	1.75%	160	6	2.25%
Wipaire, Inc.	142	10	1.67%	-	-	-
Long Prairie Packing	-	-	-	180	5	2.53%
Allstate Peterbilt Utility	-	-	-	115	8	1.61%
Miller Manufacturing	-	-	-	100	9	1.40%
Twin City Hide	-	-	-	75	10	1.05%
Total	2,932		34.42%	2,643		37.12%
Total city employment	8,518			7,121		

¹ Formerly Norwest Bank Minnesota, NA

² 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,		
	1997	1998	1999
General government:			
Management services	3.51	3.51	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	0.20
Police:			
Officers	27.00	26.00	25.00
Civilians			
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	6.10
Code enforcement	2.00	2.00	2.00
Public works	9.41	9.41	9.41
Parks and recreation	6.43	6.43	6.43
Library	8.00	8.00	8.00
Arena	2.00	3.00	3.00
Airport	1.00	1.00	1.00
Water	6.42	6.42	7.42
Central Garage	2.00	2.00	2.00
Total	99.62	99.62	99.84

Source: City Budget Office.

Table 15

Full-Time Equivalent Employees as of December 31,						
2000	2001	2002	2003	2004	2005	2006
3.73	4.38	4.38	4.28	4.28	5.28	5.28
2.80	2.80	2.80	2.80	2.80	2.80	2.80
1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.25	1.25	1.00	1.00	1.00	1.00	1.00
1.20	1.20	0.20	0.95	0.95	1.20	1.20
25.00	25.00	27.00	26.00	26.00	26.00	27.00
3.50	3.50	3.00	3.00	3.00	3.50	4.00
19.00	19.00	19.00	19.00	19.00	19.00	19.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00
0.50	0.50	0.50	0.43	0.33	0.50	0.50
5.85	5.85	5.85	4.85	4.85	4.85	4.85
2.00	2.00	3.00	2.00	3.00	3.00	3.00
9.40	9.40	9.40	8.40	8.40	8.40	8.40
6.03	6.63	7.13	6.63	6.63	7.03	7.43
8.00	8.00	8.00	8.00	8.00	8.00	8.00
3.00	2.50	2.50	2.00	1.50	1.75	2.50
2.00	2.00	2.00	2.00	2.00	2.00	2.00
7.42	7.42	7.42	9.12	9.12	7.42	7.42
2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>104.68</u>	<u>105.43</u>	<u>107.18</u>	<u>104.46</u>	<u>104.86</u>	<u>105.73</u>	<u>108.38</u>

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

Function/Program	Fiscal Year		
	1997	1998	1999
Police:			
Calls for Service	13,516	12,634	11,900
Part I offenses	N/A	N/A	N/A
Part II offenses	N/A	N/A	N/A
Felony charges	172	184	153
DUI	N/A	147	134
Traffic Accidents	N/A	458	501
Traffic Violations	N/A	942	848
Fire:			
Emergency responses - Non-fire	1,412	1,462	1,370
Fires extinguished - Fire calls	360	376	389
Inspections	1,026	1,007	1,066
Recycling			
Appliances collected	N/A	N/A	250
Oil collected (gallons)	N/A	N/A	N/A
Scrap metal recycled	N/A	N/A	26,760
City Planner			
Site Plan reviews	N/A	N/A	6
Other public works:			
Segments of streets/alleys rehabbed	30	37	39
Parks and recreation:			
Mclain and Splash pool uses (avg daily attendance*) ⁽¹⁾	31,042	33,000	35,000
Northview pool (avg daily attendance*)	4,898	5,000	7,000
Library:			
Charged circulation (usage)	192,055	186,179	177,156
Arena:			
Ice rented (hours)	2,200	2,000	3,000
Transportation:			
Fuel sold (gallons)	229,228	175,136	197,856
Aircraft operations	52,100	49,800	52,400
Water:			
Utility customers	1,093	1,152	1,128
Pumpage/year (thousands of gallons)	6,885	6,896	6,700
Wastewater:			
Sewage treatment (thousands of gallons)	1,375	1,327	1,128

Sources: City Budgets

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

* - Operations are seasonal

** - 2006 amounts are estimates

⁽¹⁾ - Mclain pool operations ceased in 2000

Table 16

Fiscal Year						
2000	2001	2002	2003	2004	2005	2006**
13,840	17,280	18,766	17,394	19,183	17,036	16,000
863	740	789	683	662	870	900
2,034	1,944	2,097	1,977	2,000	1,784	1,800
153	231	256	215	261	225	225
188	208	226	152	122	168	120
495	470	477	492	377	275	275
728	951	1,524	1,151	1,432	1,335	1,200
1,512	1,541	1,424	1,519	1,477	N/A	N/A
327	341	362	335	359	N/A	N/A
918	1,017	1,251	1,208	1,495	N/A	N/A
220	220	272	400	216	208	220
800	800	850	870	890	900	45
21,800	21,800	28,940	30,430	24,500	19,460	900
6	1	4	4	1	4	4
27	28	24	34	37	36	30
15,135	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
151,638	146,419	161,685	140,600	133,800	128,729	130,000
3,500	3,693	3,226	3,116	3,157	3,525	3,698
184,512	267,093	232,564	204,146	193,254	199,606	191,400
49,940	78,300	56,210	61,320	63,150	64,413	65,701
1,210	1,171	1,250	1,172	1,183	1,085	1,250
6,800	6,900	6,900	6,900	6,900	6,900	6,900
1,208	1,170	1,063	1,172	1,183	1,085	1,250

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

Table 17

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

Sources: Various City departments.

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

N/A - information is not available