
Annual Comprehensive Financial Report

For the Year Ended December 31, 2022



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, 2022**

**PREPARED BY:
FINANCE DEPARTMENT**

CITY OF SOUTH ST. PAUL, MINNESOTA
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I. INTRODUCTORY SECTION

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July 18, 2023

**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, 2022 is hereby submitted. The purpose of this report is to provide the Mayor, City Council, City staff, citizens, bondholders, and other interested parties with useful information concerning the City's operations and financial positions.

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

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of South St. Paul's MD&A can be found immediately following the independent Auditors' Report.

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

Profile of the Government

The City of South St. Paul, located in the Twin Cities Metropolitan Area, was organized as a municipality in 1887 and comprises six square miles. The City operates under a home rule charter form of government consisting of a Mayor and a six-member City Council who are elected at-large for staggered four-year terms. The City Council enacts ordinances, determines policies, adopts the annual budget, and is responsible for all significant financial affairs of the City including the issuance of bonds and hiring of all regular employees who are responsible for the day-to-day operation of the City.

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

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

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

Financial: Accounting, Budgets, Internal Control

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

Budgetary control is maintained to ensure compliance with legally adopted provisions embodied in appropriations contained in the annual budget approved by the City Council for Governmental Funds. Annual Budgets are adopted for the General Fund and 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.

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

Economic Conditions and Economic Outlook

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

Property values, which had seen a significant decrease in value in the early 2010s, were revitalized and average residential market values rose an average of over 7% per year between 2016 and 2023. 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 5,682 residential homesteaded properties for the 2022 assessment (for taxes payable 2023) year. The preliminary 2023 average value of these properties is \$285,088, which is a 1.76% increase over 2022. In contrast, the comparable value for 2008 assessment year was \$199,102, so the average residential value is over the 2008 levels. The Twin Cities area has seen strong recovery in home values and South St. Paul is seeing this trend as well.

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

Major Initiatives

Street Projects

- Concord Street reconstruction began in 2021. The principal portion of the project was completed in 2022 and the remaining portion of the project will be completed in 2023.
- The 2022 Alley Reconstruction project was completed in 2022.

Airport Projects

- The Runway Reconstruction project was substantially completed in 2022.

Joint Efforts

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

South Metro Fire District

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

Dakota Communications Center

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

Special School District #6

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

Long-term Financial Planning

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

In addition, the City Council has directed staff to develop long-term financial management plans on an annual basis for the 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 December 31, 2022 with an unassigned fund balance equal to 56.8% 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, 2022 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.

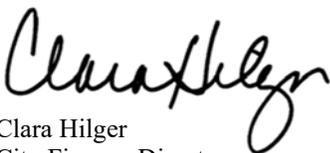
Awards and Acknowledgments

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, 2021. 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 24 consecutive years. We believe this 2022 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, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF SOUTH ST. PAUL, MINNESOTA

ELECTED AND APPOINTED OFFICIALS

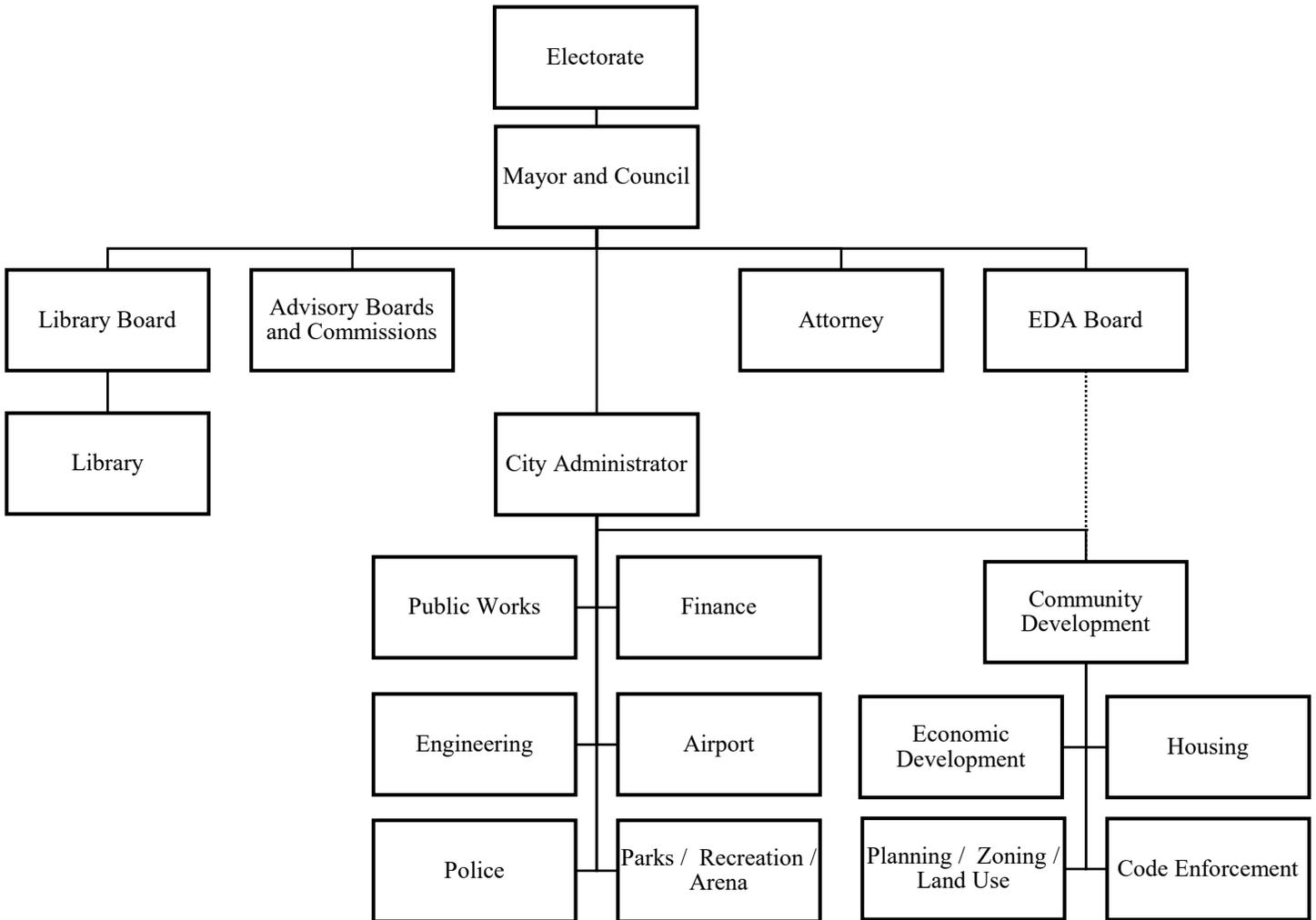
December 31, 2022

		<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	Ryan Garcia	Appointed
Finance Director	Clara Hilger	Appointed
City Engineer	Sue Polka	Appointed
Police Chief	Brian Wicke	Appointed
City Clerk	Deanna Werner	Appointed
Library Director	Kathy Halgren	Appointed
Parks & Recreation Director	Shannon Young	Appointed
Public Works Director	Patrick Dunn	Appointed
Airport Manager	Andrew Wall	Appointed
Planning / Zoning / Land Use Manager	Michael Healy	Appointed

CITY OF SOUTH ST. PAUL, MINNESOTA

ORGANIZATION CHART

December 31, 2022



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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, 2022, 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, 2022, 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.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 to the basic financial statements, in fiscal 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

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.

(continued)

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 GASB, 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.

SUPPLEMENTARY INFORMATION

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

OTHER INFORMATION

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

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023, 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
July 18, 2023

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CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2022

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, 2022. 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 \$140,316,013 (net position). Of this amount, \$25,566,231 (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 \$15,015,793 from the prior year, excluding the change in accounting principle.
- As of the close of current fiscal year, the City’s governmental funds reported combined ending fund balances of \$38,414,124. The fund balance classifications by fund type are as follows:

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 91,972	\$ 83,548	\$ -	\$ -	\$ 175,520
Restricted	-	5,798,081	3,190,984	7,483,034	16,472,099
Committed	4,590,970	40,296	-	-	4,631,266
Assigned	-	116,291	-	9,017,794	9,134,085
Unassigned	10,831,909	(726,881)	-	(2,103,874)	8,001,154
	<u>\$ 15,514,851</u>	<u>\$ 5,311,335</u>	<u>\$ 3,190,984</u>	<u>\$ 14,396,954</u>	<u>\$ 38,414,124</u>

- The City’s bonded debt decreased by \$2,174,000 during the current fiscal year, from \$23,908,000 to \$21,734,000. This was due to the scheduled payments on existing debt.
- The City implemented GASB Statement No. 87 in 2022 which caused a change in accounting principle related to leases resulting in a decrease in net position of \$1,240,899 in the governmental activities.

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.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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

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

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

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

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

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

The City maintains 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 98 through 102 of this report. The notes to the required supplementary information can be found on pages 103 through 108.

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 115 through 139 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 \$140,316,013 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$97,669,371 or 69.6%) 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, 2022

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 56,735,116	\$ 50,523,186	\$ 13,925,101	\$ 12,687,588	\$ 70,660,217	\$ 63,210,774
Capital assets	88,695,730	79,198,609	30,083,162	30,596,425	118,778,892	109,795,034
Total Assets	<u>145,430,846</u>	<u>129,721,795</u>	<u>44,008,263</u>	<u>43,284,013</u>	<u>189,439,109</u>	<u>173,005,808</u>
Deferred outflows of resources	10,669,414	7,270,938	-	-	10,669,414	7,270,938
Current liabilities	5,583,206	8,194,878	878,912	597,379	6,462,118	8,792,257
Non-current liabilities	41,135,832	31,571,919	4,595,526	5,059,491	45,731,358	36,631,410
Total Liabilities	<u>46,719,038</u>	<u>39,766,797</u>	<u>5,474,438</u>	<u>5,656,870</u>	<u>52,193,476</u>	<u>45,423,667</u>
Deferred inflows of resources	7,599,034	8,311,960	-	-	7,599,034	8,311,960
Net position						
Net investment in capital assets	74,547,350	63,616,350	25,657,494	25,706,792	97,669,371	86,695,415
Restricted	17,080,411	14,520,448	-	-	17,080,411	14,520,448
Unrestricted	10,154,427	10,777,178	12,876,331	11,920,351	25,566,231	25,325,256
Total Net Position	<u>\$ 101,782,188</u>	<u>\$ 88,913,976</u>	<u>\$ 38,533,825</u>	<u>\$ 37,627,143</u>	<u>\$ 140,316,013</u>	<u>\$ 126,541,119</u>

As of the close of the current year, there is \$2,365,615 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, 2022, \$3,988,351 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements and \$6,903,951 was restricted for tax increment financing. In addition, \$6,188,109 was restricted for specific purposes including economic development, housing, park improvements, library funding, and other purposes. The remaining balance of unrestricted net position of \$25,566,231 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 recording lease receivables in accordance with Governmental Accounting Standards Board (GASB) Statement 87 in 2022. Capital assets increased in the governmental activities due to a major road construction project in 2022. Changes in actuarial assumptions for the City's defined benefit pension plans caused an increase in deferred outflows of resources and a decrease in deferred inflows of resources. Current liabilities in the governmental activities decreased due to unearned revenue received in 2021 for capital project costs spent in 2022. Non-current liabilities increased due to changes in assumptions relating to pensions.

In the business type activities, current assets increased due an increase in cash and receivables. Current liabilities increased due to an increase in payables due to timing of payments in 2022. Non-current liabilities decreased due to scheduled payments on notes in 2022.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

Governmental Activities

Governmental activities increased the City's net position by \$14,109,111. 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

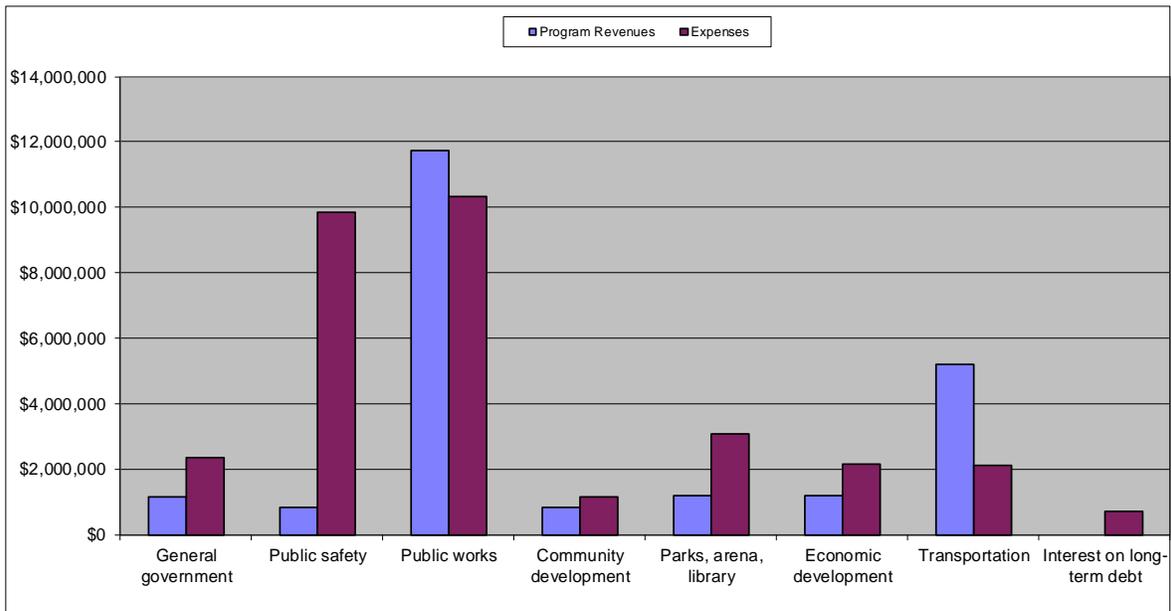
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 5,923,221	\$ 5,539,702	\$ 9,996,633	\$ 9,610,163	\$ 15,919,854	\$ 15,149,865
Operating grants and contributions	1,928,875	1,608,120	1,143,208	1,618,584	3,072,083	3,226,704
Capital grants and contributions	14,279,697	16,843,938	165,099	687,225	14,444,796	17,531,163
General revenues						
Property taxes	16,000,779	14,866,306	-	-	16,000,779	14,866,306
Tax increments	2,202,210	2,192,026	-	-	2,202,210	2,192,026
Franchise tax	1,650,589	1,343,648	-	-	1,650,589	1,343,648
Unrestricted grants and contributions	2,811,341	2,786,142	-	-	2,811,341	2,786,142
Investment income	(422,990)	(60,582)	(94,212)	(14,207)	(517,202)	(74,789)
Gain on sale of capital assets	1,059,140	-	-	-	1,059,140	-
Total revenues	<u>45,432,862</u>	<u>45,119,300</u>	<u>11,210,728</u>	<u>11,901,765</u>	<u>56,643,590</u>	<u>57,021,065</u>
Expenses						
General government	2,360,873	2,384,930	-	-	2,360,873	2,384,930
Public safety	9,834,512	8,590,972	-	-	9,834,512	8,590,972
Public works	10,339,901	14,568,931	-	-	10,339,901	14,568,931
Community development	1,136,270	1,040,348	-	-	1,136,270	1,040,348
Parks, arena, library	3,073,984	2,857,254	-	-	3,073,984	2,857,254
Economic development	2,163,643	1,709,430	-	-	2,163,643	1,709,430
Transportation	2,092,961	1,778,244	-	-	2,092,961	1,778,244
Interest on long-term debt	688,507	702,669	-	-	688,507	702,669
Water and sewer utility	-	-	6,493,715	5,440,651	6,493,715	5,440,651
Storm water utility	-	-	526,994	537,408	526,994	537,408
Street light utility	-	-	250,889	263,057	250,889	263,057
Low rent housing	-	-	2,665,548	2,483,493	2,665,548	2,483,493
Total expenses	<u>31,690,651</u>	<u>33,632,778</u>	<u>9,937,146</u>	<u>8,724,609</u>	<u>41,627,797</u>	<u>42,357,387</u>
Increase (decrease) in net position before transfers	13,742,211	11,486,522	1,273,582	3,177,156	15,015,793	14,663,678
Transfers	<u>366,900</u>	<u>361,111</u>	<u>(366,900)</u>	<u>(361,111)</u>	<u>-</u>	<u>-</u>
Change in net position	14,109,111	11,847,633	906,682	2,816,045	15,015,793	14,663,678
Net position - January 1, as previously reported	88,913,976	77,066,343	37,627,143	34,811,098	126,541,119	111,877,441
Change in accounting principle	<u>(1,240,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,240,899)</u>	<u>-</u>
Net position - January 1, as restated	<u>87,673,077</u>	<u>77,066,343</u>	<u>37,627,143</u>	<u>34,811,098</u>	<u>125,300,220</u>	<u>111,877,441</u>
Net position - December 31	<u>\$ 101,782,188</u>	<u>\$ 88,913,976</u>	<u>\$ 38,533,825</u>	<u>\$ 37,627,143</u>	<u>\$ 140,316,013</u>	<u>\$ 126,541,119</u>

In the governmental activities, capital grants and contributions decreased due to State turnback funds received for road projects in 2021. Property taxes increased based on the Council approved increase in the City's tax levy and investment income decreased due to an increase in interest rates and decrease in fair values on investments.

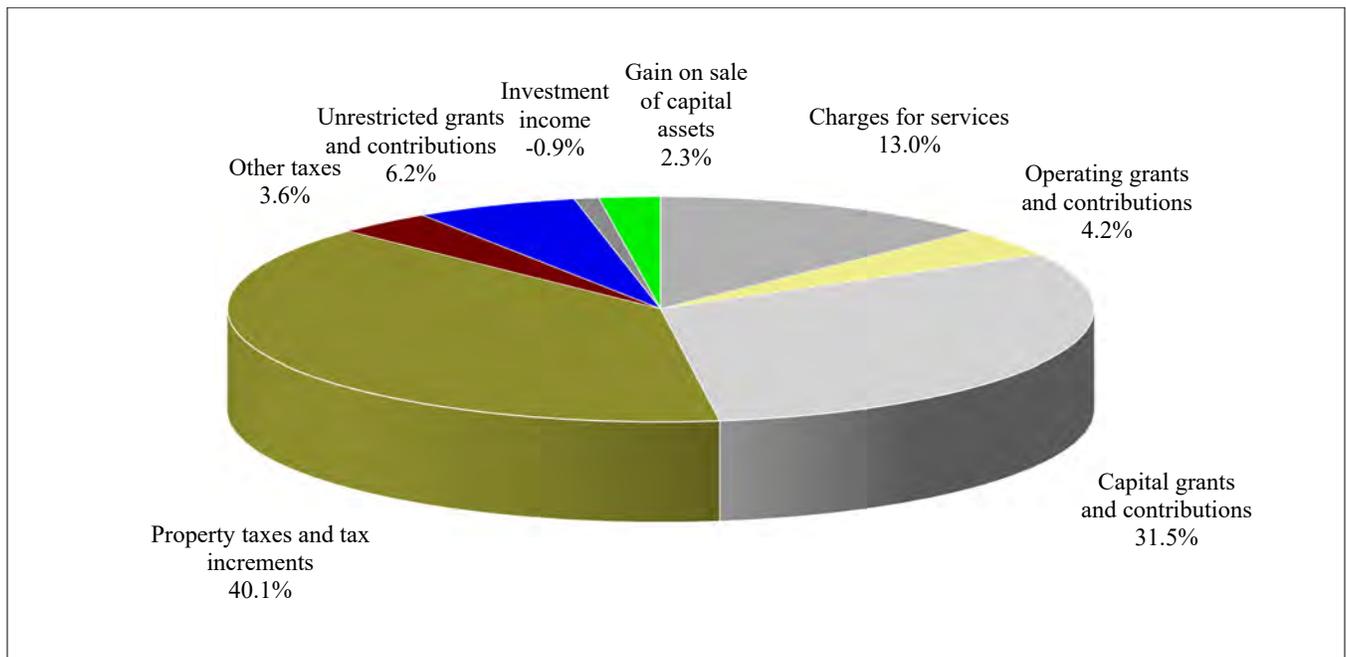
Public safety expenses increased due to budgeted hiring of new police officers. Expenses in public works decreased as a result of higher project costs for Dakota County's share of the Concord Street reconstruction project in 2021. Economic development expenses increased due to increased development activities in the city in 2022. Transportation increased due to an increase in maintenance costs at the Airport.

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

Expenses and Program Revenues – Governmental Activities



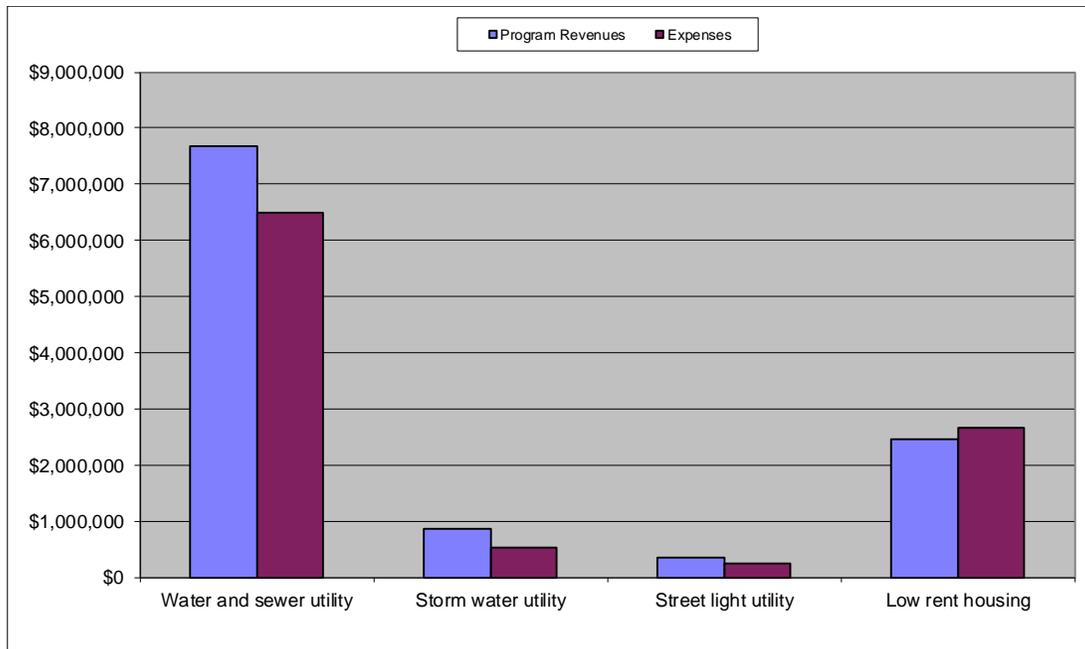
Governmental Activities – Revenues



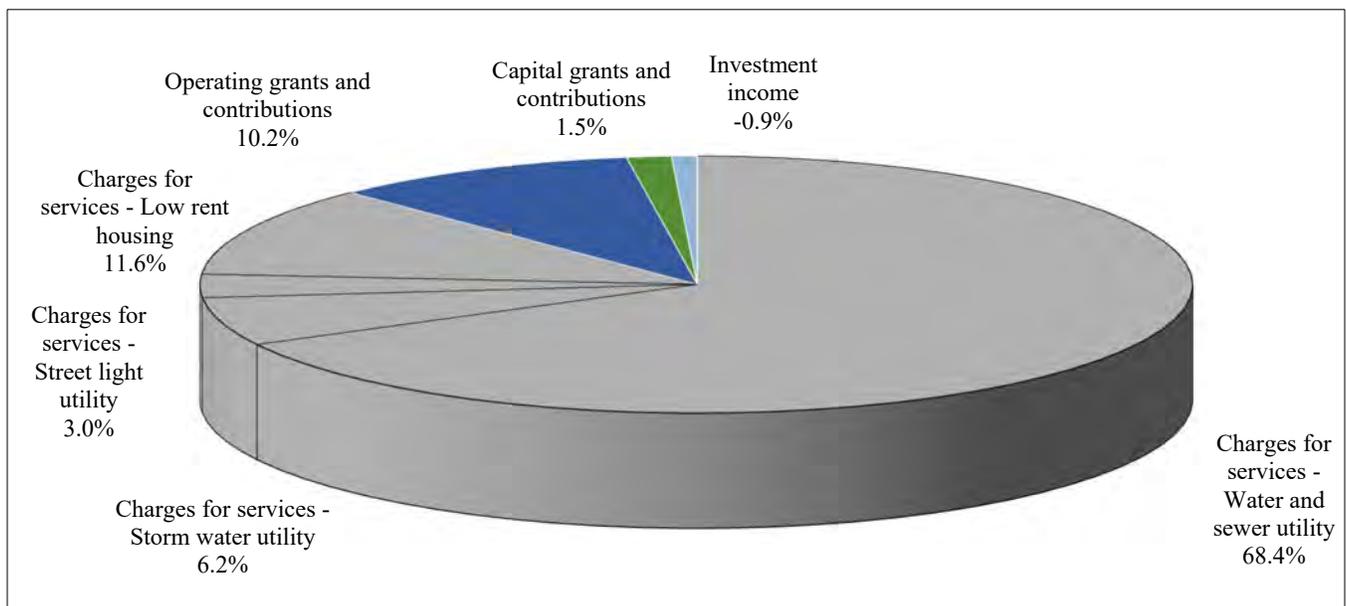
Business-Type Activities

Business-type activities increased net position by \$906,682. 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
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Charges for services in the business-type activities increased due to increases in the rates charged for services in 2022. Operating grants and contributions decreased due to federal grants received in the Storm Water Utility in 2021. Capital grants and contributions decreased due to subsidies received for two projects in the Low Rent Housing function in 2021. Investment income decreased due to an increase in interest rates and decrease in 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 2022.

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 \$38,414,124. Approximately 0.5% or \$175,520 is nonspendable because of form or availability: 1) \$117,018 in inventory, and 2) \$58,502 in prepaid items. In addition, \$16,472,099 or 42.9% is restricted in use by outside influences: 1) \$3,190,984 to provide for debt service, 2) \$2,368,477 for economic development, 3) \$7,483,034 for tax increment financing, 4) \$2,926,290 for housing, 5) \$237,456 for park improvements, 6) \$122,029 for library funding, 7) \$27,769 for community relations, 8) \$54,702 for forfeitures, 9) \$6,205 for memorial funding, and 10) \$55,153 for lawful purposes. An additional \$4,631,266 or 12.1% has been committed by City Council action: 1) \$4,590,970 for working capital, and 2) \$40,296 for Central Square. Another \$9,134,085 or 23.8% has been assigned to specific purposes: 1) \$8,846,730 for working capital in the capital projects funds, 2) \$171,064 for equipment acquisition, and 3) \$116,291 for other purposes. The remaining fund balance of \$8,001,154 is unassigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance increased to \$15,514,851, of which 69.8% (\$10,831,909) 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 61.9% of expenditures for 2022.

The General fund revenue increased \$1,155,961 in 2022. This was a net result of an increase in property tax revenue which was anticipated in the 2022 budget and an increase in franchise tax revenue.

The General fund expenditures increased \$988,868 from 2021 to 2022. This was due to budgeted public safety increases and union contract increases.

The ARPA fund ended the year with a fund balance of \$14,786. The fund balance consisted of the interest earned on ARPA funds that had not been spent in 2022.

The Doug Woog Arena fund had an ending fund balance deficit of \$702,991. The net increase in fund balance was \$134,711. This was due to an increase in the ice rentals in 2022. The Arena has an outstanding cash balance deficit of \$645,069 at the close of the year which requires a cash advance from the General fund.

The Airport fund had an ending fund balance of \$59,181. The net increase in fund balance was \$95,533. The Airport's increase in fund balance is primarily due to an increase in hangar rental and fuel sales revenues. The Airport has an outstanding cash balance deficit of \$45,273 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 \$8,114,981 at the end of 2022. This was an decrease of \$2,084,971 from 2021. The decrease in fund balance is primarily due to more scheduled projects in this fund in 2022.

The Local Improvements fund had a total fund balance deficit of \$1,679,548. This was a increase of the deficit by \$169,875 compared to 2021. This decrease is the result of the funds spent for the Concord Street improvement project for costs that were reported in 2022.

CITY OF SOUTH ST. PAUL, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

The Tax Increment fund had a total fund balance of \$7,483,034 at the end of 2022. This was an increase of \$2,404,915 from 2021. The increase was a result of the sale of property held for resale in 2022.

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 \$971,052 in 2022 and was \$23,192,678 at year-end. This was a result of an increase in the water and sanitary sewer services used in 2022 and an increase in the rates charged.

Net position increased \$255,378 in the Storm Water Utility fund and was \$8,454,500 at year-end. This was a result of an increase in the rates charged in 2022.

Net position increased by \$59,348 in the Street Light Utility fund and was \$427,884 at year-end. This was a result of an increase in the rates charged in 2022.

Net position in the Low Rent Housing fund decreased by \$214,055 during 2022. This can be attributed to an increase in maintenance costs in 2022.

The unrestricted net position in the respective proprietary funds are Water and Sewer Utility, \$8,715,068, Storm Water Utility, \$737,923, Street Light Utility \$427,884, and Low Rent Housing \$3,491,289.

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 \$17,749,121 were revised to the final budgeted revenues of \$17,732,496, a decrease of \$16,625. This was due to a transfer of property taxes to the Library for increases in personnel costs. Total original budgeted expenditures of \$17,939,121 were revised to the final budgeted expenditures of \$17,922,496, a decrease of \$16,625. The reduction was in the contingency which was transferred to the Library for increases in personnel costs.

Actual revenues exceeded the final budget by \$945,466. 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 \$336,579. In addition, franchise tax, licenses and permits, and delinquent property taxes all exceeded the budget estimates in 2022.

Actual expenditures were under the final budget by \$420,535. This was the result of lower than anticipated costs in police protection, parks facilities and maintenance, city administration, and parks, pools and recreation. Those were offset by higher than anticipated costs in public works.

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, 2022 was \$118,778,892 (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
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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 \$19,135,257 for the Concord Street Improvements Project and \$3,608,315 for the Runway Reconstruction.
- The projects completed in 2022 included the Seidl's Lake Lift Station for \$527,217.
- The City invested \$581,290 to replace a variety of City vehicles and equipment.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land and perpetual easements	\$ 12,313,694	\$ 11,271,085	\$ 594,775	\$ 594,775	\$ 12,908,469	\$ 11,865,860
Temporary easements	9,609	46,176	-	-	9,609	46,176
Building and land improvements	26,033,794	28,287,352	9,963,472	10,537,212	35,997,266	38,824,564
Machinery and equipment	5,352,568	6,534,643	1,794,963	1,853,000	7,147,531	8,387,643
Infrastructure	20,460,104	21,918,147	17,252,684	17,273,195	37,712,788	39,191,342
Construction in progress	24,525,961	11,141,206	477,268	338,243	25,003,229	11,479,449
	<u>\$ 88,695,730</u>	<u>\$ 79,198,609</u>	<u>\$ 30,083,162</u>	<u>\$ 30,596,425</u>	<u>\$ 118,778,892</u>	<u>\$ 109,795,034</u>

Long-term debt. At the end of the current fiscal year, the City had a total outstanding bonded debt of \$21,734,000, a decrease of \$2,174,000 from 2021. This total is comprised of general obligation debt of \$20,110,000 and revenue supported bonds in the amount of \$1,624,000.

Additional long-term debt amounts correspond to compensated absences in the amount of \$452,228, total issuance premium of \$836,036, total other post-employment benefit liability of \$4,182,764 and net pension liability of \$16,646,624 in government activities and notes payable in the amount of \$1,879,706 in business-type activities.

CITY OF SOUTH ST PAUL, MINNESOTA'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General purpose bonds	\$ 18,455,000	\$ 20,120,000	\$ 1,655,000	\$ 1,840,000	\$ 20,110,000	\$ 21,960,000
Revenue bonds	-	-	1,039,000	1,178,000	1,039,000	1,178,000
Taxable TIF bonds	585,000	770,000	-	-	585,000	770,000
Issuance premium	814,216	878,729	21,820	24,898	836,036	903,627
Notes payable	-	-	1,879,706	2,016,593	1,879,706	2,016,593
Total other post-employment benefit liability	4,182,764	4,281,248	-	-	4,182,764	4,281,248
Net pension liability	16,646,624	5,059,875	-	-	16,646,624	5,059,875
Compensated absences	452,228	462,067	-	-	452,228	462,067
	<u>\$ 41,135,832</u>	<u>\$ 31,571,919</u>	<u>\$ 4,595,526</u>	<u>\$ 5,059,491</u>	<u>\$ 45,731,358</u>	<u>\$ 36,631,410</u>

The City of South St. Paul maintained an Aa2 rating from Moody's Investors Services as of year ended December 31, 2022.

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 \$59,086,713, 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 2.7% at the end of the fiscal year, which is higher than a year ago. This compares to the State's average unemployment rate of 3.2% and the national average of 3.3%.
- Property value increased by 5.0% in 2022 which was higher than the prior year increase, preliminary 2023 property values show a 15.4% increase.
- Commercial/industrial permit activity increased in 2022 due to construction continuing on a new apartment complex on Concord Exchange.
- Building and development in the City of South St. Paul reached historic highs in 2022, with total permit valuation reaching more than \$30 million for the second consecutive year and more than 2,200 permits processed for new construction and remodeling activities in the City. Major developments included the construction of a new 4,000 square foot gas and convenience store on Southview Boulevard at 13th Avenue South and the construction of 111 units of luxury market-rate apartment units on Concord Exchange north of Grand Avenue. These redevelopment projects continued the trend of transforming vacant, blighted, or otherwise underutilized sites for positive social and economic outcomes which has been a focus of the City and its Economic Development Authority in recent years.
- The City's 2023 budget had a 7.09% (\$1,037,164) increase in the property tax levy for tax supported operations in the General fund, Library fund and Doug Woog Arena fund.

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2022

Statement 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and investments	\$ 39,696,664	\$ 11,515,455	\$ 51,212,119
Accrued interest	35,534	-	35,534
Accounts receivable - net	760,398	2,096,606	2,857,004
Loans receivable	1,580,846	-	1,580,846
Lease receivable	6,838,837	-	6,838,837
Property taxes receivable	2,189,655	-	2,189,655
Special assessments receivable	1,589,399	524,580	2,113,979
Internal balance	495,833	(495,833)	-
Due from other governmental units	757,552	-	757,552
Inventories - at cost	117,018	-	117,018
Prepaid items	63,380	284,293	347,673
Inventory - land held for resale	2,610,000	-	2,610,000
Capital assets (net of accumulated depreciation)			
Nondepreciable	36,839,655	1,072,043	37,911,698
Depreciable	51,856,075	29,011,119	80,867,194
Total assets	<u>145,430,846</u>	<u>44,008,263</u>	<u>189,439,109</u>
Deferred outflows of resources			
Pension plan deferments - PERA	9,406,623	-	9,406,623
OPEB plan deferments	1,262,791	-	1,262,791
Total deferred outflows of resources	<u>10,669,414</u>	<u>-</u>	<u>10,669,414</u>
Liabilities			
Accounts and contracts payable	2,066,390	319,312	2,385,702
Salaries payable	515,591	20,062	535,653
Deposits payable	286,172	101,911	388,083
Due to other governmental units	179,863	407,236	587,099
Accrued interest payable	243,340	30,391	273,731
Unearned revenue	2,291,850	-	2,291,850
Noncurrent liabilities			
Due within one year	1,991,674	476,897	2,468,571
Due in more than one year	39,144,158	4,118,629	43,262,787
Total liabilities	<u>46,719,038</u>	<u>5,474,438</u>	<u>52,193,476</u>
Deferred inflows of resources			
Pension plan deferments - PERA	367,053	-	367,053
OPEB plan deferments	393,144	-	393,144
Lease revenue for subsequent years	6,838,837	-	6,838,837
Total deferred inflows of resources	<u>7,599,034</u>	<u>-</u>	<u>7,599,034</u>
Net position			
Net investment in capital assets	74,547,350	25,657,494	97,669,371
Restricted			
Debt service	3,988,351	-	3,988,351
Tax increment	6,903,951	-	6,903,951
Economic development	2,372,863	-	2,372,863
Housing programs	3,311,932	-	3,311,932
Park improvements	237,456	-	237,456
Library funding	122,029	-	122,029
Other purposes	143,829	-	143,829
Unrestricted	10,154,427	12,876,331	25,566,231
Total net position	<u>\$ 101,782,188</u>	<u>\$ 38,533,825</u>	<u>\$ 140,316,013</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

<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	\$ 2,360,873	\$ 1,141,003	\$ 36,024
Public safety	9,834,512	153,456	655,550
Public works	10,339,901	540,255	503,175
Community development	1,136,270	772,524	59,508
Parks, arena, library	3,073,984	1,200,728	-
Economic development	2,163,643	535,713	639,376
Transportation	2,092,961	1,579,542	35,242
Interest on long-term debt	688,507	-	-
Total governmental activities	<u>31,690,651</u>	<u>5,923,221</u>	<u>1,928,875</u>
Business-type activities			
Water and sewer utility	6,493,715	7,667,180	-
Storm water utility	526,994	692,531	-
Street light utility	250,889	335,173	-
Low rent housing	2,665,548	1,301,749	1,143,208
Total business-type activities	<u>9,937,146</u>	<u>9,996,633</u>	<u>1,143,208</u>
Total primary government	<u>41,627,797</u>	<u>15,919,854</u>	<u>3,072,083</u>

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

Change in net position

Net position - beginning, as previously reported

Change in accounting principle

Net position - beginning, as restated

Net position - ending

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (1,183,846)	\$ -	\$ (1,183,846)
-	(9,025,506)	-	(9,025,506)
10,701,367	1,404,896	-	1,404,896
-	(304,238)	-	(304,238)
-	(1,873,256)	-	(1,873,256)
-	(988,554)	-	(988,554)
3,578,330	3,100,153	-	3,100,153
-	(688,507)	-	(688,507)
<u>14,279,697</u>	<u>(9,558,858)</u>	<u>-</u>	<u>(9,558,858)</u>
-	-	1,173,465	1,173,465
165,099	-	330,636	330,636
-	-	84,284	84,284
-	-	(220,591)	(220,591)
<u>165,099</u>	<u>-</u>	<u>1,367,794</u>	<u>1,367,794</u>
<u>14,444,796</u>	<u>(9,558,858)</u>	<u>1,367,794</u>	<u>(8,191,064)</u>
	16,000,779	-	16,000,779
	2,202,210	-	2,202,210
	1,650,589	-	1,650,589
	2,811,341	-	2,811,341
	(422,990)	(94,212)	(517,202)
	1,059,140	-	1,059,140
	366,900	(366,900)	-
	<u>23,667,969</u>	<u>(461,112)</u>	<u>23,206,857</u>
	14,109,111	906,682	15,015,793
	88,913,976	37,627,143	126,541,119
	(1,240,899)	-	(1,240,899)
	<u>87,673,077</u>	<u>37,627,143</u>	<u>125,300,220</u>
	<u>\$ 101,782,188</u>	<u>\$ 38,533,825</u>	<u>\$ 140,316,013</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General Fund	ARPA	Doug Woog Arena
Assets			
Cash and investments	\$ 12,202,120	\$ 2,206,988	\$ -
Accrued interest on investments	35,534	-	-
Accounts receivable	561,385	-	122,649
Loans receivable	-	-	-
Lease receivable	1,052,126	-	-
Property taxes receivable	1,883,112	-	-
Special assessments receivable	34,105	-	-
Due from other governmental units	11,134	-	-
Advances to other funds	1,870,255	-	-
Inventory	42,102	-	-
Prepaid items	49,870	-	3,327
Assets held for resale	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>17,741,743</u></u>	<u><u>2,206,988</u></u>	<u><u>125,976</u></u>
Liabilities			
Accounts and contracts payable	244,600	-	53,012
Salaries payable	455,993	-	21,136
Deposits payable	171,597	-	-
Due to other governmental units	4,018	-	2,351
Advances from other funds	-	-	645,069
Unearned revenue	-	2,192,202	99,000
Total liabilities	<u><u>876,208</u></u>	<u><u>2,192,202</u></u>	<u><u>820,568</u></u>
Deferred inflows of resources			
Unavailable revenue - property taxes	201,420	-	-
Unavailable revenue - special assessments	33,860	-	-
Unavailable revenue - charges for services	63,278	-	8,399
Lease revenue for subsequent years	1,052,126	-	-
Total deferred inflows of resources	<u><u>1,350,684</u></u>	<u><u>-</u></u>	<u><u>8,399</u></u>
Fund balances			
Nonspendable	91,972	-	3,327
Restricted	-	-	-
Committed	4,590,970	-	-
Assigned	-	14,786	-
Unassigned	10,831,909	-	(706,318)
Total fund balances	<u><u>15,514,851</u></u>	<u><u>14,786</u></u>	<u><u>(702,991)</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 17,741,743</u></u>	<u><u>\$ 2,206,988</u></u>	<u><u>\$ 125,976</u></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)

Statement 3

Airport	Capital Programs	Local Improvements	Tax Increment	Other Nonmajor Governmental	Total
\$ -	\$ 8,341,180	\$ -	\$ 4,648,740	\$ 8,806,852	\$ 36,205,880
-	-	-	-	-	35,534
50,202	-	-	15,000	11,162	760,398
-	-	-	-	1,580,846	1,580,846
4,686,241	-	-	-	1,100,470	6,838,837
-	-	-	217,261	89,282	2,189,655
-	88,839	408,884	-	1,057,571	1,589,399
-	-	-	-	746,418	757,552
-	-	-	-	-	1,870,255
74,916	-	-	-	-	117,018
3,898	-	-	-	1,407	58,502
-	-	-	2,610,000	-	2,610,000
<u>4,815,257</u>	<u>8,430,019</u>	<u>408,884</u>	<u>7,491,001</u>	<u>13,394,008</u>	<u>54,613,876</u>
9,682	84,729	1,459,948	2,050	117,184	1,971,205
6,207	-	-	-	26,600	509,936
-	-	66,950	-	47,625	286,172
218	142,316	-	-	30,960	179,863
45,273	-	155,252	-	1,024,661	1,870,255
-	-	-	-	-	2,291,202
<u>61,380</u>	<u>227,045</u>	<u>1,682,150</u>	<u>2,050</u>	<u>1,247,030</u>	<u>7,108,633</u>
-	-	-	5,917	9,145	216,482
-	87,993	406,282	-	1,046,650	1,574,785
8,455	-	-	-	380,883	461,015
4,686,241	-	-	-	1,100,470	6,838,837
<u>4,694,696</u>	<u>87,993</u>	<u>406,282</u>	<u>5,917</u>	<u>2,537,148</u>	<u>9,091,119</u>
78,814	-	-	-	1,407	175,520
-	-	-	7,483,034	8,989,065	16,472,099
-	-	-	-	40,296	4,631,266
-	8,114,981	-	-	1,004,318	9,134,085
(19,633)	-	(1,679,548)	-	(425,256)	8,001,154
<u>59,181</u>	<u>8,114,981</u>	<u>(1,679,548)</u>	<u>7,483,034</u>	<u>9,609,830</u>	<u>38,414,124</u>
\$ 4,815,257	\$ 8,430,019	\$ 408,884	\$ 7,491,001	\$ 13,394,008	\$ 54,613,876
					\$ 38,414,124
					85,898,435
					2,252,282
					(20,097,556)
					(4,685,097)
					<u>\$ 101,782,188</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

	General Fund	ARPA	Doug Woog Arena
Revenues			
General property taxes	\$ 12,248,640	\$ -	\$ 322,954
Tax increments	-	-	-
Franchise tax	1,650,589	-	-
Licenses and permits	684,424	-	-
Intergovernmental	2,427,847	-	-
Charges for services	1,568,016	-	994,468
Fines and forfeits	121,207	-	-
Special assessments	58,611	-	-
Investment income	57,228	12,342	-
Change in fair value of investments	(179,316)	-	18,644
Miscellaneous	40,716	-	6,149
Total revenues	<u>18,677,962</u>	<u>12,342</u>	<u>1,342,215</u>
Expenditures			
Current			
General government	2,474,197	-	-
Public safety	9,341,356	-	-
Public works	4,138,859	-	-
Community development	740,930	-	-
Parks, arena, library	725,272	-	1,153,840
Economic development	-	-	-
Transportation	-	-	-
Capital outlay			
General government	-	-	-
Public safety	43,518	-	-
Public works	36,286	-	-
Community development	1,543	-	-
Parks, arena, library	-	-	48,106
Economic development	-	-	-
Transportation	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	5,558
Total expenditures	<u>17,501,961</u>	<u>-</u>	<u>1,207,504</u>
Revenues over (under) expenditures	1,176,001	12,342	134,711
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	217,150	-	-
Transfers out	(597,255)	-	-
Total other financing sources (uses)	<u>(380,105)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>795,896</u>	<u>12,342</u>	<u>134,711</u>
Fund balances - January 1	<u>14,718,955</u>	<u>2,444</u>	<u>(837,702)</u>
Fund balances - December 31	<u>\$ 15,514,851</u>	<u>\$ 14,786</u>	<u>\$ (702,991)</u>

Statement 4

Airport	Capital Programs	Local Improvements	Tax Increment	Other Nonmajor Governmental	Total
\$ -	\$ -	\$ 350,000	\$ -	\$ 3,049,867	\$ 15,971,461
-	-	-	2,209,934	-	2,209,934
-	-	-	-	-	1,650,589
-	-	-	-	-	684,424
35,242	1,224,491	10,666,340	-	4,340,962	18,694,882
1,547,730	-	-	180,000	363,491	4,653,705
-	-	-	-	3,363	124,570
-	55,029	149,404	-	319,923	582,967
-	54,305	22,921	25,770	50,765	223,331
9	(185,799)	(32,740)	(78,027)	(139,959)	(597,188)
23,158	-	-	-	380,734	450,757
<u>1,606,139</u>	<u>1,148,026</u>	<u>11,155,925</u>	<u>2,337,677</u>	<u>8,369,146</u>	<u>44,649,432</u>
-	-	-	-	5,000	2,479,197
-	-	-	-	60,844	9,402,200
-	216,600	71,196	-	-	4,426,655
-	-	-	-	382,847	1,123,777
-	-	-	-	848,641	2,727,753
-	-	-	417,520	967,348	1,384,868
1,458,193	-	-	-	225,249	1,683,442
-	-	-	-	109,669	109,669
-	-	-	-	10,967	54,485
-	3,166,397	11,685,239	-	-	14,887,922
-	-	-	-	-	1,543
-	-	-	-	-	48,106
-	-	-	552,465	223,880	776,345
-	-	-	-	3,422,345	3,422,345
-	-	-	-	1,850,000	1,850,000
25	-	16,620	110,922	641,486	774,611
<u>1,458,218</u>	<u>3,382,997</u>	<u>11,773,055</u>	<u>1,080,907</u>	<u>8,748,276</u>	<u>45,152,918</u>
147,921	(2,234,971)	(617,130)	1,256,770	(379,130)	(503,486)
-	-	-	1,353,684	849,544	2,203,228
-	150,000	447,255	-	588,557	1,402,962
(52,388)	-	-	(205,539)	(180,880)	(1,036,062)
<u>(52,388)</u>	<u>150,000</u>	<u>447,255</u>	<u>1,148,145</u>	<u>1,257,221</u>	<u>2,570,128</u>
<u>95,533</u>	<u>(2,084,971)</u>	<u>(169,875)</u>	<u>2,404,915</u>	<u>878,091</u>	<u>2,066,642</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>
<u>\$ 59,181</u>	<u>\$ 8,114,981</u>	<u>\$ (1,679,548)</u>	<u>\$ 7,483,034</u>	<u>\$ 9,609,830</u>	<u>\$ 38,414,124</u>

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CITY OF SOUTH ST. PAUL, MINNESOTA

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

Statement 5

For the Year Ended December 31, 2022

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

Net changes in fund balances - total governmental funds (Statement 4)	\$ 2,066,642
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.	12,016,167
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.	(1,320,638)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(411,429)
The repayment of the principal of long-term debt consumes current financial resources and does not have any effect on net position.	1,850,000
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.	86,104
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.	<u>(177,735)</u>
Change in net position of governmental activities (Statement 2)	<u>\$ 14,109,111</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
Assets		
Current assets		
Cash, cash equivalents, and investments	\$ 6,685,025	\$ 726,392
Accounts receivable	1,730,739	193,390
Special assessments receivable	524,580	-
Prepaid items	284,273	20
Total current assets	<u>9,224,617</u>	<u>919,802</u>
Noncurrent assets		
Capital assets		
Land and easements	295,900	33,200
Buildings and land improvements	6,342,317	1,167,635
Machinery and equipment	3,181,100	2,605
Infrastructure	16,887,923	14,437,309
Construction in process	423,431	-
Less: Allowance for depreciation	(10,732,559)	(7,298,712)
Net capital assets	<u>16,398,112</u>	<u>8,342,037</u>
Total assets	<u>25,622,729</u>	<u>9,261,839</u>
Deferred outflow of resources		
Pension plan deferments - PERA	-	-
OPEB plan deferments	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities		
Current liabilities		
Accounts payable	136,943	2,733
Salaries payable	20,062	-
Deposits payable	10,840	-
Due to other governmental units	324,013	-
Unearned revenue	-	-
Compensated absences	-	-
Accrued interest payable	17,691	9,288
Notes payable	-	-
Bonds payable	241,000	90,000
Total current liabilities	<u>750,549</u>	<u>102,021</u>
Noncurrent liabilities		
Notes payable	-	-
Bonds payable	1,679,502	705,318
Total other postemployment benefit liability	-	-
Net pension liability	-	-
Compensated absences	-	-
Total noncurrent liabilities	<u>1,679,502</u>	<u>705,318</u>
Total liabilities	<u>2,430,051</u>	<u>807,339</u>
Deferred inflow of resources		
Pension plan deferments - PERA	-	-
OPEB plan deferments	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Net position		
Net investment in capital assets	14,477,610	7,716,577
Unrestricted	8,715,068	737,923
Total net position	<u>\$ 23,192,678</u>	<u>\$ 8,454,500</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net position of business-type activities (Statement 1)

Activities - Enterprise Funds			Governmental	
Street Light Utility	Low Rent Housing	Total	Activities - Internal Service Funds	
\$ 354,928	\$ 3,749,110	\$ 11,515,455	\$	3,490,784
91,551	80,926	2,096,606		-
-	-	524,580		-
-	-	284,293		4,878
<u>446,479</u>	<u>3,830,036</u>	<u>14,420,934</u>		<u>3,495,662</u>
-	265,675	594,775		-
-	21,164,459	28,674,411		-
-	115,133	3,298,838		6,182,387
-	-	31,325,232		-
-	53,837	477,268		-
-	(16,256,091)	(34,287,362)		(3,385,092)
-	5,343,013	30,083,162		2,797,295
<u>446,479</u>	<u>9,173,049</u>	<u>44,504,096</u>		<u>6,292,957</u>
-	-	-		9,406,623
-	-	-		1,262,791
-	-	-		<u>10,669,414</u>
18,595	161,041	319,312		95,185
-	-	20,062		5,655
-	91,071	101,911		-
-	83,223	407,236		-
-	-	-		648
-	-	-		81,674
-	3,412	30,391		-
-	145,897	145,897		-
-	-	331,000		-
<u>18,595</u>	<u>484,644</u>	<u>1,355,809</u>		<u>183,162</u>
-	1,733,809	1,733,809		-
-	-	2,384,820		-
-	-	-		4,182,764
-	-	-		16,646,624
-	-	-		370,554
-	1,733,809	4,118,629		21,199,942
<u>18,595</u>	<u>2,218,453</u>	<u>5,474,438</u>		<u>21,383,104</u>
-	-	-		367,053
-	-	-		393,144
-	-	-		<u>760,197</u>
-	3,463,307	25,657,494		2,797,295
427,884	3,491,289	13,372,164		(7,978,225)
<u>\$ 427,884</u>	<u>\$ 6,954,596</u>	<u>\$ 39,029,658</u>	<u>\$</u>	<u>(5,180,930)</u>
		(495,833)		
		<u>\$ 38,533,825</u>		

CITY OF SOUTH ST. PAUL, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended December 31, 2022

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
Operating revenues		
User charges for services	\$ 7,610,690	\$ 692,515
Operating grants	-	-
Retiree health insurance charges	-	-
Dental insurance charges	-	-
Compensated absences charges	-	-
Equipment rental and repair charges	-	-
Pension related charges	-	-
Total operating revenues	<u>7,610,690</u>	<u>692,515</u>
Operating expenses		
Personal services	721,866	-
Materials and supplies	148,590	-
Contractual services	4,927,730	220,274
Depreciation	487,581	285,264
Total operating expenses	<u>6,285,767</u>	<u>505,538</u>
Operating income (loss)	<u>1,324,923</u>	<u>186,977</u>
Nonoperating revenues (expenses)		
Investment income	40,446	3,804
Change in fair value of investments	(128,900)	(11,162)
Special assessments	17,678	-
Intergovernmental	-	-
Gain on sale of capital assets	-	-
Other revenue	38,812	16
Interest and other charges	(42,907)	(21,456)
Total nonoperating revenues (expenses)	<u>(74,871)</u>	<u>(28,798)</u>
Income (loss) before capital contributions and transfers	1,250,052	158,179
Capital contributions	-	165,099
Transfers out	(279,000)	(67,900)
Change in net position	<u>971,052</u>	<u>255,378</u>
Net position - January 1	22,221,626	8,199,122
Net position - December 31	<u>\$ 23,192,678</u>	<u>\$ 8,454,500</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)

Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
Street Light Utility	Low Rent Housing	Total		
\$ 335,173	\$ 1,295,233	\$ 9,933,611	\$ -	
-	1,143,208	1,143,208	-	
-	-	-	423,830	
-	-	-	78,630	
-	-	-	73,238	
-	-	-	1,486,213	
-	-	-	976,958	
<u>335,173</u>	<u>2,438,441</u>	<u>11,076,819</u>	<u>3,038,869</u>	
-	-	721,866	2,366,595	
23,143	99,050	270,783	485,854	
227,746	2,094,994	7,470,744	347,376	
-	460,746	1,233,591	494,089	
<u>250,889</u>	<u>2,654,790</u>	<u>9,696,984</u>	<u>3,693,914</u>	
84,284	(216,349)	1,379,835	(655,045)	
2,215	6,536	53,001	22,041	
(7,151)	-	(147,213)	(71,174)	
-	-	17,678	-	
-	-	-	140,908	
-	-	-	176,551	
-	6,516	45,344	43,943	
-	(10,758)	(75,121)	-	
<u>(4,936)</u>	<u>2,294</u>	<u>(106,311)</u>	<u>312,269</u>	
79,348	(214,055)	1,273,524	(342,776)	
-	-	165,099	-	
<u>(20,000)</u>	<u>-</u>	<u>(366,900)</u>	<u>-</u>	
59,348	(214,055)	1,071,723	(342,776)	
368,536	7,168,651		(4,838,154)	
<u>\$ 427,884</u>	<u>\$ 6,954,596</u>		<u>\$ (5,180,930)</u>	
		(165,041)		
		<u>\$ 906,682</u>		

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Business-Type	
	Water and Sewer Utility	Storm Water Utility
Cash flows from operating activities		
Receipts from customers and users	\$ 7,484,818	\$ 1,159,450
Receipts from interfund services provided	-	-
Payment to suppliers	(4,542,175)	(184,128)
Payment for interfund services used	(222,210)	(58,131)
Payment to employees	(669,474)	-
Other revenue	38,812	16
Net cash flows from operating activities	<u>2,089,771</u>	<u>917,207</u>
Cash flows from noncapital financing activities		
Transfer to other funds	(279,000)	(67,900)
Special assessments	(25,386)	-
Intergovernmental revenue	-	-
Net cash flows from noncapital financing activities	<u>(304,386)</u>	<u>(67,900)</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(423,431)	(236,947)
Capital contributions	-	165,099
Proceeds from sale of capital assets	-	-
Principal paid on capital debt	(234,000)	(90,000)
Interest paid on debt	(46,310)	(23,661)
Net cash flows from capital and related financing activities	<u>(703,741)</u>	<u>(185,509)</u>
Cash flows from investing activities		
Investment income	(88,454)	(7,358)
Net increase (decrease) in cash and cash equivalents	<u>993,190</u>	<u>656,440</u>
Cash and cash equivalents - January 1	5,691,835	69,952
Cash and cash equivalents - December 31	<u>\$ 6,685,025</u>	<u>\$ 726,392</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 1,324,923	\$ 186,977
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	487,581	285,264
Changes in assets and liabilities:		
(Increase) decrease in receivables	(125,872)	466,935
(Increase) decrease in prepaid items	(24,601)	(7)
(Increase) decrease in deferred outflow of resources	-	-
Increase (decrease) in payables	388,928	(21,978)
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in accrued expenses	-	-
Increase (decrease) in deferred inflow of resources	-	-
Other revenue	38,812	16
Total adjustments	<u>764,848</u>	<u>730,230</u>
Net cash flows from operating activities	<u>\$ 2,089,771</u>	<u>\$ 917,207</u>
Noncash investing, capital, and financing activities		
Net book value of capital asset disposals	\$ -	\$ -

Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
Street Light Utility	Low Rent Housing	Total		
\$ 326,765	\$ 2,510,179	\$ 11,481,212	\$ -	\$ -
-	-	-	3,038,732	-
(249,567)	(2,186,297)	(7,162,167)	(768,600)	-
-	-	(280,341)	-	-
-	-	(669,474)	(1,839,622)	-
-	6,516	45,344	43,943	-
77,198	330,398	3,414,574	474,453	-
(20,000)	-	(366,900)	-	-
-	-	(25,386)	-	-
-	-	-	140,908	-
(20,000)	-	(392,286)	140,908	-
-	(59,950)	(720,328)	(593,791)	-
-	-	165,099	-	-
-	-	-	233,762	-
-	(136,887)	(460,887)	-	-
-	(12,594)	(82,565)	-	-
-	(209,431)	(1,098,681)	(360,029)	-
(4,936)	6,536	(94,212)	(49,133)	-
52,262	127,503	1,829,395	206,199	-
302,666	3,621,607	9,686,060	3,284,585	-
\$ 354,928	\$ 3,749,110	\$ 11,515,455	\$ 3,490,784	-
\$ 84,284	\$ (216,349)	\$ 1,379,835	\$ (655,045)	-
-	460,746	1,233,591	494,089	-
(8,408)	71,738	404,393	-	-
-	90,120	65,512	(37)	-
-	-	-	(3,398,476)	-
1,322	(82,373)	285,899	63,453	-
-	-	-	(137)	-
-	-	-	11,478,426	-
-	-	-	(7,551,763)	-
-	6,516	45,344	43,943	-
(7,086)	546,747	2,034,739	1,129,498	-
\$ 77,198	\$ 330,398	\$ 3,414,574	\$ 474,453	-
\$ -	\$ -	\$ -	\$ 57,211	-

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF NET POSITION
FIDUCIARY FUND
December 31, 2022

Statement 9

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 34,010</u>
Net position	
Restricted for:	
Individuals	<u>\$ 34,010</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2022

Statement 10

	<u>Custodial Fund</u>
Additions	
Contributions	
Employer	<u>\$ 8,250</u>
Deductions	
Beneficiary payments to individuals	<u>6,672</u>
Net change in fiduciary net position	1,578
Net position - January 1	<u>32,432</u>
Net position - December 31	<u><u>\$ 34,010</u></u>

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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.

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

1. The City administrator submits a proposed operating budget to the City Council, which includes proposed expenditures and the means of financing them.
2. Public meetings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Formal budgets are adopted for the General Fund and three Special Revenue Funds (Airport Fund, Library Fund, and Doug Woog Arena Fund). Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls. A financial plan is approved for the Proprietary Funds.
5. Expenditures may legally exceed budgeted appropriations at the departmental level. Monitoring of budgets is maintained at the line item level, especially regarding salaries and capital outlay.
6. In accordance with the provisions of the Budget Administration Plan (originally approved in 1995), the City Council must authorize transfers of discretionary budgeted amounts between departments in the General Fund or from the contingency account to departments. Transfers between or among funds are approved by the City Council.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2022 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			
Human resources	\$ 258,895	\$ 253,070	\$ (5,825)
City attorney	249,929	240,000	(9,929)
Engineering	692,205	553,584	(138,621)
Public works	2,048,629	1,944,375	(104,254)
Buildings	335,146	270,138	(65,008)
Code enforcement	175,310	167,111	(8,199)
Special Revenue Funds			
Doug Woog arena	1,207,504	974,917	(232,587)
Airport	1,458,218	1,169,625	(288,593)

G. DEFICIT FUND EQUITY

The City has deficit fund equity as of December 31, 2022 as follows:

Deficit fund balance	
Major Funds	
Special Revenue Funds	
Doug Woog Arena	\$ 702,991
Capital Project Funds	
Local Improvements	1,679,548
Nonmajor Funds	
Capital Project Funds	
Airport Improvements	424,326
Deficit unrestricted net position	
Other Funds	
Internal Service Funds	
OPEB/Employee Benefits	10,946,644

The Airport Improvements deficit was caused by planned infrastructure expansion, which will produce future revenue. Deficits in the Doug Woog Arena, 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: Community Development Block Grant (CDBG) funds, Tax Increment, Minnesota Department of Employment and Economic Development and U.S. Environmental Protection Agency.

J. PROPERTY TAXES

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

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

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. SPECIAL ASSESSMENTS

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

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action.

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

L. INVENTORIES AND PREPAID ITEMS

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

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

M. ASSETS HELD FOR RESALE

Assets held for resale represent various property purchases made by the EDA with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or net realizable value. During the year ended December 31, 2022 management has reviewed the cost value reported for these assets and has indicated the properties are fairly presented for financial reporting purposes.

N. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges, distribution systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. CAPITAL ASSETS (CONTINUED)

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

Classification	Years
Temporary easements	1 – 3
Land improvements	20
Buildings and building improvements	50
Machinery and equipment	5 – 20
Vehicles	4 – 15
Water and sewer distribution	30
Infrastructure	30 – 50

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until that time. The City has two items which arise under the full accrual basis of accounting which qualify for reporting in this category. The first item, pension plan 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 consumption of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which arises under the modified accrual basis of accounting and three items which arise under the full accrual basis of accounting which qualify for reporting in this category. The first item, unavailable revenue, is reported only on the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and charges for services not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item, pension plan 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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

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

P. COMPENSATED ABSENCES

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

Q. LONG-TERM OBLIGATIONS

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

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

R. STATE-WIDE PENSION PLANS

For the purposes of measuring net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. For this purpose, plan contributions are recognized as of employer 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 \$85,898,435 difference are as follows:

Capital assets	
Cost of capital assets	\$ 156,349,786
Less accumulated depreciation	<u>(70,451,351)</u>
 Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 85,898,435</u>

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$20,097,556 difference are as follows:

Bonds payable	\$ 19,040,000
Plus: Bond premium (to be amortized over life of debt)	814,216
Accrued interest payable	<u>243,340</u>
 Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 20,097,556</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,016,167 difference are as follows:

Capital outlay	\$ 15,005,075
Depreciation expense	<u>(2,988,908)</u>
 Net adjustment to change in fund balances - total governmental funds to arrive at change in net position - governmental activities	 <u>\$ 12,016,167</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 \$86,104 difference are as follows:

Accrued interest	\$ 21,591
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>\$ 86,104</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, 2022, the City's bank balances were \$26,423,259. All the City's deposits were collateralized at year-end.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency, which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2022 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, 2022 are as follows:

Investment Type	Standard & Poor's Rating	Fair Value Measurements Using	Fair Value	Investment Maturities (in Years)	
				Less Than 1	1-5
U.S. agency securities	AA	Level 2	\$ 444,775	\$ -	\$ 444,775
Local government securities	AAA	Level 2	636,674	-	636,674
Local government securities	AA	Level 2	2,218,146	536,755	1,681,391
Local government securities *	AAA	Level 2	152,043	-	152,043
Local government securities *	AA	Level 2	141,162	-	141,162
Local government securities **	AA	Level 2	1,740,191	197,386	1,542,805
Local government securities **	A	Level 2	355,348	-	355,348
Negotiable certificates of deposit	N/A	Level 2	3,814,485	769,017	3,045,468
Investment pools/mutual funds	AAA	Level 1	16,254,328	16,254,328	-
Total investments in cash and investment pool			<u>\$ 25,757,152</u>	<u>\$ 17,757,486</u>	<u>\$ 7,999,666</u>

N/A = not rated

* - rated by Fitch

** - rated by Moody's

Cash and investments comprising the City's cash pool at December 31, 2022 were as follows:

	Fair Value
Cash	
Cash on hand	\$ 2,350
Cash in bank accounts	25,486,627
Total cash	<u>25,488,977</u>
Investments	
U.S. agency securities	444,775
Local government securities	5,243,564
Negotiable certificates of deposit	3,814,485
Investment pools/mutual funds	16,254,328
Total investments	<u>25,757,152</u>
Total cash, cash equivalents, and investments	<u>\$ 51,246,129</u>
Reconciliation to Statements	
Statement of Net Position - Statement 1	
Cash, cash equivalents, and investments	\$ 51,212,119
Statement of Fiduciary Net Position - Statement 9	
Cash and cash equivalents	34,010
Total cash, cash equivalents, and investments	<u>\$ 51,246,129</u>

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. INVESTMENT RISKS

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

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

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

Note 3 LEASE RECEIVABLES

A. LEASE RECEIVABLES

The City leases land to individuals and business at Fleming Field. The City has three different types of leases. T-Hangar lease is a portion of a larger building at Fleming Field that will fit only one aircraft. Land leases are leases for the property under the hangers in the West Hangar Area of Fleming Field. Building leases are leases of the old WWII bowstring hangars. The leases are reported using an incremental rate of 3.00 percent and they have final maturities ranging from 2024 to 2052. During the current year, the City received principal and interest payments on these leases of \$493,197.

The City has entered into lease receivable agreements for cell tower rental space on city property. The leases are reported using an incremental rate of 3.00 percent and they have final maturities ranging from 2024 to 2031. During the current year, the City received principal and interest payments on these leases of \$262,078.

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

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 3 LEASE RECEIVABLES (CONTINUED)

B. FLEMING FIELD MUNICIPAL AIRPORT HANGAR LEASES

Lease Basics:

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

As of December 31, 2022, the City’s hangar lease tenants were 34 T-Hangar leases, 90 Land leases, and 8 Building leases. During the current year, the City received payments of \$98,059 in T-Hanger rentals.

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance, as previously stated	Adjustments	Beginning Balance, as restated	Additions	Deletions	Ending Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land and perpetual easements	\$ 11,271,085	\$ -	\$ 11,271,085	\$ 1,042,609	\$ -	\$ 12,313,694
Construction in progress	11,141,206	-	11,141,206	13,384,755	-	24,525,961
Total capital assets, not being depreciated	22,412,291	-	22,412,291	14,427,364	-	36,839,655
Capital assets, being depreciated:						
Temporary easements	63,525	-	63,525	-	-	63,525
Buildings and land improvements	44,688,640	-	44,688,640	242,068	(1,873,143)	43,057,565
Machinery and equipment	13,506,725	(1,460,446)	12,046,279	929,434	(460,807)	12,514,906
Infrastructure	70,056,522	-	70,056,522	-	-	70,056,522
Total capital assets, being depreciated	128,315,412	(1,460,446)	126,854,966	1,171,502	(2,333,950)	125,692,518
Less accumulated depreciation for:						
Temporary easements	17,349	-	17,349	36,567	-	53,916
Buildings and land improvements	16,401,288	-	16,401,288	1,176,289	(553,806)	17,023,771
Machinery and equipment	6,972,082	(219,547)	6,752,535	812,098	(402,295)	7,162,338
Infrastructure	48,138,375	-	48,138,375	1,458,043	-	49,596,418
Total accumulated depreciation	71,529,094	(219,547)	71,309,547	3,482,997	(956,101)	73,836,443
Total capital assets being depreciated-net	56,786,318	(1,240,899)	55,545,419	(2,311,495)	(1,377,849)	51,856,075
Governmental activities capital assets-net	\$ 79,198,609	\$ (1,240,899)	\$ 77,957,710	\$ 12,115,869	\$ (1,377,849)	\$ 88,695,730

The adjustment in capital assets is due to the implementation of a new GASB standard related to leases, this can be seen in more detail in Note 13.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 594,775	\$ -	\$ -	\$ 594,775
Construction in progress	338,243	666,242	(527,217)	477,268
Total capital assets, not being depreciated	<u>933,018</u>	<u>666,242</u>	<u>(527,217)</u>	<u>1,072,043</u>
Capital assets, being depreciated:				
Buildings and land improvements	28,659,325	15,086	-	28,674,411
Machinery and equipment	3,259,838	39,000	-	3,298,838
Infrastructure	30,798,015	527,217	-	31,325,232
Total capital assets, being depreciated	<u>62,717,178</u>	<u>581,303</u>	<u>-</u>	<u>63,298,481</u>
Less accumulated depreciation for:				
Buildings and land improvements	18,122,113	588,826	-	18,710,939
Machinery and equipment	1,406,838	97,037	-	1,503,875
Infrastructure	13,524,820	547,728	-	14,072,548
Total accumulated depreciation	<u>33,053,771</u>	<u>1,233,591</u>	<u>-</u>	<u>34,287,362</u>
Total capital assets being depreciated-net	<u>29,663,407</u>	<u>(652,288)</u>	<u>-</u>	<u>29,011,119</u>
Business-type activities capital assets-net	<u>\$ 30,596,425</u>	<u>\$ 13,954</u>	<u>\$ (527,217)</u>	<u>\$ 30,083,162</u>

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

Governmental activities:	
General government	\$ 77,831
Public safety	71,867
Public works	2,143,601
Community development	527
Parks, arena, library	329,738
Transportation	365,344
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>494,089</u>
Total depreciation expense - governmental activities	<u>\$ 3,482,997</u>
Business-type activities:	
Water and sewer utility	\$ 487,581
Storm water utility	285,264
Low rent housing	460,746
Total depreciation expense - business-type activities	<u>\$ 1,233,591</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

Note 4 CAPITAL ASSETS (CONTINUED)

CONSTRUCTION COMMITMENTS

At December 31, 2022 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized below:

Project	Responsible Fund	Contract Amount	Remaining Commitment
Concord Street Reconstruction	Local Improvements Fund	\$ 25,047,937	\$ 1,539,348
2021 Runway Reconstruction	Airport Capital Fund	3,118,032	68,163
4th Street Improvements	Local Improvements Fund	1,346,665	46,244
Total all funds		\$ 29,512,634	\$ 1,653,755

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, 2022 are as follows:

	Final Maturities	Interest Rate	Original Amount	Outstanding 12/31/22
General Obligation Bonds	2030 - 2040	2.00% - 4.00%	\$ 29,470,000	\$ 20,110,000
Taxable Tax Increment Bonds	2025	1.50% - 3.10%	1,815,000	585,000
Drinking Water Revolving Fund Loan	2029	1.71%	2,801,051	1,039,000
Total bonds payable			\$ 34,086,051	\$ 21,734,000

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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
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	1,735,000	336,542	361,000	30,978
2028-2032	5,115,000	1,113,756	975,000	38,339
2033-2037	3,805,000	399,278	-	-
2038-2040	995,000	43,425	-	-
Total	<u>\$ 19,040,000</u>	<u>\$ 3,799,230</u>	<u>\$ 2,694,000</u>	<u>\$ 275,852</u>

All long-term bonded indebtedness outstanding at December 31, 2022 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, 2022 were \$23,482.

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, 2022 were \$1,408,231.

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, 2022

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, 2022, was \$254,353.

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>
2023	\$ 145,897	\$ 8,187	\$ 154,084
2024	108,456	3,491	111,947
2029	105,980	-	105,980
Forgivable debt	<u>1,519,373</u>	<u>-</u>	<u>1,519,373</u>
Total	<u>\$ 1,879,706</u>	<u>\$ 11,678</u>	<u>\$ 1,891,384</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, 2022 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 20,120,000	\$ -	\$ 1,665,000	\$ 18,455,000	\$ 1,720,000
Taxable tax increment	770,000	-	185,000	585,000	190,000
Plus/(Less) deferred amounts:					
For issuance premium	878,729	-	64,513	814,216	-
Total bonds payable	<u>21,768,729</u>	<u>-</u>	<u>1,914,513</u>	<u>19,854,216</u>	<u>1,910,000</u>
Total other postemployment benefit liability	4,281,248	-	98,484	4,182,764	-
Net pension liability	5,059,875	12,639,717	1,052,968	16,646,624	-
Compensated absences	462,067	105,615	115,454	452,228	81,674
Total governmental activities long-term debt	<u>\$ 31,571,919</u>	<u>\$ 12,745,332</u>	<u>\$ 3,181,419</u>	<u>\$ 41,135,832</u>	<u>\$ 1,991,674</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 5 LONG-TERM DEBT

C. CHANGES IN LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation	\$ 1,840,000	\$ -	\$ 185,000	\$ 1,655,000	\$ 190,000
Revenue	1,178,000	-	139,000	1,039,000	141,000
Plus/(Less) deferred amounts:					
For issuance premium	24,898	-	3,078	21,820	-
Total bonds payable	3,042,898	-	327,078	2,715,820	331,000
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	391,240	-	136,887	254,353	145,897
Total notes payable	2,016,593	-	136,887	1,879,706	145,897
Total business-type activities long-term debt	\$ 5,059,491	\$ -	\$ 463,965	\$ 4,595,526	\$ 476,897

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

D. CONDUIT DEBT

Conduit debt is certain limited obligation revenue bonds or similar debt instruments issued for express purpose of providing capital financing for a specific third party. The City has entered into a conduit debt agreement with Walker Methodist for the construction of a senior housing and healthcare facility. Upon repayment of the bonds, ownership of the acquired facilities transfer to the private sector entity served in the bond issuance. The bonds are payable solely from revenues of the Walker Methodist and neither the City, the state not and political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2022 the outstanding balance was \$9,645,000 on these bonds.

Note 6 TAX ABATEMENT AGREEMENTS

The EDA, in order to spur economic redevelopment, will enter into private redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. These agreements may in substance be a tax abatement but will depend on their individual circumstances. The EDA had three agreements that were active in 2022 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, 2022 for the first agreement was \$564,523 and the EDA rebated \$81,698 in the current year. The outstanding principal balance on the second agreement was \$948,279 and the EDA rebated \$122,547 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, 2022 for this agreement was \$400,000 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, are not actual debt in substance.

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 7 FUND EQUITY

A. NET POSITION

Net position reported in the government-wide statement of net position at December 31, 2022, include the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 12,313,694
Construction in progress	24,525,961
Other capital assets, net of depreciation	51,856,075
Less: related long-term debt outstanding	(14,148,380)
Total net investment in capital assets	<u>74,547,350</u>

Restricted:

Debt service	3,988,351
Tax increment	6,903,951
Economic development	2,372,863
Housing programs	3,311,932
Park improvements	237,456
Library funding	122,029
Forfeitures	54,702
Community relations	27,769
Memorial funding	6,205
Lawful purposes	55,153
Total restricted	<u>17,080,411</u>

Unrestricted

	<u>10,154,427</u>
Total governmental activities net position	<u>\$ 101,782,188</u>

Business-type Activities

Net investment in capital assets:

Land	\$ 594,775
Construction in progress	477,268
Other capital assets, net of depreciation	29,011,119
Less: related long-term debt outstanding	(4,425,668)
Total net investment in capital assets	<u>25,657,494</u>

Unrestricted

	<u>12,876,331</u>
Total business-type activities net position	<u>\$ 38,533,825</u>

Related debt for governmental activities capital assets includes \$518,360 in premium on bonds issued and \$13,630,020 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 \$113,063 of premium on bonds issued and \$2,252,552 of general obligation bonds was issued to finance business-type activity capital assets.

Related debt for business-type activities capital assets includes \$1,039,000 in general obligation revenue bonds, \$21,820 in premium on bonds issued, \$1,879,706 in notes payable, and \$1,485,142 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, 2022

Note 7 FUND EQUITY (CONTINUED)

B. FUND BALANCES

At December 31, 2022, 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
Nonspendable:									
Prepaid Items	\$ 49,870	\$ -	\$ 3,327	\$ 3,898	\$ -	\$ -	\$ -	\$ 1,407	\$ 58,502
Inventory	42,102	-	-	74,916	-	-	-	-	117,018
Total nonspendable	91,972	-	3,327	78,814	-	-	-	1,407	175,520
Restricted for:									
Debt Service	-	-	-	-	-	-	-	3,190,984	3,190,984
Economic Development	-	-	-	-	-	-	-	2,368,477	2,368,477
Tax Increment Financing	-	-	-	-	-	-	7,483,034	-	7,483,034
Housing	-	-	-	-	-	-	-	2,926,290	2,926,290
Park Improvements	-	-	-	-	-	-	-	237,456	237,456
Community Relations	-	-	-	-	-	-	-	27,769	27,769
Forfeitures	-	-	-	-	-	-	-	54,702	54,702
Lawful Purposes	-	-	-	-	-	-	-	55,153	55,153
Memorial Funding	-	-	-	-	-	-	-	6,205	6,205
Library Funding	-	-	-	-	-	-	-	122,029	122,029
Total restricted	-	-	-	-	-	-	7,483,034	8,989,065	16,472,099
Committed for:									
Working Capital	4,590,970	-	-	-	-	-	-	-	4,590,970
Central Square	-	-	-	-	-	-	-	40,296	40,296
Total committed	4,590,970	-	-	-	-	-	-	40,296	4,631,266
Assigned for:									
Working Capital	-	-	-	-	8,114,981	-	-	731,749	8,846,730
Future Equipment	-	-	-	-	-	-	-	171,064	171,064
Community Relations	-	-	-	-	-	-	-	4,698	4,698
Other Purposes	-	14,786	-	-	-	-	-	96,807	111,593
Total assigned	-	14,786	-	-	8,114,981	-	-	1,004,318	9,134,085
Unassigned:									
General fund	10,831,909	-	-	-	-	-	-	-	10,831,909
Doug Woog Arena	-	-	(706,318)	-	-	-	-	-	(706,318)
Airport	-	-	-	(19,633)	-	-	-	-	(19,633)
Local Improvements	-	-	-	-	-	(1,679,548)	-	-	(1,679,548)
Nonmajor Governmental	-	-	-	-	-	-	-	(425,256)	(425,256)
Total unassigned	10,831,909	-	(706,318)	(19,633)	-	(1,679,548)	-	(425,256)	8,001,154
Total	\$ 15,514,851	\$ 14,786	\$ (702,991)	\$ 59,181	\$ 8,114,981	\$ (1,679,548)	\$ 7,483,034	\$ 9,609,830	\$ 38,414,124

Note 8 RETIREMENT PLANS

The aggregate amounts for all pension plans as of December 31, 2022 are as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - GERF	\$ 5,615,304	\$ 1,648,940	\$ 240,343
PERA - PEPFF	11,031,320	7,757,683	126,710
Total - all pensions	\$ 16,646,624	\$ 9,406,623	\$ 367,053

Note 8 RETIREMENT PLANS (CONTINUED)

A. DEFINED BENEFIT PENSION PLANS

PLAN DESCRIPTION

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

1. General Employees Retirement Fund

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 Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. 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 is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2022. The City's contributions to the General Employees Fund for the year ended December 31, 2022 were \$412,043. 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 2022 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, 2022 were \$564,915. The City's contributions were equal to the required contributions as set by state statute.

PENSION COSTS

1. General Employees Fund

At December 31, 2022, the City reported a liability of \$5,615,304 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 \$164,672.

The net pension liability was measured as of June 30, 2022 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0709 percent at the end of the measurement period and 0.0729 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$	5,615,304
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>164,672</u>
Total	\$	<u><u>5,779,976</u></u>

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

PENSION COSTS

1. General Employees Fund (Continued)

For the year ended December 31, 2022, the City recognized pension expense of \$699,132 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$24,606 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, 2022, 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	\$ 46,903	\$ 61,904
Changes in actuarial assumptions	1,305,611	24,449
Net collective difference between projected and actual investment earnings	51,671	-
Changes in proportion	20,733	153,990
Contributions paid to PERA subsequent to the measurement date	224,022	-
Total	\$ 1,648,940	\$ 240,343

The \$224,022 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2023	\$ 447,202
2024	450,028
2025	(220,474)
2026	507,819

2. Police and Fire Fund

At December 31, 2022, the City reported a liability of \$11,031,320 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.2535 percent at the end of the measurement period and 0.2522 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, 2022. 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 was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota 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, 2022, the City recognized a pension expense of \$888,770 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized an additional \$93,487 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 \$22,815 for the year ended December 31, 2022 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	\$	11,031,320
State of Minnesota's proportionate share of the net pension liability associated with the City		481,956
Total	\$	<u>11,513,276</u>

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 670,405	\$ -
Changes in actuarial assumptions	6,481,831	63,898
Net collective difference between projected and actual investment earnings	150,293	-
Changes in proportion	161,571	62,812
Contributions paid to PERA subsequent to the measurement date	293,583	-
Total	<u>\$ 7,757,683</u>	<u>\$ 126,710</u>

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

PENSION COSTS

2. Police and Fire Fund (Continued)

The \$293,583 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2023	\$ 1,436,684
2024	1,423,591
2025	1,262,761
2026	2,294,853
2027	919,501

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2022, was \$1,705,995.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2022, 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 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans 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 became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire was completed in 2020, 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 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

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:

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

Note 8 RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS (CONTINUED)

DISCOUNT RATE

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

PENSION LIABILITY SENSITIVITY

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

	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>	
1% Lower	5.50%	\$ 8,869,666	4.40%	\$ 16,694,486
Current Discount Rate	6.50%	5,615,304	5.50%	11,031,320
1% Higher	7.50%	2,946,224	6.40%	6,452,987

PENSION PLAN FIDUCIARY NET POSITION

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

Note 8 RETIREMENT PLANS (CONTINUED)

B. DEFINED CONTRIBUTION PLAN

Six council members are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 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 2022 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 \$411,940.

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 \$4,182,764 as of year-end was measured as of January 1, 2022 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, 2022, 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	6.25% decreasing to 5.00% over 5 years then 4.00% over the next 48 years

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

Mortality rates for employees were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

7. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance - January 1, 2021	\$ 4,281,248
Changes for the year	
Service cost	184,228
Interest cost	85,644
Benefit payments	<u>(368,356)</u>
Total net changes	<u>(98,484)</u>
Ending balance	<u>\$ 4,182,764</u>

Note 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

SINGLE-EMPLOYER DEFINED BENEFIT PLAN (CONTINUED)

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

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

		Total OPEB Liability
1% Decrease in Discount Rate	1.00%	\$ 4,448,375
Current Discount Rate	2.00%	4,182,764
1% Increase in Discount Rate	3.00%	3,930,628

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	5.25%	\$ 3,806,369
Current Trend Rates	6.25%	4,182,764
1% Increase in Trend Rates	7.25%	4,622,455

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

For the current period, the City recognized OPEB expense of \$363,474. 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	\$ 413,748	\$ 306,661
Changes of assumptions	437,103	86,483
City's contributions subsequent to the measurement date	411,940	-
Total	<u>\$ 1,262,791</u>	<u>\$ 393,144</u>

The \$411,940 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB Expense Amount
2023	\$ 93,602
2024	93,602
2025	93,602
2026	84,887
2027	82,430
Thereafter	9,584

Note 10 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances at December 31, 2022 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	\$ 645,069
General Fund	Airport	45,273
General Fund	Local Improvements	155,252
	Nonmajor Governmental Funds:	
General Fund	Airport Improvements	<u>1,024,661</u>
	Total	<u>\$ 1,870,255</u>

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

B. INTERFUND TRANSFERS

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

	<u>Transfer In</u>				
	<u>General Fund</u>	<u>Capital Programs</u>	<u>Local Improvements</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:					
General Fund	\$ -	\$ 150,000	\$ 447,255	\$ -	\$ 597,255
Airport	-	-	-	52,388	52,388
Tax Increment	-	-	-	205,539	205,539
Nonmajor Governmental	57,150	-	-	123,730	180,880
Water and Sewer Utility	100,000	-	-	179,000	279,000
Storm Water Utility	40,000	-	-	27,900	67,900
Street Light Utility	20,000	-	-	-	20,000
Total transfers	<u>\$ 217,150</u>	<u>\$ 150,000</u>	<u>\$ 447,255</u>	<u>\$ 588,557</u>	<u>\$ 1,402,962</u>

Note 11 JOINT VENTURES

A. SPECIAL SCHOOL DISTRICT NO. 6

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

Note 11 JOINT VENTURES

B. SOUTH METRO FIRE DEPARTMENT

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

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

The activities of the SMFD will continue to be funded entirely by the cities of South St. Paul and West St. Paul, with each contributing an equal share of the SMFD annual budget which must be approved by the Board by a four-fifths vote of all of its members. The City’s annual payments for the year ending December 31, 2022 were \$2,705,095. In addition, each city performed in-kind contributed services of approximate equal value during 2022 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, 2022 was \$1,115,000.

The City’s future commitments to make payments as of December 31, 2022 are as follows:

	<u>Payment</u>
2023	\$ 95,655
2024	97,860
2025	97,230
2026	96,495
2027	95,655
2028	<u>97,335</u>
Total	<u>\$ 580,230</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 2022 financial statements of the City was \$444,536 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 2022 and 2021 was as follows:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2022	\$ -	\$ 45,914	\$ 45,914	\$ -
2021	-	45,477	45,477	-

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, 2022.

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 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2022, the City implemented GASB Statement No. 87, *Leases*. This statement included major changes in recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. 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. Certain amounts necessary to fully restate fiscal year 2021 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the City reporting a new lease receivable and deferred inflows of resources along with a restatement of net position on the governmental activities to remove an asset that was previously capitalized. See Note 3 and 4 for additional details on this change in the current year.

	Governmental Activities
Net Position - beginning, as previously reported	<u>\$ 88,913,976</u>
Change in accounting principle	
Leased capital asset remeasurment	<u>(1,240,899)</u>
Net position - beginning, as restated	<u><u>\$ 87,673,077</u></u>

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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, 2022

Statement 11
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	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
General property taxes				
Current	\$ 8,456,573	\$ 8,439,948	\$ 8,328,846	\$ (111,102)
Excess TIF	245,000	245,000	581,579	336,579
Delinquent	-	-	184,951	184,951
Fiscal disparities	3,147,802	3,147,802	3,143,085	(4,717)
Other	-	-	10,179	10,179
Total general property taxes	<u>11,849,375</u>	<u>11,832,750</u>	<u>12,248,640</u>	<u>415,890</u>
Franchise tax	<u>1,230,000</u>	<u>1,230,000</u>	<u>1,650,589</u>	<u>420,589</u>
Licenses and permits	<u>436,720</u>	<u>436,720</u>	<u>684,424</u>	<u>247,704</u>
Intergovernmental				
State				
Local government aid	1,586,850	1,586,850	1,586,850	-
Road maintenance	236,360	236,360	268,576	32,216
Fire and police aids	299,000	299,000	317,582	18,582
Other	12,800	12,800	23,201	10,401
County				
Road maintenance	79,500	79,500	79,844	344
Other	-	-	1,695	1,695
Local	<u>62,108</u>	<u>62,108</u>	<u>150,099</u>	<u>87,991</u>
Total intergovernmental	<u>2,276,618</u>	<u>2,276,618</u>	<u>2,427,847</u>	<u>151,229</u>
Charges for services				
General government	488,413	488,413	484,983	(3,430)
Public safety	1,600	1,600	1,788	188
Public works	14,000	14,000	14,452	452
Community development	56,000	56,000	137,729	81,729
Parks and recreation	144,450	144,450	149,259	4,809
Administrative fee - other funds	729,805	729,805	729,805	-
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>1,784,268</u>	<u>1,784,268</u>	<u>1,568,016</u>	<u>(216,252)</u>
Fines and forfeits	115,000	115,000	121,207	6,207
Special assessments	-	-	58,611	58,611
Investment income	50,000	50,000	57,228	7,228
Change in fair value of investments	-	-	(179,316)	(179,316)
Miscellaneous				
Other	<u>7,140</u>	<u>7,140</u>	<u>40,716</u>	<u>33,576</u>
Total revenues	<u>17,749,121</u>	<u>17,732,496</u>	<u>18,677,962</u>	<u>945,466</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2022

Statement 11
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	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General government				
Mayor and city council				
Current				
Personal services	\$ 72,969	\$ 72,969	\$ 72,958	\$ 11
Materials and supplies	700	700	294	406
Other services and charges	61,749	61,749	55,203	6,546
Miscellaneous	30,500	30,500	28,341	2,159
Total mayor and city council	<u>165,918</u>	<u>165,918</u>	<u>156,796</u>	<u>9,122</u>
City administration				
Current				
Personal services	459,094	452,200	416,387	35,813
Materials and supplies	3,200	3,200	1,799	1,401
Other services and charges	81,870	81,870	72,774	9,096
Miscellaneous	2,800	2,800	1,719	1,081
Total city administration	<u>546,964</u>	<u>540,070</u>	<u>492,679</u>	<u>47,391</u>
Human resources				
Current				
Personal services	194,332	203,240	209,289	(6,049)
Materials and supplies	2,400	2,400	4,487	(2,087)
Other services and charges	41,210	41,210	41,528	(318)
Miscellaneous	6,220	6,220	3,591	2,629
Total human resources	<u>244,162</u>	<u>253,070</u>	<u>258,895</u>	<u>(5,825)</u>
City attorney				
Current				
Other services and charges	240,000	240,000	249,929	(9,929)
Total city attorney	<u>240,000</u>	<u>240,000</u>	<u>249,929</u>	<u>(9,929)</u>
City clerk				
Current				
Personal services	149,954	191,158	176,190	14,968
Materials and supplies	7,000	7,000	2,494	4,506
Other services and charges	44,540	44,540	52,483	(7,943)
Miscellaneous	200	200	1,142	(942)
Total city clerk	<u>201,694</u>	<u>242,898</u>	<u>232,309</u>	<u>10,589</u>
Information technology				
Current				
Personal services	269,058	277,773	273,971	3,802
Materials and supplies	13,800	13,800	10,600	3,200
Other services and charges	396,205	396,205	373,329	22,876
Total information technology	<u>679,063</u>	<u>687,778</u>	<u>657,900</u>	<u>29,878</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2022

Statement 11
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	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General government (continued)				
City finance				
Current				
Personal services	\$ 322,598	\$ 281,748	\$ 284,211	\$ (2,463)
Materials and supplies	3,500	3,500	2,978	522
Other services and charges	121,190	121,190	111,040	10,150
Miscellaneous	3,040	3,040	2,956	84
Total city finance	<u>450,328</u>	<u>409,478</u>	<u>401,185</u>	<u>8,293</u>
Recycling				
Current				
Personal services	9,738	9,738	10,459	(721)
Materials and supplies	200	200	201	(1)
Other services and charges	15,650	15,650	13,844	1,806
Total recycling	<u>25,588</u>	<u>25,588</u>	<u>24,504</u>	<u>1,084</u>
Total general government	<u>2,553,717</u>	<u>2,564,800</u>	<u>2,474,197</u>	<u>90,603</u>
Public safety				
Police				
Current				
Personal services	5,356,682	5,511,375	5,322,389	188,986
Materials and supplies	89,400	89,400	73,950	15,450
Other services and charges	1,325,701	1,325,701	1,172,496	153,205
Miscellaneous	38,200	38,200	40,397	(2,197)
Capital outlay	43,000	43,000	43,518	(518)
Total police	<u>6,852,983</u>	<u>7,007,676</u>	<u>6,652,750</u>	<u>354,926</u>
Fire				
Current				
Other services and charges	<u>2,732,483</u>	<u>2,732,483</u>	<u>2,732,124</u>	<u>359</u>
Total public safety	<u>9,585,466</u>	<u>9,740,159</u>	<u>9,384,874</u>	<u>355,285</u>
Public works				
Engineering				
Current				
Personal services	475,767	481,466	449,617	31,849
Materials and supplies	7,800	7,800	2,045	5,755
Other services and charges	58,018	58,018	203,777	(145,759)
Miscellaneous	1,300	1,300	480	820
Capital outlay	5,000	5,000	36,286	(31,286)
Total engineering	<u>547,885</u>	<u>553,584</u>	<u>692,205</u>	<u>(138,621)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2022

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	\$ 834,015	\$ 858,624	\$ 802,976	\$ 55,648
Materials and supplies	347,100	347,100	471,026	(123,926)
Other services and charges	737,826	737,826	773,249	(35,423)
Miscellaneous	825	825	1,378	(553)
Total public works	<u>1,919,766</u>	<u>1,944,375</u>	<u>2,048,629</u>	<u>(104,254)</u>
Buildings				
Current				
Personal services	133,460	137,139	125,732	11,407
Materials and supplies	23,975	23,975	21,144	2,831
Other services and charges	109,024	109,024	188,270	(79,246)
Total buildings	<u>266,459</u>	<u>270,138</u>	<u>335,146</u>	<u>(65,008)</u>
Parks facilities and maintenance				
Current				
Personal services	677,194	708,095	605,808	102,287
Materials and supplies	101,800	101,800	69,980	31,820
Other services and charges	369,626	369,626	423,377	(53,751)
Total parks facilities and maintenance	<u>1,148,620</u>	<u>1,179,521</u>	<u>1,099,165</u>	<u>80,356</u>
Total public works	<u>3,882,730</u>	<u>3,947,618</u>	<u>4,175,145</u>	<u>(227,527)</u>
Community development				
City planner				
Current				
Personal services	396,242	416,524	415,184	1,340
Materials and supplies	2,350	2,350	2,199	151
Other services and charges	189,038	189,038	148,327	40,711
Miscellaneous	5,900	5,900	1,382	4,518
Capital outlay	-	-	71	(71)
Total city planner	<u>593,530</u>	<u>613,812</u>	<u>567,163</u>	<u>46,649</u>
Code enforcement				
Current				
Personal services	210,033	130,342	141,745	(11,403)
Materials and supplies	4,400	4,400	1,083	3,317
Other services and charges	31,169	31,169	24,544	6,625
Miscellaneous	1,200	1,200	6,466	(5,266)
Capital outlay	-	-	1,472	(1,472)
Total code enforcement	<u>246,802</u>	<u>167,111</u>	<u>175,310</u>	<u>(8,199)</u>
Total community development	<u>840,332</u>	<u>780,923</u>	<u>742,473</u>	<u>38,450</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2022

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	\$ 197,287	\$ 214,541	\$ 209,875	\$ 4,666
Materials and supplies	3,300	3,300	2,972	328
Other services and charges	57,955	57,955	47,373	10,582
Miscellaneous	3,625	3,625	3,221	404
Total administration	<u>262,167</u>	<u>279,421</u>	<u>263,441</u>	<u>15,980</u>
Parks, pools and recreation				
Current				
Personal services	203,327	257,217	242,854	14,363
Materials and supplies	46,000	46,000	55,520	(9,520)
Other services and charges	64,626	64,626	39,520	25,106
Miscellaneous	6,000	6,000	1,216	4,784
Total parks, pools and recreation	<u>319,953</u>	<u>373,843</u>	<u>339,110</u>	<u>34,733</u>
Community affairs				
Current				
Personal services	111,500	114,121	113,697	424
Materials and supplies	7,600	7,600	6,779	821
Other services and charges	2,080	2,080	1,764	316
Miscellaneous	1,100	1,100	481	619
Total community affairs	<u>122,280</u>	<u>124,901</u>	<u>122,721</u>	<u>2,180</u>
Total parks and recreation	<u>704,400</u>	<u>778,165</u>	<u>725,272</u>	<u>52,893</u>
Contingency	<u>372,476</u>	<u>110,831</u>	<u>-</u>	<u>110,831</u>
Total expenditures	<u>17,939,121</u>	<u>17,922,496</u>	<u>17,501,961</u>	<u>420,535</u>
Revenues over (under) expenditures	<u>(190,000)</u>	<u>(190,000)</u>	<u>1,176,001</u>	<u>1,366,001</u>
Other financing sources (uses)				
Transfers in	190,000	190,000	217,150	27,150
Transfers out	-	-	(597,255)	(597,255)
Total other financing sources (uses)	<u>190,000</u>	<u>190,000</u>	<u>(380,105)</u>	<u>(570,105)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>795,896</u>	<u>\$ 795,896</u>
Fund balance - January 1			<u>14,718,955</u>	
Fund balance - December 31			<u>\$ 15,514,851</u>	

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - DOUG WOOG ARENA
For the Year Ended December 31, 2022

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	824,753	194,753
Ticket sales league games	9,000	9,000	-	(9,000)
Public/figure skating	10,500	10,500	18,294	7,794
Concessions	40,000	40,000	69,548	29,548
Rent	-	-	4,529	4,529
Other	63,000	63,000	77,344	14,344
Total charges for services	<u>752,500</u>	<u>752,500</u>	<u>994,468</u>	<u>241,968</u>
Change in fair value of investments	-	-	18,644	18,644
Miscellaneous				
Other	-	-	6,149	6,149
Total revenues	<u>1,075,454</u>	<u>1,075,454</u>	<u>1,342,215</u>	<u>266,761</u>
Expenditures				
Current				
Parks, arena, library				
Personal services	491,670	538,966	570,750	(31,784)
Materials and supplies	65,000	65,000	94,709	(29,709)
Services and other charges	353,851	353,851	484,468	(130,617)
Miscellaneous	2,100	2,100	3,913	(1,813)
Capital outlay	-	-	48,106	(48,106)
Debt service				
Interest and other charges	15,000	15,000	5,558	9,442
Total expenditures	<u>927,621</u>	<u>974,917</u>	<u>1,207,504</u>	<u>(232,587)</u>
Net change in fund balance	<u>\$ 147,833</u>	<u>\$ 100,537</u>	134,711	<u>\$ 34,174</u>
Fund balance - January 1			<u>(837,702)</u>	
Fund balance - December 31			<u>\$ (702,991)</u>	

CITY OF SOUTH ST. PAUL, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AIRPORT
For the Year Ended December 31, 2022

Statement 13

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental				
State				
Airport operations and maintenance	\$ 35,242	\$ 35,242	\$ 35,242	\$ -
Charges for services				
Transportation				
Hangar rentals/land leases	652,000	652,000	661,167	9,167
Aircraft fuel sales	650,000	650,000	874,572	224,572
Other	12,500	12,500	11,991	(509)
Total charges for services	<u>1,314,500</u>	<u>1,314,500</u>	<u>1,547,730</u>	<u>233,230</u>
Change in fair value of investments	-	-	9	9
Miscellaneous				
Other	<u>7,700</u>	<u>7,700</u>	<u>23,158</u>	<u>15,458</u>
Total revenues	<u>1,357,442</u>	<u>1,357,442</u>	<u>1,606,139</u>	<u>248,697</u>
Expenditures				
Current				
Transportation				
Personal services	314,334	323,063	321,614	1,449
Materials and supplies	542,500	542,500	866,496	(323,996)
Other services and charges	295,062	295,062	268,736	26,326
Miscellaneous	2,000	2,000	1,347	653
Capital outlay	5,000	5,000	-	5,000
Debt service				
Interest and other charges	<u>2,000</u>	<u>2,000</u>	<u>25</u>	<u>1,975</u>
Total expenditures	<u>1,160,896</u>	<u>1,169,625</u>	<u>1,458,218</u>	<u>(288,593)</u>
Revenues over (under) expenditures	196,546	187,817	147,921	(39,896)
Other financing sources (uses)				
Transfers out	<u>(66,500)</u>	<u>(66,500)</u>	<u>(52,388)</u>	<u>14,112</u>
Net change in fund balance	<u>\$ 130,046</u>	<u>\$ 121,317</u>	95,533	<u>\$ (25,784)</u>
Fund balance - January 1			<u>(36,352)</u>	
Fund balance - December 31			<u>\$ 59,181</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>	<u>12/31/2022</u>
Fiscal Year Ending (for the Measurement Period)	12/31/2017	1/1/2019	1/1/2020	1/1/2021	12/31/2021
Total OPEB Liability					
Service cost	\$ 114,893	\$ 129,482	\$ 155,346	\$ 178,862	\$ 184,228
Interest cost	137,926	120,613	160,128	127,547	85,644
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>	<u>(368,356)</u>
Net change in total OPEB liability	12,468	569,695	141,286	(113,509)	(98,484)
Total OPEB liability - beginning of year	<u>3,671,308</u>	<u>3,683,776</u>	<u>4,253,471</u>	<u>4,394,757</u>	<u>4,281,248</u>
Total OPEB liability - end of year	<u><u>\$ 3,683,776</u></u>	<u><u>\$ 4,253,471</u></u>	<u><u>\$ 4,394,757</u></u>	<u><u>\$ 4,281,248</u></u>	<u><u>\$ 4,182,764</u></u>
Covered-employee Payroll	\$ 6,959,794	\$ 6,889,362	\$ 7,096,043	\$ 7,722,794	\$ 7,954,478
Total OPEB liability as a percentage of covered-employee payroll	52.9%	61.7%	61.9%	55.4%	52.6%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF SOUTH ST. PAUL, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2022

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 2022:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Major Funds			
General Fund			
Human resources	\$ 258,895	\$ 253,070	\$ (5,825)
City attorney	249,929	240,000	(9,929)
Engineering	692,205	553,584	(138,621)
Public works	2,048,629	1,944,375	(104,254)
Buildings	335,146	270,138	(65,008)
Code enforcement	175,310	167,111	(8,199)
Special Revenue Funds			
Doug Woog arena	1,207,504	974,917	(232,587)
Airport	1,458,218	1,169,625	(288,593)

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

2021 Changes

Changes in Actuarial Assumptions:

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

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS

General Employees Retirement Fund

2022 Changes

Changes in Actuarial Assumptions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

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.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS

General Employees Retirement Fund

2020 Changes

Changes in Actuarial Assumptions (Continued):

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

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

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS

Police and Fire Fund (Continued)

2021 Changes

Changes in Actuarial Assumptions:

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

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.

Note C SCHEDULE OF CHANGES IN PENSION LIABILITIES AND RELATED RATIOS

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions:

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

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, 2022

Statement 14

	Special Revenue	Debt Service	Capital Project	Total
Assets				
Cash and investments	\$ 4,751,154	\$ 3,139,300	\$ 916,398	\$ 8,806,852
Accounts receivable	9,616	-	1,546	11,162
Loans receivable	1,580,846	-	-	1,580,846
Lease receivable	542,970	557,500	-	1,100,470
Property taxes receivable	89,282	-	-	89,282
Special assessments receivable	-	1,051,628	5,943	1,057,571
Due from other governmental units	39,128	45,763	661,527	746,418
Prepaid items	1,407	-	-	1,407
	<u>7,014,403</u>	<u>4,794,191</u>	<u>1,585,414</u>	<u>13,394,008</u>
Liabilities				
Accounts and contracts payable	35,861	5,000	76,323	117,184
Salaries payable	26,600	-	-	26,600
Deposits payable	47,625	-	-	47,625
Due to other governmental units	30,960	-	-	30,960
Advances from other funds	-	-	1,024,661	1,024,661
Total liabilities	<u>141,046</u>	<u>5,000</u>	<u>1,100,984</u>	<u>1,247,030</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	9,145	-	-	9,145
Unavailable revenue - special assessments	-	1,040,707	5,943	1,046,650
Unavailable revenue - charges for services	380,883	-	-	380,883
Lease revenue for subsequent years	542,970	557,500	-	1,100,470
Total deferred inflows of resources	<u>932,998</u>	<u>1,598,207</u>	<u>5,943</u>	<u>2,537,148</u>
Fund balances				
Nonspendable	1,407	-	-	1,407
Restricted	5,798,081	3,190,984	-	8,989,065
Committed	40,296	-	-	40,296
Assigned	101,505	-	902,813	1,004,318
Unassigned	(930)	-	(424,326)	(425,256)
Total fund balances	<u>5,940,359</u>	<u>3,190,984</u>	<u>478,487</u>	<u>9,609,830</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,014,403</u>	<u>\$ 4,794,191</u>	<u>\$ 1,585,414</u>	<u>\$ 13,394,008</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, 2022

	Special Revenue	Debt Service	Capital Project	Total
Revenues				
General property taxes	\$ 1,538,482	\$ 1,511,385	\$ -	\$ 3,049,867
Intergovernmental	776,159	91,626	3,473,177	4,340,962
Charges for services	352,546	-	10,945	363,491
Fines and forfeits	3,363	-	-	3,363
Special assessments	-	315,092	4,831	319,923
Investment income	28,540	15,964	6,261	50,765
Change in fair value of investments	(91,390)	(45,791)	(2,778)	(139,959)
Miscellaneous	245,284	-	135,450	380,734
Total revenues	<u>2,852,984</u>	<u>1,888,276</u>	<u>3,627,886</u>	<u>8,369,146</u>
Expenditures				
Current				
General government	-	-	5,000	5,000
Public safety	60,844	-	-	60,844
Community development	382,847	-	-	382,847
Parks, arena, library	848,641	-	-	848,641
Economic development	967,348	-	-	967,348
Transportation	-	-	225,249	225,249
Capital outlay				
General government	-	-	109,669	109,669
Public safety	10,967	-	-	10,967
Economic development	223,880	-	-	223,880
Transportation	-	-	3,422,345	3,422,345
Debt service				
Principal	-	1,850,000	-	1,850,000
Interest and other charges	-	634,831	6,655	641,486
Total expenditures	<u>2,494,527</u>	<u>2,484,831</u>	<u>3,768,918</u>	<u>8,748,276</u>
Revenues over (under) expenditures	<u>358,457</u>	<u>(596,555)</u>	<u>(141,032)</u>	<u>(379,130)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	849,544	849,544
Transfers in	-	536,169	52,388	588,557
Transfers out	(57,150)	-	(123,730)	(180,880)
Total other financing sources (uses)	<u>(57,150)</u>	<u>536,169</u>	<u>778,202</u>	<u>1,257,221</u>
Net change in fund balances	301,307	(60,386)	637,170	878,091
Fund balances - January 1	<u>5,639,052</u>	<u>3,251,370</u>	<u>(158,683)</u>	<u>8,731,739</u>
Fund balances - December 31	<u>\$ 5,940,359</u>	<u>\$ 3,190,984</u>	<u>\$ 478,487</u>	<u>\$ 9,609,830</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, 2022

	Donations / Grants	Park Land Dedication
Assets		
Cash and investments	\$ 405,546	\$ 199,956
Accounts receivable	-	-
Loans receivable	-	-
Lease receivable	-	-
Property taxes receivable	-	-
Due from other governmental units	38,771	-
Prepaid items	-	-
	<u>444,317</u>	<u>199,956</u>
Liabilities		
Accounts and contracts payable	8,069	-
Salaries payable	588	-
Deposits payable	-	-
Due to other governmental units	30,797	-
Total liabilities	<u>39,454</u>	<u>-</u>
Deferred inflows of resources		
Unavailable revenue - property taxes	-	-
Unavailable revenue - charges for services	-	-
Lease revenue for subsequent years	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances		
Nonspendable	-	-
Restricted	303,358	199,956
Committed	-	-
Assigned	101,505	-
Unassigned	-	-
Total fund balances	<u>404,863</u>	<u>199,956</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 444,317</u>	<u>\$ 199,956</u>

Library	Central Square	Economic Development Authority	Housing	Total
\$ 28,505	\$ 45,515	\$ 1,941,593	\$ 2,130,039	\$ 4,751,154
-	-	-	9,616	9,616
-	-	440,086	1,140,760	1,580,846
-	-	542,970	-	542,970
-	-	44,062	45,220	89,282
357	-	-	-	39,128
930	-	60	417	1,407
<u>29,792</u>	<u>45,515</u>	<u>2,968,771</u>	<u>3,326,052</u>	<u>7,014,403</u>
18,963	5,219	3,344	266	35,861
10,666	-	1,909	13,437	26,600
-	-	47,625	-	47,625
163	-	-	-	30,960
<u>29,792</u>	<u>5,219</u>	<u>52,878</u>	<u>13,703</u>	<u>141,046</u>
-	-	4,386	4,759	9,145
-	-	-	380,883	380,883
-	-	542,970	-	542,970
-	-	<u>547,356</u>	<u>385,642</u>	<u>932,998</u>
930	-	60	417	1,407
-	-	2,368,477	2,926,290	5,798,081
-	40,296	-	-	40,296
-	-	-	-	101,505
(930)	-	-	-	(930)
<u>-</u>	<u>40,296</u>	<u>2,368,537</u>	<u>2,926,707</u>	<u>5,940,359</u>
\$ <u>29,792</u>	\$ <u>45,515</u>	\$ <u>2,968,771</u>	\$ <u>3,326,052</u>	\$ <u>7,014,403</u>

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

For the Year Ended December 31, 2022

	Donations / Grants	Park Land Dedication
Revenues		
General property taxes	\$ -	\$ -
Intergovernmental	77,275	-
Charges for services	-	-
Fines and forfeits	-	-
Investment income	2,445	1,300
Change in fair value of investments	(7,751)	(4,312)
Miscellaneous	119,037	560
Total revenues	<u>191,006</u>	<u>(2,452)</u>
Expenditures		
Current		
Public safety	60,844	-
Community development	-	-
Parks, arena, library	17,890	-
Economic development	-	-
Capital outlay		
Public safety	10,967	-
Economic development	-	-
Total expenditures	<u>89,701</u>	<u>-</u>
Revenues over (under) expenditures	101,305	(2,452)
Other financing sources (uses)		
Transfers out	<u>-</u>	<u>-</u>
Net change in fund balances	101,305	(2,452)
Fund balances - January 1	<u>303,558</u>	<u>202,408</u>
Fund balances - December 31	<u>\$ 404,863</u>	<u>\$ 199,956</u>

Library	Central Square	Economic Development Authority	Housing	Total
\$ 848,517	\$ -	\$ 341,387	\$ 348,578	\$ 1,538,482
-	-	698,884	-	776,159
-	-	2,571	349,975	352,546
3,363	-	-	-	3,363
-	-	11,817	12,978	28,540
-	-	(37,754)	(41,573)	(91,390)
6,021	312	100,154	19,200	245,284
<u>857,901</u>	<u>312</u>	<u>1,117,059</u>	<u>689,158</u>	<u>2,852,984</u>
-	-	-	-	60,844
-	-	-	382,847	382,847
830,751	-	-	-	848,641
-	-	967,348	-	967,348
-	-	-	-	10,967
-	-	223,880	-	223,880
<u>830,751</u>	<u>-</u>	<u>1,191,228</u>	<u>382,847</u>	<u>2,494,527</u>
27,150	312	(74,169)	306,311	358,457
<u>(27,150)</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>(57,150)</u>
-	312	(104,169)	306,311	301,307
-	39,984	2,472,706	2,620,396	5,639,052
<u>\$ -</u>	<u>\$ 40,296</u>	<u>\$ 2,368,537</u>	<u>\$ 2,926,707</u>	<u>\$ 5,940,359</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, 2022

Statement 18

	2012A General Obligation Bonds	General Obligation Park Bonds	2017B General Obligation Bonds	2019A General Obligation Bonds	Total
Assets					
Cash and investments	\$ 963,843	\$ 812,702	\$ 947,535	\$ 415,220	\$ 3,139,300
Lease receivable	-	-	-	557,500	557,500
Special assessments receivable	514,264	-	318,739	218,625	1,051,628
Due from other governments	-	-	-	45,763	45,763
Total assets	<u>1,478,107</u>	<u>812,702</u>	<u>1,266,274</u>	<u>1,237,108</u>	<u>4,794,191</u>
Liabilities					
Accounts and contracts payable	<u>5,000</u>	-	-	-	<u>5,000</u>
Deferred inflows of resources					
Unavailable revenue - special assessments	514,264	-	314,456	211,987	1,040,707
Lease revenue for subsequent years	-	-	-	557,500	557,500
Total deferred inflows of resources	<u>514,264</u>	<u>-</u>	<u>314,456</u>	<u>769,487</u>	<u>1,598,207</u>
Fund balances					
Restricted	<u>958,843</u>	<u>812,702</u>	<u>951,818</u>	<u>467,621</u>	<u>3,190,984</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,478,107</u>	<u>\$ 812,702</u>	<u>\$ 1,266,274</u>	<u>\$ 1,237,108</u>	<u>\$ 4,794,191</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended December 31, 2022

	2012A General Obligation Bonds	2015A GO Taxable TIF Bonds
Revenues		
General property taxes	\$ 316,569	\$ -
Intergovernmental	-	-
Special assessments	134,598	-
Investment income	5,086	-
Change in fair value of investments	(14,959)	-
Total revenues	<u>441,294</u>	<u>-</u>
Expenditures		
Debt service		
Principal	445,000	185,000
Interest and other charges	<u>53,983</u>	<u>20,539</u>
Total expenditures	<u>498,983</u>	<u>205,539</u>
Revenues over (under) expenditures	<u>(57,689)</u>	<u>(205,539)</u>
Other financing sources (uses)		
Transfers in	<u>-</u>	<u>205,539</u>
Net change in fund balances	(57,689)	-
Fund balances - January 1	<u>1,016,532</u>	<u>-</u>
Fund balances - December 31	<u>\$ 958,843</u>	<u>\$ -</u>

General Obligation Park Bonds	2017A Taxable GO Airport Bonds	2017B General Obligation Bonds	2019A General Obligation Bonds	Totals
\$ 705,942	\$ -	\$ 257,866	\$ 231,008	\$ 1,511,385
-	-	-	91,626	91,626
-	-	123,441	57,053	315,092
3,586	-	5,261	2,031	15,964
(9,195)	-	(15,986)	(5,651)	(45,791)
<u>700,333</u>	<u>-</u>	<u>370,582</u>	<u>376,067</u>	<u>1,888,276</u>
450,000	100,000	315,000	355,000	1,850,000
<u>223,825</u>	<u>23,730</u>	<u>99,585</u>	<u>213,169</u>	<u>634,831</u>
<u>673,825</u>	<u>123,730</u>	<u>414,585</u>	<u>568,169</u>	<u>2,484,831</u>
<u>26,508</u>	<u>(123,730)</u>	<u>(44,003)</u>	<u>(192,102)</u>	<u>(596,555)</u>
-	123,730	-	206,900	536,169
26,508	-	(44,003)	14,798	(60,386)
<u>786,194</u>	<u>-</u>	<u>995,821</u>	<u>452,823</u>	<u>3,251,370</u>
<u>\$ 812,702</u>	<u>\$ -</u>	<u>\$ 951,818</u>	<u>\$ 467,621</u>	<u>\$ 3,190,984</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, 2022

Statement 20

	Airport Improvements	Equipment Acquisition	380 Airport Road	Total
Assets				
Cash and investments	\$ -	\$ 184,649	\$ 731,749	\$ 916,398
Accounts receivable	1,546	-	-	1,546
Special assessments receivable	5,943	-	-	5,943
Due from other governmental units	661,527	-	-	661,527
	<u>669,016</u>	<u>184,649</u>	<u>731,749</u>	<u>1,585,414</u>
Liabilities				
Accounts and contracts payable	62,738	13,585	-	76,323
Advances from other funds	1,024,661	-	-	1,024,661
Total liabilities	<u>1,087,399</u>	<u>13,585</u>	<u>-</u>	<u>1,100,984</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	5,943	-	-	5,943
Fund balances				
Assigned	-	171,064	731,749	902,813
Unassigned	(424,326)	-	-	(424,326)
Total fund balances	<u>(424,326)</u>	<u>171,064</u>	<u>731,749</u>	<u>478,487</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 669,016</u>	<u>\$ 184,649</u>	<u>\$ 731,749</u>	<u>\$ 1,585,414</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, 2022

	Airport Improvements	Equipment Acquisition	380 Airport Road	Total
Revenues				
Intergovernmental	\$ 3,473,177	\$ -	\$ -	\$ 3,473,177
Charges for services	10,945	-	-	10,945
Special assessments	4,831	-	-	4,831
Investment income	-	1,187	5,074	6,261
Change in fair value of investments	18,610	(3,918)	(17,470)	(2,778)
Miscellaneous	-	135,450	-	135,450
Total revenues	3,507,563	132,719	(12,396)	3,627,886
Expenditures				
Current				
General government	-	-	5,000	5,000
Transportation	225,249	-	-	225,249
Capital outlay				
General government	-	109,669	-	109,669
Transportation	3,422,345	-	-	3,422,345
Debt service				
Interest and other charges	6,152	-	503	6,655
Total expenditures	3,653,746	109,669	5,503	3,768,918
Revenues over (under) expenditures	(146,183)	23,050	(17,899)	(141,032)
Other financing sources (uses)				
Sale of capital assets	-	-	849,544	849,544
Transfers in	52,388	-	-	52,388
Transfers out	-	-	(123,730)	(123,730)
Total other financing sources (uses)	52,388	-	725,814	778,202
Net change in fund balances	(93,795)	23,050	707,915	637,170
Fund balances - January 1	(330,531)	148,014	23,834	(158,683)
Fund balances - December 31	\$ (424,326)	\$ 171,064	\$ 731,749	\$ 478,487

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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, 2022

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
General property taxes			
Current	\$ 831,892	\$ 848,517	\$ 848,517
Rental fees	1,000	1,000	-
Fines and forfeits	6,000	6,000	3,363
Miscellaneous			
Other	5,000	5,000	6,021
Total revenues	<u>843,892</u>	<u>860,517</u>	<u>857,901</u>
Expenditures			
Current			
Parks, arena, library			
Personal services	605,888	622,513	605,407
Materials and supplies	85,800	85,800	73,756
Other services and charges	146,754	146,754	146,853
Miscellaneous	5,450	5,450	4,735
Total expenditures	<u>843,892</u>	<u>860,517</u>	<u>830,751</u>
Revenues over (under) expenditures	-	-	27,150
Other financing sources (uses)			
Transfers out	-	-	(27,150)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-
Fund balance - January 1			-
Fund balance - December 31			<u>\$ -</u>

INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2022

Statement 23

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,966,281	\$ 425,755	\$ 98,748	\$ 3,490,784
Prepaid items	4,878	-	-	4,878
Total current assets	<u>2,971,159</u>	<u>425,755</u>	<u>98,748</u>	<u>3,495,662</u>
Noncurrent assets				
Capital assets				
Machinery and equipment	6,182,387	-	-	6,182,387
Less: Allowance for depreciation	(3,385,092)	-	-	(3,385,092)
Net capital assets	<u>2,797,295</u>	<u>-</u>	<u>-</u>	<u>2,797,295</u>
Total assets	<u>5,768,454</u>	<u>425,755</u>	<u>98,748</u>	<u>6,292,957</u>
Deferred outflow of resources				
Pension plan deferments - PERA	-	9,406,623	-	9,406,623
OPEB plan deferments	-	1,262,791	-	1,262,791
Total deferred outflow of resources	<u>-</u>	<u>10,669,414</u>	<u>-</u>	<u>10,669,414</u>
Liabilities				
Current liabilities				
Accounts payable	95,185	-	-	95,185
Salaries payable	5,655	-	-	5,655
Unearned revenue	-	-	648	648
Compensated absences	-	81,674	-	81,674
Total current liabilities	<u>100,840</u>	<u>81,674</u>	<u>648</u>	<u>183,162</u>
Noncurrent liabilities				
Total other postemployment benefit liability	-	4,182,764	-	4,182,764
Net pension liability	-	16,646,624	-	16,646,624
Compensated absences	-	370,554	-	370,554
Total noncurrent liabilities	<u>-</u>	<u>21,199,942</u>	<u>-</u>	<u>21,199,942</u>
Total liabilities	<u>100,840</u>	<u>21,281,616</u>	<u>648</u>	<u>21,383,104</u>
Deferred inflow of resources				
Pension plan deferments - PERA	-	367,053	-	367,053
OPEB plan deferments	-	393,144	-	393,144
Total deferred inflow of resources	<u>-</u>	<u>760,197</u>	<u>-</u>	<u>760,197</u>
Net position				
Net investment in capital assets	2,797,295	-	-	2,797,295
Unrestricted	2,870,319	(10,946,644)	98,100	(7,978,225)
Total net position	<u>\$ 5,667,614</u>	<u>\$ (10,946,644)</u>	<u>\$ 98,100</u>	<u>\$ (5,180,930)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

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

Statement 24

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2022

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
Operating revenues				
Retiree health insurance charges	\$ -	\$ 423,830	\$ -	\$ 423,830
Dental insurance charges	-	-	78,630	78,630
Compensated absences charges	-	73,238	-	73,238
Equipment rental and repair charges	1,486,213	-	-	1,486,213
Pension related charges	-	976,958	-	976,958
Total operating revenues	<u>1,486,213</u>	<u>1,474,026</u>	<u>78,630</u>	<u>3,038,869</u>
Operating expenses				
Personal services	227,138	2,093,543	45,914	2,366,595
Materials and supplies	485,854	-	-	485,854
Contractual services	334,620	-	12,756	347,376
Depreciation	494,089	-	-	494,089
Total operating expenses	<u>1,541,701</u>	<u>2,093,543</u>	<u>58,670</u>	<u>3,693,914</u>
Operating income (loss)	<u>(55,488)</u>	<u>(619,517)</u>	<u>19,960</u>	<u>(655,045)</u>
Nonoperating revenues (expenses)				
Investment income	19,101	2,341	599	22,041
Change in fair value of investments	(63,326)	(7,848)	-	(71,174)
Intergovernmental	-	140,908	-	140,908
Gain on sale of capital assets	176,551	-	-	176,551
Other revenue	43,943	-	-	43,943
Total nonoperating revenues (expenses)	<u>176,269</u>	<u>135,401</u>	<u>599</u>	<u>312,269</u>
Change in net position	120,781	(484,116)	20,559	(342,776)
Net position - January 1	<u>5,546,833</u>	<u>(10,462,528)</u>	<u>77,541</u>	<u>(4,838,154)</u>
Net position - December 31	<u>\$ 5,667,614</u>	<u>\$ (10,946,644)</u>	<u>\$ 98,100</u>	<u>\$ (5,180,930)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2022

Statement 25

	Central Garage	OPEB / Employee Benefits	Self- Insured Dental	Total
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 1,486,213	\$ 1,474,026	\$ 78,493	\$ 3,038,732
Payment to suppliers	(755,844)	-	(12,756)	(768,600)
Payment to employees	(228,352)	(1,565,356)	(45,914)	(1,839,622)
Other revenue	43,943	-	-	43,943
Net cash flows from operating activities	<u>545,960</u>	<u>(91,330)</u>	<u>19,823</u>	<u>474,453</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue	-	140,908	-	140,908
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(593,791)	-	-	(593,791)
Proceeds from sale of capital assets	233,762	-	-	233,762
Net cash flows from capital and related financing activities	<u>(360,029)</u>	<u>-</u>	<u>-</u>	<u>(360,029)</u>
Cash flows from investing activities:				
Investment income	(44,225)	(5,507)	599	(49,133)
Net increase (decrease) in cash and cash equivalents	141,706	44,071	20,422	206,199
Cash and cash equivalents - January 1	2,824,575	381,684	78,326	3,284,585
Cash and cash equivalents - December 31	<u>\$ 2,966,281</u>	<u>\$ 425,755</u>	<u>\$ 98,748</u>	<u>\$ 3,490,784</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (55,488)	\$ (619,517)	\$ 19,960	\$ (655,045)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	494,089	-	-	494,089
Changes in assets and liabilities				
(Increase) decrease in prepaid items	(37)	-	-	(37)
(Increase) decrease in deferred outflow of resources	-	(3,398,476)	-	(3,398,476)
Increase (decrease) in payables	63,453	-	-	63,453
Increase (decrease) in unearned revenue	-	-	(137)	(137)
Increase (decrease) in accrued expenses	-	11,478,426	-	11,478,426
Increase (decrease) in deferred inflow of resources	-	(7,551,763)	-	(7,551,763)
Other revenue	43,943	-	-	43,943
Total adjustments	<u>601,448</u>	<u>528,187</u>	<u>(137)</u>	<u>1,129,498</u>
Net cash flows from operating activities	<u>\$ 545,960</u>	<u>\$ (91,330)</u>	<u>\$ 19,823</u>	<u>\$ 474,453</u>
Noncash investing, capital, and financing activities:				
Net book value of capital asset disposals	\$ 57,211	\$ -	\$ -	\$ 57,211

III. STATISTICAL SECTION (UNAUDITED)

This part of the City of South St. Paul, Minnesota’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of South St. Paul, Minnesota’s overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	141
Revenue Capacity	
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	153
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	159
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	169
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	171

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)

	2013	2014	2015	2016
Governmental activities:				
Net investment in capital assets	\$ 51,659,919	\$ 54,442,716	\$ 52,670,100	\$ 53,761,795
Restricted	4,401,005	6,416,191	5,108,264	7,985,005
Unrestricted	11,213,059	9,209,143	4,944,946	6,198,728
Total governmental activities net position	<u>\$ 67,273,983</u>	<u>\$ 70,068,050</u>	<u>\$ 62,723,310</u>	<u>\$ 67,945,528</u>
Business-type activities:				
Net investment in capital assets	\$ 14,565,214	\$ 14,627,351	\$ 15,521,335	\$ 20,175,284
Unrestricted	6,567,625	7,003,502	6,766,631	7,114,210
Total business-type activities net position	<u>\$ 21,132,839</u>	<u>\$ 21,630,853</u>	<u>\$ 22,287,966</u>	<u>\$ 27,289,494</u>
Primary government:				
Net investment in capital assets	\$ 66,225,133	\$ 68,900,209	\$ 68,021,577	\$ 73,767,221
Restricted	4,401,005	6,416,191	5,108,264	7,985,005
Unrestricted	17,780,684	16,382,503	11,881,435	13,482,796
Total primary government net position	<u>\$ 88,406,822</u>	<u>\$ 91,698,903</u>	<u>\$ 85,011,276</u>	<u>\$ 95,235,022</u>

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

2017	2018	2019	2020	2021	2022
\$ 51,619,818	\$ 52,841,757	\$ 55,251,058	\$ 57,231,399	\$ 63,616,350	\$ 74,547,350
10,148,969	10,669,064	12,010,154	13,016,751	14,520,448	17,080,411
6,429,057	4,002,493	606,645	6,818,193	10,777,178	10,154,427
<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>	<u>\$ 101,782,188</u>
\$ 19,633,107	\$ 24,427,831	\$ 25,051,384	\$ 25,893,184	\$ 25,706,792	\$ 25,657,494
8,141,500	4,795,461	7,973,508	8,917,914	11,920,351	12,876,331
<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>	<u>\$ 38,533,825</u>
\$ 71,083,067	\$ 77,099,730	\$ 77,575,875	\$ 80,404,602	\$ 86,695,415	\$ 97,669,371
10,148,969	10,669,064	12,010,154	13,016,751	14,520,448	17,080,411
14,740,415	8,967,812	11,306,720	18,456,088	25,325,256	25,566,231
<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>	<u>\$ 140,316,013</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 1,627,234	\$ 1,736,661	\$ 1,745,040	\$ 1,797,918
Public safety	6,376,307	6,798,718	7,182,527	8,619,767
Public works	5,056,146	5,013,472	5,969,047	6,852,496
Community development	373,328	636,758	2,977,696	1,505,918
Parks, arena, library	3,094,397	2,919,538	2,951,309	3,188,263
Economic development	-	-	-	1,080,457
Transportation	1,515,347	1,242,624	1,451,088	1,123,423
Interest on long-term debt	404,282	551,037	529,576	720,871
Total governmental activities	<u>18,447,041</u>	<u>18,898,808</u>	<u>22,806,283</u>	<u>24,889,113</u>
Business-type activities:				
Water and sewer	4,599,078	4,877,815	5,074,280	5,251,571
Storm water	345,602	355,362	474,826	578,848
Street light utility	213,425	188,003	219,110	207,546
Low rent housing	-	-	-	2,089,427
Total business-type activities	<u>5,158,105</u>	<u>5,421,180</u>	<u>5,768,216</u>	<u>8,127,392</u>
Total expenses	<u>\$ 23,605,146</u>	<u>\$ 24,319,988</u>	<u>\$ 28,574,499</u>	<u>\$ 33,016,505</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 726,655	\$ 715,482	\$ 782,536	\$ 736,338
Public safety	135,478	124,445	115,238	131,251
Public works	829,164	827,840	887,007	890,139
Community development	307,739	331,338	411,327	401,385
Parks, arena, and library	1,329,246	1,171,225	1,298,406	1,279,204
Economic development	-	-	-	665,497
Transportation	1,237,989	1,089,200	1,129,387	1,044,067
Operating grants and contributions	1,038,493	996,752	1,620,505	1,354,282
Capital grants and contributions	1,833,609	3,763,220	3,858,126	1,705,068
Total governmental activities	<u>7,438,373</u>	<u>9,019,502</u>	<u>10,102,532</u>	<u>8,207,231</u>
Business-type activities:				
Charges for services:				
Water and sewer	5,470,206	5,364,812	5,237,219	5,144,606
Storm water	387,389	417,218	434,623	452,255
Street light utility	210,869	210,407	209,767	236,545
Low rent housing	-	-	-	1,221,159
Operating grants and contributions	-	-	-	1,004,437
Capital grants and contributions	-	33,200	-	546,410
Total business-type activities	<u>6,068,464</u>	<u>6,025,637</u>	<u>5,881,609</u>	<u>8,605,412</u>
Total program revenues	<u>\$ 13,506,837</u>	<u>\$ 15,045,139</u>	<u>\$ 15,984,141</u>	<u>\$ 16,812,643</u>
Net (expense) revenue:				
Governmental activities	\$ (11,008,668)	\$ (9,879,306)	\$ (12,703,751)	\$ (16,681,882)
Business-type activities	910,359	604,457	113,393	478,020
Total net (expense) revenue	<u>\$ (10,098,309)</u>	<u>\$ (9,274,849)</u>	<u>\$ (12,590,358)</u>	<u>\$ (16,203,862)</u>

Table 2
Page 1 of 2

2017	2018	2019	2020	2021	2022
\$ 2,144,822	\$ 2,312,730	\$ 2,498,115	\$ 2,370,010	\$ 2,384,930	\$ 2,360,873
7,965,177	7,823,260	8,744,941	9,571,299	8,590,972	9,834,512
6,844,710	8,564,183	5,884,382	5,621,071	14,568,931	10,339,901
1,439,588	1,314,500	1,111,968	998,062	1,040,348	1,136,270
3,401,907	3,421,556	3,381,266	2,913,835	2,857,254	3,073,984
1,421,030	2,999,230	2,629,861	1,108,061	1,709,430	2,163,643
1,340,160	1,807,631	1,625,333	1,454,492	1,778,244	2,092,961
761,884	673,568	808,727	770,470	702,669	688,507
<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>	<u>31,690,651</u>
5,032,626	5,233,097	5,110,729	5,074,118	5,440,651	6,493,715
670,302	962,269	577,879	595,812	537,408	526,994
195,081	203,600	184,712	201,851	263,057	250,889
2,187,495	2,152,091	2,448,288	2,259,945	2,483,493	2,665,548
8,085,504	8,551,057	8,321,608	8,131,726	8,724,609	9,937,146
<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>	<u>\$ 41,627,797</u>
\$ 873,042	\$ 979,215	\$ 1,128,184	\$ 1,193,920	\$ 1,137,576	\$ 1,141,003
136,425	159,572	187,463	60,492	187,029	153,456
927,464	1,012,622	788,982	592,681	581,296	540,255
586,216	433,602	345,295	412,723	731,034	772,524
1,307,822	1,434,127	1,396,459	808,992	1,121,764	1,200,728
156,780	548,554	248,232	341,781	356,235	535,713
1,119,815	1,167,994	1,160,128	1,171,173	1,424,768	1,579,542
1,751,979	2,188,691	2,475,888	3,635,109	1,608,120	1,928,875
2,031,701	3,045,782	2,169,885	3,770,281	16,843,938	14,279,697
<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>	<u>22,131,793</u>
5,477,012	5,648,913	5,927,691	6,445,676	7,380,978	7,667,180
474,271	469,110	538,330	581,229	640,618	692,531
231,070	232,040	266,185	286,360	314,315	335,173
1,267,955	1,276,835	1,263,028	1,225,875	1,274,252	1,301,749
936,926	999,029	1,341,637	1,234,622	1,618,584	1,143,208
283,172	2,019,903	303,217	338,047	687,225	165,099
8,670,406	10,645,830	9,640,088	10,111,809	11,915,972	11,304,940
<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>	<u>\$ 33,436,733</u>
\$ (16,428,034)	\$ (17,946,499)	\$ (16,784,077)	\$ (12,820,148)	\$ (9,641,018)	\$ (9,558,858)
584,902	2,094,773	1,318,480	1,980,083	3,191,363	1,367,794
<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>	<u>\$ (8,191,064)</u>

CITY OF SOUTH ST. PAUL, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2013	2014	2015	2016
General revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 9,049,882	\$ 9,008,694	\$ 9,696,003	\$ 10,750,860
Tax increments	-	-	-	1,489,243
Franchise tax	791,906	866,070	831,283	952,548
Unrestricted grants and contributions	1,679,437	2,305,804	2,394,985	2,413,328
Investment earnings	(94,910)	227,909	112,474	87,758
Gain on sale of capital assets	46,809	-	22,142	-
<i>Special item</i> -transfer of operations	-	-	-	5,748,785
Transfers of capital assets	(620,867)	(376,388)	(1,228,340)	(235,958)
Transfers	871,260	641,284	504,159	697,536
Total governmental activities	<u>11,723,517</u>	<u>12,673,373</u>	<u>12,332,706</u>	<u>21,904,100</u>
Business-type activities:				
Investment earnings	(53,852)	158,453	81,378	55,919
<i>Special item</i> -transfer of operations	-	-	-	(5,748,785)
Transfers of capital assets	620,867	376,388	1,228,340	235,958
Transfers	(871,260)	(641,284)	(504,159)	(697,536)
Total business-type activities	<u>(304,245)</u>	<u>(106,443)</u>	<u>805,559</u>	<u>(6,154,444)</u>
Total primary government	<u>\$ 11,419,272</u>	<u>\$ 12,566,930</u>	<u>\$ 13,138,265</u>	<u>\$ 15,749,656</u>
Change in net position:				
Governmental activities	\$ 714,849	\$ 2,794,067	\$ (371,045)	\$ 5,222,218
Business-type activities	606,114	498,014	918,952	(5,676,424)
Total primary government	<u>\$ 1,320,963</u>	<u>\$ 3,292,081</u>	<u>\$ 547,907</u>	<u>\$ (454,206)</u>

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

2017	2018	2019	2020	2021	2022
\$ 11,474,071	\$ 12,537,845	\$ 13,308,981	\$ 14,102,051	\$ 14,866,306	\$ 16,000,779
1,592,883	1,704,835	1,846,876	1,821,727	2,192,026	2,202,210
959,278	1,231,567	1,202,803	1,203,096	1,343,648	1,650,589
2,419,988	2,523,081	2,530,003	4,333,360	2,786,142	2,811,341
94,130	60,967	577,459	243,202	(60,582)	(422,990)
-	-	8,457	54,160	-	1,059,140
-	-	-	-	-	-
(268,419)	(39,765)	-	-	-	-
408,419	622,342	(2,335,959)	261,038	361,111	366,900
<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>	<u>23,667,969</u>
40,211	15,085	147,161	67,161	(14,207)	(94,212)
-	-	-	-	-	-
268,419	39,765	-	-	-	-
(408,419)	(622,342)	2,335,959	(261,038)	(361,111)	(366,900)
(99,789)	(567,492)	2,483,120	(193,877)	(375,318)	(461,112)
<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>	<u>\$ 23,206,857</u>
\$ 252,316	\$ 694,373	\$ 354,543	\$ 9,198,486	\$ 11,847,633	\$ 14,109,111
485,113	1,527,281	3,801,600	1,786,206	2,816,045	906,682
<u>\$ 737,429</u>	<u>\$ 2,221,654</u>	<u>\$ 4,156,143</u>	<u>\$ 10,984,692</u>	<u>\$ 14,663,678</u>	<u>\$ 15,015,793</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund:				
Nonspendable	\$ 4,268,853	\$ 4,380	\$ 230,136	\$ 159,052
Committed	450,373	4,590,970	4,532,045	4,534,560
Assigned	-	-	-	40,000
Unassigned	4,108,579	4,785,607	5,565,047	5,937,374
Total general fund	<u>\$ 8,827,805</u>	<u>\$ 9,380,957</u>	<u>\$ 10,327,228</u>	<u>\$ 10,670,986</u>
All other governmental funds:				
Nonspendable	\$ 51,057	\$ 59,023	\$ 43,798	\$ 21,766
Restricted	6,801,470	6,493,717	5,100,398	8,635,769
Committed	76,497	31,318	70,335	76,411
Assigned	7,306,243	7,720,144	6,305,277	4,872,096
Unassigned	(5,182,781)	(4,338,417)	(3,802,574)	(4,524,144)
Total all other governmental funds	<u>\$ 9,052,486</u>	<u>\$ 9,965,785</u>	<u>\$ 7,717,234</u>	<u>\$ 9,081,898</u>

Table 3

2017	2018	2019	2020	2021	2022
\$ 28,014	\$ 154,244	\$ 25,354	\$ 180,942	\$ 61,169	\$ 91,972
4,590,970	4,530,411	4,590,970	4,590,970	4,590,970	4,590,970
-	-	-	-	-	-
6,727,827	7,556,363	8,369,719	10,096,324	10,066,816	10,831,909
<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>	<u>\$ 15,514,851</u>
\$ 32,360	\$ 60,216	\$ 36,411	\$ 61,864	\$ 73,341	\$ 83,548
9,209,309	9,863,540	11,048,099	12,216,166	13,847,601	16,472,099
92,997	58,948	69,434	34,785	39,984	40,296
5,828,520	6,638,058	5,922,358	8,708,642	10,454,617	9,134,085
(3,684,892)	(6,088,064)	(5,327,689)	(3,674,142)	(2,787,016)	(2,830,755)
<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>	<u>\$ 22,899,273</u>

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

	2013	2014	2015	2016
Revenues:				
General property taxes	\$ 9,085,565	\$ 9,027,021	\$ 9,747,891	\$ 10,751,762
Tax increment collections	-	-	-	1,486,133
Franchise tax	791,906	866,070	831,283	952,548
Licenses and permits	372,746	395,402	431,735	420,852
Intergovernmental	3,839,083	6,647,133	6,548,150	4,208,174
Charges for services	3,925,824	3,557,941	3,801,668	4,350,534
Fines and forfeits	122,889	110,101	114,036	117,860
Special assessments	774,148	609,138	919,986	953,909
Investment earnings	(87,396)	389,313	202,356	162,063
Miscellaneous	155,890	191,487	323,236	331,523
Total revenues	18,980,655	21,793,606	22,920,341	23,735,358
Expenditures:				
Current:				
General government	1,683,436	1,646,776	1,682,914	1,684,562
Public safety	6,175,600	6,651,659	7,046,946	7,124,128
Public works	3,356,931	3,305,214	4,248,575	4,529,580
Community development	367,754	634,381	2,977,670	1,457,182
Parks, arena, library	2,632,734	2,815,556	2,642,155	2,658,582
Economic development	-	-	-	590,544
Transportation	1,256,277	1,031,466	1,235,002	865,722
Capital outlay:				
General government	22,809	149,036	10,503	91,007
Public safety	31,747	102,887	22,033	28,868
Public works	4,233,829	3,351,236	780,660	1,666,132
Community development	-	-	-	25,883
Parks, arena, library	169,048	2,806,200	5,371,405	2,398,178
Economic development	-	-	-	518,493
Transportation	128,495	1,480,101	2,059,104	38,360
Debt service:				
Principal retirement	1,109,899	1,835,301	841,698	1,498,229
Interest	417,851	563,423	607,213	758,037
Issuance costs, agents fees and other	-	165,111	119,403	-
Total expenditures	21,586,410	26,538,347	29,645,281	25,933,487
Revenues over (under) expenditures	(2,605,755)	(4,744,741)	(6,724,940)	(2,198,129)

2017	2018	2019	2020	2021	2022
\$ 11,480,512	\$ 12,486,686	\$ 13,274,116	\$ 14,145,852	\$ 14,897,752	\$ 15,971,461
1,592,936	1,669,381	1,814,119	1,879,470	2,200,172	2,209,934
959,278	1,231,567	1,202,803	1,203,096	1,343,648	1,650,589
575,164	511,687	458,545	395,394	706,073	684,424
5,393,386	6,494,654	6,040,374	11,523,472	21,072,274	18,694,882
4,515,902	4,699,354	4,215,518	3,781,605	4,191,400	4,653,705
127,612	149,058	171,489	112,523	143,838	124,570
812,699	961,962	1,025,606	716,373	621,257	582,967
152,668	133,174	565,832	250,393	(12,599)	(373,857)
356,417	637,888	353,034	376,492	417,396	450,757
25,966,574	28,975,411	29,121,436	34,384,670	45,581,211	44,649,432
1,910,796	2,032,735	2,186,080	2,266,131	2,335,045	2,479,197
7,508,245	7,980,738	8,415,366	8,941,533	8,975,231	9,402,200
4,100,074	6,170,810	3,771,836	3,627,686	4,319,935	4,426,655
1,367,223	1,281,470	1,073,812	1,019,701	1,045,108	1,123,777
2,788,538	2,915,562	2,911,624	2,514,404	2,560,620	2,727,753
1,120,588	1,635,613	1,851,508	803,534	770,878	1,384,868
944,517	1,012,529	1,182,641	1,085,331	1,569,165	1,683,442
72,952	274,089	197,758	197,251	91,511	109,669
29,328	21,746	1,740,291	184,468	139,508	54,485
1,597,552	2,461,494	5,315,883	3,393,075	16,269,355	14,887,922
29,901	6,965	11,318	70	16,455	1,543
766,394	97,512	75,675	106,353	10,575	48,106
256,963	1,354,424	770,633	309,227	943,960	776,345
236,418	659,817	68,289	27,131	226,619	3,422,345
2,794,127	1,600,632	1,540,000	1,755,000	1,705,000	1,850,000
720,937	769,914	764,095	933,918	831,426	774,611
125,301	-	114,280	-	-	-
26,369,854	30,276,050	31,991,089	27,164,813	41,810,391	45,152,918
(403,280)	(1,300,639)	(2,869,653)	7,219,857	3,770,820	(503,486)

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

	2013	2014	2015	2016
Other financing sources (uses):				
Bonds issued	\$ -	\$ 6,970,000	\$ 4,945,000	\$ -
Refunding bonds issued	-	-	-	-
Premium on bonds issued	-	76,858	78,986	-
Payment to refunding escrow agent	-	(2,815,000)	-	(1,175,000)
Capital lease	29,202	-	-	-
Transfers in	1,158,688	1,855,965	2,894,745	2,112,312
Transfers out	(287,428)	(1,325,186)	(2,496,071)	(2,543,841)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>900,462</u>	<u>4,762,637</u>	<u>5,422,660</u>	<u>(1,606,529)</u>
Special item-transfer of operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,513,080</u>
Net change in fund balance	<u>\$ (1,705,293)</u>	<u>\$ 17,896</u>	<u>\$ (1,302,280)</u>	<u>\$ 1,708,422</u>
Debt service as a percentage of noncapital expenditures	8.9%	13.0%	6.8%	10.1%
Debt service as percentage of total expenditures	7.1%	9.0%	4.9%	8.7%

2017	2018	2019	2020	2021	2022
\$ 4,305,000	\$ -	\$ 6,705,000	\$ -	\$ -	\$ -
-	-	-	-	-	-
347,176	-	461,552	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,383,854	1,729,954	2,507,204	1,252,910	2,340,044	1,402,962
(3,092,669)	(1,107,612)	(4,843,163)	(991,872)	(1,978,933)	(1,036,062)
-	26,908	-	-	-	2,203,228
<u>3,943,361</u>	<u>649,250</u>	<u>4,830,593</u>	<u>261,038</u>	<u>361,111</u>	<u>2,570,128</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>	<u>\$ 2,066,642</u>
14.4%	8.7%	9.2%	11.4%	7.6%	8.7%
13.3%	7.8%	7.2%	9.9%	6.1%	5.8%

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

Last Ten Fiscal Years

(Unaudited)

<u>Year</u>	<u>Residential Property</u>	<u>Commercial/ Industrial Property</u>	<u>All Other</u>	<u>Total Tax Capacity</u>
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
2022	14,651,646	6,667,981	440,861	21,760,488

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
\$ 1,086,403	\$ 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%
1,017,557	22,778,045	64.411%	1,969,557,100	1.16%

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	
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%	
2022	54.015%	6.658%	3.738%	64.411%	

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				
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%
29.116%	22.296%	8.162%	19.546%	121.235%	114.415%

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

Table 7

Taxpayer	2022			2013		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Chicago & NW Trans. Co	\$ 408,524	1	1.88%	\$ 185,942	3	1.43%
Stag South Saint Paul LLC	291,200	2	1.34%			
Xcel Energy	231,722	3	1.06%	327,585	1	2.53%
Dakota Bulk Property LLC	218,010	4	1.00%	100,470	7	0.78%
Waterford Green Limited Partnership	204,368	5	0.94%	105,625	6	0.81%
CARS-DB4 LP	158,526	6	0.73%			
Leonard Investments LLC	150,198	7	0.69%	113,974	5	0.88%
Bridgepoint Business Center I, LLC	146,664	8	0.67%			
Waterous Co	142,858	9	0.66%	119,122	4	0.92%
WPT Bridgepoint Way LP	126,406	10	0.58%			
Blue Dog Properties Trust				199,956	2	1.54%
Jebco Group Inc				97,628	8	0.75%
Hardman Ave Properties LLC				75,824	9	0.58%
Sanimax AMX LLC				76,530	10	0.59%
Total	<u>\$ 2,078,476</u>		<u>9.55%</u>	<u>\$ 1,402,656</u>		<u>10.81%</u>
Total All Property	<u>\$ 21,760,488</u>			<u>\$ 12,963,820</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
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%	103,507	14,206,445	100.00%
2022	15,324,339	15,186,700	99.10%	-	15,186,700	99.10%

* Starting in 2016, includes EDA and HRA levies

Sources: City financial records

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

Fiscal Year	Governmental Activities						Total Governmental Activities
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	Note Payable	Lease	Lease Revenue	
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
2022	19,267,964	-	586,252	-	-	-	19,854,216

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

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

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

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

N/A - information is not available

Table 9

Business-Type Activities			Per Customer	Total Primary Government	Percentage of Personal Income ^(a)	Per Capita ^(a)
Sewer/Water/Storm Revenue Bonds	Low Rent Housing Notes	Total Business-Type Activities				
\$ 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	1.90%	1,290
2,715,820	1,879,706	4,595,526	653	24,449,742	N/A	1,193

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

Fiscal Year	Governmental Activities					Total General Bonded Debt
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	Lease Revenue Bonds		
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
2022	19,267,964	-	586,252	-	-	19,854,216

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

^(a)See Table 14 for population data.

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

Table 10

Less: Amounts Restricted for Debt Service	Business-type Activities General Obligation Bonds	Net Bonded Debt Total	Percentage of Total Tax Capacity ^(b)	Per Capita ^(a)
\$ 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
3,988,351	2,715,820	18,581,685	85.39%	907

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CITY OF SOUTH ST. PAUL, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2022
(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	\$ 37,125,000	100.0000%	\$ 37,125,000
ISD No. 199	51,130,000	0.0035%	1,774
Special Districts:			
Dakota County	-	0.0300%	-
Metropolitan Council	1,717,186,171	0.0300%	515,156
Subtotal - overlapping debt			37,641,930
City direct debt			19,854,216
Total direct and overlapping debt			\$ 57,496,146

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 2022

Estimated Market Value	<u>\$ 1,969,557,100</u>
Debt limit (3% of market value)	<u>59,086,713</u>
Debt applicable to limit:	
General obligation bonds paid solely from Taxes	16,325,000
Less: amount available for payment on principal and interest	<u>(2,232,141)</u>
Total net debt applicable to limit	<u>14,092,859</u>
Legal debt margin	<u><u>\$ 44,993,854</u></u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 36,567,837	\$ 36,495,771	\$ 40,189,758	\$ 40,518,789
Total net debt applicable to limit	<u>1,617,530</u>	<u>8,309,446</u>	<u>11,132,869</u>	<u>9,968,365</u>
Legal debt margin	<u><u>\$ 28,318,241</u></u>	<u><u>\$ 28,186,325</u></u>	<u><u>\$ 29,056,889</u></u>	<u><u>\$ 30,550,424</u></u>

Total net debt applicable to the limit as a percentage of debt limit	4.42%	22.77%	27.70%	24.60%
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Table 12

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 42,334,533	\$ 46,406,619	\$ 49,169,385	\$ 54,229,194	\$ 56,274,219	\$ 59,086,713
<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>14,092,859</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>	<u>\$ 44,993,854</u>
30.62%	25.57%	35.41%	30.55%	27.21%	23.85%

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	
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	48,245	6.39
2022	2,902,801	1,073,116	1,829,685	234,000	44,002	6.58

Storm Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ -	\$ -	\$ -	\$ -	\$ -	-
2014	417,218	86,178	331,040	-	16,745	20
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	24,232	3.78
2022	692,515	220,274	472,241	90,000	22,440	4.20

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	
\$ 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
-	-	-	-	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	7.28
1,592,936	170,000	36,510	7.71
1,669,381	175,000	33,923	7.99
1,814,119	175,000	31,079	8.80
1,879,470	180,000	27,748	9.05
2,200,172	180,000	23,922	10.79
2,209,934	185,000	19,539	10.80

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>
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	1,412,881,600	67,927	2.30%
2022	20,489	N/A	N/A	2.70%

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	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sportsmans' Guide	506	1	7.98%	600	1	8.79%
Special School District No 6	505	2	7.96%	468	2	6.86%
Bremer Bank	400	3	6.31%	450	3	6.59%
Fury Chrysler Dodge Jeep	271	4	4.27%			
American Bottling	250	5	3.94%	250	5	3.66%
City of South St. Paul	155	6	2.44%	189	9	2.77%
Sanimax	155	6	2.44%			
Wipaire, Inc.	130	8	2.05%	130	10	1.90%
Allstate Peterbilt- South St Paul	125	9	1.97%			
Davey Tree Service	122	10	1.92%			
Dakota Premium Foods				321	4	4.70%
Cerenity Care Center - Bethesda				250	5	3.66%
Waterous Company				250	5	3.66%
Twin City Bagel				200	8	2.93%
Total	2,619		41.30%	3,108		45.53%
Total city employment	6,342			6,827		

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	2013	2014	2015	Full-Time 2016 **
General government:				
Management services	5.30	5.80	5.95	5.25
Finance	3.55	3.65	3.65	3.45
Planning	1.00	1.00	1.00	-
Building	1.00	1.00	1.05	1.00
Police:				
Officers	27.00	28.00	28.00	28.00
Civilians	4.50	4.50	4.50	4.50
Animal control *	0.25	-	-	-
Community Development:				
Licensing & Code Enforcement	-	-	-	3.25
Planning & Zoning Administration	-	-	-	2.00
Economic Development	-	-	-	1.75
Housing Division	-	-	-	1.75
Other public works:				
Engineering	3.00	3.09	3.09	4.70
Code enforcement	2.25	2.25	2.25	-
Public works	11.00	11.86	11.66	12.10
Parks and recreation	5.60	5.95	6.18	6.68
Library	6.68	6.75	6.70	6.82
Arena	2.40	2.05	2.05	3.05
Airport	1.10	2.10	2.10	2.60
Water and Sewer	6.90	7.05	7.05	6.80
Central Garage	2.10	2.30	2.20	2.20
Total	83.63	87.35	87.43	95.90

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,						
2017	2018	2019	2020	2021	2022	
5.35	6.10	6.10	6.10	6.10	6.10	8.10
3.20	3.20	3.20	3.20	3.20	3.20	2.40
-	-	-	-	-	-	-
1.10	1.20	1.20	1.20	1.20	1.20	1.20
28.00	28.00	30.00	31.00	31.00	31.00	33.00
4.50	7.50	6.50	7.00	7.00	7.00	7.00
-	-	-	-	-	-	-
2.75	2.90	3.90	3.90	2.40	1.90	1.90
2.00	1.50	1.50	1.50	3.00	3.50	3.50
2.00	1.50	1.50	1.55	1.50	1.50	1.50
5.50	6.50	2.50	0.95	2.00	2.00	2.00
4.70	4.00	4.00	3.00	3.00	3.17	3.17
-	-	-	-	-	-	-
11.90	14.90	13.90	13.90	14.60	14.10	14.10
6.67	6.67	6.67	6.67	6.67	3.63	3.63
7.55	7.35	6.80	6.71	6.71	7.26	7.26
3.05	3.05	4.15	4.15	6.15	5.60	5.60
2.60	2.60	2.60	2.60	2.60	2.73	2.73
6.80	6.50	6.50	7.50	6.80	6.60	6.60
2.20	2.20	2.20	2.20	2.20	2.20	2.20
99.87	105.67	103.22	103.13	106.13	105.89	

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

Function/Program	2013	2014	2015	2016
Police:				
Calls for Service	20,792	20,941	20,639	22,659
Part I offenses	622	577	625	736
Part II offenses	1,447	2,798	3,029	3,326
Felony charges	188	184	187	226
DUI	49	76	229	128
Traffic Accidents	277	285	299	272
Traffic Violations	2,095	1,569	1,449	1,211
Recycling				
Appliances collected	79	85	92	80
Appliances (pounds) *	N/A	N/A	N/A	N/A
Scrap metal recycled	8,500	8,000	6,000	6,609
Electronics (pounds)	13,589	8,335	7,811	5,500
City Planner				
Site Plan reviews	2	3	3	4
Planning/zoning cases reviewed	41	28	33	33
Other public works:				
Segments of streets/alleys rehabbed	17	19	34	22
Parks and recreation:				
Splash pool users**	8,181	7,005	10,847	9,460
Northview pool users**	7,627	3,006	7,039	6,111
Library:				
Charged circulation (usage)	131,968	135,581	125,775	119,492
Arena:				
Ice rented (hours)	3,713	2,841	2,983	3,302
Transportation:				
Fuel sold (gallons)	158,191	140,255	133,957	142,074
Aircraft operations	63,720	62,130	55,250	55,000
Water:				
Utility customers	6,975	6,984	6,987	6,989
Pumpage/year (millions of gallons)	1,190	1,127	841	783
Wastewater:				
Sewage treatment (millions of gallons)	1,254	1,214	1,092	1,104

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

2017	2018	2019	2020	2021	2022
26,876	26,671	29,852	31,560	29,247	28,791
585	572	536	572	606	512
3,106	3,440	3,974	839	762	712
259	223	279	284	163	228
113	199	133	97	180	106
264	306	325	251	221	280
1,229	1,310	1,204	885	845	878
N/A	N/A	N/A	N/A	N/A	N/A
5,400	4,000	4,800	4,500	4,034	4,067
7,060	6,080	6,540	6,200	4,200	3,980
2,640	8,030	5,648	7,626	6,000	7,240
3	5	6	7	5	9
40	30	29	38	39	29
14	6	8	-	5	5
8,553	9,928	7,840	-	4,759	4,415
5,995	7,426	6,720	-	-	5,388
118,322	112,997	116,377	68,100	86,512	105,537
3,928	3,019	3,477	3,150	4,111	4,634
137,737	136,454	143,148	167,365	219,406	169,444
56,650	58,350	60,100	61,903	63,760	64,397
6,984	6,992	6,999	7,017	7,027	7,033
735	728	707	724	718	1,046
1,055	1,044	1,009	1,192	1,093	1,046

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

Function/Program	2013	2014	2015	2016
Police:				
Stations	1	1	1	1
Patrol units	17	17	17	17
Other public works:				
Streets (miles)	73.1	73.1	73.1	73.1
Highways (miles) ^(a)	13.9	13.9	13.9	13.9
Streetlights ^(b)	1,112	1,112	1,112	1,112
Traffic signals ^(a)	15.0	15.0	15.0	15.0
Parks and recreation:				
Parks	15	15	15	15
Acreage	245	245	245	245
Swimming pools	3	3	3	3
Ice arena rinks	2	2	2	2
Water:				
Water mains (miles)	87.6	87.6	87.6	87.6
Wells	7.0	7.0	7.0	7.0
Wastewater:				
Sanitary sewers (miles)	77.8	77.8	77.8	77.8
Storm sewers (miles)	46.8	46.8	46.9	46.9
Airport:				
T-Hangars	32	32	32	32
Acres	270	270	270	270

Sources: Various City departments.

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

^(a) not under City jurisdiction

^(b) not all under City jurisdiction

Table 18

2017	2018	2019	2020	2021	2022
1	1	1	1	1	1
17	18	19	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	1,365	1,407	1,407	1,407	1,407
15.0	15.0	13.0	13.0	13.0	13.0
15	15	15	15	15	15
245	245	245	245	245	245
3	3	3	3	3	2
2	2	2	2	2	2
87.6	87.6	87.6	87.6	87.6	87.6
7.0	7.0	7.0	7.0	7.0	7.0
77.8	77.8	77.8	77.8	77.8	77.8
46.9	46.9	46.9	46.9	46.9	46.9
32	32	32	32	32	32
270	270	270	270	270	270

Management Report
for
City of South St. Paul, Minnesota
December 31, 2022

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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, 2022. We have organized this report into the following sections:

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

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

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

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

Minneapolis, Minnesota
July 18, 2023

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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, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2022:

- We have issued an unmodified opinion on the City's basic financial statements. Our report included a paragraph emphasizing the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the year. Our opinion was not modified with respect to this matter.
- 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 (SEFA) is fairly stated, in all material respects, in relation to the basic financial statements.
- We reported one matter involving the internal control over compliance that we consider to be a significant deficiency with the types of compliance requirements that could have a direct and material effect on the City's major federal programs, which resulted in a reportable instance of noncompliance:
 - 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 one finding based on our testing of the City’s compliance with Minnesota laws and regulations.
 - We noted for one contract awarded during the year, the City did not obtain performance and payment bonds from the contractor as required by Minnesota Statutes § 574.26.

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the City’s financial statements for the year ended December 31, 2022, we performed procedures to follow-up on the findings and recommendations that resulted from our prior year audit. We reported the following findings that were corrected by the City in the current year:

- 2 CFR § 200.510 requires that the City prepare appropriate financial statements, including the SEFA, which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502. During our audit testing in 2021, we noted the City did not have sufficient controls in place to ensure completeness of the SEFA and compliance with this requirement. We are pleased to report this is not a finding in the current year.
- Minnesota Statutes require 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. We are pleased to report this is not a finding in the current year.
- 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. We are pleased to report this is not a finding in the current year.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Uniform Guidance Written Procedures

The Uniform Guidance requires the City to have written procedures. During our audit, we noted that the City had developed and adopted written federal grant procedures; however, these did not fully address procedures specific to cash management, cost principles, budget to actual reviews, 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.

Deposit Sweep Account

Minnesota Statutes § 118A.03 requires banks holding local government entity deposits to protect the deposits from custodial credit risk (the risk of loss in the event of a bank failure) by providing adequate insurance, bond, or pledged collateral to cover amounts “on deposit at the close of the financial institution’s banking day.” Some banks utilize arrangements under which governmental entities’ deposit balances in excess of Federal Deposit Insurance Corporation limits are swept out of their depository accounts daily into other investments or to depository accounts at other banks.

An issue has arisen with some sweep account arrangements, caused by a lag between the timing of when the primary bank’s records show the funds being swept out of its account and when the receiving bank’s records acknowledge receipt of the funds. If the receiving bank’s records do not show the transferred funds arriving the same business day as the primary bank shows them being swept out, the funds in transit would legally still be considered in the custody of the primary depository at the end of the banking day. This would potentially subject any excess deposits to custodial credit risk and not complying with statutory requirements. The Minnesota Office of the State Auditor (OSA) has added audit requirements to test such sweep arrangements in their *Legal Compliance Audit Guide*. In addition, recent bank failures have placed additional emphasis on the importance of protecting local government deposits from custodial credit risk. We recommend the City review the terms of any sweep arrangement it has in place or is considering and verify that the financial institutions on both sides of the sweep transaction are recognizing the transfer of funds the same banking day.

Credit Card Transactions

Minnesota cities have the authority to make purchases using credit cards issued on behalf of their city. Credit card purchases are becoming more commonplace, especially with the proliferation of e-commerce, and have consequently been garnering increased scrutiny from oversight agencies. The statutes authorizing credit card use by cities restrict their use to purchases made on behalf of a city, do not permit personal use of the credit card by the card user, and specify they should only be used by employees authorized to make purchases. Employees are personally liable for unauthorized credit card purchases.

Purchases made with credit cards must comply with other applicable state laws, including the requirement that all claims presented for payment must be in writing and itemized. In its Statement of Position (SOP) on credit card use, the OSA has clarified that the statement from the credit card company lacks sufficient detail to comply with this requirement and, therefore, “public entities using credit cards must retain the invoices and receipts needed to support the items charged in the bill from the credit card company.” The SOP also states that the individual vendors providing the goods or services should be listed on the claims list provided to a city council for review and approval, rather than the credit card company.

While the authorized use of a credit card to make small purchases offers advantages, such as convenience and expedited purchasing, the ability of the credit card users to make a city liable for purchases that are improper or not in compliance with statutory requirements is an added risk related to such transactions. The OSA recommends that a robust credit card policy be established by public entities allowing credit card purchases, which clearly delineates the requirements for use, supporting documentation required, and the review and approval process for credit card purchases. The OSA also recommends that cities obtain signed written acknowledgement of the policy from all authorized card users.

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, 2022. However, the City implemented the following governmental accounting standard during the fiscal year:

- As described in Note 1 of the notes to basic financial statements, the City implemented GASB Statement No. 87, *Leases*, during fiscal year ended December 31, 2022. This standard changed the way lease transactions are reported by the City. Implementation of this standard resulted in an adjustment to the beginning equity reported in the City's government-wide financial statements.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

- **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 GASB 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 July 18, 2023.

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

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

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GOVERNMENTAL FUNDS OVERVIEW

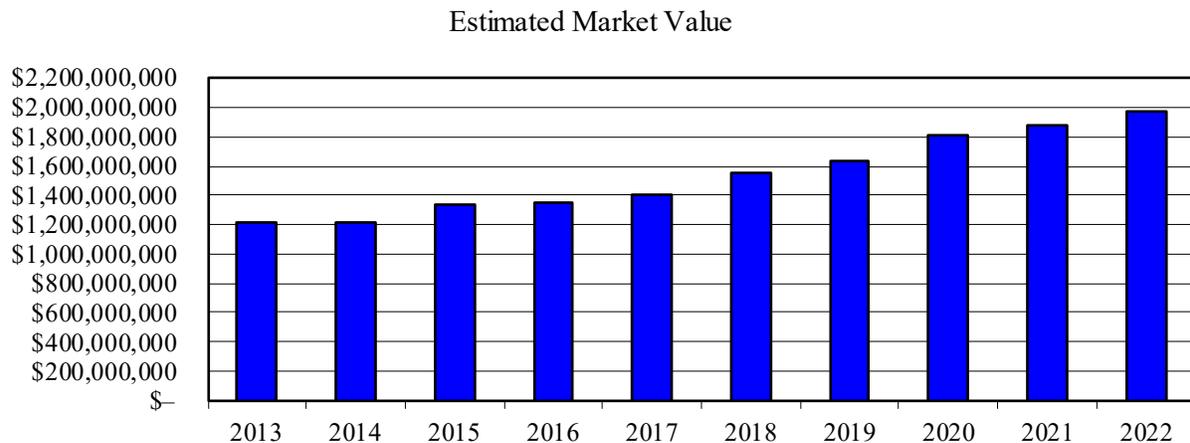
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its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

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2021 fiscal year, local ad valorem property tax levies provided 44.0 percent of the total governmental fund revenues for cities over 2,500 in population, and 35.5 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2022 increased 5.9 percent compared to the prior year, and 4.2 percent for taxes payable in 2023.

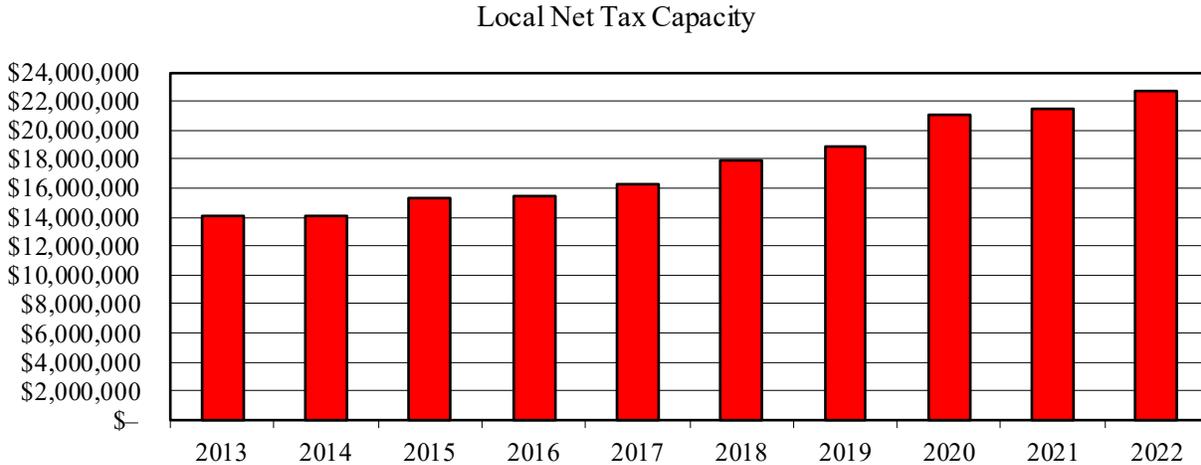
The total tax capacity value of property in Minnesota cities increased about 5.6 percent for the 2022 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2022 were based on assessed market values as of January 1, 2021), 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 3.8 percent in 2021 and 5.0 percent in 2022. 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 2.4 percent for taxes payable in 2021 and increased 5.7 percent for taxes payable in 2022.

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



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

Rates Expressed as a Percentage of Net Tax Capacity			
	City of South St. Paul		
	2020	2021	2022
Average tax rate			
City	60.8	63.4	64.4
County	21.8	20.6	19.5
School	28.9	30.3	29.1
Special taxing	7.6	7.7	8.2
Total	<u>119.1</u>	<u>122.0</u>	<u>121.2</u>

The total average tax rate was consistent with the prior year. The city and special taxing rate increased, which was offset by decreases in the county and school rates.

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

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

Governmental Funds Revenue per Capita							
With State-Wide Averages by Population Class							
Year	State-Wide			City of South St. Paul			
	December 31, 2021			2020	2021	2022	
	2,500–10,000	10,000–20,000	20,000–100,000	20,759	20,800	20,489	
Property taxes	\$ 560	\$ 529	\$ 557	\$ 681	\$ 716	\$ 780	
Tax increments	38	36	49	91	106	108	
Franchise and other taxes	52	66	53	58	65	81	
Special assessments	59	41	56	35	30	28	
Licenses and permits	45	46	53	19	34	33	
Intergovernmental revenues	421	293	202	555	1,013	912	
Charges for services	135	111	110	182	202	227	
Other	60	39	26	36	26	10	
Total revenue	\$ 1,370	\$ 1,161	\$ 1,106	\$ 1,657	\$ 2,192	\$ 2,179	

The City’s governmental fund revenues for 2022 were \$44,649,432, a decrease of \$931,779 (2.0 percent) from the prior year. On a per capita basis, the City received \$2,179 in governmental fund revenue for 2022, which is a decrease of \$13 from the prior year. The majority of this decrease was in intergovernmental revenues, which decreased \$101 per capita, due to the federal grant and county funds received for the Concord Street improvement project in fiscal 2021. This decrease was offset by a \$64 per capita increase in property tax revenues, due to the increased property tax levy approved by the City Council.

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

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

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

Governmental Funds Expenditures per Capita With State-Wide Averages by Population Class							
Year	State-Wide			City of South St. Paul			
	December 31, 2021			2020	2021	2022	
Population	2,500–10,000	10,000–20,000	20,000–100,000	20,759	20,800	20,489	
Current							
General government	\$ 168	\$ 131	\$ 116	\$ 109	\$ 112	\$ 121	
Public safety	327	296	327	431	432	459	
Street maintenance	144	124	112	175	208	216	
Parks and recreation	108	124	107	121	123	133	
All other	101	79	77	140	163	205	
Total current	<u>848</u>	<u>754</u>	<u>739</u>	<u>976</u>	<u>1,038</u>	<u>1,134</u>	
Capital outlay and construction	525	407	317	203	851	942	
Debt service							
Principal	168	161	110	85	82	90	
Interest and fiscal charges	48	41	34	45	40	38	
Total debt service	<u>216</u>	<u>202</u>	<u>144</u>	<u>130</u>	<u>122</u>	<u>128</u>	
Total expenditures	<u>\$ 1,589</u>	<u>\$ 1,363</u>	<u>\$ 1,200</u>	<u>\$ 1,309</u>	<u>\$ 2,011</u>	<u>\$ 2,204</u>	

Total expenditures in the City’s governmental funds for 2022 were \$45,152,918, an increase of \$3,342,527 (8.0 percent) from the prior year. On a per capita basis, the City expended a total of \$2,204 in 2022, an increase of \$193. Current expenditures increased \$96 per capita, mainly in all other and public safety. All other increased with increased economic development activity and increased maintenance costs at the airport. Public safety increased, mainly in personnel costs. Capital outlay and construction costs increased \$91 per capita, primarily due to the runway reconstruction project at the airport. Debt service expenditures were \$6 higher than last year, due to scheduled bond principal payments. The City’s current operating costs are higher than average, due to above average costs in all functions noted above.

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, 2021 and 2022, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance			
	Fund Balance as of December 31,		Change
	2021	2022	
Fund balances of governmental funds			
Total by classification			
Nonspendable	\$ 134,510	\$ 175,520	\$ 41,010
Restricted	13,847,601	16,472,099	2,624,498
Committed	4,630,954	4,631,266	312
Assigned	10,454,617	9,134,085	(1,320,532)
Unassigned	7,279,800	8,001,154	721,354
Total governmental funds	<u>\$ 36,347,482</u>	<u>\$ 38,414,124</u>	<u>\$ 2,066,642</u>
Total by fund			
General	\$ 14,718,955	\$ 15,514,851	\$ 795,896
ARPA	2,444	14,786	12,342
Doug Woog Arena	(837,702)	(702,991)	134,711
Airport	(36,352)	59,181	95,533
Capital Programs	10,199,952	8,114,981	(2,084,971)
Local Improvements	(1,509,673)	(1,679,548)	(169,875)
Tax Increment	5,078,119	7,483,034	2,404,915
Other governmental funds	8,731,739	9,609,830	878,091
Total governmental funds	<u>\$ 36,347,482</u>	<u>\$ 38,414,124</u>	<u>\$ 2,066,642</u>

In total, the fund balances of the City's governmental funds increased by \$2,066,642 during the year ended December 31, 2022. Restricted fund balance increased by \$2,624,498, mainly in restricted balances for tax increment financing. Assigned fund balance decreased \$1,320,532 in assigned balances for working capital in the Capital Programs Fund. Unassigned fund balance increased by \$721,354, mainly due to the improved fund balance in the General Fund.

Doug Woog Arena Fund – This fund had an increase in fund balance of \$134,711 and has had to consistently borrow from other funds to fund cash flow needs. The interfund borrowing totals \$645,069 at December 31, 2022.

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.

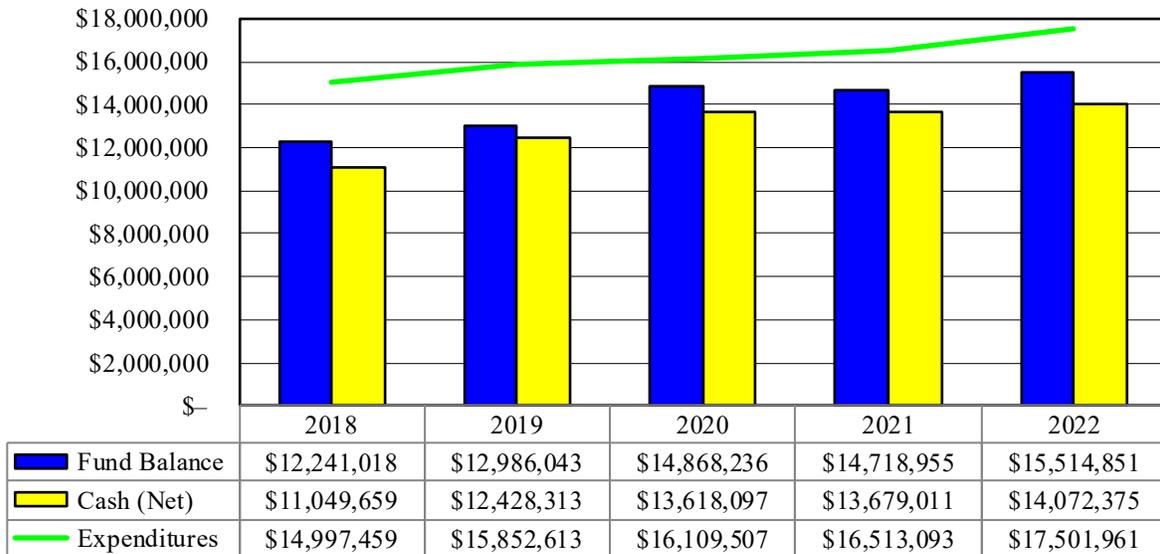
Airport Fund – This fund had an increase in fund balance of \$95,533 and has been able to decrease the amount borrowed from other funds to fund cash flow needs. The interfund borrowing totals \$45,273 at December 31, 2022.

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,

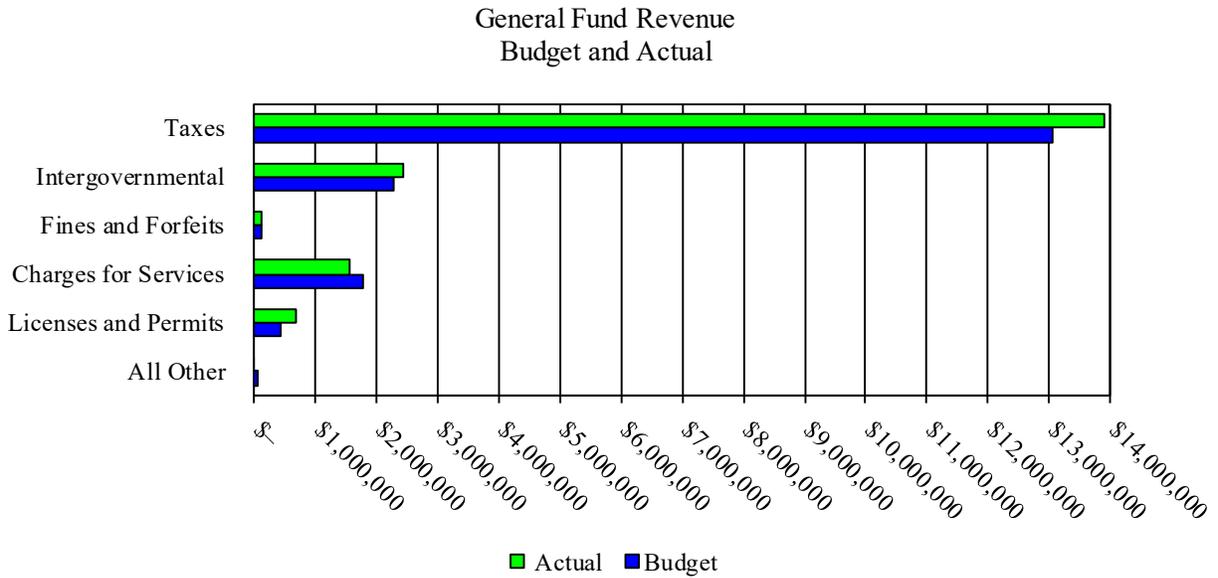


The City's General Fund cash and investments balance (net of borrowing) at December 31, 2022 was \$14,072,375, an increase of \$393,364. Total fund balance at December 31, 2022 was \$15,514,851, which is an increase of \$795,896 from the prior year.

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.

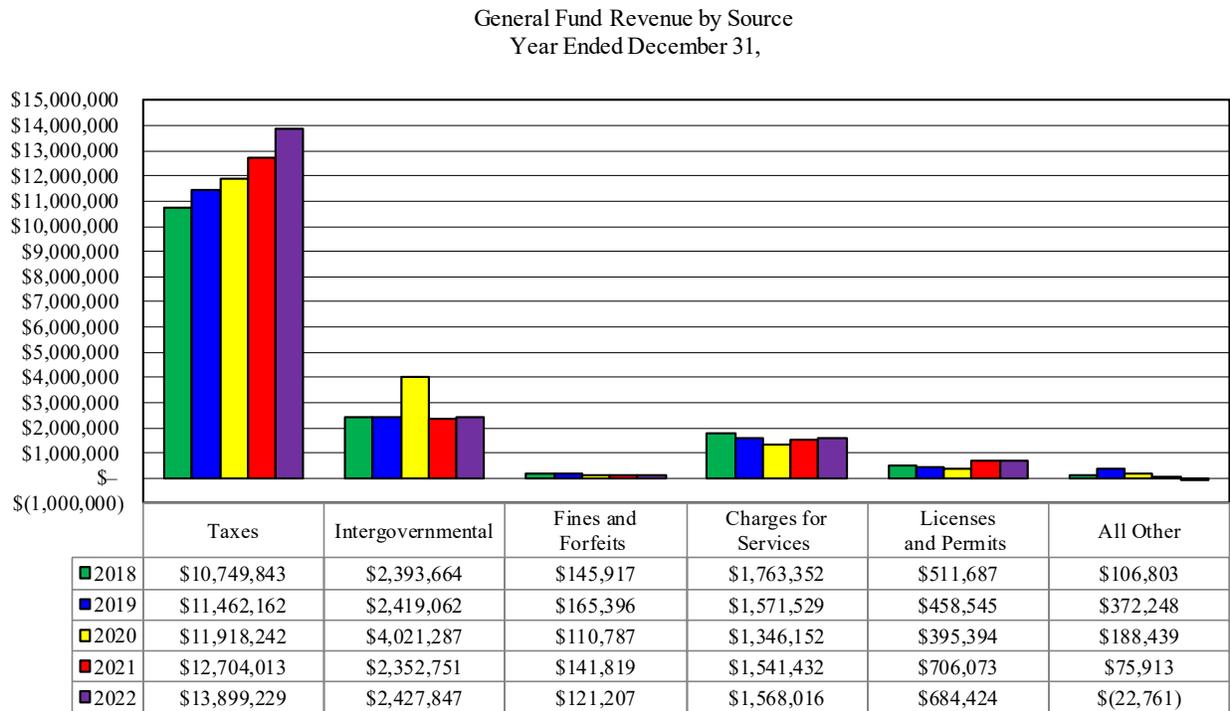
The City has an approved fund balance policy that states the General Fund will maintain a minimum unassigned fund balance of 35.0 to 50.0 percent of the subsequent year's budgeted expenditures. At December 31, 2022, the City's General Fund unassigned fund balance was 56.8 percent of the subsequent year's budgeted expenditures.

The following graph reflects the City’s General Fund revenue sources for 2022 compared to budget:



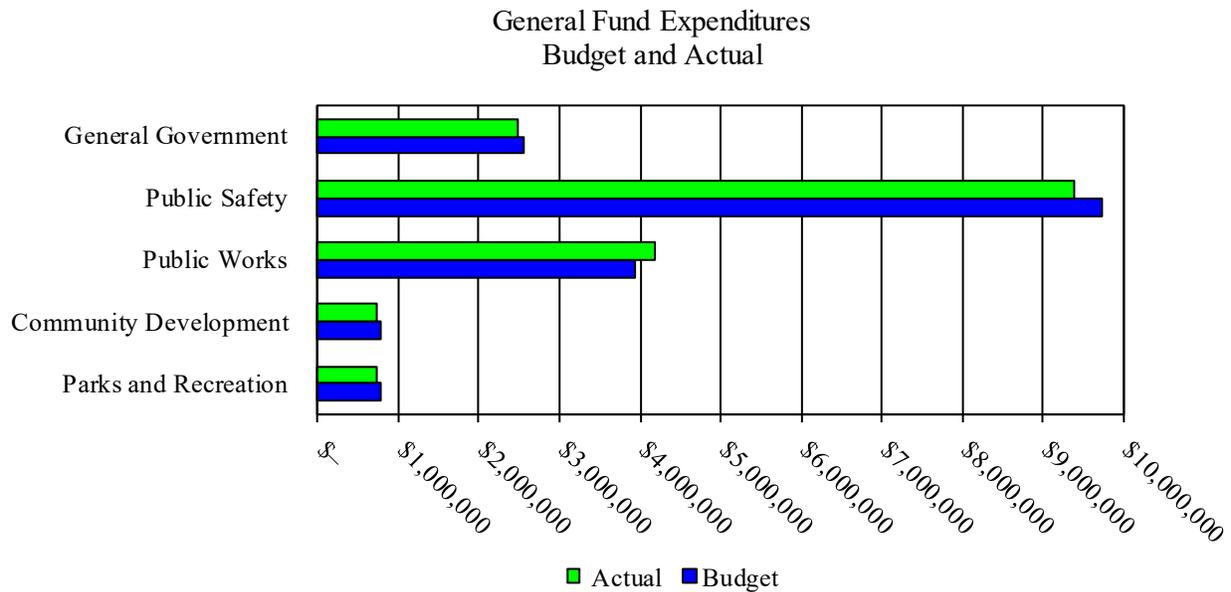
General Fund revenue for 2022 was \$18,677,962, which was \$945,466 (5.3 percent) more than budget. Taxes were \$836,479 over budget, primarily due to excess tax increment financing, delinquent tax, and franchise tax collections being more than anticipated. Licenses and permits were \$247,704 over budget, due to more than anticipated building activity.

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



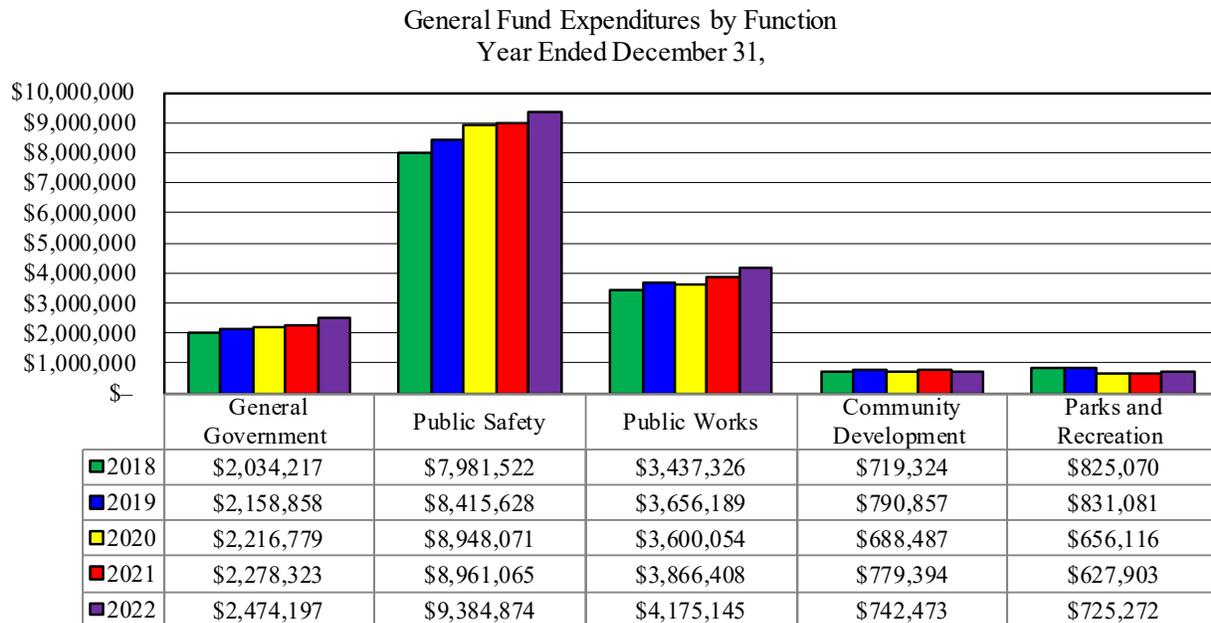
Total General Fund revenue for 2022 was \$1,155,961 (6.6 percent) higher than last year, mainly in taxes. Tax revenues increased \$1,195,216, due to an increase in the levy as approved by the City Council.

The following graph illustrates the components of General Fund spending for 2022 compared to budget, excluding the contingency category:



General Fund expenditures for 2022 were \$17,501,961, which was \$420,535 (2.3 percent) under budget. Public safety expenditures were \$355,285 under budget, mainly in police personnel costs and other services and charges.

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



Total General Fund expenditures for 2022 were \$988,868 (6.0 percent) higher than the previous year, mainly due to the increase in the public safety and public works functions. Public safety expenditures increased \$423,809, due to increased police personnel costs and increased fire service costs. Public works expenditures increased \$308,737, mainly in the engineering and public works departments.

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, 2021 and 2022, presented both by classification and by fund:

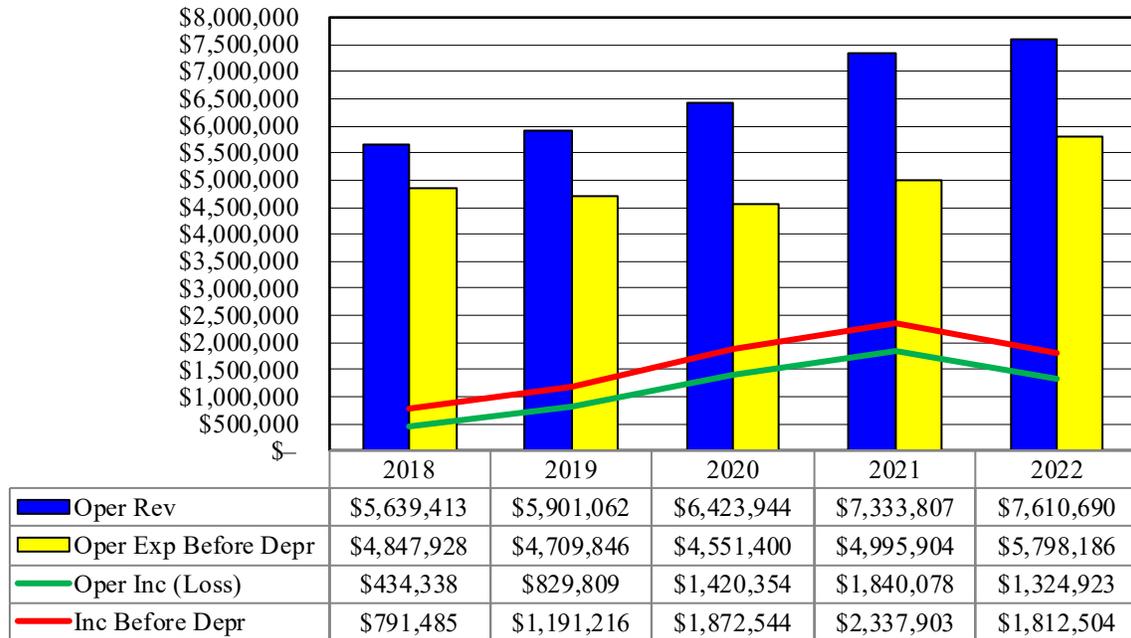
Enterprise Funds Change in Financial Position			
	Net Position as of December 31,		Change
	<u>2021</u>	<u>2022</u>	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 25,706,792	\$ 25,657,494	\$ (49,298)
Unrestricted	<u>12,251,143</u>	<u>13,372,164</u>	<u>1,121,021</u>
Total enterprise funds	<u>\$ 37,957,935</u>	<u>\$ 39,029,658</u>	<u>\$ 1,071,723</u>
Total by fund			
Water and Sewer Utility	\$ 22,221,626	\$ 23,192,678	\$ 971,052
Storm Water Utility	8,199,122	8,454,500	255,378
Street Light Utility	368,536	427,884	59,348
Low Rent Housing	<u>7,168,651</u>	<u>6,954,596</u>	<u>(214,055)</u>
Total enterprise funds	<u>\$ 37,957,935</u>	<u>\$ 39,029,658</u>	<u>\$ 1,071,723</u>

In total, the net position of the City’s enterprise funds increased \$1,071,723 during the year ended December 31, 2022, mainly in unrestricted net position. Unrestricted net position increased due to positive operating results in each of the enterprise funds noted above, except the Low Rent Housing Fund.

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,



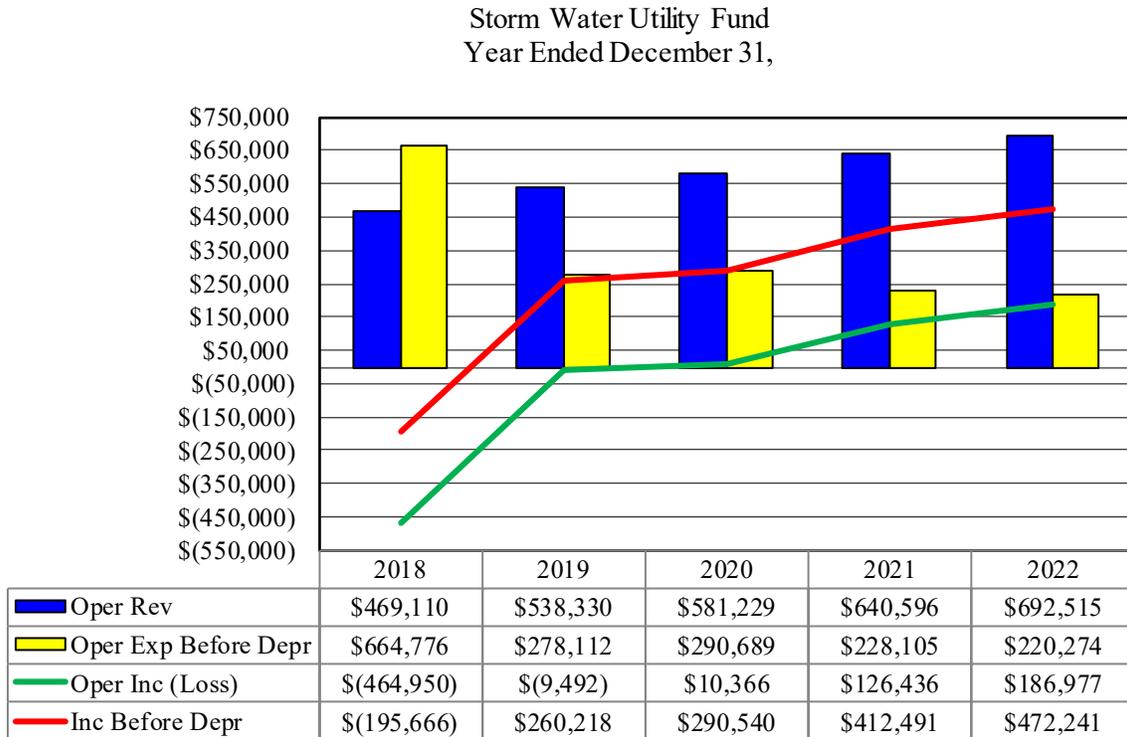
The Water and Sewer Utility Fund ended 2022 with a total net position of \$23,192,678, an increase of \$971,052 from the prior year. Of this, \$14,477,610 represents the net investment in utility distribution system capital assets, leaving \$8,715,068 of unrestricted net position.

Operating revenue in the Water and Sewer Utility Fund was \$7,610,690, an increase of \$276,883 (3.8 percent) from the prior year, due to the increased rates offset by a decrease in consumption.

Water and Sewer Utility Fund operating expenses before depreciation for 2022 were \$5,798,186, an increase of \$802,282 (16.1 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:



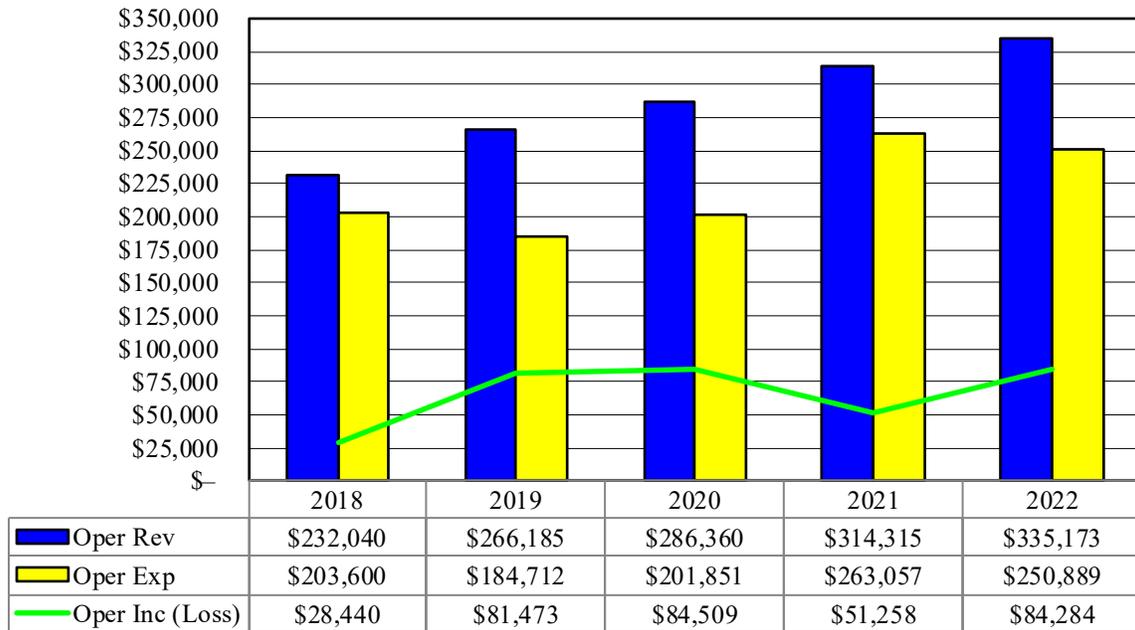
The Storm Water Utility Fund ended 2022 with a total net position of \$8,454,500, an increase of \$255,378 from the prior year. Of this, \$7,716,577 represents the City's net investment in its storm water collection system capital assets, leaving an unrestricted net position of \$737,923.

Operating revenue in the Storm Water Utility Fund was \$692,515, an increase of \$51,919 (8.1 percent) from the prior year, due to a rate increase. Storm Water Utility Fund operating expenses before depreciation for 2022 were \$220,274, a decrease of \$7,831 (3.4 percent).

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,

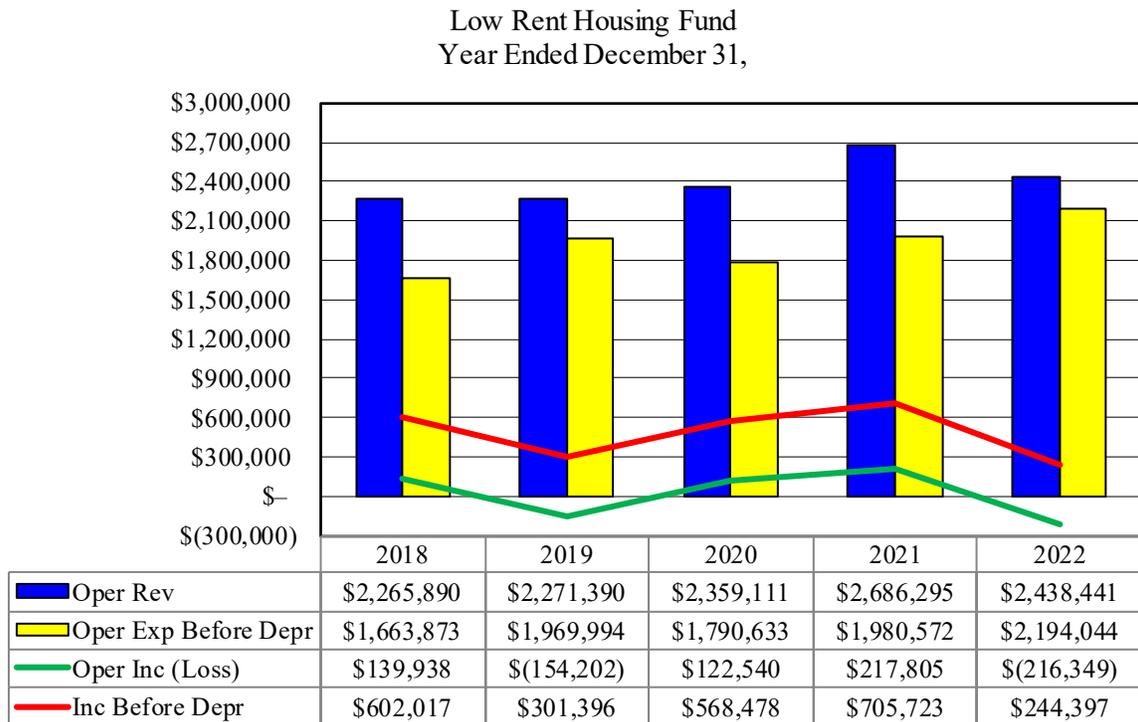


The Street Light Utility Fund ended 2022 with a total net position of \$427,884, an increase of \$59,348 from the prior year. This entire balance represents unrestricted net position.

Street Light Utility Fund operating revenue for fiscal 2022 was \$335,173, an increase of \$20,858 (6.6 percent) from the prior year, due to a rate increase. Operating expenses for 2022 were \$250,889, a decrease of \$12,168 (4.6 percent), mainly due to decreased materials and supplies.

LOW RENT HOUSING FUND

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



The Low Rent Housing Fund ended 2022 with a total net position of \$6,954,596, a decrease of \$214,055 from the prior year. Of this, \$3,463,307 represents the investment in low rent housing capital assets, leaving \$3,491,289 of unrestricted net position.

Operating revenue in the Low Rent Housing Fund was \$2,438,441, a decrease of \$247,854 (9.2 percent) from the prior year. The decrease is due to subsidies received for two projects in the prior year.

Low Rent Housing Fund operating expenses before depreciation for 2022 were \$2,194,044, an increase of \$213,472 (10.8 percent) from the previous year, mainly in increased materials, supplies, and 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, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2021 and 2022, for governmental activities and business-type activities:

	As of December 31,		Change
	2021	2022	
Net position			
Governmental activities			
Net investment in capital assets	\$ 63,616,350	\$ 74,547,350	\$ 10,931,000
Restricted	14,520,448	17,080,411	2,559,963
Unrestricted	10,777,178	10,154,427	(622,751)
Total governmental activities	<u>88,913,976</u>	<u>101,782,188</u>	<u>12,868,212</u>
Business-type activities			
Net investment in capital assets	25,706,792	25,657,494	(49,298)
Unrestricted	11,920,351	12,876,331	955,980
Total business-type activities	<u>37,627,143</u>	<u>38,533,825</u>	<u>906,682</u>
Total net position	<u>\$ 126,541,119</u>	<u>\$ 140,316,013</u>	<u>\$ 13,774,894</u>

Net position for governmental activities increased by \$12,868,212 in 2022, as presented above. The City recorded a change in accounting principle in the current year relating to the implementation of the new GASB standard on leases. This change decreased net position by \$1,240,899, while current year operations increased net position by \$14,109,111. The net investment in capital assets increased \$10,931,000 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 \$2,559,963, mainly due to the increase in restricted balances for tax increment financing. The decrease in unrestricted net position reflects the impact of state-wide pension obligations that benefit city employees offset by positive operating results in the General Fund.

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

STATEMENT OF ACTIVITIES

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

The following table presents the change in the net position of the City for the years ended December 31, 2021 and 2022:

	Net Revenue (Expense)	
	2021	2022
Net (expense) revenue		
Governmental activities		
General government	\$ (1,235,060)	\$ (1,183,846)
Public safety	(7,949,757)	(9,025,506)
Public works	3,007,651	1,404,896
Community development	257,592	(304,238)
Parks, arena, and library	(1,720,534)	(1,873,256)
Economic development	(1,353,195)	(988,554)
Transportation	54,954	3,100,153
Interest on long-term debt	(702,669)	(688,507)
Business-type activities		
Water and sewer utility	1,940,327	1,173,465
Storm water utility	594,471	330,636
Street light utility	51,258	84,284
Low rent housing	605,307	(220,591)
Total net (expense) revenue	(6,449,655)	(8,191,064)
General revenues		
General property taxes	14,866,306	16,000,779
Tax increments	2,192,026	2,202,210
Franchise tax	1,343,648	1,650,589
Unrestricted grants and contributions	2,786,142	2,811,341
Investment income (charges)	(74,789)	(517,202)
Gain on sale of capital assets	–	1,059,140
Total general revenues	21,113,333	23,206,857
Change in net position	\$ 14,663,678	\$ 15,015,793

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 transportation is due to capitalized projects relating to the runway reconstruction in the current year.

ACCOUNTING AND AUDITING UPDATES

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

GASB STATEMENT NO. 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 an SBITA; (2) establishes that an 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 an SBITA; and (4) requires note disclosures regarding an 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. 99, *OMNIBUS 2022*

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of an SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to refer to resource flows statements.

The requirements of this statement that are effective are as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

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

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

GASB STATEMENT NO. 101, *COMPENSATED ABSENCES*

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

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

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

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

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

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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, 2022

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CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

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CITY OF SOUTH ST. PAUL

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development			
Direct program			
Public and Indian Housing	14.850	\$ 938,416	
Direct program			
Congregate Housing Services Program	14.170	204,792	
U.S. Department of Justice			
Direct program			
Bulletproof Vest Partnership Program	16.607	3,665	
U.S. Department of Transportation			
Passed through the Minnesota Department of Transportation			
Airport Improvement Program	20.106	3,393,646	
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	5,097,013	
Passed through the Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	6,465	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	31,528	\$ 30,797
 Total federal awards		 \$ 9,675,525	

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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PRINCIPALS

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 18, 2023.

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
July 18, 2023



PRINCIPALS

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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, 2022. 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, 2022.

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, 2022.

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

(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 2022-001.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

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

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

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

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

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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 one deficiency in internal control over compliance that we consider to be a significant deficiency.

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.

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 2022-001 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 finding 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 18, 2023, 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
July 18, 2023



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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 18, 2023.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws section 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 finding 2022-002. 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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 RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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
July 18, 2023

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? 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 Transportation – Airport Improvement Program 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 – Airport Improvement Program	20.106
Threshold for distinguishing type A and B programs:	<u> \$ </u> 750,000
Does the auditee qualify as a low-risk auditee?	<u> </u> Yes <u> X </u> No

CITY OF SOUTH ST. PAUL

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2022

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2022-001 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 of South St. Paul, Minnesota (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. Six of forty individuals added to the waiting list selected for testing were not added in accordance with the City's policy. One of ten individuals placed into housing from the waiting list selected for testing was not placed in accordance with the City's policy. This was not a statistically valid sample.

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, 2022

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2022-002 Contract Performance and Payment Bonds

Criteria – Minnesota Statutes § 574.26 requires that when contracting for construction services with a value exceeding \$175,000, the City is required to obtain performance and payment bonds from the contractor.

Condition – This requirement was not met for one such contract awarded during the year.

Questioned Costs – Not applicable.

Context – One of one bid tested was not in compliance.

Cause – This was an oversight by city personnel.

Repeat Finding – This is a current year finding.

Effect – The City's interest in this contract were not protected by performance or payment bonds.

Recommendation – We recommend that the City obtain the required performance and payment bonds for all future contracts for construction services exceeding \$175,000.

View of Responsible Official and Planned Corrective Actions – The City agrees with the finding. The City will review its procedures relating to contract performance and payment bonds to ensure compliance in the future. The City has separately issued a Corrective Action Plan related to the finding.



Corrective Action Plans and
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

A. FINANCIAL STATEMENT FINDINGS

None.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-001 INTERNAL CONTROL AND COMPLIANCE WITH SPECIAL TESTS AND PROVISIONS REQUIREMENTS

Summary of Finding

The City of South St. Paul, Minnesota (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 2023 which address this internal control and compliance finding to comply with Uniform Guidance in the future.

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

Planned Completion Date – December 31, 2023.

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 improve 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, 2022

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

2022-002 CONTRACT PERFORMANCE AND PAYMENT BONDS

Summary of Finding

Minnesota Statutes § 574.26 requires that when contracting for construction services with a value exceeding \$175,000, the City is required to obtain performance and payment bonds from the contractor. This requirement was not met for one such contract awarded during the year.

Corrective Action Plan

Actions Planned – The City will review state statutes and obtain the required documents for all future contracts completed.

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

Planned Completion Date – December 31, 2023.

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

Plan to Monitor – The City’s Finance Director, Clara Hilger, will review requirements with appropriate staff to ensure planned controls are being followed and the required contract performance and payments bonds are obtained.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 Internal Control Over Compliance – Schedule of Expenditures of Federal Awards

Corrective action has been taken.

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

A current year finding is listed in the audit reports of the City as finding 2022-001.