
Annual Comprehensive Financial Report

For the Year Ended December 31, 2023



City of South St. Paul, Minnesota

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

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

**PREPARED BY:
FINANCE DEPARTMENT**

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I. INTRODUCTORY SECTION

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June 19, 2024

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

The Annual Comprehensive Financial Report (Financial Report) of the City of South St. Paul, Minnesota (the City) for the fiscal year ended December 31, 2023 is hereby submitted. The purpose of this report is to provide the Mayor, City Council, City staff, citizens, bondholders, and other interested parties with useful information concerning the City's operations and financial positions.

This report was prepared by the City's Finance Department. Management assumes full responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules, and statistical tables contained in this report, based upon a comprehensive framework of internal controls that has been established for that purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We believe the data, as presented, is accurate in all material respects; that it fairly sets forth the financial position and results of City operations as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (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 (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of South St. Paul's MD&A can be found immediately following the Independent Auditors' Report.

The organization, form and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants, and the Minnesota Office of the State Auditor.

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 Financial Report includes all organizations, funds, and activities for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, the South St. Paul Economic Development Authority and the South St. Paul Housing and Redevelopment Authority are blended component units and their financial data is presented as part of the City.

City services include police, parks and recreation [15 parks spread over 245 acres], two aquatic facilities, Doug Woog Arena [a two-rink indoor facility seating over 1,200 people], public works [street, water, sanitary sewer, storm water, and street light services], building permits, inspections, community planning, code enforcement, business licensing, and administrative support services.

There are two services provided by the City which are unique among most cities in the area. First, the City owns and operates a modest sized airport with over 250 resident aircraft, 60,000 average annual landings, and 131 leased hangar and industrial sites supporting over 300 on-site jobs. Second, whereas Dakota County operates all other libraries throughout the County, the City owns and operates its own library and the county ad valorem tax levy is less in the City of South St. Paul than in other Dakota County cities.

Financial: Accounting, Budgets, Internal Control

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

Budgetary control is maintained to ensure compliance with legally adopted provisions embodied in appropriations contained in the annual budget approved by the City Council for Governmental Funds. Annual Budgets are adopted for the General Fund and the Doug Woog Arena, Airport and Library Special Revenue Funds after a more than six-month process of Council review of departmental estimates and requests and a number of public meetings culminating in final budget approval in December. Actual to budget comparative statements for selected budgeted funds are presented in the appropriate financial section.

Legally, expenditures are controlled at the departmental level. However, day-to-day administration of the budget is in accordance with the official "Budget Administration Plan." 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. Finance Department staff review quarterly budgets for accuracy and budgetary/policy compliance before they are submitted to Council for approval. Line item budget reports are reviewed by each department.

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

Economic Conditions and Economic Outlook

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

Property values, which had seen a significant decrease in value in the early 2010s, were revitalized and average residential market values rose an average of over 9% per year between 2017 and 2024. The City's general economic environment parallels that of the Twin Cities Metropolitan Area, which historically has one of the most stable and diversified economic bases of any major metropolitan area.

The City's housing stock consists of 5,652 residential homesteaded properties for the 2023 assessment (for taxes payable 2024) year. The preliminary 2024 average value of these properties is \$285,369, which is a 0.10% increase over 2023. In contrast, the comparable value for 2008 assessment year was \$199,102, so the average residential value is over the 2008 levels. The Twin Cities area has seen strong recovery in home values and South St. Paul is seeing this trend as well.

In the past, a major concern for the City has been the instability of State Aids authorized by Minnesota State legislation and distributed to the City. In 2013, the State legislature and Governor enacted a new local government aid (LGA) formula, which went into effect in 2014 that restored some of the cuts previously experienced. The City Council took a proactive approach to reduce its operational reliance on State Aids. A specific amount of the LGA monies received are now budgeted to be used for financing capital improvements as outlined in the City's Capital Improvement Plan. The City's plan is to increase the amount set aside for capital needs and to reduce use of LGA for operations.

Major Initiatives

Street Projects

- Concord Street reconstruction was completed in 2023. This was a multi-year, \$25,500,000 project updating a major thoroughfare in the City.
- The 4th Street Improvements and the 2nd Street and 7th Avenue Improvements projects were both completed in 2023.

Airport Projects

- The Runway Reconstruction project was completed in 2023.
- The Taxilane Charlie Reconstruction project was substantially complete in 2023.

Joint Efforts

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

South Metro Fire District

- In 2005, a joint powers agreement with the City of West St. Paul merged the full-time fire departments into a new entity, the South Metro Fire Department (SMFD). The fire services are paid by the two cities and are recorded as contracted services.

Dakota Communications Center

- Dakota County and its constituent cities collaborated to eliminate five separate dispatch providers and replace them with a single new state-of-the-art operation, the Dakota Communications Center (DCC). The DCC operates pursuant to a joint powers agreement between the County and cities within Dakota County. The DCC completed its first year of operational life in 2007 and continues to receive support from the member cities.

Special School District #6

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

Long-term Financial Planning

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

In addition, the City Council has directed staff to develop long-term financial management plans on an annual basis for the Doug Woog Arena fund in an effort to address the outstanding internal debt and decrease the advances of cash funds needed from the General Fund. The results from the plans required internal debt payments on an annual basis. The Long-Term Financial Plan was updated in 2019 and continues to guide city decisions going forward.

Financial Policy Information

In accordance with the City's Liquidity-Fund Balance policy, the City strives to maintain a fund balance in the General Fund for working capital purposes of 35%-50% of the following year's General Fund total budgeted expenditures. This policy identifies fund balance in the General Fund as an important and essential component of the overall financial management for City operations. The policy notes that fund balance is needed for adequate cash flow until large revenue sources are received during the fiscal year. In addition, fund balance can also be used to respond to unexpected expenditures and a temporary loss of revenue. The policy was revised in 2014 to set a benchmark range of 35%-50% of subsequent year budgeted expenditures for the unassigned fund balance in the General fund. The City exceeded this policy as of December 31, 2023 with an unassigned fund balance equal to 51.5% of subsequent year expenditures.

Independent Audit

The City of South St. Paul's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of certified public accountants. The City of South St. Paul's financial statements for the fiscal year ended December 31, 2023 have received an unmodified opinion from the independent auditor that they are presented in conformity with GAAP. The auditor's report which includes a description of the scope of the audit is presented as the first item of the financial section of this report.

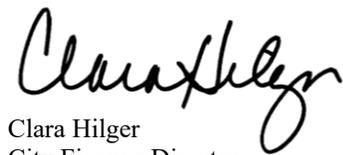
Awards and Acknowledgments

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South St. Paul for its annual comprehensive financial report for the year ended December 31, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of South St. Paul has received a Certificate of Achievement for the last 25 consecutive years. We believe this 2023 Financial Report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA.

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,



Clara Hilger
City Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of South St. Paul
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO

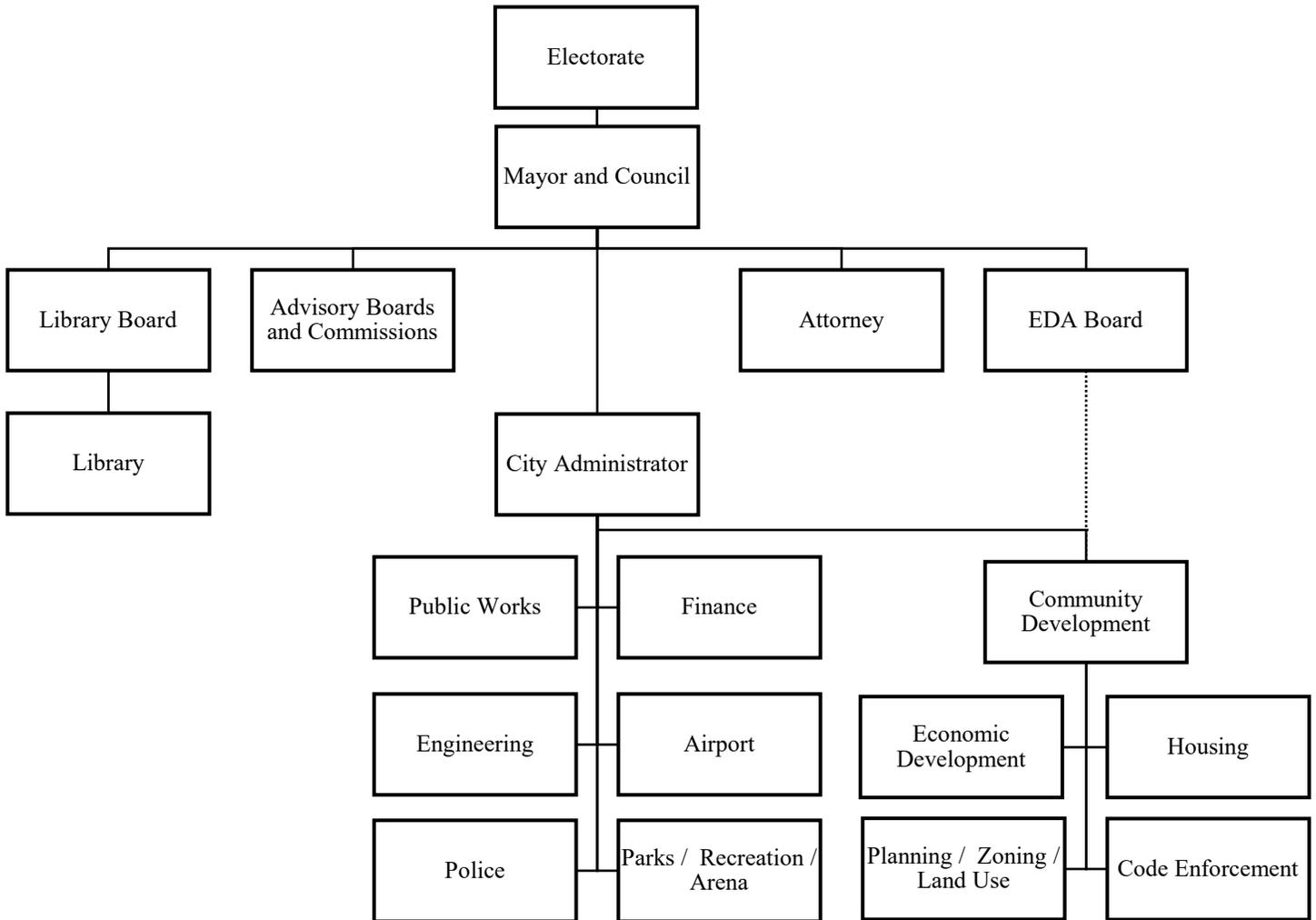
CITY OF SOUTH ST. PAUL, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
 December 31, 2023

| | | <u>Term Expires</u> |
|--------------------------------------|--------------------------------|---------------------|
| Mayor | James Francis | January 1, 2025 |
| Councilmembers | Matthew Thompson | January 1, 2027 |
| | Joseph Kaliszewski | January 1, 2027 |
| | Thomas Seaberg | January 1, 2027 |
| | Pamela Bakken | January 1, 2025 |
| | Lori Hansen | January 1, 2025 |
| | Todd Podgorski | January 1, 2025 |
| City Administrator | Ryan Garcia | Appointed |
| Finance Director | Clara Hilger | Appointed |
| City Engineer | Nick Guilliams | Appointed |
| Police Chief | Brian Wicke | Appointed |
| City Clerk | Deanna Werner | Appointed |
| Library Director | Kathy Halgren/Honora Rodriguez | Appointed |
| Parks & Recreation Director | Shannon Young | Appointed |
| Public Works Director | Howard Steenberg | Appointed |
| Airport Manager | Andrew Wall | Appointed |
| Planning / Zoning / Land Use Manager | Michael Healy | Appointed |

CITY OF SOUTH ST. PAUL, MINNESOTA

ORGANIZATION CHART

December 31, 2023



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II. FINANCIAL SECTION

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(continued)

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or if the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
June 19, 2024

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CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2023

This management overview and analysis is offered to readers of the City's annual comprehensive financial report for the City of South St. Paul, Minnesota regarding the financial activities of the City for the fiscal year ended December 31, 2023. 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 6 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$148,455,465 (net position). Of this amount, \$24,106,627 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$8,139,452 from the prior year.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,525,288. The fund balance classifications by fund type are as follows:

| | General | Special Revenue | Debt Service | Capital Projects | Total |
|--------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| Nonspendable | \$ 125,074 | \$ 80,697 | \$ - | \$ - | \$ 205,771 |
| Restricted | - | 7,382,609 | 3,194,128 | 8,644,029 | 19,220,766 |
| Committed | 4,590,970 | 41,296 | - | 869,442 | 5,501,708 |
| Assigned | - | 112,548 | - | 3,174,684 | 3,287,232 |
| Unassigned | 10,922,398 | (536,623) | - | (1,075,964) | 9,309,811 |
| | <u>\$ 15,638,442</u> | <u>\$ 7,080,527</u> | <u>\$ 3,194,128</u> | <u>\$ 11,612,191</u> | <u>\$ 37,525,288</u> |

- The City's bonded debt decreased by \$1,312,719 during the current fiscal year, from \$21,734,000 to \$20,421,281. This was largely due to the scheduled payments on existing debt.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported at the occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, recreation (parks and programs, library, arena), economic development and transportation (airport). There are four business-type activities of the City of South St. Paul – water and sewer utility, storm water utility, street light utility and low rent housing.

The government-wide financial statements can be found on pages 31 through 33 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of resources available at the end of the fiscal year. This information may be useful when evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six major governmental funds. Information is presented separately, by fund, in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Doug Woog Arena special revenue fund, Airport special revenue fund, Capital Programs capital projects fund, Local Improvements capital projects fund and Tax Increment capital projects fund. Data from the other governmental funds are combined into a single, aggregated presentation under the title of nonmajor governmental funds. Individual fund data for each of these funds is provided in the form of combining statements and can be found after the notes in the financial section of this report.

The basic governmental fund financial statements can be found on pages 34 through 39 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 40 through 45 of this report.

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

The basic fiduciary fund financial statements can be found on pages 46 through 47 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 through 87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary compliance for its major funds, a schedule of changes in total OPEB liability and related ratios, schedules of contributions for the Public Employees General Retirement and Police and Fire funds, and schedules of the proportionate share of net pension liability for the Public Employees General Retirement and Police and Fire funds. The City adopts an annual appropriated budget for three of its major funds: General, Doug Woog Arena, and Airport funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget and to provide the reader with budgetary detail. These can be found on pages 89 through 95 of this report. The schedule of changes in total OPEB liability and related ratios can be found on pages 96 through 97 of this report. The schedule of contributions and the schedules of the proportionate share for the Public Employees General Retirement and Police and Fire funds can be found on pages 98 through 102 of this report. The notes to the required supplementary information can be found on pages 103 through 109.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 116 through 140 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148,455,465 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$104,005,272 or 70.1%) reflects investment in capital assets (e.g. land, buildings and land improvements, infrastructure, machinery, equipment, and construction in progress) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 55,418,643 | \$ 56,735,116 | \$ 16,459,879 | \$ 13,925,101 | \$ 71,878,522 | \$ 70,660,217 |
| Capital assets | 84,293,309 | 88,695,730 | 39,530,724 | 30,083,162 | 123,824,033 | 118,778,892 |
| Total Assets | <u>139,711,952</u> | <u>145,430,846</u> | <u>55,990,603</u> | <u>44,008,263</u> | <u>195,702,555</u> | <u>189,439,109</u> |
| Deferred outflows of resources | 9,408,302 | 10,669,414 | - | - | 9,408,302 | 10,669,414 |
| Current liabilities | 4,153,757 | 5,583,206 | 1,321,367 | 878,912 | 5,475,124 | 6,462,118 |
| Non-current liabilities | 30,418,513 | 41,135,832 | 5,438,831 | 4,595,526 | 35,857,344 | 45,731,358 |
| Total Liabilities | <u>34,572,270</u> | <u>46,719,038</u> | <u>6,760,198</u> | <u>5,474,438</u> | <u>41,332,468</u> | <u>52,193,476</u> |
| Deferred inflows of resources | 15,322,924 | 7,599,034 | - | - | 15,322,924 | 7,599,034 |
| Net position | | | | | | |
| Net investment in capital assets | 72,179,718 | 74,547,350 | 34,261,751 | 25,657,494 | 104,005,272 | 97,669,371 |
| Restricted | 20,343,566 | 17,080,411 | - | - | 20,343,566 | 17,080,411 |
| Unrestricted | 6,701,776 | 10,154,427 | 14,968,654 | 12,876,331 | 24,106,627 | 25,566,231 |
| Total Net Position | <u>\$ 99,225,060</u> | <u>\$ 101,782,188</u> | <u>\$ 49,230,405</u> | <u>\$ 38,533,825</u> | <u>\$ 148,455,465</u> | <u>\$ 140,316,013</u> |

As of the close of the current year, there is \$2,266,339 in General Obligation Bond debt and premium on bonds issued included in the long-term liabilities outstanding in the Governmental Activities that was used to finance capital assets reported in the Business-type Activities. This amount is not used to reduce net investment in capital assets in the Governmental Activities. Neither does it reduce net investment in capital assets of the Business-Type Activities. However, it does reduce net investment in capital assets in the total column. Additionally, there is \$169,858 in General Obligation Bond debt included in the long-term liabilities outstanding reported in the Business-type Activities that was issued to finance capital assets reported in the Governmental Activities. This amount is not used to reduce net investment in capital assets in the Business-type Activities. Neither does it reduce net investment in capital assets of the Governmental Activities. However, it does reduce net investment in capital assets in the total column.

A portion of the City's governmental activities net position represents resources that are subject to external restrictions on how they may be used. As of December 31, 2023, \$3,804,468 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements and \$8,686,064 was restricted for tax increment financing. In addition, \$7,853,034 was restricted for specific purposes including economic development, housing, park improvements, library funding, airport and other purposes. The remaining balance of unrestricted net position of \$24,106,627 may be used to meet the City's ongoing obligations to citizens and creditors.

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

Current assets decreased in the governmental activities due to regular scheduled debt payments and calling a bond one year early. Capital assets decreased in the governmental activities due to a major road construction project in 2023 being completed and a portion transferred to the enterprise funds. Changes in actuarial assumptions for the City's defined benefit pension plans caused a decrease in deferred outflows of resources and an increase in deferred inflows of resources. Current liabilities in the governmental activities decreased due to unearned revenue received in 2021 and 2022 related to American Rescue Plan Act (ARPA) being spent in 2023. Non-current liabilities in the governmental activities decreased due to changes in assumptions relating to pensions.

In the business type activities, current assets increased due an increase in cash and receivables. Current liabilities increased due to an increase in payables for capital expenditures near year end. Non-current liabilities increased due to draws on a new PFA loan.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Governmental Activities

Governmental activities decreased the City's net position by \$2,557,128. Revenues from governmental activities are reported as program revenues or general revenues. Program revenues are, in turn, reported as charges for services, operating grants and contributions or capital grants and contributions. Expenses are reported on a functional or program basis.

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

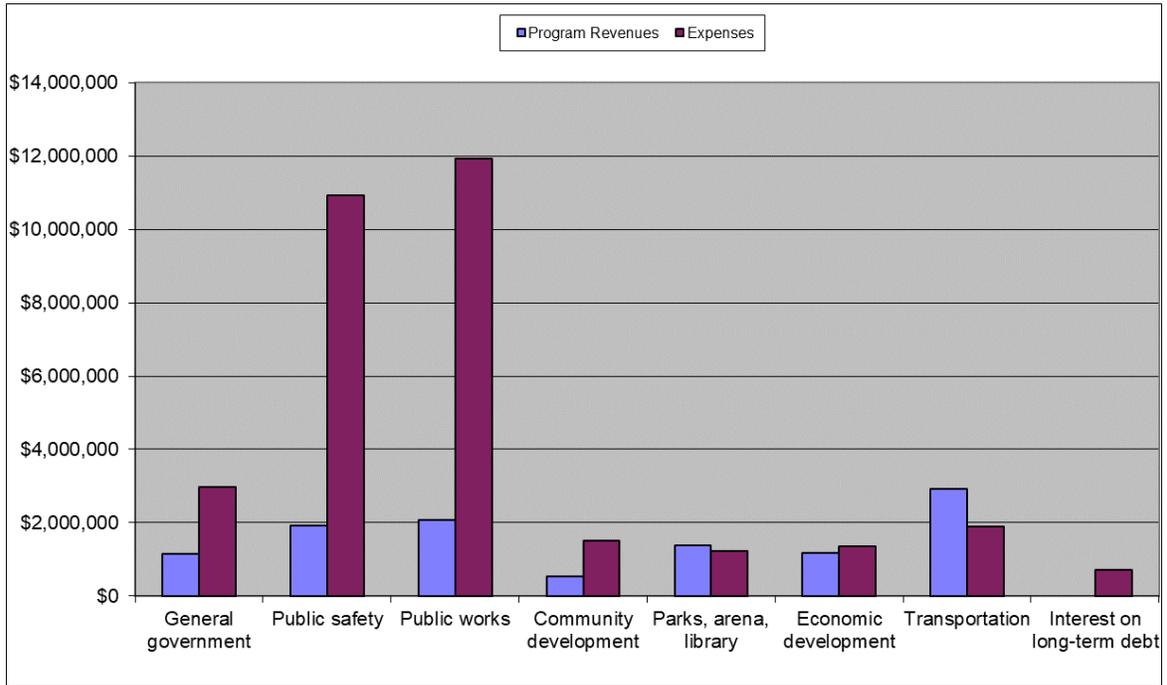
| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 6,326,421 | \$ 5,923,221 | \$ 10,717,150 | \$ 9,996,633 | \$ 17,043,571 | \$ 15,919,854 |
| Operating grants and contributions | 2,770,305 | 1,928,875 | 1,203,904 | 1,143,208 | 3,974,209 | 3,072,083 |
| Capital grants and contributions | 2,082,527 | 14,279,697 | 506,659 | 165,099 | 2,589,186 | 14,444,796 |
| General revenues | | | | | | |
| Property taxes | 16,838,976 | 16,000,779 | - | - | 16,838,976 | 16,000,779 |
| Tax increments | 2,468,456 | 2,202,210 | - | - | 2,468,456 | 2,202,210 |
| Franchise tax | 1,546,224 | 1,650,589 | - | - | 1,546,224 | 1,650,589 |
| Unrestricted grants and contributions | 5,038,648 | 2,811,341 | - | - | 5,038,648 | 2,811,341 |
| Investment income | 1,040,788 | (422,990) | 276,175 | (94,212) | 1,316,963 | (517,202) |
| Gain on sale of capital assets | 66,804 | 1,059,140 | - | - | 66,804 | 1,059,140 |
| Total revenues | <u>38,179,149</u> | <u>45,432,862</u> | <u>12,703,888</u> | <u>11,210,728</u> | <u>50,883,037</u> | <u>56,643,590</u> |
| Expenses | | | | | | |
| General government | 2,965,354 | 2,360,873 | - | - | 2,965,354 | 2,360,873 |
| Public safety | 10,941,608 | 9,834,512 | - | - | 10,941,608 | 9,834,512 |
| Public works | 11,928,600 | 10,339,901 | - | - | 11,928,600 | 10,339,901 |
| Community development | 1,512,724 | 1,136,270 | - | - | 1,512,724 | 1,136,270 |
| Parks, arena, library | 1,214,613 | 3,073,984 | - | - | 1,214,613 | 3,073,984 |
| Economic development | 1,345,845 | 2,163,643 | - | - | 1,345,845 | 2,163,643 |
| Transportation | 1,890,406 | 2,092,961 | - | - | 1,890,406 | 2,092,961 |
| Interest on long-term debt | 707,790 | 688,507 | - | - | 707,790 | 688,507 |
| Water and sewer utility | - | - | 6,087,925 | 6,493,715 | 6,087,925 | 6,493,715 |
| Storm water utility | - | - | 762,262 | 526,994 | 762,262 | 526,994 |
| Street light utility | - | - | 219,125 | 250,889 | 219,125 | 250,889 |
| Low rent housing | - | - | 3,167,333 | 2,665,548 | 3,167,333 | 2,665,548 |
| Total expenses | <u>32,506,940</u> | <u>31,690,651</u> | <u>10,236,645</u> | <u>9,937,146</u> | <u>42,743,585</u> | <u>41,627,797</u> |
| Increase (decrease) in net position before transfers | 5,672,209 | 13,742,211 | 2,467,243 | 1,273,582 | 8,139,452 | 15,015,793 |
| Transfers of capital assets | (9,401,746) | - | 9,401,746 | - | - | - |
| Transfers | 1,172,409 | 366,900 | (1,172,409) | (366,900) | - | - |
| Change in net position | (2,557,128) | 14,109,111 | 10,696,580 | 906,682 | 8,139,452 | 15,015,793 |
| Net position - January 1 | 101,782,188 | 87,673,077 | 38,533,825 | 37,627,143 | 140,316,013 | 125,300,220 |
| Net position - December 31 | <u>\$ 99,225,060</u> | <u>\$ 101,782,188</u> | <u>\$ 49,230,405</u> | <u>\$ 38,533,825</u> | <u>\$ 148,455,465</u> | <u>\$ 140,316,013</u> |

In the governmental activities, capital grants and contributions decreased due to State and Federal funds received for road projects in 2022. Property taxes increased based on the Council approved increase in the City's tax levy, unrestricted grant increased due to recognition of ARPA funds and investment income increased due to an increase in interest rates.

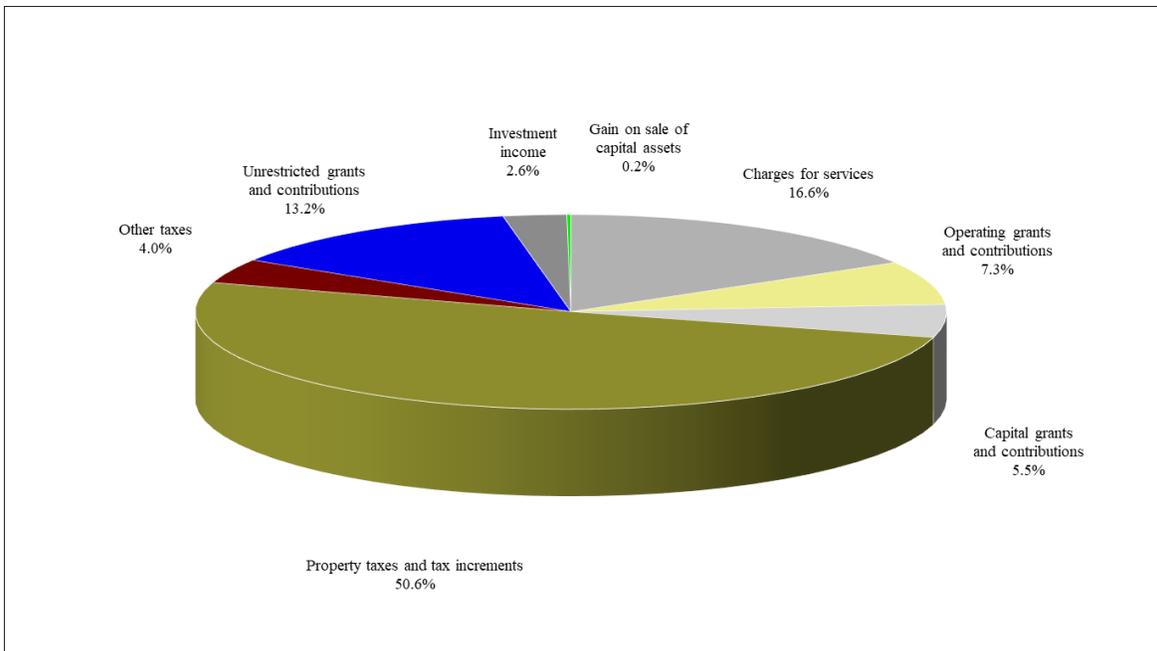
Public safety expenses increased due to budgeted hiring of new police officers. Expenses in public works increased as a result of non-capitalized costs for the Concord Street project. Economic development expenses decreased due to decreased development activities in the city in 2023. Transportation decreased due to a decrease in maintenance costs at the Airport. There was also a decrease in parks expenses due to insurance proceeds covering the costs of repairing the arena roof. There were also capital asset transfers related to the Concord Street for the enterprise portion of the assets.

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

Expenses and Program Revenues – Governmental Activities



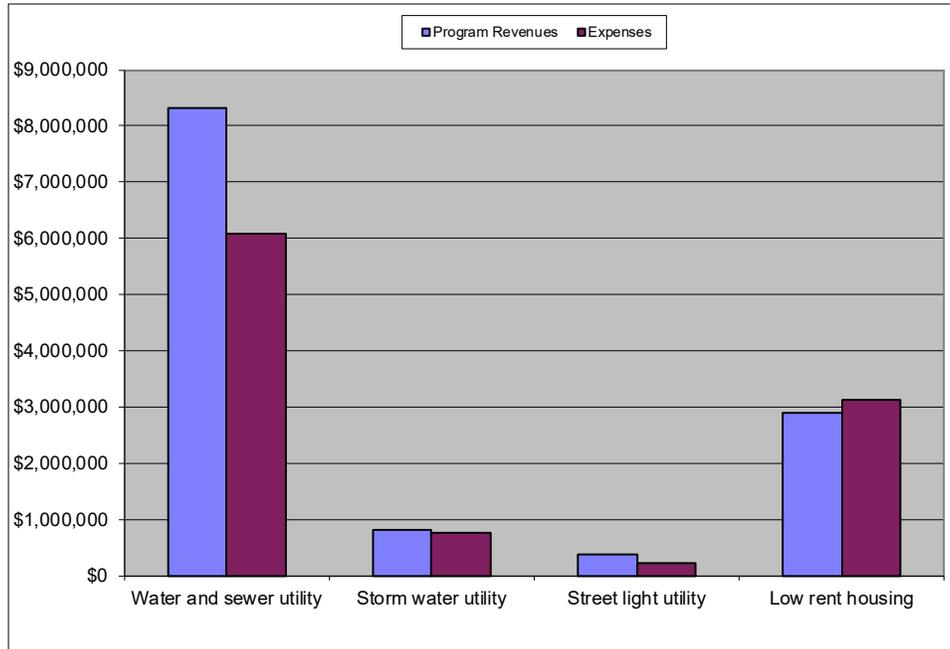
Governmental Activities – Revenues



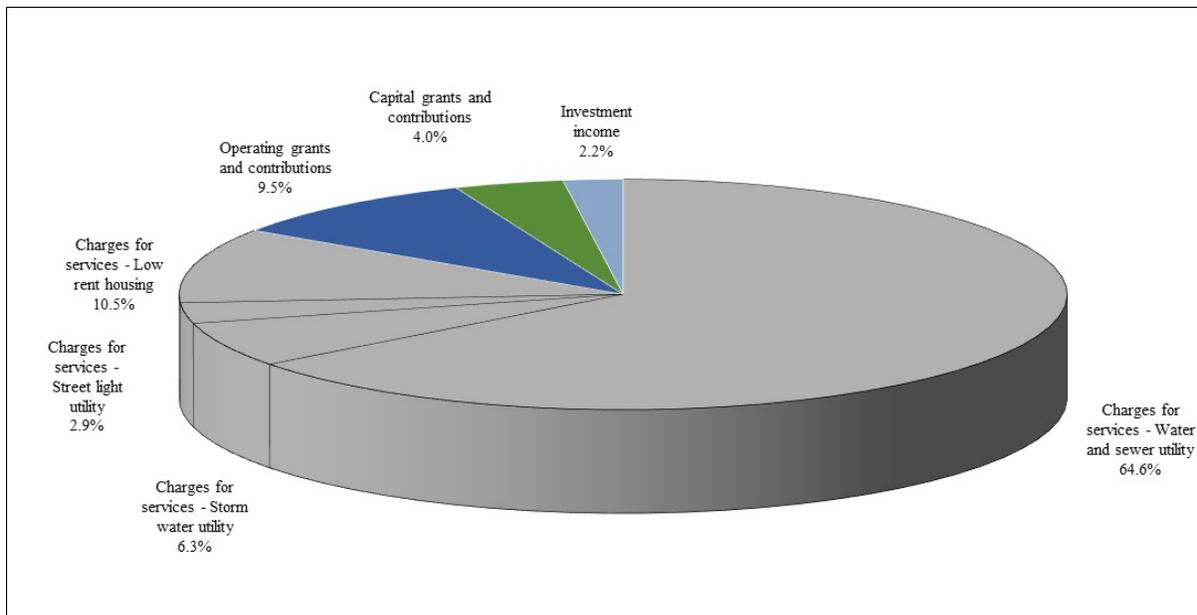
Business-Type Activities

Business-type activities increased net position by \$10,696,580. Below are specific graphs that provide comparisons of the business-type activities program revenues and expenses:

Expenses and Program Revenues – Business-Type Activities



Business-Type Activities – Revenues



Charges for services in the business-type activities increased due to increases in the rates charged for services in 2023. Operating grants and contributions increased due to federal grants received in the HRA for operating expenses. Capital grants and contributions increased due to a new capital project starting in 2023. Investment income increased due to an increase in interest rates. Expenses in Water and Sewer Utility decreased due to less maintenance and a decrease in professional services. Expenses in Low Rent Housing increased due to higher maintenance costs in 2023 and the planning stages of a capital project.

Financial Analysis of the Government's Funds

Governmental Funds. The measurement focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending and cash flows at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37,525,288. Approximately 0.5% or \$205,771 is nonspendable because of form or availability: 1) \$135,678 in inventory, and 2) \$70,093 in prepaid items. In addition, \$19,220,766 or 51.2% is restricted in use by outside influences: 1) \$3,194,128 to provide for debt service, 2) \$3,179,575 for economic development, 3) \$8,644,029 for tax increment financing, 4) \$2,742,145 for housing, 5) \$266,940 for park improvements, 6) \$53,804 for library funding, 7) \$25,939 for community relations, 8) \$61,317 for forfeitures, 9) \$4,082 for memorial funding 10) \$968,732 for lawful purposes, and 11) \$80,075 for the Airport. An additional \$5,501,708 or 14.7% has been committed by City Council action: 1) \$4,590,970 for working capital, 2) \$869,442 for Local Improvements and 3) \$41,296 for Central Square. Another \$3,287,232 or 8.8% has been assigned to specific purposes: 1) \$2,958,157 for working capital in the capital projects funds, 2) \$216,527 for equipment acquisition, and 3) \$112,548 for other purposes. The remaining fund balance of \$9,309,811 is unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance increased to \$15,638,442, of which 69.8% (\$10,922,398) was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 66.6% of expenditures for 2023.

The General fund revenue increased \$1,132,290 in 2023. This was a net result of an increase in property tax revenue which was anticipated in the 2023 budget and an increase in investment income.

The General fund expenditures decreased \$1,096,703 from 2022 to 2023. This was due to the ARPA fund covering fire expenditures.

The Doug Woog Arena fund had an ending fund balance deficit of \$532,796. The net increase in fund balance was \$170,195. This was due to an increase in the ice rentals in 2023. The Arena has an outstanding cash balance deficit of \$617,725 at the close of the year which requires a cash advance from the General fund.

The Airport fund had an ending fund balance of \$156,670. The net increase in fund balance was \$97,489. The Airport's increase in fund balance is primarily due to an increase intergovernmental revenue.

The Capital Programs fund had a total fund balance of \$2,327,143 at the end of 2023. This was a decrease of \$5,787,838 from 2022. The decrease in fund balance is primarily due to more scheduled projects in this fund in 2023.

The Local Improvements fund had a total fund balance of \$869,442. This was an increase of \$2,548,990 compared to 2022. This increase was due to transfers into the account to close out completed projects.

The Tax Increment fund had a total fund balance of \$8,644,029 at the end of 2023. This was an increase of \$1,160,995 from 2022. The increase was due to an increase in property values in the TIF district.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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

Net position in the Water and Sewer Utility fund increased by \$7,330,821 in 2023 and was \$30,523,499 at year-end. This was a result of an increase in the rates charged and capital assets being transferred in.

Net position increased \$3,300,291 in the Storm Water Utility fund and was \$11,754,791 at year-end. This was a result of an increase in the rates charged in 2023 and capital assets being transferred in.

Net position increased by \$140,413 in the Street Light Utility fund and was \$568,297 at year-end. This was a result of an increase in the rates charged in 2023.

Net position in the Low Rent Housing fund decreased by \$202,532 during 2023. This can be attributed to operating costs being higher than operating revenue and federal grants.

The unrestricted net position in the respective proprietary funds are Water and Sewer Utility, \$10,985,687, Storm Water Utility, \$526,682, Street Light Utility \$568,297, and Low Rent Housing \$3,256,234.

General Fund Budgetary Highlights

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

Total original budgeted revenues of \$18,889,798 were revised to the final budgeted revenues of \$18,917,848, an increase of \$28,050. This was due to a transfer of property taxes to the Library for increases in personnel costs and an increase in intergovernmental revenue in federal revenue. Total original budgeted expenditures of \$19,079,798 were revised to the final budgeted expenditures of \$16,900,860, a decrease of \$2,178,938. The reduction was in the fire department costs that were covered by the ARPA grant.

Actual revenues exceeded the final budget by \$892,404. One major contributor to this was in the interest income and change in investments which exceeded the budget by \$259,780. In addition, franchise tax, licenses and permits, and intergovernmental revenues all exceeded the budget estimates in 2023.

Actual expenditures were under the final budget by \$495,602. This was the result of lower than anticipated costs in police protection, parks facilities and maintenance, and city clerk. Those were offset by higher than anticipated costs for the city attorney.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023 was \$123,824,033 (net of accumulated depreciation). This investment in capital assets includes land, temporary and perpetual easements, buildings, land improvements, infrastructure, machinery and equipment, and construction in progress.

More detailed information regarding capital assets are found in the notes to the financial statements (Note 1.N. pages 56-57 and Note 4 on pages 64-66).

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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

- Construction in progress at the end of the year in the Governmental Activities included \$1,268,204 for the Wakota Trailhead.
- The projects completed in 2023 included the Concord Street Project for \$21,341,627, 4th Street Improvements for \$1,486,286, 7th Ave/2nd Street Improvements for \$1,532,344 and the Runway Reconstruction for \$3,711,460.
- The City invested \$268,641 to replace a variety of City vehicles and equipment.

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and perpetual easements | \$ 14,319,460 | \$ 12,313,694 | \$ 594,775 | \$ 594,775 | \$ 14,914,235 | \$ 12,908,469 |
| Temporary easements | - | 9,609 | - | - | - | 9,609 |
| Building and land improvements | 24,946,129 | 26,033,794 | 9,519,856 | 9,963,472 | 34,465,985 | 35,997,266 |
| Machinery and equipment | 4,994,179 | 5,352,568 | 1,665,037 | 1,794,963 | 6,659,216 | 7,147,531 |
| Infrastructure | 37,763,089 | 20,460,104 | 26,097,034 | 17,252,684 | 63,860,123 | 37,712,788 |
| Construction in progress | 2,270,452 | 24,525,961 | 1,654,022 | 477,268 | 3,924,474 | 25,003,229 |
| | <u>\$ 84,293,309</u> | <u>\$ 88,695,730</u> | <u>\$ 39,530,724</u> | <u>\$ 30,083,162</u> | <u>\$ 123,824,033</u> | <u>\$ 118,778,892</u> |

Long-term debt. At the end of the current fiscal year, the City had a total outstanding bonded debt of \$20,421,281, a decrease of \$1,312,719 from 2022. This total is comprised of general obligation debt of \$18,200,000 and revenue supported bonds in the amount of \$2,221,281.

Additional long-term debt amounts correspond to compensated absences in the amount of \$483,368, total issuance premium of \$768,443, total other post-employment benefit liability of \$3,773,045 and net pension liability of \$8,677,398 in government activities and notes payable in the amount of \$1,733,809 in business-type activities.

CITY OF SOUTH ST PAUL, MINNESOTA'S OUTSTANDING DEBT

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General purpose bonds | \$ 16,735,000 | \$ 18,455,000 | \$ 1,465,000 | \$ 1,655,000 | \$ 18,200,000 | \$ 20,110,000 |
| Revenue bonds | - | - | 2,221,281 | 1,039,000 | 2,221,281 | 1,039,000 |
| Taxable TIF bonds | - | 585,000 | - | - | - | 585,000 |
| Issuance premium | 749,702 | 814,216 | 18,741 | 21,820 | 768,443 | 836,036 |
| Notes payable | - | - | 1,733,809 | 1,879,706 | 1,733,809 | 1,879,706 |
| Total other post-employment benefit liability | 3,773,045 | 4,182,764 | - | - | 3,773,045 | 4,182,764 |
| Net pension liability | 8,677,398 | 16,646,624 | - | - | 8,677,398 | 16,646,624 |
| Compensated absences | 483,368 | 452,228 | - | - | 483,368 | 452,228 |
| | <u>\$ 30,418,513</u> | <u>\$ 41,135,832</u> | <u>\$ 5,438,831</u> | <u>\$ 4,595,526</u> | <u>\$ 35,857,344</u> | <u>\$ 45,731,358</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

The City of South St. Paul maintained an Aa2 rating from Moody's Investors Services as of year ended December 31, 2023.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current statutory debt limitation for the City of South St. Paul is \$68,210,916, which is in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be found in the notes to the financial statements, Note 5 on pages 66 through 69.

Economic Factors, Future Budgets and Rates

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

- The unemployment rate for the City is 2.6% at the end of the fiscal year, which is comparable to a year ago. This compares to the State's average unemployment rate of 2.6% and the national average of 3.5%.
- Property value increased by 15.4% in 2023 which was higher than the prior year increase, 2024 property values show a 5.2% increase.
- Surpassing the record-setting years of 2021 and 2022 for building permit activity (but not quite reaching those years' record-setting permit values), development activity remained strong in 2023 in South St. Paul, with total valuations of more than \$23,500,000. Highlighting 2023 was the construction of a new 33,800 square foot office-warehouse at the southwest corner of Hardman Avenue and Hardman Court, the renovation of a commercial facility to house a new specialty food market at Concord Exchange and Veterans Memorial Lane, and the construction of a new Dakota County Library branch at 7th Avenue and Marie Avenue. These examples continue to exemplify the City and Development Community's focus on creative and adaptive infill and redevelopment within our fully built-out city, by providing new retail, employment, and cultural opportunities for current and future generations.
- The City's 2024 budget had a 1.19% (\$185,739) increase in the property tax levy for tax supported operations in the General fund and Doug Woog Arena fund.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of South St. Paul, Finance Department, 125 Third Avenue North, South St. Paul, Minnesota 55075, Finance Director at 651-554-3207 or finance@southstpaul.org.

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2023

Statement 1

| | Primary Government | | |
|--|-------------------------|--------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash, cash equivalents and investments | \$ 38,279,120 | \$ 12,625,776 | \$ 50,904,896 |
| Accrued interest | 67,596 | - | 67,596 |
| Accounts receivable - net | 823,803 | 3,178,490 | 4,002,293 |
| Loans receivable | 1,767,001 | - | 1,767,001 |
| Lease receivable | 6,628,589 | - | 6,628,589 |
| Property taxes receivable | 1,857,352 | - | 1,857,352 |
| Special assessments receivable | 2,133,071 | 615,139 | 2,748,210 |
| Internal balance | 368,246 | (368,246) | - |
| Due from other governmental units | 672,865 | - | 672,865 |
| Inventories - at cost | 135,678 | - | 135,678 |
| Prepaid items | 75,322 | 408,720 | 484,042 |
| Inventory - land held for resale | 2,610,000 | - | 2,610,000 |
| Capital assets (net of accumulated depreciation) | | | |
| Nondepreciable | 16,589,912 | 2,248,797 | 18,838,709 |
| Depreciable | 67,703,397 | 37,281,927 | 104,985,324 |
| Total assets | <u>139,711,952</u> | <u>55,990,603</u> | <u>195,702,555</u> |
| Deferred outflows of resources | | | |
| Pension plan deferments - PERA | 8,054,906 | - | 8,054,906 |
| OPEB plan deferments | 1,353,396 | - | 1,353,396 |
| Total deferred outflows of resources | <u>9,408,302</u> | <u>-</u> | <u>9,408,302</u> |
| Liabilities | | | |
| Accounts and contracts payable | 2,707,954 | 993,234 | 3,701,188 |
| Salaries payable | 634,906 | 23,567 | 658,473 |
| Deposits payable | 403,251 | 102,279 | 505,530 |
| Due to other governmental units | 122,372 | 176,521 | 298,893 |
| Accrued interest payable | 215,478 | 25,766 | 241,244 |
| Unearned revenue | 69,796 | - | 69,796 |
| Noncurrent liabilities | | | |
| Due within one year | 1,751,330 | 644,691 | 2,396,021 |
| Due in more than one year | 28,667,183 | 4,794,140 | 33,461,323 |
| Total liabilities | <u>34,572,270</u> | <u>6,760,198</u> | <u>41,332,468</u> |
| Deferred inflows of resources | | | |
| Pension plan deferments - PERA | 7,912,891 | - | 7,912,891 |
| OPEB plan deferments | 781,444 | - | 781,444 |
| Lease revenue for subsequent years | 6,628,589 | - | 6,628,589 |
| Total deferred inflows of resources | <u>15,322,924</u> | <u>-</u> | <u>15,322,924</u> |
| Net position | | | |
| Net investment in capital assets | 72,179,718 | 34,261,751 | 104,005,272 |
| Restricted | | | |
| Debt service | 3,804,468 | - | 3,804,468 |
| Tax increment | 8,686,064 | - | 8,686,064 |
| Economic development | 3,184,850 | - | 3,184,850 |
| Housing programs | 3,106,134 | - | 3,106,134 |
| Park improvements | 266,940 | - | 266,940 |
| Airport | 181,236 | - | 181,236 |
| Library funding | 53,804 | - | 53,804 |
| Other purposes | 1,060,070 | - | 1,060,070 |
| Unrestricted | 6,701,776 | 14,968,654 | 24,106,627 |
| Total net position | <u>\$ 99,225,060</u> | <u>\$ 49,230,405</u> | <u>\$ 148,455,465</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, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|--------------------------------|-------------------|-----------------------------|---|
| | | <u>Charges For Services</u> | <u>Operating Grants and Contributions</u> |
| Governmental activities | | | |
| General government | \$ 2,965,354 | \$ 1,152,883 | \$ 7,931 |
| Public safety | 10,941,608 | 157,720 | 1,759,114 |
| Public works | 11,928,600 | 616,422 | 650,108 |
| Community development | 1,512,724 | 541,291 | 1,499 |
| Parks, arena, library | 1,214,613 | 1,378,718 | - |
| Economic development | 1,345,845 | 924,190 | 257,411 |
| Transportation | 1,890,406 | 1,555,197 | 94,242 |
| Interest on long-term debt | 707,790 | - | - |
| Total governmental activities | <u>32,506,940</u> | <u>6,326,421</u> | <u>2,770,305</u> |
| Business-type activities | | | |
| Water and sewer utility | 6,087,925 | 8,208,608 | 111,106 |
| Storm water utility | 762,262 | 801,849 | - |
| Street light utility | 219,125 | 367,228 | - |
| Low rent housing | 3,167,333 | 1,339,465 | 1,092,798 |
| Total business-type activities | <u>10,236,645</u> | <u>10,717,150</u> | <u>1,203,904</u> |
| Total primary government | <u>42,743,585</u> | <u>17,043,571</u> | <u>3,974,209</u> |

General revenues
 General property taxes
 Tax increments
 Franchise tax
 Unrestricted grants and contributions
 Investment income (charges)
 Gain on sale of capital assets
 Transfers of capital assets
 Transfers
 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | | |
|--|--|-----------------------------|-----------------------|
| | Primary Government | | |
| | Governmental Activities | Business-Type Activities | Total |
| \$ - | \$ (1,804,540) | \$ - | \$ (1,804,540) |
| - | (9,024,774) | - | (9,024,774) |
| 806,845 | (9,855,225) | - | (9,855,225) |
| - | (969,934) | - | (969,934) |
| - | 164,105 | - | 164,105 |
| - | (164,244) | - | (164,244) |
| 1,275,682 | 1,034,715 | - | 1,034,715 |
| - | (707,790) | - | (707,790) |
| <u>2,082,527</u> | <u>(21,327,687)</u> | <u>-</u> | <u>(21,327,687)</u> |
| - | - | 2,231,789 | 2,231,789 |
| - | - | 39,587 | 39,587 |
| - | - | 148,103 | 148,103 |
| 506,659 | - | (228,411) | (228,411) |
| <u>506,659</u> | <u>-</u> | <u>2,191,068</u> | <u>2,191,068</u> |
| <u>2,589,186</u> | <u>(21,327,687)</u> | <u>2,191,068</u> | <u>(19,136,619)</u> |
| | 16,838,976 | - | 16,838,976 |
| | 2,468,456 | - | 2,468,456 |
| | 1,546,224 | - | 1,546,224 |
| | 5,038,648 | - | 5,038,648 |
| | 1,040,788 | 276,175 | 1,316,963 |
| | 66,804 | - | 66,804 |
| | (9,401,746) | 9,401,746 | - |
| | 1,172,409 | (1,172,409) | - |
| | <u>18,770,559</u> | <u>8,505,512</u> | <u>27,276,071</u> |
| | (2,557,128) | 10,696,580 | 8,139,452 |
| | <u>101,782,188</u> | <u>38,533,825</u> | <u>140,316,013</u> |
| | <u>\$ 99,225,060</u> | <u>\$ 49,230,405</u> | <u>\$ 148,455,465</u> |

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

CITY OF SOUTH ST. PAUL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

| | General Fund | Doug Woog Arena | Airport |
|--|----------------------|--------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 12,973,316 | \$ - | \$ 102,389 |
| Accrued interest on investments | 67,596 | - | - |
| Accounts receivable | 480,024 | 257,554 | 74,162 |
| Loans receivable | - | - | - |
| Lease receivable | 898,603 | - | 4,448,380 |
| Property taxes receivable | 1,710,102 | - | - |
| Special assessments receivable | 102,745 | - | - |
| Due from other governmental units | 87,561 | - | - |
| Advances to other funds | 1,464,328 | - | - |
| Inventory | 63,629 | - | 72,049 |
| Prepaid items | 61,445 | 3,827 | 4,546 |
| Assets held for resale | - | - | - |
| Total assets | <u>17,909,349</u> | <u>261,381</u> | <u>4,701,526</u> |
| Liabilities | | | |
| Accounts and contracts payable | 252,905 | 64,482 | 64,293 |
| Salaries payable | 566,083 | 25,577 | 7,263 |
| Deposits payable | 257,156 | - | - |
| Due to other governmental units | 9,454 | 4,017 | 354 |
| Advances from other funds | - | 617,725 | - |
| Unearned revenue | - | 69,263 | - |
| Total liabilities | <u>1,085,598</u> | <u>781,064</u> | <u>71,910</u> |
| Deferred inflows of resources | | | |
| Unavailable revenue - property taxes | 237,496 | - | - |
| Unavailable revenue - special assessments | 32,497 | - | - |
| Unavailable revenue - charges for services | 16,713 | 13,113 | 24,566 |
| Lease revenue for subsequent years | 898,603 | - | 4,448,380 |
| Total deferred inflows of resources | <u>1,185,309</u> | <u>13,113</u> | <u>4,472,946</u> |
| Fund balances | | | |
| Nonspendable | 125,074 | 3,827 | 76,595 |
| Restricted | - | - | 80,075 |
| Committed | 4,590,970 | - | - |
| Assigned | - | - | - |
| Unassigned | 10,922,398 | (536,623) | - |
| Total fund balances | <u>15,638,442</u> | <u>(532,796)</u> | <u>156,670</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 17,909,349</u> | <u>\$ 261,381</u> | <u>\$ 4,701,526</u> |

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

Total fund balance (from above)

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

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

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

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

Net position of governmental activities (Statement 1)

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

Statement 3

| Capital Programs | Local Improvements | Tax Increment | Other Nonmajor Governmental | Total |
|------------------|--------------------|------------------|-----------------------------|----------------------|
| \$ 2,697,989 | \$ 1,734,058 | \$ 6,015,410 | \$ 10,391,323 | \$ 33,914,485 |
| - | - | - | - | 67,596 |
| 2,249 | - | - | 9,814 | 823,803 |
| - | - | - | 1,767,001 | 1,767,001 |
| 372,080 | - | - | 909,526 | 6,628,589 |
| - | - | 69,135 | 78,115 | 1,857,352 |
| 48,052 | 1,141,807 | - | 840,467 | 2,133,071 |
| - | 531,364 | - | 53,940 | 672,865 |
| - | - | - | - | 1,464,328 |
| - | - | - | - | 135,678 |
| - | - | - | 275 | 70,093 |
| - | - | 2,610,000 | - | 2,610,000 |
| <u>3,120,370</u> | <u>3,407,229</u> | <u>8,694,545</u> | <u>14,050,461</u> | <u>52,144,861</u> |
| 372,952 | 1,368,712 | 8,481 | 489,754 | 2,621,579 |
| - | - | - | 29,429 | 628,352 |
| 1,000 | 99,570 | - | 45,525 | 403,251 |
| - | - | - | 108,547 | 122,372 |
| - | - | - | 846,603 | 1,464,328 |
| - | - | - | - | 69,263 |
| <u>373,952</u> | <u>1,468,282</u> | <u>8,481</u> | <u>1,519,858</u> | <u>5,309,145</u> |
| - | - | 42,035 | 10,582 | 290,113 |
| 47,195 | 1,069,505 | - | 829,730 | 1,978,927 |
| - | - | - | 358,407 | 412,799 |
| 372,080 | - | - | 909,526 | 6,628,589 |
| <u>419,275</u> | <u>1,069,505</u> | <u>42,035</u> | <u>2,108,245</u> | <u>9,310,428</u> |
| - | - | - | 275 | 205,771 |
| - | - | 8,644,029 | 10,496,662 | 19,220,766 |
| - | 869,442 | - | 41,296 | 5,501,708 |
| 2,327,143 | - | - | 960,089 | 3,287,232 |
| - | - | - | (1,075,964) | 9,309,811 |
| <u>2,327,143</u> | <u>869,442</u> | <u>8,644,029</u> | <u>10,422,358</u> | <u>37,525,288</u> |
| \$ 3,120,370 | \$ 3,407,229 | \$ 8,694,545 | \$ 14,050,461 | \$ 52,144,861 |
| | | | | \$ 37,525,288 |
| | | | | 81,705,065 |
| | | | | 2,681,839 |
| | | | | (17,700,180) |
| | | | | (4,986,952) |
| | | | | <u>\$ 99,225,060</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

| | General Fund | Doug Woog Arena | Airport |
|---------------------------------------|----------------------|---------------------|-------------------|
| Revenues | | | |
| General property taxes | \$ 12,932,402 | \$ 323,000 | \$ - |
| Tax increments | - | - | - |
| Franchise tax | 1,546,224 | - | - |
| Licenses and permits | 578,587 | - | - |
| Intergovernmental | 2,643,457 | - | 94,242 |
| Charges for services | 1,618,984 | 1,137,888 | 1,504,343 |
| Fines and forfeits | 132,500 | - | - |
| Special assessments | 31,229 | - | - |
| Investment income | 216,206 | - | 1,997 |
| Change in fair value of investments | 83,574 | (6,441) | 762 |
| Miscellaneous | 27,089 | 5,516 | 40,224 |
| Total revenues | <u>19,810,252</u> | <u>1,459,963</u> | <u>1,641,568</u> |
| Expenditures | | | |
| Current | | | |
| General government | 2,776,855 | - | - |
| Public safety | 7,836,253 | - | - |
| Public works | 4,171,364 | - | - |
| Community development | 724,377 | - | - |
| Parks, arena, library | 848,716 | 1,258,344 | - |
| Economic development | - | - | - |
| Transportation | - | - | 1,529,810 |
| Capital outlay | | | |
| General government | 5,748 | - | - |
| Public safety | 33,914 | - | - |
| Public works | 8,031 | - | - |
| Parks, arena, library | - | 14,753 | - |
| Economic development | - | - | - |
| Transportation | - | - | 14,269 |
| Debt service | | | |
| Principal | - | - | - |
| Interest and other charges | - | 16,671 | - |
| Total expenditures | <u>16,405,258</u> | <u>1,289,768</u> | <u>1,544,079</u> |
| Revenues over (under) expenditures | 3,404,994 | 170,195 | 97,489 |
| Other financing sources (uses) | | | |
| Insurance recovery | - | - | - |
| Transfers in | 203,570 | - | - |
| Transfers out | (3,484,973) | - | - |
| Total other financing sources (uses) | <u>(3,281,403)</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>123,591</u> | <u>170,195</u> | <u>97,489</u> |
| Fund balances - January 1 | <u>15,514,851</u> | <u>(702,991)</u> | <u>59,181</u> |
| Fund balances - December 31 | <u>\$ 15,638,442</u> | <u>\$ (532,796)</u> | <u>\$ 156,670</u> |

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

Statement 4

| Capital Programs | Local Improvements | Tax Increment | Other Nonmajor Governmental | Total |
|---------------------|--------------------|---------------------|-----------------------------|----------------------|
| \$ - | \$ 531,800 | \$ - | \$ 3,014,261 | \$ 16,801,463 |
| - | - | 2,432,338 | - | 2,432,338 |
| - | - | - | - | 1,546,224 |
| - | - | - | - | 578,587 |
| 1,331,105 | 726,380 | - | 3,939,279 | 8,734,463 |
| 22,880 | - | 116,873 | 773,390 | 5,174,358 |
| - | - | - | 2,508 | 135,008 |
| 45,517 | 421,547 | - | 272,152 | 770,445 |
| 108,394 | 92,994 | 109,611 | 178,036 | 707,238 |
| 42,138 | 2,294 | 41,335 | 59,350 | 223,012 |
| 100,322 | - | - | 291,216 | 464,367 |
| <u>1,650,356</u> | <u>1,775,015</u> | <u>2,700,157</u> | <u>8,530,192</u> | <u>37,567,503</u> |
| - | - | - | - | 2,776,855 |
| - | - | - | 2,426,171 | 10,262,424 |
| 2,306,321 | 1,390,179 | - | - | 7,867,864 |
| - | - | - | 766,927 | 1,491,304 |
| - | - | - | 975,663 | 3,082,723 |
| - | - | 597,676 | 490,612 | 1,088,288 |
| - | - | - | 695,937 | 2,225,747 |
| - | - | - | 110,017 | 115,765 |
| - | - | - | 40,566 | 74,480 |
| 4,337,776 | 4,781,052 | - | - | 9,126,859 |
| - | - | - | 2,154 | 16,907 |
| - | - | 233,725 | - | 233,725 |
| - | - | - | 147,743 | 162,012 |
| - | - | - | 2,305,000 | 2,305,000 |
| - | 87,992 | 104,077 | 591,426 | 800,166 |
| <u>6,644,097</u> | <u>6,259,223</u> | <u>935,478</u> | <u>8,552,216</u> | <u>41,630,119</u> |
| (4,993,741) | (4,484,208) | 1,764,679 | (22,024) | (4,062,616) |
| - | 2,251,371 | - | - | 2,251,371 |
| 3,234,973 | 4,829,178 | - | 1,614,690 | 9,882,411 |
| (4,029,070) | (47,351) | (603,684) | (794,924) | (8,960,002) |
| <u>(794,097)</u> | <u>7,033,198</u> | <u>(603,684)</u> | <u>819,766</u> | <u>3,173,780</u> |
| <u>(5,787,838)</u> | <u>2,548,990</u> | <u>1,160,995</u> | <u>797,742</u> | <u>(888,836)</u> |
| <u>8,114,981</u> | <u>(1,679,548)</u> | <u>7,483,034</u> | <u>9,624,616</u> | <u>38,414,124</u> |
| <u>\$ 2,327,143</u> | <u>\$ 869,442</u> | <u>\$ 8,644,029</u> | <u>\$ 10,422,358</u> | <u>\$ 37,525,288</u> |

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CITY OF SOUTH ST. PAUL, MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Statement 5

For the Year Ended December 31, 2023

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) | \$ (888,836) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 5,253,120 |
| The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets sold is removed from the capital asset account in the statement of net position and offset against the sale proceeds resulting in a gain or loss in the statement of activities. | (2,250) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 429,557 |
| The repayment of the principal of long-term debt consumes current financial resources and does not have any effect on net position. | 2,305,000 |
| 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. | 92,376 |
| Internal service funds are used by management to charge the costs of central garage, post retirement benefits and employee benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. | (301,855) |
| Capital assets transferred from governmental funds to proprietary funds | <u>(9,444,240)</u> |
| Change in net position of governmental activities (Statement 2) | <u>\$ (2,557,128)</u> |

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

| | Business-Type | |
|--|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Assets | | |
| Current assets | | |
| Cash, cash equivalents, and investments | \$ 7,878,962 | \$ 509,559 |
| Accounts receivable | 2,772,173 | 214,767 |
| Special assessments receivable | 615,139 | - |
| Prepaid items | 310,767 | 24 |
| Total current assets | <u>11,577,041</u> | <u>724,350</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Land and easements | 295,900 | 33,200 |
| Buildings and land improvements | 6,342,316 | 1,167,635 |
| Machinery and equipment | 3,181,100 | 2,605 |
| Infrastructure | 22,574,661 | 18,152,317 |
| Construction in process | 1,360,776 | - |
| Less: Allowance for depreciation | (11,215,781) | (7,593,644) |
| Net capital assets | <u>22,538,972</u> | <u>11,762,113</u> |
| Total assets | <u>34,116,013</u> | <u>12,486,463</u> |
| Deferred outflow of resources | | |
| Pension plan deferments - PERA | - | - |
| OPEB plan deferments | - | - |
| Total deferred outflows of resources | <u>-</u> | <u>-</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 533,820 | 19,310 |
| Salaries payable | 23,567 | - |
| Deposits payable | 12,386 | - |
| Due to other governmental units | 5,769 | - |
| Unearned revenue | - | - |
| Compensated absences | - | - |
| Accrued interest payable | 15,812 | 8,500 |
| Notes payable | - | - |
| Bonds payable | 446,235 | 90,000 |
| Total current liabilities | <u>1,037,589</u> | <u>117,810</u> |
| Noncurrent liabilities | | |
| Notes payable | - | - |
| Bonds payable | 2,554,925 | 613,862 |
| Total other postemployment benefit liability | - | - |
| Net pension liability | - | - |
| Compensated absences | - | - |
| Total noncurrent liabilities | <u>2,554,925</u> | <u>613,862</u> |
| Total liabilities | <u>3,592,514</u> | <u>731,672</u> |
| Deferred inflow of resources | | |
| Pension plan deferments - PERA | - | - |
| OPEB plan deferments | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> |
| Net position | | |
| Net investment in capital assets | 19,537,812 | 11,228,109 |
| Unrestricted | 10,985,687 | 526,682 |
| Total net position | <u>\$ 30,523,499</u> | <u>\$ 11,754,791</u> |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities (Statement 1)

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

| Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | |
|-------------------------------|------------------|---------------|--|-------------|
| Street Light Utility | Low Rent Housing | Total | | |
| \$ 485,702 | \$ 3,751,553 | \$ 12,625,776 | \$ | 4,364,635 |
| 99,442 | 92,108 | 3,178,490 | | - |
| - | - | 615,139 | | - |
| - | 97,929 | 408,720 | | 5,229 |
| 585,144 | 3,941,590 | 16,828,125 | | 4,369,864 |
| - | 265,675 | 594,775 | | - |
| - | 21,287,772 | 28,797,723 | | - |
| - | 76,133 | 3,259,838 | | 6,215,106 |
| - | - | 40,726,978 | | - |
| - | 293,246 | 1,654,022 | | - |
| - | (16,693,187) | (35,502,612) | | (3,626,862) |
| - | 5,229,639 | 39,530,724 | | 2,588,244 |
| 585,144 | 9,171,229 | 56,358,849 | | 6,958,108 |
| - | - | - | | 8,054,906 |
| - | - | - | | 1,353,396 |
| - | - | - | | 9,408,302 |
| 16,514 | 423,590 | 993,234 | | 86,375 |
| - | - | 23,567 | | 6,554 |
| - | 89,893 | 102,279 | | - |
| 333 | 170,419 | 176,521 | | - |
| - | - | - | | 533 |
| - | - | - | | 86,330 |
| - | 1,454 | 25,766 | | - |
| - | 108,456 | 108,456 | | - |
| - | - | 536,235 | | - |
| 16,847 | 793,812 | 1,966,058 | | 179,792 |
| - | 1,625,353 | 1,625,353 | | - |
| - | - | 3,168,787 | | - |
| - | - | - | | 3,773,045 |
| - | - | - | | 8,677,398 |
| - | - | - | | 397,038 |
| - | 1,625,353 | 4,794,140 | | 12,847,481 |
| 16,847 | 2,419,165 | 6,760,198 | | 13,027,273 |
| - | - | - | | 7,912,891 |
| - | - | - | | 781,444 |
| - | - | - | | 8,694,335 |
| - | 3,495,830 | 34,261,751 | | 2,588,244 |
| 568,297 | 3,256,234 | 15,336,900 | | (7,943,442) |
| \$ 568,297 | \$ 6,752,064 | 49,598,651 | \$ | (5,355,198) |
| | | (368,246) | | |
| | | \$ 49,230,405 | | |

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended December 31, 2023

| | Business-Type | |
|--|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Operating revenues | | |
| User charges for services | \$ 8,190,986 | \$ 762,820 |
| Operating grants | - | - |
| Retiree health insurance charges | - | - |
| Dental insurance charges | - | - |
| Compensated absences charges | - | - |
| Equipment rental and repair charges | - | - |
| Pension related charges | - | - |
| Total operating revenues | <u>8,190,986</u> | <u>762,820</u> |
| Operating expenses | | |
| Personal services | 788,954 | - |
| Materials and supplies | 168,155 | 173,122 |
| Contractual services | 4,736,719 | 274,608 |
| Depreciation | 483,222 | 294,932 |
| Total operating expenses | <u>6,177,050</u> | <u>742,662</u> |
| Operating income (loss) | <u>2,013,936</u> | <u>20,158</u> |
| Nonoperating revenues (expenses) | | |
| Investment income | 155,663 | 16,842 |
| Change in fair value of investments | 59,109 | 6,372 |
| Special assessments | 4,910 | - |
| Intergovernmental | 111,106 | - |
| Loss on disposal of capital assets | - | - |
| Gain on sale of capital assets | - | - |
| Other revenue | 12,712 | 39,029 |
| Interest and other charges | (38,462) | (19,600) |
| Total nonoperating revenues (expenses) | <u>305,038</u> | <u>42,643</u> |
| Income (loss) before capital contributions and transfers | 2,318,974 | 62,801 |
| Capital contributions | 5,686,738 | 3,715,008 |
| Transfers in | - | - |
| Transfers out | (674,891) | (477,518) |
| Change in net position | <u>7,330,821</u> | <u>3,300,291</u> |
| Net position - January 1 | 23,192,678 | 8,454,500 |
| Net position - December 31 | <u>\$ 30,523,499</u> | <u>\$ 11,754,791</u> |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities (Statement 2)

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

| Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | |
|-------------------------------|---------------------|----------------------|--|---|
| Street Light Utility | Low Rent Housing | Total | | |
| \$ 363,198 | \$ 1,325,327 | \$ 10,642,331 | \$ - | - |
| - | 1,092,798 | 1,092,798 | - | - |
| - | - | - | 304,781 | - |
| - | - | - | 78,819 | - |
| - | - | - | 86,746 | - |
| - | - | - | 1,652,188 | - |
| - | - | - | 1,049,594 | - |
| <u>363,198</u> | <u>2,418,125</u> | <u>11,735,129</u> | <u>3,172,128</u> | - |
| - | - | 788,954 | 2,574,613 | - |
| - | 345,783 | 687,060 | 439,130 | - |
| 219,125 | 2,339,225 | 7,569,677 | 366,059 | - |
| - | 439,046 | 1,217,200 | 510,661 | - |
| <u>219,125</u> | <u>3,124,054</u> | <u>10,262,891</u> | <u>3,890,463</u> | - |
| <u>144,073</u> | <u>(705,929)</u> | <u>1,472,238</u> | <u>(718,335)</u> | - |
| 8,929 | 25,879 | 207,313 | 80,767 | - |
| 3,381 | - | 68,862 | 29,771 | - |
| - | - | 4,910 | - | - |
| - | - | 111,106 | 12,742 | - |
| - | (37,050) | (37,050) | - | - |
| - | - | - | 61,059 | - |
| 4,030 | 14,138 | 69,909 | 67,234 | - |
| - | (6,229) | (64,291) | - | - |
| <u>16,340</u> | <u>(3,262)</u> | <u>360,759</u> | <u>251,573</u> | - |
| 160,413 | (709,191) | 1,832,997 | (466,762) | - |
| - | 506,659 | 9,908,405 | 42,494 | - |
| - | - | - | 250,000 | - |
| <u>(20,000)</u> | <u>-</u> | <u>(1,172,409)</u> | <u>-</u> | - |
| <u>140,413</u> | <u>(202,532)</u> | <u>10,568,993</u> | <u>(174,268)</u> | - |
| 427,884 | 6,954,596 | | (5,180,930) | - |
| <u>\$ 568,297</u> | <u>\$ 6,752,064</u> | | <u>\$ (5,355,198)</u> | - |
| | | 127,587 | | |
| | | <u>\$ 10,696,580</u> | | |

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended December 31, 2023

| | Business-Type | |
|--|----------------------------|------------------------|
| | Water and Sewer Utility | Storm Water Utility |
| Cash flows from operating activities | | |
| Receipts from customers and users | \$ 7,149,552 | \$ 741,443 |
| Receipts from interfund services provided | - | - |
| Payment to suppliers | (4,670,968) | (373,026) |
| Payment for interfund services used | (235,591) | (58,131) |
| Payment to employees | (730,079) | - |
| Other revenue | 12,712 | 39,029 |
| Net cash flows from operating activities | <u>1,525,626</u> | <u>349,315</u> |
| Cash flows from noncapital financing activities | | |
| Transfer to other funds | (674,891) | (477,518) |
| Special assessments | (85,649) | - |
| Intergovernmental revenue | 111,106 | - |
| Net cash flows from noncapital financing activities | <u>(649,434)</u> | <u>(477,518)</u> |
| Cash flows from capital and related financing activities | | |
| Proceeds from sale of bonds | 1,323,281 | - |
| Acquisition and construction of capital assets | (937,344) | - |
| Capital contributions | - | - |
| Proceeds from sale of capital assets | - | - |
| Principal paid on capital debt | (241,000) | (90,000) |
| Interest paid on debt | (41,964) | (21,844) |
| Transfer from other funds | - | - |
| Net cash flows from capital and related financing activities | <u>102,973</u> | <u>(111,844)</u> |
| Cash flows from investing activities | | |
| Investment income | 214,772 | 23,214 |
| Net increase (decrease) in cash and cash equivalents | <u>1,193,937</u> | <u>(216,833)</u> |
| Cash and cash equivalents - January 1 | 6,685,025 | 726,392 |
| Cash and cash equivalents - December 31 | <u>\$ 7,878,962</u> | <u>\$ 509,559</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | \$ 2,013,936 | \$ 20,158 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Depreciation | 483,222 | 294,932 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in receivables | (1,041,434) | (21,377) |
| (Increase) decrease in prepaid items | (26,494) | (4) |
| (Increase) decrease in deferred outflow of resources | - | - |
| Increase (decrease) in payables | 83,684 | 16,577 |
| Increase (decrease) in unearned revenue | - | - |
| Increase (decrease) in accrued expenses | - | - |
| Increase (decrease) in deferred inflow of resources | - | - |
| Other revenue | 12,712 | 39,029 |
| Total adjustments | <u>(488,310)</u> | <u>329,157</u> |
| Net cash flows from operating activities | <u>\$ 1,525,626</u> | <u>\$ 349,315</u> |
| Noncash investing, capital, and financing activities | | |
| Contributions of capital assets from governmental activities | \$ 5,686,738 | \$ 3,715,008 |
| Amortization of bond premium | \$ 1,623 | \$ 1,456 |
| Net book value of capital asset disposals | \$ - | \$ - |

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

| Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | |
|-------------------------------|------------------|---------------|--|------|
| Street Light Utility | Low Rent Housing | Total | | |
| \$ 355,307 | \$ 2,406,943 | \$ 10,653,245 | \$ - | \$ - |
| - | - | - | 3,172,013 | - |
| (220,873) | (2,434,370) | (7,699,237) | (814,350) | - |
| - | - | (293,722) | - | - |
| - | - | (730,079) | (1,726,269) | - |
| 4,030 | 14,138 | 69,909 | 67,234 | - |
| 138,464 | (13,289) | 2,000,116 | 698,628 | - |
| (20,000) | - | (1,172,409) | - | - |
| - | - | (85,649) | - | - |
| - | - | 111,106 | 12,742 | - |
| (20,000) | - | (1,146,952) | 12,742 | - |
| - | - | 1,323,281 | - | - |
| - | (362,722) | (1,300,066) | (268,641) | - |
| - | 506,659 | 506,659 | - | - |
| - | - | - | 70,584 | - |
| - | (145,897) | (476,897) | - | - |
| - | (8,187) | (71,995) | - | - |
| - | - | - | 250,000 | - |
| - | (10,147) | (19,018) | 51,943 | - |
| 12,310 | 25,879 | 276,175 | 110,538 | - |
| 130,774 | 2,443 | 1,110,321 | 873,851 | - |
| 354,928 | 3,749,110 | 11,515,455 | 3,490,784 | - |
| \$ 485,702 | \$ 3,751,553 | \$ 12,625,776 | \$ 4,364,635 | - |
| \$ 144,073 | \$ (705,929) | \$ 1,472,238 | \$ (718,335) | - |
| - | 439,046 | 1,217,200 | 510,661 | - |
| (7,891) | (11,182) | (1,081,884) | - | - |
| - | (97,929) | (124,427) | (351) | - |
| - | - | - | 1,261,112 | - |
| (1,748) | 348,567 | 447,080 | (7,911) | - |
| - | - | - | (115) | - |
| - | - | - | (8,347,805) | - |
| - | - | - | 7,934,138 | - |
| 4,030 | 14,138 | 69,909 | 67,234 | - |
| (5,609) | 692,640 | 527,878 | 1,416,963 | - |
| \$ 138,464 | \$ (13,289) | \$ 2,000,116 | \$ 698,628 | - |
| \$ - | \$ - | \$ 9,401,746 | \$ 42,494 | - |
| \$ - | \$ - | \$ 3,079 | \$ - | - |
| \$ - | \$ 37,050 | \$ 37,050 | \$ 9,525 | - |

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
FIDUCIARY FUND
December 31, 2023

Statement 9

| | Custodial Fund |
|---------------------------|---------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 34,019</u> |
| Net position | |
| Restricted for: | |
| Individuals | <u>\$ 34,019</u> |

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

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2023

Statement 10

| | <u>Custodial Fund</u> |
|--------------------------------------|--|
| Additions | |
| Contributions | |
| Employer | <u>\$ 7,500</u> |
| Deductions | |
| Beneficiary payments to individuals | <u> 7,491</u> |
| Net change in fiduciary net position | 9 |
| Net position - January 1 | <u> 34,010</u> |
| Net position - December 31 | <u><u> \$ 34,019</u></u> |

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

The City Council is responsible for directing the affairs of the City. Under the City charter and/or subsequent ordinances, limited approval for disbursements for library activity is delegated to council appointed commissions. The City Council appoints members of the various commissions and maintains annual budgetary controls over commission delegated financial activities and all such financial transactions are included in the financial statements.

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

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

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

Blended Component Unit

The South St. Paul Economic Development Authority (EDA) was established to facilitate development and redevelopment in the City. The governing board consists of the members of the City Council. The City approves the levy and appropriations for the EDA annually as part of the City's budget process. Any sale of bonds or obligations issued by the EDA must be approved by the City Council before issuance and the City Council may require the EDA to transfer any portion of the reserves generated by the activities of the EDA to the City to reduce the tax levies for bonded indebtedness of the City. The EDA does not issue separate financial statements. Financial information may be obtained at the City's offices.

The Housing and Redevelopment Authority of South St. Paul (HRA) was established for the purpose of providing housing opportunities for low income residents in the community. The governing body of the HRA consists of the members of the City Council and the management of the City has operational responsibility for the activities of the HRA. Financial statements of the HRA can be obtained from the Finance Department at City Hall, 125 Third Avenue North, South St. Paul, MN 55075.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activity) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activities are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements and fiduciary fund statements. 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 fund is a custodial fund.

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.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The *Tax Increment Capital Projects Fund* is used to account for revenues and expenditures for the tax increment financing districts which are managed by the EDA.

The government reports the following major proprietary funds:

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

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

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

The *Low Rent Housing Fund* is used to account for activities related to the operation of two HUD-subsidized, senior apartment buildings operated by the Housing and Redevelopment Authority.

Additionally, the government reports the following fund types:

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

Custodial Funds are custodial in nature and are not available to the government for general operations. The Employee Healthcare Reimbursement Account Fund accounts for the restricted assets contributed to City employees' healthcare reimbursement accounts by the City as part of its health care benefits.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The City's fiduciary funds are 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, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

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

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

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. CASH AND INVESTMENTS (CONTINUED)

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.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2.B. for the City's recurring fair value measurements as of year-end.

E. BUDGETARY INFORMATION

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

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 (Airport Fund, Library Fund, and Doug Woog Arena Fund). Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls. A financial plan is approved for the Proprietary Funds.
5. Expenditures may legally exceed budgeted appropriations at the departmental level. Monitoring of budgets is maintained at the line item level, especially regarding salaries and capital outlay.
6. In accordance with the provisions of the Budget Administration Plan (originally approved in 1995), the City Council must authorize transfers of discretionary budgeted amounts between departments in the General Fund or from the contingency account to departments. Transfers between or among funds are approved by the City Council.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2023 expenditures exceeded appropriations in the General Fund and the special revenue fund listed below.

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-----------------------------|---------------------|-------------------------|---------------|
| Major Funds | | | |
| General Fund | | | |
| Mayor and city council | \$ 173,657 | \$ 171,531 | \$ (2,126) |
| City administration | 570,617 | 570,219 | (398) |
| City attorney | 321,590 | 260,000 | (61,590) |
| City finance | 481,786 | 469,976 | (11,810) |
| Fire | 566,148 | 544,043 | (22,105) |
| Engineering | 688,794 | 674,956 | (13,838) |
| Buildings | 307,945 | 271,535 | (36,410) |
| City planner | 575,192 | 550,452 | (24,740) |
| Parks, pools and recreation | 431,802 | 419,361 | (12,441) |
| Community affairs | 131,259 | 129,901 | (1,358) |
| Special Revenue Funds | | | |
| Doug Woog arena | 1,289,768 | 1,062,077 | (227,691) |
| Airport | 1,544,079 | 1,385,444 | (158,635) |

G. DEFICIT FUND BALANCE

The City has deficit fund balance as of December 31, 2023 as follows:

| | |
|-----------------------------------|------------|
| Deficit fund balance | |
| Major Funds | |
| Special Revenue Funds | |
| Doug Woog Arena | \$ 532,796 |
| Nonmajor Funds | |
| Capital Project Funds | |
| Airport Improvements | 1,075,964 |
| Deficit unrestricted net position | |
| Other Funds | |
| Internal Service Funds | |
| OPEB/Employee Benefits | 11,759,768 |

The Airport Improvements deficit was caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Doug Woog Arena and OPEB/Employee Benefit funds are expected to be funded with future revenues/transfers.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. INTERFUND 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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement as “internal balance.”

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

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

All other interfund transactions are reported as transfers.

I. LOANS, NOTES AND MORTGAGE RECEIVABLES

Home improvement loans, secured by a lien on the property, were made to qualified homeowners up to a maximum of \$25,000 from the Housing fund which received grant funding from the Dakota County Community Development Agency. These loans are charged interest rates from 3% to 6%, however, the interest is forgiven if the loan is repaid within five years of the original loan date.

Business loans were made to qualifying businesses to provide financial support for economic development, expansion activities and soil remediation. Funding sources for these loans were provided through various grants including: Community Development Block Grant (CDBG) funds, Tax Increment, Minnesota Department of Employment and Economic Development and U.S. Environmental Protection Agency.

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 tax levies for the City and EDA and certifies them 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.

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 receivable and are fully offset by deferred inflows of resources, because it is not known when they will be available to finance current expenditures.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 assessment receivables and, together with deferred assessments, are fully offset by deferred inflows of resources because it is not known when they will be available to finance current expenditures.

L. INVENTORIES AND PREPAID ITEMS

The costs of governmental fund-type inventories are recorded as expenditures at cost when purchased, with the exception of the airport fuel inventory, which is valued at cost using the first-in, first-out (FIFO) method.

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

M. ASSETS HELD FOR RESALE

Assets held for resale represent various property purchases made by the EDA with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or net realizable value. During the year ended December 31, 2023 management has reviewed the cost value reported for these assets and has indicated the properties are fairly presented for financial reporting purposes.

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 and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 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 acquisition value at the date of donation.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. CAPITAL ASSETS (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets not being depreciated include land, perpetual easements and construction in progress. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| Classification | Years |
|-------------------------------------|---------|
| Temporary easements | 1 – 3 |
| 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until that time. The City has two items which arise under the full accrual basis of accounting which qualify for reporting in this category. The first item, pension plan deferments related to the City’s participation in the Public Employee’s Retirement Association (PERA) defined benefit plans, is reported on both the government-wide Statement of Net Position and on the Proprietary Funds Statement of Net Position. The internal service fund reports pension plan deferments for differences between expected and actual economic experience, changes of assumptions, net collective differences between the projected and actual investments earnings in PERA’s actuarial study, changes in proportion and contributions made by the City to the defined benefit plans after PERA’s reporting date of June 30. These amounts are deferred and amortized as required under the pension standards. The second item, deferments related to the City’s other postemployment benefits (OPEB) is reported on both the government-wide Statement of Net Position and on the Proprietary Funds Statement of Net Position. The internal service fund reports OPEB deferments for differences between expected and actual economic experience, changes in assumptions in the City’s actuarial study and contributions made by the City after the actuarial measurement date of January 1, 2023. These amounts are deferred and amortized as required under the other postemployment benefits standards.

In addition to liabilities, the statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an consumption of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which arises under the modified accrual basis of accounting and three items which arise under the full accrual basis of accounting which qualify for reporting in this category. The first item, unavailable revenue, is reported only on the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and charges for services not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item, pension plan deferments related to the City’s participation in PERA’s defined benefit plans is reported on both the government-wide Statement of Net Position and on the Proprietary Funds Statement of Net Position. The internal service fund reports pension plan deferments for the differences between the expected and actual economic experience, changes in assumptions, changes in proportion and net collective differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under the pension standards. The third item, deferments related to the City’s other postemployment benefits (OPEB) is reported on both the government-wide Statement of Net Position and on the Proprietary Funds Statement of Net Position. The internal service fund reports OPEB deferments for differences between expected and actual economic experience and changes in assumptions in the City’s actuarial study. These amounts are deferred and amortized as required under the other postemployment benefits standard.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

The last item is related to lease receivables in the government-wide statement of net position and governmental funds Balance Sheet, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables. The amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

P. COMPENSATED ABSENCES

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

Q. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. When material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

R. STATE-WIDE PENSION PLANS

For the purposes of measuring net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. FUND BALANCE

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

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

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

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

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

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. FUND BALANCE (CONTINUED)

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

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

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

T. USE OF ESTIMATES

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

U. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this \$81,705,065 difference are as follows:

| | |
|--|------------------------------|
| Capital assets | |
| Cost of capital assets | \$ 154,915,963 |
| Less accumulated depreciation | <u>(73,210,898)</u> |
| Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 81,705,065</u> |

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONTINUED)

Another 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 \$17,700,180 difference are as follows:

| | |
|--|--------------------------|
| Bonds payable | \$ 16,735,000 |
| Plus: Bond premium (to be amortized over life of debt) | 749,702 |
| Accrued interest payable | <u>215,478</u> |
| Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ 17,700,180</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,253,120 difference are as follows:

| | |
|---|-------------------------|
| Capital outlay | \$ 8,088,942 |
| Depreciation expense | <u>(2,835,822)</u> |
| Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities | <u>\$ 5,253,120</u> |

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$92,376 difference are as follows:

| | |
|---|----------------------|
| Accrued interest | \$ 27,862 |
| Amortization of bond premium | <u>64,514</u> |
| Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities | <u>\$ 92,376</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 fair 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, 2023, the City's bank balances were \$18,664,496. All the City's deposits were collateralized at year-end.

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.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 2 DEPOSITS AND INVESTMENTS

B. INVESTMENTS (CONTINUED)

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, 2023 are insured or held by the City or its agents in the City's name.

Investments and maturities of the cash pool at December 31, 2023 are as follows:

| Investment Type | Standard & Poor's Rating | Fair Value Measurements Using | Fair Value | Investment Maturities (in Years) | |
|---|--------------------------|-------------------------------|----------------------|----------------------------------|---------------------|
| | | | | Less Than 1 | 1-5 |
| U.S. agency securities | AA | Level 2 | \$ 458,641 | \$ - | \$ 458,641 |
| Local government securities | AAA | Level 2 | 1,222,332 | - | 1,222,332 |
| Local government securities | AA | Level 2 | 2,503,652 | - | 2,503,652 |
| Local government securities * | AAA | Level 2 | 153,695 | 153,695 | - |
| Local government securities * | AA | Level 2 | 143,002 | 143,002 | - |
| Local government securities ** | AA | Level 2 | 2,058,613 | - | 2,058,613 |
| Local government securities ** | A | Level 2 | 369,568 | - | 369,568 |
| Negotiable certificates of deposit | N/A | Level 2 | 4,779,541 | 1,475,864 | 3,303,677 |
| Investment pools/mutual funds | AAA | Level 1 | 21,264,929 | 21,264,929 | - |
| Total investments in cash and investment pool | | | <u>\$ 32,953,973</u> | <u>\$ 23,037,490</u> | <u>\$ 9,916,483</u> |

N/A = not rated

* - rated by Fitch

** - rated by Moody's

Cash and investments comprising the City's cash pool at December 31, 2023 were as follows:

| | Fair Value |
|---|----------------------|
| Cash | |
| Cash on hand | \$ 2,150 |
| Cash in bank accounts | 17,982,792 |
| Total cash | <u>17,984,942</u> |
| Investments | |
| U.S. agency securities | 458,641 |
| Local government securities | 6,450,862 |
| Negotiable certificates of deposit | 4,779,541 |
| Investment pools/mutual funds | 21,264,929 |
| Total investments | <u>32,953,973</u> |
| Total cash, cash equivalents, and investments | <u>\$ 50,938,915</u> |
| Reconciliation to Statements | |
| Statement of Net Position - Statement 1 | |
| Cash, cash equivalents, and investments | \$ 50,904,896 |
| Statement of Fiduciary Net Position - Statement 9 | |
| Cash and cash equivalents | 34,019 |
| Total cash, cash equivalents, and investments | <u>\$ 50,938,915</u> |

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. INVESTMENT RISKS

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

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

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

Note 3 LEASE RECEIVABLES

A. LEASE RECEIVABLES

The City leases land to individuals and business at Fleming Field. The City has three different types of leases. T-Hangar lease is a portion of a larger building at Fleming Field that will fit only one aircraft. Land leases are leases for the property under the hangers in the West Hangar Area of Fleming Field. Building leases are leases of the old WWII bowstring hangars. The leases are reported using an incremental rate of 3.00 percent and they have final maturities ranging from 2024 to 2052. During the current year, the City received principal and interest payments on these leases of \$377,379.

The City has entered into lease receivable agreements for cell tower rental space on city property. The leases are reported using an incremental rate of 3.00 percent and they have final maturities ranging from 2024 to 2039. During the current year, the City received principal and interest payments on these leases of \$285,281.

The City has entered into lease receivable agreements for two fire trucks on behalf of South Metro Fire Department. During the current year, the City received principal and interest payments on these leases of \$91,926. The leases are reported using an incremental borrowing rate tied to the 2019A bonds with a final maturity in fiscal 2029.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 3 LEASE RECEIVABLES (CONTINUED)

B. FLEMING FIELD MUNICIPAL AIRPORT HANGAR LEASES

Lease Basics:

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

As of December 31, 2023, the City’s hangar lease tenants were 34 T-Hangar leases, 90 Land leases, and 8 Building leases. During the current year, the City received payments of \$102,786 in T-Hanger rentals.

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|----------------------|------------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and perpetual easements | \$ 12,313,694 | \$ 2,005,766 | \$ - | \$ 14,319,460 |
| Construction in progress | 24,525,961 | 5,816,209 | (28,071,718) | 2,270,452 |
| Total capital assets, not being depreciated | <u>36,839,655</u> | <u>7,821,975</u> | <u>(28,071,718)</u> | <u>16,589,912</u> |
| Capital assets, being depreciated: | | | | |
| Temporary easements | 63,525 | - | (63,525) | - |
| Buildings and land improvements | 43,057,565 | 52,987 | - | 43,110,552 |
| Machinery and equipment | 12,514,906 | 482,621 | (293,416) | 12,704,111 |
| Infrastructure | 70,056,522 | 18,669,972 | - | 88,726,494 |
| Total capital assets, being depreciated | <u>125,692,518</u> | <u>19,205,580</u> | <u>(356,941)</u> | <u>144,541,157</u> |
| Less accumulated depreciation for: | | | | |
| Temporary easements | 53,916 | 9,609 | (63,525) | - |
| Buildings and land improvements | 17,023,771 | 1,140,652 | - | 18,164,423 |
| Machinery and equipment | 7,162,338 | 829,235 | (281,641) | 7,709,932 |
| Infrastructure | 49,596,418 | 1,366,987 | - | 50,963,405 |
| Total accumulated depreciation | <u>73,836,443</u> | <u>3,346,483</u> | <u>(345,166)</u> | <u>76,837,760</u> |
| Total capital assets being depreciated-net | <u>51,856,075</u> | <u>15,859,097</u> | <u>(11,775)</u> | <u>67,703,397</u> |
| Governmental activities capital assets-net | <u>\$ 88,695,730</u> | <u>\$ 23,681,072</u> | <u>\$ (28,083,493)</u> | <u>\$ 84,293,309</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 4 CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|---------------------|--------------------|----------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 594,775 | \$ - | \$ - | \$ 594,775 |
| Construction in progress | 477,268 | 1,176,754 | - | 1,654,022 |
| Total capital assets, not being depreciated | <u>1,072,043</u> | <u>1,176,754</u> | <u>-</u> | <u>2,248,797</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and land improvements | 28,674,411 | 123,312 | - | 28,797,723 |
| Machinery and equipment | 3,298,838 | - | (39,000) | 3,259,838 |
| Infrastructure | 31,325,232 | 9,401,746 | - | 40,726,978 |
| Total capital assets, being depreciated | <u>63,298,481</u> | <u>9,525,058</u> | <u>(39,000)</u> | <u>72,784,539</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and land improvements | 18,710,939 | 566,928 | - | 19,277,867 |
| Machinery and equipment | 1,503,875 | 92,876 | (1,950) | 1,594,801 |
| Infrastructure | 14,072,548 | 557,396 | - | 14,629,944 |
| Total accumulated depreciation | <u>34,287,362</u> | <u>1,217,200</u> | <u>(1,950)</u> | <u>35,502,612</u> |
| Total capital assets being depreciated-net | <u>29,011,119</u> | <u>8,307,858</u> | <u>(37,050)</u> | <u>37,281,927</u> |
| Business-type activities capital assets-net | <u>\$ 30,083,162</u> | <u>\$ 9,484,612</u> | <u>\$ (37,050)</u> | <u>\$ 39,530,724</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 76,583 |
| Public safety | 75,384 |
| Public works | 2,030,862 |
| Community development | 526 |
| Parks, arena, library | 318,638 |
| Transportation | 333,829 |
| Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets | <u>510,661</u> |
| Total depreciation expense - governmental activities | <u>\$ 3,346,483</u> |
| Business-type activities: | |
| Water and sewer utility | \$ 483,222 |
| Storm water utility | 294,932 |
| Low rent housing | <u>439,046</u> |
| Total depreciation expense - business-type activities | <u>\$ 1,217,200</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 4 CAPITAL ASSETS (CONTINUED)

CONSTRUCTION COMMITMENTS

At December 31, 2023 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized below:

| Project | Responsible Fund | Contract Amount | Remaining Commitment |
|---------------------------------|-------------------------|---------------------|-------------------------|
| Wakota Scenic Trailhead | Local Improvements Fund | \$ 1,580,152 | \$ 549,955 |
| Well #3 Treatment Plant | Water and Sewer Fund | 8,094,000 | 7,344,100 |
| Taxilane Charlie Reconstruction | Airport Capital Fund | 244,545 | 15,183 |
| Total all funds | | <u>\$ 9,918,697</u> | <u>\$ 7,909,238</u> |

Note 5 LONG-TERM DEBT

A. BONDS

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 four categories of long-term debt.

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

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

Tax Increment Financing – used to accumulate monies from tax increments for payment of taxable tax increment bonds which have been issued to finance projects and other costs related to economic development within the City.

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

Bonds outstanding at December 31, 2023 are as follows:

| | Final Maturities | Interest Rate | Original Amount | Outstanding 12/31/23 |
|------------------------------------|---------------------|------------------|----------------------|-------------------------|
| General Obligation Bonds | 2030 - 2040 | 2.00% - 4.00% | \$ 29,470,000 | \$ 18,200,000 |
| Drinking Water Revolving Fund Loan | 2029 | 1.71% - 2.30% | 4,124,332 | 2,221,281 |
| Total bonds payable | | | <u>\$ 35,409,332</u> | <u>\$ 20,421,281</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 5 LONG-TERM DEBT

A. BONDS (CONTINUED)

Annual debt service requirements to maturity for bonds and loans are as follows:

| | Governmental Activities | | Business-Type Activities | |
|-----------|-------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 1,665,000 | \$ 496,880 | \$ 536,235 | \$ 262,138 |
| 2025 | 1,685,000 | 444,880 | 762,000 | 273,260 |
| 2026 | 1,735,000 | 390,493 | 774,000 | 255,193 |
| 2027 | 1,735,000 | 336,542 | 639,046 | 133,845 |
| 2028 | 1,275,000 | 289,035 | 369,000 | 22,023 |
| 2029-2033 | 4,770,000 | 960,328 | 606,000 | 16,316 |
| 2034-2038 | 3,240,000 | 288,047 | - | - |
| 2039-2040 | 630,000 | 19,050 | - | - |
| Total | <u>\$ 16,735,000</u> | <u>\$ 3,225,255</u> | <u>\$ 3,686,281</u> | <u>\$ 962,775</u> |

All long-term bonded indebtedness outstanding at December 31, 2023 is backed by the full faith and credit of the City, including special assessment issues, tax increment issues, and the revolving fund loan. Bonds in the governmental activities will be retired by future property tax levies or special assessments accumulated in the specific debt services funds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. Delinquent special assessments in the governmental funds at December 31, 2023 were \$27,675.

Bonds in the business-type activities will be retired with the net revenues of the Water and Sewer Utility and Storm Water Utility funds. In the event that a deficiency exists because of inadequate net revenues at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. Net revenues in the Water and Sewer Utility and Storm Water Utility funds at December 31, 2023 were \$2,381,775.

B. NOTES PAYABLE

During 1999, the HRA obtained financing of two loans through the Minnesota Housing Finance Agency (MHFA) in the aggregate amount of \$211,980 to assist with the rehabilitation of the John Carroll Apartment windows. One loan in the amount of \$105,980 is due and payable as a lump sum on September 20, 2029. This is a noninterest bearing loan. The other loan in the amount of \$106,000 shall be deemed to be paid in full and no payment thereof shall be required after 30 years if no event of default occurs as described in the agreement.

During 2002, the HRA obtained financing from the Dakota County Community Development Agency in the amount of \$250,000 to assist with the rehabilitation of the Nan McKay Apartment windows. This is a noninterest bearing loan. This loan is payable if/when the building ceases to be public housing.

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

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 5 LONG-TERM DEBT

B. NOTES PAYABLE (CONTINUED)

During 2015, the HRA obtained financing through PNC Equipment Finance, LLC in the amount of \$1,163,746 for an Energy Performance Contract with Johnson Controls. This contract was to assist with energy conservation improvements at the John Carroll building and Nan McKay building. This loan carries an interest rate of 3.219% with payments due annually through 2024. The balance of the loan at December 31, 2023, was \$108,456.

During 2016, the HRA obtained financing from the MHFA in the amount of \$442,486 to assist with the replacement of the fire alarm systems of the Nan McKay and John Carroll Apartment buildings. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 20 years if no event of default occurs as described in the agreement.

During 2020, the HRA obtained financing from the MHFA in the amount of \$352,153 to assist with the modernization of the elevators of the John Carroll Apartment building. This is a noninterest bearing loan and shall be deemed to be paid in full and no payment thereof shall be required after 35 years if no event of default occurs as described in the agreement.

Annual debt service requirements for business-type activities long-term notes payable debt are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|---------------------|-----------------|---------------------|
| 2024 | \$ 108,456 | \$ 3,491 | \$ 111,947 |
| 2029 | 105,980 | - | 105,980 |
| Forgivable debt | <u>1,519,373</u> | <u>-</u> | <u>1,519,373</u> |
| Total | <u>\$ 1,733,809</u> | <u>\$ 3,491</u> | <u>\$ 1,737,300</u> |

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

C. CHANGES IN LONG-TERM DEBT

Changes in long-term liabilities during December 31, 2023 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|---------------------|----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation | \$ 18,455,000 | \$ - | \$ 1,720,000 | \$ 16,735,000 | \$ 1,665,000 |
| Taxable tax increment | 585,000 | - | 585,000 | - | - |
| Plus/(Less) deferred amounts: | | | | | |
| For issuance premium | 814,216 | - | 64,514 | 749,702 | - |
| Total bonds payable | <u>19,854,216</u> | <u>-</u> | <u>2,369,514</u> | <u>17,484,702</u> | <u>1,665,000</u> |
| Total other postemployment benefit liability | 4,182,764 | 95,864 | 505,583 | 3,773,045 | - |
| Net pension liability | 16,646,624 | 2,650,746 | 10,619,972 | 8,677,398 | - |
| Compensated absences | 452,228 | 127,924 | 96,784 | 483,368 | 86,330 |
| Total governmental activities long-term debt | <u>\$ 41,135,832</u> | <u>\$ 2,874,534</u> | <u>\$ 13,591,853</u> | <u>\$ 30,418,513</u> | <u>\$ 1,751,330</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 5 LONG-TERM DEBT

C. CHANGES IN LONG-TERM DEBT (CONTINUED)

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|----------------------|--------------|------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation | \$ 1,655,000 | \$ - | \$ 190,000 | \$ 1,465,000 | \$ 190,000 |
| Revenue | 1,039,000 | 1,323,281 | 141,000 | 2,221,281 | 346,235 |
| Plus/(Less) deferred amounts: | | | | | |
| For issuance premium | 21,820 | - | 3,079 | 18,741 | - |
| Total bonds payable | 2,715,820 | 1,323,281 | 334,079 | 3,705,022 | 536,235 |
| Notes payable: | | | | | |
| 1999 MHFA | 105,980 | - | - | 105,980 | - |
| 1999 MHFA | 106,000 | - | - | 106,000 | - |
| 2013 MHFA | 368,734 | - | - | 368,734 | - |
| 2016 MHFA | 442,486 | - | - | 442,486 | - |
| 2019 MHFA | 352,153 | - | - | 352,153 | - |
| 2002 CDA | 250,000 | - | - | 250,000 | - |
| Energy Performance - PNC | 254,353 | - | 145,897 | 108,456 | 108,456 |
| Total notes payable | 1,879,706 | - | 145,897 | 1,733,809 | 108,456 |
| Total business-type activities long-term debt | \$ 4,595,526 | \$ 1,323,281 | \$ 479,976 | \$ 5,438,831 | \$ 644,691 |

Compensated absences, net pension liability, and total other postemployment benefit liability will be liquidated by the OPEB / Employee Benefits Internal Service Fund.

D. CONDUIT DEBT

Conduit debt is certain limited obligation revenue bonds or similar debt instruments issued for express purpose of providing capital financing for a specific third party. The City has entered into a conduit debt agreement with Walker Methodist for the construction of a senior housing and healthcare facility. Upon repayment of the bonds, ownership of the acquired facilities transfer to the private sector entity served in the bond issuance. The bonds are payable solely from revenues of the Walker Methodist and neither the City, the state not and political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2023 the outstanding balance was \$9,645,000 on these bonds.

Note 6 TAX ABATEMENT AGREEMENTS

The EDA, in order to spur economic redevelopment, will enter into private redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. These agreements may in substance be a tax abatement but will depend on their individual circumstances. The EDA had four agreements that were active in 2023 that would be considered a tax abatement under GASB Statement No. 77.

In 2012, the HRA entered into a development agreement with Interstate Partners, LLC to assist the developer with the financing of certain costs of a project completed within the Redevelopment District of the Stockyards TIF District. In 2015, the HRA entered into a second development agreement with Interstate Partners, LLC. For both of these agreements, the HRA used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district was created. Both of these agreements were assumed by the EDA on January 1, 2016. The EDA will abate 85 percent of the incremental taxes received through execution of tax increment revenue notes, both of which will be retired in 2033. The outstanding principal balance as of December 31, 2023 for the first agreement was \$513,905 and the EDA rebated \$89,337 in the current year. The outstanding principal balance on the second agreement was \$879,612 and the EDA rebated \$134,005 in the current year.

Note 6 TAX ABATEMENT AGREEMENTS (CONTINUED)

In 2019, the EDA entered into a development agreement with DRS Investment VI LLC to aid in financing certain public costs of a Redevelopment Project undertaken by the EDA within the Redevelopment District of the Concord TIF District. For this agreement, the EDA used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The EDA will abate a maximum of \$200,000 annually of the incremental taxes received through execution of a tax increment revenue note to be retired in 2024. The outstanding principal balance as of December 31, 2023 for this agreement was \$200,000 and the EDA rebated \$200,000 in the current year.

In 2023, the EDA entered into a development agreement with SSP SPE I LLC to aid in financing certain public costs of a Redevelopment Project undertaken by the EDA within the Redevelopment District of the Grand Avenue Gateway. For this agreement, the EDA used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The EDA will abate 90 percent of the incremental taxes received through execution of tax increment revenue note, which will be retired in 2043. The outstanding principal balance as of December 31, 2023 for this agreement was \$3,700,000 and the first rebate will be in 2024.

The City is authorized to create a tax increment financing plan under Minnesota Statute, Chapter 469.175. The criteria that must be met under the statute are that, in the opinion of the municipality:

- The proposed redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed redevelopment after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan;
- The tax increment financing plan conforms to the general plan for the redevelopment of the municipality as a whole; and
- The tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the redevelopment of the project by private enterprise.

These agreements are not a general obligation of the EDA and are payable solely from available tax increments, received from the property owners within the Redevelopment Districts. The EDA's position is that these are obligations to assign future and uncertain revenues sources and, as such, are not actual debt in substance.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 7 FUND BALANCE AND FUND NET POSITION

A. NET POSITION

Net position reported in the government-wide statement of net position at December 31, 2023, include the following:

| | |
|---|----------------------|
| Governmental Activities | |
| Net investment in capital assets: | |
| Land | \$ 14,319,460 |
| Construction in progress | 2,270,452 |
| Other capital assets, net of depreciation | 67,703,397 |
| Less: related long-term debt outstanding | <u>(12,113,591)</u> |
| Total net investment in capital assets | <u>72,179,718</u> |
| Restricted: | |
| Debt service | 3,804,468 |
| Tax increment | 8,686,064 |
| Economic development | 3,184,850 |
| Housing programs | 3,106,134 |
| Park improvements | 266,940 |
| Airport | 181,236 |
| Library funding | 53,804 |
| Forfeitures | 61,317 |
| Community relations | 25,939 |
| Memorial funding | 4,082 |
| Lawful purposes | <u>968,732</u> |
| Total restricted | <u>20,343,566</u> |
| Unrestricted | <u>6,701,776</u> |
| Total governmental activities net position | <u>\$ 99,225,060</u> |
| Business-type Activities | |
| Net investment in capital assets: | |
| Land | \$ 594,775 |
| Construction in progress | 1,654,022 |
| Other capital assets, net of depreciation | 37,281,927 |
| Less: related long-term debt outstanding | <u>(5,268,973)</u> |
| Total net investment in capital assets | <u>34,261,751</u> |
| Unrestricted | <u>14,968,654</u> |
| Total business-type activities net position | <u>\$ 49,230,405</u> |

Related debt for governmental activities capital assets includes \$458,773 in premium on bonds issued and \$11,654,818 in general obligation bonds. The premium on bonds issued and general obligation bonds represent the amounts issued to finance governmental activities capital assets. An additional \$106,477 of premium on bonds issued and \$2,159,862 of general obligation bonds was issued to finance business-type activity capital assets.

Related debt for business-type activities capital assets includes \$2,221,281 in general obligation revenue bonds, \$18,741 in premium on bonds issued, \$1,733,809 in notes payable, and \$1,295,142 in general obligation bonds, the amount issued to finance the storm water utility Levee Lift Station included in the Floodwall Construction project. The remaining \$169,858 of general obligation bonds was issued to finance piping improvements and replacements (included with the governmental activities capital assets).

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Note 7 FUND BALANCE AND FUND NET POSITION (CONTINUED)

B. FUND BALANCES

At December 31, 2023, a summary of the City’s governmental fund balance classifications are as follows:

| | General Fund | Doug Woog Arena | Airport | Capital Programs | Local Improvements | Tax Increment | Other Nonmajor Governmental | Total |
|-------------------------|----------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-----------------------------|----------------------|
| Nonspendable: | | | | | | | | |
| Prepaid Items | \$ 61,445 | \$ 3,827 | \$ 4,546 | \$ - | \$ - | \$ - | \$ 275 | \$ 70,093 |
| Inventory | 63,629 | - | 72,049 | - | - | - | - | 135,678 |
| Total nonspendable | 125,074 | 3,827 | 76,595 | - | - | - | 275 | 205,771 |
| Restricted for: | | | | | | | | |
| Debt Service | - | - | - | - | - | - | 3,194,128 | 3,194,128 |
| Economic Development | - | - | - | - | - | - | 3,179,575 | 3,179,575 |
| Tax Increment Financing | - | - | - | - | - | 8,644,029 | - | 8,644,029 |
| Housing | - | - | - | - | - | - | 2,742,145 | 2,742,145 |
| Park Improvements | - | - | - | - | - | - | 266,940 | 266,940 |
| Airport | - | - | 80,075 | - | - | - | - | 80,075 |
| Community Relations | - | - | - | - | - | - | 25,939 | 25,939 |
| Forfeitures | - | - | - | - | - | - | 61,317 | 61,317 |
| Lawful Purposes | - | - | - | - | - | - | 968,732 | 968,732 |
| Memorial Funding | - | - | - | - | - | - | 4,082 | 4,082 |
| Library Funding | - | - | - | - | - | - | 53,804 | 53,804 |
| Total restricted | - | - | 80,075 | - | - | 8,644,029 | 10,496,662 | 19,220,766 |
| Committed for: | | | | | | | | |
| Working Capital | 4,590,970 | - | - | - | 869,442 | - | - | 5,460,412 |
| Central Square | - | - | - | - | - | - | 41,296 | 41,296 |
| Total committed | 4,590,970 | - | - | - | 869,442 | - | 41,296 | 5,501,708 |
| Assigned for: | | | | | | | | |
| Working Capital | - | - | - | 2,327,143 | - | - | 631,014 | 2,958,157 |
| Future Equipment | - | - | - | - | - | - | 216,527 | 216,527 |
| Community Relations | - | - | - | - | - | - | 4,623 | 4,623 |
| Other Purposes | - | - | - | - | - | - | 107,925 | 107,925 |
| Total assigned | - | - | - | 2,327,143 | - | - | 960,089 | 3,287,232 |
| Unassigned: | | | | | | | | |
| General fund | 10,922,398 | - | - | - | - | - | - | 10,922,398 |
| Doug Woog Arena | - | (536,623) | - | - | - | - | - | (536,623) |
| Nonmajor Governmental | - | - | - | - | - | - | (1,075,964) | (1,075,964) |
| Total unassigned | 10,922,398 | (536,623) | - | - | - | - | (1,075,964) | 9,309,811 |
| Total | \$ 15,638,442 | \$ (532,796) | \$ 156,670 | \$ 2,327,143 | \$ 869,442 | \$ 8,644,029 | \$ 10,422,358 | \$ 37,525,288 |

Note 8 RETIREMENT PLANS

The aggregate amounts for all pension plans as of December 31, 2023 are as follows:

| Pension Plan | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------|-------------------------|--------------------------------|-------------------------------|
| PERA - GERF | \$ 4,294,570 | \$ 1,386,509 | \$ 1,502,858 |
| PERA - PEPFF | 4,382,828 | 6,668,397 | 6,410,033 |
| Total - all pensions | \$ 8,677,398 | \$ 8,054,906 | \$ 7,912,891 |

Note 8 RETIREMENT PLANS (CONTINUED)

A. DEFINED BENEFIT PENSION PLANS

PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999 the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

BENEFITS PROVIDED

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2023. The City’s contributions to the General Employees Fund for the year ended December 31, 2023, were \$472,354. The City’s contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$577,240. The City’s contributions were equal to the required contributions as set by state statute.

PENSION COSTS

1. General Employees Fund

At December 31, 2023, the City reported a liability of \$4,294,570 for its proportionate share of the General Employee Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$118,361.

The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0768 percent at the end of the measurement period and 0.0709 percent for the beginning of the period.

| | | |
|--|----|------------------|
| City's proportionate share of the net pension liability | \$ | 4,294,570 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | | 118,361 |
| Total | \$ | <u>4,412,931</u> |

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

PENSION COSTS

1. General Employees Fund (Continued)

For the year ended December 31, 2023, the City recognized pension expense of \$677,133 for its proportionate share of the General Employee Plan’s pension expense. In addition, the City recognized an additional \$532 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 138,432 | \$ 28,082 |
| Changes in actuarial assumptions | 659,204 | 1,177,105 |
| Net difference between projected and actual investment earnings | - | 210,001 |
| Changes in proportion | 350,461 | 87,670 |
| Contributions paid to PERA subsequent to the measurement date | 238,412 | - |
| Total | <u>\$ 1,386,509</u> | <u>\$ 1,502,858</u> |

The \$238,412 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Pension Expense Amount |
|------|------------------------------|
| 2024 | \$ 117,037 |
| 2025 | (553,465) |
| 2026 | 174,831 |
| 2027 | (93,164) |

2. Police and Fire Fund

At December 31, 2023, the City reported a liability of \$4,382,828 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.2538 percent at the end of the measurement period and 0.2535 percent for the beginning of the period.

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

PENSION COSTS

2. Police and Fire Fund (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$176,527.

| | | |
|--|----|------------------|
| City's proportionate share of the net pension liability | \$ | 4,382,828 |
| State of Minnesota's proportionate share of the net pension liability associated with the City | | <u>176,527</u> |
| Total | \$ | <u>4,559,355</u> |

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$1,323,970 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$10,632 as a reduction to grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$22,842 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 1,205,873 | \$ - |
| Changes in actuarial assumptions | 5,071,018 | 6,161,277 |
| Net difference between projected and actual investment earnings | - | 206,880 |
| Changes in proportion | 110,500 | 41,876 |
| Contributions paid to PERA subsequent to the measurement date | 281,006 | - |
| Total | <u>\$ 6,668,397</u> | <u>\$ 6,410,033</u> |

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

PENSION COSTS

2. Police and Fire Fund (Continued)

The \$281,006 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | Pension Expense Amount |
|------|------------------------------|
| 2024 | \$ 214,059 |
| 2025 | 53,231 |
| 2026 | 1,085,322 |
| 2027 | (290,029) |
| 2028 | (1,085,225) |

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2023, was \$1,991,003.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

ACTUARIAL ASSUMPTIONS (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

LONG-TERM EXPECTED RETURN ON INVESTMENTS

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|---|
| Domestic Equity | 33.5% | 5.10% |
| International Equity | 16.5% | 5.30% |
| Fixed Income | 25.0% | 0.75% |
| Private Markets | 25.0% | 5.90% |

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENSION LIABILITY SENSITIVITY

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

| | <u>General Employees Fund</u> | | <u>Police and Fire Fund</u> | |
|-----------------------|-------------------------------|--------------|-----------------------------|--------------|
| 1% Lower | 6.00% | \$ 7,597,439 | 6.00% | \$ 8,695,990 |
| Current Discount Rate | 7.00% | 4,294,570 | 7.00% | 4,382,828 |
| 1% Higher | 8.00% | 1,577,834 | 8.00% | 836,774 |

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org

Note 8 RETIREMENT PLANS (CONTINUED)

B. DEFINED CONTRIBUTION PLAN

Six council members are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2023 were:

| <u>Contribution Amounts</u> | | <u>Percentage of Covered Payroll</u> | | <u>Required</u> |
|-----------------------------|-----------------|--------------------------------------|-----------------|-----------------|
| <u>Employee</u> | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> | <u>Rate</u> |
| \$ 2,790 | \$ 2,790 | 5% | 5% | 5% |

Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

SINGLE-EMPLOYER DEFINED BENEFIT PLAN

1. Plan Description

The City provides postemployment health care benefits for retirees and police disabled in the line of duty through a single-employer defined benefit plan administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 subdivision 2b and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan does not issue a publicly available financial report. No Plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

2. Benefits Provided

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. Under specific collective bargaining unit agreements, certain retirees are eligible to have the City pay all or part of the premium for continued medical insurance. For retirees not included by these agreements, the retiree must pay the full premium to continue coverage for medical insurance. All retirees must pay the full premium to continue coverage for dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

SINGLE-EMPLOYER DEFINED BENEFIT PLAN (CONTINUED)

3. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$354,838.

4. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

| | |
|---|-------------------|
| Retirees and beneficiaries receiving benefits | 19 |
| Active plan members | <u>99</u> |
| Total members | <u><u>118</u></u> |

5. Total OPEB Liability

The City's total OPEB liability of \$3,773,045 as of year-end was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023.

6. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2023, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---|
| Discount rate | 4.00% |
| 20-year municipal bond yield | 4.00% |
| Inflation rate | 2.50% |
| Medical trend rate | 6.50% decreasing to 5.00% over 6 years then 4.00% over the next 48 years |

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Mortality rates for employees were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

7. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|----------------------------|
| Beginning balance | \$ 4,182,764 |
| Changes for the year | |
| Service cost | 96,250 |
| Interest cost | 81,325 |
| Changes of assumptions | (505,583) |
| Plan changes | 5,667 |
| Difference between expected & actual experience | 340,218 |
| Benefit payments | <u>(427,596)</u> |
| Total net changes | <u>(409,719)</u> |
| Ending balance | <u><u>\$ 3,773,045</u></u> |

Changes in Plan Provisions:

- The severance benefit multiplier was increased from \$200 to \$225 for AFSCME and Teamsters employees.

Changes in Actuarial Assumptions:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

SINGLE-EMPLOYER DEFINED BENEFIT PLAN (CONTINUED)

8. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | | <u>Total OPEB Liability</u> |
|------------------------------|-------|---------------------------------|
| 1% Decrease in Discount Rate | 3.00% | \$ 4,065,880 |
| Current Discount Rate | 4.00% | 3,773,045 |
| 1% Increase in Discount Rate | 5.00% | 3,511,527 |

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | | <u>Total OPEB Liability</u> |
|----------------------------|-------|---------------------------------|
| 1% Decrease in Trend Rates | 5.50% | \$ 3,488,955 |
| Current Trend Rates | 6.50% | 3,773,045 |
| 1% Increase in Trend Rates | 7.50% | 4,100,556 |

9. OPEB Expense and Related Deferred Outflows and Inflows of Resources

For the current period, the City recognized OPEB expense of \$258,470. As of year-end, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual economic experience | \$ 633,413 | \$ 262,852 |
| Changes of assumptions | 365,145 | 518,592 |
| City's contributions subsequent to the measurement date | 354,838 | - |
| Total | <u>\$ 1,353,396</u> | <u>\$ 781,444</u> |

The \$354,838 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>OPEB Expense Amount</u> |
|------------|------------------------------------|
| 2024 | \$ 75,228 |
| 2025 | 75,228 |
| 2026 | 66,513 |
| 2027 | 64,056 |
| 2028 | (1,397) |
| Thereafter | (62,514) |

Note 10 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances at December 31, 2023 is as follows:

| <u>Advances to Other Funds</u> | <u>Advances From Other Funds</u> | <u>Amount</u> |
|--------------------------------|----------------------------------|---------------------|
| | Major Governmental Funds: | |
| General Fund | Doug Woog Arena | \$ 617,725 |
| | Nonmajor Governmental Funds: | |
| General Fund | Airport Improvements | <u>846,603</u> |
| | Total | <u>\$ 1,464,328</u> |

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

B. INTERFUND TRANSFERS

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

| | <u>Transfer In</u> | | | | | |
|-------------------------|---------------------|-------------------------|---------------------------|------------------------------|-------------------------|----------------------|
| | <u>General Fund</u> | <u>Capital Programs</u> | <u>Local Improvements</u> | <u>Nonmajor Governmental</u> | <u>Internal Service</u> | <u>Total</u> |
| Transfer out: | | | | | | |
| General Fund | \$ - | \$ 3,234,973 | \$ - | \$ - | \$ 250,000 | \$ 3,484,973 |
| Capital Programs | - | - | 4,029,070 | - | - | 4,029,070 |
| Local Improvements | - | - | - | 47,351 | - | 47,351 |
| Tax Increment | - | - | - | 603,684 | - | 603,684 |
| Nonmajor Governmental | 43,570 | - | - | 751,354 | - | 794,924 |
| Water and Sewer Utility | 100,000 | - | 389,891 | 185,000 | - | 674,891 |
| Storm Water Utility | 40,000 | - | 410,217 | 27,301 | - | 477,518 |
| Street Light Utility | 20,000 | - | - | - | - | 20,000 |
| Total transfers | <u>\$ 203,570</u> | <u>\$ 3,234,973</u> | <u>\$ 4,829,178</u> | <u>\$ 1,614,690</u> | <u>\$ 250,000</u> | <u>\$ 10,132,411</u> |

Note 11 JOINT VENTURES

A. SPECIAL SCHOOL DISTRICT NO. 6

1. The City entered into a joint powers agreement with Special School District No. 6 in July of 2000. The agreement provides for the operation of the School District owned Central Square Community Center building. The City participates as the operator of recreational programs and shares in the net cost of providing those programs. In July 2004, the City took over the fiscal agency under the agreement and is responsible for all financial reporting while the School District remains the owner and operator of the building. The City provides employees to run the recreational programs and is partially reimbursed by the School District for salary and benefits. This joint powers agreement was mutually dissolved on June 30, 2021. The City and the School District will divide the proceeds equally when all assets have been sold and all liabilities have been satisfied.
2. The City entered into a joint powers agreement with Special School District No. 6 in September of 2010. The agreement provides for two city officers to be assigned to the High School during the school year as School Resource Officers. The City employs and temporarily assigns the two licensed peace officers to serve as the School Resource Officers. The parties agree and acknowledge that the School Resource Officers shall not be considered employees of the District and that the City is partially reimbursed by the School District for salary and benefits.
3. Information regarding the Special School District No. 6 can be obtained at the website www.sspps.org or by contacting the District's Business Manager at 104 Fifth Avenue South, South St. Paul, Minnesota, 55075. Telephone 651-457-9428.

Note 11 JOINT VENTURES

B. SOUTH METRO FIRE DEPARTMENT

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

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

The activities of the SMFD will continue to be funded entirely by the cities of South St. Paul and West St. Paul, with each contributing an equal share of the SMFD annual budget which must be approved by the Board by a four-fifths vote of all of its members. The City’s annual payments for the year ending December 31, 2023 were \$2,742,801. In addition, each city performed in-kind contributed services of approximate equal value during 2023 with additional service agreements in future years.

During 2019, the City issued \$6,705,000 Series 2019A General Obligation Bonds, a portion of which was for the purpose of providing funds for the purchase of SMFD capital equipment. Under an agreement, payments are to be made by the cities of South St. Paul and West St. Paul, with each contributing an equal share sufficient to pay the principal and interest on the bonds when due. The equipment portion of the bond matures in 2029 and has a stated interest rate of 3.0%-4.0%. The balance of the equipment portion outstanding at December 31, 2023 was \$975,000.

The City’s future commitments to make payments as of December 31, 2023 are as follows:

| | <u>Payment</u> |
|-------|-------------------|
| 2024 | \$ 97,860 |
| 2025 | 97,230 |
| 2026 | 96,495 |
| 2027 | 95,655 |
| 2028 | 97,335 |
| Total | <u>\$ 484,575</u> |

C. LOCAL GOVERNMENT INFORMATION SYSTEMS ASSOCIATION (LOGIS)

This consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of its board, and the Consortium is fiscally independent of the City. The total amount recorded within the 2023 financial statements of the City was \$496,720 for services provided. Complete financial statements may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

Note 12 COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

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

The City uses its Self-Insured Dental Internal Service Fund to account for and finance its self-insured risk of loss for an employee dental plan. The dental plan is funded by the City, employee contributions, and investment earnings. When necessary, a claims liability is included in the liabilities of the fund and is based on the requirement that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred on the date of the financial statements and the loss can reasonably be estimated.

Changes in the fund’s claim liability for 2023 and 2022 was as follows:

| | Beginning Balance | Claims and Changes in Estimates | Claim Payments | Ending Balance |
|------|----------------------|---------------------------------------|-------------------|-------------------|
| 2023 | \$ - | \$ 50,905 | \$ 50,905 | \$ - |
| 2022 | - | 45,914 | 45,914 | - |

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.

Note 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. FEDERAL, STATE AND LOCAL FUNDS

The City receives financial assistance from federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

D. ARBITRAGE REBATE

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. The City issued greater than \$5 million of bonds in 2012, 2014, and 2019 and therefore is required to rebate excess investment income relating to these issues to the federal government. The extent of the City's liability for arbitrage rebates on the remaining bond issues is not determinable at this time. However, in the opinion of management, any such liability would be immaterial.

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CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2023

Statement 11
Page 1 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| General property taxes | | | | |
| Current | \$ 9,682,347 | \$ 9,670,397 | \$ 9,530,780 | \$ (139,617) |
| Excess TIF | 245,000 | 245,000 | 249,073 | 4,073 |
| Delinquent | - | - | 131,917 | 131,917 |
| Fiscal disparities | 3,020,771 | 3,020,771 | 3,005,018 | (15,753) |
| Other | - | - | 15,614 | 15,614 |
| Total general property taxes | <u>12,948,118</u> | <u>12,936,168</u> | <u>12,932,402</u> | <u>(3,766)</u> |
| Franchise tax | <u>1,255,000</u> | <u>1,255,000</u> | <u>1,546,224</u> | <u>291,224</u> |
| Licenses and permits | <u>456,435</u> | <u>456,435</u> | <u>578,587</u> | <u>122,152</u> |
| Intergovernmental | | | | |
| Federal | | | | |
| Other | - | 40,000 | - | (40,000) |
| State | | | | |
| Local government aid | 1,586,850 | 1,586,850 | 1,587,015 | 165 |
| Road maintenance | 236,360 | 236,360 | 266,385 | 30,025 |
| Fire and police aids | 300,000 | 300,000 | 355,174 | 55,174 |
| Other | 19,000 | 19,000 | 129,822 | 110,822 |
| County | | | | |
| Road maintenance | 79,500 | 79,500 | 79,500 | - |
| Other | - | - | 5,765 | 5,765 |
| Local | <u>133,178</u> | <u>133,178</u> | <u>219,796</u> | <u>86,618</u> |
| Total intergovernmental | <u>2,354,888</u> | <u>2,394,888</u> | <u>2,643,457</u> | <u>248,569</u> |
| Charges for services | | | | |
| General government | 491,755 | 491,755 | 448,975 | (42,780) |
| Public safety | 1,600 | 1,600 | 2,475 | 875 |
| Public works | 14,000 | 14,000 | 12,882 | (1,118) |
| Community development | 62,500 | 62,500 | 97,926 | 35,426 |
| Parks and recreation | 161,300 | 161,300 | 179,424 | 18,124 |
| Administrative fee - other funds | 827,302 | 827,302 | 827,302 | - |
| Engineering project fees | 100,000 | 100,000 | - | (100,000) |
| Rents | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Total charges for services | <u>1,708,457</u> | <u>1,708,457</u> | <u>1,618,984</u> | <u>(89,473)</u> |
| Fines and forfeits | <u>109,900</u> | <u>109,900</u> | <u>132,500</u> | <u>22,600</u> |
| Special assessments | - | - | 31,229 | 31,229 |
| Investment income | <u>40,000</u> | <u>40,000</u> | <u>216,206</u> | <u>176,206</u> |
| Change in fair value of investments | - | - | 83,574 | 83,574 |
| Miscellaneous | | | | |
| Other | <u>17,000</u> | <u>17,000</u> | <u>27,089</u> | <u>10,089</u> |
| Total revenues | <u>18,889,798</u> | <u>18,917,848</u> | <u>19,810,252</u> | <u>892,404</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2023

Statement 11
Page 2 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|------------------------------|------------------|----------------|----------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| General government | | | | |
| Mayor and city council | | | | |
| Current | | | | |
| Personal services | \$ 72,969 | \$ 72,969 | \$ 72,960 | \$ 9 |
| Materials and supplies | 700 | 700 | 223 | 477 |
| Other services and charges | 69,132 | 69,132 | 71,076 | (1,944) |
| Miscellaneous | 28,730 | 28,730 | 29,398 | (668) |
| Total mayor and city council | <u>171,531</u> | <u>171,531</u> | <u>173,657</u> | <u>(2,126)</u> |
| City administration | | | | |
| Current | | | | |
| Personal services | 475,483 | 474,523 | 484,134 | (9,611) |
| Materials and supplies | 2,900 | 2,900 | 2,897 | 3 |
| Other services and charges | 90,571 | 90,571 | 81,780 | 8,791 |
| Miscellaneous | 2,225 | 2,225 | 1,806 | 419 |
| Total city administration | <u>571,179</u> | <u>570,219</u> | <u>570,617</u> | <u>(398)</u> |
| Human resources | | | | |
| Current | | | | |
| Personal services | 209,870 | 218,880 | 221,505 | (2,625) |
| Materials and supplies | 2,600 | 2,600 | 1,013 | 1,587 |
| Other services and charges | 45,182 | 45,182 | 46,679 | (1,497) |
| Miscellaneous | 5,965 | 5,965 | 922 | 5,043 |
| Total human resources | <u>263,617</u> | <u>272,627</u> | <u>270,119</u> | <u>2,508</u> |
| City attorney | | | | |
| Current | | | | |
| Other services and charges | 260,000 | 260,000 | 321,590 | (61,590) |
| Total city attorney | <u>260,000</u> | <u>260,000</u> | <u>321,590</u> | <u>(61,590)</u> |
| City clerk | | | | |
| Current | | | | |
| Personal services | 228,226 | 233,973 | 196,011 | 37,962 |
| Materials and supplies | 1,500 | 1,500 | 822 | 678 |
| Other services and charges | 17,160 | 17,160 | 17,843 | (683) |
| Miscellaneous | 875 | 875 | 1,713 | (838) |
| Capital outlay | - | - | 5,748 | (5,748) |
| Total city clerk | <u>247,761</u> | <u>253,508</u> | <u>222,137</u> | <u>31,371</u> |
| Information technology | | | | |
| Current | | | | |
| Personal services | 284,246 | 284,545 | 289,041 | (4,496) |
| Materials and supplies | 13,800 | 13,800 | 10,207 | 3,593 |
| Other services and charges | 465,220 | 465,220 | 420,322 | 44,898 |
| Total information technology | <u>763,266</u> | <u>763,565</u> | <u>719,570</u> | <u>43,995</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2023

Statement 11
Page 3 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------|-------------------|------------------|------------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| General government (continued) | | | | |
| City finance | | | | |
| Current | | | | |
| Personal services | \$ 339,853 | \$ 340,178 | \$ 346,980 | \$ (6,802) |
| Materials and supplies | 3,750 | 3,750 | 3,502 | 248 |
| Other services and charges | 122,868 | 122,868 | 127,567 | (4,699) |
| Miscellaneous | 3,180 | 3,180 | 3,737 | (557) |
| Total city finance | <u>469,651</u> | <u>469,976</u> | <u>481,786</u> | <u>(11,810)</u> |
| Recycling | | | | |
| Current | | | | |
| Personal services | 12,996 | 12,996 | 8,212 | 4,784 |
| Materials and supplies | 100 | 100 | 41 | 59 |
| Other services and charges | 15,500 | 15,500 | 14,874 | 626 |
| Total recycling | <u>28,596</u> | <u>28,596</u> | <u>23,127</u> | <u>5,469</u> |
| Total general government | <u>2,775,601</u> | <u>2,790,022</u> | <u>2,782,603</u> | <u>7,419</u> |
| Public safety | | | | |
| Police | | | | |
| Current | | | | |
| Personal services | 5,952,381 | 6,130,863 | 5,773,593 | 357,270 |
| Materials and supplies | 104,500 | 104,500 | 92,767 | 11,733 |
| Other services and charges | 1,373,205 | 1,373,205 | 1,336,871 | 36,334 |
| Miscellaneous | 71,648 | 71,648 | 66,874 | 4,774 |
| Capital outlay | 31,000 | 31,000 | 33,914 | (2,914) |
| Total police | <u>7,532,734</u> | <u>7,711,216</u> | <u>7,304,019</u> | <u>407,197</u> |
| Fire | | | | |
| Current | | | | |
| Other services and charges | <u>2,751,031</u> | <u>544,043</u> | <u>566,148</u> | <u>(22,105)</u> |
| Total public safety | <u>10,283,765</u> | <u>8,255,259</u> | <u>7,870,167</u> | <u>385,092</u> |
| Public works | | | | |
| Engineering | | | | |
| Current | | | | |
| Personal services | 505,008 | 604,967 | 521,498 | 83,469 |
| Materials and supplies | 4,000 | 4,000 | 985 | 3,015 |
| Other services and charges | 61,489 | 61,489 | 164,871 | (103,382) |
| Miscellaneous | 1,500 | 1,500 | 440 | 1,060 |
| Capital outlay | 3,000 | 3,000 | 1,000 | 2,000 |
| Total engineering | <u>574,997</u> | <u>674,956</u> | <u>688,794</u> | <u>(13,838)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2023

Statement 11
Page 4 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| Expenditures | | | | |
| Public works (continued) | | | | |
| Public works | | | | |
| Current | | | | |
| Personal services | \$ 930,537 | \$ 869,994 | \$ 849,713 | \$ 20,281 |
| Materials and supplies | 366,850 | 366,850 | 384,345 | (17,495) |
| Other services and charges | 784,770 | 784,770 | 785,777 | (1,007) |
| Miscellaneous | 825 | 825 | - | 825 |
| Total public works | <u>2,082,982</u> | <u>2,022,439</u> | <u>2,019,835</u> | <u>2,604</u> |
| Buildings | | | | |
| Current | | | | |
| Personal services | 129,379 | 127,668 | 138,261 | (10,593) |
| Materials and supplies | 30,300 | 30,300 | 24,518 | 5,782 |
| Other services and charges | 113,567 | 113,567 | 145,166 | (31,599) |
| Total buildings | <u>273,246</u> | <u>271,535</u> | <u>307,945</u> | <u>(36,410)</u> |
| Parks facilities and maintenance | | | | |
| Current | | | | |
| Personal services | 724,701 | 750,219 | 686,729 | 63,490 |
| Materials and supplies | 121,700 | 121,700 | 67,166 | 54,534 |
| Other services and charges | 414,713 | 414,713 | 401,895 | 12,818 |
| Capital outlay | 8,000 | 8,000 | 7,031 | 969 |
| Total parks facilities and maintenance | <u>1,269,114</u> | <u>1,294,632</u> | <u>1,162,821</u> | <u>131,811</u> |
| Total public works | <u>4,200,339</u> | <u>4,263,562</u> | <u>4,179,395</u> | <u>84,167</u> |
| Community development | | | | |
| City planner | | | | |
| Current | | | | |
| Personal services | 398,877 | 409,381 | 409,492 | (111) |
| Materials and supplies | 2,500 | 2,500 | 987 | 1,513 |
| Other services and charges | 132,621 | 132,621 | 157,493 | (24,872) |
| Miscellaneous | 5,950 | 5,950 | 7,220 | (1,270) |
| Total city planner | <u>539,948</u> | <u>550,452</u> | <u>575,192</u> | <u>(24,740)</u> |
| Code enforcement | | | | |
| Current | | | | |
| Personal services | 125,003 | 116,257 | 116,631 | (374) |
| Materials and supplies | 1,150 | 1,150 | 1,011 | 139 |
| Other services and charges | 52,753 | 52,753 | 31,285 | 21,468 |
| Miscellaneous | 1,150 | 1,150 | 258 | 892 |
| Total code enforcement | <u>180,056</u> | <u>171,310</u> | <u>149,185</u> | <u>22,125</u> |
| Total community development | <u>720,004</u> | <u>721,762</u> | <u>724,377</u> | <u>(2,615)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2023

Statement 11
Page 5 of 5

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|--------------------|----------------------|--|
| | Original | Final | | |
| Expenditures (continued) | | | | |
| Parks and recreation | | | | |
| Administration | | | | |
| Current | | | | |
| Personal services | \$ 245,204 | \$ 227,962 | \$ 232,395 | \$ (4,433) |
| Materials and supplies | 3,300 | 3,300 | 2,760 | 540 |
| Other services and charges | 52,534 | 52,534 | 47,025 | 5,509 |
| Miscellaneous | 3,875 | 3,875 | 3,475 | 400 |
| Total administration | <u>304,913</u> | <u>287,671</u> | <u>285,655</u> | <u>2,016</u> |
| Parks, pools and recreation | | | | |
| Current | | | | |
| Personal services | 323,370 | 297,650 | 332,282 | (34,632) |
| Materials and supplies | 47,000 | 47,000 | 52,223 | (5,223) |
| Other services and charges | 68,711 | 68,711 | 46,009 | 22,702 |
| Miscellaneous | 6,000 | 6,000 | 1,288 | 4,712 |
| Total parks, pools and recreation | <u>445,081</u> | <u>419,361</u> | <u>431,802</u> | <u>(12,441)</u> |
| Community affairs | | | | |
| Current | | | | |
| Personal services | 118,207 | 118,396 | 122,071 | (3,675) |
| Materials and supplies | 8,300 | 8,300 | 6,835 | 1,465 |
| Other services and charges | 2,105 | 2,105 | 1,799 | 306 |
| Miscellaneous | 1,100 | 1,100 | 554 | 546 |
| Total community affairs | <u>129,712</u> | <u>129,901</u> | <u>131,259</u> | <u>(1,358)</u> |
| Total parks and recreation | <u>879,706</u> | <u>836,933</u> | <u>848,716</u> | <u>(11,783)</u> |
| Contingency | <u>220,383</u> | <u>33,322</u> | <u>-</u> | <u>33,322</u> |
| Total expenditures | <u>19,079,798</u> | <u>16,900,860</u> | <u>16,405,258</u> | <u>495,602</u> |
| Revenues over (under) expenditures | <u>(190,000)</u> | <u>2,016,988</u> | <u>3,404,994</u> | <u>1,388,006</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 190,000 | 190,000 | 203,570 | 13,570 |
| Transfers out | - | (2,206,988) | (3,484,973) | (1,277,985) |
| Total other financing sources (uses) | <u>190,000</u> | <u>(2,016,988)</u> | <u>(3,281,403)</u> | <u>(1,264,415)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 123,591 | <u>\$ 123,591</u> |
| Fund balance - January 1 | | | <u>15,514,851</u> | |
| Fund balance - December 31 | | | <u>\$ 15,638,442</u> | |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - DOUG WOOG ARENA
For the Year Ended December 31, 2023

Statement 12

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|------------------|------------|--------------|--|
| | Original | Final | | |
| Revenues | | | | |
| General property taxes | | | | |
| Current | \$ 323,000 | \$ 323,000 | \$ 323,000 | \$ - |
| Charges for services | | | | |
| Ice rentals | 643,000 | 643,000 | 936,591 | 293,591 |
| Public/figure skating | 10,500 | 10,500 | 34,511 | 24,011 |
| Concessions | 40,000 | 40,000 | 91,452 | 51,452 |
| Rent | - | - | 2,557 | 2,557 |
| Other | 63,000 | 63,000 | 72,777 | 9,777 |
| Total charges for services | 756,500 | 756,500 | 1,137,888 | 381,388 |
| Change in fair value of investments | - | - | (6,441) | (6,441) |
| Miscellaneous | | | | |
| Other | - | - | 5,516 | 5,516 |
| Total revenues | 1,079,500 | 1,079,500 | 1,459,963 | 380,463 |
| Expenditures | | | | |
| Current | | | | |
| Parks, arena, library | | | | |
| Personal services | 553,001 | 569,233 | 625,420 | (56,187) |
| Materials and supplies | 74,500 | 74,500 | 140,764 | (66,264) |
| Services and other charges | 404,244 | 404,244 | 486,151 | (81,907) |
| Miscellaneous | 2,100 | 2,100 | 6,009 | (3,909) |
| Capital outlay | - | - | 14,753 | (14,753) |
| Debt service | | | | |
| Interest and other charges | 12,000 | 12,000 | 16,671 | (4,671) |
| Total expenditures | 1,045,845 | 1,062,077 | 1,289,768 | (227,691) |
| Net change in fund balance | \$ 33,655 | \$ 17,423 | 170,195 | \$ 152,772 |
| Fund balance - January 1 | | | (702,991) | |
| Fund balance - December 31 | | | \$ (532,796) | |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AIRPORT
For the Year Ended December 31, 2023

Statement 13

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|--------------------|--------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | | | | |
| Federal | | | | |
| ARPA Act | \$ - | \$ - | \$ 59,000 | \$ 59,000 |
| State | | | | |
| Airport operations and maintenance | 35,242 | 35,242 | 35,242 | - |
| Total intergovernmental | <u>35,242</u> | <u>35,242</u> | <u>94,242</u> | <u>59,000</u> |
| Charges for services | | | | |
| Transportation | | | | |
| Hangar rentals/land leases | 651,000 | 651,000 | 612,125 | (38,875) |
| Aircraft fuel sales | 750,000 | 750,000 | 881,803 | 131,803 |
| Other | <u>12,200</u> | <u>12,200</u> | <u>10,415</u> | <u>(1,785)</u> |
| Total charges for services | <u>1,413,200</u> | <u>1,413,200</u> | <u>1,504,343</u> | <u>91,143</u> |
| Investment income | - | - | 1,997 | 1,997 |
| Change in fair value of investments | - | - | 762 | 762 |
| Miscellaneous | | | | |
| Other | <u>7,700</u> | <u>7,700</u> | <u>40,224</u> | <u>32,524</u> |
| Total revenues | <u>1,456,142</u> | <u>1,456,142</u> | <u>1,641,568</u> | <u>185,426</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | | | | |
| Personal services | 338,132 | 367,459 | 368,875 | (1,416) |
| Materials and supplies | 693,000 | 693,000 | 845,433 | (152,433) |
| Other services and charges | 317,685 | 317,685 | 314,718 | 2,967 |
| Miscellaneous | <u>2,300</u> | <u>2,300</u> | <u>784</u> | <u>1,516</u> |
| Capital outlay | <u>5,000</u> | <u>5,000</u> | <u>14,269</u> | <u>(9,269)</u> |
| Total expenditures | <u>1,356,117</u> | <u>1,385,444</u> | <u>1,544,079</u> | <u>(158,635)</u> |
| Revenues over (under) expenditures | 100,025 | 70,698 | 97,489 | 26,791 |
| Other financing sources (uses) | | | | |
| Transfers out | <u>(145,158)</u> | <u>(145,158)</u> | <u>-</u> | <u>145,158</u> |
| Net change in fund balance | <u>\$ (45,133)</u> | <u>\$ (74,460)</u> | 97,489 | <u>\$ 171,949</u> |
| Fund balance - January 1 | | | <u>59,181</u> | |
| Fund balance - December 31 | | | <u>\$ 156,670</u> | |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

| City's Fiscal Year-End Date | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> |
|---|----------------------------|----------------------------|----------------------------|
| Fiscal Year Ending (for the Measurement Period) | 12/31/2017 | 1/1/2019 | 1/1/2020 |
| Total OPEB Liability | | | |
| Service cost | \$ 114,893 | \$ 129,482 | \$ 155,346 |
| Interest cost | 137,926 | 120,613 | 160,128 |
| Changes in assumption | 91,833 | (155,675) | 219,303 |
| Plan changes | - | 72,043 | - |
| Differences between expected and actual experience | - | 744,752 | - |
| Benefit Payments | <u>(332,184)</u> | <u>(341,520)</u> | <u>(393,491)</u> |
| Net change in total OPEB liability | 12,468 | 569,695 | 141,286 |
| Total OPEB liability - beginning of year | <u>3,671,308</u> | <u>3,683,776</u> | <u>4,253,471</u> |
| Total OPEB liability - end of year | <u><u>\$ 3,683,776</u></u> | <u><u>\$ 4,253,471</u></u> | <u><u>\$ 4,394,757</u></u> |
| Covered-employee Payroll | \$ 6,959,794 | \$ 6,889,362 | \$ 7,096,043 |
| Total OPEB liability as a percentage of covered-employee payroll | 52.9% | 61.7% | 61.9% |

The City implemented GASB Statement No. 75 in fiscal 2018 (using a December 31, 2017 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

The city has not established a trust fund to finance GASB statement No. 75 related benefits.

| <hr/> | | |
|---------------------|---------------------|---------------------|
| <u>12/31/2021</u> | <u>12/31/2022</u> | <u>12/31/2023</u> |
| 1/1/2021 | 12/31/2021 | 1/1/2023 |
| \$ 178,862 | \$ 184,228 | \$ 96,250 |
| 127,547 | 85,644 | 81,325 |
| 327,766 | - | (505,583) |
| - | - | 5,667 |
| (394,279) | - | 340,218 |
| <u>(353,405)</u> | <u>(368,356)</u> | <u>(427,596)</u> |
| (113,509) | (98,484) | (409,719) |
| <u>4,394,757</u> | <u>4,281,248</u> | <u>4,182,764</u> |
| <u>\$ 4,281,248</u> | <u>\$ 4,182,764</u> | <u>\$ 3,773,045</u> |
| \$ 7,722,794 | \$ 7,954,478 | \$ 8,400,203 |
| 55.4% | 52.6% | 44.9% |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

| <u>Fiscal Year Ending (for the Financial Reporting Period)</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in Relation to the Statutorily Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll*</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--|--|---|---|-----------------------------|---|
| <u>GENERAL EMPLOYEES RETIREMENT FUND</u> | | | | | |
| December 31, 2015 | \$ 285,496 | \$ 285,496 | \$ - | \$ 3,806,613 | 7.50% |
| December 31, 2016 | 337,017 | 337,017 | - | 4,493,600 | 7.50% |
| December 31, 2017 | 353,140 | 353,140 | - | 4,708,507 | 7.50% |
| December 31, 2018 | 387,837 | 387,837 | - | 5,171,160 | 7.50% |
| December 31, 2019 | 393,467 | 393,467 | - | 5,246,227 | 7.50% |
| December 31, 2020 | 403,121 | 403,121 | - | 5,374,947 | 7.50% |
| December 31, 2021 | 391,779 | 391,779 | - | 5,223,720 | 7.50% |
| December 31, 2022 | 412,043 | 412,043 | - | 5,493,428 | 7.50% |
| December 31, 2023 | 472,354 | 472,354 | - | 6,298,054 | 7.50% |
| <u>POLICE AND FIRE FUND</u> | | | | | |
| December 31, 2015 | \$ 367,564 | \$ 367,564 | \$ - | \$ 2,268,914 | 16.20% |
| December 31, 2016 | 385,091 | 385,091 | - | 2,377,111 | 16.20% |
| December 31, 2017 | 398,226 | 398,226 | - | 2,458,185 | 16.20% |
| December 31, 2018 | 420,925 | 420,925 | - | 2,598,302 | 16.20% |
| December 31, 2019 | 459,270 | 459,270 | - | 2,709,558 | 16.95% |
| December 31, 2020 | 525,927 | 525,927 | - | 2,971,339 | 17.70% |
| December 31, 2021 | 522,645 | 522,645 | - | 2,952,797 | 17.70% |
| December 31, 2022 | 564,915 | 564,915 | - | 3,191,607 | 17.70% |
| December 31, 2023 | 577,240 | 577,240 | - | 3,261,240 | 17.70% |

The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

*For purposes of this schedule, covered payroll is defined as "pensionable wages."

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

| City's Fiscal Year-End Date | <u>12/31/2015</u> | <u>12/31/2016</u> |
|---|-------------------|-------------------|
| Fiscal Year Ending (for the Measurement Period) | 06/30/2015 | 06/30/2016 |
| City's Proportion of the Net Pension Liability | 0.0630% | 0.0665% |
| City's Proportionate Share of the Net Pension Liability | \$ 3,264,988 | \$ 5,399,471 |
| City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | - | 70,447 |
| City's Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability | 3,264,988 | 5,469,918 |
| City's Covered Payroll | 3,699,377 | 4,123,533 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 88.26% | 130.94% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.20% | 68.90% |

The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

| <u>12/31/2017</u> | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2021</u> | <u>12/31/2022</u> | <u>12/31/2023</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 06/30/2017 | 06/30/2018 | 06/30/2019 | 06/30/2020 | 06/30/2021 | 06/30/2022 | 06/30/2023 |
| 0.0711% | 0.0739% | 0.0744% | 0.0759% | 0.0729% | 0.0709% | 0.0768% |
| \$ 4,538,979 | \$ 4,099,670 | \$ 4,113,409 | \$ 4,550,554 | \$ 3,113,158 | \$ 5,615,304 | \$ 4,294,570 |
| 57,081 | 134,434 | 127,828 | 140,250 | 95,036 | 164,672 | 118,361 |
| 4,596,060 | 4,234,104 | 4,241,237 | 4,690,804 | 3,208,194 | 5,779,976 | 4,412,931 |
| 4,580,973 | 4,927,093 | 5,264,413 | 5,151,587 | 5,248,907 | 5,308,334 | 6,105,725 |
| 99.08% | 83.21% | 78.14% | 88.33% | 59.31% | 105.78% | 70.34% |
| 75.90% | 79.53% | 80.23% | 79.10% | 87.00% | 76.70% | 83.10% |

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA - PUBLIC EMPLOYEES POLICE AND FIRE FUND

| City's Fiscal Year-End Date | <u>12/31/2015</u> | <u>12/31/2016</u> |
|---|-------------------|-------------------|
| Fiscal Year Ending (for the Measurement Period) | 06/30/2015 | 06/30/2016 |
| City's Proportion of the Net Pension Liability | 0.2450% | 0.2430% |
| City's Proportionate Share of the Net Pension Liability | \$ 2,783,773 | \$ 9,752,013 |
| City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | - | - |
| City's Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability | 2,783,773 | 9,752,013 |
| City's Covered Payroll | 2,242,425 | 2,339,167 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 124.14% | 416.90% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.60% | 63.90% |

The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

| <u>12/31/2017</u> | <u>12/31/2018</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2021</u> | <u>12/31/2022</u> | <u>12/31/2023</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 06/30/2017 | 06/30/2018 | 06/30/2019 | 06/30/2020 | 06/30/2021 | 06/30/2022 | 06/30/2023 |
| 0.2340% | 0.2396% | 0.2537% | 0.2419% | 0.2522% | 0.2535% | 0.2538% |
| \$ 3,159,278 | \$ 2,553,889 | \$ 2,700,895 | \$ 3,188,501 | \$ 1,946,717 | \$ 11,031,320 | \$ 4,382,828 |
| - | - | - | 75,116 | 87,506 | 481,956 | 176,527 |
| 3,159,278 | 2,553,889 | 2,700,895 | 3,263,617 | 2,034,223 | 11,513,276 | 4,559,355 |
| 2,404,716 | 2,525,142 | 2,674,042 | 2,728,901 | 2,980,571 | 3,079,284 | 3,332,297 |
| 131.38% | 101.14% | 101.00% | 116.84% | 65.31% | 358.24% | 131.53% |
| 85.40% | 88.84% | 89.26% | 87.20% | 93.70% | 70.50% | 86.50% |

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2023

Note A BUDGETS

The General Fund and the Doug Woog Arena and Airport Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

The following General fund and major Special Revenue fund departments had expenditures in excess of budgeted appropriations for 2023:

| | Expenditures | Final Budget | Excess |
|-----------------------------|--------------|-----------------|------------|
| Major Funds | | | |
| General Fund | | | |
| Mayor and city council | \$ 173,657 | \$ 171,531 | \$ (2,126) |
| City administration | 570,617 | 570,219 | (398) |
| City attorney | 321,590 | 260,000 | (61,590) |
| City finance | 481,786 | 469,976 | (11,810) |
| Fire | 566,148 | 544,043 | (22,105) |
| Engineering | 688,794 | 674,956 | (13,838) |
| Buildings | 307,945 | 271,535 | (36,410) |
| City planner | 575,192 | 550,452 | (24,740) |
| Parks, pools and recreation | 431,802 | 419,361 | (12,441) |
| Community affairs | 131,259 | 129,901 | (1,358) |
| Special Revenue Funds | | | |
| Doug Woog arena | 1,289,768 | 1,062,077 | (227,691) |
| Airport | 1,544,079 | 1,385,444 | (158,635) |

Note B SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS

2023 Changes

Changes in Plan Provisions:

- The severance benefit multiplier was increased from \$200 to \$225 for AFSCME and Teamsters employees.

Changes in Actuarial Assumptions:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

2021 Changes

Changes in Actuarial Assumptions:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The retirement and withdrawal rates for non-public-safety employees were updated to reflect the latest experience study.

Note B SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS (CONTINUED)

2020 Changes

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.80 percent to 2.90 percent.

2019 Changes

Changes in Actuarial Assumptions:

- The medical trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The service graded salary scale was updated.
- The discount rate was changed from 3.31% to 3.80%.

Changes in Plan Provisions:

- A post-employment subsidized benefit was added for Library employees
- The severance benefit multiplier was increased from \$180 to \$200 for AFSCME and Teamsters employees

2018 Changes

Changes in Actuarial Assumptions:

- The discount rate was changed from 3.81% to 3.31% to reflect the index rate for 20-year, tax exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index).

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS

General Employees Retirement Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

General Employees Retirement Fund (Continued)

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

General Employees Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

Police and Fire Fund (Continued)

2020 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increase were changed from 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS (CONTINUED)

Police and Fire Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after attainment of the 90.00% funding threshold was changed, from inflation up to 2.50%, to a fixed rate of 2.50%.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

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

DEBT SERVICE FUNDS

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

CAPITAL PROJECT FUNDS

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

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2023

Statement 14

| | Special Revenue | Debt Service | Capital Project | Total |
|---|---------------------|---------------------|--------------------|----------------------|
| Assets | | | | |
| Cash and investments | \$ 6,319,876 | \$ 3,183,391 | \$ 888,056 | \$ 10,391,323 |
| Accounts receivable | 9,814 | - | - | 9,814 |
| Loans receivable | 1,767,001 | - | - | 1,767,001 |
| Lease receivable | 470,880 | 438,646 | - | 909,526 |
| Property taxes receivable | 78,115 | - | - | 78,115 |
| Special assessments receivable | - | 836,555 | 3,912 | 840,467 |
| Due from other governmental units | 53,940 | - | - | 53,940 |
| Prepaid items | 275 | - | - | 275 |
| | <u>8,699,901</u> | <u>4,458,592</u> | <u>891,968</u> | <u>14,050,461</u> |
| Liabilities | | | | |
| Accounts and contracts payable | 219,878 | - | 269,876 | 489,754 |
| Salaries payable | 29,429 | - | - | 29,429 |
| Deposits payable | 45,525 | - | - | 45,525 |
| Due to other governmental units | 108,547 | - | - | 108,547 |
| Advances from other funds | - | - | 846,603 | 846,603 |
| Total liabilities | <u>403,379</u> | <u>-</u> | <u>1,116,479</u> | <u>1,519,858</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property taxes | 10,582 | - | - | 10,582 |
| Unavailable revenue - special assessments | - | 825,818 | 3,912 | 829,730 |
| Unavailable revenue - charges for services | 358,407 | - | - | 358,407 |
| Lease revenue for subsequent years | 470,880 | 438,646 | - | 909,526 |
| Total deferred inflows of resources | <u>839,869</u> | <u>1,264,464</u> | <u>3,912</u> | <u>2,108,245</u> |
| Fund balances | | | | |
| Nonspendable | 275 | - | - | 275 |
| Restricted | 7,302,534 | 3,194,128 | - | 10,496,662 |
| Committed | 41,296 | - | - | 41,296 |
| Assigned | 112,548 | - | 847,541 | 960,089 |
| Unassigned | - | - | (1,075,964) | (1,075,964) |
| Total fund balances | <u>7,456,653</u> | <u>3,194,128</u> | <u>(228,423)</u> | <u>10,422,358</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 8,699,901</u> | <u>\$ 4,458,592</u> | <u>\$ 891,968</u> | <u>\$ 14,050,461</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Statement 15

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

| | Special Revenue | Debt Service | Capital Project | Total |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| Revenues | | | | |
| General property taxes | \$ 1,541,971 | \$ 1,472,290 | \$ - | \$ 3,014,261 |
| Intergovernmental | 3,644,731 | 91,375 | 203,173 | 3,939,279 |
| Charges for services | 762,761 | - | 10,629 | 773,390 |
| Fines and forfeits | 2,508 | - | - | 2,508 |
| Special assessments | - | 269,748 | 2,404 | 272,152 |
| Investment income | 111,718 | 47,196 | 19,122 | 178,036 |
| Change in fair value of investments | 41,313 | 17,348 | 689 | 59,350 |
| Miscellaneous | 142,168 | - | 149,048 | 291,216 |
| Total revenues | <u>6,247,170</u> | <u>1,897,957</u> | <u>385,065</u> | <u>8,530,192</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 2,426,171 | - | - | 2,426,171 |
| Community development | 766,927 | - | - | 766,927 |
| Parks, arena, library | 975,663 | - | - | 975,663 |
| Economic development | 490,612 | - | - | 490,612 |
| Transportation | - | - | 695,937 | 695,937 |
| Capital outlay | | | | |
| General government | - | - | 110,017 | 110,017 |
| Public safety | 40,566 | - | - | 40,566 |
| Parks, arena, library | 2,154 | - | - | 2,154 |
| Transportation | - | - | 147,743 | 147,743 |
| Debt service | | | | |
| Principal | - | 2,305,000 | - | 2,305,000 |
| Interest and other charges | - | 573,934 | 17,492 | 591,426 |
| Total expenditures | <u>4,702,093</u> | <u>2,878,934</u> | <u>971,189</u> | <u>8,552,216</u> |
| Revenues over (under) expenditures | <u>1,545,077</u> | <u>(980,977)</u> | <u>(586,124)</u> | <u>(22,024)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 630,569 | 984,121 | - | 1,614,690 |
| Transfers out | (674,138) | - | (120,786) | (794,924) |
| Total other financing sources (uses) | <u>(43,569)</u> | <u>984,121</u> | <u>(120,786)</u> | <u>819,766</u> |
| Net change in fund balances | 1,501,508 | 3,144 | (706,910) | 797,742 |
| Fund balances - January 1 | <u>5,955,145</u> | <u>3,190,984</u> | <u>478,487</u> | <u>9,624,616</u> |
| Fund balances - December 31 | <u>\$ 7,456,653</u> | <u>\$ 3,194,128</u> | <u>\$ (228,423)</u> | <u>\$ 10,422,358</u> |

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NONMAJOR SPECIAL REVENUE FUNDS

The City maintains the following Special Revenue Funds:

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

ARPA – This fund accounts for the money received from the American Rescue Plan Act of 2021.

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

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

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

Economic Development Authority – This fund is used to account for the activity of the South St. Paul Economic Development Authority general operations.

Housing – This fund is used to account for the housing activities assumed by the Economic Development Authority.

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2023

| | Donations / Grants | Park Land Dedication |
|--|-----------------------|----------------------------|
| Assets | | |
| Cash and investments | \$ 1,344,857 | \$ 206,449 |
| Accounts receivable | - | - |
| Loans receivable | - | - |
| Lease receivable | - | - |
| Property taxes receivable | - | - |
| Due from other governmental units | 53,803 | - |
| Prepaid items | - | - |
| Total assets | 1,398,660 | 206,449 |
| Liabilities | | |
| Accounts and contracts payable | 14,637 | - |
| Salaries payable | - | - |
| Deposits payable | - | - |
| Due to other governmental units | 97,110 | - |
| Total liabilities | 111,747 | - |
| Deferred inflows of resources | | |
| Unavailable revenue - property taxes | - | - |
| Unavailable revenue - charges for services | - | - |
| Lease revenue for subsequent years | - | - |
| Total deferred inflows of resources | - | - |
| Fund balances | | |
| Nonspendable | - | - |
| Restricted | 1,174,365 | 206,449 |
| Committed | - | - |
| Assigned | 112,548 | - |
| Total fund balances | 1,286,913 | 206,449 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 1,398,660 | \$ 206,449 |

| Library | Central Square | Economic Development Authority | Housing | Total |
|------------------|------------------|--------------------------------|---------------------|---------------------|
| \$ 27,111 | \$ 46,515 | \$ 2,698,033 | \$ 1,996,911 | \$ 6,319,876 |
| - | - | - | 9,814 | 9,814 |
| - | - | 659,731 | 1,107,270 | 1,767,001 |
| - | - | - | 470,880 | 470,880 |
| - | - | 38,562 | 39,553 | 78,115 |
| 137 | - | - | - | 53,940 |
| - | - | 113 | 162 | 275 |
| <u>27,248</u> | <u>46,515</u> | <u>3,396,439</u> | <u>3,624,590</u> | <u>8,699,901</u> |
| 5,248 | 5,219 | 163,749 | 31,025 | 219,878 |
| 10,563 | - | 2,315 | 16,551 | 29,429 |
| - | - | 45,525 | - | 45,525 |
| 11,437 | - | - | - | 108,547 |
| <u>27,248</u> | <u>5,219</u> | <u>211,589</u> | <u>47,576</u> | <u>403,379</u> |
| - | - | 5,162 | 5,420 | 10,582 |
| - | - | - | 358,407 | 358,407 |
| - | - | - | 470,880 | 470,880 |
| - | - | 5,162 | 834,707 | 839,869 |
| - | - | 113 | 162 | 275 |
| - | - | 3,179,575 | 2,742,145 | 7,302,534 |
| - | 41,296 | - | - | 41,296 |
| - | - | - | - | 112,548 |
| - | 41,296 | 3,179,688 | 2,742,307 | 7,456,653 |
| <u>\$ 27,248</u> | <u>\$ 46,515</u> | <u>\$ 3,396,439</u> | <u>\$ 3,624,590</u> | <u>\$ 8,699,901</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2023

| | Donations / Grants | ARPA | Park Land Dedication |
|--------------------------------------|-----------------------|------------------|----------------------------|
| Revenues | | | |
| General property taxes | \$ - | \$ - | \$ - |
| Intergovernmental | 1,195,118 | 2,192,202 | - |
| Charges for services | 850 | - | - |
| Fines and forfeits | - | - | - |
| Investment income | 12,963 | - | 4,316 |
| Change in fair value of investments | 3,601 | - | 1,655 |
| Miscellaneous | 90,529 | - | 522 |
| Total revenues | <u>1,303,061</u> | <u>2,192,202</u> | <u>6,493</u> |
| Expenditures | | | |
| Current | | | |
| Public safety | 219,183 | 2,206,988 | - |
| Community development | - | - | - |
| Parks, arena, library | 159,108 | - | - |
| Economic development | - | - | - |
| Capital outlay | | | |
| Public safety | 40,566 | - | - |
| Parks, arena, library | 2,154 | - | - |
| Total expenditures | <u>421,011</u> | <u>2,206,988</u> | <u>-</u> |
| Revenues over (under) expenditures | 882,050 | (14,786) | 6,493 |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 882,050 | (14,786) | 6,493 |
| Fund balances - January 1 | <u>404,863</u> | <u>14,786</u> | <u>199,956</u> |
| Fund balances - December 31 | <u>\$ 1,286,913</u> | <u>\$ -</u> | <u>\$ 206,449</u> |

| Library | Central Square | Economic Development Authority | Housing | Total |
|-----------------|------------------|--------------------------------|---------------------|---------------------|
| \$ 821,312 | \$ - | \$ 356,602 | \$ 364,057 | \$ 1,541,971 |
| - | - | 257,411 | - | 3,644,731 |
| - | - | 2,572 | 759,339 | 762,761 |
| 2,508 | - | - | - | 2,508 |
| - | - | 46,042 | 48,397 | 111,718 |
| - | - | 17,282 | 18,775 | 41,313 |
| 6,305 | 1,000 | 21,285 | 22,527 | 142,168 |
| <u>830,125</u> | <u>1,000</u> | <u>701,194</u> | <u>1,213,095</u> | <u>6,247,170</u> |
| - | - | - | - | 2,426,171 |
| - | - | - | 766,927 | 766,927 |
| 816,555 | - | - | - | 975,663 |
| - | - | 490,612 | - | 490,612 |
| - | - | - | - | 40,566 |
| - | - | - | - | 2,154 |
| <u>816,555</u> | <u>-</u> | <u>490,612</u> | <u>766,927</u> | <u>4,702,093</u> |
| 13,570 | 1,000 | 210,582 | 446,168 | 1,545,077 |
| - | - | 630,569 | - | 630,569 |
| (13,570) | - | (30,000) | (630,568) | (674,138) |
| <u>(13,570)</u> | <u>-</u> | <u>600,569</u> | <u>(630,568)</u> | <u>(43,569)</u> |
| - | 1,000 | 811,151 | (184,400) | 1,501,508 |
| - | 40,296 | 2,368,537 | 2,926,707 | 5,955,145 |
| <u>\$ -</u> | <u>\$ 41,296</u> | <u>\$ 3,179,688</u> | <u>\$ 2,742,307</u> | <u>\$ 7,456,653</u> |

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NONMAJOR DEBT SERVICE FUNDS

The City maintains the following Debt Service Funds:

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

- 2012A General Obligation Bonds – these bonds were issued to refund the 2015 through 2027 maturities of the 2006A Capital Improvement Bonds, to refund the 2017 through 2030 maturities of the 2008A GO Improvement Bonds, and provide funding for several street reconstruction projects.
- General Obligation Park Bonds – issued to provide funding for voter approved improvements at the Doug Woog Arena, Kaposia Landing, and McMorrow Park.
- 2017A Taxable GO Airport Bonds – these bonds were issued to purchase a building at the Airport.
- 2017B General Obligation Bonds – these bonds were issued to finance the City’s contribution to street reconstruction projects from 2015-2017.
- 2019A General Obligation Bonds – these bonds were issued to finance the City’s contribution to street reconstruction projects in 2019.

Tax Increment Financing – used to account for the payment of principal and interest on bonds issued to finance redevelopment projects within Tax Increment District Project areas within the City. Principal and interest will be repaid from tax increment revenue collected from within the appropriate tax increment district.

- 2015A Taxable General Obligation Tax Increment Bonds – issued to provide funding for the purchase of property within the EDA’s Concord Street Tax Increment Financing District No. 2.

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CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2023

Statement 18

| | 2012A General Obligation Bonds | General Obligation Park Bonds | 2017B General Obligation Bonds | 2019A General Obligation Bonds | Total |
|---|---|-------------------------------------|---|---|----------------------------|
| Assets | | | | | |
| Cash and investments | \$ 864,496 | \$ 869,050 | \$ 919,373 | \$ 530,472 | \$ 3,183,391 |
| Lease receivable | - | - | - | 438,646 | 438,646 |
| Special assessments receivable | 428,661 | - | 232,162 | 175,732 | 836,555 |
| Total assets | <u>1,293,157</u> | <u>869,050</u> | <u>1,151,535</u> | <u>1,144,850</u> | <u>4,458,592</u> |
| Deferred inflows of resources | | | | | |
| Unavailable revenue - special assessments | 427,173 | - | 229,485 | 169,160 | 825,818 |
| Lease revenue for subsequent years | - | - | - | 438,646 | 438,646 |
| Total deferred inflows of resources | <u>427,173</u> | <u>-</u> | <u>229,485</u> | <u>607,806</u> | <u>1,264,464</u> |
| Fund balances | | | | | |
| Restricted | 865,984 | 869,050 | 922,050 | 537,044 | 3,194,128 |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,293,157</u> | <u>\$ 869,050</u> | <u>\$ 1,151,535</u> | <u>\$ 1,144,850</u> | <u>\$ 4,458,592</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended December 31, 2023

| | 2012A General Obligation Bonds | 2015A GO Taxable TIF Bonds |
|-------------------------------------|--------------------------------------|----------------------------------|
| Revenues | | |
| General property taxes | \$ 271,839 | \$ - |
| Intergovernmental | - | - |
| Special assessments | 116,201 | - |
| Investment income | 13,663 | - |
| Change in fair value of investments | 5,068 | - |
| Total revenues | <u>406,771</u> | <u>-</u> |
| Expenditures | | |
| Debt service | | |
| Principal | 460,000 | 585,000 |
| Interest and other charges | <u>39,630</u> | <u>18,684</u> |
| Total expenditures | <u>499,630</u> | <u>603,684</u> |
| Revenues over (under) expenditures | <u>(92,859)</u> | <u>(603,684)</u> |
| Other financing sources (uses) | | |
| Transfers in | <u>-</u> | <u>603,684</u> |
| Net change in fund balances | (92,859) | - |
| Fund balances - January 1 | <u>958,843</u> | <u>-</u> |
| Fund balances - December 31 | <u>\$ 865,984</u> | <u>\$ -</u> |

| General Obligation Park Bonds | 2017A Taxable GO Airport Bonds | 2017B General Obligation Bonds | 2019A General Obligation Bonds | Totals |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------|
| \$ 711,310 | \$ - | \$ 261,376 | \$ 227,765 | \$ 1,472,290 |
| - | - | - | 91,375 | 91,375 |
| - | - | 99,496 | 54,051 | 269,748 |
| 10,713 | - | 15,338 | 7,482 | 47,196 |
| 3,819 | - | 5,732 | 2,729 | 17,348 |
| <u>725,842</u> | <u>-</u> | <u>381,942</u> | <u>383,402</u> | <u>1,897,957</u> |
| 455,000 | 100,000 | 330,000 | 375,000 | 2,305,000 |
| <u>214,494</u> | <u>20,786</u> | <u>81,710</u> | <u>198,630</u> | <u>573,934</u> |
| <u>669,494</u> | <u>120,786</u> | <u>411,710</u> | <u>573,630</u> | <u>2,878,934</u> |
| <u>56,348</u> | <u>(120,786)</u> | <u>(29,768)</u> | <u>(190,228)</u> | <u>(980,977)</u> |
| - | 120,786 | - | 259,651 | 984,121 |
| 56,348 | - | (29,768) | 69,423 | 3,144 |
| <u>812,702</u> | <u>-</u> | <u>951,818</u> | <u>467,621</u> | <u>3,190,984</u> |
| <u>\$ 869,050</u> | <u>\$ -</u> | <u>\$ 922,050</u> | <u>\$ 537,044</u> | <u>\$ 3,194,128</u> |

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NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

CITY OF SOUTH ST. PAUL, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2023

Statement 20

| | Airport Improvements | Equipment Acquisition | 380 Airport Road | Total |
|--|-------------------------|--------------------------|---------------------|-------------------|
| Assets | | | | |
| Cash and investments | \$ - | \$ 257,042 | \$ 631,014 | \$ 888,056 |
| Special assessments receivable | 3,912 | - | - | 3,912 |
| Total assets | 3,912 | 257,042 | 631,014 | 891,968 |
| Liabilities | | | | |
| Accounts and contracts payable | 229,361 | 40,515 | - | 269,876 |
| Advances from other funds | 846,603 | - | - | 846,603 |
| Total liabilities | 1,075,964 | 40,515 | - | 1,116,479 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - special assessments | 3,912 | - | - | 3,912 |
| Fund balances | | | | |
| Assigned | - | 216,527 | 631,014 | 847,541 |
| Unassigned | (1,075,964) | - | - | (1,075,964) |
| Total fund balances | (1,075,964) | 216,527 | 631,014 | (228,423) |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,912 | \$ 257,042 | \$ 631,014 | \$ 891,968 |

CITY OF SOUTH ST. PAUL, MINNESOTA

SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Statement 21

NONMAJOR CAPITAL PROJECT FUNDS

For the Year Ended December 31, 2023

| | Airport Improvements | Equipment Acquisition | 380 Airport Road | Total |
|---------------------------------------|------------------------------|--------------------------|--------------------------|----------------------------|
| Revenues | | | | |
| Intergovernmental | \$ 203,173 | \$ - | \$ - | \$ 203,173 |
| Charges for services | 10,629 | - | - | 10,629 |
| Special assessments | 2,404 | - | - | 2,404 |
| Investment income | - | 4,665 | 14,457 | 19,122 |
| Change in fair value of investments | (6,672) | 1,767 | 5,594 | 689 |
| Miscellaneous | - | 149,048 | - | 149,048 |
| Total revenues | <u>209,534</u> | <u>155,480</u> | <u>20,051</u> | <u>385,065</u> |
| Expenditures | | | | |
| Current | | | | |
| Transportation | 695,937 | - | - | 695,937 |
| Capital outlay | | | | |
| General government | - | 110,017 | - | 110,017 |
| Transportation | 147,743 | - | - | 147,743 |
| Debt service | | | | |
| Interest and other charges | 17,492 | - | - | 17,492 |
| Total expenditures | <u>861,172</u> | <u>110,017</u> | <u>-</u> | <u>971,189</u> |
| Revenues over (under) expenditures | <u>(651,638)</u> | <u>45,463</u> | <u>20,051</u> | <u>(586,124)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>(120,786)</u> | <u>(120,786)</u> |
| Net change in fund balances | <u>(651,638)</u> | <u>45,463</u> | <u>(100,735)</u> | <u>(706,910)</u> |
| Fund balances - January 1 | <u>(424,326)</u> | <u>171,064</u> | <u>731,749</u> | <u>478,487</u> |
| Fund balances - December 31 | <u><u>\$ (1,075,964)</u></u> | <u><u>\$ 216,527</u></u> | <u><u>\$ 631,014</u></u> | <u><u>\$ (228,423)</u></u> |

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

NONMAJOR SPECIAL REVENUE FUNDS

CITY OF SOUTH ST. PAUL, MINNESOTA

SPECIAL REVENUE FUND - LIBRARY

Statement 22

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2023

| | Budgeted Amounts | | Actual |
|------------------------------------|------------------|----------------|----------------|
| | Original | Final | |
| Revenues | | | |
| General property taxes | | | |
| Current | \$ 809,362 | \$ 821,312 | \$ 821,312 |
| Fines and forfeits | 2,500 | 2,500 | 2,508 |
| Miscellaneous | | | |
| Other | 4,500 | 4,500 | 6,305 |
| Total revenues | <u>816,362</u> | <u>828,312</u> | <u>830,125</u> |
| Expenditures | | | |
| Current | | | |
| Parks, arena, library | | | |
| Personal services | 598,736 | 610,686 | 612,696 |
| Materials and supplies | 52,800 | 52,800 | 45,060 |
| Other services and charges | 159,911 | 159,911 | 152,596 |
| Miscellaneous | 4,915 | 4,915 | 6,203 |
| Total expenditures | <u>816,362</u> | <u>828,312</u> | <u>816,555</u> |
| Revenues over (under) expenditures | - | - | 13,570 |
| Other financing sources (uses) | | | |
| Transfers out | - | - | (13,570) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - |
| Fund balance - January 1 | | | - |
| Fund balance - December 31 | | | <u>\$ -</u> |

INTERNAL SERVICE FUNDS

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

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

OPEB / Employee Benefits – This fund is used to account for the cost of retiree health insurance benefits and total OPEB liability, compensated absences, and net pension liability related to the City's defined benefit and defined contribution pension plans.

Self-Insured Dental – This fund is used to account for City's self-insured dental program.

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2023

Statement 23

| | Central Garage | OPEB / Employee Benefits | Self- Insured Dental | Total |
|--|---------------------|--------------------------------|----------------------------|-----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,789,317 | \$ 460,076 | \$ 115,242 | \$ 4,364,635 |
| Prepaid items | 5,229 | - | - | 5,229 |
| Total current assets | <u>3,794,546</u> | <u>460,076</u> | <u>115,242</u> | <u>4,369,864</u> |
| Noncurrent assets | | | | |
| Capital assets | | | | |
| Machinery and equipment | 6,215,106 | - | - | 6,215,106 |
| Less: Allowance for depreciation | <u>(3,626,862)</u> | <u>-</u> | <u>-</u> | <u>(3,626,862)</u> |
| Net capital assets | <u>2,588,244</u> | <u>-</u> | <u>-</u> | <u>2,588,244</u> |
| Total assets | <u>6,382,790</u> | <u>460,076</u> | <u>115,242</u> | <u>6,958,108</u> |
| Deferred outflow of resources | | | | |
| Pension plan deferments - PERA | - | 8,054,906 | - | 8,054,906 |
| OPEB plan deferments | - | <u>1,353,396</u> | - | <u>1,353,396</u> |
| Total deferred outflow of resources | <u>-</u> | <u>9,408,302</u> | <u>-</u> | <u>9,408,302</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 86,375 | - | - | 86,375 |
| Salaries payable | 6,554 | - | - | 6,554 |
| Unearned revenue | - | - | 533 | 533 |
| Compensated absences | - | 86,330 | - | 86,330 |
| Total current liabilities | <u>92,929</u> | <u>86,330</u> | <u>533</u> | <u>179,792</u> |
| Noncurrent liabilities | | | | |
| Total other postemployment benefit liability | - | 3,773,045 | - | 3,773,045 |
| Net pension liability | - | 8,677,398 | - | 8,677,398 |
| Compensated absences | - | <u>397,038</u> | - | <u>397,038</u> |
| Total noncurrent liabilities | <u>-</u> | <u>12,847,481</u> | <u>-</u> | <u>12,847,481</u> |
| Total liabilities | <u>92,929</u> | <u>12,933,811</u> | <u>533</u> | <u>13,027,273</u> |
| Deferred inflow of resources | | | | |
| Pension plan deferments - PERA | - | 7,912,891 | - | 7,912,891 |
| OPEB plan deferments | - | <u>781,444</u> | - | <u>781,444</u> |
| Total deferred inflow of resources | <u>-</u> | <u>8,694,335</u> | <u>-</u> | <u>8,694,335</u> |
| Net position | | | | |
| Net investment in capital assets | 2,588,244 | - | - | 2,588,244 |
| Unrestricted | 3,701,617 | <u>(11,759,768)</u> | <u>114,709</u> | <u>(7,943,442)</u> |
| Total net position | <u>\$ 6,289,861</u> | <u>\$ (11,759,768)</u> | <u>\$ 114,709</u> | <u>\$ (5,355,198)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Statement 24

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2023

| | Central Garage | OPEB / Employee Benefits | Self- Insured Dental | Total |
|--|---------------------|--------------------------------|----------------------------|-----------------------|
| Operating revenues | | | | |
| Retiree health insurance charges | \$ - | \$ 304,781 | \$ - | \$ 304,781 |
| Dental insurance charges | - | - | 78,819 | 78,819 |
| Compensated absences charges | - | 86,746 | - | 86,746 |
| Equipment rental and repair charges | 1,652,188 | - | - | 1,652,188 |
| Pension related charges | - | 1,049,594 | - | 1,049,594 |
| Total operating revenues | <u>1,652,188</u> | <u>1,441,121</u> | <u>78,819</u> | <u>3,172,128</u> |
| Operating expenses | | | | |
| Personal services | 244,946 | 2,278,762 | 50,905 | 2,574,613 |
| Materials and supplies | 439,130 | - | - | 439,130 |
| Contractual services | 352,451 | - | 13,608 | 366,059 |
| Depreciation | 510,661 | - | - | 510,661 |
| Total operating expenses | <u>1,547,188</u> | <u>2,278,762</u> | <u>64,513</u> | <u>3,890,463</u> |
| Operating income (loss) | <u>105,000</u> | <u>(837,641)</u> | <u>14,306</u> | <u>(718,335)</u> |
| Nonoperating revenues (expenses) | | | | |
| Investment income | 69,972 | 8,492 | 2,303 | 80,767 |
| Change in fair value of investments | 26,488 | 3,283 | - | 29,771 |
| Intergovernmental | - | 12,742 | - | 12,742 |
| Gain on sale of capital assets | 61,059 | - | - | 61,059 |
| Other revenue | 67,234 | - | - | 67,234 |
| Total nonoperating revenues (expenses) | <u>224,753</u> | <u>24,517</u> | <u>2,303</u> | <u>251,573</u> |
| Income (loss) before capital contributions and transfers | 329,753 | (813,124) | 16,609 | (466,762) |
| Capital contributions | 42,494 | - | - | 42,494 |
| Transfers in | 250,000 | - | - | 250,000 |
| Change in net position | 622,247 | (813,124) | 16,609 | (174,268) |
| Net position - January 1 | <u>5,667,614</u> | <u>(10,946,644)</u> | <u>98,100</u> | <u>(5,180,930)</u> |
| Net position - December 31 | <u>\$ 6,289,861</u> | <u>\$ (11,759,768)</u> | <u>\$ 114,709</u> | <u>\$ (5,355,198)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2023

Statement 25

| | Central Garage | OPEB / Employee Benefits | Self- Insured Dental | Total |
|--|---------------------|--------------------------------|----------------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Receipts from interfund services provided | \$ 1,652,188 | \$ 1,441,121 | \$ 78,704 | \$ 3,172,013 |
| Payment to suppliers | (800,742) | - | (13,608) | (814,350) |
| Payment to employees | (244,047) | (1,431,317) | (50,905) | (1,726,269) |
| Other revenue | 67,234 | - | - | 67,234 |
| Net cash flows from operating activities | <u>674,633</u> | <u>9,804</u> | <u>14,191</u> | <u>698,628</u> |
| Cash flows from noncapital financing activities: | | | | |
| Intergovernmental revenue | - | 12,742 | - | 12,742 |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (268,641) | - | - | (268,641) |
| Transfer from other funds | 250,000 | - | - | 250,000 |
| Proceeds from sale of capital assets | 70,584 | - | - | 70,584 |
| Net cash flows from capital and related financing activities | <u>51,943</u> | <u>-</u> | <u>-</u> | <u>51,943</u> |
| Cash flows from investing activities: | | | | |
| Investment income | 96,460 | 11,775 | 2,303 | 110,538 |
| Net increase (decrease) in cash and cash equivalents | 823,036 | 34,321 | 16,494 | 873,851 |
| Cash and cash equivalents - January 1 | 2,966,281 | 425,755 | 98,748 | 3,490,784 |
| Cash and cash equivalents - December 31 | <u>\$ 3,789,317</u> | <u>\$ 460,076</u> | <u>\$ 115,242</u> | <u>\$ 4,364,635</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | |
| Operating income (loss) | \$ 105,000 | \$ (837,641) | \$ 14,306 | \$ (718,335) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | |
| Depreciation | 510,661 | - | - | 510,661 |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in prepaid items | (351) | - | - | (351) |
| (Increase) decrease in deferred outflow of resources | - | 1,261,112 | - | 1,261,112 |
| Increase (decrease) in payables | (7,911) | - | - | (7,911) |
| Increase (decrease) in unearned revenue | - | - | (115) | (115) |
| Increase (decrease) in accrued expenses | - | (8,347,805) | - | (8,347,805) |
| Increase (decrease) in deferred inflow of resources | - | 7,934,138 | - | 7,934,138 |
| Other revenue | 67,234 | - | - | 67,234 |
| Total adjustments | <u>569,633</u> | <u>847,445</u> | <u>(115)</u> | <u>1,416,963</u> |
| Net cash flows from operating activities | <u>\$ 674,633</u> | <u>\$ 9,804</u> | <u>\$ 14,191</u> | <u>\$ 698,628</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Contributions of capital assets from governmental activities | \$ 42,494 | \$ - | \$ - | \$ 42,494 |
| Net book value of capital asset disposals | \$ 9,525 | \$ - | \$ - | \$ 9,525 |

III. STATISTICAL SECTION (UNAUDITED)

This part of the City of South St. Paul, Minnesota’s Annual Comprehensive 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. | 142 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax. | 154 |
| 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. | 160 |
| 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. | 170 |
| 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. | 172 |

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

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

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | 2014 | 2015 | 2016 | 2017 |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 54,442,716 | \$ 52,670,100 | \$ 53,761,795 | \$ 51,619,818 |
| Restricted | 6,416,191 | 5,108,264 | 7,985,005 | 10,148,969 |
| Unrestricted | 9,209,143 | 4,944,946 | 6,198,728 | 6,429,057 |
| Total governmental activities net position | \$ 70,068,050 | \$ 62,723,310 | \$ 67,945,528 | \$ 68,197,844 |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 14,627,351 | \$ 15,521,335 | \$ 20,175,284 | \$ 19,633,107 |
| Unrestricted | 7,003,502 | 6,766,631 | 7,114,210 | 8,141,500 |
| Total business-type activities net position | \$ 21,630,853 | \$ 22,287,966 | \$ 27,289,494 | \$ 27,774,607 |
| Primary government: | | | | |
| Net investment in capital assets | \$ 68,900,209 | \$ 68,021,577 | \$ 73,767,221 | \$ 71,083,067 |
| Restricted | 6,416,191 | 5,108,264 | 7,985,005 | 10,148,969 |
| Unrestricted | 16,382,503 | 11,881,435 | 13,482,796 | 14,740,415 |
| Total primary government net position | \$ 91,698,903 | \$ 85,011,276 | \$ 95,235,022 | \$ 95,972,451 |

The City implemented GASB Statement No. 68 for the fiscal year ended December 31, 2015. The data for the years prior to 2015 have not been restated to reflect this change.

The City's reporting entity changed in 2017 to include the HRA as a blended component unit. The data for 2016 has been updated to reflect this change. The data for years prior to 2016 have not been restated to reflect this change.

The City implemented GASB Statement No. 75 for the fiscal year ended December 31, 2018. The data for the years prior to 2018 have not been restated to reflect this change.

Table 1

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 52,841,757 | \$ 55,251,058 | \$ 57,231,399 | \$ 63,616,350 | \$ 74,547,350 | \$ 72,179,718 |
| 10,669,064 | 12,010,154 | 13,016,751 | 14,520,448 | 17,080,411 | 20,343,566 |
| 4,002,493 | 606,645 | 6,818,193 | 10,777,178 | 10,154,427 | 6,701,776 |
| <u>\$ 67,513,314</u> | <u>\$ 67,867,857</u> | <u>\$ 77,066,343</u> | <u>\$ 88,913,976</u> | <u>\$ 101,782,188</u> | <u>\$ 99,225,060</u> |
| \$ 24,427,831 | \$ 25,051,384 | \$ 25,893,184 | \$ 25,706,792 | \$ 25,657,494 | \$ 34,261,751 |
| 4,795,461 | 7,973,508 | 8,917,914 | 11,920,351 | 12,876,331 | 14,968,654 |
| <u>\$ 29,223,292</u> | <u>\$ 33,024,892</u> | <u>\$ 34,811,098</u> | <u>\$ 37,627,143</u> | <u>\$ 38,533,825</u> | <u>\$ 49,230,405</u> |
| \$ 77,099,730 | \$ 77,575,875 | \$ 80,404,602 | \$ 86,695,415 | \$ 97,669,371 | \$ 104,005,272 |
| 10,669,064 | 12,010,154 | 13,016,751 | 14,520,448 | 17,080,411 | 20,343,566 |
| 8,967,812 | 11,306,720 | 18,456,088 | 25,325,256 | 25,566,231 | 24,106,627 |
| <u>\$ 96,736,606</u> | <u>\$ 100,892,749</u> | <u>\$ 111,877,441</u> | <u>\$ 126,541,119</u> | <u>\$ 140,316,013</u> | <u>\$ 148,455,465</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | 2014 | 2015 | 2016 | 2017 |
|------------------------------------|-----------------------|------------------------|------------------------|------------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,736,661 | \$ 1,745,040 | \$ 1,797,918 | \$ 2,144,822 |
| Public safety | 6,798,718 | 7,182,527 | 8,619,767 | 7,965,177 |
| Public works | 5,013,472 | 5,969,047 | 6,852,496 | 6,844,710 |
| Community development | 636,758 | 2,977,696 | 1,505,918 | 1,439,588 |
| Parks, arena, library | 2,919,538 | 2,951,309 | 3,188,263 | 3,401,907 |
| Economic development | - | - | 1,080,457 | 1,421,030 |
| Transportation | 1,242,624 | 1,451,088 | 1,123,423 | 1,340,160 |
| Interest on long-term debt | 551,037 | 529,576 | 720,871 | 761,884 |
| Total governmental activities | <u>18,898,808</u> | <u>22,806,283</u> | <u>24,889,113</u> | <u>25,319,278</u> |
| Business-type activities: | | | | |
| Water and sewer | 4,877,815 | 5,074,280 | 5,251,571 | 5,032,626 |
| Storm water | 355,362 | 474,826 | 578,848 | 670,302 |
| Street light utility | 188,003 | 219,110 | 207,546 | 195,081 |
| Low rent housing | - | - | 2,089,427 | 2,187,495 |
| Total business-type activities | <u>5,421,180</u> | <u>5,768,216</u> | <u>8,127,392</u> | <u>8,085,504</u> |
| Total expenses | <u>\$ 24,319,988</u> | <u>\$ 28,574,499</u> | <u>\$ 33,016,505</u> | <u>\$ 33,404,782</u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 715,482 | \$ 782,536 | \$ 736,338 | \$ 873,042 |
| Public safety | 124,445 | 115,238 | 131,251 | 136,425 |
| Public works | 827,840 | 887,007 | 890,139 | 927,464 |
| Community development | 331,338 | 411,327 | 401,385 | 586,216 |
| Parks, arena, and library | 1,171,225 | 1,298,406 | 1,279,204 | 1,307,822 |
| Economic development | - | - | 665,497 | 156,780 |
| Transportation | 1,089,200 | 1,129,387 | 1,044,067 | 1,119,815 |
| Operating grants and contributions | 996,752 | 1,620,505 | 1,354,282 | 1,751,979 |
| Capital grants and contributions | 3,763,220 | 3,858,126 | 1,705,068 | 2,031,701 |
| Total governmental activities | <u>9,019,502</u> | <u>10,102,532</u> | <u>8,207,231</u> | <u>8,891,244</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 5,364,812 | 5,237,219 | 5,144,606 | 5,477,012 |
| Storm water | 417,218 | 434,623 | 452,255 | 474,271 |
| Street light utility | 210,407 | 209,767 | 236,545 | 231,070 |
| Low rent housing | - | - | 1,221,159 | 1,267,955 |
| Operating grants and contributions | - | - | 1,004,437 | 936,926 |
| Capital grants and contributions | 33,200 | - | 546,410 | 283,172 |
| Total business-type activities | <u>6,025,637</u> | <u>5,881,609</u> | <u>8,605,412</u> | <u>8,670,406</u> |
| Total program revenues | <u>\$ 15,045,139</u> | <u>\$ 15,984,141</u> | <u>\$ 16,812,643</u> | <u>\$ 17,561,650</u> |
| Net (expense) revenue: | | | | |
| Governmental activities | \$ (9,879,306) | \$ (12,703,751) | \$ (16,681,882) | \$ (16,428,034) |
| Business-type activities | 604,457 | 113,393 | 478,020 | 584,902 |
| Total net (expense) revenue | <u>\$ (9,274,849)</u> | <u>\$ (12,590,358)</u> | <u>\$ (16,203,862)</u> | <u>\$ (15,843,132)</u> |

Table 2
Page 1 of 2

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------|------------------------|------------------------|-----------------------|-----------------------|------------------------|
| \$ 2,312,730 | \$ 2,498,115 | \$ 2,370,010 | \$ 2,384,930 | \$ 2,360,873 | \$ 2,965,354 |
| 7,823,260 | 8,744,941 | 9,571,299 | 8,590,972 | 9,834,512 | 10,941,608 |
| 8,564,183 | 5,884,382 | 5,621,071 | 14,568,931 | 10,339,901 | 11,928,600 |
| 1,314,500 | 1,111,968 | 998,062 | 1,040,348 | 1,136,270 | 1,512,724 |
| 3,421,556 | 3,381,266 | 2,913,835 | 2,857,254 | 3,073,984 | 1,214,613 |
| 2,999,230 | 2,629,861 | 1,108,061 | 1,709,430 | 2,163,643 | 1,345,845 |
| 1,807,631 | 1,625,333 | 1,454,492 | 1,778,244 | 2,092,961 | 1,890,406 |
| 673,568 | 808,727 | 770,470 | 702,669 | 688,507 | 707,790 |
| <u>28,916,658</u> | <u>26,684,593</u> | <u>24,807,300</u> | <u>33,632,778</u> | <u>31,690,651</u> | <u>32,506,940</u> |
| 5,233,097 | 5,110,729 | 5,074,118 | 5,440,651 | 6,493,715 | 6,087,925 |
| 962,269 | 577,879 | 595,812 | 537,408 | 526,994 | 762,262 |
| 203,600 | 184,712 | 201,851 | 263,057 | 250,889 | 219,125 |
| 2,152,091 | 2,448,288 | 2,259,945 | 2,483,493 | 2,665,548 | 3,167,333 |
| <u>8,551,057</u> | <u>8,321,608</u> | <u>8,131,726</u> | <u>8,724,609</u> | <u>9,937,146</u> | <u>10,236,645</u> |
| <u>\$ 37,467,715</u> | <u>\$ 35,006,201</u> | <u>\$ 32,939,026</u> | <u>\$ 42,357,387</u> | <u>\$ 41,627,797</u> | <u>\$ 42,743,585</u> |
| \$ 979,215 | \$ 1,128,184 | \$ 1,193,920 | \$ 1,137,576 | \$ 1,141,003 | \$ 1,152,883 |
| 159,572 | 187,463 | 60,492 | 187,029 | 153,456 | 157,720 |
| 1,012,622 | 788,982 | 592,681 | 581,296 | 540,255 | 616,422 |
| 433,602 | 345,295 | 412,723 | 731,034 | 772,524 | 541,291 |
| 1,434,127 | 1,396,459 | 808,992 | 1,121,764 | 1,200,728 | 1,378,718 |
| 548,554 | 248,232 | 341,781 | 356,235 | 535,713 | 924,190 |
| 1,167,994 | 1,160,128 | 1,171,173 | 1,424,768 | 1,579,542 | 1,555,197 |
| 2,188,691 | 2,475,888 | 3,635,109 | 1,608,120 | 1,928,875 | 2,770,305 |
| 3,045,782 | 2,169,885 | 3,770,281 | 16,843,938 | 14,279,697 | 2,082,527 |
| <u>10,970,159</u> | <u>9,900,516</u> | <u>11,987,152</u> | <u>23,991,760</u> | <u>22,131,793</u> | <u>11,179,253</u> |
| 5,648,913 | 5,927,691 | 6,445,676 | 7,380,978 | 7,667,180 | 8,208,608 |
| 469,110 | 538,330 | 581,229 | 640,618 | 692,531 | 801,849 |
| 232,040 | 266,185 | 286,360 | 314,315 | 335,173 | 367,228 |
| 1,276,835 | 1,263,028 | 1,225,875 | 1,274,252 | 1,301,749 | 1,339,465 |
| 999,029 | 1,341,637 | 1,234,622 | 1,618,584 | 1,143,208 | 1,203,904 |
| 2,019,903 | 303,217 | 338,047 | 687,225 | 165,099 | 506,659 |
| <u>10,645,830</u> | <u>9,640,088</u> | <u>10,111,809</u> | <u>11,915,972</u> | <u>11,304,940</u> | <u>12,427,713</u> |
| <u>\$ 21,615,989</u> | <u>\$ 19,540,604</u> | <u>\$ 22,098,961</u> | <u>\$ 35,907,732</u> | <u>\$ 33,436,733</u> | <u>\$ 23,606,966</u> |
| \$ (17,946,499) | \$ (16,784,077) | \$ (12,820,148) | \$ (9,641,018) | \$ (9,558,858) | \$ (21,327,687) |
| 2,094,773 | 1,318,480 | 1,980,083 | 3,191,363 | 1,367,794 | 2,191,068 |
| <u>\$ (15,851,726)</u> | <u>\$ (15,465,597)</u> | <u>\$ (10,840,065)</u> | <u>\$ (6,449,655)</u> | <u>\$ (8,191,064)</u> | <u>\$ (19,136,619)</u> |

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

| | 2014 | 2015 | 2016 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|
| General revenues | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 9,008,694 | \$ 9,696,003 | \$ 10,750,860 | \$ 11,474,071 |
| Tax increments | - | - | 1,489,243 | 1,592,883 |
| Franchise tax | 866,070 | 831,283 | 952,548 | 959,278 |
| Unrestricted grants and contributions | 2,305,804 | 2,394,985 | 2,413,328 | 2,419,988 |
| Investment earnings | 227,909 | 112,474 | 87,758 | 94,130 |
| Gain on sale of capital assets | - | 22,142 | - | - |
| <i>Special item</i> -transfer of operations | - | - | 5,748,785 | - |
| Transfers of capital assets | (376,388) | (1,228,340) | (235,958) | (268,419) |
| Transfers | 641,284 | 504,159 | 697,536 | 408,419 |
| Total governmental activities | <u>12,673,373</u> | <u>12,332,706</u> | <u>21,904,100</u> | <u>16,680,350</u> |
| Business-type activities: | | | | |
| Investment earnings | 158,453 | 81,378 | 55,919 | 40,211 |
| <i>Special item</i> -transfer of operations | - | - | (5,748,785) | - |
| Transfers of capital assets | 376,388 | 1,228,340 | 235,958 | 268,419 |
| Transfers | (641,284) | (504,159) | (697,536) | (408,419) |
| Total business-type activities | <u>(106,443)</u> | <u>805,559</u> | <u>(6,154,444)</u> | <u>(99,789)</u> |
| Total primary government | <u>\$ 12,566,930</u> | <u>\$ 13,138,265</u> | <u>\$ 15,749,656</u> | <u>\$ 16,580,561</u> |
| Change in net position: | | | | |
| Governmental activities | \$ 2,794,067 | \$ (371,045) | \$ 5,222,218 | \$ 252,316 |
| Business-type activities | 498,014 | 918,952 | (5,676,424) | 485,113 |
| Total primary government | <u>\$ 3,292,081</u> | <u>\$ 547,907</u> | <u>\$ (454,206)</u> | <u>\$ 737,429</u> |

The City's reporting entity changed in 2017 to include the HRA as a blended component unit. The data for 2016 has been updated to reflect this change. The data for years prior to 2016 have not been restated to reflect this change.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 12,537,845 | \$ 13,308,981 | \$ 14,102,051 | \$ 14,866,306 | \$ 16,000,779 | \$ 16,838,976 |
| 1,704,835 | 1,846,876 | 1,821,727 | 2,192,026 | 2,202,210 | 2,468,456 |
| 1,231,567 | 1,202,803 | 1,203,096 | 1,343,648 | 1,650,589 | 1,546,224 |
| 2,523,081 | 2,530,003 | 4,333,360 | 2,786,142 | 2,811,341 | 5,038,648 |
| 60,967 | 577,459 | 243,202 | (60,582) | (422,990) | 1,040,788 |
| - | 8,457 | 54,160 | - | 1,059,140 | 66,804 |
| - | - | - | - | - | - |
| (39,765) | - | - | - | - | (9,401,746) |
| 622,342 | (2,335,959) | 261,038 | 361,111 | 366,900 | 1,172,409 |
| <u>18,640,872</u> | <u>17,138,620</u> | <u>22,018,634</u> | <u>21,488,651</u> | <u>23,667,969</u> | <u>18,770,559</u> |
| 15,085 | 147,161 | 67,161 | (14,207) | (94,212) | 276,175 |
| - | - | - | - | - | - |
| 39,765 | - | - | - | - | 9,401,746 |
| (622,342) | 2,335,959 | (261,038) | (361,111) | (366,900) | (1,172,409) |
| (567,492) | 2,483,120 | (193,877) | (375,318) | (461,112) | 8,505,512 |
| <u>\$ 18,073,380</u> | <u>\$ 19,621,740</u> | <u>\$ 21,824,757</u> | <u>\$ 21,113,333</u> | <u>\$ 23,206,857</u> | <u>\$ 27,276,071</u> |
| \$ 694,373 | \$ 354,543 | \$ 9,198,486 | \$ 11,847,633 | \$ 14,109,111 | \$ (2,557,128) |
| 1,527,281 | 3,801,600 | 1,786,206 | 2,816,045 | 906,682 | 10,696,580 |
| <u>\$ 2,221,654</u> | <u>\$ 4,156,143</u> | <u>\$ 10,984,692</u> | <u>\$ 14,663,678</u> | <u>\$ 15,015,793</u> | <u>\$ 8,139,452</u> |

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|------------------------------------|---------------------|----------------------|----------------------|----------------------|
| General fund: | | | | |
| Nonspendable | \$ 4,380 | \$ 230,136 | \$ 159,052 | \$ 28,014 |
| Committed | 4,590,970 | 4,532,045 | 4,534,560 | 4,590,970 |
| Assigned | - | - | 40,000 | - |
| Unassigned | 4,785,607 | 5,565,047 | 5,937,374 | 6,727,827 |
| Total general fund | <u>\$ 9,380,957</u> | <u>\$ 10,327,228</u> | <u>\$ 10,670,986</u> | <u>\$ 11,346,811</u> |
| All other governmental funds: | | | | |
| Nonspendable | \$ 59,023 | \$ 43,798 | \$ 21,766 | \$ 32,360 |
| Restricted | 6,493,717 | 5,100,398 | 8,635,769 | 9,209,309 |
| Committed | 31,318 | 70,335 | 76,411 | 92,997 |
| Assigned | 7,720,144 | 6,305,277 | 4,872,096 | 5,828,520 |
| Unassigned | (4,338,417) | (3,802,574) | (4,524,144) | (3,684,892) |
| Total all other governmental funds | <u>\$ 9,965,785</u> | <u>\$ 7,717,234</u> | <u>\$ 9,081,898</u> | <u>\$ 11,478,294</u> |

Table 3

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 154,244 | \$ 25,354 | \$ 180,942 | \$ 61,169 | \$ 91,972 | \$ 125,074 |
| 4,530,411 | 4,590,970 | 4,590,970 | 4,590,970 | 4,590,970 | 4,590,970 |
| - | - | - | - | - | - |
| 7,556,363 | 8,369,719 | 10,096,324 | 10,066,816 | 10,831,909 | 10,922,398 |
| <u>\$ 12,241,018</u> | <u>\$ 12,986,043</u> | <u>\$ 14,868,236</u> | <u>\$ 14,718,955</u> | <u>\$ 15,514,851</u> | <u>\$ 15,638,442</u> |
| \$ 60,216 | \$ 36,411 | \$ 61,864 | \$ 73,341 | \$ 83,548 | \$ 80,697 |
| 9,863,540 | 11,048,099 | 12,216,166 | 13,847,601 | 16,472,099 | 19,220,766 |
| 58,948 | 69,434 | 34,785 | 39,984 | 40,296 | 910,738 |
| 6,638,058 | 5,922,358 | 8,708,642 | 10,454,617 | 9,134,085 | 3,287,232 |
| (6,088,064) | (5,327,689) | (3,674,142) | (2,787,016) | (2,830,755) | (1,612,587) |
| <u>\$ 10,532,698</u> | <u>\$ 11,748,613</u> | <u>\$ 17,347,315</u> | <u>\$ 21,628,527</u> | <u>\$ 22,899,273</u> | <u>\$ 21,886,846</u> |

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

| | 2014 | 2015 | 2016 | 2017 |
|---|--------------------|--------------------|--------------------|-------------------|
| Revenues: | | | | |
| General property taxes | \$ 9,027,021 | \$ 9,747,891 | \$ 10,751,762 | \$ 11,480,512 |
| Tax increment collections | - | - | 1,486,133 | 1,592,936 |
| Franchise tax | 866,070 | 831,283 | 952,548 | 959,278 |
| Licenses and permits | 395,402 | 431,735 | 420,852 | 575,164 |
| Intergovernmental | 6,647,133 | 6,548,150 | 4,208,174 | 5,393,386 |
| Charges for services | 3,557,941 | 3,801,668 | 4,350,534 | 4,515,902 |
| Fines and forfeits | 110,101 | 114,036 | 117,860 | 127,612 |
| Special assessments | 609,138 | 919,986 | 953,909 | 812,699 |
| Investment earnings | 389,313 | 202,356 | 162,063 | 152,668 |
| Miscellaneous | 191,487 | 323,236 | 331,523 | 356,417 |
| Total revenues | 21,793,606 | 22,920,341 | 23,735,358 | 25,966,574 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,646,776 | 1,682,914 | 1,684,562 | 1,910,796 |
| Public safety | 6,651,659 | 7,046,946 | 7,124,128 | 7,508,245 |
| Public works | 3,305,214 | 4,248,575 | 4,529,580 | 4,100,074 |
| Community development | 634,381 | 2,977,670 | 1,457,182 | 1,367,223 |
| Parks, arena, library | 2,815,556 | 2,642,155 | 2,658,582 | 2,788,538 |
| Economic development | - | - | 590,544 | 1,120,588 |
| Transportation | 1,031,466 | 1,235,002 | 865,722 | 944,517 |
| Capital outlay: | | | | |
| General government | 149,036 | 10,503 | 91,007 | 72,952 |
| Public safety | 102,887 | 22,033 | 28,868 | 29,328 |
| Public works | 3,351,236 | 780,660 | 1,666,132 | 1,597,552 |
| Community development | - | - | 25,883 | 29,901 |
| Parks, arena, library | 2,806,200 | 5,371,405 | 2,398,178 | 766,394 |
| Economic development | - | - | 518,493 | 256,963 |
| Transportation | 1,480,101 | 2,059,104 | 38,360 | 236,418 |
| Debt service: | | | | |
| Principal retirement | 1,835,301 | 841,698 | 1,498,229 | 2,794,127 |
| Interest | 563,423 | 607,213 | 758,037 | 720,937 |
| Issuance costs, agents fees and other | 165,111 | 119,403 | - | 125,301 |
| Total expenditures | 26,538,347 | 29,645,281 | 25,933,487 | 26,369,854 |
| Revenues over (under) expenditures | (4,744,741) | (6,724,940) | (2,198,129) | (403,280) |

Table 4
Page 1 of 2

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----|--------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| \$ | 12,486,686 | \$ 13,274,116 | \$ 14,145,852 | \$ 14,897,752 | \$ 15,971,461 | \$ 16,801,463 |
| | 1,669,381 | 1,814,119 | 1,879,470 | 2,200,172 | 2,209,934 | 2,432,338 |
| | 1,231,567 | 1,202,803 | 1,203,096 | 1,343,648 | 1,650,589 | 1,546,224 |
| | 511,687 | 458,545 | 395,394 | 706,073 | 684,424 | 578,587 |
| | 6,494,654 | 6,040,374 | 11,523,472 | 21,072,274 | 18,694,882 | 8,734,463 |
| | 4,699,354 | 4,215,518 | 3,781,605 | 4,191,400 | 4,653,705 | 5,174,358 |
| | 149,058 | 171,489 | 112,523 | 143,838 | 124,570 | 135,008 |
| | 961,962 | 1,025,606 | 716,373 | 621,257 | 582,967 | 770,445 |
| | 133,174 | 565,832 | 250,393 | (12,599) | (373,857) | 930,250 |
| | 637,888 | 353,034 | 376,492 | 417,396 | 450,757 | 464,367 |
| | <u>28,975,411</u> | <u>29,121,436</u> | <u>34,384,670</u> | <u>45,581,211</u> | <u>44,649,432</u> | <u>37,567,503</u> |
| | 2,032,735 | 2,186,080 | 2,266,131 | 2,335,045 | 2,479,197 | 2,776,855 |
| | 7,980,738 | 8,415,366 | 8,941,533 | 8,975,231 | 9,402,200 | 10,262,424 |
| | 6,170,810 | 3,771,836 | 3,627,686 | 4,319,935 | 4,426,655 | 7,867,864 |
| | 1,281,470 | 1,073,812 | 1,019,701 | 1,045,108 | 1,123,777 | 1,491,304 |
| | 2,915,562 | 2,911,624 | 2,514,404 | 2,560,620 | 2,727,753 | 3,082,723 |
| | 1,635,613 | 1,851,508 | 803,534 | 770,878 | 1,384,868 | 1,088,288 |
| | 1,012,529 | 1,182,641 | 1,085,331 | 1,569,165 | 1,683,442 | 2,225,747 |
| | 274,089 | 197,758 | 197,251 | 91,511 | 109,669 | 115,765 |
| | 21,746 | 1,740,291 | 184,468 | 139,508 | 54,485 | 74,480 |
| | 2,461,494 | 5,315,883 | 3,393,075 | 16,269,355 | 14,887,922 | 9,126,859 |
| | 6,965 | 11,318 | 70 | 16,455 | 1,543 | - |
| | 97,512 | 75,675 | 106,353 | 10,575 | 48,106 | 16,907 |
| | 1,354,424 | 770,633 | 309,227 | 943,960 | 776,345 | 233,725 |
| | 659,817 | 68,289 | 27,131 | 226,619 | 3,422,345 | 162,012 |
| | 1,600,632 | 1,540,000 | 1,755,000 | 1,705,000 | 1,850,000 | 2,305,000 |
| | 769,914 | 764,095 | 933,918 | 831,426 | 774,611 | 800,166 |
| | - | 114,280 | - | - | - | - |
| | <u>30,276,050</u> | <u>31,991,089</u> | <u>27,164,813</u> | <u>41,810,391</u> | <u>45,152,918</u> | <u>41,630,119</u> |
| | <u>(1,300,639)</u> | <u>(2,869,653)</u> | <u>7,219,857</u> | <u>3,770,820</u> | <u>(503,486)</u> | <u>(4,062,616)</u> |

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|------------------|-----------------------|---------------------|---------------------|
| Other financing sources (uses): | | | | |
| Bonds issued | \$ 6,970,000 | \$ 4,945,000 | \$ - | \$ 4,305,000 |
| Refunding bonds issued | - | - | - | - |
| Premium on bonds issued | 76,858 | 78,986 | - | 347,176 |
| Payment to refunding escrow agent | (2,815,000) | - | (1,175,000) | - |
| Insurance recovery | - | - | - | - |
| Transfers in | 1,855,965 | 2,894,745 | 2,112,312 | 2,383,854 |
| Transfers out | (1,325,186) | (2,496,071) | (2,543,841) | (3,092,669) |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>4,762,637</u> | <u>5,422,660</u> | <u>(1,606,529)</u> | <u>3,943,361</u> |
| Special item-transfer of operations | <u>-</u> | <u>-</u> | <u>5,513,080</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 17,896</u> | <u>\$ (1,302,280)</u> | <u>\$ 1,708,422</u> | <u>\$ 3,540,081</u> |
| Debt service as a percentage of noncapital expenditures | 13.0% | 6.8% | 10.1% | 14.4% |
| Debt service as percentage of total expenditures | 9.0% | 4.9% | 8.7% | 13.3% |

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ - | \$ 6,705,000 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | 461,552 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 2,251,371 |
| 1,729,954 | 2,507,204 | 1,252,910 | 2,340,044 | 1,402,962 | 9,882,411 |
| (1,107,612) | (4,843,163) | (991,872) | (1,978,933) | (1,036,062) | (8,960,002) |
| 26,908 | - | - | - | 2,203,228 | - |
| <u>649,250</u> | <u>4,830,593</u> | <u>261,038</u> | <u>361,111</u> | <u>2,570,128</u> | <u>3,173,780</u> |
| - | - | - | - | - | - |
| <u>\$ (651,389)</u> | <u>\$ 1,960,940</u> | <u>\$ 7,480,895</u> | <u>\$ 4,131,931</u> | <u>\$ 2,066,642</u> | <u>\$ (888,836)</u> |
| 8.7% | 9.2% | 11.4% | 7.6% | 8.7% | 9.3% |
| 7.8% | 7.2% | 9.9% | 6.1% | 5.8% | 7.5% |

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

Last Ten Fiscal Years

(Unaudited)

| <u>Year</u> | <u>Residential Property</u> | <u>Commercial/ Industrial Property</u> | <u>All Other</u> | <u>Total Tax Capacity</u> |
|-------------|---------------------------------|--|----------------------|-----------------------------------|
| 2014 | \$ 7,765,278 | \$ 4,695,335 | \$ 509,398 | \$ 12,970,011 |
| 2015 | 9,100,358 | 4,700,388 | 518,994 | 14,319,740 |
| 2016 | 9,115,517 | 4,924,902 | 535,544 | 14,575,963 |
| 2017 | 9,652,013 | 5,095,623 | 559,758 | 15,307,394 |
| 2018 | 10,825,515 | 5,443,439 | 585,189 | 16,854,143 |
| 2019 | 11,566,286 | 5,864,872 | 572,363 | 18,003,521 |
| 2020 | 13,415,936 | 5,761,561 | 595,211 | 19,772,708 |
| 2021 | 13,691,164 | 6,420,517 | 647,486 | 20,759,167 |
| 2022 | 14,651,646 | 6,667,981 | 440,861 | 21,760,488 |
| 2023 | 17,504,589 | 7,291,385 | 446,932 | 25,242,906 |

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

Table 5

| Net Fiscal Disparity Contribution | Adjusted Tax Capacity Value | Total Direct Tax Rate | Estimated Market Value | Tax Capacity as a Percent of EMV |
|---|-----------------------------------|-----------------------------|------------------------------|--|
| \$ 1,078,828 | \$ 14,048,839 | 60.901% | \$ 1,216,525,700 | 1.15% |
| 1,009,829 | 15,329,569 | 60.405% | 1,339,658,600 | 1.14% |
| 854,974 | 15,430,937 | 64.693% | 1,350,626,300 | 1.14% |
| 1,031,732 | 16,339,126 | 63.853% | 1,411,151,100 | 1.16% |
| 1,012,284 | 17,866,427 | 64.041% | 1,546,887,300 | 1.15% |
| 942,941 | 18,946,462 | 64.582% | 1,638,979,500 | 1.16% |
| 1,269,182 | 21,041,890 | 60.847% | 1,807,639,800 | 1.16% |
| 789,591 | 21,548,758 | 63.388% | 1,875,807,300 | 1.15% |
| 1,017,557 | 22,778,045 | 64.411% | 1,969,557,100 | 1.16% |
| 445,918 | 25,688,824 | 60.180% | 2,273,697,200 | 1.13% |

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

| Fiscal Year | City of South St. Paul | | | |
|-------------|------------------------|-------------------|--------------|-------------------|
| | Operating Rate | Debt Service Rate | Library Rate | Total Direct Rate |
| 2014 | 51.214% | 4.911% | 4.776% | 60.901% |
| 2015 | 48.816% | 6.983% | 4.606% | 60.405% |
| 2016 | 51.534% | 8.464% | 4.700% | 64.693% |
| 2017 | 51.357% | 7.954% | 4.542% | 63.853% |
| 2018 | 52.268% | 7.564% | 4.209% | 64.041% |
| 2019 | 53.454% | 7.068% | 4.060% | 64.582% |
| 2020 | 49.683% | 7.345% | 3.819% | 60.847% |
| 2021 | 52.574% | 6.976% | 3.838% | 63.388% |
| 2022 | 54.015% | 6.658% | 3.738% | 64.411% |
| 2023 | 51.117% | 5.818% | 3.245% | 60.180% |

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

Table 6

| Overlapping Rates | | | | Total School District #6 | Total School District #199 |
|-------------------|---------|-----------------|---------|--------------------------|----------------------------|
| School District | | Other Districts | County | | |
| #6 | #199 | | | | |
| 44.522% | 33.418% | 7.692% | 29.018% | 144.942% | 133.838% |
| 35.881% | 34.864% | 7.299% | 26.902% | 130.487% | 129.470% |
| 36.719% | 30.272% | 9.410% | 25.966% | 136.788% | 130.341% |
| 35.868% | 28.572% | 9.176% | 25.434% | 134.331% | 127.035% |
| 31.367% | 26.680% | 8.091% | 24.105% | 127.604% | 122.917% |
| 29.622% | 26.537% | 8.200% | 23.015% | 125.419% | 122.334% |
| 28.878% | 22.896% | 7.631% | 21.833% | 119.189% | 113.207% |
| 30.270% | 23.368% | 7.740% | 20.553% | 121.951% | 115.049% |
| 29.116% | 22.296% | 8.162% | 19.546% | 121.235% | 114.415% |
| 25.628% | 20.009% | 7.973% | 16.981% | 110.762% | 105.143% |

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

Table 7

| Taxpayer | 2023 | | | 2014 | | |
|-------------------------------------|------------------------|------|---|------------------------|------|---|
| | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value | Taxable Capacity Value | Rank | Percentage of Total City Capacity Value |
| Chicago & NW Trans. Co | \$ 395,214 | 1 | 1.57% | \$ 195,404 | 4 | 1.51% |
| SSP SPE I LLC (The Yards) | 389,291 | 2 | 1.54% | | | |
| Stag South Saint Paul LLC | 357,554 | 3 | 1.42% | 327,585 | 2 | 2.53% |
| Dakota Bulk Property LLC | 242,410 | 4 | 0.96% | 100,470 | 10 | 0.77% |
| Xcel Energy | 239,424 | 5 | 0.95% | 330,291 | 1 | 2.55% |
| Waterford Green Limited Partnership | 200,000 | 6 | 0.79% | 109,428 | 9 | 0.84% |
| Bridgepoint Business Center | 179,352 | 7 | 0.71% | 133,126 | 5 | 1.03% |
| Waterous Co | 172,554 | 8 | 0.68% | 119,112 | 6 | 0.92% |
| Leonard Investment Co. | 164,432 | 9 | 0.65% | 111,431 | 8 | 0.86% |
| CARS-DB4 LP | 164,364 | 10 | 0.65% | | | |
| Blue Dog Properties Trust | | | | 199,956 | 3 | 1.54% |
| Healtheast Woodwinds | | | | 115,012 | 7 | 0.89% |
| Total | <u>\$ 2,504,595</u> | | <u>9.92%</u> | <u>\$ 1,741,815</u> | | <u>13.44%</u> |
| Total All Property | <u>\$ 25,242,906</u> | | | <u>\$ 12,970,011</u> | | |

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

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

Table 8

| Fiscal Year Ended December 31, | Taxes Levied For The Fiscal Year * | Collected Within The Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|-----------------------|--|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2014 | \$ 8,644,354 | \$ 8,534,519 | 98.73% | \$ 109,835 | \$ 8,644,354 | 100.00% |
| 2015 | 9,278,064 | 9,189,897 | 99.05% | 88,167 | 9,278,064 | 100.00% |
| 2016 | 10,236,411 | 10,132,792 | 98.99% | 103,619 | 10,236,411 | 100.00% |
| 2017 | 10,924,802 | 10,827,561 | 99.11% | 97,241 | 10,924,802 | 100.00% |
| 2018 | 11,951,006 | 11,824,359 | 98.94% | 126,647 | 11,951,006 | 100.00% |
| 2019 | 12,803,995 | 12,718,851 | 99.34% | 85,144 | 12,803,995 | 100.00% |
| 2020 | 13,577,330 | 13,441,399 | 99.00% | 135,931 | 13,577,330 | 100.00% |
| 2021 | 14,206,445 | 14,102,938 | 99.27% | 103,507 | 14,206,445 | 100.00% |
| 2022 | 15,324,339 | 15,186,700 | 99.10% | 137,639 | 15,324,339 | 100.00% |
| 2023 | 16,391,169 | 16,216,789 | 98.94% | - | 16,216,789 | 98.94% |

* Starting in 2016, includes EDA and HRA levies

Sources: City financial records

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

| Fiscal Year | Governmental Activities | | | | | | Total Governmental Activities |
|-------------|--------------------------|-------------------|---------------------|--------------|--------------|---------------|-------------------------------|
| | General Obligation Bonds | Improvement Bonds | Tax Increment Bonds | Note Payable | Lease | Lease Revenue | |
| 2014 | \$ 14,382,071 | \$ 1,395,000 | \$ - | \$ 78,227 | \$ 1,040,402 | \$ - | \$ 16,895,700 |
| 2015 | 16,976,376 | 1,285,000 | 1,819,087 | 40,678 | 936,253 | - | 21,057,394 |
| 2016 | 16,072,074 | - | 1,653,682 | 3,129 | 11,630 | 1,855,000 | 19,595,515 |
| 2017 | 19,495,441 | - | 1,483,277 | - | 5,632 | 445,000 | 21,429,350 |
| 2018 | 18,178,576 | - | 1,307,872 | - | - | 300,000 | 19,786,448 |
| 2019 | 24,075,288 | - | 1,132,467 | - | - | 150,000 | 25,357,755 |
| 2020 | 22,586,180 | - | 952,062 | - | - | - | 23,538,242 |
| 2021 | 20,997,072 | - | 771,657 | - | - | - | 21,768,729 |
| 2022 | 19,267,964 | - | 586,252 | - | - | - | 19,854,216 |
| 2023 | 17,484,702 | - | - | - | - | - | 17,484,702 |

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

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

The decline in the Lease in 2016 relates to the transfer of a lease from the HRA to the EDA.

The City's reporting entity changed in 2017 to include the HRA as a blended component unit. The data for years prior to 2017 have not been restated to reflect this change.

N/A - information is not available

Table 9

| Business-Type Activities | | | Per Customer | Total Primary Government | Percentage of Personal Income ^(a) | Per Capita ^(a) |
|--|------------------------------|--------------------------------------|-----------------|--------------------------------|--|------------------------------|
| Sewer/Water/ Storm Revenue Bonds | Low Rent Housing Notes | Total Business-Type Activities | | | | |
| \$ 4,966,452 | \$ - | \$ 4,966,452 | \$ 711 | \$ 21,862,152 | 2.05% | \$ 1,070 |
| 4,840,373 | - | 4,840,373 | 693 | 25,897,767 | 2.39% | 1,286 |
| 4,587,294 | - | 4,587,294 | 657 | 24,182,809 | 2.15% | 1,180 |
| 4,287,215 | 2,129,853 | 6,417,068 | 919 | 27,846,418 | 2.37% | 1,365 |
| 3,984,136 | 2,025,063 | 6,009,199 | 859 | 25,795,647 | 2.06% | 1,252 |
| 3,679,057 | 1,912,808 | 5,591,865 | 799 | 30,949,620 | 2.44% | 1,511 |
| 3,361,978 | 2,144,880 | 5,506,858 | 785 | 29,045,100 | 2.21% | 1,398 |
| 3,042,898 | 2,016,593 | 5,059,491 | 720 | 26,828,220 | 1.90% | 1,290 |
| 2,715,820 | 1,879,706 | 4,595,526 | 653 | 24,449,742 | 1.73% | 1,193 |
| 3,705,022 | 1,733,809 | 5,438,831 | 774 | 22,923,533 | N/A | 1,116 |

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

| Fiscal Year | Governmental Activities | | | | |
|----------------|--------------------------------|----------------------|---------------------------|---------------------------|---------------------------------|
| | General Obligation Bonds | Improvement Bonds | Tax Increment Bonds | Lease Revenue Bonds | Total General Bonded Debt |
| 2014 | \$ 14,382,071 | \$ 1,395,000 | \$ - | \$ - | \$ 15,777,071 |
| 2015 | 16,976,376 | 1,285,000 | 1,819,087 | - | 20,080,463 |
| 2016 | 16,072,074 | - | 1,653,682 | 1,855,000 | 19,580,756 |
| 2017 | 19,495,441 | - | 1,483,277 | 445,000 | 21,423,718 |
| 2018 | 18,178,576 | - | 1,307,872 | 300,000 | 19,786,448 |
| 2019 | 24,075,288 | - | 1,132,467 | 150,000 | 25,357,755 |
| 2020 | 22,586,180 | - | 952,062 | - | 23,538,242 |
| 2021 | 20,997,072 | - | 771,657 | - | 21,768,729 |
| 2022 | 19,267,964 | - | 586,252 | - | 19,854,216 |
| 2023 | 17,484,702 | - | - | - | 17,484,702 |

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

^(a)See Table 14 for population data.

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

Table 10

| Less: Amounts Restricted for Debt Service | Business-type Activities General Obligation Bonds | Net Bonded Debt Total | Percentage of Total Tax Capacity ^(b) | Per Capita ^(a) |
|--|---|--------------------------------|--|------------------------------|
| \$ 2,224,750 | \$ 4,966,452 | \$ 18,518,773 | 142.78% | \$ 906 |
| 3,091,062 | 4,840,373 | 21,829,774 | 152.45% | 1,084 |
| 3,226,485 | 4,587,294 | 20,941,565 | 143.67% | 1,022 |
| 4,673,069 | 4,287,215 | 21,037,864 | 137.44% | 1,031 |
| 4,523,055 | 3,984,136 | 19,247,529 | 114.20% | 934 |
| 4,872,047 | 3,679,057 | 24,164,765 | 134.22% | 1,180 |
| 4,435,256 | 3,361,978 | 22,464,964 | 113.62% | 1,081 |
| 4,274,251 | 3,042,898 | 20,537,376 | 98.93% | 987 |
| 3,988,351 | 2,715,820 | 18,581,685 | 85.39% | 907 |
| 3,804,468 | 3,705,022 | 17,385,256 | 68.87% | 846 |

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CITY OF SOUTH ST. PAUL, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2023
 (Unaudited)

Table 11

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable* | Estimated Share of Overlapping Debt |
|-----------------------------------|---------------------|--|--|
| Debt repaid with property taxes: | | | |
| School Districts: | | | |
| Special School District No. 6 | \$ 25,055,000 | 100.0000% | \$ 25,055,000 |
| ISD No. 199 | 47,530,000 | 0.0035% | 1,649 |
| Special Districts: | | | |
| Dakota County | - | 0.0300% | - |
| Metropolitan Council | 1,694,829,000 | 0.0300% | 508,449 |
| Subtotal - overlapping debt | | | <u>25,565,098</u> |
| City direct debt | | | <u>17,484,702</u> |
| Total direct and overlapping debt | | | <u><u>\$ 43,049,800</u></u> |

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

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

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

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

Source: 2019A General Obligation Bonds Official Statement

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

Legal Debt Margin Calculation for Fiscal Year 2023

| | |
|---|-----------------------------|
| Estimated Market Value | <u>\$ 2,273,697,200</u> |
| Debt limit (3% of market value) | <u>68,210,916</u> |
| Debt applicable to limit: | |
| General obligation bonds paid solely from Taxes | 16,377,719 |
| Less: amount available for payment on principal and interest | <u>(2,328,144)</u> |
| Total net debt applicable to limit | <u>14,049,575</u> |
| Legal debt margin | <u><u>\$ 54,161,341</u></u> |

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt limit | \$ 36,495,771 | \$ 40,189,758 | \$ 40,518,789 | \$ 42,334,533 |
| Total net debt applicable to limit | <u>8,309,446</u> | <u>11,132,869</u> | <u>9,968,365</u> | <u>12,964,855</u> |
| Legal debt margin | <u><u>\$ 28,186,325</u></u> | <u><u>\$ 29,056,889</u></u> | <u><u>\$ 30,550,424</u></u> | <u><u>\$ 29,369,678</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 22.77% | 27.70% | 24.60% | 30.62% |

Table 12

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 46,406,619 | \$ 49,169,385 | \$ 54,229,194 | \$ 56,274,219 | \$ 59,086,713 | \$ 68,210,916 |
| <u>11,864,021</u> | <u>17,409,377</u> | <u>16,567,484</u> | <u>15,310,162</u> | <u>14,092,859</u> | <u>14,049,575</u> |
| <u>\$ 34,542,598</u> | <u>\$ 31,760,008</u> | <u>\$ 37,661,710</u> | <u>\$ 40,964,057</u> | <u>\$ 44,993,854</u> | <u>\$ 54,161,341</u> |
| 25.57% | 35.41% | 30.55% | 27.21% | 23.85% | 20.60% |

CITY OF SOUTH ST. PAUL, MINNESOTA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(Unaudited)

| Water Revenue Bonds | | | | | | |
|---------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2014 | \$ 1,966,922 | \$ 1,173,491 | \$ 793,431 | \$ 121,000 | \$ 55,389 | 4.50 |
| 2015 | 1,911,709 | 1,123,471 | 788,238 | 123,000 | 64,960 | 4.19 |
| 2016 | 1,954,544 | 992,520 | 962,024 | 190,000 | 75,446 | 3.62 |
| 2017 | 2,049,669 | 1,041,977 | 1,007,692 | 217,000 | 64,640 | 3.58 |
| 2018 | 2,038,749 | 1,165,734 | 873,015 | 220,000 | 60,648 | 3.11 |
| 2019 | 2,197,027 | 897,552 | 1,299,475 | 222,000 | 56,612 | 4.66 |
| 2020 | 2,410,095 | 897,905 | 1,512,190 | 229,000 | 52,450 | 5.37 |
| 2021 | 2,836,673 | 1,051,500 | 1,785,173 | 231,000 | 48,245 | 6.39 |
| 2022 | 2,902,801 | 1,073,116 | 1,829,685 | 234,000 | 44,002 | 6.58 |
| 2023 | 3,076,983 | 1,209,888 | 1,867,095 | 241,000 | 41,407 | 6.61 |

| Storm Water Revenue Bonds | | | | | | |
|---------------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2014 | \$ 417,218 | \$ 86,178 | \$ 331,040 | \$ - | \$ 16,745 | 20 |
| 2015 | 434,623 | 195,822 | 238,801 | - | 27,264 | 9 |
| 2016 | 452,255 | 267,318 | 184,937 | 60,000 | 38,616 | 1.88 |
| 2017 | 474,271 | 371,387 | 102,884 | 80,000 | 30,824 | 0.93 |
| 2018 | 469,110 | 664,776 | (195,666) | 80,000 | 29,223 | (1.79) |
| 2019 | 538,330 | 278,112 | 260,218 | 80,000 | 27,623 | 2.42 |
| 2020 | 581,229 | 290,689 | 290,540 | 85,000 | 25,932 | 2.62 |
| 2021 | 640,596 | 228,105 | 412,491 | 85,000 | 24,232 | 3.78 |
| 2022 | 692,515 | 220,274 | 472,241 | 90,000 | 22,440 | 4.20 |
| 2023 | 762,820 | 447,730 | 315,090 | 90,000 | 21,345 | 2.83 |

Water Revenue Bonds includes the Drinking Water Revolving Fund Loan and the water utility portion of the 2014A GO Bonds.

Storm Water Revenue Bonds includes the storm water utility portion of the 2014A GO Bonds.

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

Operating expenses do not include interest, depreciation, or amortization expenses.

Table 13

| Improvement Bonds | | | | Lease Revenue Bonds | | | |
|--------------------------------------|--------------|-----------|----------|---------------------|--------------|----------|----------|
| Special Assessment Collections | Debt Service | | Coverage | Lease Payments | Debt Service | | Coverage |
| | Principal | Interest | | | Principal | Interest | |
| \$ 601,129 | \$ 1,080,000 | \$ 90,948 | 0.51 | \$ - | \$ - | \$ - | - |
| 914,291 | 110,000 | 58,808 | 5.42 | - | - | - | - |
| 943,427 | 1,285,000 | 27,960 | 0.72 | 303,553 | 205,000 | 83,712 | 1 |
| - | - | - | - | 1,364,827 | 1,410,000 | 49,878 | 1 |
| - | - | - | - | 157,333 | 145,000 | 11,480 | 1.01 |
| - | - | - | - | 158,064 | 150,000 | 7,125 | 1.01 |
| - | - | - | - | 152,822 | 150,000 | 2,400 | 1.00 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |

| Tax Increment Bonds | | | |
|---------------------------------|--------------|----------|----------|
| Tax Increment Collections | Debt Service | | Coverage |
| | Principal | Interest | |
| \$ - | \$ - | \$ - | - |
| - | - | - | - |
| 1,486,133 | 165,000 | 39,023 | 7 |
| 1,592,936 | 170,000 | 36,510 | 7.71 |
| 1,669,381 | 175,000 | 33,923 | 7.99 |
| 1,814,119 | 175,000 | 31,079 | 8.80 |
| 1,879,470 | 180,000 | 27,748 | 9.05 |
| 2,200,172 | 180,000 | 23,922 | 10.79 |
| 2,209,934 | 185,000 | 19,539 | 10.80 |
| 2,432,338 | 585,000 | 17,627 | 4.04 |

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

Table 14

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income *</u> | <u>Per Capita Personal Income*</u> | <u>Dakota Unemployment Rate*</u> |
|--------------------|-------------------|--------------------------|------------------------------------|----------------------------------|
| 2014 | 20,441 | 1,066,550,057 | 52,177 | 3.20% |
| 2015 | 20,146 | 1,082,041,660 | 53,710 | 3.30% |
| 2016 | 20,487 | 1,126,272,825 | 54,975 | 2.90% |
| 2017 | 20,407 | 1,176,218,666 | 57,638 | 2.20% |
| 2018 | 20,598 | 1,249,289,298 | 60,651 | 2.60% |
| 2019 | 20,487 | 1,268,432,118 | 61,914 | 2.90% |
| 2020 | 20,759 | 1,312,051,836 | 63,204 | 4.30% |
| 2021 | 20,800 | 1,412,881,600 | 67,927 | 2.30% |
| 2022 | 20,489 | 1,410,462,760 | 68,840 | 2.70% |
| 2023 | 20,541 | N/A | N/A | 2.60% |

Amounts noted as N/A were not available

Sources:

Population: Metropolitan Council or city-data.com

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

Personal Income: Bureau of Economic Analysis

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

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

Table 15

| Employer | 2023 | | | 2014 | | |
|---------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Sportsmans' Guide | 500 | 1 | 7.89% | 600 | 1 | 8.90% |
| Bremer Bank | 400 | 2 | 6.31% | 450 | 3 | 6.68% |
| Special School District No 6 | 350 | 3 | 5.52% | 468 | 2 | 6.94% |
| American Bottling | 250 | 4 | 3.95% | 250 | 5 | 3.71% |
| Wipaire, Inc. | 180 | 5 | 2.84% | 181 | 9 | 2.69% |
| Twin City Tanning | 100 | 6 | 1.58% | | | |
| City of South St. Paul | 100 | 6 | 1.58% | 176 | 10 | 2.61% |
| Sanimax | 100 | 6 | 1.58% | | | |
| Sojos | 100 | 6 | 1.58% | | | |
| Rihm Kenworth | 100 | 6 | 1.58% | | | |
| Dakota Premium Foods | | | | 321 | 4 | 4.76% |
| Cerenity Care Center - Bethesda | | | | 250 | 5 | 3.71% |
| Waterous Company | | | | 250 | 5 | 3.71% |
| Twin City Bagel | | | | 200 | 8 | 2.97% |
| Total | 2,180 | | 34.40% | 3,146 | | 46.67% |
| Total city employment | 6,337 | | | 6,741 | | |

Source: Reference USA Database Business Data
Total City employment from the Minnesota Department of Employment & Economic Development.

CITY OF SOUTH ST. PAUL, MINNESOTA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

| Function/Program | 2014 | 2015 | 2016 * | Full-Time 2017 |
|----------------------------------|-------|-------|--------|-------------------|
| General government: | | | | |
| Management services | 5.80 | 5.95 | 5.25 | 5.35 |
| Finance | 3.65 | 3.65 | 3.45 | 3.20 |
| Planning | 1.00 | 1.00 | - | - |
| Building | 1.00 | 1.05 | 1.00 | 1.10 |
| Police: | | | | |
| Officers | 28.00 | 28.00 | 28.00 | 28.00 |
| Civilians | 4.50 | 4.50 | 4.50 | 4.50 |
| Community Development: | | | | |
| Licensing & Code Enforcement | - | - | 3.25 | 2.75 |
| Planning & Zoning Administration | - | - | 2.00 | 2.00 |
| Economic Development | - | - | 1.75 | 2.00 |
| Housing Division | - | - | 1.75 | 5.50 |
| Other public works: | | | | |
| Engineering | 3.09 | 3.09 | 4.70 | 4.70 |
| Code enforcement | 2.25 | 2.25 | - | - |
| Public works | 11.86 | 11.66 | 12.10 | 11.90 |
| Parks and recreation | 5.95 | 6.18 | 6.68 | 6.67 |
| Library | 6.75 | 6.70 | 6.82 | 7.55 |
| Arena | 2.05 | 2.05 | 3.05 | 3.05 |
| Airport | 2.10 | 2.10 | 2.60 | 2.60 |
| Water and Sewer | 7.05 | 7.05 | 6.80 | 6.80 |
| Central Garage | 2.30 | 2.20 | 2.20 | 2.20 |
| | | | | |
| Total | 87.35 | 87.43 | 95.90 | 99.87 |

Source: City Budget Office - excludes seasonal employees

* = In 2016 a reorganization occurred creating the Community Development Department- includes new/transferred staff from the EDA & HRA, and moved Planning & Zoning and Licensing & Code Enforcement functions from General Government and other public works areas.

Table 16

| Equivalent Employees as of December 31, | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|--|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
| 6.10 | 6.10 | 6.10 | 6.10 | 8.10 | 8.95 | |
| 3.20 | 3.20 | 3.20 | 3.20 | 2.40 | 2.40 | |
| - | - | - | - | - | - | |
| 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | |
| 28.00 | 30.00 | 31.00 | 31.00 | 33.00 | 34.00 | |
| 7.50 | 6.50 | 7.00 | 7.00 | 7.00 | 7.00 | |
| 2.90 | 3.90 | 3.90 | 2.40 | 1.90 | 1.40 | |
| 1.50 | 1.50 | 1.50 | 3.00 | 3.50 | 3.10 | |
| 1.50 | 1.50 | 1.55 | 1.50 | 1.50 | 0.66 | |
| 6.50 | 2.50 | 0.95 | 2.00 | 2.00 | 5.90 | |
| 4.00 | 4.00 | 3.00 | 3.00 | 3.17 | 3.50 | |
| - | - | - | - | - | - | |
| 14.90 | 13.90 | 13.90 | 14.60 | 14.10 | 14.73 | |
| 6.67 | 6.67 | 6.67 | 6.67 | 3.63 | 4.63 | |
| 7.35 | 6.80 | 6.71 | 6.71 | 7.26 | 8.26 | |
| 3.05 | 4.15 | 4.15 | 6.15 | 5.60 | 5.40 | |
| 2.60 | 2.60 | 2.60 | 2.60 | 2.73 | 2.73 | |
| 6.50 | 6.50 | 7.50 | 6.80 | 6.60 | 6.60 | |
| 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 | |
| <u>105.67</u> | <u>103.22</u> | <u>103.13</u> | <u>106.13</u> | <u>105.89</u> | <u>112.66</u> | |

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

| Function/Program | 2014 | 2015 | 2016 | 2017 |
|--|---------|---------|---------|---------|
| Police: | | | | |
| Calls for Service | 20,941 | 20,639 | 22,659 | 26,876 |
| Group A Offenses | 577 | 625 | 736 | 585 |
| Group B Arrests | 2,798 | 3,029 | 3,326 | 3,106 |
| Felony charges | 184 | 187 | 226 | 259 |
| DUI | 76 | 229 | 128 | 113 |
| Traffic Accidents | 285 | 299 | 272 | 264 |
| Traffic Violations | 1,569 | 1,449 | 1,211 | 1,229 |
| Recycling | | | | |
| Appliances collected | 85 | 92 | 80 | N/A |
| Appliances (pounds) * | N/A | N/A | N/A | 5,400 |
| Scrap metal recycled | 8,000 | 6,000 | 6,609 | 7,060 |
| Electronics (pounds) | 8,335 | 7,811 | 5,500 | 2,640 |
| City Planner | | | | |
| Site Plan reviews | 3 | 3 | 4 | 3 |
| Planning/zoning cases reviewed | 28 | 33 | 33 | 40 |
| Other public works: | | | | |
| Segments of streets/alleys rehabbed | 19 | 34 | 22 | 14 |
| Parks and recreation: | | | | |
| Splash pool users** | 7,005 | 10,847 | 9,460 | 8,553 |
| Northview pool users** | 3,006 | 7,039 | 6,111 | 5,995 |
| Library: | | | | |
| Charged circulation (usage) | 135,581 | 125,775 | 119,492 | 118,322 |
| Arena: | | | | |
| Ice rented (hours) | 2,841 | 2,983 | 3,302 | 3,928 |
| Transportation: | | | | |
| Fuel sold (gallons) | 140,255 | 133,957 | 142,074 | 137,737 |
| Aircraft operations | 62,130 | 55,250 | 55,000 | 56,650 |
| Water: | | | | |
| Utility customers | 6,984 | 6,987 | 6,989 | 6,984 |
| Pumpage/year (millions of gallons) | 1,127 | 841 | 783 | 735 |
| Wastewater: | | | | |
| Sewage treatment (millions of gallons) | 1,214 | 1,092 | 1,104 | 1,055 |

Sources: City Budgets - Departments

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

* - Reporting for appliances changed to weight in 2017

** - City pools were closed for 2020; Northview pool was closed in 2021

N/A - information is not available

Table 17

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------|---------|---------|---------|---------|---------|
| 26,671 | 29,852 | 31,560 | 29,247 | 28,791 | 32,461 |
| 572 | 536 | 572 | 606 | 512 | 1,001 |
| 3,440 | 3,974 | 839 | 762 | 712 | 939 |
| 223 | 279 | 284 | 163 | 228 | 194 |
| 199 | 133 | 97 | 180 | 106 | 153 |
| 306 | 325 | 251 | 221 | 280 | 218 |
| 1,310 | 1,204 | 885 | 845 | 878 | 1,025 |
| N/A | N/A | N/A | N/A | N/A | 39 |
| 4,000 | 4,800 | 4,500 | 4,034 | 4,067 | N/A |
| 6,080 | 6,540 | 6,200 | 4,200 | 3,980 | 4,660 |
| 8,030 | 5,648 | 7,626 | 6,000 | 7,240 | 5,385 |
| 5 | 6 | 7 | 5 | 9 | 5 |
| 30 | 29 | 38 | 39 | 29 | 32 |
| 6 | 8 | - | 5 | 5 | 2 |
| 9,928 | 7,840 | - | 4,759 | 4,415 | 4,521 |
| 7,426 | 6,720 | - | - | 5,388 | 5,600 |
| 112,997 | 116,377 | 68,100 | 86,512 | 105,537 | 101,378 |
| 3,019 | 3,477 | 3,150 | 4,111 | 4,634 | 4,940 |
| 136,454 | 143,148 | 167,365 | 219,406 | 169,444 | 177,777 |
| 58,350 | 60,100 | 61,903 | 63,760 | 64,397 | 64,397 |
| 6,992 | 6,999 | 7,017 | 7,027 | 7,033 | 7,030 |
| 728 | 707 | 724 | 718 | 1,046 | 735 |
| 1,044 | 1,009 | 1,192 | 1,093 | 1,046 | 1,061 |

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

| Function/Program | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|-------|-------|-------|-------|
| Police: | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol units | 17 | 17 | 17 | 17 |
| Other public works: | | | | |
| Streets (miles) | 73.1 | 73.1 | 73.1 | 73.1 |
| Highways (miles) ^(a) | 13.9 | 13.9 | 13.9 | 13.9 |
| Streetlights ^(b) | 1,112 | 1,112 | 1,112 | 1,112 |
| Traffic signals ^(a) | 15.0 | 15.0 | 15.0 | 15.0 |
| Parks and recreation: | | | | |
| Parks | 15 | 15 | 15 | 15 |
| Acreage | 245 | 245 | 245 | 245 |
| Swimming pools | 3 | 3 | 3 | 3 |
| Ice arena rinks | 2 | 2 | 2 | 2 |
| Water: | | | | |
| Water mains (miles) | 87.6 | 87.6 | 87.6 | 87.6 |
| Wells | 7.0 | 7.0 | 7.0 | 7.0 |
| Wastewater: | | | | |
| Sanitary sewers (miles) | 77.8 | 77.8 | 77.8 | 77.8 |
| Storm sewers (miles) | 46.8 | 46.9 | 46.9 | 46.9 |
| Airport: | | | | |
| T-Hangars | 32 | 32 | 32 | 32 |
| Acres | 270 | 270 | 270 | 270 |

Sources: Various City departments.

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

^(a) not under City jurisdiction

^(b) not all under City jurisdiction

Table 18

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------|-------|-------|-------|-------|-------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 18 | 19 | 19 | 19 | 19 | 20 |
| 73.1 | 73.1 | 73.1 | 73.1 | 73.1 | 73.1 |
| 13.9 | 13.9 | 13.9 | 13.9 | 13.9 | 13.9 |
| 1,365 | 1,407 | 1,407 | 1,407 | 1,407 | 1,407 |
| 15.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| 15 | 15 | 15 | 15 | 15 | 15 |
| 245 | 245 | 245 | 245 | 245 | 245 |
| 3 | 3 | 3 | 3 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 87.6 | 87.6 | 87.6 | 87.6 | 87.6 | 87.6 |
| 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| 77.8 | 77.8 | 77.8 | 77.8 | 77.8 | 77.8 |
| 46.9 | 46.9 | 46.9 | 46.9 | 46.9 | 46.9 |
| 32 | 32 | 32 | 32 | 32 | 32 |
| 270 | 270 | 270 | 270 | 270 | 270 |

Management Report
for
City of South St. Paul, Minnesota
December 31, 2023

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

We have prepared this management report in conjunction with our audit of the City of South St. Paul, Minnesota's (the City) financial statements for the year ended December 31, 2023. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
June 19, 2024

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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINIONS AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2023:

- We have issued unmodified opinions on the City's basic financial statements.
- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the City has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no deficiencies in the City's internal controls over compliance that we considered to be material weaknesses with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no findings based on our testing of the City's compliance with Minnesota laws and regulations.

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the City's financial statements for the year ended December 31, 2023, we performed procedures to follow-up on the findings and recommendations that resulted from our prior year audit. We reported the following findings that were corrected by the City in the current year:

- 24 CFR § 960 requires that the City establish and maintain effective internal control over compliance with requirements applicable to federal programs, including special tests and provisions requirements applicable to the Public Housing Operating Fund federal program. During our audit testing in 2022, we noted the City did not have sufficient controls in place to assure compliance with federal special tests and provisions requirements, which resulted in noncompliance. The City did not have proper controls in place regarding the waiting list to verify new tenants were placed into housing, based on approved policies. We are pleased to report this is not a finding in the current year.
- Minnesota Statutes require that when contracting for construction services with a value exceeding \$175,000, the City is required to obtain performance and payments bonds from the contractor. This requirement was not met for one such contract awarded during 2022. We are pleased to report this is not a finding in the current year.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Uniform Guidance Written Procedures

The Uniform Guidance requires the City to have written procedures. During our audit, we noted that the City had developed and adopted written federal grant procedures; however, these did not fully address procedures specific to cash management, cost principles, budget to actual reviews, equipment and real property management, suspension and debarment, and subrecipient monitoring as it relates to federal awards.

Federal Uniform Guidance requires the City to have documented cash management procedures in accordance with 2 CFR § 200.305, which includes payments for allowable costs charged to a federal program, as well as advances received for federal programs, among other things.

Federal Uniform Guidance requires the City to have documented cost principles for determining the allowability of costs in accordance with 2 CFR 200 Subpart E – Cost Principles.

Federal Uniform Guidance requires the City to have documented budget to actual procedures that includes budget to actual comparison of expenditures for each federal award in accordance with 2 CFR § 200.302(b)(5).

Federal Uniform Guidance requires the City to have documented equipment and real property management procedures in accordance with 2 CFR § 200.313, which includes procedures for managing equipment and maintaining property records.

Federal Uniform Guidance requires the City to have documented suspension and debarment procedures in accordance with 2 CFR § 180, which includes procedures for assuring the City is not contracting for goods of services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Federal Uniform Guidance requires nonfederal entities to have and use documented subrecipient monitoring and management procedures consistent with 2 CFR § 200.331-333 for disbursements of federal funds determined to be a federal subaward. A subaward is an agreement between the City and an outside party for the purpose of carrying out a portion of a federal award, which creates a federal assistance relationship with the subrecipient. The Uniform Guidance requirements for pass-through entities include, but are not limited to:

- Providing the subrecipient with the best information available to describe the key identifiers and terms of the federal award and subaward;
- A written risk assessment evaluating each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring;
- Written documentation of monitoring activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and that the subaward performance goals are achieved; and
- Written procedures verifying that every subrecipient is audited as required by the Uniform Guidance Subpart F when it is expected that the subrecipient’s federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR § 200.501.

We recommend that the City review its current federal grant procedures to ensure they include and are consistent with the Uniform Guidance requirements.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- **OPEB and Pension Benefits** – The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. Actuarial estimates of these obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement Nos. 68 and 75. The actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.
- **Depreciation** – Management’s estimates of depreciation expense are based on the estimated useful lives of the assets.

- **Value of Land Held for Resale** – These assets are stated at net realizable value based on management’s estimates.
- **Compensated Absences** – Management’s estimate is based on current rates of pay, unused compensated absence balances, and the likelihood that these leave balances will ultimately be paid out at termination.
- **Self-Insurance** – Management’s estimates of self-insurance reserves are based on the estimated liability for incurred, but not reported claims.
- **Unbilled Utilities** – Management’s estimates of unbilled utilities are based on the portion of the first billing cycle in the subsequent year applicable to the current year.

We evaluated the key factors and assumptions used by management to develop these accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

The financial statement disclosures are neutral, consistent, and clear.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated June 19, 2024.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

We proposed one uncorrected audit adjustment to the financial statements for recording subscription-based information technology arrangements. This proposed adjustment of \$65,469 in the Low Rent Housing Fund and \$204,347 in the governmental activities had no impact on equity as the proposed adjustment is to subscription asset and subscription liability. Management has determined that the effect of this item was immaterial, both individually and in the aggregate, to each opinion unit’s financial statements taken as a whole.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management’s discussion and analysis (MD&A), budgetary comparison schedules for the General Fund and major special revenue funds, and the pension and OPEB-related required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards, which are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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GOVERNMENTAL FUNDS OVERVIEW

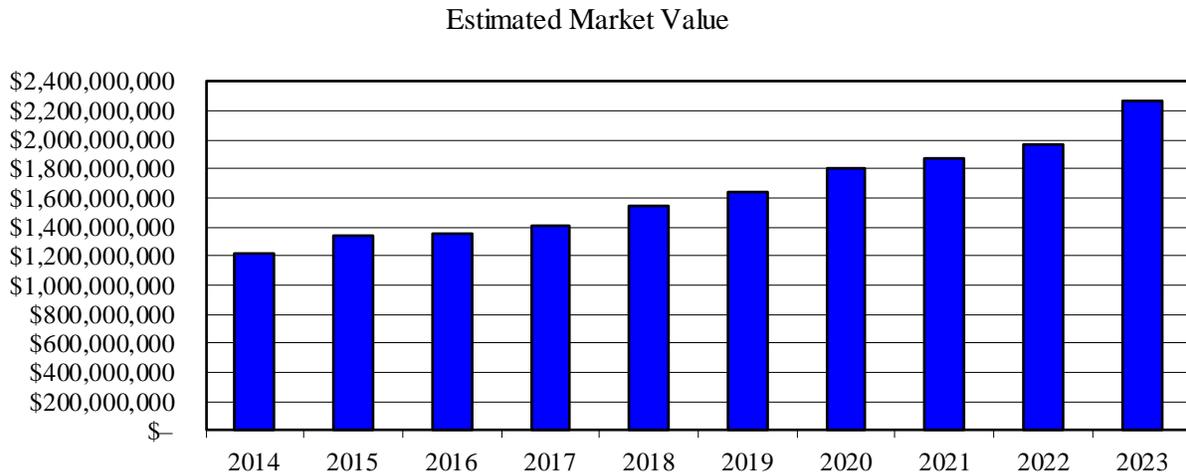
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2021 fiscal year (the most recent comparative state-wide data available), local ad valorem property tax levies provided 44.0 percent of the total governmental fund revenues for cities over 2,500 in population, and 35.5 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2023 increased 4.2 percent compared to the prior year, and 7.5 percent for taxes payable in 2024.

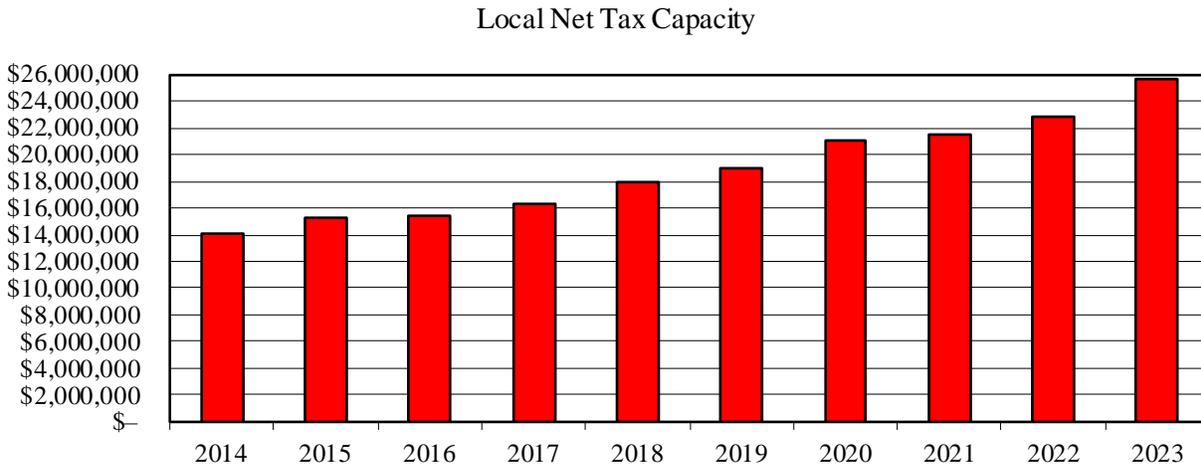
The total net tax capacity value of property in Minnesota cities increased about 17.7 percent for the 2023 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2023 were based on assessed market values as of January 1, 2022), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

The City's estimated market value increased 5.0 percent in 2022 and 15.4 percent in 2023. The following graph shows the City's changes in estimated market value over the past 10 years:



Tax capacity is considered the actual base available for taxation. It is calculated by applying the state’s property classification system to each property’s market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city’s total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City’s tax capacity increased 5.7 percent for taxes payable in 2022 and increased 12.8 percent for taxes payable in 2023.

The following graph shows the City’s change in tax capacities over the past 10 years:



The following table presents the average tax rates applied to city residents for each of the last three levy years:

| Rates Expressed as a Percentage of Net Tax Capacity | | | |
|--|------------------------|--------------|--------------|
| | City of South St. Paul | | |
| | 2021 | 2022 | 2023 |
| Average tax rate | | | |
| City | 63.4 | 64.4 | 60.2 |
| County | 20.6 | 19.5 | 17.0 |
| School | 30.3 | 29.1 | 25.6 |
| Special taxing | 7.7 | 8.2 | 8.0 |
| Total | <u>122.0</u> | <u>121.2</u> | <u>110.8</u> |

The total average tax rate was less than the prior year with decreases spread across each of the taxing authorities presented in the above table. Increases in property valuations contributed to the change in the average tax rate.

GOVERNMENTAL FUNDS REVENUE

The following table presents the per capita revenue of the City’s governmental funds for the past three years, along with state-wide averages.

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City’s data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city’s stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year, due to the effect of inflation and changes in its operation. Also, certain data on these tables may be classified differently than how they appear in the City’s financial statements in order to be more comparable to the state-wide information, particularly in separating capital expenditures from current expenditures.

We have designed this section of our management report using per capita data in order to better identify unique or unusual trends and activities of the City. We intend for this type of comparative and trend information to complement, rather than duplicate, information in the MD&A. An inherent difficulty in presenting per capita information is the accuracy of the population count, which for most years is based on estimates.

| Governmental Funds Revenue per Capita | | | | | | | |
|--|-------------------|-----------------|-----------------|------------------------|-----------------|-----------------|--|
| With State-Wide Averages by Population Class | | | | | | | |
| Year | State-Wide | | | City of South St. Paul | | | |
| | December 31, 2021 | | | 2021 | 2022 | 2023 | |
| Population | 2,500–10,000 | 10,000–20,000 | 20,000–100,000 | 20,800 | 20,489 | 20,541 | |
| Property taxes | \$ 560 | \$ 529 | \$ 557 | \$ 716 | \$ 780 | \$ 818 | |
| Tax increments | 38 | 36 | 49 | 106 | 108 | 118 | |
| Franchise and other taxes | 52 | 66 | 53 | 65 | 81 | 75 | |
| Special assessments | 59 | 41 | 56 | 30 | 28 | 38 | |
| Licenses and permits | 45 | 46 | 53 | 34 | 33 | 28 | |
| Intergovernmental revenues | 421 | 293 | 202 | 1,013 | 912 | 425 | |
| Charges for services | 135 | 111 | 110 | 202 | 227 | 252 | |
| Other | 60 | 39 | 26 | 26 | 10 | 74 | |
| Total revenue | \$ 1,370 | \$ 1,161 | \$ 1,106 | \$ 2,192 | \$ 2,179 | \$ 1,828 | |

The City’s governmental fund revenues for 2023 were \$37,567,503, a decrease of \$7,081,929 (15.9 percent) from the prior year. On a per capita basis, the City received \$1,828 in governmental fund revenue for 2023, which is a decrease of \$351 from the prior year. The majority of this decrease was in intergovernmental revenues, which decreased \$487 per capita, due to the federal grant and county funds received for the Concord Street improvement project and the runway reconstruction project at the airport in fiscal 2022. This decrease was mostly offset by an increase in other revenue and property taxes. Other revenue increased \$64 per capita, due to improved investment returns and fair value changes on investments in the current year. Property taxes increased \$38 per capita with the increased property tax levy approved by the City Council.

GOVERNMENTAL FUNDS EXPENDITURES

The expenditures of governmental funds will also vary from state-wide averages and from year-to-year, based on the City's circumstances. Expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, and are primarily funded by general sources, such as taxes and intergovernmental revenues.
- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented, and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.
- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The City's expenditures per capita of its governmental funds for the past three years, together with comparative state-wide averages, are presented in the following table:

| Governmental Funds Expenditures per Capita With State-Wide Averages by Population Class | | | | | | |
|---|-------------------|---------------|----------------|------------------------|----------|----------|
| Year | State-Wide | | | City of South St. Paul | | |
| | December 31, 2021 | | | 2021 | 2022 | 2023 |
| Population | 2,500–10,000 | 10,000–20,000 | 20,000–100,000 | 20,800 | 20,489 | 20,541 |
| Current | | | | | | |
| General government | \$ 168 | \$ 131 | \$ 116 | \$ 112 | \$ 121 | \$ 135 |
| Public safety | 327 | 296 | 327 | 432 | 459 | 500 |
| Public works | 144 | 124 | 112 | 208 | 216 | 383 |
| Parks and recreation | 108 | 124 | 107 | 123 | 133 | 150 |
| All other | 101 | 79 | 77 | 163 | 205 | 234 |
| Total current | 848 | 754 | 739 | 1,038 | 1,134 | 1,402 |
| Capital outlay and construction | | | | | | |
| | 525 | 407 | 317 | 851 | 942 | 474 |
| Debt service | | | | | | |
| Principal | 168 | 161 | 110 | 82 | 90 | 112 |
| Interest and fiscal charges | 48 | 41 | 34 | 40 | 38 | 39 |
| Total debt service | 216 | 202 | 144 | 122 | 128 | 151 |
| Total expenditures | \$ 1,589 | \$ 1,363 | \$ 1,200 | \$ 2,011 | \$ 2,204 | \$ 2,027 |

Total expenditures in the City's governmental funds for 2023 were \$41,630,119, a decrease of \$3,522,799 (7.8 percent) from the prior year. On a per capita basis, the City expended a total of \$2,027 in 2023, a decrease of \$177. Capital outlay and construction decreased \$468 per capita, primarily due to the Concord Street improvement project and the runway reconstruction project at the airport in the prior year. This decrease was offset by an increase in current expenditures of \$268 per capita, mainly in public works. Debt service expenditures were \$23 higher than last year, due to the early pay off of a bond in the current year with city funds. The City's current operating costs are higher than average, due to above average costs in most functions noted above.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City’s governmental funds during the year ended December 31, 2023, presented both by fund balance classification and by fund:

| Governmental Funds Change in Fund Balance | | | |
|--|------------------------------------|-----------------------------|----------------------------|
| | Fund Balance as of December 31, | | Change |
| | <u>2022</u> | <u>2023</u> | |
| Fund balances of governmental funds | | | |
| Total by classification | | | |
| Nonspendable | \$ 175,520 | \$ 205,771 | \$ 30,251 |
| Restricted | 16,472,099 | 19,220,766 | 2,748,667 |
| Committed | 4,631,266 | 5,501,708 | 870,442 |
| Assigned | 9,134,085 | 3,287,232 | (5,846,853) |
| Unassigned | <u>8,001,154</u> | <u>9,309,811</u> | <u>1,308,657</u> |
| Total governmental funds | <u>\$ 38,414,124</u> | <u>\$ 37,525,288</u> | <u>\$ (888,836)</u> |
| Total by fund | | | |
| General | \$ 15,514,851 | \$ 15,638,442 | \$ 123,591 |
| Doug Woog Arena | (702,991) | (532,796) | 170,195 |
| Airport | 59,181 | 156,670 | 97,489 |
| Capital Programs | 8,114,981 | 2,327,143 | (5,787,838) |
| Local Improvements | (1,679,548) | 869,442 | 2,548,990 |
| Tax Increment | 7,483,034 | 8,644,029 | 1,160,995 |
| Other governmental funds | <u>9,624,616</u> | <u>10,422,358</u> | <u>797,742</u> |
| Total governmental funds | <u>\$ 38,414,124</u> | <u>\$ 37,525,288</u> | <u>\$ (888,836)</u> |

In total, the fund balances of the City’s governmental funds decreased by \$888,836 during the year ended December 31, 2023. Assigned fund balance decreased \$5,846,853 in assigned balances for working capital in the Capital Programs Fund. This decrease was offset by an increase in restricted and unassigned fund balances. Restricted fund balance increased \$2,748,667, mainly in restricted balances for tax increment financing and economic development. The increase in unassigned fund balance was mainly due to the improved fund balance in the Local Improvements Capital Projects Fund.

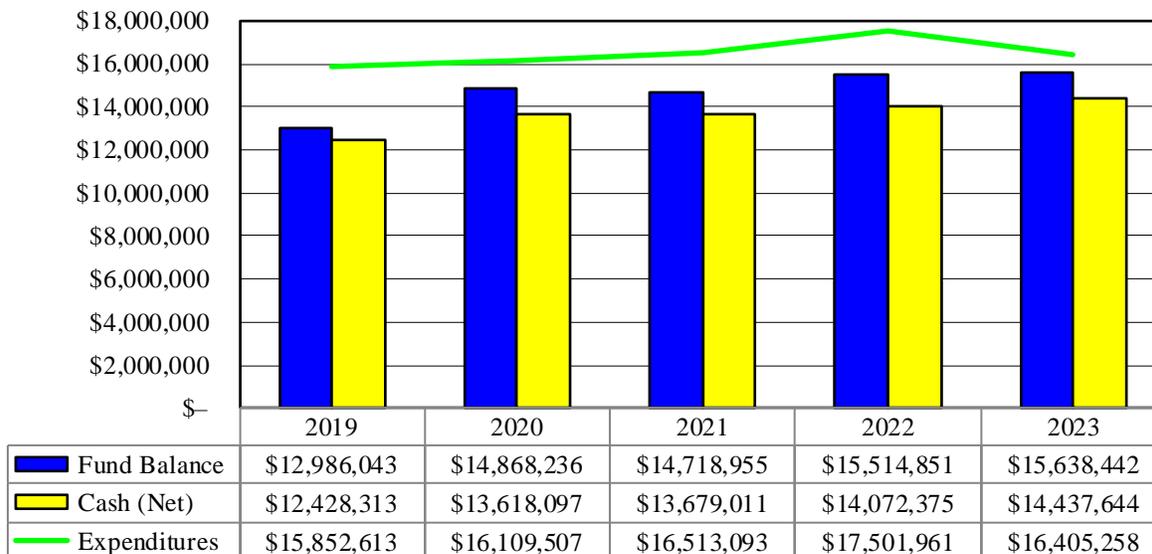
Doug Woog Arena Fund – This fund had an increase in fund balance of \$170,195 and has had to consistently borrow from other funds to fund cash flow needs. The interfund borrowing totals \$617,725 at December 31, 2023.

We recommend that the City continue to monitor the financial results in this fund. We also recommend that the City continue to update the long-range financial plan for this fund, including considering plans for financing the payback of the interfund borrowing in this fund.

GENERAL FUND

The City’s General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and parks and recreation. The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual expenditures to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position
Year Ended December 31,

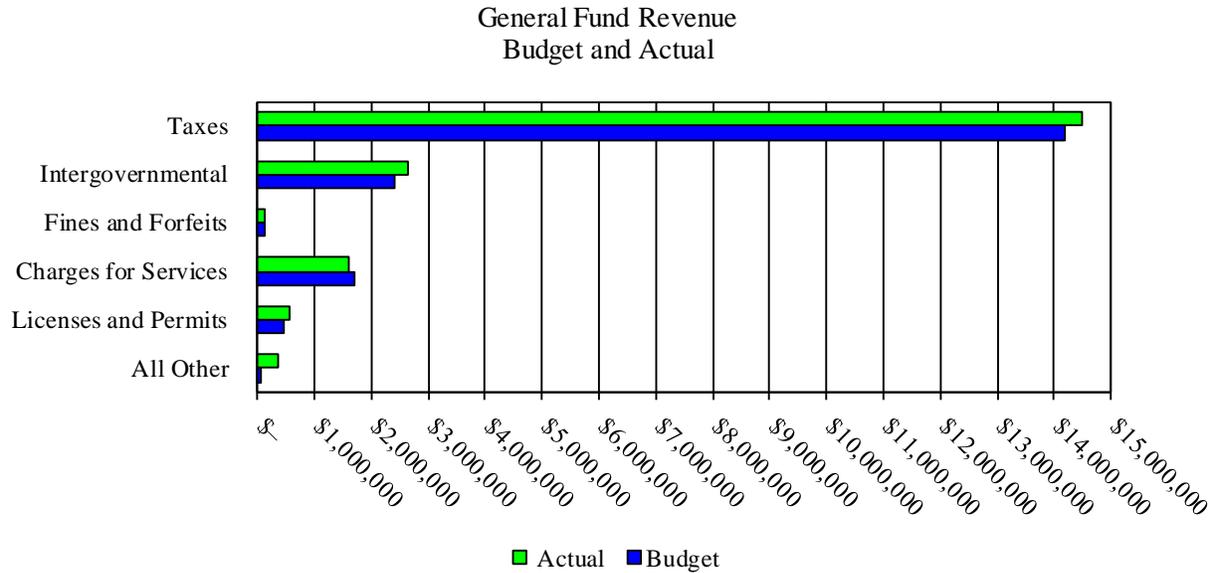


The City’s General Fund cash and investments balance (net of borrowing) at December 31, 2023 was \$14,437,644, an increase of \$365,269. Total fund balance at December 31, 2023 was \$15,638,442, which is an increase of \$123,591 from the prior year.

Having an appropriate fund balance is an important factor in assessing the City’s financial health because a government, like any organization, requires a certain amount of equity to operate. Generally, the amount of equity required typically increases as the size of the operation increases. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and can be a factor in determining the City’s bond rating and resulting interest costs.

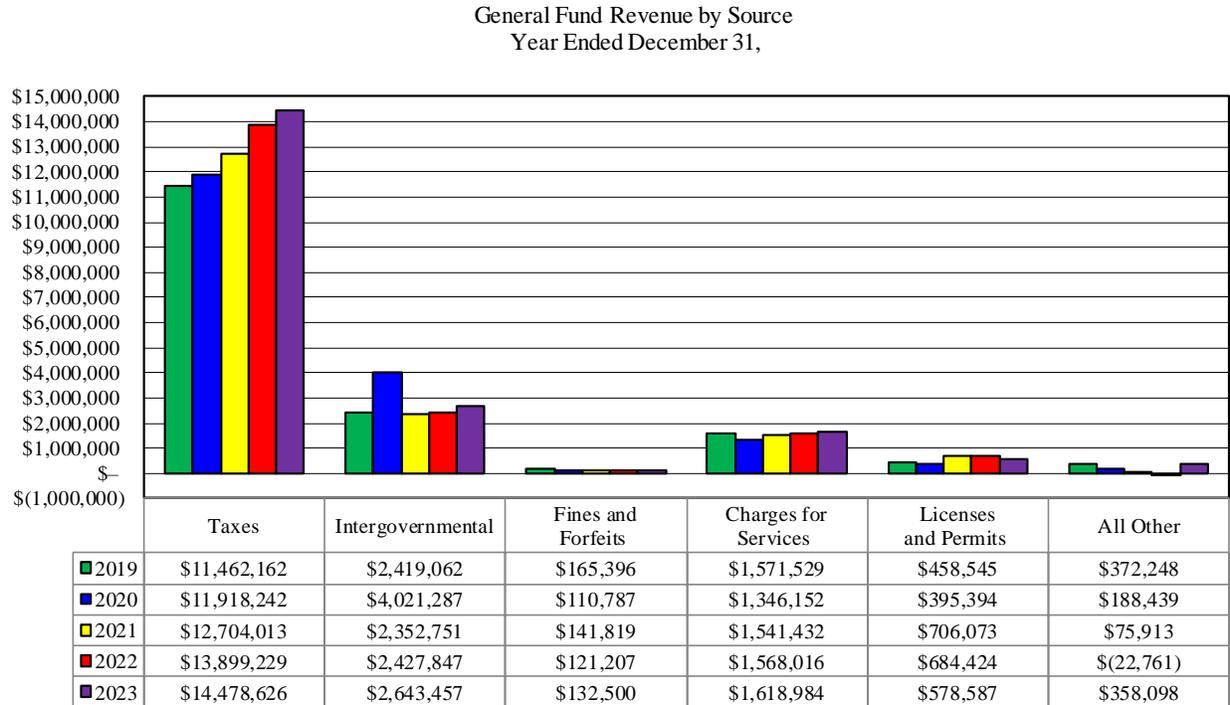
The City has an approved fund balance policy that states the General Fund will maintain a minimum unassigned fund balance of 35.0 to 50.0 percent of the subsequent year’s budgeted expenditures. At December 31, 2023, the City’s General Fund unassigned fund balance was 51.5 percent of the subsequent year’s budgeted expenditures.

The following graph reflects the City’s General Fund revenue sources for 2023 compared to budget:



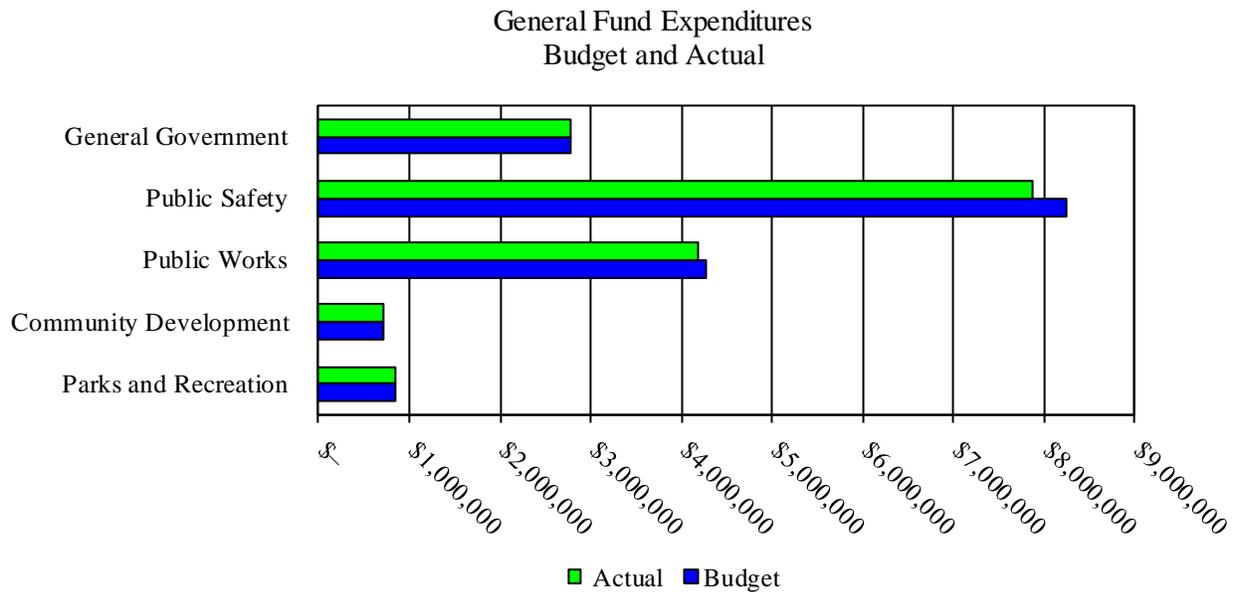
General Fund revenue for 2023 was \$19,810,252, which was \$892,404 (4.7 percent) more than budget. The largest variance was in all other, which includes investment earnings and was \$301,098 more than anticipated, due to improved interest rates and fair value changes. Taxes were \$287,458 over budget, primarily due to franchise tax collections being more than anticipated. Intergovernmental was over budget by \$248,569, mainly due to the City’s conservative budgeting for state and local grants.

The following graph presents the City’s General Fund revenues by source for the last five years:



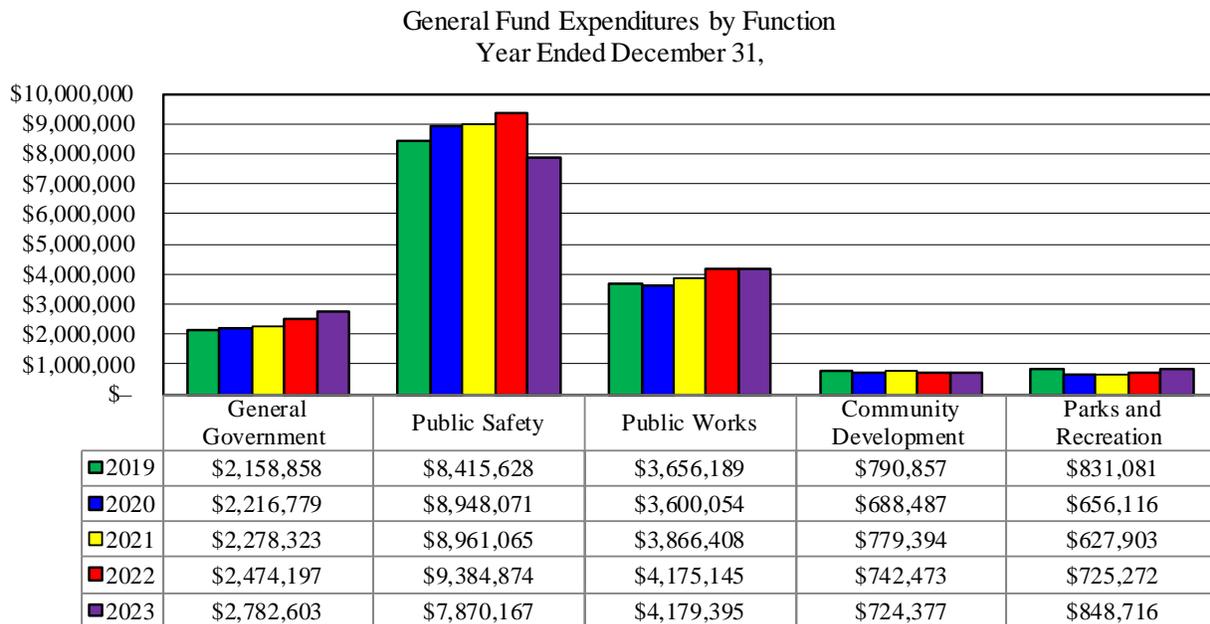
Total General Fund revenue for 2023 was \$1,132,290 (6.1 percent) higher than last year, mainly in taxes and all other. Tax revenues increased \$579,397, due to an increase in the levy as approved by the City Council. The increase noted in the “all other” category was due to the change in investment earnings, which were positively impacted by fair value adjustments on investments during the current year.

The following graph illustrates the components of General Fund spending for 2023 compared to budget, excluding the contingency category:



General Fund expenditures for 2023 were \$16,405,258, which was \$495,602 (2.9 percent) under budget. Public safety expenditures were \$385,092 under budget, mainly in police personnel costs due to vacant positions during the year.

The following graph presents the City’s General Fund expenditures by function for the last five years:



Total General Fund expenditures for 2023 were \$1,096,703 (6.3 percent) lower than the previous year, mainly due to the decrease in the public safety function. Public safety expenditures decreased \$1,514,707, due to the City recognizing public safety expenditures, which are funded by the coronavirus state and local fiscal recovery funds in the ARPA Special Revenue Fund in the current year that had previously been recognized in the General Fund.

ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City’s enterprise funds, which include the Water and Sewer Utility, Storm Water Utility, Street Light Utility, and Low Rent Housing Funds.

ENTERPRISE FUNDS FINANCIAL POSITION

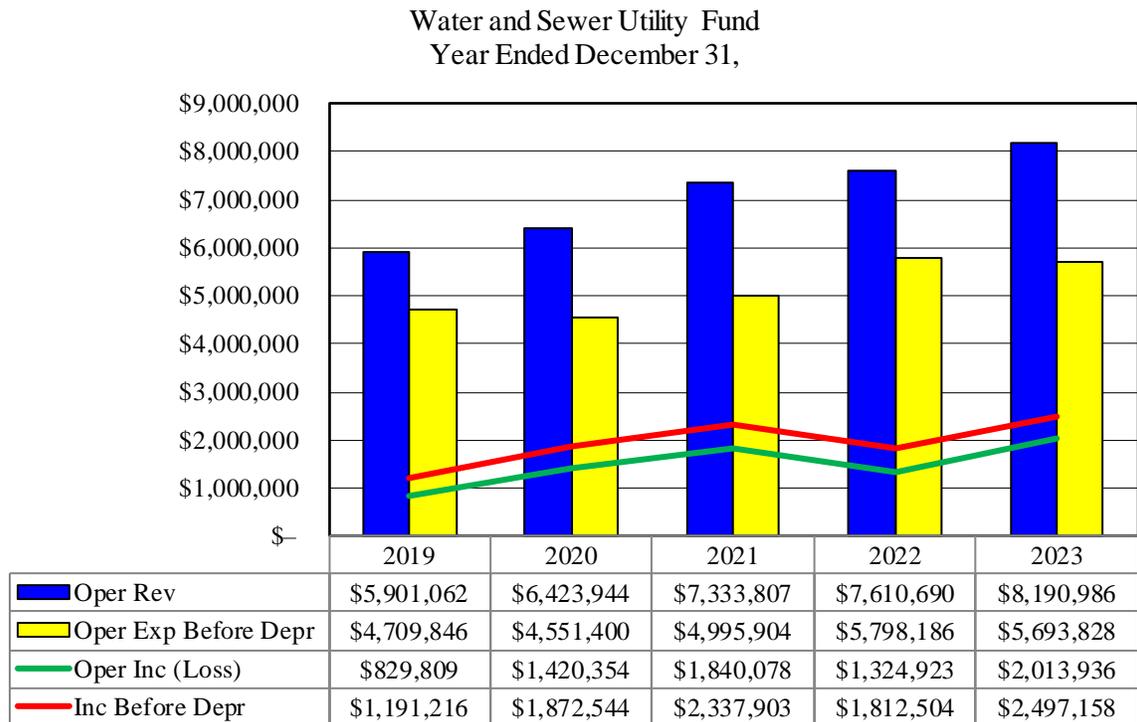
The following table summarizes the changes in the financial position of the City’s enterprise funds during the year ended December 31, 2023, presented both by classification and by fund:

| Enterprise Funds Change in Financial Position | | | |
|--|------------------------------------|----------------------|----------------------|
| | Net Position as of December 31, | | Change |
| | 2022 | 2023 | |
| Net position of enterprise funds | | | |
| Total by classification | | | |
| Net investment in capital assets | \$ 25,657,494 | \$ 34,261,751 | \$ 8,604,257 |
| Unrestricted | <u>13,372,164</u> | <u>15,336,900</u> | <u>1,964,736</u> |
| Total enterprise funds | <u>\$ 39,029,658</u> | <u>\$ 49,598,651</u> | <u>\$ 10,568,993</u> |
| Total by fund | | | |
| Water and Sewer Utility | \$ 23,192,678 | \$ 30,523,499 | \$ 7,330,821 |
| Storm Water Utility | 8,454,500 | 11,754,791 | 3,300,291 |
| Street Light Utility | 427,884 | 568,297 | 140,413 |
| Low Rent Housing | <u>6,954,596</u> | <u>6,752,064</u> | <u>(202,532)</u> |
| Total enterprise funds | <u>\$ 39,029,658</u> | <u>\$ 49,598,651</u> | <u>\$ 10,568,993</u> |

In total, the net position of the City’s enterprise funds increased \$10,568,993 during the year ended December 31, 2023. The increase in net position is primarily due to capital contributions recognized from governmental activities in the current year.

WATER AND SEWER UTILITY FUND

The following graph presents five years of comparative operating results for the City's Water and Sewer Utility Fund:



The Water and Sewer Utility Fund ended 2023 with a total net position of \$30,523,499, an increase of \$7,330,821 from the prior year. Of this, \$19,537,812 represents the net investment in utility distribution system capital assets, leaving \$10,985,687 of unrestricted net position.

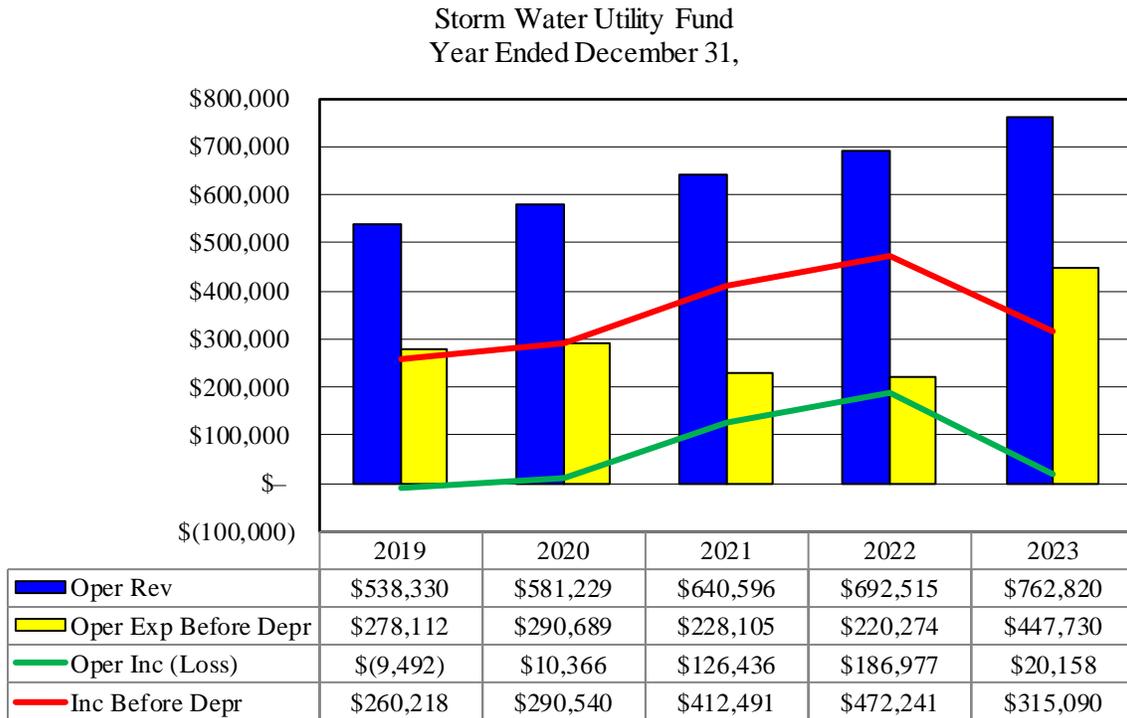
Operating revenue in the Water and Sewer Utility Fund was \$8,190,986, an increase of \$580,296 (7.6 percent) from the prior year, due to an approved rate increase in the current year.

Water and Sewer Utility Fund operating expenses before depreciation for 2023 were \$5,693,828, a decrease of \$104,358 (1.8 percent) from the previous year. The largest factor contributing to the change was due to a decrease in contractual services in the current year.

During the current year, this utility operation recognized significant capital contributions of \$5,686,738 from governmental activities.

STORM WATER UTILITY FUND

The following graph presents five years of comparative operating results for the City's Storm Water Utility Fund:



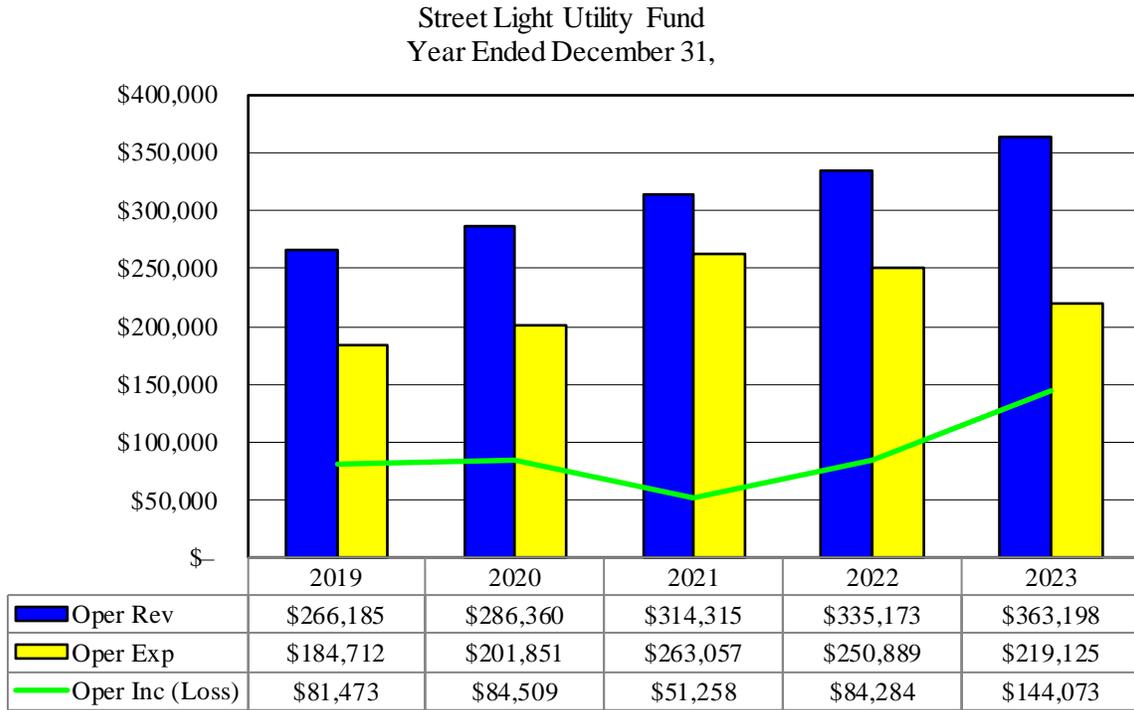
The Storm Water Utility Fund ended 2023 with a total net position of \$11,754,791, an increase of \$3,300,291 from the prior year. Of this, \$11,228,109 represents the City's net investment in its storm water collection system capital assets, leaving an unrestricted net position of \$526,682.

Operating revenue in the Storm Water Utility Fund was \$762,820, an increase of \$70,305 (10.2 percent) from the prior year, due to a rate increase. Storm Water Utility Fund operating expenses before depreciation for 2023 were \$447,730, an increase of \$227,456 (103.3 percent) due to increased materials, supplies, and contractual services.

During the current year, this utility operation recognized significant capital contributions of \$3,715,008 from governmental activities.

STREET LIGHT UTILITY FUND

The following graph presents five years of comparative operating results for the City’s Street Light Utility Fund:

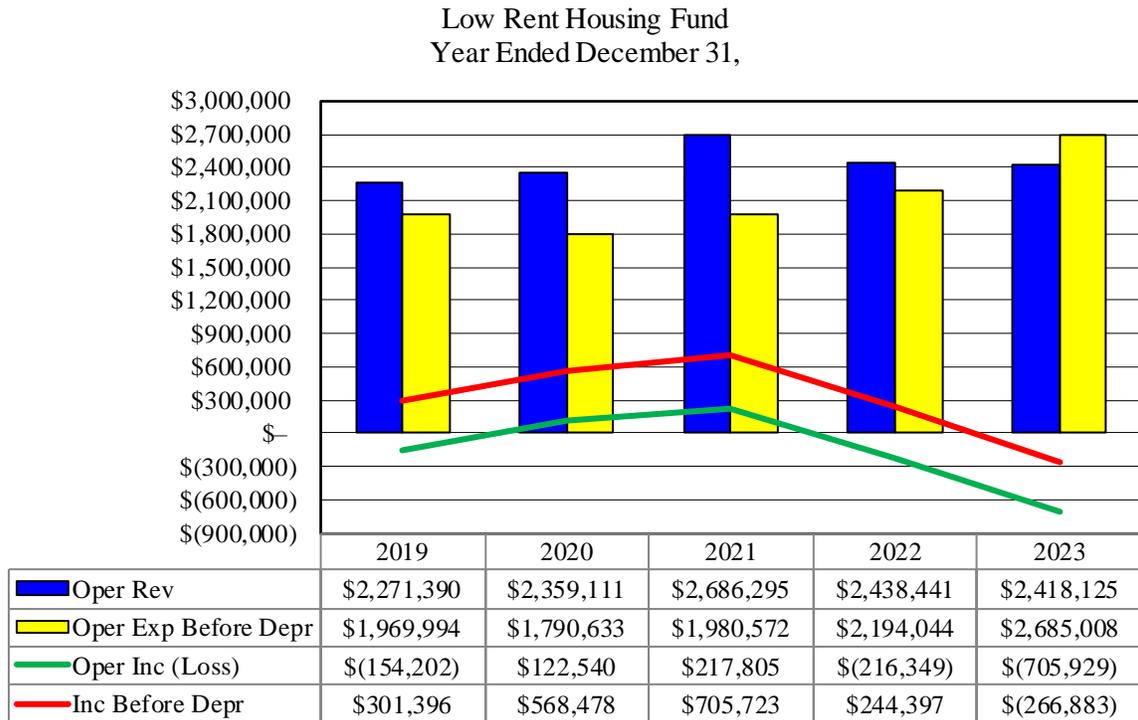


The Street Light Utility Fund ended 2023 with a total net position of \$568,297, an increase of \$140,413 from the prior year. This entire balance represents unrestricted net position.

Street Light Utility Fund operating revenue for fiscal 2023 was \$363,198, an increase of \$28,025 (8.4 percent) from the prior year, due to a rate increase. Operating expenses for 2023 were \$219,125, a decrease of \$31,764 (12.7 percent), mainly due to decreased materials and supplies.

LOW RENT HOUSING FUND

The following graph presents five years of comparative operating results for the City's Low Rent Housing Fund:



The Low Rent Housing Fund ended 2023 with a total net position of \$6,752,064, a decrease of \$202,532 from the prior year. Of this, \$3,495,830 represents the investment in low rent housing capital assets, leaving \$3,256,234 of unrestricted net position.

Operating revenue in the Low Rent Housing Fund was \$2,418,125, a decrease of \$20,316 (0.8 percent) from the prior year, mainly due to a decrease in operating grants received in the current year.

Low Rent Housing Fund operating expenses before depreciation for 2023 were \$2,685,008, an increase of \$490,964 (22.4 percent) from the previous year, mainly in increased materials, supplies, and contractual service costs, due to higher maintenance costs and planning for the future plumbing project.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what the City owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2022 and 2023, for governmental activities and business-type activities:

| | As of December 31, | | Change |
|----------------------------------|-----------------------|-----------------------|---------------------|
| | 2022 | 2023 | |
| Net position | | | |
| Governmental activities | | | |
| Net investment in capital assets | \$ 74,547,350 | \$ 72,179,718 | \$ (2,367,632) |
| Restricted | 17,080,411 | 20,343,566 | 3,263,155 |
| Unrestricted | 10,154,427 | 6,701,776 | (3,452,651) |
| Total governmental activities | <u>101,782,188</u> | <u>99,225,060</u> | <u>(2,557,128)</u> |
| Business-type activities | | | |
| Net investment in capital assets | 25,657,494 | 34,261,751 | 8,604,257 |
| Unrestricted | 12,876,331 | 14,968,654 | 2,092,323 |
| Total business-type activities | <u>38,533,825</u> | <u>49,230,405</u> | <u>10,696,580</u> |
| Total net position | <u>\$ 140,316,013</u> | <u>\$ 148,455,465</u> | <u>\$ 8,139,452</u> |

Net position for governmental activities decreased by \$2,557,128 in 2023, as presented above. The net investment in capital assets decreased \$2,367,632 this year, mainly due to the significant amount of construction activity in the current year offset by a transfer of assets to business-type activities. The remaining change in this category of net position typically depends on the relationship of the rate at which the City is adding capital assets, the rate capital assets are being depreciated, and how the City finances the purchase and construction of capital assets. The restricted portion of net position increased \$3,263,155, mainly due to the increase in restricted balances for tax increment financing, economic development, and other purposes. The decrease in unrestricted net position reflects the spend down of fund balance in the Capital Programs Capital Projects Fund.

The change in net position for business-type activities is consistent with our earlier discussion for enterprise fund operations, which are presented under the same full accrual basis of accounting.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in the net position of the City for the years ended December 31, 2022 and 2023:

| | Net Revenue (Expense) | |
|---------------------------------------|-----------------------|----------------|
| | 2022 | 2023 |
| Net (expense) revenue | | |
| Governmental activities | | |
| General government | \$ (1,183,846) | \$ (1,804,540) |
| Public safety | (9,025,506) | (9,024,774) |
| Public works | 1,404,896 | (9,855,225) |
| Community development | (304,238) | (969,934) |
| Parks, arena, and library | (1,873,256) | 164,105 |
| Economic development | (988,554) | (164,244) |
| Transportation | 3,100,153 | 1,034,715 |
| Interest on long-term debt | (688,507) | (707,790) |
| Business-type activities | | |
| Water and sewer utility | 1,173,465 | 2,231,789 |
| Storm water utility | 330,636 | 39,587 |
| Street light utility | 84,284 | 148,103 |
| Low rent housing | (220,591) | (228,411) |
| Total net (expense) revenue | (8,191,064) | (19,136,619) |
| General revenues | | |
| General property taxes | 16,000,779 | 16,838,976 |
| Tax increments | 2,202,210 | 2,468,456 |
| Franchise tax | 1,650,589 | 1,546,224 |
| Unrestricted grants and contributions | 2,811,341 | 5,038,648 |
| Investment income (charges) | (517,202) | 1,316,963 |
| Gain on sale of capital assets | 1,059,140 | 66,804 |
| Total general revenues | 23,206,857 | 27,276,071 |
| Change in net position | \$ 15,015,793 | \$ 8,139,452 |

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. It also shows if the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources. The change in public works is due to capitalized projects relating to the Concord Street improvement project in the prior year. Unrestricted grants and contributions increased with the recognition of Coronavirus State and Local Fiscal Recovery Funds in the current year.

ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years.

GASB STATEMENT NO. 100, *ACCOUNTING CHANGES AND ERROR CORRECTIONS – AN AMENDMENT OF GASB STATEMENT NO. 62*

The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The requirements of this statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 101, *COMPENSATED ABSENCES*

The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used, but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used, but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 102, *CERTAIN RISK DISCLOSURES*

The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

A government will be required to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, a government must assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information (as outlined in the standard) in the notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact.

The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2023

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CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

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CITY OF SOUTH ST. PAUL

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Federal ALN | Federal Expenditures | Passed Through to Subrecipients |
|--|-------------|----------------------|---------------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Direct program | | | |
| Congregate Housing Services Program | 14.170 | \$ 111,305 | |
| Direct program | | | |
| Public Housing Operating Fund | 14.850 | 981,493 | |
| Direct program | | | |
| Public Housing Capital Fund | 14.872 | 506,659 | |
| U.S. Department of Justice | | | |
| Direct program | | | |
| Bulletproof Vest Partnership Program | 16.607 | 5,025 | |
| U.S. Department of Transportation | | | |
| Passed through the Minnesota Department of Transportation | | | |
| Airport Improvement Program | 20.106 | \$ 221,373 | |
| COVID-19 Airport Improvement Program | 20.106 | <u>59,000</u> | |
| Total ALN 20.106 | | | 280,373 |
| Highway Planning and Construction | 20.205 | 6,985 | |
| Passed through the Minnesota Department of Public Safety | | | |
| Highway Safety Cluster | | | |
| State and Community Highway Safety | 20.600 | 66,519 | \$ 63,470 |
| National Priority Safety Programs | 20.616 | <u>37,752</u> | 37,447 |
| Total for highway safety cluster | | | 104,271 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 132,321 | 124,708 |
| U.S. Department of the Treasury | | | |
| Direct Program | | | |
| COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 2,192,202 | |
| U.S. Environmental Protection Agency | | | |
| Passed through the Minnesota Public Facilities Authority | | | |
| Capitalization Grants for Drinking Water State Revolving Fund | 66.468 | <u>1,323,281</u> | |
| Total federal awards | | <u>\$ 5,643,915</u> | |

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

Note 2: Unless noted in the table above, the pass-through entities use the same federal assistance listing numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The City did not elect to use the 10 percent de minimis indirect cost rate.

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Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
June 19, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited the City of South St. Paul, Minnesota's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2023.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance requirements referred to above.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to on the previous page and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during our audit.

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section on the previous page and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 19, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Minneapolis, Minnesota
June 19, 2024

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2024.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
June 19, 2024

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal controls over major federal award programs:

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

Type of auditor’s report issued on compliance for major programs?

U.S. Department of Housing and Urban Development –
 Public Housing Operating Fund Unmodified
 U.S. Department of the Treasury –
 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds Unmodified
 U.S. Environmental Protection Agency –
 Capitalization Grants for Drinking Water State Revolving Fund Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)? Yes X No

Programs tested as major programs:

| Program or Cluster | Federal ALN |
|---|-------------|
| U.S. Department of Housing and Urban Development – Public Housing Operating Fund | 14.850 |
| U.S. Department of the Treasury – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| U.S. Environmental Protection Agency – Capitalization Grants for Drinking Water State Revolving Fund | 66.468 |

Threshold for distinguishing type A and B programs: \$ 750,000

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

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2023

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

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Corrective Action Plans and
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

A. FINANCIAL STATEMENT FINDINGS

None.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-001 Internal Control and Compliance With Special Tests and Provisions Requirements

Corrective action has been taken.