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# **Annual Comprehensive Financial Report**

**For the Year Ended December 31, 2021**

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**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, 2021**

**PREPARED BY:  
FINANCE DEPARTMENT**



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

	<u>Reference</u>	<u>Page No.</u>
<b>I. INTRODUCTORY SECTION</b>		
Letter of Transmittal		3
Certificate of Achievement for Excellence in Financial Reporting		7
Elected and Appointed Officials		8
Organization Chart		9
<b>II. FINANCIAL SECTION</b>		
Independent Auditors' Report		13
Management's Discussion and Analysis		17
<b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Position	Statement 1	31
Statement of Activities	Statement 2	32
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Statement 4	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Statement 5	39
Statement of Net Position - Proprietary Funds	Statement 6	40
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	Statement 7	42
Statement of Cash Flows - Proprietary Funds	Statement 8	44
Statement of Net Position - Fiduciary Fund	Statement 9	46
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	Statement 10	47
Notes to Financial Statements		49
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule - General Fund	Statement 11	90
Budgetary Comparison Schedule - Doug Woog Arena	Statement 12	95
Budgetary Comparison Schedule - Airport	Statement 13	96
Schedule of Changes in Total OPEB Liability and Related Ratios		97
Schedule of Contributions for Public Employees Retirement Association		99
Schedule of City's and Non-Employer Proportionate Share of Net Pension Liability - Public Employees General Employees Retirement Fund		100
Schedule of City's and Non-Employer Proportionate Share of Net Pension Liability - Public Employees Police and Fire Fund		102
Notes to Required Supplementary Information		104

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

	<u>Reference</u>	<u>Page No.</u>
<b>Supplementary Information:</b>		
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 14	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	Statement 15	117
Subcombining Balance Sheet - Nonmajor Special Revenue Funds	Statement 16	120
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	Statement 17	122
Subcombining Balance Sheet - Nonmajor Debt Service Funds	Statement 18	127
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	Statement 19	128
Subcombining Balance Sheet - Nonmajor Capital Project Funds	Statement 20	132
Subcombining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	Statement 21	133
Special Revenue Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:		
Library	Statement 22	136
Central Square	Statement 23	137
Combining Statement of Net Position - Internal Service Funds	Statement 24	140
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	Statement 25	141
Combining Statement of Cash Flows - Internal Service Funds	Statement 26	142

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

**III. STATISTICAL SECTION (UNAUDITED)**

	<u>Reference</u>	<u>Page No.</u>
<b>Financial Trends:</b>		
Net Position by Component	Table 1	144
Changes in Net Position	Table 2	146
Fund Balances, Governmental Funds	Table 3	150
Changes in Fund Balances, Governmental Funds	Table 4	152
<b>Revenue Capacity:</b>		
Tax Capacity Value and Estimated Market Value of Taxable Property	Table 5	156
Direct and Overlapping Property Tax Capacity Rates	Table 6	158
Principal Property Taxpayers	Table 7	160
Property Tax Levies and Collections	Table 8	161
<b>Debt Capacity:</b>		
Ratios of Outstanding Debt by Type	Table 9	162
Ratios of General Bonded Debt Outstanding	Table 10	164
Direct and Overlapping Governmental Activities Debt	Table 11	167
Legal Debt Margin Information	Table 12	168
Pledged-Revenue Coverage	Table 13	170
<b>Demographic and Economic Information:</b>		
Demographic and Economic Statistics	Table 14	172
Principal Employers	Table 15	173
<b>Operating Information:</b>		
Full-time Equivalent City Employees by Function/Program	Table 16	174
Operating Indicators by Function/Program	Table 17	176
Capital Asset Statistics by Function/Program	Table 18	178

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## **I. INTRODUCTORY SECTION**

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June 23, 2022

**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, 2021 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], three 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 343 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 to recognize this situation.

### **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 certain Special Revenue Funds after a more than six-month process of Council review of departmental estimates and requests and a number of public meetings culminating in final budget approval in December. Actual to budget comparative statements for selected budgeted funds are presented in the appropriate financial section.

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.

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 7% per year between 2015 and 2022. 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 5,734 residential homesteaded properties for the 2021 assessment (for taxes payable 2022) year. The preliminary 2022 average value of these properties is \$280,160, which is a 17.05% increase over 2021. 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 the Minnesota State legislations and distributed to the City. In 2013, the State legislature and Governor enacted a new 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 began in 2021. The remaining portion of the project will be completed in 2022.
- The 4th Street Improvements and the Seidl's Lake Lift Station were principally complete in 2021.

### **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 that staff develop long-term financial management plans on an annual basis for the Airport and Doug Woog Arena funds 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 the year ended 2021 with an unassigned fund balance equal to 56.1% 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, 2021 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.

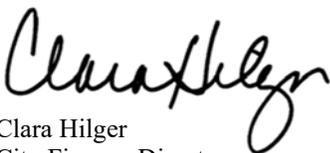
### **Awards and Acknowledgments**

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, 2020. 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 23 consecutive years. We believe this 2021 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, 2020

*Christopher P. Morrill*

Executive Director/CEO

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

**ELECTED AND APPOINTED OFFICIALS**

December 31, 2021

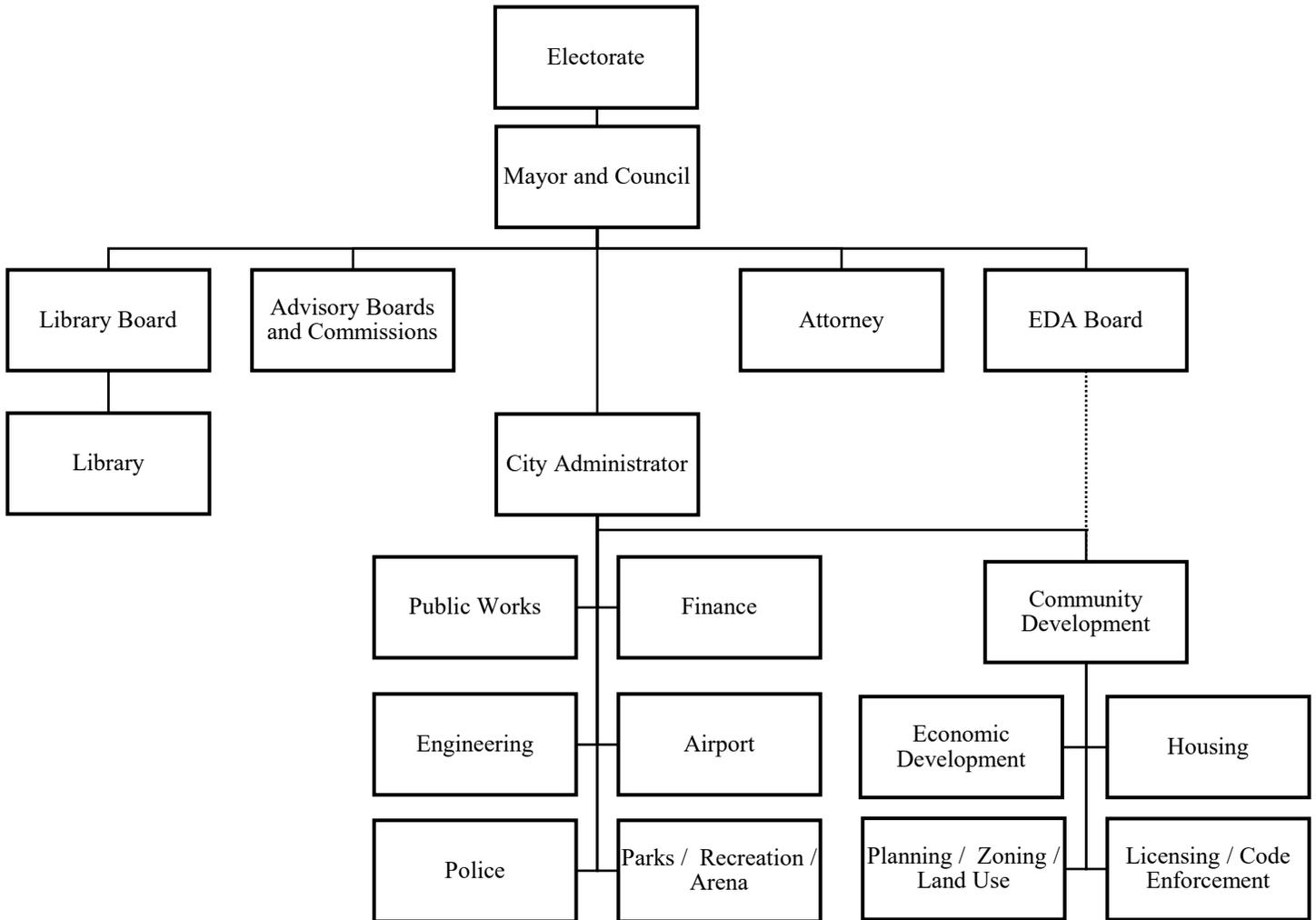
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		<u>Term Expires</u>
Mayor	James Francis	January 1, 2025
Councilmembers	Sharon Dewey	January 1, 2023
	Joseph Kaliszewski	January 1, 2023
	Thomas Seaberg	January 1, 2023
	Pamela Bakken	January 1, 2025
	Lori Hansen	January 1, 2025
	Todd Podgorski	January 1, 2025
City Administrator	Joel Hanson	Appointed
Finance Director	Clara Hilger	Appointed
City Engineer	Sue Polka	Appointed
Police Chief	William Messerich	Appointed
Licensing / Code Enforcement Manager	Christy Wilcox	Appointed
Library Director	Kathy Halgren	Appointed
Parks & Recreation Director	Shannon Young	Appointed
Public Works Director	Patrick Dunn	Appointed
Airport Manager	Andrew Wall	Appointed
Director of Economic & Community Development	Ryan Garcia	Appointed
Planning / Zoning / Land Use Manager	Michael Healy	Appointed

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

**ORGANIZATION CHART**

December 31, 2021



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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

**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, 2021, 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, 2021, 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 within 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 combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for 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 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 23, 2022, 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 23, 2022

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**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2021

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, 2021. 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 \$126,541,119 (net position). Of this amount, \$25,325,256 (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 \$14,663,678 from the prior year.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balances of \$36,347,482. The fund balance classifications by fund type are as follows:

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 61,169	\$ 73,341	\$ -	\$ -	\$ 134,510
Restricted	-	5,518,112	3,251,370	5,078,119	13,847,601
Committed	4,590,970	39,984	-	-	4,630,954
Assigned	-	82,817	-	10,371,800	10,454,617
Unassigned	10,066,816	(946,812)	-	(1,840,204)	7,279,800
	<u>\$ 14,718,955</u>	<u>\$ 4,767,442</u>	<u>\$ 3,251,370</u>	<u>\$ 13,609,715</u>	<u>\$ 36,347,482</u>

- The City's bonded debt decreased by \$2,021,000 during the current fiscal year, from \$25,929,000 to \$23,908,000. This was due to the scheduled payments on the 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 flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, 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 seven 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, ARPA special revenue 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 90 through 96 of this report. The schedule of changes in total OPEB liability and related ratios can be found on page 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 99 through 103 of this report. The notes to the required supplementary information can be found on pages 104 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 142 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 \$126,541,119 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$86,695,415 or 68.5%) 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, 2021

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 50,523,186	\$ 40,305,329	\$ 12,687,588	\$ 9,498,354	\$ 63,210,774	\$ 49,803,683
Capital assets	79,198,609	74,134,941	30,596,425	31,230,184	109,795,034	105,365,125
Total Assets	<u>129,721,795</u>	<u>114,440,270</u>	<u>43,284,013</u>	<u>40,728,538</u>	<u>173,005,808</u>	<u>155,168,808</u>
Deferred outflows of resources	7,270,938	3,394,634	-	-	7,270,938	3,394,634
Current liabilities	8,194,878	2,055,913	597,379	410,582	8,792,257	2,466,495
Non-current liabilities	31,571,919	36,097,828	5,059,491	5,506,858	36,631,410	41,604,686
Total Liabilities	<u>39,766,797</u>	<u>38,153,741</u>	<u>5,656,870</u>	<u>5,917,440</u>	<u>45,423,667</u>	<u>44,071,181</u>
Deferred inflows of resources	8,311,960	2,614,820	-	-	8,311,960	2,614,820
Net position						
Net investment in capital assets	63,616,350	57,231,399	25,706,792	25,893,184	86,695,415	80,404,602
Restricted	14,520,448	13,016,751	-	-	14,520,448	13,016,751
Unrestricted	10,777,178	6,818,193	11,920,351	8,917,914	25,325,256	18,456,088
Total Net Position	<u>\$ 88,913,976</u>	<u>\$ 77,066,343</u>	<u>\$ 37,627,143</u>	<u>\$ 34,811,098</u>	<u>\$ 126,541,119</u>	<u>\$ 111,877,441</u>

As of the close of the current year, there is \$2,457,869 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, 2021, \$4,274,251 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements and \$4,321,760 was restricted for tax increment financing. In addition, \$5,924,437 was restricted for specific purposes including economic development, housing, park improvements, library funding, and community relations. The remaining balance of unrestricted net position of \$25,325,256 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 increased in the government activities due to funding for 2021 capital projects received in 2021 resulting in an increase in cash. Capital assets increased in the governmental activities due to a major road construction project in 2021. Changes in actuarial assumptions for the City's defined benefit pension plans caused an increase in deferred outflows of resources and deferred inflows of resources. Current liabilities in the governmental activities increased due to the receipt of funding for 2021 capital projects that are not complete and federal ARPA funds not spent as of the year-end. Non-current liabilities decreased due to the scheduled payments on bonds in 2021.

In the business type activities, current assets increased due an increase in cash, receivables, prepaid items, and payables. Current liabilities increased due to payables for a significant project at the end of 2021. Non-current liabilities decreased due to scheduled payments on notes in 2021.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

**Governmental Activities**

Governmental activities increased the City's net position by \$11,847,633. 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	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 5,539,702	\$ 4,581,762	\$ 9,610,163	\$ 8,539,140	\$ 15,149,865	\$ 13,120,902
Operating grants and contributions	1,608,120	3,635,109	1,618,584	1,234,622	3,226,704	4,869,731
Capital grants and contributions	16,843,938	3,770,281	687,225	338,047	17,531,163	4,108,328
General revenues						
Property taxes	14,866,306	14,102,051	-	-	14,866,306	14,102,051
Tax increments	2,192,026	1,821,727	-	-	2,192,026	1,821,727
Franchise taxes	1,343,648	1,203,096	-	-	1,343,648	1,203,096
Unrestricted grants and contributions	2,786,142	4,333,360	-	-	2,786,142	4,333,360
Investment income	(60,582)	243,202	(14,207)	67,161	(74,789)	310,363
Gain on sale of capital assets	-	54,160	-	-	-	54,160
Total revenues	<u>45,119,300</u>	<u>33,744,748</u>	<u>11,901,765</u>	<u>10,178,970</u>	<u>57,021,065</u>	<u>43,923,718</u>
<b>Expenses</b>						
General government	2,384,930	2,370,010	-	-	2,384,930	2,370,010
Public safety	8,590,972	9,571,299	-	-	8,590,972	9,571,299
Public works	14,568,931	5,621,071	-	-	14,568,931	5,621,071
Community development	1,040,348	998,062	-	-	1,040,348	998,062
Parks, arena, library	2,857,254	2,913,835	-	-	2,857,254	2,913,835
Economic development	1,709,430	1,108,061	-	-	1,709,430	1,108,061
Transportation	1,778,244	1,454,492	-	-	1,778,244	1,454,492
Interest on long-term debt	702,669	770,470	-	-	702,669	770,470
Water and sewer utility	-	-	5,440,651	5,074,118	5,440,651	5,074,118
Storm water utility	-	-	537,408	595,812	537,408	595,812
Street light utility	-	-	263,057	201,851	263,057	201,851
Low rent housing	-	-	2,483,493	2,259,945	2,483,493	2,259,945
Total expenses	<u>33,632,778</u>	<u>24,807,300</u>	<u>8,724,609</u>	<u>8,131,726</u>	<u>42,357,387</u>	<u>32,939,026</u>
Increase (decrease) in net position before transfers	11,486,522	8,937,448	3,177,156	2,047,244	14,663,678	10,984,692
Transfers	361,111	261,038	(361,111)	(261,038)	-	-
Change in net position	11,847,633	9,198,486	2,816,045	1,786,206	14,663,678	10,984,692
Net position - January 1	77,066,343	67,867,857	34,811,098	33,024,892	111,877,441	100,892,749
Net position - December 31	<u>\$ 88,913,976</u>	<u>\$ 77,066,343</u>	<u>\$ 37,627,143</u>	<u>\$ 34,811,098</u>	<u>\$ 126,541,119</u>	<u>\$ 111,877,441</u>

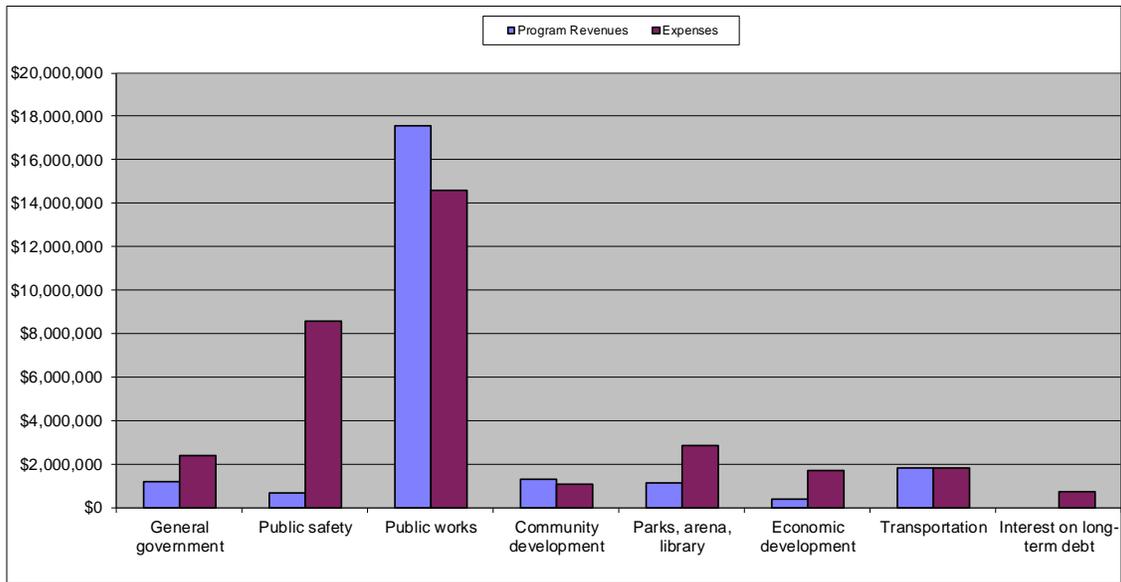
In the governmental activities, charges for services increased because City facilities and activities – Central Square community center, outdoor pools, recreation programs and Doug Woog Arena – were restricted in 2020. Operating grants and contributions decreased due to road maintenance funds received from Dakota County in 2020. Capital grants and contributions increased due to Municipal State Aid and State turnback funds received for road projects in 2021. Property taxes increased based on the Council approved increase in the City's tax levy of 4.37%, unrestricted grants and contributions decreased due to Coronavirus Aid, Relief, and Economic Security (CARES) Act funds received in 2020 and investment income decreased due to a reduction in interest rates and fair values on investments.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
 December 31, 2021

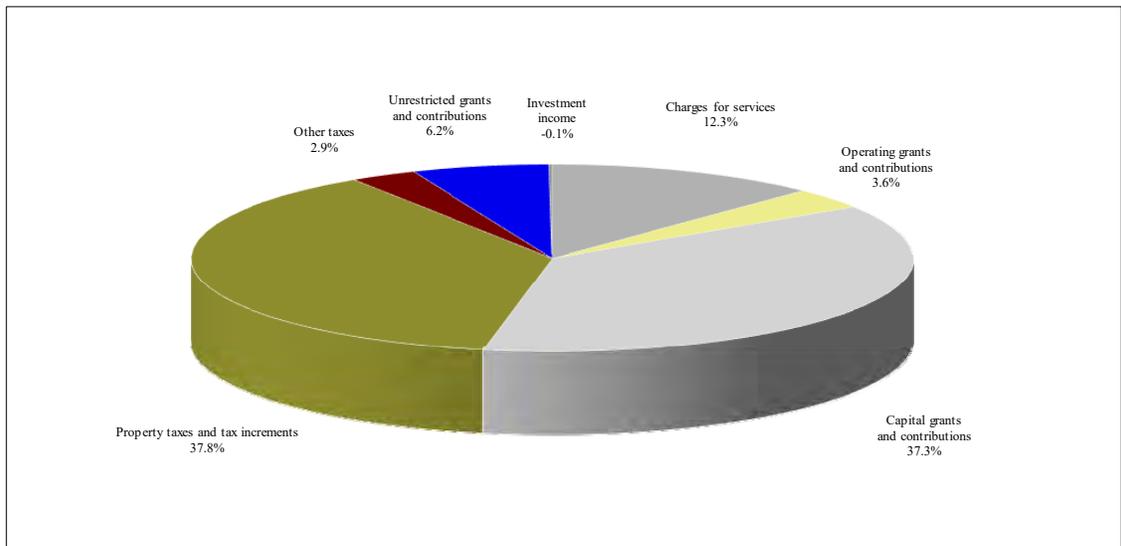
Public safety expenses decreased due to a \$619,579 loss on the disposal of a fire truck in 2020. Expenses in public works increased as a result of project costs for Dakota County’s share of the Concord Street reconstruction project. Economic development expenses increased due to the purchase of land for redevelopment in 2021. Transportation increased due to an increase in activity at the Airport.

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

**Expenses and Program Revenues – Governmental Activities**



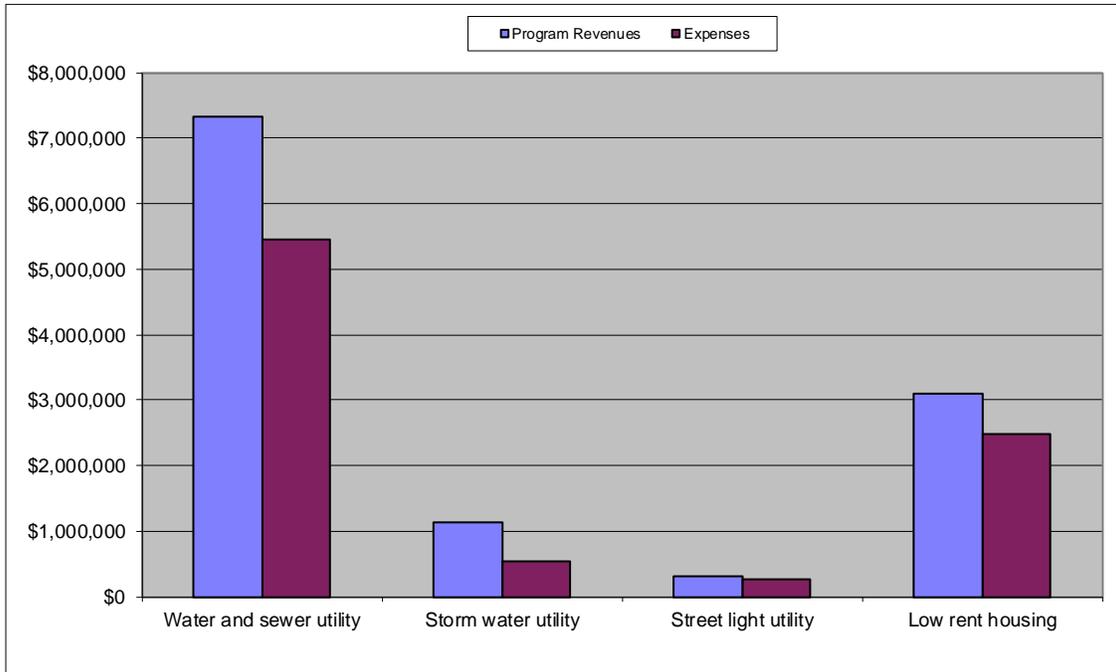
**Governmental Activities – Revenues**



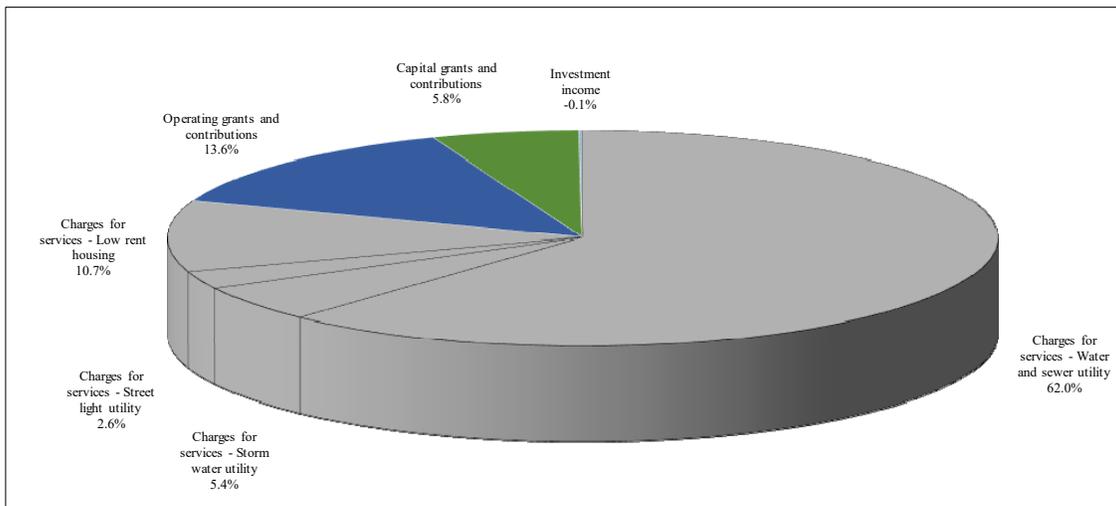
**Business-Type Activities**

Business-type activities increased net position by \$2,816,045. 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**



**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

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Charges for services in the business-type activities increased due to increases in the rates charged for services in 2021. Operating grants and contributions increased due to federal grants received in the Storm Water Utility and the Low Rent Housing functions. Capital grants and contributions increased due to subsidies received for two projects in the Low Rent Housing function in 2021. Investment income decreased due to a reduction in interest rates and fair values on investments. Expenses in Water and Sewer Utility increased due to additional maintenance, an increase in utility costs, and an increase in professional services. Expenses in Low Rent Housing increased due to higher maintenance costs in 2021.

**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 \$36,347,482. Approximately 0.4% or \$134,510 is nonspendable because of form or availability: 1) \$80,827 in inventory, and 2) \$53,683 in prepaid items. In addition, \$13,847,601 or 38.1% is restricted in use by outside influences: 1) \$3,251,370 to provide for debt service, 2) \$2,472,248 for economic development, 3) \$5,078,119 for tax increment financing, 4) \$2,620,271 for housing, 5) \$202,408 for park improvements, 6) \$128,473 for library funding, 7) \$21,686 for community relations, 8) \$54,395 for forfeitures, 9) \$7,519 for memorial funding, and 10) \$11,112 for lawful purposes. An additional \$4,630,954 or 12.7% has been committed by City Council action: 1) \$4,590,970 for working capital, and 2) \$39,984 for Central Square. Another \$10,454,617 or 28.8% has been assigned to specific purposes: 1) \$10,223,786 for working capital in the capital projects funds, 2) \$148,014 for equipment acquisition, and 3) \$82,817 for other purposes. The remaining fund balance of \$7,279,800 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 decreased to \$14,718,955, of which 68.4% (\$10,066,816) 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 61.0% of expenditures for 2021.

The General fund revenue decreased \$458,300 in 2021. This was a net result of an increase in property tax revenue which was anticipated in the 2021 budget and a reduction for the CARES Act funds received from the State of Minnesota in 2020.

The General fund expenditures increased \$403,586 from 2020 to 2021. This was due to the purchase of a trackless sidewalk plow and union contract increases.

The ARPA fund ended the year with a fund balance of \$2,444. This was a new fund in 2021. The fund balance consisted of the interest earned on ARPA funds that had not been spent in 2021.

The Doug Woog Arena fund had an ending fund balance deficit of \$837,702. The net increase in fund balance was \$151,733. This was due to an increase in the ice rentals in 2021. There were increases in revenues and expenditures from 2020, due to restrictions on the use of the facility in 2020. The Arena has an outstanding cash balance deficit of \$802,214 at the close of the year which requires a cash advance from the General fund.

The Airport fund had an ending fund balance deficit of \$36,352. The net decrease in fund balance was \$59,229. The Airports decrease in fund balance is primarily due to the transfer to the Airport Capital fund for the City's share of the runway design costs. The Airport has an outstanding cash balance deficit of \$95,220 at the close of the year which requires a cash advance from the General fund.

The Capital Programs fund had a total fund balance of \$10,199,952 at the end of 2021. This was an increase of \$1,789,601 from 2020. The increase in fund balance is primarily due to a transfer from the General Fund of the fund balance in excess of our fund balance policy and fewer scheduled projects in this fund in 2021.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2021

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The Local Improvements fund had a total fund balance deficit of \$1,509,673. This was a reduction of the deficit by \$707,872 compared to 2020. This increase is the result of the funds received for the Concord Street improvement project for costs that were reported in 2020.

The Tax Increment fund had a total fund balance of \$5,078,119 at the end of 2021. This was an increase of \$669,869 from 2020. The increase was a result of an increase in the tax increment revenue received for the district in 2021.

**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 \$1,477,112 in 2021 and was \$22,221,626 at year-end. This was a result of an increase in the water and sanitary sewer services used in 2021 and an increase in the rates charged.

Net position increased \$535,898 in the Storm Water Utility fund and was \$8,199,122 at year-end. This was a result of an increase in the rates charged in 2021.

Net position increased by \$30,474 in the Street Light Utility fund and was \$368,536 at year-end. This was a result of an increase in the rates charged in 2021.

Net position in the Low Rent Housing fund increased by \$605,745 during 2021. This can be attributed to the accumulation of funds to provide financing for non-HUD funded projects and unexpected maintenance costs that may arise in the future.

The unrestricted net position in the respective proprietary funds are Water and Sewer Utility, \$7,915,489, Storm Water Utility, \$525,683, Street Light Utility \$368,536, and Low Rent Housing \$3,441,435.

### **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 \$16,869,312 were revised to the final budgeted revenues of \$16,854,446, a decrease of \$14,866. This was due to a transfer of property taxes to the Library for increases in personnel costs. Total original budgeted expenditures of \$17,059,312 were revised to the final budgeted expenditures of \$17,044,446, a decrease of \$14,866. The reduction was in the contingency which was transferred to the Library for increases in personnel costs.

Actual revenues exceeded the final budget by \$667,555. One major contributor to this was in the excess tax increment which is the tax rate variance received by the City which exceeded the budget by \$320,821. In addition, franchise tax, licenses and permits, and delinquent property taxes all exceeded the budget estimates in 2021.

Actual expenditures were under the final budget by \$531,353. This was the result of lower than anticipated personnel costs in parks and recreation, finance, police protection and public works; lower maintenance costs for recreation facilities that were closed, and lower materials costs for street maintenance activities.

### **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, 2021 was \$109,795,034 (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, 2021

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 \$9,221,312 for the Concord Street Improvements Project and \$1,405,132 for the 4th Street Improvements Project.
- The projects completed in 2021 included the ADA compliant play structure at Kaposia Landing for \$288,028.
- The City invested \$166,845 to replace a variety of City vehicles and equipment and \$201,453 for additions to the City's fleet.

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land and perpetual easements	\$ 11,271,085	\$ 11,159,358	\$ 594,775	\$ 594,775	\$ 11,865,860	\$ 11,754,133
Temporary easements	46,176	62,085	-	-	46,176	62,085
Building and land improvements	28,287,352	29,112,621	10,537,212	10,797,738	38,824,564	39,910,359
Machinery and equipment	6,534,643	7,023,897	1,853,000	2,015,957	8,387,643	9,039,854
Infrastructure	21,918,147	23,395,405	17,273,195	17,821,714	39,191,342	41,217,119
Construction in progress	11,141,206	3,381,575	338,243	-	11,479,449	3,381,575
	<u>\$ 79,198,609</u>	<u>\$ 74,134,941</u>	<u>\$ 30,596,425</u>	<u>\$ 31,230,184</u>	<u>\$ 109,795,034</u>	<u>\$ 105,365,125</u>

**Long-term debt.** At the end of the current fiscal year, the City had a total outstanding bonded debt of \$23,908,000, a decrease of \$2,021,000 from 2020. This total is comprised of general obligation debt of \$21,960,000 and revenue supported bonds in the amount of \$1,948,000.

Additional long-term debt amounts correspond to compensated absences in the amount of \$462,067, total other post-employment benefit liability of \$4,281,248 and net pension liability of \$5,059,875 in government activities and notes payable in the amount of \$2,016,593 in business-type activities.

**CITY OF SOUTH ST PAUL, MINNESOTA'S OUTSTANDING DEBT**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General purpose bonds	\$ 20,120,000	\$ 21,645,000	\$ 1,840,000	\$ 2,020,000	\$ 21,960,000	\$ 23,665,000
Revenue bonds	-	-	1,178,000	1,314,000	1,178,000	1,314,000
Taxable TIF bonds	770,000	950,000	-	-	770,000	950,000
Issuance premium	878,729	943,242	24,898	27,978	903,627	971,220
Notes payable	-	-	2,016,593	2,144,880	2,016,593	2,144,880
Total other post-employment benefit liability	4,281,248	4,394,757	-	-	4,281,248	4,394,757
Net pension liability	5,059,875	7,739,055	-	-	5,059,875	7,739,055
Compensated absences	462,067	425,774	-	-	462,067	425,774
	<u>\$ 31,571,919</u>	<u>\$ 36,097,828</u>	<u>\$ 5,059,491</u>	<u>\$ 5,506,858</u>	<u>\$ 36,631,410</u>	<u>\$ 41,604,686</u>

The City of South St. Paul maintained an Aa2 rating from Moody's Investors Services as of year ended December 31, 2021.

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 \$56,274,219, 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 2.3% at the end of the fiscal year, which is higher than a year ago. This compares to the State's average unemployment rate of 2.8% and the national average of 3.8%.
- Property value increased by 4.1% in 2021 which was higher than the prior year increase, preliminary 2022 property values show a 7.4% increase.
- Commercial/industrial permit activity increased in 2021 due to construction starting on a new apartment complex on Concord Exchange.
- Building and development in the City of South St. Paul reached historic highs in 2021, with total permit valuation reaching more than \$35 million for the first time and more than 2,500 permits processed for new construction and remodeling activities in the City. Major developments included the construction of a new 7,500 square foot branch bank building on Concord Street at 6th Street South, construction of 152 units of luxury market-rate apartment units on Concord Exchange and Grand Avenue, and construction of a new 20,000 square foot office/warehouse facility in the Bridgepoint business park. These redevelopment projects continued the trend of transforming vacant, blighted, or otherwise underutilized sites for positive social and economic outcomes.
- The City's 2022 budget had a 7.95% (\$1,076,299) increase in the property tax levy for tax supported operations in the General fund, Library fund and Doug Woog Arena fund.
- The City continues to be affected by the Novel Coronavirus (COVID-19) pandemic which has caused significant volatility in economic conditions. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or regulatory actions.

**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](mailto: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, 2021

**Statement 1**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 37,740,857	\$ 9,686,060	\$ 47,426,917
Accrued interest	31,300	-	31,300
Accounts receivable - net	601,383	1,901,811	2,503,194
Loans receivable	1,663,583	-	1,663,583
Property taxes receivable	1,683,082	-	1,683,082
Special assessments receivable	2,025,299	481,516	2,506,815
Internal balance	330,792	(330,792)	-
Due from other governmental units	3,325,483	599,188	3,924,671
Inventories - at cost	80,827	-	80,827
Prepaid items	58,524	349,805	408,329
Inventory - land held for resale	2,982,056	-	2,982,056
Capital assets (net of accumulated depreciation)			
Nondepreciable	22,412,291	933,018	23,345,309
Depreciable	56,786,318	29,663,407	86,449,725
Total assets	<u>129,721,795</u>	<u>43,284,013</u>	<u>173,005,808</u>
<b>Deferred outflows of resources</b>			
Pension plan deferments - PERA	5,897,022	-	5,897,022
OPEB plan deferments	1,373,916	-	1,373,916
Total deferred outflows of resources	<u>7,270,938</u>	<u>-</u>	<u>7,270,938</u>
<b>Liabilities</b>			
Accounts and contracts payable	1,459,162	341,706	1,800,868
Salaries payable	644,046	23,040	667,086
Deposits payable	242,148	94,457	336,605
Due to other governmental units	17,083	103,419	120,502
Accrued interest payable	264,931	34,757	299,688
Unearned revenue	5,567,508	-	5,567,508
Noncurrent liabilities			
Due within one year	1,925,916	460,887	2,386,803
Due in more than one year	29,646,003	4,598,604	34,244,607
Total liabilities	<u>39,766,797</u>	<u>5,656,870</u>	<u>45,423,667</u>
<b>Deferred inflows of resources</b>			
Pension plan deferments - PERA	7,857,709	-	7,857,709
OPEB plan deferments	454,251	-	454,251
Total deferred inflows of resources	<u>8,311,960</u>	<u>-</u>	<u>8,311,960</u>
<b>Net position</b>			
Net investment in capital assets	63,616,350	25,706,792	86,695,415
Restricted			
Debt service	4,274,251	-	4,274,251
Tax increment	4,321,760	-	4,321,760
Economic development	2,475,937	-	2,475,937
Housing programs	3,022,907	-	3,022,907
Park improvements	202,408	-	202,408
Library funding	128,473	-	128,473
Other purposes	94,712	-	94,712
Unrestricted	10,777,178	11,920,351	25,325,256
Total net position	<u>\$ 88,913,976</u>	<u>\$ 37,627,143</u>	<u>\$ 126,541,119</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, 2021

<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	\$ 2,384,930	\$ 1,137,576	\$ 12,294
Public safety	8,590,972	187,029	454,186
Public works	14,568,931	581,296	501,536
Community development	1,040,348	731,034	566,906
Parks, arena, library	2,857,254	1,121,764	14,956
Economic development	1,709,430	356,235	-
Transportation	1,778,244	1,424,768	58,242
Interest on long-term debt	702,669	-	-
Total governmental activities	<u>33,632,778</u>	<u>5,539,702</u>	<u>1,608,120</u>
Business-type activities			
Water and sewer utility	5,440,651	7,380,978	-
Storm water utility	537,408	640,618	200,990
Street light utility	263,057	314,315	-
Low rent housing	2,483,493	1,274,252	1,417,594
Total business-type activities	<u>8,724,609</u>	<u>9,610,163</u>	<u>1,618,584</u>
Total primary government	<u><u>42,357,387</u></u>	<u><u>15,149,865</u></u>	<u><u>3,226,704</u></u>

General revenues  
 General property taxes  
 Tax increments  
 Franchise tax  
 Unrestricted grants and contributions  
 Investment income  
 Transfers  
 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (1,235,060)	\$ -	\$ (1,235,060)
-	(7,949,757)	-	(7,949,757)
16,493,750	3,007,651	-	3,007,651
-	257,592	-	257,592
-	(1,720,534)	-	(1,720,534)
-	(1,353,195)	-	(1,353,195)
350,188	54,954	-	54,954
-	(702,669)	-	(702,669)
<u>16,843,938</u>	<u>(9,641,018)</u>	<u>-</u>	<u>(9,641,018)</u>
-	-	1,940,327	1,940,327
290,271	-	594,471	594,471
-	-	51,258	51,258
396,954	-	605,307	605,307
<u>687,225</u>	<u>-</u>	<u>3,191,363</u>	<u>3,191,363</u>
<u>17,531,163</u>	<u>(9,641,018)</u>	<u>3,191,363</u>	<u>(6,449,655)</u>
	14,866,306	-	14,866,306
	2,192,026	-	2,192,026
	1,343,648	-	1,343,648
	2,786,142	-	2,786,142
	(60,582)	(14,207)	(74,789)
	361,111	(361,111)	-
	<u>21,488,651</u>	<u>(375,318)</u>	<u>21,113,333</u>
	11,847,633	2,816,045	14,663,678
	77,066,343	34,811,098	111,877,441
	<u>\$ 88,913,976</u>	<u>\$ 37,627,143</u>	<u>\$ 126,541,119</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2021

	General Fund	ARPA	Doug Woog Arena
<b>Assets</b>			
Cash and investments	\$ 12,276,831	\$ 1,098,545	\$ -
Accrued interest on investments	31,300	-	-
Accounts receivable	414,671	-	102,007
Loans receivable	-	-	-
Property taxes receivable	1,575,350	-	-
Special assessments receivable	68,972	-	-
Due from other governmental units	52,357	-	-
Advances to other funds	1,402,180	-	-
Inventory	18,537	-	-
Prepaid items	42,632	-	2,292
Assets held for resale	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>15,882,830</u>	<u>1,098,545</u>	<u>104,299</u>
<b>Liabilities</b>			
Accounts and contracts payable	175,885	-	61,050
Salaries payable	579,070	-	18,718
Deposits payable	160,448	-	-
Due to other governmental units	4,623	-	1,709
Advances from other funds	-	-	802,214
Unearned revenue	-	1,096,101	-
Total liabilities	<u>920,026</u>	<u>1,096,101</u>	<u>883,691</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	172,940	-	-
Unavailable revenue - special assessments	61,200	-	-
Unavailable revenue - charges for services	9,709	-	58,310
Total deferred inflows of resources	<u>243,849</u>	<u>-</u>	<u>58,310</u>
<b>Fund balances</b>			
Nonspendable	61,169	-	2,292
Restricted	-	-	-
Committed	4,590,970	-	-
Assigned	-	2,444	-
Unassigned	10,066,816	-	(839,994)
Total fund balances	<u>14,718,955</u>	<u>2,444</u>	<u>(837,702)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,882,830</u>	<u>\$ 1,098,545</u>	<u>\$ 104,299</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.

Airport	Capital Programs	Local Improvements	Tax Increment	Other Nonmajor Governmental	Total
\$ -	\$ 10,251,295	\$ 827,300	\$ 2,444,359	\$ 7,557,942	\$ 34,456,272
-	-	-	-	-	31,300
52,240	-	-	15,000	17,465	601,383
-	-	-	-	1,663,583	1,663,583
-	-	-	35,318	72,414	1,683,082
-	142,131	501,220	-	1,312,976	2,025,299
-	-	3,185,746	-	87,380	3,325,483
-	-	-	-	-	1,402,180
62,290	-	-	-	-	80,827
7,373	-	-	-	1,386	53,683
-	-	-	2,610,000	372,056	2,982,056
<u>121,903</u>	<u>10,393,426</u>	<u>4,514,266</u>	<u>5,104,677</u>	<u>11,085,202</u>	<u>48,305,148</u>
48,074	56,601	973,498	12,917	100,619	1,428,644
5,966	-	-	-	33,423	637,177
-	-	81,700	-	-	242,148
198	-	1,734	-	8,819	17,083
95,220	-	-	-	504,746	1,402,180
-	-	4,470,622	-	-	5,566,723
<u>149,458</u>	<u>56,601</u>	<u>5,527,554</u>	<u>12,917</u>	<u>647,607</u>	<u>9,293,955</u>
-	-	-	13,641	8,307	194,888
-	136,873	496,385	-	1,299,531	1,993,989
8,797	-	-	-	398,018	474,834
<u>8,797</u>	<u>136,873</u>	<u>496,385</u>	<u>13,641</u>	<u>1,705,856</u>	<u>2,663,711</u>
69,663	-	-	-	1,386	134,510
-	-	-	5,078,119	8,769,482	13,847,601
-	-	-	-	39,984	4,630,954
-	10,199,952	-	-	252,221	10,454,617
(106,015)	-	(1,509,673)	-	(331,334)	7,279,800
<u>(36,352)</u>	<u>10,199,952</u>	<u>(1,509,673)</u>	<u>5,078,119</u>	<u>8,731,739</u>	<u>36,347,482</u>
\$ 121,903	\$ 10,393,426	\$ 4,514,266	\$ 5,104,677	\$ 11,085,202	\$ 48,305,148
					\$ 36,347,482
					76,443,805
					2,663,711
					(22,033,660)
					(4,507,362)
					<u>\$ 88,913,976</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2021

	General Fund	ARPA	Doug Woog Arena
<b>Revenues</b>			
General property taxes	\$ 11,360,365	\$ -	\$ 322,954
Tax increments	-	-	-
Franchise tax	1,343,648	-	-
Licenses and permits	706,073	-	-
Intergovernmental	2,352,751	-	-
Charges for services	1,541,432	-	767,568
Fines and forfeits	141,819	-	-
Special assessments	30,130	-	-
Investment income	45,862	2,444	-
Change in fair value of investments	(67,941)	-	8,342
Miscellaneous	67,862	-	15,781
Total revenues	<u>17,522,001</u>	<u>2,444</u>	<u>1,114,645</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	2,278,323	-	-
Public safety	8,947,713	-	-
Public works	3,664,955	-	-
Community development	762,939	-	-
Parks, arena, library	627,903	-	948,413
Economic development	-	-	-
Transportation	-	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	13,352	-	-
Public works	201,453	-	-
Community development	16,455	-	-
Parks, arena, library	-	-	8,775
Economic development	-	-	-
Transportation	-	-	-
<b>Debt service</b>			
Principal	-	-	-
Interest and other charges	-	-	5,724
Total expenditures	<u>16,513,093</u>	<u>-</u>	<u>962,912</u>
Revenues over (under) expenditures	1,008,908	2,444	151,733
<b>Other financing sources (uses)</b>			
Transfers in	207,026	-	-
Transfers out	(1,365,215)	-	-
Total other financing sources (uses)	<u>(1,158,189)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(149,281)</u>	<u>2,444</u>	<u>151,733</u>
Fund balances - January 1	<u>14,868,236</u>	<u>-</u>	<u>(989,435)</u>
Fund balances - December 31	<u>\$ 14,718,955</u>	<u>\$ 2,444</u>	<u>\$ (837,702)</u>

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

Airport	Capital Programs	Local Improvements	Tax Increment	Other Nonmajor Governmental	Total
\$ -	\$ -	\$ 222,130	\$ -	\$ 2,992,303	\$ 14,897,752
-	-	-	2,200,172	-	2,200,172
-	-	-	-	-	1,343,648
-	-	-	-	-	706,073
58,242	1,269,722	16,341,578	-	1,049,981	21,072,274
1,390,425	-	-	143,250	348,725	4,191,400
-	-	-	-	2,019	143,838
-	64,427	137,947	-	388,753	621,257
206	46,004	6,843	4,916	31,816	138,091
(390)	(70,148)	32,625	(9,059)	(44,119)	(150,690)
21,903	-	-	-	311,850	417,396
<u>1,470,386</u>	<u>1,310,005</u>	<u>16,741,123</u>	<u>2,339,279</u>	<u>5,081,328</u>	<u>45,581,211</u>
-	5,942	-	-	50,780	2,335,045
-	-	-	-	27,518	8,975,231
-	425,030	211,706	-	18,244	4,319,935
-	-	-	-	282,169	1,045,108
-	36,095	-	-	948,209	2,560,620
-	-	-	429,581	341,297	770,878
1,296,015	-	-	-	273,150	1,569,165
-	57,951	-	-	33,560	91,511
-	72,573	-	-	53,583	139,508
-	288,028	15,779,874	-	-	16,269,355
-	-	-	-	-	16,455
-	-	-	-	1,800	10,575
-	-	-	918,265	25,695	943,960
3,600	-	-	-	223,019	226,619
-	-	-	-	-	-
-	-	-	-	1,705,000	1,705,000
-	-	31,462	116,641	677,599	831,426
<u>1,299,615</u>	<u>885,619</u>	<u>16,023,042</u>	<u>1,464,487</u>	<u>4,661,623</u>	<u>41,810,391</u>
170,771	424,386	718,081	874,792	419,705	3,770,820
-	1,365,215	-	-	767,803	2,340,044
(230,000)	-	(10,209)	(204,923)	(168,586)	(1,978,933)
<u>(230,000)</u>	<u>1,365,215</u>	<u>(10,209)</u>	<u>(204,923)</u>	<u>599,217</u>	<u>361,111</u>
<u>(59,229)</u>	<u>1,789,601</u>	<u>707,872</u>	<u>669,869</u>	<u>1,018,922</u>	<u>4,131,931</u>
<u>22,877</u>	<u>8,410,351</u>	<u>(2,217,545)</u>	<u>4,408,250</u>	<u>7,712,817</u>	<u>32,215,551</u>
<u>\$ (36,352)</u>	<u>\$ 10,199,952</u>	<u>\$ (1,509,673)</u>	<u>\$ 5,078,119</u>	<u>\$ 8,731,739</u>	<u>\$ 36,347,482</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  
For the Year Ended December 31, 2021**

**Statement 5**

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Net changes in fund balances - total governmental funds (Statement 4)	\$ 4,131,931
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.	5,435,139
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.	(1,695)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(461,861)
The repayment of the principal of long-term debt consumes current financial resources and does not have any effect on net position.	1,705,000
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.	88,458
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.	1,152,114
Capital assets transferred from governmental funds to proprietary funds	<u>(201,453)</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$ 11,847,633</u></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, 2021

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
<b>Assets</b>		
Current assets		
Cash, cash equivalents, and investments	\$ 5,691,835	\$ 69,952
Accounts receivable	1,604,867	169,063
Special assessments receivable	481,516	-
Due from other governments	-	491,262
Prepaid items	259,672	13
Total current assets	<u>8,037,890</u>	<u>730,290</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	16,887,924	13,910,091
Construction in process	-	290,271
Less: Allowance for depreciation	(10,244,978)	(7,013,448)
Net capital assets	<u>16,462,262</u>	<u>8,390,354</u>
Total assets	<u>24,500,152</u>	<u>9,120,644</u>
Deferred outflow of resources		
Pension plan deferments - PERA	-	-
OPEB plan deferments	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	52,117	24,711
Salaries payable	23,040	-
Deposits payable	12,386	-
Due to other governmental units	15,387	-
Unearned revenue	-	-
Compensated absences	-	-
Accrued interest payable	19,471	10,038
Notes payable	-	-
Bonds payable	234,000	90,000
Total current liabilities	<u>356,401</u>	<u>124,749</u>
Noncurrent liabilities		
Notes payable	-	-
Bonds payable	1,922,125	796,773
Total other postemployment benefit liability	-	-
Net pension liability	-	-
Compensated absences	-	-
Total noncurrent liabilities	<u>1,922,125</u>	<u>796,773</u>
Total liabilities	<u>2,278,526</u>	<u>921,522</u>
Deferred inflow of resources		
Pension plan deferments - PERA	-	-
OPEB plan deferments	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	14,306,137	7,673,439
Unrestricted	7,915,489	525,683
Total net position	<u>\$ 22,221,626</u>	<u>\$ 8,199,122</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		
\$ 302,666	\$ 3,621,607	\$ 9,686,060	\$ 3,284,585	
83,143	44,738	1,901,811	-	
-	-	481,516	-	
-	107,926	599,188	-	
-	90,120	349,805	4,841	
<u>385,809</u>	<u>3,864,391</u>	<u>13,018,380</u>	<u>3,289,426</u>	
-	265,675	594,775	-	
-	21,149,374	28,659,325	-	
-	76,133	3,259,838	6,019,632	
-	-	30,798,015	-	
-	47,972	338,243	-	
-	(15,795,345)	(33,053,771)	(3,264,828)	
-	5,743,809	30,596,425	2,754,804	
<u>385,809</u>	<u>9,608,200</u>	<u>43,614,805</u>	<u>6,044,230</u>	
-	-	-	5,897,022	
-	-	-	1,373,916	
-	-	-	7,270,938	
17,273	247,605	341,706	30,518	
-	-	23,040	6,869	
-	82,071	94,457	-	
-	88,032	103,419	-	
-	-	-	785	
-	-	-	75,916	
-	5,248	34,757	-	
-	136,887	136,887	-	
-	-	324,000	-	
<u>17,273</u>	<u>559,843</u>	<u>1,058,266</u>	<u>114,088</u>	
-	1,879,706	1,879,706	-	
-	-	2,718,898	-	
-	-	-	4,281,248	
-	-	-	5,059,875	
-	-	-	386,151	
-	1,879,706	4,598,604	9,727,274	
<u>17,273</u>	<u>2,439,549</u>	<u>5,656,870</u>	<u>9,841,362</u>	
-	-	-	7,857,709	
-	-	-	454,251	
-	-	-	8,311,960	
-	3,727,216	25,706,792	2,754,804	
368,536	3,441,435	12,251,143	(7,592,958)	
<u>\$ 368,536</u>	<u>\$ 7,168,651</u>	<u>\$ 37,957,935</u>	<u>\$ (4,838,154)</u>	
		(330,792)		
		<u>\$ 37,627,143</u>		

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended December 31, 2021

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
Operating revenues		
User charges for services	\$ 7,333,807	\$ 640,596
Operating grants	-	-
Retiree health insurance charges	-	-
Dental insurance charges	-	-
Compensated absences charges	-	-
Equipment rental and repair charges	-	-
Pension related charges	-	-
Total operating revenues	<u>7,333,807</u>	<u>640,596</u>
Operating expenses		
Personal services	740,831	-
Materials and supplies	117,306	16,865
Contractual services	4,137,767	211,240
Depreciation	497,825	286,055
Total operating expenses	<u>5,493,729</u>	<u>514,160</u>
Operating income (loss)	<u>1,840,078</u>	<u>126,436</u>
Nonoperating revenues (expenses)		
Investment income	25,126	495
Change in fair value of investments	(38,717)	(769)
Special assessments	17,028	-
Intergovernmental	-	200,990
Loss on disposal of capital assets	(66,588)	-
Gain on sale of capital assets	-	-
Other revenue	30,143	22
Interest and other charges	(47,150)	(23,248)
Total nonoperating revenues (expenses)	<u>(80,158)</u>	<u>177,490</u>
Income (loss) before capital contributions and transfers	1,759,920	303,926
Capital contributions	-	290,271
Transfers in	-	10,209
Transfers out	(282,808)	(68,508)
Change in net position	<u>1,477,112</u>	<u>535,898</u>
Net position - January 1	20,744,514	7,663,224
Net position - December 31	<u>\$ 22,221,626</u>	<u>\$ 8,199,122</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		
\$ 314,315	\$ 1,268,701	\$ 9,557,419	\$ -	-
-	1,417,594	1,417,594	-	-
-	-	-	368,356	-
-	-	-	79,325	-
-	-	-	27,216	-
-	-	-	1,442,917	-
-	-	-	914,314	-
<u>314,315</u>	<u>2,686,295</u>	<u>10,975,013</u>	<u>2,832,128</u>	-
-	-	740,831	689,042	-
38,407	76,672	249,250	391,919	-
224,650	1,903,900	6,477,557	222,438	-
-	487,918	1,271,798	488,958	-
<u>263,057</u>	<u>2,468,490</u>	<u>8,739,436</u>	<u>1,792,357</u>	-
51,258	217,805	2,235,577	1,039,771	-
1,518	438	27,577	15,924	-
(2,298)	-	(41,784)	(23,608)	-
-	-	17,028	-	-
-	-	200,990	46,302	-
-	-	(66,588)	-	-
-	-	-	1,631	-
-	5,551	35,716	37,457	-
-	(15,003)	(85,401)	-	-
<u>(780)</u>	<u>(9,014)</u>	<u>87,538</u>	<u>77,706</u>	-
50,478	208,791	2,323,115	1,117,477	-
-	396,954	687,225	201,453	-
-	-	10,209	-	-
<u>(20,004)</u>	<u>-</u>	<u>(371,320)</u>	<u>-</u>	-
<u>30,474</u>	<u>605,745</u>	<u>2,649,229</u>	<u>1,318,930</u>	-
338,062	6,562,906		(6,157,084)	-
<u>\$ 368,536</u>	<u>\$ 7,168,651</u>		<u>\$ (4,838,154)</u>	-
		166,816		-
		<u>\$ 2,816,045</u>		-

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2021

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
Cash flows from operating activities		
Receipts from customers and users	\$ 7,170,350	\$ 134,994
Receipts from interfund services provided	-	-
Payment to suppliers	(4,099,866)	(154,551)
Payment for interfund services used	(212,630)	(54,792)
Payment to employees	(675,639)	-
Other revenue	30,143	22
Net cash flows from operating activities	<u>2,212,358</u>	<u>(74,327)</u>
Cash flows from noncapital financing activities		
Transfer from other funds	-	10,209
Transfer to other funds	(282,808)	(68,508)
Special assessments	(15,089)	-
Intergovernmental revenue	-	200,990
Net cash flows from noncapital financing activities	<u>(297,897)</u>	<u>142,691</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	-	(290,271)
Capital contributions	-	290,271
Proceeds from sale of capital assets	-	-
Principal paid on capital debt	(231,000)	(85,000)
Interest paid on debt	(50,534)	(25,412)
Net cash flows from capital and related financing activities	<u>(281,534)</u>	<u>(110,412)</u>
Cash flows from investing activities		
Investment income	(13,591)	(274)
Net increase (decrease) in cash and cash equivalents	1,619,336	(42,322)
Cash and cash equivalents - January 1	4,072,499	112,274
Cash and cash equivalents - December 31	<u>\$ 5,691,835</u>	<u>\$ 69,952</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 1,840,078	\$ 126,436
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	497,825	286,055
Changes in assets and liabilities:		
(Increase) decrease in receivables	(163,457)	(505,602)
(Increase) decrease in prepaid items	(12,665)	(13)
(Increase) decrease in deferred outflow of resources	-	-
Increase (decrease) in payables	20,434	18,775
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in accrued expenses	-	-
Increase (decrease) in deferred inflow of resources	-	-
Other revenue	30,143	22
Total adjustments	<u>372,280</u>	<u>(200,763)</u>
Net cash flows from operating activities	<u>\$ 2,212,358</u>	<u>\$ (74,327)</u>
Noncash investing, capital, and financing activities		
Contributions of capital assets from governmental activities	\$ -	\$ -

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		
\$ 307,870	\$ 2,814,483	\$ 10,427,697	\$ -	-
-	-	-	2,843,312	-
(261,059)	(1,839,663)	(6,355,139)	(615,007)	-
-	-	(267,422)	-	-
-	-	(675,639)	(1,621,617)	-
-	5,551	35,716	37,457	-
46,811	980,371	3,165,213	644,145	-
-	-	10,209	-	-
(20,004)	-	(371,320)	-	-
-	-	(15,089)	-	-
-	-	200,990	46,302	-
(20,004)	-	(175,210)	46,302	-
-	(414,356)	(704,627)	(166,845)	-
-	396,954	687,225	-	-
-	-	-	49,294	-
-	(128,287)	(444,287)	-	-
-	(16,723)	(92,669)	-	-
-	(162,412)	(554,358)	(117,551)	-
(780)	438	(14,207)	(7,684)	-
26,027	818,397	2,421,438	565,212	-
276,639	2,803,210	7,264,622	2,719,373	-
\$ 302,666	\$ 3,621,607	\$ 9,686,060	\$ 3,284,585	-
\$ 51,258	\$ 217,805	\$ 2,235,577	\$ 1,039,771	-
-	487,918	1,271,798	488,958	-
(6,445)	128,188	(547,316)	10,932	-
-	(8,870)	(21,548)	(3,450)	-
-	-	-	(3,876,304)	-
1,998	149,779	190,986	5,785	-
-	-	-	252	-
-	-	-	(2,756,396)	-
-	-	-	5,697,140	-
-	5,551	35,716	37,457	-
(4,447)	762,566	929,636	(395,626)	-
\$ 46,811	\$ 980,371	\$ 3,165,213	\$ 644,145	-
\$ -	\$ -	\$ -	\$ 201,453	-

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
STATEMENT OF NET POSITION  
FIDUCIARY FUND  
December 31, 2021

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**Statement 9**

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	<u>\$          32,432</u>
Net position	
Restricted for:	
Individuals	<u>\$          32,432</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, 2021

**Statement 10**

	<u>Custodial Fund</u>
Additions	
Contributions	
Employer	<u>\$ 11,180</u>
Deductions	
Beneficiary payments to individuals	<u>11,671</u>
Net change in fiduciary net position	(491)
Net position - January 1	<u>32,923</u>
Net position - December 31	<u><u>\$ 32,432</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 *ARPA Special Revenue Fund* accounts for the money received from the American Rescue Plan Act of 2021.

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.

**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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash management.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City administrator submits a proposed operating budget to the City Council, which includes proposed expenditures and the means of financing them.
2. Public meetings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Formal budgets are adopted for the General Fund and four Special Revenue Funds (Airport Fund, Library Fund, Doug Woog Arena Fund, and Central Square Fund). Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls. A financial plan is approved for the Proprietary Funds.
5. Expenditures may legally exceed budgeted appropriations at the departmental level. 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, 2021 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	\$ 155,450	\$ 155,063	\$ (387)
City administration	457,059	454,106	(2,953)
Human resources	164,826	147,397	(17,429)
City attorney	240,780	240,000	(780)
Fire	2,599,697	2,598,462	(1,235)
Engineering	517,059	516,879	(180)
Buildings	271,080	258,215	(12,865)
Parks facilities and maintenance	1,267,292	1,120,384	(146,908)
Code enforcement	304,744	292,195	(12,549)
Community affairs	120,855	120,592	(263)
Special Revenue Funds			
Doug Woog arena	962,912	943,935	(18,977)
Airport	1,299,615	1,136,916	(162,699)

**G. DEFICIT FUND EQUITY**

The City has deficit fund equity for the year ended December 31, 2021 as follows:

Deficit fund balance	
Major Funds	
Special Revenue Funds	
Doug Woog Arena	\$ 837,702
Airport	36,352
Capital Project Funds	
Local Improvements	1,509,673
Nonmajor Funds	
Capital Project Funds	
Airport Improvements	330,531
Deficit unrestricted net position	
Other Funds	
Internal Service Funds	
OPEB/Employee Benefits	10,462,528

The Airport Improvements deficit was caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Doug Woog Arena, Airport, Local Improvements, 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: 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, 2021 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 represents a consumption of net position 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 deferrals 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 deferrals 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, deferrals 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 deferrals 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, 2021. 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 acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which arises under the modified accrual basis of accounting and two 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 deferrals 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 deferrals 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, deferrals 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 deferrals 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 (CONTINUED)**

**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 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 EQUITY**

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 EQUITY (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 \$76,443,805 difference are as follows:

Capital assets	
Cost of capital assets	\$ 144,708,071
Less accumulated depreciation	<u>(68,264,266)</u>
 Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	  <u>\$ 76,443,805</u>

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 (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 \$22,033,660 difference are as follows:

Bonds payable	\$ 20,890,000
Plus: Bond premium (to be amortized over life of debt)	878,729
Accrued interest payable	<u>264,931</u>
Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 22,033,660</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net 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 \$5,435,139 difference are as follows:

Capital outlay	\$ 8,581,309
Depreciation expense	<u>(3,146,170)</u>
Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 5,435,139</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 \$88,458 difference are as follows:

Accrued interest	\$ 23,945
Amortization of bond premium	<u>64,513</u>
Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ 88,458</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, 2021 the City's bank balances were \$38,427,723. The City had \$151,745 in deposits that were not 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, 2021

**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, 2021 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, 2021 are as follows:

Investment Type	Standard & Poor's Rating	Fair Value Measurements Using	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1-5	6-10
U.S. agency securities	AA	Level 2	\$ 499,191	\$ -	\$ 499,191	\$ -
Local government securities	AAA	Level 2	1,486,947	-	969,609	517,338
Local government securities	AA	Level 2	2,564,451	75,118	1,777,833	711,500
Local government securities	A	Level 2	100,807	100,807	-	-
Local government securities *	AAA	Level 2	164,472	-	164,472	-
Local government securities **	AA	Level 2	564,943	-	367,269	197,674
Negotiable certificates of deposit	N/A	Level 2	4,515,436	653,638	3,861,798	-
Investment pools/mutual funds	AAA	***	86,795	86,795	-	-
Total investments in cash and investment pool			<u>\$ 9,983,042</u>	<u>\$ 916,358</u>	<u>\$ 7,640,172</u>	<u>\$ 1,426,512</u>

N/A = not rated

\* - rated by Fitch

\*\* - rated by Moody's

\*\*\* - valued at amortized cost

Cash and investments comprising the City's cash pool at December 31, 2021 were as follows:

	<u>Fair Value</u>
Cash	
Cash on hand	\$ 3,350
Cash in bank accounts	<u>37,472,957</u>
Total cash	<u>37,476,307</u>
Investments	
U.S. agency securities	499,191
Local government securities	4,881,620
Negotiable certificates of deposit	4,515,436
Investment pools/mutual funds	<u>86,795</u>
Total investments	<u>9,983,042</u>
Total cash, cash equivalents, and investments	<u>\$ 47,459,349</u>
Reconciliation to Statements	
Statement of Net Position - Statement 1	
Cash, cash equivalents, and investments	\$ 47,426,917
Statement of Fiduciary Net Position - Statement 9	
Cash and cash equivalents	<u>32,432</u>
Total cash, cash equivalents, and investments	<u>\$ 47,459,349</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.

Investments in any one issuer that represent five percent or more of the total investments as of December 31, 2021 were as follows:

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Investment issuer:		
Florence Twp NJ Sch Dist	\$ 538,650	5.4%
Texas St	517,338	5.2%
FHLB	499,191	5.0%

**Note 3 OPERATING LEASES**

**A. FLEMING FIELD MUNICIPAL AIRPORT HANGAR LEASES**

The City leases land to individuals and business at Fleming Field. The City has three different types of leases. T-Hangar lease is a portion of a larger building at Fleming Field that will fit only one aircraft. Land leases are leases of hangar buildings in the West Hangar Area of Fleming Field. Building leases are leases of the old WWII bowstring hangars.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 3 OPERATING LEASES**

**A. FLEMING FIELD MUNICIPAL AIRPORT HANGAR LEASES (CONTINUED)**

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, 2021, the City’s hangar lease tenants were 34 T-Hangar leases, 89 Land leases, and 8 Building leases. The City’s airport hangar lease revenue for the year ended December 31, 2021 was \$521,238.

**Note 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and perpetual easements	\$ 11,159,358	\$ 111,727	\$ -	\$ 11,271,085
Construction in progress	3,381,575	7,782,906	(23,275)	11,141,206
Total capital assets, not being depreciated	14,540,933	7,894,633	(23,275)	22,412,291
Capital assets, being depreciated:				
Temporary easements	63,525	-	-	63,525
Buildings and land improvements	44,352,664	335,976	-	44,688,640
Machinery and equipment	13,281,406	517,545	(292,226)	13,506,725
Infrastructure	70,033,247	23,275	-	70,056,522
Total capital assets, being depreciated	127,730,842	876,796	(292,226)	128,315,412
Less accumulated depreciation for:				
Temporary easements	1,440	15,909	-	17,349
Buildings and land improvements	15,240,043	1,161,245	-	16,401,288
Machinery and equipment	6,257,509	957,441	(242,868)	6,972,082
Infrastructure	46,637,842	1,500,533	-	48,138,375
Total accumulated depreciation	68,136,834	3,635,128	(242,868)	71,529,094
Total capital assets being depreciated-net	59,594,008	(2,758,332)	(49,358)	56,786,318
Governmental activities capital assets-net	\$ 74,134,941	\$ 5,136,301	\$ (72,633)	\$ 79,198,609

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 4 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 594,775	\$ -	\$ -	\$ 594,775
Construction in progress	-	338,243	-	338,243
Total capital assets, not being depreciated	594,775	338,243	-	933,018
Capital assets, being depreciated:				
Buildings and land improvements	28,292,941	366,384	-	28,659,325
Machinery and equipment	3,354,733	-	(94,895)	3,259,838
Infrastructure	30,798,015	-	-	30,798,015
Total capital assets, being depreciated	62,445,689	366,384	(94,895)	62,717,178
Less accumulated depreciation for:				
Buildings and land improvements	17,495,203	626,910	-	18,122,113
Machinery and equipment	1,338,776	96,369	(28,307)	1,406,838
Infrastructure	12,976,301	548,519	-	13,524,820
Total accumulated depreciation	31,810,280	1,271,798	(28,307)	33,053,771
Total capital assets being depreciated-net	30,635,409	(905,414)	(66,588)	29,663,407
Business-type activities capital assets-net	\$ 31,230,184	\$ (567,171)	\$ (66,588)	\$ 30,596,425

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

Governmental activities:	
General government	\$ 75,464
Public safety	216,267
Public works	2,158,107
Community development	526
Parks, arena, library	330,867
Transportation	364,939
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	488,958
Total depreciation expense - governmental activities	<u>\$ 3,635,128</u>
Business-type activities:	
Water and sewer utility	\$ 497,825
Storm water utility	286,055
Low rent housing	487,918
Total depreciation expense - business-type activities	<u>\$ 1,271,798</u>

**Note 4 CAPITAL ASSETS (CONTINUED)**

CONSTRUCTION COMMITMENTS

At December 31, 2021 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized below:

<u>Project</u>	<u>Responsible Fund</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
Concord Street Reconstruction	Local Improvements Fund	\$ 24,951,644	\$ 11,851,545
4th Street Improvements	Local Improvements Fund	1,344,475	96,298
2021 Runway Reconstruction	Airport Capital Fund	3,118,032	3,118,032
Seidl's Lake Lift Station	Storm Water Utility	379,837	194,543
Total all funds		<u>\$ 29,793,988</u>	<u>\$ 15,260,418</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, 2021 are as follows:

	<u>Final Maturities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding 12/31/21</u>
General Obligation Bonds	2030 - 2040	2.00% - 4.00%	\$ 29,470,000	\$ 21,960,000
Taxable Tax Increment Bonds	2025	1.50% - 3.10%	1,815,000	770,000
Drinking Water Revolving Fund Loan	2029	1.709%	2,801,051	1,178,000
Total bonds payable			<u>\$ 34,086,051</u>	<u>\$ 23,908,000</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 5 LONG-TERM DEBT**

**A. BONDS (CONTINUED)**

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

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 1,850,000	\$ 615,669	\$ 324,000	\$ 68,972
2023	1,910,000	561,751	331,000	62,752
2024	1,860,000	506,005	333,000	55,972
2025	1,885,000	447,980	346,000	48,153
2026	1,735,000	390,493	348,000	39,658
2027-2031	5,945,000	1,285,893	1,336,000	69,317
2032-2036	4,355,000	528,509	-	-
2037-2040	1,350,000	78,600	-	-
Total	<u>\$ 20,890,000</u>	<u>\$ 4,414,900</u>	<u>\$ 3,018,000</u>	<u>\$ 344,824</u>

All long-term bonded indebtedness outstanding at December 31, 2021 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, 2021 were \$20,316.

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, 2021 were \$2,063,846.

**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, 2021

**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, 2021, was \$391,240.

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>
2022	\$ 136,887	\$ 12,594	\$ 149,481
2023	145,897	8,187	154,084
2024	108,456	3,491	111,947
2029	105,980	-	105,980
Forgivable debt	1,519,373	-	1,519,373
Total	<u>\$ 2,016,593</u>	<u>\$ 24,272</u>	<u>\$ 2,040,865</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, 2021 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation	\$ 21,645,000	\$ -	\$ 1,525,000	\$ 20,120,000	\$ 1,665,000
Taxable tax increment	950,000	-	180,000	770,000	185,000
Plus/(Less) deferred amounts:					
For issuance premium	943,242	-	64,513	878,729	-
Total bonds payable	23,538,242	-	1,769,513	21,768,729	1,850,000
Total other postemployment benefit liability	4,394,757	327,766	441,275	4,281,248	-
Net pension liability	7,739,055	7,303,697	9,982,877	5,059,875	-
Compensated absences	425,774	100,778	64,485	462,067	75,916
Total governmental activities long-term debt	<u>\$ 36,097,828</u>	<u>\$ 7,732,241</u>	<u>\$ 12,258,150</u>	<u>\$ 31,571,919</u>	<u>\$ 1,925,916</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 5 LONG-TERM DEBT**

**C. CHANGES IN LONG-TERM DEBT (CONTINUED)**

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable:					
General obligation	\$ 2,020,000	\$ -	\$ 180,000	\$ 1,840,000	\$ 185,000
Revenue	1,314,000	-	136,000	1,178,000	139,000
Plus/(Less) deferred amounts:					
For issuance premium	27,978	-	3,080	24,898	-
Total bonds payable	3,361,978	-	319,080	3,042,898	324,000
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	519,527	-	128,287	391,240	136,887
Total notes payable	2,144,880	-	128,287	2,016,593	136,887
Total business-type activities long-term debt	\$ 5,506,858	\$ -	\$ 447,367	\$ 5,059,491	\$ 460,887

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

**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 three agreements that were active in 2021 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, 2021 for the first agreement was \$604,551 and the EDA rebated \$78,117 in the current year. The outstanding principal balance on the second agreement was \$1,001,573 and the EDA rebated \$117,175 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, 2021 for this agreement was \$600,000 and the EDA rebated \$180,000 in the current year.

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, is not actual debt in substance.

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021

**Note 7 FUND EQUITY**

**A. NET POSITION**

Net position reported in the government-wide statement of net position at December 31, 2021, include the following:

<b>Governmental Activities</b>	
Net investment in capital assets:	
Land	\$ 11,271,085
Construction in progress	11,141,206
Other capital assets, net of depreciation	56,786,318
Less: related long-term debt outstanding	<u>(15,582,259)</u>
Total net investment in capital assets	<u>63,616,350</u>
Restricted:	
Debt service	4,274,251
Tax increment	4,321,760
Economic development	2,475,937
Housing programs	3,022,907
Park improvements	202,408
Library funding	128,473
Forfeitures	54,395
Community relations	21,686
Memorial funding	7,519
Lawful purposes	<u>11,112</u>
Total restricted	<u>14,520,448</u>
Unrestricted	<u>10,777,178</u>
Total governmental activities net position	<u>\$ 88,913,976</u>
 <b>Business-type Activities</b>	
Net investment in capital assets:	
Land	\$ 594,775
Construction in progress	338,243
Other capital assets, net of depreciation	29,663,407
Less: related long-term debt outstanding	<u>(4,889,633)</u>
Total net investment in capital assets	<u>25,706,792</u>
Unrestricted	<u>11,920,351</u>
Total business-type activities net position	<u>\$ 37,627,143</u>

Related debt for governmental activities capital assets includes \$564,709 in premium on bonds issued and \$15,017,550 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 \$119,649 of premium on bonds issued and \$2,338,220 of general obligation bonds was issued to finance business-type activity capital assets.

Related debt for business-type activities capital assets includes \$1,178,000 in general obligation revenue bonds, \$24,898 in premium on bonds issued, \$2,016,593 in notes payable, and \$1,670,142 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, 2021

**Note 7 FUND EQUITY (CONTINUED)**

**B. FUND BALANCES**

At December 31, 2021, a summary of the City’s governmental fund balance classifications are as follows:

	General Fund	ARPA	Doug Woog Arena	Airport	Capital Programs	Local Improvements	Tax Increment	Other Nonmajor Governmental	Total
<b>Nonspendable:</b>									
Prepaid Items	\$ 42,632	\$ -	\$ 2,292	\$ 7,373	\$ -	\$ -	\$ -	\$ 1,386	\$ 53,683
Inventory	18,537	-	-	62,290	-	-	-	-	80,827
Total nonspendable	61,169	-	2,292	69,663	-	-	-	1,386	134,510
<b>Restricted for:</b>									
Debt Service	-	-	-	-	-	-	-	3,251,370	3,251,370
Economic Development	-	-	-	-	-	-	-	2,472,248	2,472,248
Tax Increment Financing	-	-	-	-	-	-	5,078,119	-	5,078,119
Housing	-	-	-	-	-	-	-	2,620,271	2,620,271
Park Improvements	-	-	-	-	-	-	-	202,408	202,408
Community Relations	-	-	-	-	-	-	-	21,686	21,686
Forfeitures	-	-	-	-	-	-	-	54,395	54,395
Lawful Purposes	-	-	-	-	-	-	-	11,112	11,112
Memorial Funding	-	-	-	-	-	-	-	7,519	7,519
Library Funding	-	-	-	-	-	-	-	128,473	128,473
Total restricted	-	-	-	-	-	-	5,078,119	8,769,482	13,847,601
<b>Committed for:</b>									
Working Capital	4,590,970	-	-	-	-	-	-	-	4,590,970
Central Square	-	-	-	-	-	-	-	39,984	39,984
Total committed	4,590,970	-	-	-	-	-	-	39,984	4,630,954
<b>Assigned for:</b>									
Working Capital	-	-	-	-	10,199,952	-	-	23,834	10,223,786
Future Equipment	-	-	-	-	-	-	-	148,014	148,014
Community Relations	-	-	-	-	-	-	-	4,698	4,698
Other Purposes	-	2,444	-	-	-	-	-	75,675	78,119
Total assigned	-	2,444	-	-	10,199,952	-	-	252,221	10,454,617
<b>Unassigned:</b>									
General fund	10,066,816	-	-	-	-	-	-	-	10,066,816
Doug Woog Arena	-	-	(839,994)	-	-	-	-	-	(839,994)
Airport	-	-	-	(106,015)	-	-	-	-	(106,015)
Local Improvements	-	-	-	-	-	(1,509,673)	-	-	(1,509,673)
Nonmajor Governmental	-	-	-	-	-	-	-	(331,334)	(331,334)
Total unassigned	10,066,816	-	(839,994)	(106,015)	-	(1,509,673)	-	(331,334)	7,279,800
<b>Total</b>	<b>\$ 14,718,955</b>	<b>\$ 2,444</b>	<b>\$ (837,702)</b>	<b>\$ (36,352)</b>	<b>\$ 10,199,952</b>	<b>\$ (1,509,673)</b>	<b>\$ 5,078,119</b>	<b>\$ 8,731,739</b>	<b>\$ 36,347,482</b>

**Note 8 RETIREMENT PLANS**

The aggregate amounts for all pension plans as of December 31, 2021 are as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - GERF	\$ 3,113,158	\$ 2,178,799	\$ 2,985,851
PERA - PEPFF	1,946,717	3,718,223	4,871,858
<b>Total - all pensions</b>	<b>\$ 5,059,875</b>	<b>\$ 5,897,022</b>	<b>\$ 7,857,709</b>

**Note 8 RETIREMENT PLANS**

**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**

The General Employees Retirement Plan covers all full-time and certain part-time employees of the City. 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 a Coordinated Plan member is 1.2 percent for each of the first ten years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for a Coordinated Plan member 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. Police and Fire Plan Benefits**

Benefits for the 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 will be 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. For 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.

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 2021. The City's contributions to the General Employees Fund for the year ended December 31, 2021 were \$391,779. 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 2021 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, 2021 were \$522,645. The City's contributions were equal to the required contributions as set by state statute.

PENSION COSTS

**1. General Employees Fund**

At December 31, 2021, the City reported a liability of \$3,113,158 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 \$95,036.

The net pension liability was measured as of June 30, 2021 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0729 percent at the end of the measurement period and 0.0759 percent at the beginning of the measurement period.

City's proportionate share of the net pension liability	\$	3,113,158
State of Minnesota's proportionate share of the net pension liability associated with the City		95,036
Total	\$	<u>3,208,194</u>

**Note 8 RETIREMENT PLANS**

**A. DEFINED BENEFIT PENSION PLANS**

PENSION COSTS

**1. General Employees Fund (Continued)**

For the year ended December 31, 2021, the City recognized pension expense of \$47,421 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$7,668 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, 2021, 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	\$ 19,519	\$ 95,725
Changes in actuarial assumptions	1,900,829	71,248
Net collective difference between projected and actual investment earnings	-	2,683,980
Changes in proportion	48,400	134,898
Contributions paid to PERA subsequent to the measurement date	210,051	-
Total	\$ 2,178,799	\$ 2,985,851

The \$210,051 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2022	\$ (149,160)
2023	(67,697)
2024	(64,872)
2025	(735,374)

**2. Police and Fire Fund**

At December 31, 2021, the City reported a liability of \$1,946,717 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021 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 proportion 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.2522 percent at the end of the measurement period and 0.2419 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, 2021. The contribution consisted of \$9 million in direct state aid that does meet 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 aid was paid on October 1, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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, 2021, the City recognized a negative pension expense of \$88,288 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional \$15,936 as grant revenue 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 \$22,698 for the year ended December 31, 2021 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.

City's proportionate share of the net pension liability	\$ 1,946,717
State of Minnesota's proportionate share of the net pension liability associated with the City	87,506
Total	<u>\$ 2,034,223</u>

At December 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 369,871	\$ -
Changes in actuarial assumptions	2,861,164	996,477
Net collective difference between projected and actual investment earnings	-	3,731,435
Changes in proportion	213,487	143,946
Contributions paid to PERA subsequent to the measurement date	273,701	-
Total	<u>\$ 3,718,223</u>	<u>\$ 4,871,858</u>

**Note 8 RETIREMENT PLANS**

**A. DEFINED BENEFIT PENSION PLANS**

PENSION COSTS

**2. Police and Fire Fund (Continued)**

The \$273,701 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2022	\$ (1,261,776)
2023	(209,177)
2024	(222,271)
2025	(383,102)
2026	648,990

**3. Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2021, was (\$17,263).

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2021, 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 6.5 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 6.5 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 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

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 29 years of service and 6.0 percent per year thereafter. 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 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire was completed in 2020. The assumption changes were 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 occurred in 2021:

**General Employees Fund**

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.

**Police and Fire Fund**

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 8 RETIREMENT PLANS**

**A. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

LONG-TERM EXPECTED RETURN ON INVESTMENTS

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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%

DISCOUNT RATE

The discount rate used to measure the total pension liability in 2021 was 6.50 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 positions of the General Employees Fund and the 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:

	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 6,349,250	5.50%	\$ 6,180,496
Current Discount Rate	6.50%	3,113,158	6.50%	1,946,717
1% Higher	7.50%	457,744	7.50%	(1,523,934)

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](http://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 5 percent of their salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 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 2021 were:

Contribution Amounts		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 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 \$368,356.

**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	93
Total members	<u>112</u>

**5. Total OPEB Liability**

The City's total OPEB liability of \$4,281,248 as of year-end was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2021.

**6. Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
20-year municipal bond yield	2.00%
Inflation rate	2.00%
Medical trend rate	6.50% decreasing to 5.00%, then 4.00%

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-2020 Generational Improvement Scale.

**7. Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Beginning balance - January 1, 2020	\$ 4,394,757
Changes for the year	
Service cost	178,862
Interest cost	127,547
Changes of assumptions	327,766
Difference between expected & actual experience	(394,279)
Benefit payments	(353,405)
Total net changes	<u>(113,509)</u>
Ending balance	<u>\$ 4,281,248</u>

**Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**SINGLE-EMPLOYER DEFINED BENEFIT PLAN**

**7. Changes in the Total OPEB Liability (Continued)**

Assumption changes since the prior measurement date include the following:

- 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 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.

**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:

		Total OPEB Liability
1% Decrease in Discount Rate	1.00%	\$ 4,553,383
Current Discount Rate	2.00%	4,281,248
1% Increase in Discount Rate	3.00%	4,023,554

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:

		Total OPEB Liability
1% Decrease in Trend Rates	5.50%	\$ 3,936,288
Current Trend Rates	6.50%	4,281,248
1% Increase in Trend Rates	7.50%	4,682,431

**Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**SINGLE-EMPLOYER DEFINED BENEFIT PLAN (CONTINUED)**

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

For the current period, the City recognized OPEB expense of \$400,011. As of year-end, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 496,499	\$ 350,470
Changes of assumptions	509,061	103,781
City's contributions subsequent to the measurement date	368,356	-
Total	<u>\$ 1,373,916</u>	<u>\$ 454,251</u>

The \$368,356 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB Expense Amount
2022	\$ 93,602
2023	93,602
2024	93,602
2025	93,602
2026	84,887
Thereafter	92,014

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

**A. INTERFUND BALANCES**

The composition of interfund balances at December 31, 2021 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	\$ 802,214
General Fund	Airport	95,220
	Nonmajor Governmental Funds:	
General Fund	Airport Improvements	379,029
General Fund	380 Airport Road	125,717
	Total	<u>\$ 1,402,180</u>

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

**A. INTERFUND BALANCES (CONTINUED)**

The interfund loan between the General Fund and the 380 Airport Road was approved by the City Council to provide funding for the 2017A Taxable GO Airport Bonds 2022 scheduled bond payments. This loan will be paid when the building at 380 Airport Road is sold in 2022. All other 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.

	Transfer In				Total
	General Fund	Capital Programs	Nonmajor Governmental	Storm Water Utility	
Transfer out:					
General Fund	\$ -	\$ 1,365,215	\$ -	\$ -	\$ 1,365,215
Airport	-	-	230,000	-	230,000
Local Improvements	-	-	-	10,209	10,209
Tax Increment	-	-	204,923	-	204,923
Nonmajor Governmental	47,006	-	121,580	-	168,586
Water and Sewer Utility	100,008	-	182,800	-	282,808
Storm Water Utility	40,008	-	28,500	-	68,508
Street Light Utility	20,004	-	-	-	20,004
Total transfers	<u>\$ 207,026</u>	<u>\$ 1,365,215</u>	<u>\$ 767,803</u>	<u>\$ 10,209</u>	<u>\$ 2,350,253</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.

**Note 11 JOINT VENTURES**

**A. SPECIAL SCHOOL DISTRICT NO. 6 (CONTINUED)**

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](http://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.

**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, 2021 were \$2,564,884. In addition, each city performed in-kind contributed services of approximate equal value during 2021 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, 2021 was \$1,250,000.

The City's required payments began in 2021. The City's future commitments to make payments as of December 31, 2021 are as follows:

	<u>Payment</u>
2022	\$ 95,970
2023	95,655
2024	97,860
2025	97,230
2026	96,495
2027-2028	<u>192,990</u>
Total	<u>\$ 676,200</u>

**Note 11 JOINT VENTURES (CONTINUED)**

**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 2021 financial statements of the City was \$418,862 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 2021 and 2020 was as follows:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2021	\$ -	\$ 45,477	\$ 45,477	\$ -
2020	-	36,217	36,217	-

**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, 2021.

**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.

**Note 13 SUBSEQUENT EVENTS**

**A. NEW ACCOUNTING STANDARDS**

A new standard has been issued by the GASB that will result in significant changes in the reporting of leases once it becomes effective for governmental entities. This standard will be adopted by the City beginning in 2022 and will require the restatement of certain balances reported as of December 31, 2021. The effects of this change have not yet been determined and are not reflected in these financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2021

**Statement 11**  
**Page 1 of 5**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
General property taxes				
Current	\$ 7,936,306	\$ 7,921,440	\$ 7,830,116	\$ (91,324)
Excess TIF	245,000	245,000	565,821	320,821
Delinquent	-	-	207,330	207,330
Fiscal disparities	2,752,208	2,752,208	2,744,752	(7,456)
Other	-	-	12,346	12,346
Total general property taxes	<u>10,933,514</u>	<u>10,918,648</u>	<u>11,360,365</u>	<u>441,717</u>
Franchise tax	<u>1,210,000</u>	<u>1,210,000</u>	<u>1,343,648</u>	<u>133,648</u>
Licenses and permits	<u>390,760</u>	<u>390,760</u>	<u>706,073</u>	<u>315,313</u>
Intergovernmental				
State				
Local government aid	1,586,850	1,586,850	1,586,850	-
Road maintenance	244,000	244,000	218,254	(25,746)
Fire and police aids	279,000	279,000	293,930	14,930
Other	12,800	12,800	25,379	12,579
County				
Road maintenance	49,620	49,620	79,509	29,889
Recycling grant	36,634	36,634	-	(36,634)
Other	-	-	31,706	31,706
Local	<u>83,344</u>	<u>83,344</u>	<u>117,123</u>	<u>33,779</u>
Total intergovernmental	<u>2,292,248</u>	<u>2,292,248</u>	<u>2,352,751</u>	<u>60,503</u>
Charges for services				
General government	452,469	452,469	497,489	45,020
Public safety	2,500	2,500	2,531	31
Public works	24,657	24,657	23,056	(1,601)
Community development	55,500	55,500	136,084	80,584
Parks and recreation	180,200	180,200	110,518	(69,682)
Administrative fee - other funds	741,754	741,754	721,754	(20,000)
Engineering project fees	300,000	300,000	-	(300,000)
Rents	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total charges for services	<u>1,807,080</u>	<u>1,807,080</u>	<u>1,541,432</u>	<u>(265,648)</u>
Fines and forfeits	153,000	153,000	141,819	(11,181)
Special assessments	-	-	30,130	30,130
Investment income	75,000	75,000	45,862	(29,138)
Change in fair value of investments	-	-	(67,941)	(67,941)
Miscellaneous				
Other	<u>7,710</u>	<u>7,710</u>	<u>67,862</u>	<u>60,152</u>
Total revenues	<u>16,869,312</u>	<u>16,854,446</u>	<u>17,522,001</u>	<u>667,555</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General government				
Mayor and city council				
Current				
Personal services	\$ 72,962	\$ 72,962	\$ 72,940	\$ 22
Other services and charges	52,351	52,351	55,009	(2,658)
Miscellaneous	29,750	29,750	27,501	2,249
Total mayor and city council	<u>155,063</u>	<u>155,063</u>	<u>155,450</u>	<u>(387)</u>
City administration				
Current				
Personal services	364,139	369,841	360,766	9,075
Materials and supplies	3,100	3,100	2,294	806
Other services and charges	79,865	79,865	92,718	(12,853)
Miscellaneous	1,300	1,300	1,281	19
Total city administration	<u>448,404</u>	<u>454,106</u>	<u>457,059</u>	<u>(2,953)</u>
Human resources				
Current				
Personal services	106,255	108,642	108,724	(82)
Materials and supplies	2,150	2,150	37	2,113
Other services and charges	31,945	31,945	55,112	(23,167)
Miscellaneous	4,660	4,660	953	3,707
Total human resources	<u>145,010</u>	<u>147,397</u>	<u>164,826</u>	<u>(17,429)</u>
City attorney				
Current				
Other services and charges	240,000	240,000	240,780	(780)
Total city attorney	<u>240,000</u>	<u>240,000</u>	<u>240,780</u>	<u>(780)</u>
City clerk				
Current				
Personal services	120,187	122,737	122,242	495
Materials and supplies	3,000	3,000	762	2,238
Other services and charges	20,140	20,140	15,818	4,322
Miscellaneous	200	200	706	(506)
Total city clerk	<u>143,527</u>	<u>146,077</u>	<u>139,528</u>	<u>6,549</u>
Information technology				
Current				
Personal services	252,825	259,818	259,556	262
Materials and supplies	13,800	13,800	9,286	4,514
Other services and charges	363,937	363,937	366,592	(2,655)
Total information technology	<u>630,562</u>	<u>637,555</u>	<u>635,434</u>	<u>2,121</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2021

**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	\$ 389,256	\$ 377,009	\$ 341,398	\$ 35,611
Materials and supplies	3,500	3,500	3,539	(39)
Other services and charges	113,480	113,480	111,053	2,427
Miscellaneous	3,040	3,040	2,678	362
Total city finance	<u>509,276</u>	<u>497,029</u>	<u>458,668</u>	<u>38,361</u>
Recycling				
Current				
Personal services	9,738	9,738	10,992	(1,254)
Materials and supplies	200	200	147	53
Other services and charges	31,300	31,300	15,439	15,861
Miscellaneous	11,750	11,750	-	11,750
Total recycling	<u>52,988</u>	<u>52,988</u>	<u>26,578</u>	<u>26,410</u>
Total general government	<u>2,324,830</u>	<u>2,330,215</u>	<u>2,278,323</u>	<u>51,892</u>
Public safety				
Police				
Current				
Personal services	5,048,834	5,133,546	4,987,739	145,807
Materials and supplies	81,900	81,900	67,606	14,294
Other services and charges	1,298,888	1,298,888	1,262,441	36,447
Miscellaneous	33,050	33,050	30,230	2,820
Capital outlay	13,000	13,000	13,352	(352)
Total police	<u>6,475,672</u>	<u>6,560,384</u>	<u>6,361,368</u>	<u>199,016</u>
Fire				
Current				
Personal services	7,335	7,335	8,572	(1,237)
Other services and charges	2,591,127	2,591,127	2,591,125	2
Total fire	<u>2,598,462</u>	<u>2,598,462</u>	<u>2,599,697</u>	<u>(1,235)</u>
Total public safety	<u>9,074,134</u>	<u>9,158,846</u>	<u>8,961,065</u>	<u>197,781</u>
Public works				
Engineering				
Current				
Personal services	423,832	433,253	420,281	12,972
Materials and supplies	6,250	6,250	2,007	4,243
Other services and charges	76,276	76,276	94,221	(17,945)
Miscellaneous	1,100	1,100	550	550
Total engineering	<u>507,458</u>	<u>516,879</u>	<u>517,059</u>	<u>(180)</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2021

**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	\$ 816,683	\$ 829,843	\$ 789,085	\$ 40,758
Materials and supplies	343,100	343,100	279,550	63,550
Other services and charges	700,150	700,150	740,971	(40,821)
Miscellaneous	825	825	1,371	(546)
Total public works	<u>1,860,758</u>	<u>1,873,918</u>	<u>1,810,977</u>	<u>62,941</u>
Buildings				
Current				
Personal services	132,725	131,322	124,984	6,338
Materials and supplies	21,975	21,975	16,093	5,882
Other services and charges	104,918	104,918	130,003	(25,085)
Total buildings	<u>259,618</u>	<u>258,215</u>	<u>271,080</u>	<u>(12,865)</u>
Parks facilities and maintenance				
Current				
Personal services	661,720	669,831	593,205	76,626
Materials and supplies	87,800	87,800	81,566	6,234
Other services and charges	349,253	349,253	389,538	(40,285)
Miscellaneous	-	-	1,530	(1,530)
Capital outlay	13,500	13,500	201,453	(187,953)
Total parks facilities and maintenance	<u>1,112,273</u>	<u>1,120,384</u>	<u>1,267,292</u>	<u>(146,908)</u>
Total public works	<u>3,740,107</u>	<u>3,769,396</u>	<u>3,866,408</u>	<u>(97,012)</u>
Community development				
City planner				
Current				
Personal services	338,894	345,102	343,932	1,170
Materials and supplies	1,700	1,700	2,451	(751)
Other services and charges	132,340	132,340	119,369	12,971
Miscellaneous	5,360	5,360	8,898	(3,538)
Total city planner	<u>478,294</u>	<u>484,502</u>	<u>474,650</u>	<u>9,852</u>
Code enforcement				
Current				
Personal services	247,166	251,090	249,658	1,432
Materials and supplies	5,150	5,150	2,509	2,641
Other services and charges	32,055	32,055	35,519	(3,464)
Miscellaneous	3,900	3,900	603	3,297
Capital outlay	-	-	16,455	(16,455)
Total code enforcement	<u>288,271</u>	<u>292,195</u>	<u>304,744</u>	<u>(12,549)</u>
Total community development	<u>766,565</u>	<u>776,697</u>	<u>779,394</u>	<u>(2,697)</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended December 31, 2021

**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	\$ 331,775	\$ 356,218	\$ 204,294	\$ 151,924
Materials and supplies	3,300	3,300	804	2,496
Other services and charges	124,904	124,904	111,180	13,724
Miscellaneous	3,875	3,875	1,592	2,283
Total administration	<u>463,854</u>	<u>488,297</u>	<u>317,870</u>	<u>170,427</u>
Parks, pools and recreation				
Current				
Personal services	232,705	225,120	138,038	87,082
Materials and supplies	49,000	49,000	22,715	26,285
Other services and charges	63,224	63,224	28,413	34,811
Miscellaneous	6,000	6,000	12	5,988
Total parks, pools and recreation	<u>350,929</u>	<u>343,344</u>	<u>189,178</u>	<u>154,166</u>
Community affairs				
Current				
Personal services	109,003	110,702	111,498	(796)
Materials and supplies	6,700	6,700	6,674	26
Other services and charges	2,090	2,090	1,604	486
Miscellaneous	1,100	1,100	1,079	21
Total community affairs	<u>118,893</u>	<u>120,592</u>	<u>120,855</u>	<u>(263)</u>
Total parks and recreation	<u>933,676</u>	<u>952,233</u>	<u>627,903</u>	<u>324,330</u>
Contingency	<u>220,000</u>	<u>57,059</u>	<u>-</u>	<u>57,059</u>
Total expenditures	<u>17,059,312</u>	<u>17,044,446</u>	<u>16,513,093</u>	<u>531,353</u>
Revenues over (under) expenditures	<u>(190,000)</u>	<u>(190,000)</u>	<u>1,008,908</u>	<u>1,198,908</u>
Other financing sources (uses)				
Transfers in	190,000	190,000	207,026	17,026
Transfers out	-	-	(1,365,215)	(1,365,215)
Total other financing sources (uses)	<u>190,000</u>	<u>190,000</u>	<u>(1,158,189)</u>	<u>(1,348,189)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(149,281)</u>	<u>\$ (149,281)</u>
Fund balance - January 1			<u>14,868,236</u>	
Fund balance - December 31			<u>\$ 14,718,955</u>	

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - DOUG WOOG ARENA**  
For the Year Ended December 31, 2021

**Statement 12**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
General property taxes				
Current	\$ 322,954	\$ 322,954	\$ 322,954	\$ -
Charges for services				
Ice rentals	630,000	630,000	700,754	70,754
Ticket sales league games	9,000	9,000	-	(9,000)
Public/figure skating	7,000	7,000	11,756	4,756
Concessions	45,000	45,000	16,550	(28,450)
Other	38,000	38,000	38,508	508
Total charges for services	<u>729,000</u>	<u>729,000</u>	<u>767,568</u>	<u>38,568</u>
Change in fair value of investments	-	-	8,342	8,342
Miscellaneous				
Other	-	-	15,781	15,781
Total revenues	<u>1,051,954</u>	<u>1,051,954</u>	<u>1,114,645</u>	<u>62,691</u>
Expenditures				
Current				
Parks, arena, library				
Personal services	479,552	529,828	418,654	111,174
Materials and supplies	56,500	56,500	81,046	(24,546)
Services and other charges	330,307	330,307	445,949	(115,642)
Miscellaneous	2,300	2,300	2,764	(464)
Capital outlay	-	-	8,775	(8,775)
Debt service				
Interest and other charges	25,000	25,000	5,724	19,276
Total expenditures	<u>893,659</u>	<u>943,935</u>	<u>962,912</u>	<u>(18,977)</u>
Net change in fund balance	<u>\$ 158,295</u>	<u>\$ 108,019</u>	151,733	<u>\$ 43,714</u>
Fund balance - January 1			<u>(989,435)</u>	
Fund balance - December 31			<u>\$ (837,702)</u>	

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - AIRPORT**  
For the Year Ended December 31, 2021

**Statement 13**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
Federal				
CARES Act	\$ -	\$ -	\$ 23,000	\$ 23,000
State				
Airport operations and maintenance	35,242	35,242	35,242	-
Total intergovernmental	<u>35,242</u>	<u>35,242</u>	<u>58,242</u>	<u>23,000</u>
Charges for services				
Transportation				
Hangar rentals/land leases	523,800	523,800	587,132	63,332
Aircraft fuel sales	625,000	625,000	792,106	167,106
Other	11,500	11,500	11,187	(313)
Total charges for services	<u>1,160,300</u>	<u>1,160,300</u>	<u>1,390,425</u>	<u>230,125</u>
Investment income	-	-	206	206
Change in fair value of investments	-	-	(390)	(390)
Miscellaneous				
Other	7,700	7,700	21,903	14,203
Total revenues	<u>1,203,242</u>	<u>1,203,242</u>	<u>1,470,386</u>	<u>267,144</u>
Expenditures				
Current				
Transportation				
Personal services	291,974	299,569	306,842	(7,273)
Materials and supplies	543,500	543,500	720,970	(177,470)
Other services and charges	280,847	280,847	267,179	13,668
Miscellaneous	2,000	2,000	1,024	976
Capital outlay	-	-	3,600	(3,600)
Debt service				
Interest and other charges	11,000	11,000	-	11,000
Total expenditures	<u>1,129,321</u>	<u>1,136,916</u>	<u>1,299,615</u>	<u>(162,699)</u>
Revenues over (under) expenditures	73,921	66,326	170,771	104,445
Other financing sources (uses)				
Transfers out	<u>(230,000)</u>	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (156,079)</u>	<u>\$ (163,674)</u>	<u>(59,229)</u>	<u>\$ 104,445</u>
Fund balance - January 1			<u>22,877</u>	
Fund balance - December 31			<u>\$ (36,352)</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>	<u>12/31/2021</u>
Fiscal Year Ending (for the Measurement Period)	12/31/2017	1/1/2019	1/1/2020	1/1/2021
<b>Total OPEB Liability</b>				
Service cost	\$ 114,893	\$ 129,482	\$ 155,346	\$ 178,862
Interest cost	137,926	120,613	160,128	127,547
Changes in assumption	91,833	(155,675)	219,303	327,766
Plan changes	-	72,043	-	-
Differences between expected and actual experience	-	744,752	-	(394,279)
Benefit Payments	<u>(332,184)</u>	<u>(341,520)</u>	<u>(393,491)</u>	<u>(353,405)</u>
Net change in total OPEB liability	12,468	569,695	141,286	(113,509)
<b>Total OPEB liability - beginning of year</b>	<u>3,671,308</u>	<u>3,683,776</u>	<u>4,253,471</u>	<u>4,394,757</u>
<b>Total OPEB liability - end of year</b>	<u>\$ 3,683,776</u>	<u>\$ 4,253,471</u>	<u>\$ 4,394,757</u>	<u>\$ 4,281,248</u>
Covered-employee Payroll	6,959,794	6,889,362	7,096,043	7,722,794
Total OPEB liability as a percentage of covered payroll	52.9%	61.7%	61.9%	55.4%

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.

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**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>
<b><u>GENERAL EMPLOYEES RETIREMENT FUND</u></b>					
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%
<b><u>POLICE AND FIRE FUND</u></b>					
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%

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**

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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>	
	06/30/2017		06/30/2018		06/30/2019		06/30/2020		06/30/2021
	0.0711%		0.0739%		0.0744%		0.0759%		0.0729%
\$	4,538,979	\$	4,099,670	\$	4,113,409	\$	4,550,554	\$	3,113,158
	57,081		134,434		127,828		140,250		95,036
	4,596,060		4,234,104		4,241,237		4,690,804		3,208,194
	4,580,973		4,927,093		5,264,413		5,151,587		5,248,907
	99.08%		83.21%		78.14%		88.33%		59.31%
	75.90%		79.53%		80.23%		79.10%		87.00%

**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>	
	06/30/2017		06/30/2018		06/30/2019		06/30/2020		06/30/2021
	0.2340%		0.2396%		0.2537%		0.2419%		0.2522%
\$	3,159,278	\$	2,553,889	\$	2,700,895	\$	3,188,501	\$	1,946,717
	-		-		-		75,116		87,506
	3,159,278		2,553,889		2,700,895		3,263,617		2,034,223
	2,404,716		2,525,142		2,674,042		2,728,901		2,980,571
	131.38%		101.14%		101.00%		116.84%		65.31%
	85.40%		88.84%		89.26%		87.20%		93.70%

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2021

**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 2021:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Major Funds			
General Fund			
Mayor and city council	\$ 155,450	\$ 155,063	\$ (387)
City administration	457,059	454,106	(2,953)
Human resources	164,826	147,397	(17,429)
City attorney	240,780	240,000	(780)
Fire	2,599,697	2,598,462	(1,235)
Engineering	517,059	516,879	(180)
Buildings	271,080	258,215	(12,865)
Parks facilities and maintenance	1,267,292	1,120,384	(146,908)
Code enforcement	304,744	292,195	(12,549)
Community affairs	120,855	120,592	(263)
Special Revenue Funds			
Doug Woog arena	962,912	943,935	(18,977)
Airport	1,299,615	1,136,916	(162,699)

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

2021 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 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.

2020 Changes

Changes in Actuarial Assumptions:

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

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

2019 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 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**

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.

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.

**Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Retirement Fund**

2020 Changes

Changes in Actuarial Assumptions (Continued):

- 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.

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.

**Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS**

**General Employees Retirement Fund**

2017 Changes (Continued)

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.

**Police and Fire Fund**

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.

**Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS**

**Police and Fire Fund**

2021 Changes

Changes in Actuarial Assumptions (Continued):

- 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.

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%.

**Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS**

**Police and Fire Fund (Continued)**

2017 Changes

Changes in Actuarial Assumptions (Continued):

- 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.

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, 2021**

**Statement 14**

	Special Revenue	Debt Service	Capital Project	Total
<b>Assets</b>				
Cash and investments	\$ 4,022,452	\$ 3,237,925	\$ 297,565	\$ 7,557,942
Accounts receivable	17,465	-	-	17,465
Loans receivable	1,663,583	-	-	1,663,583
Property taxes receivable	72,414	-	-	72,414
Special assessments receivable	-	1,301,257	11,719	1,312,976
Due from other governmental units	10,164	-	77,216	87,380
Prepaid items	1,386	-	-	1,386
Assets held for resale	372,056	-	-	372,056
	<u>6,159,520</u>	<u>4,539,182</u>	<u>386,500</u>	<u>11,085,202</u>
<b>Liabilities</b>				
Accounts and contracts payable	71,901	-	28,718	100,619
Salaries payable	33,423	-	-	33,423
Due to other governmental units	8,819	-	-	8,819
Advances from other funds	-	-	504,746	504,746
Total liabilities	<u>114,143</u>	<u>-</u>	<u>533,464</u>	<u>647,607</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	8,307	-	-	8,307
Unavailable revenue - special assessments	-	1,287,812	11,719	1,299,531
Unavailable revenue - charges for services	398,018	-	-	398,018
Total deferred inflows of resources	<u>406,325</u>	<u>1,287,812</u>	<u>11,719</u>	<u>1,705,856</u>
<b>Fund balances</b>				
Nonspendable	1,386	-	-	1,386
Restricted	5,518,112	3,251,370	-	8,769,482
Committed	39,984	-	-	39,984
Assigned	80,373	-	171,848	252,221
Unassigned	(803)	-	(330,531)	(331,334)
Total fund balances	<u>5,639,052</u>	<u>3,251,370</u>	<u>(158,683)</u>	<u>8,731,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,159,520</u>	<u>\$ 4,539,182</u>	<u>\$ 386,500</u>	<u>\$ 11,085,202</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, 2021

	Special Revenue	Debt Service	Capital Project	Total
<b>Revenues</b>				
General property taxes	\$ 1,501,692	\$ 1,490,611	\$ -	\$ 2,992,303
Intergovernmental	608,017	91,776	350,188	1,049,981
Charges for services	323,750	-	24,975	348,725
Fines and forfeits	2,019	-	-	2,019
Special assessments	-	384,513	4,240	388,753
Investment income	19,809	10,612	1,395	31,816
Change in fair value of investments	(29,527)	(17,157)	2,565	(44,119)
Miscellaneous	177,415	-	134,435	311,850
Total revenues	<u>2,603,175</u>	<u>1,960,355</u>	<u>517,798</u>	<u>5,081,328</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	50,780	50,780
Public safety	27,518	-	-	27,518
Public works	18,244	-	-	18,244
Community development	282,169	-	-	282,169
Parks, arena, library	948,209	-	-	948,209
Economic development	341,297	-	-	341,297
Transportation	-	-	273,150	273,150
<b>Capital outlay</b>				
General government	-	-	33,560	33,560
Public safety	53,583	-	-	53,583
Parks, arena, library	1,800	-	-	1,800
Economic development	25,695	-	-	25,695
Transportation	-	-	223,019	223,019
<b>Debt service</b>				
Principal	-	1,705,000	-	1,705,000
Interest and other charges	-	674,486	3,113	677,599
Total expenditures	<u>1,698,515</u>	<u>2,379,486</u>	<u>583,622</u>	<u>4,661,623</u>
Revenues over (under) expenditures	<u>904,660</u>	<u>(419,131)</u>	<u>(65,824)</u>	<u>419,705</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	537,803	230,000	767,803
Transfers out	(47,006)	-	(121,580)	(168,586)
Total other financing sources (uses)	<u>(47,006)</u>	<u>537,803</u>	<u>108,420</u>	<u>599,217</u>
Net change in fund balances	857,654	118,672	42,596	1,018,922
Fund balances - January 1	<u>4,781,398</u>	<u>3,132,698</u>	<u>(201,279)</u>	<u>7,712,817</u>
Fund balances - December 31	<u>\$ 5,639,052</u>	<u>\$ 3,251,370</u>	<u>\$ (158,683)</u>	<u>\$ 8,731,739</u>

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## NONMAJOR SPECIAL REVENUE FUNDS

The City maintains the following Special Revenue Funds:

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

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

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

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

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, 2021

	Donations / Grants	Park Land Dedication
<b>Assets</b>		
Cash and investments	\$ 322,122	\$ 202,408
Accounts receivable	-	-
Loans receivable	-	-
Property taxes receivable	-	-
Due from other governmental units	9,836	-
Prepaid items	-	-
Assets held for resale	-	-
	<u>331,958</u>	<u>202,408</u>
<b>Liabilities</b>		
Accounts and contracts payable	28,400	-
Salaries payable	-	-
Due to other governmental units	-	-
Total liabilities	<u>28,400</u>	<u>-</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue - property taxes	-	-
Unavailable revenue - charges for services	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
<b>Fund balances</b>		
Nonspendable	-	-
Restricted	223,185	202,408
Committed	-	-
Assigned	80,373	-
Unassigned	-	-
Total fund balances	<u>303,558</u>	<u>202,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 331,958</u>	<u>\$ 202,408</u>

Library	Central Square	Economic Development Authority	Housing	Total
\$ 37,796	\$ 45,203	\$ 1,606,536	\$ 1,808,387	\$ 4,022,452
355	-	10,000	7,110	17,465
-	-	481,698	1,181,885	1,663,583
-	-	35,299	37,115	72,414
328	-	-	-	10,164
803	-	458	125	1,386
-	-	372,056	-	372,056
<u>39,282</u>	<u>45,203</u>	<u>2,506,047</u>	<u>3,034,622</u>	<u>6,159,520</u>
12,180	5,219	19,620	6,482	71,901
18,283	-	10,032	5,108	33,423
8,819	-	-	-	8,819
<u>39,282</u>	<u>5,219</u>	<u>29,652</u>	<u>11,590</u>	<u>114,143</u>
-	-	3,689	4,618	8,307
-	-	-	398,018	398,018
-	-	3,689	402,636	406,325
803	-	458	125	1,386
-	-	2,472,248	2,620,271	5,518,112
-	39,984	-	-	39,984
-	-	-	-	80,373
(803)	-	-	-	(803)
<u>-</u>	<u>39,984</u>	<u>2,472,706</u>	<u>2,620,396</u>	<u>5,639,052</u>
\$ 39,282	\$ 45,203	\$ 2,506,047	\$ 3,034,622	\$ 6,159,520

**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, 2021

	Donations / Grants	Park Land Dedication
Revenues		
General property taxes	\$ -	\$ -
Intergovernmental	71,097	-
Charges for services	-	-
Fines and forfeits	-	-
Investment income	1,568	1,016
Change in fair value of investments	(2,368)	(1,558)
Miscellaneous	64,151	50,370
Total revenues	<u>134,448</u>	<u>49,828</u>
Expenditures		
Current		
Public safety	27,518	-
Public works	18,244	-
Community development	-	-
Parks, arena, library	10,323	-
Economic development	-	-
Capital outlay		
Public safety	53,583	-
Parks, arena, library	-	-
Economic development	-	-
Total expenditures	<u>109,668</u>	<u>-</u>
Revenues over (under) expenditures	24,780	49,828
Other financing sources (uses)		
Transfers out	<u>-</u>	<u>-</u>
Net change in fund balances	24,780	49,828
Fund balances - January 1	<u>278,778</u>	<u>152,580</u>
Fund balances - December 31	<u>\$ 303,558</u>	<u>\$ 202,408</u>

Library	Central Square	Economic Development Authority	Housing	Total
\$ 834,964	\$ -	\$ 329,937	\$ 336,791	\$ 1,501,692
-	-	536,920	-	608,017
23	120,381	6,671	196,675	323,750
2,019	-	-	-	2,019
-	163	8,361	8,701	19,809
-	-	(12,401)	(13,200)	(29,527)
4,122	-	29,695	29,077	177,415
<u>841,128</u>	<u>120,544</u>	<u>899,183</u>	<u>558,044</u>	<u>2,603,175</u>
-	-	-	-	27,518
-	-	-	-	18,244
-	-	-	282,169	282,169
822,322	115,564	-	-	948,209
-	-	341,297	-	341,297
-	-	-	-	53,583
1,800	-	-	-	1,800
-	-	25,695	-	25,695
<u>824,122</u>	<u>115,564</u>	<u>366,992</u>	<u>282,169</u>	<u>1,698,515</u>
17,006	4,980	532,191	275,875	904,660
<u>(17,006)</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>(47,006)</u>
-	4,980	502,191	275,875	857,654
-	35,004	1,970,515	2,344,521	4,781,398
<u>\$ -</u>	<u>\$ 39,984</u>	<u>\$ 2,472,706</u>	<u>\$ 2,620,396</u>	<u>\$ 5,639,052</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, 2021

**Statement 18**

	2012A General Obligation Bonds	General Obligation Park Bonds	2017B General Obligation Bonds	2019A General Obligation Bonds	Total
<b>Assets</b>					
Cash and investments	\$ 1,016,224	\$ 786,194	\$ 986,840	\$ 448,667	\$ 3,237,925
Special assessments receivable	615,835	-	426,301	259,121	1,301,257
<b>Total assets</b>	<b><u>1,632,059</u></b>	<b><u>786,194</u></b>	<b><u>1,413,141</u></b>	<b><u>707,788</u></b>	<b><u>4,539,182</u></b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - special assessments	615,527	-	417,320	254,965	1,287,812
<b>Fund balances</b>					
Restricted	1,016,532	786,194	995,821	452,823	3,251,370
<b>Total deferred inflows of resources and fund balances</b>	<b><u>\$ 1,632,059</u></b>	<b><u>\$ 786,194</u></b>	<b><u>\$ 1,413,141</u></b>	<b><u>\$ 707,788</u></b>	<b><u>\$ 4,539,182</u></b>

**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, 2021

	2012A General Obligation Bonds	2015A GO Taxable TIF Bonds
Revenues		
General property taxes	\$ 303,307	\$ -
Intergovernmental	-	-
Special assessments	143,123	-
Investment income	3,790	-
Change in fair value of investments	(5,988)	-
Total revenues	<u>444,232</u>	<u>-</u>
Expenditures		
Debt service		
Principal	445,000	180,000
Interest and other charges	57,882	24,923
Total expenditures	<u>502,882</u>	<u>204,923</u>
Revenues over (under) expenditures	<u>(58,650)</u>	<u>(204,923)</u>
Other financing sources (uses)		
Transfers in	-	204,923
Net change in fund balances	(58,650)	-
Fund balances - January 1	<u>1,075,182</u>	<u>-</u>
Fund balances - December 31	<u>\$ 1,016,532</u>	<u>\$ -</u>

General Obligation Park Bonds	2017A Taxable GO Airport Bonds	2017B General Obligation Bonds	2019A General Obligation Bonds	Totals
\$ 710,142	\$ -	\$ 248,476	\$ 228,686	\$ 1,490,611
-	-	-	91,776	91,776
-	-	176,189	65,201	384,513
1,698	-	3,841	1,283	10,612
(3,031)	-	(6,019)	(2,119)	(17,157)
<u>708,809</u>	<u>-</u>	<u>422,487</u>	<u>384,827</u>	<u>1,960,355</u>
440,000	95,000	195,000	350,000	1,705,000
<u>232,725</u>	<u>26,580</u>	<u>105,088</u>	<u>227,288</u>	<u>674,486</u>
<u>672,725</u>	<u>121,580</u>	<u>300,088</u>	<u>577,288</u>	<u>2,379,486</u>
36,084	(121,580)	122,399	(192,461)	(419,131)
-	121,580	-	211,300	537,803
36,084	-	122,399	18,839	118,672
<u>750,110</u>	<u>-</u>	<u>873,422</u>	<u>433,984</u>	<u>3,132,698</u>
<u>\$ 786,194</u>	<u>\$ -</u>	<u>\$ 995,821</u>	<u>\$ 452,823</u>	<u>\$ 3,251,370</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, 2021

**Statement 20**

	Airport Improvements	Equipment Acquisition	380 Airport Road	Total
<b>Assets</b>				
Cash and investments	\$ -	\$ 148,014	\$ 149,551	\$ 297,565
Special assessments receivable	11,719	-	-	11,719
Due from other governmental units	77,216	-	-	77,216
	<u>88,935</u>	<u>148,014</u>	<u>149,551</u>	<u>386,500</u>
<b>Liabilities</b>				
Accounts and contracts payable	28,718	-	-	28,718
Advances from other funds	379,029	-	125,717	504,746
Total liabilities	<u>407,747</u>	<u>-</u>	<u>125,717</u>	<u>533,464</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	11,719	-	-	11,719
<b>Fund balances</b>				
Assigned	-	148,014	23,834	171,848
Unassigned	(330,531)	-	-	(330,531)
Total fund balances	<u>(330,531)</u>	<u>148,014</u>	<u>23,834</u>	<u>(158,683)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 88,935</u>	<u>\$ 148,014</u>	<u>\$ 149,551</u>	<u>\$ 386,500</u>

**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, 2021

	Airport Improvements	Equipment Acquisition	380 Airport Road	Total
<b>Revenues</b>				
Intergovernmental	\$ 350,188	\$ -	\$ -	\$ 350,188
Charges for services	8,100	-	16,875	24,975
Special assessments	4,240	-	-	4,240
Investment income	-	781	614	1,395
Change in fair value of investments	4,757	(1,194)	(998)	2,565
Miscellaneous	-	134,435	-	134,435
<b>Total revenues</b>	<u>367,285</u>	<u>134,022</u>	<u>16,491</u>	<u>517,798</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	43,380	7,400	50,780
Transportation	273,150	-	-	273,150
<b>Capital outlay</b>				
General government	-	33,560	-	33,560
Transportation	223,019	-	-	223,019
<b>Debt service</b>				
Interest and other charges	3,113	-	-	3,113
<b>Total expenditures</b>	<u>499,282</u>	<u>76,940</u>	<u>7,400</u>	<u>583,622</u>
<b>Revenues over (under) expenditures</b>	<u>(131,997)</u>	<u>57,082</u>	<u>9,091</u>	<u>(65,824)</u>
<b>Other financing sources (uses)</b>				
Transfers in	230,000	-	-	230,000
Transfers out	-	-	(121,580)	(121,580)
<b>Total other financing sources (uses)</b>	<u>230,000</u>	<u>-</u>	<u>(121,580)</u>	<u>108,420</u>
<b>Net change in fund balances</b>	<u>98,003</u>	<u>57,082</u>	<u>(112,489)</u>	<u>42,596</u>
<b>Fund balances - January 1</b>	<u>(428,534)</u>	<u>90,932</u>	<u>136,323</u>	<u>(201,279)</u>
<b>Fund balances - December 31</b>	<u>\$ (330,531)</u>	<u>\$ 148,014</u>	<u>\$ 23,834</u>	<u>\$ (158,683)</u>

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SCHEDULE OF REVENUE, 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, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
General property taxes			
Current	\$ 820,098	\$ 834,964	\$ 834,964
Rental fees	500	500	23
Fines and forfeits	3,000	3,000	2,019
Miscellaneous			
Other	3,000	3,000	4,122
Total revenues	<u>826,598</u>	<u>841,464</u>	<u>841,128</u>
Expenditures			
Current			
Parks, arena, library			
Personal services	591,244	606,110	596,485
Materials and supplies	85,800	85,800	78,685
Other services and charges	144,104	144,104	143,231
Miscellaneous	5,450	5,450	3,921
Capital outlay	-	-	1,800
Total expenditures	<u>826,598</u>	<u>841,464</u>	<u>824,122</u>
Revenues over (under) expenditures	-	-	17,006
Other financing sources (uses)			
Transfers out	-	-	(17,006)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance - January 1			-
Fund balance - December 31			<u>\$ -</u>

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

SPECIAL REVENUE FUND - CENTRAL SQUARE

**Statement 23**

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

For the Year Ended December 31, 2021

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Charges for services			
Memberships	\$ 28,600	\$ 28,600	\$ 33,383
Programming	23,250	23,250	29,570
Open swim	200	200	949
Other	-	-	85
Administrative fee	67,459	67,459	56,394
Total charges for services	<u>119,509</u>	<u>119,509</u>	<u>120,381</u>
Investment income	-	-	163
Total revenues	<u>119,509</u>	<u>119,509</u>	<u>120,544</u>
Expenditures			
Current			
Parks, arena, library			
Personal services	120,613	120,613	112,252
Materials and supplies	2,000	2,000	22
Services and other charges	9,570	9,570	2,886
Miscellaneous	650	650	404
Total expenditures	<u>132,833</u>	<u>132,833</u>	<u>115,564</u>
Net change in fund balance	<u>\$ (13,324)</u>	<u>\$ (13,324)</u>	4,980
Fund balance - January 1			<u>35,004</u>
Fund balance - December 31			<u>\$ 39,984</u>

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## 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, 2021

**Statement 24**

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 2,824,575	\$ 381,684	\$ 78,326	\$ 3,284,585
Prepaid items	4,841	-	-	4,841
Total current assets	<u>2,829,416</u>	<u>381,684</u>	<u>78,326</u>	<u>3,289,426</u>
Noncurrent assets				
Capital assets				
Machinery and equipment	6,019,632	-	-	6,019,632
Less: Allowance for depreciation	(3,264,828)	-	-	(3,264,828)
Net capital assets	<u>2,754,804</u>	<u>-</u>	<u>-</u>	<u>2,754,804</u>
Total assets	<u>5,584,220</u>	<u>381,684</u>	<u>78,326</u>	<u>6,044,230</u>
Deferred outflow of resources				
Pension plan deferments - PERA	-	5,897,022	-	5,897,022
OPEB plan deferments	-	1,373,916	-	1,373,916
Total deferred outflow of resources	<u>-</u>	<u>7,270,938</u>	<u>-</u>	<u>7,270,938</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	30,518	-	-	30,518
Salaries payable	6,869	-	-	6,869
Unearned revenue	-	-	785	785
Compensated absences	-	75,916	-	75,916
Total current liabilities	<u>37,387</u>	<u>75,916</u>	<u>785</u>	<u>114,088</u>
Noncurrent liabilities				
Total other postemployment benefit liability	-	4,281,248	-	4,281,248
Net pension liability	-	5,059,875	-	5,059,875
Compensated absences	-	386,151	-	386,151
Total noncurrent liabilities	<u>-</u>	<u>9,727,274</u>	<u>-</u>	<u>9,727,274</u>
Total liabilities	<u>37,387</u>	<u>9,803,190</u>	<u>785</u>	<u>9,841,362</u>
Deferred inflow of resources				
Pension plan deferments - PERA	-	7,857,709	-	7,857,709
OPEB plan deferments	-	454,251	-	454,251
Total deferred inflow of resources	<u>-</u>	<u>8,311,960</u>	<u>-</u>	<u>8,311,960</u>
<b>Net position</b>				
Net investment in capital assets	2,754,804	-	-	2,754,804
Unrestricted	2,792,029	(10,462,528)	77,541	(7,592,958)
Total net position	<u>\$ 5,546,833</u>	<u>\$ (10,462,528)</u>	<u>\$ 77,541</u>	<u>\$ (4,838,154)</u>

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

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

**Statement 25**

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2021

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
Operating revenues				
Retiree health insurance charges	\$ -	\$ 368,356	\$ -	\$ 368,356
Dental insurance charges	-	-	79,325	79,325
Compensated absences charges	-	27,216	-	27,216
Equipment rental and repair charges	1,442,917	-	-	1,442,917
Pension related charges	-	914,314	-	914,314
Total operating revenues	<u>1,442,917</u>	<u>1,309,886</u>	<u>79,325</u>	<u>2,832,128</u>
Operating expenses				
Personal services	227,295	416,270	45,477	689,042
Materials and supplies	391,919	-	-	391,919
Contractual services	210,251	-	12,187	222,438
Depreciation	488,958	-	-	488,958
Total operating expenses	<u>1,318,423</u>	<u>416,270</u>	<u>57,664</u>	<u>1,792,357</u>
Operating income (loss)	<u>124,494</u>	<u>893,616</u>	<u>21,661</u>	<u>1,039,771</u>
Nonoperating revenues (expenses)				
Investment income	13,554	2,011	359	15,924
Change in fair value of investments	(20,604)	(3,004)	-	(23,608)
Intergovernmental	-	46,302	-	46,302
Gain on sale of capital assets	1,631	-	-	1,631
Other revenue	37,457	-	-	37,457
Total nonoperating revenues (expenses)	<u>32,038</u>	<u>45,309</u>	<u>359</u>	<u>77,706</u>
Income (loss) before capital contributions	156,532	938,925	22,020	1,117,477
Capital contributions	<u>201,453</u>	<u>-</u>	<u>-</u>	<u>201,453</u>
Change in net position	357,985	938,925	22,020	1,318,930
Net position - January 1	<u>5,188,848</u>	<u>(11,401,453)</u>	<u>55,521</u>	<u>(6,157,084)</u>
Net position - December 31	<u>\$ 5,546,833</u>	<u>\$ (10,462,528)</u>	<u>\$ 77,541</u>	<u>\$ (4,838,154)</u>

**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended December 31, 2021

**Statement 26**

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
<b>Cash flows from operating activities</b>				
Receipts from interfund services provided	\$ 1,453,849	\$ 1,309,886	\$ 79,577	\$ 2,843,312
Payment to suppliers	(603,808)	-	(11,199)	(615,007)
Payment to employees	(224,310)	(1,351,830)	(45,477)	(1,621,617)
Other revenue	37,457	-	-	37,457
Net cash flows from operating activities	<u>663,188</u>	<u>(41,944)</u>	<u>22,901</u>	<u>644,145</u>
<b>Cash flows from noncapital financing activities:</b>				
Intergovernmental revenue	-	46,302	-	46,302
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(166,845)	-	-	(166,845)
Proceeds from sale of capital assets	49,294	-	-	49,294
Net cash flows from capital and related financing activities	<u>(117,551)</u>	<u>-</u>	<u>-</u>	<u>(117,551)</u>
<b>Cash flows from investing activities</b>				
Investment income	(7,050)	(993)	359	(7,684)
Net increase (decrease) in cash and cash equivalents	538,587	3,365	23,260	565,212
Cash and cash equivalents - January 1	2,285,988	378,319	55,066	2,719,373
Cash and cash equivalents - December 31	<u>\$ 2,824,575</u>	<u>\$ 381,684</u>	<u>\$ 78,326</u>	<u>\$ 3,284,585</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>				
Operating income (loss)	\$ 124,494	\$ 893,616	\$ 21,661	\$ 1,039,771
<b>Adjustments to reconcile operating income (loss) to net cash flows from operating activities</b>				
Depreciation	488,958	-	-	488,958
<b>Changes in assets and liabilities</b>				
(Increase) decrease in receivables	10,932	-	-	10,932
(Increase) decrease in prepaid items	(4,438)	-	988	(3,450)
(Increase) decrease in deferred outflow of resources	-	(3,876,304)	-	(3,876,304)
Increase (decrease) in payables	5,785	-	-	5,785
Increase (decrease) in unearned revenue	-	-	252	252
Increase (decrease) in accrued expenses	-	(2,756,396)	-	(2,756,396)
Increase (decrease) in deferred inflow of resources	-	5,697,140	-	5,697,140
Other revenue	37,457	-	-	37,457
Total adjustments	<u>538,694</u>	<u>(935,560)</u>	<u>1,240</u>	<u>(395,626)</u>
Net cash flows from operating activities	<u>\$ 663,188</u>	<u>\$ (41,944)</u>	<u>\$ 22,901</u>	<u>\$ 644,145</u>
<b>Noncash investing, capital, and financing activities:</b>				
Contributions of capital assets from governmental activities	\$ 201,453	\$ -	\$ -	\$ 201,453

### 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
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	144
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	156
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	162
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	172
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	174

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)

	2012	2013	2014	2015
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 48,908,824	\$ 51,659,919	\$ 54,442,716	\$ 52,670,100
Restricted	4,954,281	4,401,005	6,416,191	5,108,264
Unrestricted	12,696,029	11,213,059	9,209,143	4,944,946
Total governmental activities net position	<u>\$ 66,559,134</u>	<u>\$ 67,273,983</u>	<u>\$ 70,068,050</u>	<u>\$ 62,723,310</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 13,886,557	\$ 14,565,214	\$ 14,627,351	\$ 15,521,335
Unrestricted	6,640,168	6,567,625	7,003,502	6,766,631
Total business-type activities net position	<u>\$ 20,526,725</u>	<u>\$ 21,132,839</u>	<u>\$ 21,630,853</u>	<u>\$ 22,287,966</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 62,795,381	\$ 66,225,133	\$ 68,900,209	\$ 68,021,577
Restricted	4,954,281	4,401,005	6,416,191	5,108,264
Unrestricted	19,336,197	17,780,684	16,382,503	11,881,435
Total primary government net position	<u>\$ 87,085,859</u>	<u>\$ 88,406,822</u>	<u>\$ 91,698,903</u>	<u>\$ 85,011,276</u>

The City implemented GASB Statement No. 65 for the fiscal year ended December 31, 2013. The data for the years prior to 2013 have not been restated to reflect this change.

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

2016	2017	2018	2019	2020	2021
\$ 53,761,795	\$ 51,619,818	\$ 52,841,757	\$ 55,251,058	\$ 57,231,399	\$ 63,616,350
7,985,005	10,148,969	10,669,064	12,010,154	13,016,751	14,520,448
6,198,728	6,429,057	4,002,493	606,645	6,818,193	10,777,178
<u>\$ 67,945,528</u>	<u>\$ 68,197,844</u>	<u>\$ 67,513,314</u>	<u>\$ 67,867,857</u>	<u>\$ 77,066,343</u>	<u>\$ 88,913,976</u>
\$ 20,175,284	\$ 19,633,107	\$ 24,427,831	\$ 25,051,384	\$ 25,893,184	\$ 25,706,792
7,114,210	8,141,500	4,795,461	7,973,508	8,917,914	11,920,351
<u>\$ 27,289,494</u>	<u>\$ 27,774,607</u>	<u>\$ 29,223,292</u>	<u>\$ 33,024,892</u>	<u>\$ 34,811,098</u>	<u>\$ 37,627,143</u>
\$ 73,767,221	\$ 71,083,067	\$ 77,099,730	\$ 77,575,875	\$ 80,404,602	\$ 86,695,415
7,985,005	10,148,969	10,669,064	12,010,154	13,016,751	14,520,448
13,482,796	14,740,415	8,967,812	11,306,720	18,456,088	25,325,256
<u>\$ 95,235,022</u>	<u>\$ 95,972,451</u>	<u>\$ 96,736,606</u>	<u>\$ 100,892,749</u>	<u>\$ 111,877,441</u>	<u>\$ 126,541,119</u>

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

**CHANGES IN NET POSITION**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,887,501	\$ 1,627,234	\$ 1,736,661	\$ 1,745,040
Public safety	6,521,313	6,376,307	6,798,718	7,182,527
Public works	4,645,155	5,056,146	5,013,472	5,969,047
Community development	325,135	373,328	636,758	2,977,696
Parks, arena, library	2,735,563	3,094,397	2,919,538	2,951,309
Economic development	-	-	-	-
Transportation	1,741,075	1,515,347	1,242,624	1,451,088
Interest on long-term debt	379,274	404,282	551,037	529,576
Total governmental activities	<u>18,235,016</u>	<u>18,447,041</u>	<u>18,898,808</u>	<u>22,806,283</u>
Business-type activities:				
Water and sewer	4,470,979	4,599,078	4,877,815	5,074,280
Storm water	275,587	345,602	355,362	474,826
Street light utility	189,369	213,425	188,003	219,110
Low rent housing	-	-	-	-
Total business-type activities	<u>4,935,935</u>	<u>5,158,105</u>	<u>5,421,180</u>	<u>5,768,216</u>
Total expenses	<u>\$ 23,170,951</u>	<u>\$ 23,605,146</u>	<u>\$ 24,319,988</u>	<u>\$ 28,574,499</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 656,529	\$ 726,655	\$ 715,482	\$ 782,536
Public safety	125,669	135,478	124,445	115,238
Public works	1,010,201	829,164	827,840	887,007
Community development	315,109	307,739	331,338	411,327
Parks, arena, and library	1,201,577	1,329,246	1,171,225	1,298,406
Economic development	-	-	-	-
Transportation	1,269,475	1,237,989	1,089,200	1,129,387
Operating grants and contributions	1,341,983	1,038,493	996,752	1,620,505
Capital grants and contributions	1,902,034	1,833,609	3,763,220	3,858,126
Total governmental activities	<u>7,822,577</u>	<u>7,438,373</u>	<u>9,019,502</u>	<u>10,102,532</u>
Business-type activities:				
Charges for services:				
Water and sewer	5,356,899	5,470,206	5,364,812	5,237,219
Storm water	370,478	387,389	417,218	434,623
Street light utility	208,311	210,869	210,407	209,767
Low rent housing	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	33,200	-
Total business-type activities	<u>5,935,688</u>	<u>6,068,464</u>	<u>6,025,637</u>	<u>5,881,609</u>
Total program revenues	<u>\$ 13,758,265</u>	<u>\$ 13,506,837</u>	<u>\$ 15,045,139</u>	<u>\$ 15,984,141</u>
<b>Net (expense) revenue:</b>				
Governmental activities	\$ (10,412,439)	\$ (11,008,668)	\$ (9,879,306)	\$ (12,703,751)
Business-type activities	999,753	910,359	604,457	113,393
Total net (expense) revenue	<u>\$ (9,412,686)</u>	<u>\$ (10,098,309)</u>	<u>\$ (9,274,849)</u>	<u>\$ (12,590,358)</u>

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

2016	2017	2018	2019	2020	2021
\$ 1,797,918	\$ 2,144,822	\$ 2,312,730	\$ 2,498,115	\$ 2,370,010	\$ 2,384,930
8,619,767	7,965,177	7,823,260	8,744,941	9,571,299	8,590,972
6,852,496	6,844,710	8,564,183	5,884,382	5,621,071	14,568,931
1,505,918	1,439,588	1,314,500	1,111,968	998,062	1,040,348
3,188,263	3,401,907	3,421,556	3,381,266	2,913,835	2,857,254
1,080,457	1,421,030	2,999,230	2,629,861	1,108,061	1,709,430
1,123,423	1,340,160	1,807,631	1,625,333	1,454,492	1,778,244
720,871	761,884	673,568	808,727	770,470	702,669
<u>24,889,113</u>	<u>25,319,278</u>	<u>28,916,658</u>	<u>26,684,593</u>	<u>24,807,300</u>	<u>33,632,778</u>
5,251,571	5,032,626	5,233,097	5,110,729	5,074,118	5,440,651
578,848	670,302	962,269	577,879	595,812	537,408
207,546	195,081	203,600	184,712	201,851	263,057
<u>2,089,427</u>	<u>2,187,495</u>	<u>2,152,091</u>	<u>2,448,288</u>	<u>2,259,945</u>	<u>2,483,493</u>
<u>8,127,392</u>	<u>8,085,504</u>	<u>8,551,057</u>	<u>8,321,608</u>	<u>8,131,726</u>	<u>8,724,609</u>
<u>\$ 33,016,505</u>	<u>\$ 33,404,782</u>	<u>\$ 37,467,715</u>	<u>\$ 35,006,201</u>	<u>\$ 32,939,026</u>	<u>\$ 42,357,387</u>
\$ 736,338	\$ 873,042	\$ 979,215	\$ 1,128,184	\$ 1,193,920	\$ 1,137,576
131,251	136,425	159,572	187,463	60,492	187,029
890,139	927,464	1,012,622	788,982	592,681	581,296
401,385	586,216	433,602	345,295	412,723	731,034
1,279,204	1,307,822	1,434,127	1,396,459	808,992	1,121,764
665,497	156,780	548,554	248,232	341,781	356,235
1,044,067	1,119,815	1,167,994	1,160,128	1,171,173	1,424,768
1,354,282	1,751,979	2,188,691	2,475,888	3,635,109	1,608,120
1,705,068	2,031,701	3,045,782	2,169,885	3,770,281	16,843,938
<u>8,207,231</u>	<u>8,891,244</u>	<u>10,970,159</u>	<u>9,900,516</u>	<u>11,987,152</u>	<u>23,991,760</u>
5,144,606	5,477,012	5,648,913	5,927,691	6,445,676	7,380,978
452,255	474,271	469,110	538,330	581,229	640,618
236,545	231,070	232,040	266,185	286,360	314,315
1,221,159	1,267,955	1,276,835	1,263,028	1,225,875	1,274,252
1,004,437	936,926	999,029	1,341,637	1,234,622	1,618,584
546,410	283,172	2,019,903	303,217	338,047	687,225
<u>8,605,412</u>	<u>8,670,406</u>	<u>10,645,830</u>	<u>9,640,088</u>	<u>10,111,809</u>	<u>11,915,972</u>
<u>\$ 16,812,643</u>	<u>\$ 17,561,650</u>	<u>\$ 21,615,989</u>	<u>\$ 19,540,604</u>	<u>\$ 22,098,961</u>	<u>\$ 35,907,732</u>
\$ (16,681,882)	\$ (16,428,034)	\$ (17,946,499)	\$ (16,784,077)	\$ (12,820,148)	\$ (9,641,018)
478,020	584,902	2,094,773	1,318,480	1,980,083	3,191,363
<u>\$ (16,203,862)</u>	<u>\$ (15,843,132)</u>	<u>\$ (15,851,726)</u>	<u>\$ (15,465,597)</u>	<u>\$ (10,840,065)</u>	<u>\$ (6,449,655)</u>

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

**CHANGES IN NET POSITION**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2012	2013	2014	2015
<b>General revenues</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 8,539,477	\$ 9,049,882	\$ 9,008,694	\$ 9,696,003
Tax increment	-	-	-	-
Franchise taxes	705,405	791,906	866,070	831,283
Unrestricted grants and contributions	1,682,623	1,679,437	2,305,804	2,394,985
Investment earnings	151,615	(94,910)	227,909	112,474
Gain on sale of capital assets	63,646	46,809	-	22,142
<i>Special item</i> -transfer of operations	-	-	-	-
Transfers of capital assets	(2,088,104)	(620,867)	(376,388)	(1,228,340)
Transfers	1,676,688	871,260	641,284	504,159
Total governmental activities	<u>10,731,350</u>	<u>11,723,517</u>	<u>12,673,373</u>	<u>12,332,706</u>
Business-type activities:				
Investment earnings	143,572	(53,852)	158,453	81,378
<i>Special item</i> -transfer of operations	-	-	-	-
Transfers of capital assets	2,088,104	620,867	376,388	1,228,340
Transfers	(1,676,688)	(871,260)	(641,284)	(504,159)
Total business-type activities	<u>554,988</u>	<u>(304,245)</u>	<u>(106,443)</u>	<u>805,559</u>
Total primary government	<u>\$ 11,286,338</u>	<u>\$ 11,419,272</u>	<u>\$ 12,566,930</u>	<u>\$ 13,138,265</u>
<b>Change in net position:</b>				
Governmental activities	\$ 318,911	\$ 714,849	\$ 2,794,067	\$ (371,045)
Business-type activities	1,554,741	606,114	498,014	918,952
Total primary government	<u>\$ 1,873,652</u>	<u>\$ 1,320,963</u>	<u>\$ 3,292,081</u>	<u>\$ 547,907</u>

The City implemented GASB Statement No. 65 for the fiscal year ended December 31, 2013. The data for the years prior to 2013 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.

2016	2017	2018	2019	2020	2021
\$ 10,750,860	\$ 11,474,071	\$ 12,537,845	\$ 13,308,981	\$ 14,102,051	\$ 14,866,306
1,489,243	1,592,883	1,704,835	1,846,876	1,821,727	2,192,026
952,548	959,278	1,231,567	1,202,803	1,203,096	1,343,648
2,413,328	2,419,988	2,523,081	2,530,003	4,333,360	2,786,142
87,758	94,130	60,967	577,459	243,202	(60,582)
-	-	-	8,457	54,160	-
5,748,785	-	-	-	-	-
(235,958)	(268,419)	(39,765)	-	-	-
697,536	408,419	622,342	(2,335,959)	261,038	361,111
<u>21,904,100</u>	<u>16,680,350</u>	<u>18,640,872</u>	<u>17,138,620</u>	<u>22,018,634</u>	<u>21,488,651</u>
55,919	40,211	15,085	147,161	67,161	(14,207)
(5,748,785)	-	-	-	-	-
235,958	268,419	39,765	-	-	-
(697,536)	(408,419)	(622,342)	2,335,959	(261,038)	(361,111)
(6,154,444)	(99,789)	(567,492)	2,483,120	(193,877)	(375,318)
<u>\$ 15,749,656</u>	<u>\$ 16,580,561</u>	<u>\$ 18,073,380</u>	<u>\$ 19,621,740</u>	<u>\$ 21,824,757</u>	<u>\$ 21,113,333</u>
\$ 5,222,218	\$ 252,316	\$ 694,373	\$ 354,543	\$ 9,198,486	\$ 11,847,633
(5,676,424)	485,113	1,527,281	3,801,600	1,786,206	2,816,045
<u>\$ (454,206)</u>	<u>\$ 737,429</u>	<u>\$ 2,221,654</u>	<u>\$ 4,156,143</u>	<u>\$ 10,984,692</u>	<u>\$ 14,663,678</u>

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

	2012	2013	2014	2015
General fund:				
Nonspendable	\$ 3,809,642	\$ 4,268,853	\$ 4,380	\$ 230,136
Committed	957,505	450,373	4,590,970	4,532,045
Assigned	-	-	-	-
Unassigned	3,955,633	4,108,579	4,785,607	5,565,047
Total general fund	<u>\$ 8,722,780</u>	<u>\$ 8,827,805</u>	<u>\$ 9,380,957</u>	<u>\$ 10,327,228</u>
All other governmental funds:				
Nonspendable	\$ 46,725	\$ 51,057	\$ 59,023	\$ 43,798
Restricted	6,995,130	6,801,470	6,493,717	5,100,398
Committed	57,196	76,497	31,318	70,335
Assigned	7,156,684	7,306,243	7,720,144	6,305,277
Unassigned	(3,392,931)	(5,182,781)	(4,338,417)	(3,802,574)
Total all other governmental funds	<u>\$ 10,862,804</u>	<u>\$ 9,052,486</u>	<u>\$ 9,965,785</u>	<u>\$ 7,717,234</u>

Table 3

2016	2017	2018	2019	2020	2021
\$ 159,052	\$ 28,014	\$ 154,244	\$ 25,354	\$ 180,942	\$ 61,169
4,534,560	4,590,970	4,530,411	4,590,970	4,590,970	4,590,970
40,000	-	-	-	-	-
5,937,374	6,727,827	7,556,363	8,369,719	10,096,324	10,066,816
<u>\$ 10,670,986</u>	<u>\$ 11,346,811</u>	<u>\$ 12,241,018</u>	<u>\$ 12,986,043</u>	<u>\$ 14,868,236</u>	<u>\$ 14,718,955</u>
\$ 21,766	\$ 32,360	\$ 60,216	\$ 36,411	\$ 61,864	\$ 73,341
8,635,769	9,209,309	9,863,540	11,048,099	12,216,166	13,847,601
76,411	92,997	58,948	69,434	34,785	39,984
4,872,096	5,828,520	6,638,058	5,922,358	8,708,642	10,454,617
(4,524,144)	(3,684,892)	(6,088,064)	(5,327,689)	(3,674,142)	(2,787,016)
<u>\$ 9,081,898</u>	<u>\$ 11,478,294</u>	<u>\$ 10,532,698</u>	<u>\$ 11,748,613</u>	<u>\$ 17,347,315</u>	<u>\$ 21,628,527</u>

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

	2012	2013	2014	2015
<b>Revenues:</b>				
General property taxes	\$ 8,597,727	\$ 9,085,565	\$ 9,027,021	\$ 9,747,891
Tax increment collections	-	-	-	-
Franchise tax	705,405	791,906	866,070	831,283
Licenses and permits	383,377	372,746	395,402	431,735
Intergovernmental	3,999,456	3,839,083	6,647,133	6,548,150
Charges for services	3,841,138	3,925,824	3,557,941	3,801,668
Fines and forfeits	110,989	122,889	110,101	114,036
Special assessments	714,315	774,148	609,138	919,986
Investment earnings	135,409	(87,396)	389,313	202,356
Miscellaneous	458,598	155,890	191,487	323,236
<b>Total revenues</b>	<b>18,946,414</b>	<b>18,980,655</b>	<b>21,793,606</b>	<b>22,920,341</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,764,732	1,683,436	1,646,776	1,682,914
Public safety	6,164,926	6,175,600	6,651,659	7,046,946
Public works	3,121,304	3,356,931	3,305,214	4,248,575
Community development	320,533	367,754	634,381	2,977,670
Parks, arena, library	2,338,037	2,632,734	2,815,556	2,642,155
Economic development	-	-	-	-
Transportation	1,510,919	1,256,277	1,031,466	1,235,002
<b>Capital outlay:</b>				
General government	115,580	22,809	149,036	10,503
Public safety	70,946	31,747	102,887	22,033
Public works	2,205,280	4,233,829	3,351,236	780,660
Community development	-	-	-	-
Parks, arena, library	336,110	169,048	2,806,200	5,371,405
Economic development	-	-	-	-
Transportation	-	128,495	1,480,101	2,059,104
<b>Debt service:</b>				
Principal retirement	1,239,475	1,109,899	1,835,301	841,698
Interest	371,311	417,851	563,423	607,213
Issuance costs, agents fees and other	108,678	-	165,111	119,403
<b>Total expenditures</b>	<b>19,667,831</b>	<b>21,586,410</b>	<b>26,538,347</b>	<b>29,645,281</b>
<b>Revenues over (under) expenditures</b>	<b>(721,417)</b>	<b>(2,605,755)</b>	<b>(4,744,741)</b>	<b>(6,724,940)</b>

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

	2016	2017	2018	2019	2020	2021
\$	10,751,762	\$ 11,480,512	\$ 12,486,686	\$ 13,274,116	\$ 14,145,852	\$ 14,897,752
	1,486,133	1,592,936	1,669,381	1,814,119	1,879,470	2,200,172
	952,548	959,278	1,231,567	1,202,803	1,203,096	1,343,648
	420,852	575,164	511,687	458,545	395,394	706,073
	4,208,174	5,393,386	6,494,654	6,040,374	11,523,472	21,072,274
	4,350,534	4,515,902	4,699,354	4,215,518	3,781,605	4,191,400
	117,860	127,612	149,058	171,489	112,523	143,838
	953,909	812,699	961,962	1,025,606	716,373	621,257
	162,063	152,668	133,174	565,832	250,393	(12,599)
	331,523	356,417	637,888	353,034	376,492	417,396
	<u>23,735,358</u>	<u>25,966,574</u>	<u>28,975,411</u>	<u>29,121,436</u>	<u>34,384,670</u>	<u>45,581,211</u>
	1,684,562	1,910,796	2,032,735	2,186,080	2,266,131	2,335,045
	7,124,128	7,508,245	7,980,738	8,415,366	8,941,533	8,975,231
	4,529,580	4,100,074	6,170,810	3,771,836	3,627,686	4,319,935
	1,457,182	1,367,223	1,281,470	1,073,812	1,019,701	1,045,108
	2,658,582	2,788,538	2,915,562	2,911,624	2,514,404	2,560,620
	590,544	1,120,588	1,635,613	1,851,508	803,534	770,878
	865,722	944,517	1,012,529	1,182,641	1,085,331	1,569,165
	91,007	72,952	274,089	197,758	197,251	91,511
	28,868	29,328	21,746	1,740,291	184,468	139,508
	1,666,132	1,597,552	2,461,494	5,315,883	3,393,075	16,269,355
	25,883	29,901	6,965	11,318	70	16,455
	2,398,178	766,394	97,512	75,675	106,353	10,575
	518,493	256,963	1,354,424	770,633	309,227	943,960
	38,360	236,418	659,817	68,289	27,131	226,619
	1,498,229	2,794,127	1,600,632	1,540,000	1,755,000	1,705,000
	758,037	720,937	769,914	764,095	933,918	831,426
	-	125,301	-	114,280	-	-
	<u>25,933,487</u>	<u>26,369,854</u>	<u>30,276,050</u>	<u>31,991,089</u>	<u>27,164,813</u>	<u>41,810,391</u>
	<u>(2,198,129)</u>	<u>(403,280)</u>	<u>(1,300,639)</u>	<u>(2,869,653)</u>	<u>7,219,857</u>	<u>3,770,820</u>

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

	2012	2013	2014	2015
Other financing sources (uses):				
Bonds issued	\$ -	\$ -	\$ 6,970,000	\$ 4,945,000
Refunding bonds issued	5,525,000	-	-	-
Premium on bonds issued	243,810	-	76,858	78,986
Payment to refunding escrow agent	-	-	(2,815,000)	-
Capital lease	-	29,202	-	-
Transfers in	1,676,688	1,158,688	1,855,965	2,894,745
Transfers out	-	(287,428)	(1,325,186)	(2,496,071)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>7,445,498</u>	<u>900,462</u>	<u>4,762,637</u>	<u>5,422,660</u>
Special item-transfer of operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 6,724,081</u>	<u>\$ (1,705,293)</u>	<u>\$ 17,896</u>	<u>\$ (1,302,280)</u>
Debt service as a percentage of noncapital expenditures	9.4%	8.9%	13.0%	6.8%
Debt service as percentage of total expenditures	8.2%	7.1%	9.0%	4.9%

2016	2017	2018	2019	2020	2021
\$ -	\$ 4,305,000	\$ -	\$ 6,705,000	\$ -	\$ -
-	-	-	-	-	-
-	347,176	-	461,552	-	-
(1,175,000)	-	-	-	-	-
-	-	-	-	-	-
2,112,312	2,383,854	1,729,954	2,507,204	1,252,910	2,340,044
(2,543,841)	(3,092,669)	(1,107,612)	(4,843,163)	(991,872)	(1,978,933)
-	-	26,908	-	-	-
(1,606,529)	3,943,361	649,250	4,830,593	261,038	361,111
5,513,080	-	-	-	-	-
<u>\$ 1,708,422</u>	<u>\$ 3,540,081</u>	<u>\$ (651,389)</u>	<u>\$ 1,960,940</u>	<u>\$ 7,480,895</u>	<u>\$ 4,131,931</u>
10.1%	14.4%	8.7%	9.2%	11.4%	7.6%
8.7%	13.3%	7.8%	7.2%	9.9%	6.1%

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

Last Ten Fiscal Years

(Unaudited)

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<u>Year</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>
2012	\$ 8,810,663	\$ 4,654,904	\$ 490,859	\$ 13,956,426
2013	7,820,300	4,637,390	506,130	12,963,820
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

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
\$ 1,201,111	\$ 15,157,537	56.466%	\$ 1,287,925,780	1.18%
1,086,403	14,050,223	63.280%	1,218,927,900	1.15%
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%

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

City of South St. Paul				
Fiscal Year	Operating Rate	Debt Service Rate	Library Rate	Total Direct Rate
2012	47.723%	4.462%	4.281%	56.466%
2013	53.229%	5.228%	4.823%	63.280%
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%

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				
32.306%	28.363%	6.639%	28.658%	124.069%	120.126%
35.478%	27.556%	8.466%	30.490%	137.714%	129.792%
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%

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

**Table 7**

Taxpayer	2021			2012		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Xcel Energy	\$ 435,134	1	2.20%	\$ 314,687	1	2.25%
Chicago & NW Trans. Co	362,289	2	1.83%	160,145	3	1.15%
Stag South Saint Paul LLC	252,706	3	1.28%			
Dakota Bulk Property LLC	206,686	4	1.05%	100,470	7	0.72%
Waterford Green Limited Partnership	164,865	5	0.83%	105,625	6	0.76%
CARS-DB4 LP	148,622	6	0.75%			
Leonard Investments LLC	140,688	7	0.71%	113,974	5	0.82%
Bridgepoint Business Center I, LLC	126,810	8	0.64%			
Waterous Co	125,776	9	0.64%	119,122	4	0.85%
Bridgepoint Business Center III, LLC	108,076	10	0.55%			
Blue Dog Properties Trust				200,948	2	1.44%
Jebco Group Inc				97,628	8	0.70%
Hardman Ave Properties LLC				75,824	9	0.54%
Digital Angel Holdings LLC				66,110	10	0.47%
Total	<u>\$ 2,071,652</u>		<u>10.48%</u>	<u>\$ 1,354,533</u>		<u>9.70%</u>
Total All Property	<u>\$ 19,772,708</u>			<u>\$ 13,956,426</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
2012	\$ 8,252,760	\$ 8,123,653	98.44%	\$ 129,107	\$ 8,252,760	100.00%
2013	8,644,354	8,508,414	98.43%	135,940	8,644,354	100.00%
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%	-	14,102,938	99.27%

\* 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	Capital Lease	Lease Revenue	
2012	\$ 10,881,988	\$ 3,065,301	\$ -	\$ 153,325	\$ 1,232,464	\$ -	\$ 15,333,078
2013	10,698,939	2,479,639	-	115,776	1,151,594	-	14,445,948
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

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

<sup>(a)</sup>See Table 14 for personal income and population data.

The decline in the Capital 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 <sup>(a)</sup>	Per Capita <sup>(a)</sup>
Sewer/Water/ Storm Revenue Bonds	Low Rent Housing Notes	Total Business-Type Activities				
\$ 2,325,000	\$ -	\$ 2,325,000	\$ 339	\$ 17,658,078	1.75%	\$ 871
2,206,000	-	2,206,000	316	16,651,948	1.62%	821
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	N/A	1,290

**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
2012	\$ 10,881,988	\$ 3,065,301	\$ -	\$ -	\$ 13,947,289
2013	10,698,939	2,479,639	-	-	13,178,578
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

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

<sup>(a)</sup>See Table 14 for population data.

<sup>(b)</sup>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 <sup>(b)</sup>	Per Capita <sup>(a)</sup>
\$ 8,669,465	\$ 2,325,000	\$ 7,602,824	54.48%	\$ 375
4,106,725	2,206,000	11,277,853	86.99%	556
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

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**CITY OF SOUTH ST. PAUL, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
December 31, 2021  
(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	\$ 44,705,000	100.0000%	\$ 44,705,000
ISD No. 199	51,215,000	0.0035%	1,777
Special Districts:			
Dakota County	-	0.0317%	-
Metropolitan Council	193,320,000	0.0301%	58,263
Subtotal - overlapping debt			44,765,040
City direct debt			21,768,729
Total direct and overlapping debt			\$ 66,533,769

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.

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

**Legal Debt Margin Calculation for Fiscal Year 2021**

Estimated Market Value	<u>\$ 1,875,807,300</u>
Debt limit (3% of market value)	<u>56,274,219</u>
Debt applicable to limit:	
General obligation bonds paid solely from Taxes	17,545,000
Less: amount available for payment on principal and interest	<u>(2,234,838)</u>
Total net debt applicable to limit	<u>15,310,162</u>
Legal debt margin	<u><u>\$ 40,964,057</u></u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 35,141,194	\$ 36,567,837	\$ 36,495,771	\$ 40,189,758
Total net debt applicable to limit	<u>2,003,665</u>	<u>1,617,530</u>	<u>8,309,446</u>	<u>11,132,869</u>
Legal debt margin	<u><u>\$ 33,137,529</u></u>	<u><u>\$ 28,318,241</u></u>	<u><u>\$ 28,186,325</u></u>	<u><u>\$ 29,056,889</u></u>
 Total net debt applicable to the limit as a percentage of debt limit	 5.70%	 4.42%	 22.77%	 27.70%

**Table 12**

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<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 40,518,789	\$ 42,334,533	\$ 46,406,619	\$ 49,169,385	\$ 54,229,194	\$ 56,274,219
<u>9,968,365</u>	<u>12,964,855</u>	<u>11,864,021</u>	<u>17,409,377</u>	<u>16,567,484</u>	<u>15,310,162</u>
<u>\$ 30,550,424</u>	<u>\$ 29,369,678</u>	<u>\$ 34,542,598</u>	<u>\$ 31,760,008</u>	<u>\$ 37,661,710</u>	<u>\$ 40,964,057</u>
24.60%	30.62%	25.57%	35.41%	30.55%	27.21%

**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	
2012	\$ 1,844,756	\$ 848,388	\$ 996,368	\$ 350,000	\$ 40,017	2.55
2013	1,998,510	899,670	1,098,840	119,000	43,911	6.75
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	50,006	6.35

Storm Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2012	\$ -	\$ -	\$ -	\$ -	\$ -	-
2013	-	-	-	-	-	-
2014	417,218	86,178	331,040	-	16,745	19.77
2015	434,623	195,822	238,801	-	27,264	8.76
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	24,940	3.75

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	
\$ 700,486	\$ 650,000	\$ 137,414	0.89	\$ -	\$ -	\$ -	-
766,089	585,000	113,814	1.10	-	-	-	-
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	1.05
-	-	-	-	1,364,827	1,410,000	49,878	0.93
-	-	-	-	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				

**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>
2012	20,275	\$ 1,010,647,925	\$ 49,847	4.90%
2013	20,290	1,028,439,230	50,687	4.10%
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	N/A	N/A	2.30%

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	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsmans' Guide	506	1	8.96%	500	1	6.84%
Special School District No 6	505	2	8.94%	467	2	6.39%
Bremer Bank	400	3	7.08%			
Fury Chrysler Dodge Jeep	271	4	4.80%			
American Bottling	250	5	4.43%	250	5	3.42%
City of South St. Paul	155	6	2.75%	189	8	2.59%
Sanimax	155	6	2.75%			
Wipaire, Inc.	130	8	2.30%	130	10	1.78%
Allstate Peterbilt- South St Paul	125	9	2.21%			
Davey Tree Service	122	10	2.16%			
Waterous Company				384	3	5.25%
Dakota Premium Foods				250	5	3.42%
Cerenity Care Center - Bethesda				250	5	3.42%
Wells Fargo Bank MN, NA				380	4	5.20%
Twin City Hide, Inc				170	9	2.33%
<b>Total</b>	<b>2,619</b>		<b>46.39%</b>	<b>2,970</b>		<b>40.63%</b>
<b>Total city employment</b>	<b>5,646</b>			<b>7,309</b>		

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	2012	2013	2014	Full-Time 2015
General government:				
Management services	5.00	5.30	5.80	5.95
Finance	3.05	3.55	3.65	3.65
Planning	1.00	1.00	1.00	1.00
Building	1.00	1.00	1.00	1.05
Police:				
Officers	27.00	27.00	28.00	28.00
Civilians	4.50	4.50	4.50	4.50
Animal control *	0.25	0.25	-	-
Community Development:				
Licensing & Code Enforcement	-	-	-	-
Planning & Zoning Administration	-	-	-	-
Economic Development	-	-	-	-
Housing Division	-	-	-	-
Other public works:				
Engineering	3.42	3.00	3.09	3.09
Code enforcement	2.25	2.25	2.25	2.25
Public works	10.00	11.00	11.86	11.66
Parks and recreation	5.60	5.60	5.95	6.18
Library	6.25	6.68	6.75	6.70
Arena	2.40	2.40	2.05	2.05
Airport	1.10	1.10	2.10	2.10
Water and Sewer	6.18	6.90	7.05	7.05
Central Garage	2.00	2.10	2.30	2.20
<b>Total</b>	<b>81.00</b>	<b>83.63</b>	<b>87.35</b>	<b>87.43</b>

Source: City Budget Office - excludes seasonal employees

\* = In 2014 Animal Control personnel were moved into the police civilians.

\*\* = 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,						
2016 **	2017	2018	2019	2020	2021	
5.25	5.35	6.10	6.10	6.10	6.10	6.10
3.45	3.20	3.20	3.20	3.20	3.20	3.20
-	-	-	-	-	-	-
1.00	1.10	1.20	1.20	1.20	1.20	1.20
28.00	28.00	28.00	30.00	31.00	31.00	31.00
4.50	4.50	7.50	6.50	7.00	7.00	7.00
-	-	-	-	-	-	-
3.25	2.75	2.90	3.90	3.90	3.90	2.40
2.00	2.00	1.50	1.50	1.50	1.50	3.00
1.75	2.00	1.50	1.50	1.55	1.55	1.50
1.75	5.50	6.50	2.50	0.95	0.95	2.00
4.70	4.70	4.00	4.00	3.00	3.00	3.00
-	-	-	-	-	-	-
12.10	11.90	14.90	13.90	13.90	13.90	14.60
6.68	6.67	6.67	6.67	6.67	6.67	6.67
6.82	7.55	7.35	6.80	6.71	6.71	6.71
3.05	3.05	3.05	4.15	4.15	4.15	6.15
2.60	2.60	2.60	2.60	2.60	2.60	2.60
6.80	6.80	6.50	6.50	7.50	7.50	6.80
2.20	2.20	2.20	2.20	2.20	2.20	2.20
<u>95.90</u>	<u>99.87</u>	<u>105.67</u>	<u>103.22</u>	<u>103.13</u>	<u>103.13</u>	<u>106.13</u>

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

Function/Program	2012	2013	2014	2015
<b>Police:</b>				
Calls for Service	22,089	20,792	20,941	20,639
Part I offenses	658	622	577	625
Part II offenses	2,820	1,447	2,798	3,029
Felony charges	350	188	184	187
DUI	357	49	76	229
Traffic Accidents	375	277	285	299
Traffic Violations	2,567	2,095	1,569	1,449
<b>Recycling</b>				
Appliances collected	145	79	85	92
Appliances (pounds) *	N/A	N/A	N/A	N/A
Scrap metal recycled	12,500	8,500	8,000	6,000
Electronics (pounds)	6,850	13,589	8,335	7,811
<b>City Planner</b>				
Site Plan reviews	-	2	3	3
Planning/zoning cases reviewed	30	41	28	33
<b>Other public works:</b>				
Segments of streets/alleys rehabbed	19	17	19	34
<b>Parks and recreation:</b>				
Splash pool users**	11,632	8,181	7,005	10,847
Northview pool users**	8,110	7,627	3,006	7,039
<b>Library:</b>				
Charged circulation (usage)	121,915	131,968	135,581	125,775
<b>Arena:</b>				
Ice rented (hours)	3,590	3,713	2,841	2,983
<b>Transportation:</b>				
Fuel sold (gallons)	160,784	158,191	140,255	133,957
Aircraft operations	60,020	63,720	62,130	55,250
<b>Water:</b>				
Utility customers	6,927	6,975	6,984	6,987
Pumpage/year (millions of gallons)	1,095	1,190	1,127	841
<b>Wastewater:</b>				
Sewage treatment (millions of gallons)	1,314	1,254	1,214	1,092

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

Table 17

2016	2017	2018	2019	2020	2021
22,659	26,876	26,671	29,852	31,560	29,247
736	585	572	536	572	606
3,326	3,106	3,440	3,974	839	762
226	259	223	279	284	163
128	113	199	133	97	180
272	264	306	325	251	221
1,211	1,229	1,310	1,204	885	845
80	N/A	N/A	N/A	N/A	N/A
N/A	5,400	4,000	4,800	4,500	4,034
6,609	7,060	6,080	6,540	6,200	4,200
5,500	2,640	8,030	5,648	7,626	6,000
4	3	5	6	7	5
33	40	30	29	38	39
22	14	6	8	-	5
9,460	8,553	9,928	7,840	-	4,759
6,111	5,995	7,426	6,720	-	-
119,492	118,322	112,997	116,377	68,100	86,512
3,302	3,928	3,019	3,477	3,150	4,111
142,074	137,737	136,454	143,148	167,365	219,406
55,000	56,650	58,350	60,100	61,903	63,760
6,989	6,984	6,992	6,999	7,017	7,027
783	735	728	707	724	718
1,104	1,055	1,044	1,009	1,192	1,093

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

Function/Program	2012	2013	2014	2015
Police:				
Stations	1	1	1	1
Patrol units	19	17	17	17
Other public works:				
Streets (miles)	73.1	73.1	73.1	73.1
Highways (miles) <sup>(a)</sup>	13.9	13.9	13.9	13.9
Streetlights <sup>(b)</sup>	1,112	1,112	1,112	1,112
Traffic signals <sup>(a)</sup>	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)	46.2	46.8	46.8	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.

N/A - information is not available

<sup>(a)</sup> not under City jurisdiction

<sup>(b)</sup> not all under City jurisdiction

**Table 18**

2016	2017	2018	2019	2020	2021
1	1	1	1	1	1
17	17	18	19	19	19
73.1	73.1	73.1	73.1	73.1	73.1
13.9	13.9	13.9	13.9	13.9	13.9
1,112	1,112	1,365	1,407	1,407	1,407
15.0	15.0	15.0	13.0	13.0	13.0
15	15	15	15	15	15
245	245	245	245	245	245
3	3	3	3	3	3
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

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Management Report  
for  
City of South St. Paul, Minnesota  
December 31, 2021

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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, 2021. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Legislative Updates
- 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 23, 2022

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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 (CFR) 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, 2021. 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, in our audit engagement letter, and in a separate letter dated March 31, 2022. 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 OPINION AND FINDINGS**

Based on our audit of the City's financial statements for the year ended December 31, 2021:

- We have issued an unmodified opinion 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.
- We reported two matters involving the internal control over compliance that we consider to be a material weakness and significant deficiency with the types of compliance requirements that could have a direct and material effect on each of the City's major federal programs, one of which resulted in a reportable instance of noncompliance:
  - The City did not have sufficient controls in place to ensure completeness of the Schedule of Expenditures of Federal Awards, resulting in a material weakness in internal control over compliance.
  - The City did not have sufficient controls in place to ensure compliance with federal special tests and provisions requirements applicable to the Public and Indian Housing federal program regarding the waiting list, which resulted in a significant deficiency in internal control over compliance, reportable noncompliance, and a qualified opinion on compliance for this program.

- We reported two findings based on our testing of the City’s compliance with Minnesota laws and regulations:
  - For one group insurance contract tested, the City did not comply with Minnesota Statutes, which requires the request for proposal to be in writing and at a minimum shall include: coverage to be provided, criteria for evaluation of proposals, and the aggregate claims records for the appropriate period. Public notice of the request for proposals must be provided in a newspaper or trade journal at least 21 days before the final date for submitting proposals.
  - For city deposits that exceeded federal deposit insurance coverage, the City did not comply with Minnesota Statutes which requires corporate surety bonds or collateral that has a market value of at least 110 percent of such excess.

## **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, 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 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, 2021.

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 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:

- **Other Post-Employment Benefits (OPEB) and Pension Liabilities** – The City has recorded liabilities and activity for pension benefits and OPEB. These obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement Nos. 68 and 75. These 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.
- **Land Held for Resale** – These assets are stated at net realizable value based on management's estimates.
- **Compensated Absences** – Management's estimates are based on current rates of pay.
- **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 23, 2022.

## **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.

## **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

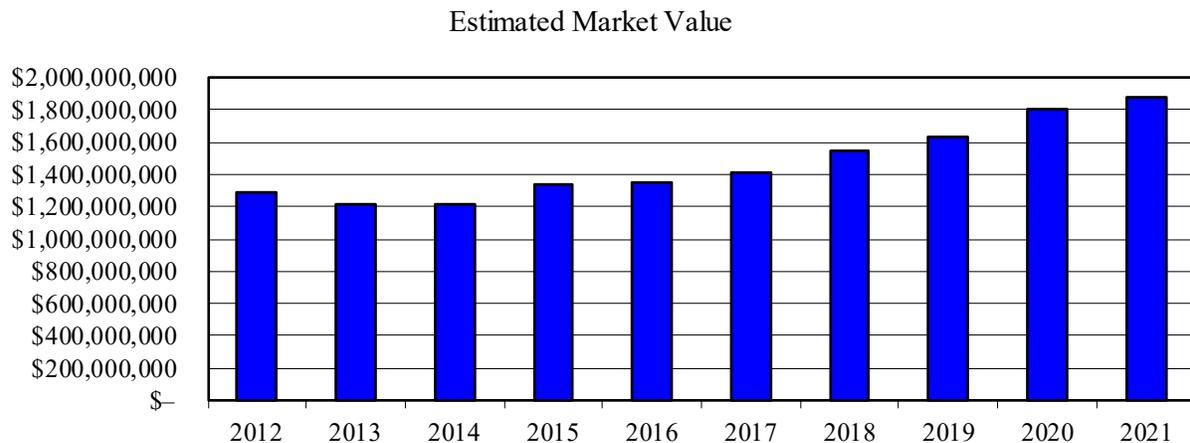
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its 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 2020 fiscal year, local ad valorem property tax levies provided 40.9 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.5 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2021 increased 4.0 percent compared to the prior year, and 5.9 percent for taxes payable in 2022.

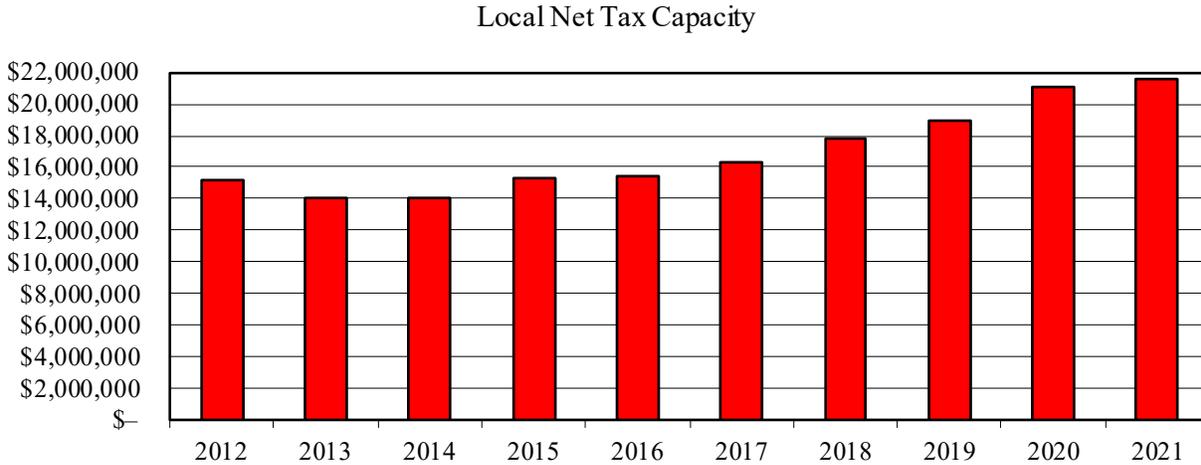
The total tax capacity value of property in Minnesota cities increased about 6.3 percent for the 2021 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2021 were based on assessed market values as of January 1, 2020), 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 10.3 percent in 2020 and 3.8 percent in 2021. 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 11.1 percent for taxes payable in 2020 and increased 2.4 percent for taxes payable in 2021.

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:

<b>Rates Expressed as a Percentage of Net Tax Capacity</b>			
	City of South St. Paul		
	2019	2020	2021
<b>Average tax rate</b>			
City	64.6	60.8	63.4
County	23.0	21.8	20.6
School	29.6	28.9	30.3
Special taxing	8.2	7.6	7.7
<b>Total</b>	<u>125.4</u>	<u>119.1</u>	<u>122.0</u>

The City’s portion of the tax capacity rates for South St. Paul residents, as well as the total tax capacity rate, increased from the prior year.

## GOVERNMENTAL FUNDS REVENUE AND EXPENDITURES

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.

<b>Governmental Funds Revenue per Capita</b> With State-Wide Averages by Population Class							
Year	State-Wide			City of South St. Paul			
	December 31, 2020			2019	2020	2021	
Population	2,500–10,000	10,000–20,000	20,000–100,000	20,487	20,759	20,800	
Property taxes	\$ 540	\$ 517	\$ 537	\$ 648	\$ 681	\$ 716	
Tax increments	34	33	44	89	91	106	
Franchise and other taxes	49	60	46	59	58	65	
Special assessments	54	39	54	50	35	30	
Licenses and permits	36	39	46	22	19	34	
Intergovernmental revenues	474	367	273	295	555	1,013	
Charges for services	113	89	91	206	182	202	
Other	83	69	69	53	36	26	
<b>Total revenue</b>	<b>\$ 1,383</b>	<b>\$ 1,213</b>	<b>\$ 1,160</b>	<b>\$ 1,422</b>	<b>\$ 1,657</b>	<b>\$ 2,192</b>	

The City's governmental fund revenues for 2021 were \$45,581,211, an increase of \$11,196,541 (32.6 percent) from the prior year. On a per capita basis, the City received \$2,192 in governmental fund revenue for 2021, which is an increase of \$535 from the prior year. The majority of this increase was in intergovernmental revenues, which increased \$458 per capita due to the federal grant and county funds received for the Concord Street improvement project in the current year.

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:

<b>Governmental Funds Expenditures per Capita</b> With State-Wide Averages by Population Class							
Year	State-Wide			City of South St. Paul			
	December 31, 2020			2019	2020	2021	
Population	2,500–10,000	10,000–20,000	20,000–100,000	20,487	20,759	20,800	
<b>Current</b>							
General government	\$ 176	\$ 140	\$ 118	\$ 107	\$ 109	\$ 112	
Public safety	315	288	320	411	431	432	
Street maintenance	146	122	112	184	175	208	
Parks and recreation	100	112	95	142	121	123	
All other	95	108	104	201	140	163	
Total current	<u>832</u>	<u>770</u>	<u>749</u>	<u>1,045</u>	<u>976</u>	<u>1,038</u>	
Capital outlay and construction	586	429	331	399	203	851	
<b>Debt service</b>							
Principal	172	149	91	75	85	82	
Interest and fiscal charges	45	42	33	43	45	40	
Total debt service	<u>217</u>	<u>191</u>	<u>124</u>	<u>118</u>	<u>130</u>	<u>122</u>	
Total expenditures	<u>\$ 1,635</u>	<u>\$ 1,390</u>	<u>\$ 1,204</u>	<u>\$ 1,562</u>	<u>\$ 1,309</u>	<u>\$ 2,011</u>	

Total expenditures in the City’s governmental funds for 2021 were \$41,810,391, an increase of \$14,645,578 (53.9 percent) from the prior year. On a per capita basis, the City expended a total of \$2,011 in 2021, an increase of \$702. Current expenditures increased \$62 per capita, mainly in street maintenance and all other. Street maintenance increased, due to design work for renovations at city sites and sidewalk repairs. All other increased, due to the design for runway reconstruction at the airport. Capital outlay costs increased \$648 per capita, primarily due to the Concord Street improvement project. Debt service expenditures were \$8 lower than last year, due to scheduled bond principal payments. The City’s current operating costs are higher than average, due to above average public safety, street maintenance, parks and recreation, and all other costs.

## GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the years ended December 31, 2020 and 2021, presented both by fund balance classification and by fund:

<b>Governmental Funds Change in Fund Balance</b>			
	Fund Balance as of December 31,		Change
	2020	2021	
Fund balances of governmental funds			
Total by classification			
Nonspendable	\$ 242,806	\$ 134,510	\$ (108,296)
Restricted	12,216,166	13,847,601	1,631,435
Committed	4,625,755	4,630,954	5,199
Assigned	8,708,642	10,454,617	1,745,975
Unassigned	6,422,182	7,279,800	857,618
Total governmental funds	<u>\$ 32,215,551</u>	<u>\$ 36,347,482</u>	<u>\$ 4,131,931</u>
Total by fund			
General	\$ 14,868,236	\$ 14,718,955	\$ (149,281)
ARPA	-	2,444	2,444
Doug Woog Arena	(989,435)	(837,702)	151,733
Airport	22,877	(36,352)	(59,229)
Capital Programs	8,410,351	10,199,952	1,789,601
Local Improvements	(2,217,545)	(1,509,673)	707,872
Tax Increment	4,408,250	5,078,119	669,869
Other governmental funds	7,712,817	8,731,739	1,018,922
Total governmental funds	<u>\$ 32,215,551</u>	<u>\$ 36,347,482</u>	<u>\$ 4,131,931</u>

In total, the fund balances of the City's governmental funds increased by \$4,131,931 during the year ended December 31, 2021. Restricted fund balance increased by \$1,631,435, mainly in restricted balances for tax increment financing and economic development. Assigned fund balance increased \$1,745,975 in assigned balances for working capital in the Capital Programs Fund. Unassigned fund balance increased by \$857,618, mainly due to the improved fund balance in the Local Improvements Fund.

**Doug Woog Arena Fund** – This fund had an increase in fund balance of \$151,733. In 9 of the last 10 years, this fund has had to borrow from other funds to fund cash flow needs. The interfund borrowing totals \$802,214 at December 31, 2021.

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.

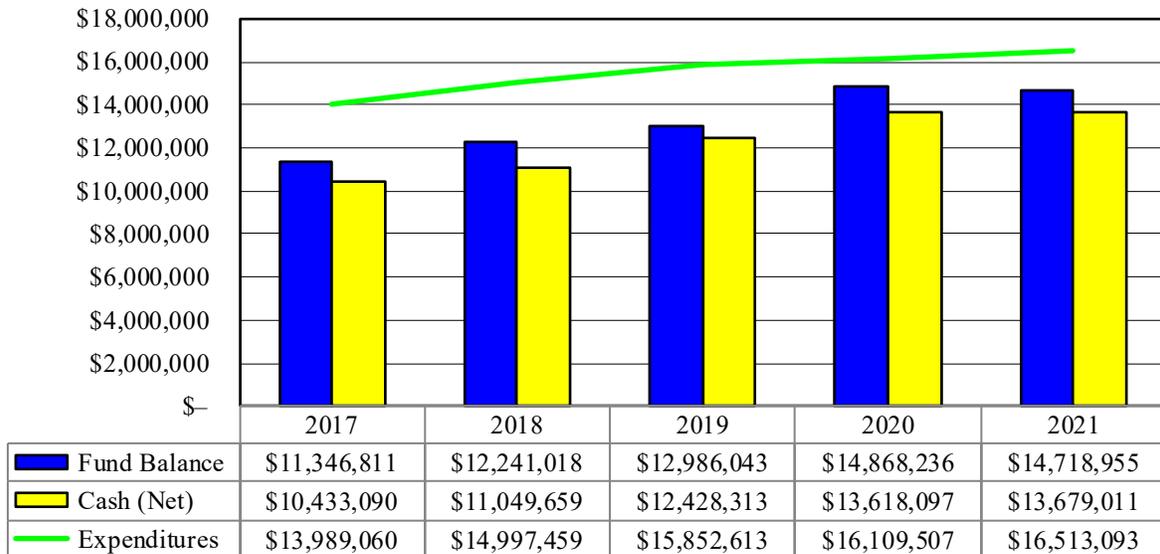
**Airport Fund** – This fund had a decrease in fund balance of \$59,229. In 9 of the last 10 years, this fund has been able to decrease the amount borrowed from other funds to fund cash flow needs. The interfund borrowing totals \$95,220 at December 31, 2021.

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 the completion of the plan in place for 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,

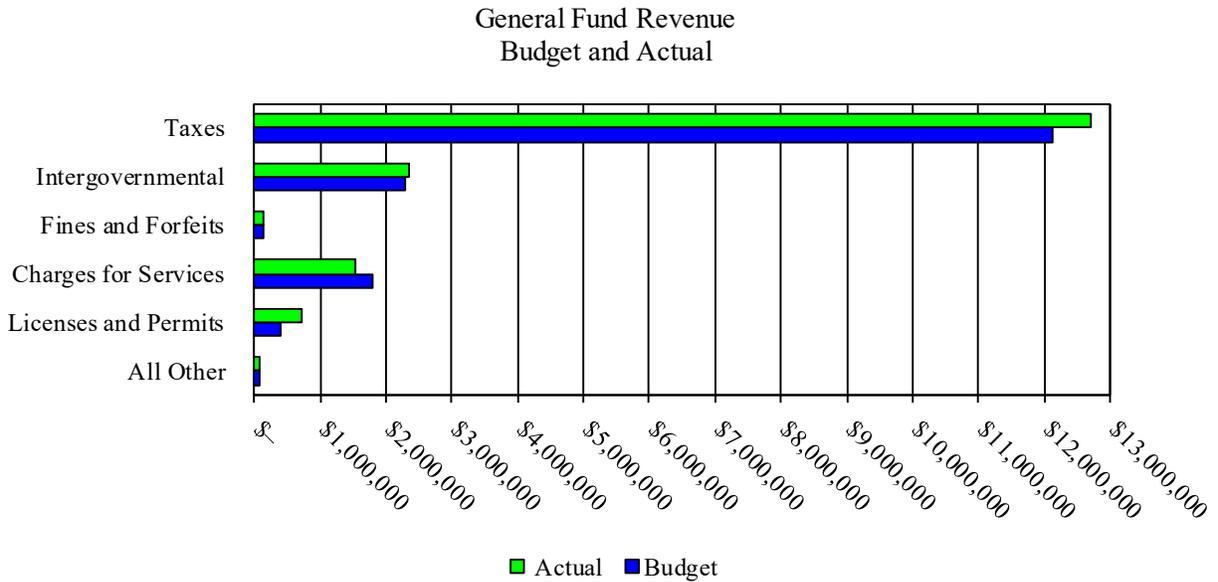


The City's General Fund cash and investments balance (net of borrowing) at December 31, 2021 was \$13,679,011, an increase of \$60,914. Total fund balance at December 31, 2021 was \$14,718,955, which is a decrease of \$149,281 from the prior year.

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.

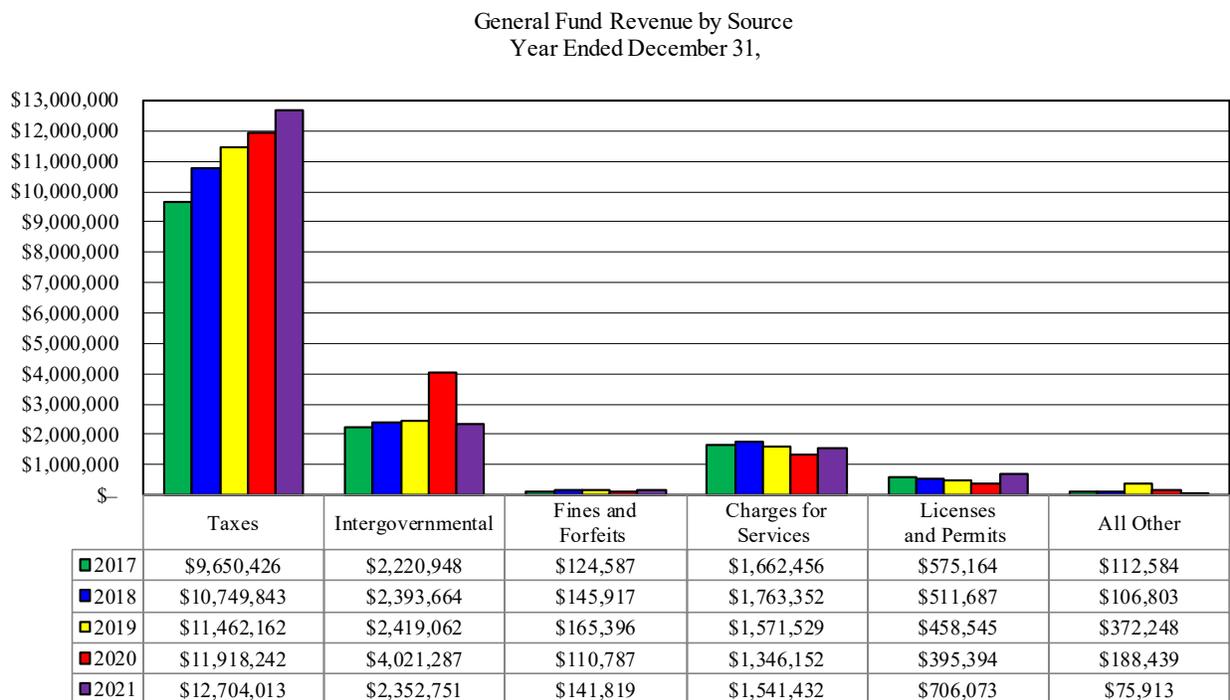
The City has an approved fund balance policy that states the General Fund will maintain a minimum unassigned fund balance of 35.0 to 50.0 percent of the subsequent year's budgeted expenditures. At December 31, 2021, the City's General Fund unassigned fund balance was 56.1 percent of the subsequent year's budgeted expenditures.

The following graph reflects the City’s General Fund revenue sources for 2021 compared to budget:



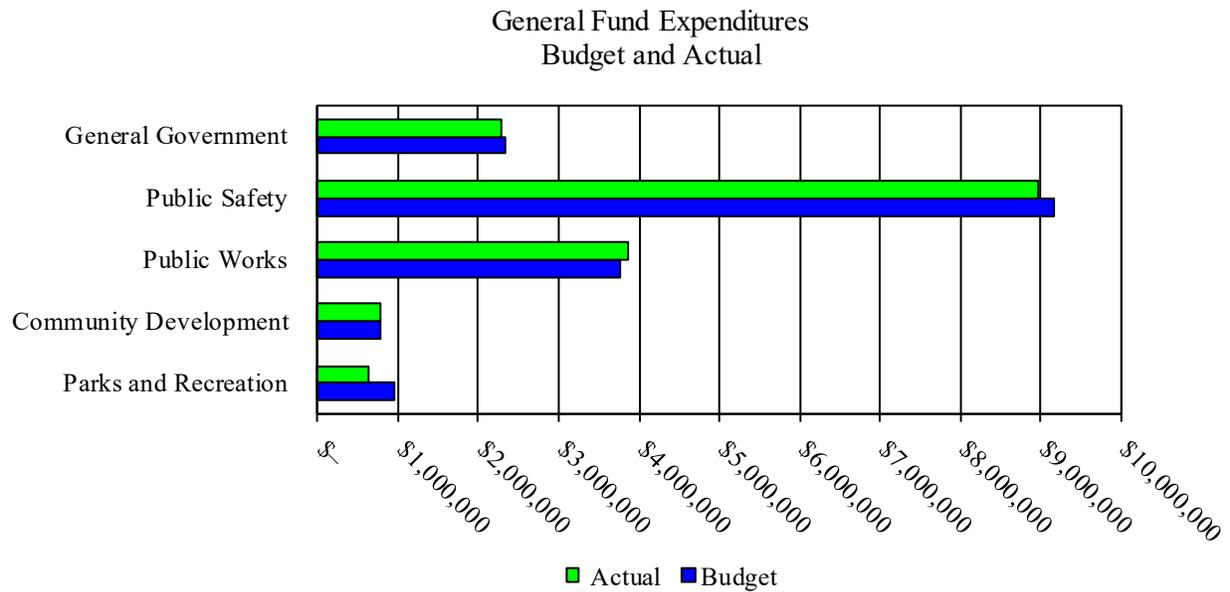
General Fund revenue for 2021 was \$17,522,001, which was \$667,555 (4.0 percent) more than budget. Taxes were \$575,365 over budget, primarily due to excess tax increment financing and delinquent tax collections being more than anticipated. Licenses and permits were \$315,313 over budget, due to more than anticipated building activity.

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



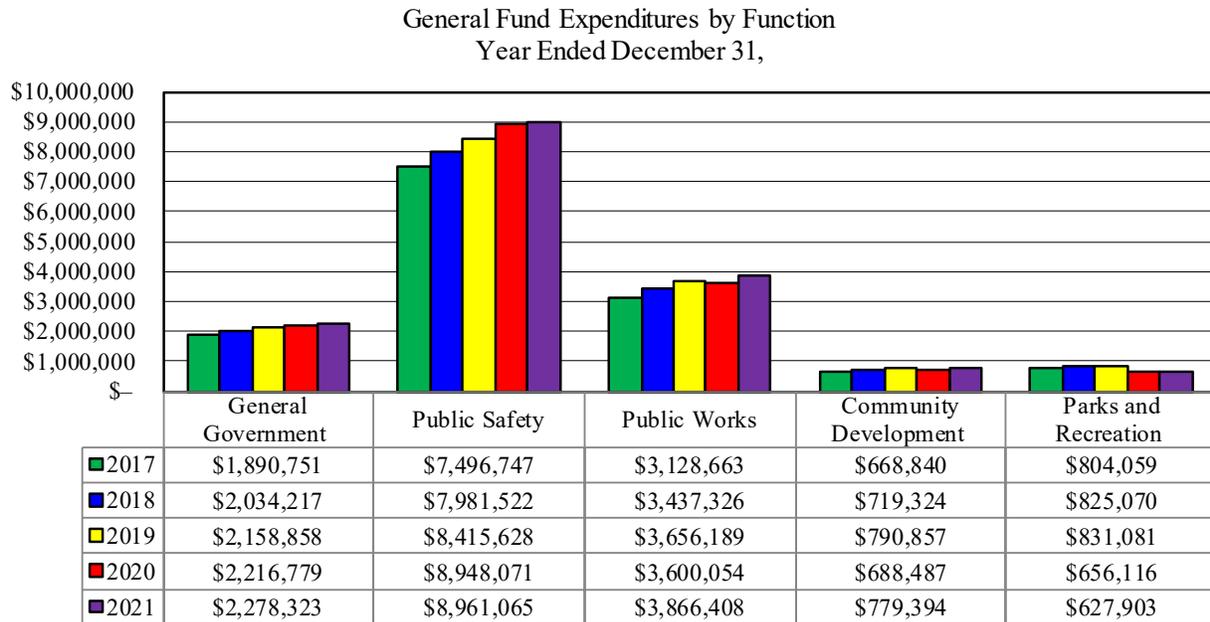
Total General Fund revenue for 2021 was \$458,300 (2.5 percent) lower than last year, mainly in intergovernmental revenue offset by an increase in taxes. Intergovernmental revenues decreased \$1,668,536, due to receipt of the Coronavirus Relief Funds (CRF) in the prior year. This decrease was offset by an increase in taxes of \$785,771, due to an increase in the levy as approved by the City Council and excess tax increment financing received.

The following graph illustrates the components of General Fund spending for 2021 compared to budget, excluding the contingency category:



General Fund expenditures for 2021 were \$16,513,093, which was \$531,353 (3.1 percent) under budget. Parks and recreation expenditures were \$324,330 under budget, mainly due to lower than anticipated personnel costs and lower maintenance for recreation facilities that were closed. Public safety expenditures were \$197,781 under budget, mainly in police personnel costs.

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



Total General Fund expenditures for 2021 were \$403,586 (2.5 percent) higher than the previous year, mainly due to the increase in the public works function. Public works expenditures increased \$266,354, due to the purchase of a trackless sidewalk plow in the current year.

## 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 years ended December 31, 2020 and 2021, presented both by classification and by fund:

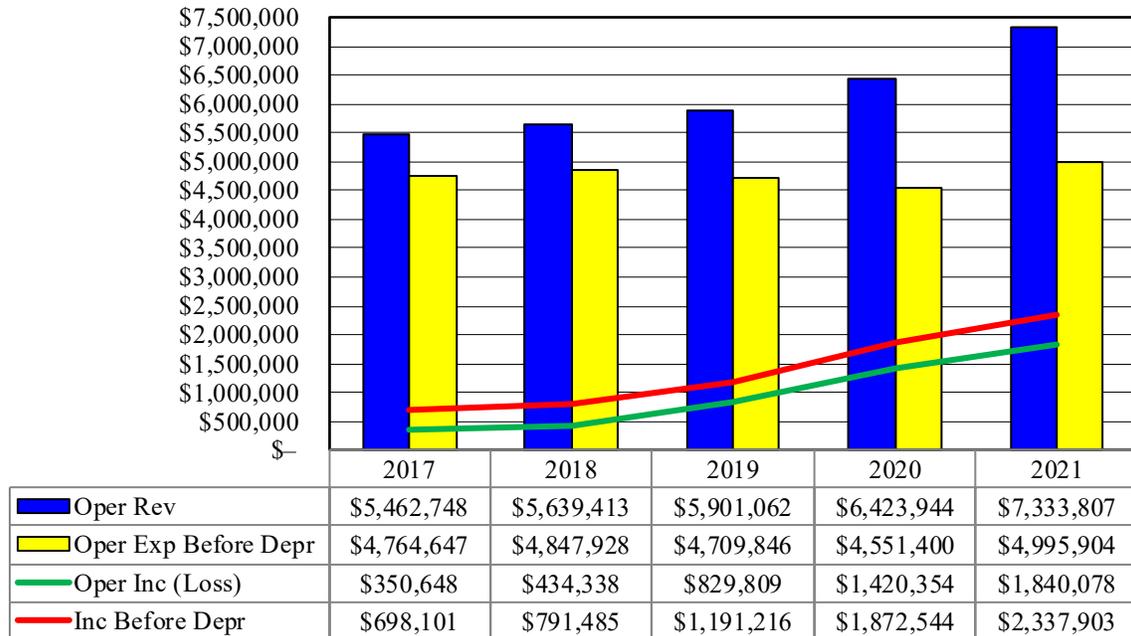
<b>Enterprise Funds Change in Financial Position</b>			
	Net Position as of December 31,		Change
	2020	2021	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 25,893,184	\$ 25,706,792	\$ (186,392)
Unrestricted	<u>9,415,522</u>	<u>12,251,143</u>	<u>2,835,621</u>
Total enterprise funds	<u>\$ 35,308,706</u>	<u>\$ 37,957,935</u>	<u>\$ 2,649,229</u>
Total by fund			
Water and Sewer Utility	\$ 20,744,514	\$ 22,221,626	\$ 1,477,112
Storm Water Utility	7,663,224	8,199,122	535,898
Street Light Utility	338,062	368,536	30,474
Low Rent Housing	<u>6,562,906</u>	<u>7,168,651</u>	<u>605,745</u>
Total enterprise funds	<u>\$ 35,308,706</u>	<u>\$ 37,957,935</u>	<u>\$ 2,649,229</u>

In total, the net position of the City’s enterprise funds increased \$2,649,229 during the year ended December 31, 2021, mainly in unrestricted net position. Unrestricted net position increased due to positive operating results in each of the enterprise funds noted above.

## WATER AND SEWER UTILITY FUND

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

Water and Sewer Utility Fund  
Year Ended December 31,



The Water and Sewer Utility Fund ended 2021 with a total net position of \$22,221,626, an increase of \$1,477,112 from the prior year. Of this, \$14,306,137 represents the net investment in utility distribution system capital assets, leaving \$7,915,489 of unrestricted net position.

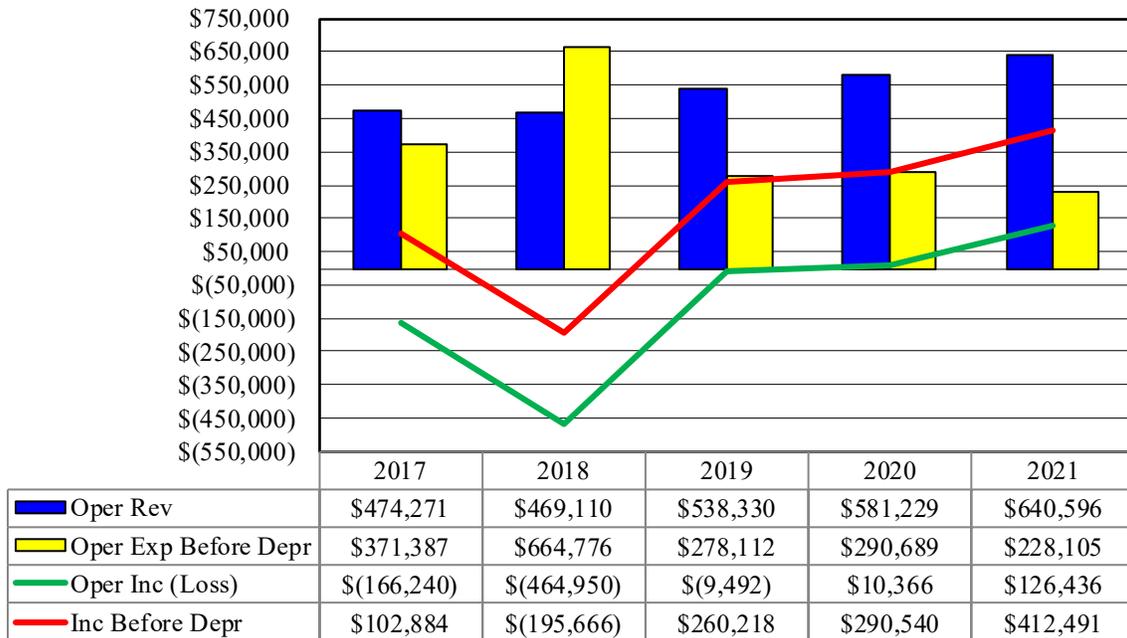
Operating revenue in the Water and Sewer Utility Fund was \$7,333,807, an increase of \$909,863 (14.2 percent) from the prior year, due to the increased rates and consumption.

Water and Sewer Utility Fund operating expenses before depreciation for 2021 were \$4,995,904, an increase of \$444,504 (9.8 percent) from the previous year. The largest factor contributing to the change was due to additional maintenance, an increase in utility costs, and an increase in professional services.

## STORM WATER UTILITY FUND

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

Storm Water Utility Fund  
Year Ended December 31,



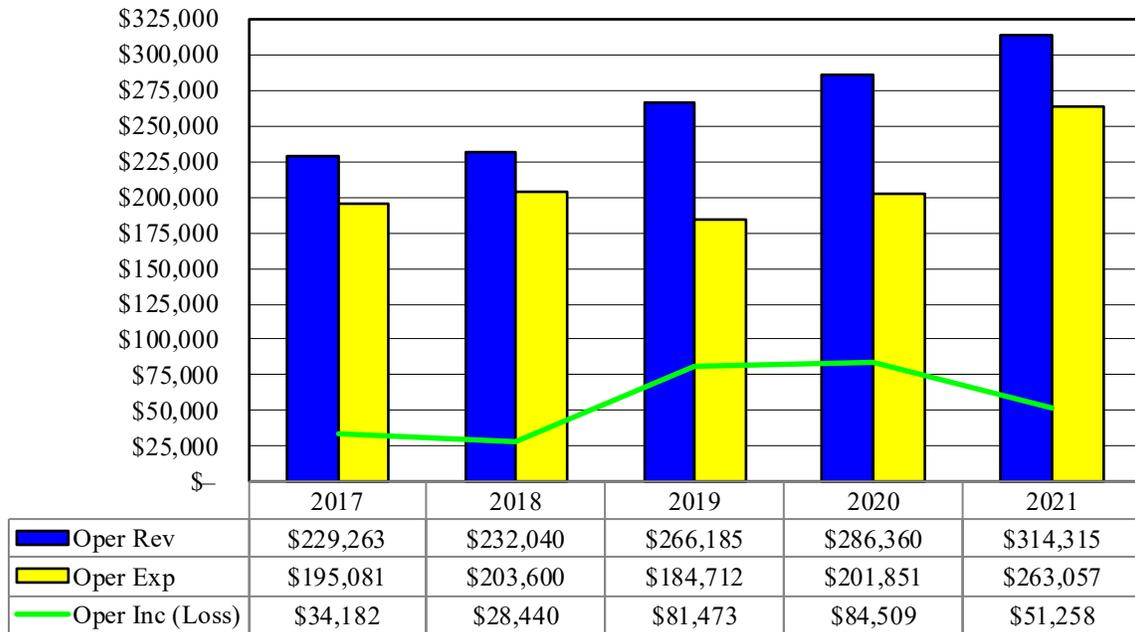
The Storm Water Utility Fund ended 2021 with a total net position of \$8,199,122, an increase of \$535,898 from the prior year. Of this, \$7,673,439 represents the City's net investment in its storm water collection system capital assets, leaving an unrestricted net position of \$525,683.

Operating revenue in the Storm Water Utility Fund was \$640,596, an increase of \$59,367 (10.2 percent) from the prior year, due to the rate increase. Storm Water Utility Fund operating expenses before depreciation for 2021 were \$228,105, a decrease of \$62,584 (21.5 percent), mainly in materials and supplies.

## STREET LIGHT UTILITY FUND

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

Street Light Utility Fund  
Year Ended December 31,

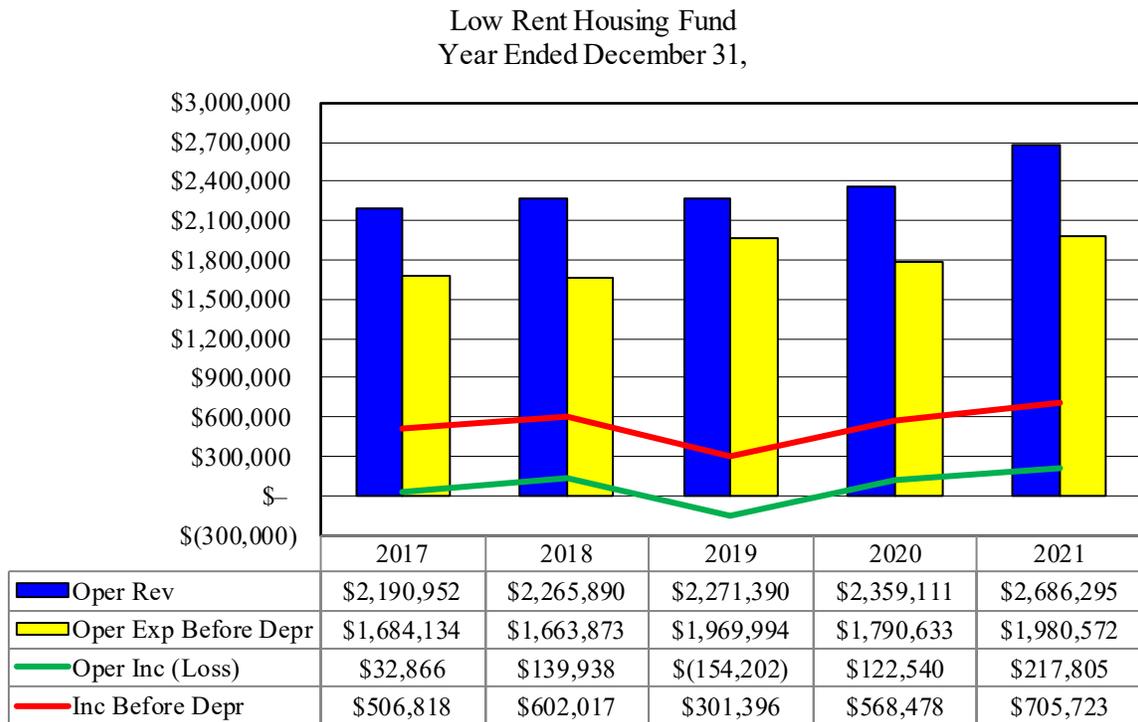


The Street Light Utility Fund ended 2021 with a total net position of \$368,536, an increase of \$30,474 from the prior year. This entire balance represents unrestricted net position.

Street Light Utility Fund operating revenue for fiscal 2021 was \$314,315, an increase of \$27,955 (9.8 percent) from the prior year, due to a rate increase. Operating expenses for 2021 were \$263,057, an increase of \$61,206 (30.3 percent), mainly due to increased materials, supplies, and contractual services.

## 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 2021 with a total net position of \$7,168,651, an increase of \$605,745 from the prior year. Of this, \$3,727,216 represents the investment in low rent housing capital assets, leaving \$3,441,435 of unrestricted net position.

Operating revenue in the Low Rent Housing Fund was \$2,686,295, an increase of \$327,184 (13.9 percent) from the prior year.

Low Rent Housing Fund operating expenses before depreciation for 2021 were \$1,980,572, an increase of \$189,939 (10.6 percent) from the previous year, mainly in increased contractual service costs, due to higher maintenance costs.

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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, the Statement of Net Position divides the net position into three components:

- **Net Investment in Capital Assets** – The portion of net position reflecting equity in capital assets (i.e., capital assets minus related debt).
- **Restricted Net Position** – The portion of net position equal to resources whose use is legally restricted minus any noncapital-related liabilities payable from those same resources.
- **Unrestricted Net Position** – The residual balance of net position after the elimination of net investment in capital assets and restricted net position.

The following table presents the components of the City’s net position as of December 31, 2020 and 2021, for governmental activities and business-type activities:

	As of December 31,		Change
	2020	2021	
Net position			
Governmental activities			
Net investment in capital assets	\$ 57,231,399	\$ 63,616,350	\$ 6,384,951
Restricted	13,016,751	14,520,448	1,503,697
Unrestricted	6,818,193	10,777,178	3,958,985
Total governmental activities	<u>77,066,343</u>	<u>88,913,976</u>	<u>11,847,633</u>
Business-type activities			
Net investment in capital assets	25,893,184	25,706,792	(186,392)
Unrestricted	8,917,914	11,920,351	3,002,437
Total business-type activities	<u>34,811,098</u>	<u>37,627,143</u>	<u>2,816,045</u>
Total net position	<u>\$ 111,877,441</u>	<u>\$ 126,541,119</u>	<u>\$ 14,663,678</u>

Net position for governmental activities increased by \$11,847,633 in 2021, as presented above. The net investment in capital assets increased \$6,384,951 this year, mainly due to the significant amount of construction activity in the current year. 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 \$1,503,697, mainly due to the increase in restricted balances for tax increment financing and economic development. The increase in unrestricted net position reflects positive operating results in the City’s governmental funds.

The change in net position for business-type activities is consistent with our earlier discussion for the utility 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, 2020 and 2021:

	Net Revenue (Expense)	
	2020	2021
Net (expense) revenue		
Governmental activities		
General government	\$ (1,120,324)	\$ (1,235,060)
Public safety	(9,022,386)	(7,949,757)
Public works	1,640,464	3,007,651
Community development	(569,739)	257,592
Parks, arena, and library	(2,075,953)	(1,720,534)
Economic development	(741,706)	(1,353,195)
Transportation	(160,034)	54,954
Interest on long-term debt	(770,470)	(702,669)
Business-type activities		
Water and sewer utility	1,380,872	1,940,327
Storm water utility	62,604	594,471
Street light utility	84,509	51,258
Low rent housing	452,098	605,307
Total net (expense) revenue	(10,840,065)	(6,449,655)
General revenues		
General property taxes	14,102,051	14,866,306
Tax increments	1,821,727	2,192,026
Franchise tax	1,203,096	1,343,648
Unrestricted grants and contributions	4,333,360	2,786,142
Investment income	310,363	(74,789)
Gain on sale of capital assets	54,160	—
Total general revenues	21,824,757	21,113,333
Change in net position	\$ 10,984,692	\$ 14,663,678

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 additional funding received in 2020 for expenses in a previous year. The decrease in unrestricted grants reflects the federal CRF received in 2020.

## LEGISLATIVE UPDATES

As the first year of the fiscal biennium, the primary focus of the 2021 Minnesota legislative session would typically have been the development of the state's fiscal year (FY) 2022–2023 biennial budget. Positive news on the state's budget forecast entering the session, with projections for the end of the FY 2020–2021 biennium improving from a \$2.4 billion shortfall predicted in a May 2020 special pandemic budget projection to a \$940.0 million surplus predicted in the February 2021 budget and economic forecast, was expected to ease the budget process and relieve the pressure to make budget cuts during an already uncertain time. However, given the significant events of the preceding year, including the COVID-19 pandemic and death of George Floyd, the focus of the regular session shifted to legislation responding to the pressing issues that resulted from those events. The business of setting a biennial budget was ultimately not addressed until a June special session that ended in the early morning hours of July 1st.

The following is a brief summary of legislative changes from the 2021 session or previous legislative sessions potentially impacting Minnesota cities.

**American Rescue Plan (ARP) Act** – The federal ARP Act, signed into law in March 2021, provided federal economic recovery funding for federal, state, and local government responses to the COVID-19 pandemic. Minnesota local governments received approximately \$2.1 billion in funding under the ARP Act, including \$644.0 million awarded to 21 large cities (over 50,000 population) and \$377.0 million awarded to cities and towns with a population below 50,000, with half distributed in FY 2021 and half in FY 2022. Local governments can use ARP Act funding in four broad categories: responding to public health and economic impacts; providing premium pay to essential workers; providing general government services to the extent of revenue loss; or investments in water, sewer, and broadband infrastructure.

**Potential State Aid Enhancements** – The 2021 Legislature increased state general fund base spending by approximately \$1.3 billion. Included are funding increases for several programs potentially of benefit to Minnesota cities, including:

- A one-time appropriation of \$5.5 million for supplemental aid to cities for FY 2022, to offset losses of local government aid (LGA) for 96 cities under the current formula. It is expected the Legislature will review and consider updating the LGA formula during the 2022 session.
- Annual appropriations of \$1.8 million for the Greater Minnesota Business Development Public Infrastructure Grant Program, intended to bolster local economic growth by providing grant assistance to cities for public infrastructure needed to create and retain jobs.
- Annual appropriations of \$2.5 million for local community childcare grants, intended to assist local communities to increase the number of childcare providers to support economic development.
- Allocating a total of \$70.0 million from the state's ARP Act funds over the biennium (\$35.0 million per year) to fund the Border-to-Border Broadband Grant Program, which provides grants to local governments for enhancing broadband availability.
- Annual allocations of \$4.5 million for reimbursements to local governments for firefighter training and education costs.
- Annual allocations of \$2.9 million for reimbursement to local governments for peace officer training costs.
- A one-time appropriation of \$18.0 million for FY 2022 to the small cities assistance account to provide additional road repair funding for cities under 5,000 population.

**Truth-in-Taxation Changes** – Effective for property taxes payable in 2023 and thereafter, county auditors will be required to prepare a new statement for inclusion in its parcel-specific truth-in-taxation notices that contains summary budget information for the county, cities, and school districts for which they spread and collect tax levies. Cities with a population greater than 500 will be required to compile and provide current and proposed summary budget information to the county auditor, based on the summary budget information cities are required to submit each year to the Minnesota state auditor.

**Tax Base Change for Low-Income Rental Property** – Effective for assessment years 2022 and 2023, the first-tier limit for class 4d low-income rental property is reduced from \$174,000 to \$100,000, with class rates remaining at 0.75 percent on the first \$100,000 and 0.25 percent on the remaining balance. The tier limit will once again be adjusted annually after assessment year 2023.

**Local Sales Tax Projects Defined** – Minnesota cities are authorized to include up to five capital projects in proposals for local sales taxes. The definition of a capital project for this purpose was updated to include: a single building or structure, including associated infrastructure; improvements within a single park or recreation area, or; a contiguous trail.

**Tax Increment Financing (TIF) Flexibility** – The Legislature enacted several measures that provide additional flexibility for TIF spending, including:

- Allowing unobligated TIF to be used to provide loans, interest rate subsidies, or other assistance to private developers for the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create jobs. Transfer authority expires on December 31, 2022, and all transferred increment must be spent by December 31, 2025, or returned to the TIF district.
- Allowing TIF districts that have elected to increase pooling by 10 percent to use the increment for owner-occupied housing that meets the requirements of a housing TIF district, in addition to current low-income rental housing.
- Providing three-year extensions of the five-year and six-year rules for redevelopment districts created after December 31, 2017, but before June 30, 2020, thereby extending their duration.
- Creating a three-city pilot program, giving temporary authority to transfer unobligated housing TIF district increment to the cities affordable housing trust funds.

**Sales and Use Tax Refund Process** – Effective for purchases made after June 30, 2021, cities and other local governments are allowed to utilize a streamlined process to secure a sales tax refund on construction materials purchased by a contractor on behalf of the city for construction, remodeling, expansion, or improvement of public safety facilities owned by local governments, such as police and fire stations. The process also applies to materials used in related facilities, such as access roads, lighting, sidewalks, and utility components. Under the process, local governments would continue to initially pay sales tax on these materials, but would then be allowed to file for a refund of the sales tax paid. Contractors would be required to provide the local government with the information necessary to file for the refund.

**Fire Protection Special Taxing District Authority** – Effective for property tax levies payable in 2023 and thereafter, the current law giving emergency medical districts taxing authority is expanded to include fire protection districts. Two or more local units of government are now permitted to establish a special taxing district to provide fire protection, emergency medical services, or both. The special taxing district will have authority to levy property taxes to finance district operations, spread either across the entire district at a set rate, or allocated to each participating jurisdiction based on factors, such as population or service calls. Districts will also have authority to issue debt related to the function of the district. The property tax and debt issuance authority also apply to existing districts established prior to June 30, 2021.

**Open Meeting Law** – The Legislature made several pandemic-related changes to the Open Meeting Law, including removing the statutory cap of three times per year for elected officials to utilize a medical exception for attending meetings remotely between January 1, 2021, and July 1, 2021, and removing the requirement for elected officials participating in public meetings remotely, due to military service or medical exceptions, to disclose their remote locations. The law changes also updated the definition of “interactive technology” to replace “interactive television” throughout the text of the Open Meeting Laws, and added requirements for public bodies meeting remotely to enable remote participation by the public free of charge and enable public comment from remote locations, when practical.

## 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. Due to the COVID-19 pandemic, the GASB has delayed the original implementation dates of these and other standards as described below.

### **GASB Statement No. 87, *Leases***

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of the four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

## **GASB Statement No. 91, *Conduit Debt Obligations***

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

This statement also addresses arrangements, often characterized as leases, that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third party obligors in the course of their activities.

This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

## **GASB Statement No. 92, *Omnibus 2020***

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other post-employment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for post-employment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

## **GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

An SBITA is defined as a contract that conveys control of the right to use another party's (an SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

This statement provides an exception for short-term SBITAs with a maximum possible term under the SBITA contract of 12 months, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

***GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32***

The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement that (1) exempt primary governments that perform the duties that a government board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

***GASB Statement No. 98, The Annual Comprehensive Financial Report***

This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

CITY OF SOUTH ST. PAUL  
DAKOTA COUNTY, MINNESOTA

Special Purpose Audit Reports on

Single Audit,  
Internal Controls, and Compliance  
With Laws and Regulations

Year Ended  
December 31, 2021

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CITY OF SOUTH ST. PAUL  
DAKOTA COUNTY, MINNESOTA

**Table of Contents**

	Page
Schedule of Expenditures of Federal Awards	1
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 <i>Government Auditing Standards</i>	2–3
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	4–7
Independent Auditor's Report on Minnesota Legal Compliance	8
Schedule of Findings and Questioned Costs	9–13

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CITY OF SOUTH ST. PAUL

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Direct program		
Public and Indian Housing	14.850	\$ 921,189
Direct program		
Congregate Housing Services Program	14.170	\$ 193,382
COVID-19 – Congregate Housing Services Program	14.170	<u>16,990</u>
Subtotal ALN 14.170		210,372
Direct program		
Public Housing Capital Fund	14.872	682,987
<b>U.S. Department of Justice</b>		
Direct program		
Bulletproof Vest Partnership Program	16.607	2,326
<b>U.S. Department of Transportation</b>		
Passed through the Minnesota Department of Transportation		
Airport Improvement Program	20.106	343,076
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	2,546,540
Passed through the Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	4,782
Minimum Penalties for Repeat Offenders for Driving		
While Intoxicated	20.608	1,057
<b>U.S. Department of Treasury</b>		
Passed through the Minnesota Department of Transportation		
COVID-19 – Coronavirus Relief Fund	21.019	<u>23,000</u>
Total federal awards		<u>\$ 4,735,329</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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Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
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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, 2021, 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 23, 2022.

**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 may exist that have not been 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 23, 2022



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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**

***QUALIFIED AND UNMODIFIED OPINIONS***

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, 2021. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

***QUALIFIED OPINION ON PUBLIC AND INDIAN HOUSING***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the types of 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, 2021.

***UNMODIFIED OPINION ON EACH OF THE OTHER MAJOR FEDERAL PROGRAMS***

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 identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2021.

***BASIS FOR QUALIFIED AND UNMODIFIED OPINIONS***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

(continued)

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 on the previous page.

*MATTER GIVING RISE TO QUALIFIED OPINION ON PUBLIC AND INDIAN HOUSING*

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the Public and Indian Housing requirements for special tests and provisions reported as finding 2021-002.

Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

*RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE*

Management is responsible for compliance with the requirements referred to above 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 objectives referred to above occurred, 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 is therefore, not a guarantee that an audit conducted in accordance with GAAS, *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 above 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 GAAS, *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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001 to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-002 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

(continued)

**REPORT ON 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, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated June 23, 2022, 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 23, 2022

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, 2021, 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 23, 2022.

**MINNESOTA LEGAL COMPLIANCE**

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws and depositories of public funds and investments 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 as described in the Schedule of Findings and Questioned Costs as findings 2021-003 and 2021-004. Also, 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 conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

**CITY'S RESPONSES TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the legal compliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**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 23, 2022

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CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2021

**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?   X   Yes        No

Significant deficiency(ies) identified?   X   Yes        None reported

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

U.S. Department of Housing and Urban Development – Public and Indian Housing Qualified  
U.S. Department of the Transportation – Highway Planning and Construction Unmodified

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

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S. Department of Housing and Urban Development – Public and Indian Housing	14.850
U.S. Department of Transportation – Highway Planning and Construction	20.205

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, 2021

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**2021-001 Reporting Compliance Requirement**

**Criteria** – 2 CFR § 200.510 requires that the City of South St. Paul, Minnesota (the City) prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2021, which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502. Management is responsible for establishing and maintaining effective internal controls over compliance with requirements applicable to federal programs, including separately tracking federal expenditures within the finance system to provide for accurate preparation of the SEFA.

**Condition** – During our audit, we noted the City did not have sufficient controls in place to ensure completeness of the SEFA and compliance with this requirement. The City's SEFA was understated by \$1,063,198 in federal expenditures related to the Highway Planning and Construction and Airport Improvement Program federal programs.

**Questioned Costs** – Not applicable.

**Context** – On the December 31, 2021 SEFA, \$1,063,198 of \$4,735,329 was initially unreported.

**Cause** – This was an oversight by city personnel.

**Repeat Finding** – This is a current year finding.

**Effect** – An incomplete SEFA could result in incorrect major program determination and could be seen as a violation of federal award agreements.

**Recommendation** – We recommend that the City review its internal control procedures over reporting and verify completeness of expenditures reported on the SEFA in the future.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City has separately issued a Corrective Action Plan related to this finding.

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2021

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES OF NONCOMPLIANCE – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PUBLIC AND INDIAN HOUSING – ALN 14.850**

**2021-002 Internal Control and Compliance With Special Tests and Provisions Requirements**

**Criteria** – 24 CFR § 960. Management is responsible for establishing and maintaining effective internal control over compliance with requirements applicable to federal programs, including special tests and provisions requirements applicable to the Public and Indian Housing federal program.

**Condition** – During our audit, we noted that the City did not have sufficient controls in place within the Public and Indian Housing federal program 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.

**Questioned Costs** – Not applicable.

**Context** – The condition applies to special tests and provisions requirements as noted above. Nine of forty individuals added to the waiting list selected for testing were not added in accordance with the City's policy. Two of ten individuals placed into housing from the waiting list selected for testing were not placed in accordance with the City's policy.

**Cause** – This was an oversight by city personnel.

**Repeat Finding** – This is a current year and prior year finding.

**Effect** – Noncompliance with the special tests and provisions requirements could be viewed as a violation of the award agreement and result in tenants being placed into housing incorrectly based on their rank on the waiting list.

**Recommendation** – We recommend that the City review its internal control procedures relating to special tests and provisions requirements for all federal programs. The City should verify compliance with federal special tests and provisions procedures, including the waiting list, to ensure tenants are being properly placed into housing.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City has separately issued a Corrective Action Plan related to this finding.

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2021

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2021-003 Group Insurance Request for Proposal**

**Criteria** – Minnesota Statutes § 471.6161.

**Condition** – A city that provides group insurance for 25 or more employees shall request proposals from, and enter into, contracts with entities that in the judgment of a city are best qualified to provide coverage. The request for proposals shall be in writing and at a minimum shall include: coverage to be provided, criteria for evaluation of proposals, and the aggregate claims records for the appropriate period. Public notice of the request for proposals must be provided in a newspaper or trade journal at least 21 days before the final date for submitting proposals. The City did not comply with this statute for one group insurance contract entered into during fiscal year 2021.

**Questioned Costs** – Not applicable.

**Context** – One contract tested was not in compliance. The noncompliant contract was health insurance.

**Cause** – This was an oversight by city personnel.

**Repeat Finding** – This is a current year finding.

**Effect** – The City did not follow state statutes for group insurance request for proposals before entering into a new contract.

**Recommendation** – We recommend that the City review group insurance request for proposal procedures and obtain required documentation for future contracts.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City will review its procedures relating to group insurance request for proposal to ensure compliance in the future.

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2021

**D. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**2021-004 Collateral**

**Criteria** – Minnesota Statutes § 118A.03.

**Condition** – Minnesota Statutes require that if a city's deposits exceed federal deposit insurance coverage, excess deposits must be covered by corporate surety bonds or collateral that has a market value of at least 110 percent of such excess. This requirement was not met for the City's accounts at December 31, 2021.

**Questioned Costs** – Not applicable.

**Context** – The City was under collateralized by \$166,920 for deposits as of December 31, 2021.

**Cause** – This was an oversight by city personnel.

**Repeat Finding** – This is a current year finding.

**Effect** – Deposits exceeding \$250,000 federal deposit insurance coverage may be lost in the event of a bank failure.

**Recommendation** – We recommend that the City obtain corporate surety bonds or collateral that has a market value of at least 110 percent of the City's deposits that exceed federal deposit insurance coverage.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City will review its procedures in place to ensure compliance in the future.

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Corrective Action Plans and  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2021

**A. FINANCIAL STATEMENT FINDINGS**

None.

**B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-001 REPORTING COMPLIANCE REQUIREMENT**

**Summary of Finding**

The City of South St. Paul, Minnesota (the City) did not have proper controls in place to ensure completeness of the Schedule of Expenditures of Federal Awards (SEFA) and compliance with this requirement. During our audit, we noted the City did not have sufficient controls in place to ensure completeness of the SEFA and compliance with this requirement. The City's SEFA was understated by \$1,063,198 in federal expenditures related to the Highway Planning and Construction and Airport Improvement Program federal programs.

**Corrective Action Plan**

**Actions Planned** – The City has implemented new processes and procedures in 2022 which address this internal control finding to comply with the Uniform Guidance in the future.

**Official Responsible** – The City's Finance Director, Clara Hilger.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City agrees with this finding.

**Plan to Monitor** – The City's Finance Director, Clara Hilger, will ensure the new process and procedures implemented address internal controls and procedures in this area to ensure future federal grant compliance.

CITY OF SOUTH ST. PAUL

Corrective Action Plans and  
Summary Schedule of Prior Audit Findings (continued)  
Year Ended December 31, 2021

**B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2021-002 INTERNAL CONTROL AND COMPLIANCE WITH SPECIAL TESTS AND PROVISIONS  
REQUIREMENTS**

**Summary of Finding**

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. During our audit, we noted that the City did not have sufficient controls in place within the Public and Indian Housing federal program to assure compliance with federal special tests and provisions requirements, which resulted in noncompliance.

**Corrective Action Plan**

**Actions Planned** – The City has implemented new processes and procedures in 2022 which address this internal control and compliance finding to comply with the Uniform Guidance in the future.

**Official Responsible** – The City’s Director of Economic and Community Development, Ryan Garcia.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City agrees with this finding.

**Plan to Monitor** – The City’s Finance Director, Clara Hilger, will ensure the new process and procedures implemented address internal controls and procedures in this area to ensure future federal grant compliance.

CITY OF SOUTH ST. PAUL

Corrective Action Plans and  
Summary Schedule of Prior Audit Findings (continued)  
Year Ended December 31, 2021

**C. MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2021-003 GROUP INSURANCE REQUEST FOR PROPOSAL**

**Summary of Finding**

The City did not comply with state statutes for one group insurance request for proposal before entering into a new contract during fiscal year 2021. A city that provides group insurance for 25 or more employees shall request proposals from, and enter into, contracts with entities that in the judgment of a city are best qualified to provide coverage. The request for proposals shall be in writing and at a minimum shall include: coverage to be provided, criteria for evaluation of proposals, and the aggregate claims records for the appropriate period. Public notice of the request for proposals must be provided in a newspaper or trade journal at least 21 days before the final date for submitting proposals.

**Corrective Action Plan**

**Actions Planned** – The City will review group insurance request for proposal procedures to ensure the City complies with Minnesota Statutes in the future.

**Official Responsible** – The City’s Finance Director, Clara Hilger.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City agrees with this finding.

**Plan to Monitor** – The City’s Finance Director, Clara Hilger, will ensure appropriate internal controls and procedures are updated and in place to ensure future compliance.

CITY OF SOUTH ST. PAUL

Corrective Action Plans and  
Summary Schedule of Prior Audit Findings (continued)  
Year Ended December 31, 2021

**C. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**2021-004 COLLATERAL**

**Summary of Finding**

Minnesota Statutes require that if a city's deposits exceed federal deposit insurance coverage, excess deposits must be covered by corporate surety bonds or collateral that has a market value of at least 110 percent of such excess. This requirement was not met for the City's accounts at December 31, 2021.

**Corrective Action Plan**

**Actions Planned** – The City will review its procedures relating to deposits and investments to ensure compliance in the future.

**Official Responsible** – The City's Finance Director, Clara Hilger.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City agrees with this finding.

**Plan to Monitor** – The City's Finance Director, Clara Hilger, will ensure appropriate internal controls and procedures are updated and in place to ensure future compliance.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2020-001 Internal Control and Compliance With Special Tests and Provisions Requirements**

A current finding is listed in the report of the City as finding 2021-002.