City of North St. Paul
City Council
Workshop Meeting Agenda

May 17, 2022
5:00 PM

The City Council Meeting will be conducted on **May 17, 2022** at 5:00 p.m. The meeting location is the City Council Chambers of City Hall, located at 2400 Margaret St., North St. Paul.

The City Council will also be meeting by interactive TV under Minn. Stat. 13D.02. Members of the public are permitted to attend the meeting in person. However, it is encouraged to participate in the meeting remotely. Instructions can be found below.

The **May 17, 2022** Zoom meeting can be accessed via:
https://tinyurl.com/NSPCityCouncil
(from a PC, Mac, tablet, iPhone or Android device)
or by phone at 1-929-205-6099.
Participants accessing the meeting by phone please use the following meeting ID:
84409094358

You can also watch the meeting on our YouTube channel here **tinyurl.com/NSPYouTube**

The City Council Zoom meeting will be 'open to the public' to listen in but will be muted from contributing at all times with the exception of a Public Hearing and open to the public forum.

Please join the meeting early to test your audio and video settings.

I. Call to Order

II. Roll Call
Council Member Thorsen
Council Member Petersen
Council Member Wong
Council Member Cole
Mayor Furlong

III. Adopt Agenda

IV. Topic(s)

A. Review of the 2021 Financial Report with the City's Audit Firm of Malloy, Montague, Karnowski, Radosevich & Co. P.A. (MMKR)

B. Statements of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and Enterprise Funds

C. Fund Balance Policy Discussion

D. Review of proposed Sign Ordinance changes

V. Other Business

VI. Adjournment

The next regularly scheduled City Council Workshop meeting is Tuesday, June 7, 2022.

NORTH ST. PAUL
extraordinary.

Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	May 17, 2022

Agenda Placement # IV.A

Topic(s)

Subject

Review of the 2021 Financial Report with the City's Audit Firm of Malloy, Montague, Karnowski, Radosevich & Co. P.A. (MMKR)

Background/Facts

Recommended Action

Each year at the conclusion of their audit, the city's auditors review the Comprehensive Annual Financial Report (ACFR) with the city council.

Jackie Huegel, Partner, with the City's auditing firm, Malloy Montague Karnowski Radosevich and Co. P.A. (MMKR) will present the 2021 Annual Comprehensive Finance Report (ACFR) and review their Management Report at the City Council Workshop on May 17, 2022.

Included with the council packet are four separate documents; the first document, and largest, is a copy of the Annual Comprehensive Financial Report, the second is auditor's Management Report, the third is the Special Purpose Audit Reports including opinions on compliance with Government Auditing Standards and Legal Compliance, and the fourth is the Corrective Action Plan and Summary Schedule of Prior Audit Findings. The Annual Comprehensive Financial Report will also be posted on the on the City's website.

Last year was the 34th consecutive year that the City of North St. Paul participated in and was awarded the Certificate of Achievement for Excellence in Financial Reporting program administered by the Governmental Finance Officers Association (GFOA).

Staff believes that the current year's submission will also meet the requirements to receive the award.

Attachments

1. 2021 Annual Comprehensive Financial Report
2. 2021 Management Report
3. 2021 Special Purpose Audit Reports

4. 2021 Corrective Action Plan and Summary Schedule of Prior Audit Findings

Respectfully submitted,
Daniel Winek, Finance Director

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

City of North St. Paul, Minnesota

extraordinary.

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Annual Comprehensive
Financial Report

for the Fiscal Year Ended
December 31, 2021

Brian Frandle
Interim City Manager

Report Prepared by
Department of Finance

Member of Government Finance Officers Association
of the United States and Canada

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INTRODUCTORY SECTION

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NORTH
ST.PAUL

May 9, 2022

To the Honorable Mayor, Council Members, and Citizens
City of North St. Paul
North St. Paul, Minnesota 55109

INTRODUCTION

The Annual Comprehensive Financial Report (ACFR) of the City of North St. Paul, Minnesota (the City) for the fiscal year ended December 31, 2021 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this ACFR is complete and reliable, in all material respects.

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2021 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

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extraordinary.

Accounting principles generally accepted in the United States of America 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's MD&A can be found immediately following the report of the independent auditors.

Accounting for all of the City's activities is centralized under the finance department. The finance department has been delegated the responsibility for maintaining the integrity of city financial data reported. In fulfilling this responsibility, the finance department has prepared the accompanying financial statements.

Providing reliable financial information requires the establishment of accounting records adequately supported by internal controls. City administration believes the existing internal controls are adequate to provide reasonable assurance that city assets are safeguarded against loss and that financial records are reliable for preparing financial statements and maintaining accountability for assets.

PROFILE OF THE GOVERNMENT

The City of North St. Paul, incorporated in 1887, is located in northeastern Ramsey County, and is a first ring northern suburb of the Minneapolis-St. Paul metropolitan area. This area is considered the major population and economic growth area in the state, and among the highly ranked economic growth areas in the country. The City encompasses an area 3.5 square miles and serves an estimated population of 12,364. The City is empowered to levy a property tax on both real and certain personal properties located within its borders.

The City operates as a Statutory Plan B City, the council-manager form of government, under Minnesota law. Policymaking is vested in a City Council consisting of the mayor and four councilmembers. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and the city attorney. The city manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, for hiring staff, and appointing the heads to various departments. The mayor and councilmembers each serve four-year terms.

The City of North St. Paul provides a full complement of municipal services. This includes public safety (police, fire, and code enforcement), public works (engineering and streets), parks and recreation, community development, and general government. The City also operates a number of enterprise activities including electric, water, surface water, waste water, fiber optic, and solid waste. Further information regarding city services can be obtained from the City's website at www.northstpaul.org.

The North St. Paul Housing and Redevelopment Authority (HRA) is a separate legal entity organized pursuant to Minnesota Statutes, Section 469, and is included as a blended component unit. The HRA is considered a component unit because the governing body is comprised of the City Council. Also, the HRA is in a relationship of financial benefit or burden with the City.

The North St. Paul Economic Development Authority (EDA) is a separate legal entity organized pursuant to Minnesota Statutes, Section 469, and is included as a discretely presented component unit. The EDA is considered a component unit because the governing body is comprised of two City Council members with all other members being appointed by the City Council. Also, the EDA is in a relationship of financial benefit or burden with the City.

The North St. Paul Fire Department Relief Association is a separate legal entity, and is included only in the government-wide financial statements. Additional information on this legally separate entity can be found in Note 8 of the notes to the financial statements.

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The annual budget serves as the foundation for the City's financial planning and control. All departments of the City submit requests for appropriations to the city manager in July of each year. The city manager uses these requests as the starting point for developing their recommended budget. The city manager then presents the recommended budget to the City Council for review. The City will adopt a proposed preliminary tax levy prior to September 30. According to Minnesota Statutes, this proposed preliminary tax levy can be subsequently decreased but not increased (the state does allow a few exceptions) when it is adopted as a final tax levy in December. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by December 31, the close of the City's fiscal year.

The appropriated budget is prepared by fund, department, and activity. The city manager may make transfers between departments or activities. Transfers between funds must be approved by the City Council. Budget-to-actual comparisons are formally prepared quarterly for the City Council and management. For the General Fund, this comparison is presented in Statement 7 as part of the basic financial statements for governmental funds.

LOCAL ECONOMY

The City is located within Ramsey County and is part of the Minneapolis-St. Paul seven county metropolitan area; an economically diverse environment with an equally diverse labor force. Early in 2021, the unemployment rate for Ramsey County was 4.8 percent, compared to the national rate of 6.6 percent. At the end of 2021, the unemployment rate for Ramsey County decreased to 2.4 percent, compared to the national rate of 4.1 percent. The Minneapolis-St. Paul-Bloomington area consumer price index was up 7.2 percent for 2021, compared to 7.5 percent nationally. These figures display the strength of the local economy compared to the national average.

The City's tax base is comprised mainly of residential property. The 10 largest taxpayers make up about 11 percent of the City's estimated market value. This provides the City with a stable source of property tax revenue. The City's largest private employers are Berwald Roofing and Target Stores, Inc. Berwald Roofing employs approximately 177 people. Target Stores, Inc. employs approximately 172 people and is part of a large national chain of stores.

Because of the fully developed nature of the community, the opportunity for expanding tax base is limited. As the development of the former Anchor Block site is completed, the City's focus is on the redevelopment of underutilized properties, both residential and commercial. Specific focus is directed at the redevelopment of the City's historical downtown district, with additional residential units and a restaurant.

LONG-TERM PLANNING AND MAJOR INITIATIVES

Factors Affecting Financial Condition

The City is committed to maintaining a strong financial condition, while continuing to provide public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in the reports, is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Financial Planning

The City places a high priority on planning for future growth. Staff uses different long-range revenue and expenditure models during the annual preparation of a biennial budget plan for the General Fund, Housing Redevelopment Authority, Economic Development Authority, and enterprise funds. The biennial budget process allows for the assurance that any change to revenues or expenditures is sustainable in the successive year. Furthermore, the City Council and staff compile a 10-year Capital Improvement Plan (CIP), which addresses the future building and infrastructure projects necessary to address the new residential and commercial property outlined in the City's 2040 Comprehensive Plan.

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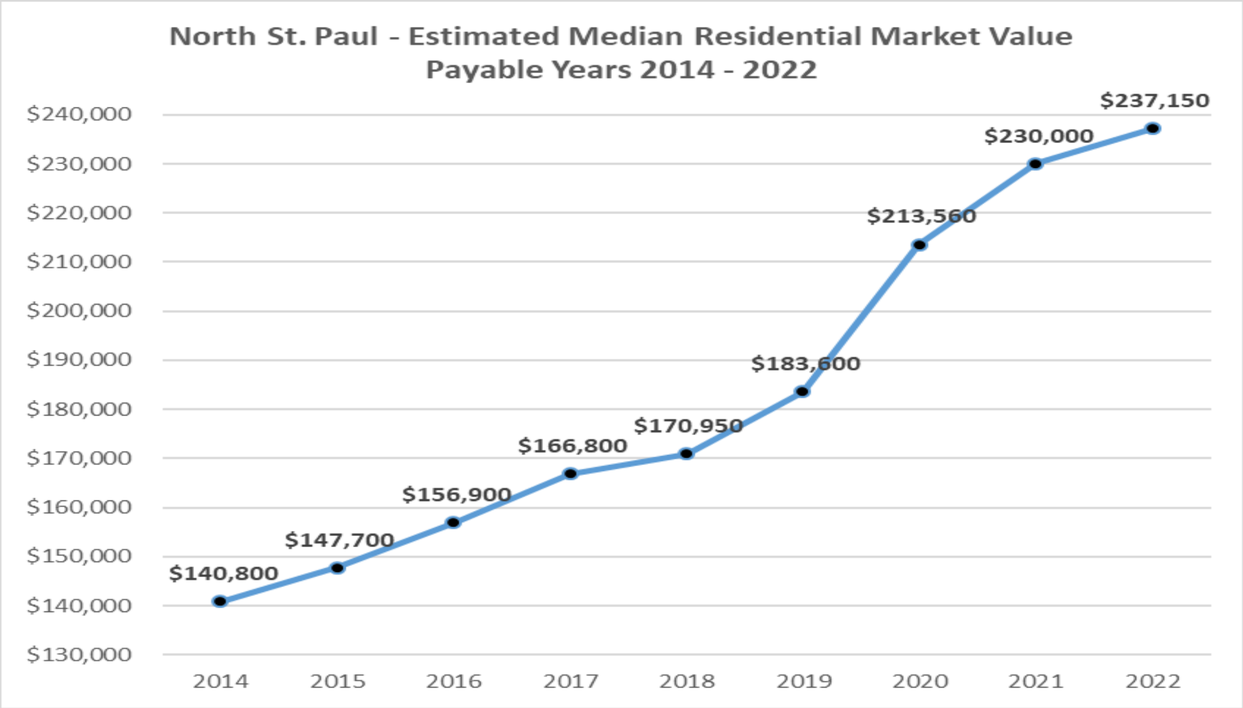
The City maintains several internal service funds including equipment, city mechanic, insurance, information technology, and building maintenance. The funding for these programs is through the internal service fund rate charges, which are determined by departmental use, replacement plans, and determination of the remaining life. The internal service funds continue to be reviewed and updated as community needs and City Council directives are considered during each budget cycle.

Related to the establishment of multiple tax increment financing (TIF) districts, the City has entered into several pay-as-you-go notes (the "tax abatements") (see Note 13) with private developers to facilitate certain development and redevelopment projects within the City. But for the use of tax increment financing and the City-financing of a portion of the extraordinary costs related to the projects, the development/redevelopment activities would not have occurred. The tax abatements have resulted in substantial taxable value increases for the City that will assist with long-term financial planning of financing required capital improvements, while maintaining level annual levies and tax rate. Once decertified, the captured tax capacity of the TIF districts have resulted (and will continue in the future as newer districts are decertified) to enhance and diversify the City's tax base.

Housing Values

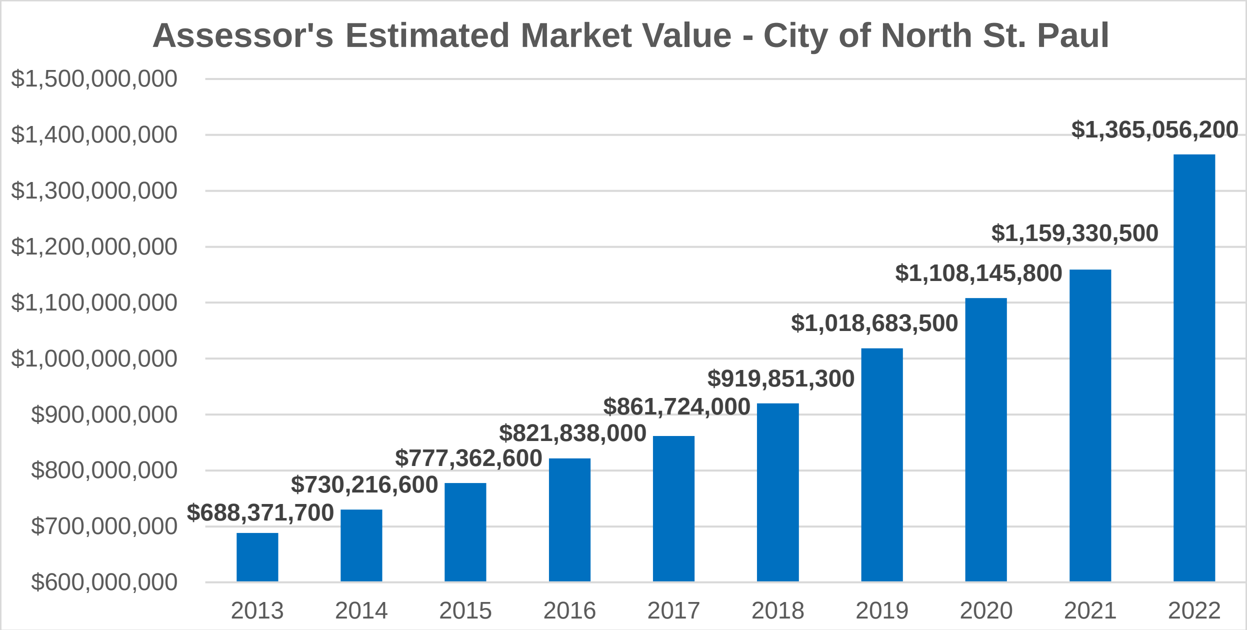
Home values in the City are continuing a positive trend, reflecting the recovery of the housing market. The assessor's estimated residential market values increased on the median valued home approximately 7.7 percent for 2021 taxes payable. Since 2013, the City has the largest cumulative increase in residential market values of any city/township within Ramsey County. Preliminary assessor values for 2022 continue this positive trend.

Increase (Decline) in Median Residential Value	
2015	4.9%
2016	6.2%
2017	6.3%
2018	2.5%
2019	7.4%
2020	16.3%
2021	7.7%
2022 Prelim	3.1%



Market Values

The City consistently adds new tax base each year. The 2021 assessed value added $14.0 million of new value to the City's tax base, which is expected to grow with significant redevelopment projects currently underway or recently completed. Total market value increased by $51.2 million in 2021, resulting from improved market conditions. Conditions are expected to continue improving, with preliminary County Assessor data for 2022 assessed values showing an estimated market value of $1.4 billion. Total market value increased by $205.7 million, of which $52.3 million results from new construction.



Major Initiatives

<u>Downtown Street Improvement Project</u>
The City experienced record-breaking development during the 2020–2021 construction season. The City invested heavily on the Downtown Street Improvement Project that delivered significant upgrades to our water, sanitary sewer, electric, and communications infrastructure along 7th Avenue East. In addition to the utility upgrades, the City reconstructed 7th Avenue East from South Avenue to Margaret Street. A new concrete roadway was constructed and new sidewalks and streetscapes were installed. The project reached its conclusion in late 2021 as the Sentinel Residence is completed and the final stretch of sidewalks and streetscape were installed. This project contains 89 market rate apartments with an additional 4,200 square feet of ground level commercial retail space.

As part of the 2022 street improvement project, the City is reconstructing its municipal parking lot off 7th Avenue to improve parking and pedestrian flow, while adding increased lighting and green spaces to the project. The City is also installing electric vehicle charging stations in anticipation of resident demands.

The City's CIP includes work to finish the 7th Street road reconstruction in the remaining area between the projects including work along Margaret Street from 4th Avenue north to the alley, 4th Avenue between Helen Street and Margaret Street, and Helen Street between 4th Avenue and Seppala Boulevard. When completed, this project will provide new utilities and roadways through the entire downtown business district.

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Anchor Block Site

Work on the Anchor Block site continues with the construction of Beyond Storage, Kwik Trip, and the Anchor View Apartments. This site is adjacent to the M&I Homes Development. The City installed new water, sewer, and electric utilities in the area to service the new development, as well as completed the Anchor Drive road construction. Construction on this site is nearing completion, with Anchor View Apartments opening for residents in May of 2022. This project contains 128 apartments, a 110,000 square foot indoor storage facility, and a gas/convenience store.

McKnight Road and South Avenue Homes

M&I Homes is quickly completing the last phase of its development off McKnight Road and South Avenue. The City has issued the final building permits and the company expects to have the project completed by the end of 2022. M&I Homes is currently working to complete its landscape plans for the project as it completes the sales of the remaining homes. This project contains 100 townhomes.

7th Street Townhome Development

Work has started to add 18 townhomes to the newly mapped Kari Lane off 7th Street. The project also includes adding some new single-family homes along 6th Street. The City has completed the water, sewer, and electric work in the area to accommodate the new build. Construction is underway with new residents expected to move in early June.

Residential Street Improvements

Public Works staff continue to complete mill and overlay work on select residential streets as outlined in the City's 2020 street maintenance plans. City engineers continue to study and rate the remaining streets in the City to make plans for future improvements.

The City is currently preparing to begin work on the 2022 street and utility improvement projects that will impact three residential areas of the City, including work along Ariel Street in collaboration with the City of Maplewood.

Electric Utility Improvements

The City's Electric Utility is currently working to upgrade the City's distribution system to the residents in the neighborhood bordered by Beam Avenue, Helen Street, and 17th Avenue. Contractors will be boring new conduit so city electrical staff can relocate the high voltage power lines from the rear power poles and move it underground to the City's right-of-way. This utility project will minimize future power outages and significantly reduce future maintenance needs and tree trimming.

Housing and Redevelopment

The City has approved the sale of the 2019–2020 student-built home located on 2nd Street last summer. The completion and sale of this property was delayed due to the COVID-19 pandemic and the student's ability to work on site.

Early in 2021, the City purchased a blighted property on 19th Avenue, which will be the site for the 2021–2022 student-built project. The City has demolished the existing home and the City's partners at NE Metro 916 Career and Tech Center are currently constructing a new single-family home on the site. Construction on this project is scheduled to be completed spring of 2022.

Capital Improvement Plan Update

Staff has updated the City's current CIP to span 10 years in 2021, an update to the five-year view that had historically been presented. The 10-year CIP identifies immediate needs, but also seeks to capture long-term capital needs throughout the City.

These initiatives will enhance the tax base, increase job opportunities, and provide amenities desired by the residents.

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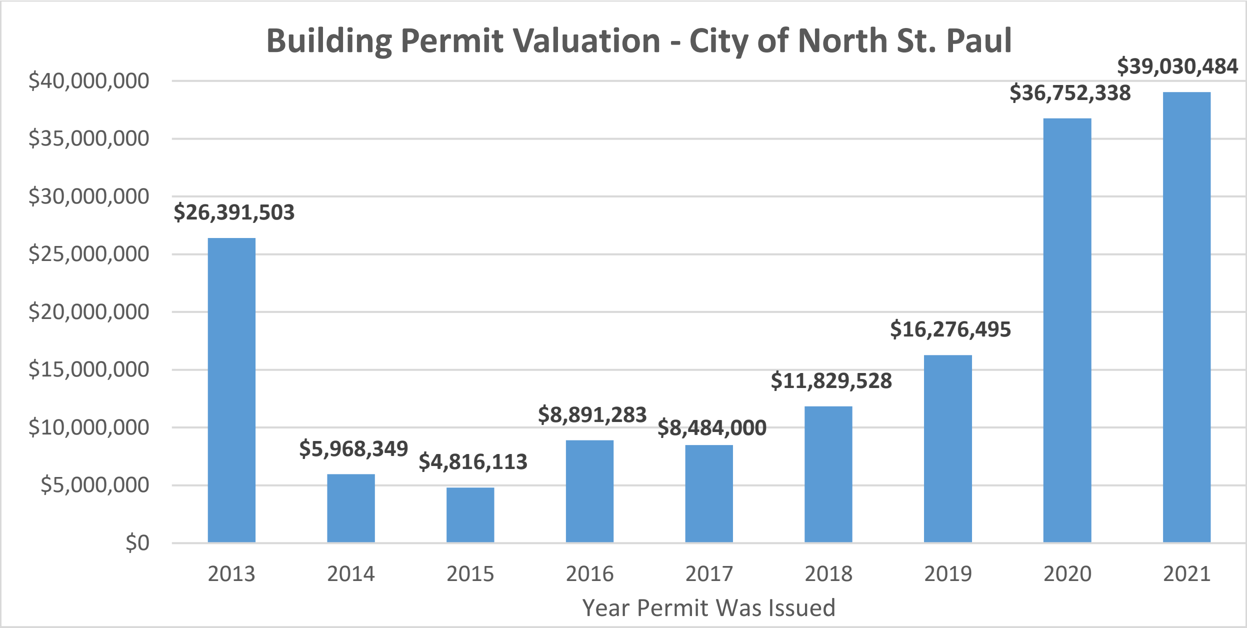
Building Permit Valuation

From 2013 to 2019, building permit valuation averaged $11.8 million annually. In 2020, the building permit valuation was $36.8 million, mainly as a result of the Anchor Block townhome project and the Suite Living Redevelopment. The 2021 building permit valuation remained strong at $39.0 million, with permits for a mixed-use redevelopment project on the former city hall site, an indoor climate-controlled storage facility on the north side of the former Anchor Block site, and continuation of the townhome project that began in 2019. The City expects 2022 permit valuations to be similar to the 2013 to 2019 average, as the remaining development projects will be completed.



Long-Term Financial Planning

In developing the annual budget, the City follows five core fiscal principals. These include:

- Focus on the provision of basic city services and fund their provision at adequate levels.
- Estimate anticipated revenues at realistic levels.
- Retain adequate reserves to protect against fiscal uncertainty.
- Anticipate continued community growth and program capital improvements to serve our growing community.
- Demonstrate strong stewardship of existing infrastructure and plan for its repair/replacement in a proactive manner.

Each year the City updates a five-year Pavement Management Plan (PMP). The PMP is a five-year plan that identifies the City's infrastructure that is in need of repair or reconstruction and the estimated costs associated with each project.

The City also maintains internal service funds for the replacement of various capital assets. The Equipment Fund maintains reserves for the replacement of the City's fleet and heavy equipment. The Building Maintenance Fund was established for maintenance and upkeep of city owned properties.

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Relevant Financial Policies

In past years, the state has reduced aid to local governments during economic downturns. The City's policy is to anticipate less than full payment of future aid and will construct future budgets with reduced amounts of aid payments.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2020. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents comply with rigorous standards of the program. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The certificate is valid for a period of one year only. The City has received this certificate for the last 34 consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient services of the entire staff of the finance department and the assistance of the independent auditors.

We want to express our appreciation to the mayor and the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

John Stark
City Manager

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Saint Paul
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

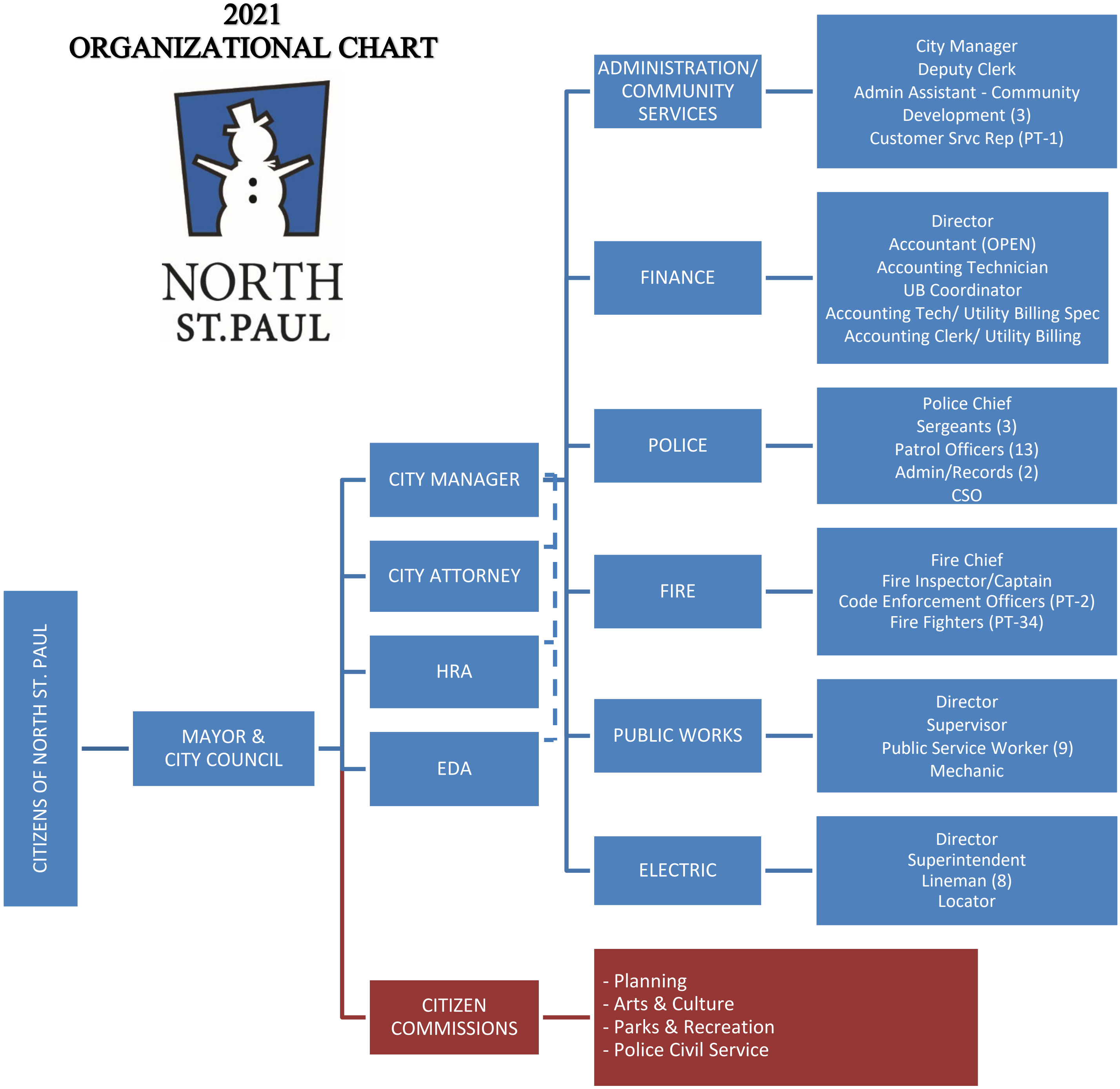
December 31, 2020

Christopher P. Morrill

Executive Director/CEO

2021
ORGANIZATIONAL CHART

NORTH
ST.PAUL



CITY OF NORTH ST. PAUL

Elected Officials and Appointed Personnel
December 31, 2021

ELECTED OFFICIALS

		Term Expires
Terry Furlong	Mayor	December 31, 2022
Tim Cole	Councilmember	December 31, 2024
Candy Petersen	Councilmember	December 31, 2022
Scott Thorsen	Councilmember	December 31, 2022
Lisa Wong	Councilmember	December 31, 2024

APPOINTED PERSONNEL

Brian Frandle	Interim City Manager
Dan Winek	Finance Director
Phil Baebenroth	Police Chief
Jason Mallinger	Fire Chief
Ron Ritchie	Public Works Director
Brian Frandle	Electric Director

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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 North St. Paul, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North St. Paul, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

(continued)

Supplementary Information

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

Other Information

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

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
May 9, 2022

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As management of the City of North St. Paul, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, located earlier in 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 $55,236,453 (*net position*). Of this amount, $14,552,956 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; $6,291,329 is restricted for specific purposes (*restricted net position*); and $34,392,168 represents the net investment in capital assets. The City's total net position increased $6,543,638 during the year ended December 31, 2021.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,125,311, an increase of $491,613.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $3,497,620, or 44 percent, of total General Fund expenditures based on 2022 budgeted expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These financial statements include not only the City itself (known as the primary government), but also the North St. Paul Housing and Redevelopment Authority (HRA) and the North St. Paul Economic Development Authority (EDA). The HRA has been presented as a blended component unit on the City's financial statements and the EDA has been presented as a discretely presented component unit on the City's financial statements in accordance with accounting principles generally accepted in the United States of America.

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 of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property 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, parks and recreation, and economic development. The business-type activities of the City include electric, water, surface water, waste water, fiber optic, and solid waste operations.

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 two categories: governmental funds and proprietary 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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and 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 several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Anchor Block North – Housing Tax Increment Special Revenue Fund, and the Municipal State Aid Capital Projects Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Housing Redevelopment Authority Fund, and the discretely presented component unit – the EDA. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, surface water, waste water, fiber optic, and solid waste operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment, city mechanic, insurance, information technology, and building maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the electric, water, surface water, waste water, fiber optic, and solid waste operations, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds, internal service funds, and the funds of the discretely presented component unit, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the Annual Comprehensive Financial Report (ACFR) to facilitate additional analysis, and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $55,236,453 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings and structures, furniture and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are 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 North St. Paul's Net Position

Table 1
Summary of Net Position
as of December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals – Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	$19,139,998	$18,536,122	$24,152,165	$20,558,624	$ 43,292,163	$39,094,746
Capital assets, net	38,534,709	38,611,907	17,971,949	18,615,610	56,506,658	57,227,517
Total assets	$57,674,707	$57,148,029	$42,124,114	$39,174,234	$ 99,798,821	$96,322,263
Deferred outflows of resources						
Pension plan deferments	$ 2,633,930	$ 1,200,678	$ 769,603	$ 138,753	$ 3,403,533	$ 1,339,431
OPEB plan deferments	30,061	20,599	14,746	9,254	44,807	29,853
Total deferred outflows of resources	$ 2,663,991	$ 1,221,277	$ 784,349	$ 148,007	$ 3,448,340	$ 1,369,284
Total assets and deferred outflows of resources	$60,338,698	$58,369,306	$42,908,463	$39,322,241	$ 103,247,161	$97,691,547
Liabilities						
Other liabilities	$ 2,543,656	$ 2,123,620	$ 1,842,308	$ 1,814,071	$ 4,385,964	$ 3,937,691
Noncurrent liabilities	21,213,651	24,968,396	15,707,712	16,047,445	36,921,363	41,015,841
Total liabilities	$23,757,307	$27,092,016	$17,550,020	$17,861,516	$ 41,307,327	$44,953,532
Deferred inflows of resources						
Pension plan deferments	$ 3,897,470	$ 1,781,874	$ 1,055,946	$ 114,334	$ 4,953,416	$ 1,896,208
State aid received for subsequent years	1,749,965	2,148,992	–	–	1,749,965	2,148,992
Total deferred inflows of resources	$ 5,647,435	$ 3,930,866	$ 1,055,946	$ 114,334	$ 6,703,381	$ 4,045,200
Net position						
Net investment in capital assets	$27,299,383	$23,925,494	$ 7,092,785	$ 6,715,226	$ 34,392,168	$30,640,720
Restricted	6,291,329	6,750,568	–	–	6,291,329	6,750,568
Unrestricted	(2,656,756)	(3,329,638)	17,209,712	14,631,165	14,552,956	11,301,527
Total net position	$30,933,956	$27,346,424	$24,302,497	$21,346,391	$ 55,236,453	$48,692,815
Total liabilities, deferred inflows of resources, and net position	$60,338,698	$58,369,306	$42,908,463	$39,322,241	$ 103,247,161	$97,691,547

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $14,552,956 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 for the City as a whole.

There was an increase in net position in the governmental activities of $3,587,532 and an increase in the business-type activities of $2,956,106, for a total increase of $6,543,638 in net position. The increase in total assets in the current year is mainly due to refunding bonds issued at year-end to refund outstanding debt in February 2022. The change in the City's share of the Public Employees Retirement Association (PERA) pension plan contributed to the change in deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources.

City of North St. Paul's Changes in Net Position

Table 2
Change in Net Position
for the Years Ended December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total – Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	$ 1,500,816	$ 1,428,721	$ 17,191,410	$ 15,894,818	$ 18,692,226	$ 17,323,539
Operating grants and contributions	880,202	2,621,998	49,224	63,645	929,426	2,685,643
Capital grants and contributions	373,618	670,265	–	753,848	373,618	1,424,113
General revenues						
Property taxes	6,481,133	6,348,187	–	–	6,481,133	6,348,187
Franchise taxes	490,483	437,835	–	–	490,483	437,835
Grants and contributions not restricted to specific programs	1,685,861	1,800,995	–	–	1,685,861	1,800,995
Other	203,525	81,834	–	–	203,525	81,834
Investment earnings (charges)	(4,873)	186,263	158,534	326,675	153,661	512,938
Total revenues	11,610,765	13,576,098	17,399,168	17,038,986	29,009,933	30,615,084
Expenses						
General government	1,328,371	1,484,870	–	–	1,328,371	1,484,870
Public safety	3,826,009	4,298,332	–	–	3,826,009	4,298,332
Public works	2,135,103	1,712,876	–	–	2,135,103	1,712,876
Parks and recreation	470,618	577,988	–	–	470,618	577,988
Economic development	560,016	7,263,908	–	–	560,016	7,263,908
Interest and fiscal charges	624,528	701,700	–	–	624,528	701,700
Electric	–	–	9,090,803	7,950,155	9,090,803	7,950,155
Water	–	–	1,028,804	1,008,677	1,028,804	1,008,677
Surface water	–	–	562,073	462,958	562,073	462,958
Waste water	–	–	1,760,265	1,814,166	1,760,265	1,814,166
Fiber optic	–	–	141,471	140,622	141,471	140,622
Solid waste	–	–	938,234	906,762	938,234	906,762
Total expenses	8,944,645	16,039,674	13,521,650	12,283,340	22,466,295	28,323,014
Increase in net position before transfers	2,666,120	(2,463,576)	3,877,518	4,755,646	6,543,638	2,292,070
Transfers	921,412	687,213	(921,412)	(687,213)	–	–
Change in net position	3,587,532	(1,776,363)	2,956,106	4,068,433	6,543,638	2,292,070
Net position – beginning	27,346,424	29,122,787	21,346,391	17,277,958	48,692,815	46,400,745
Net position – ending	$ 30,933,956	$ 27,346,424	$ 24,302,497	$ 21,346,391	$ 55,236,453	$ 48,692,815

Governmental Activities – The City's net position for governmental activities increased by $3,587,532, or 13.1 percent, after $921,412 of net transfers from business-type activities. Key elements of this increase are seen in the table above.

Revenues decreased overall by $1,965,333, or 14.5 percent.

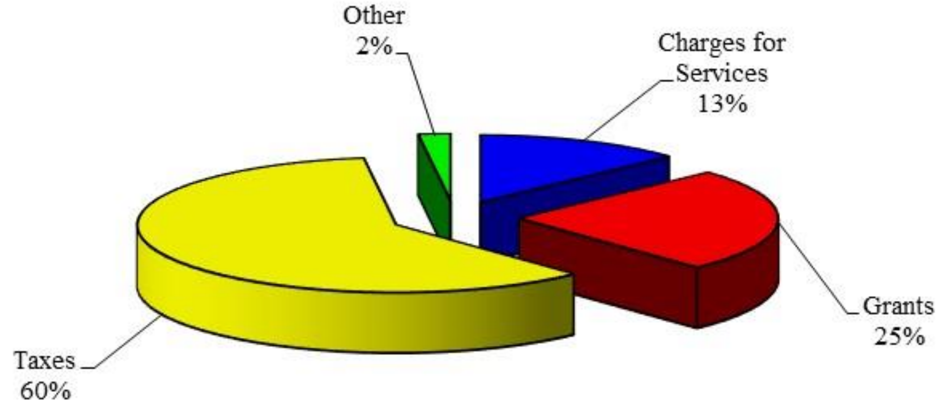
- The largest change occurred in operating grants and contributions, which decreased due to Coronavirus Relief Funds received and a gain on the sale of assets held for resale in the prior year.

Expenses decreased overall by $7,095,029, or 44.2 percent.

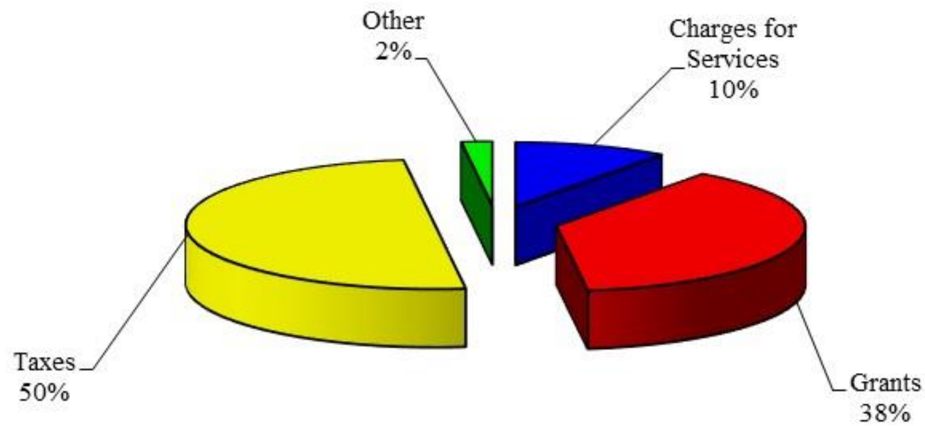
- The City experienced the largest decrease within the economic development function, mainly due to a decrease in tax increment district activity in the current year. In the prior year, the City had a significant amount of site development work within the tax increment districts.

As seen in the following graph, taxes make up about 60 percent of the total revenues for 2021. Grants (operating, capital, and unrestricted grants and contributions), including state aids, such as local government aid, make up about 25 percent of the total and are followed by charges for services at 13 percent, and other at 2 percent of the total.

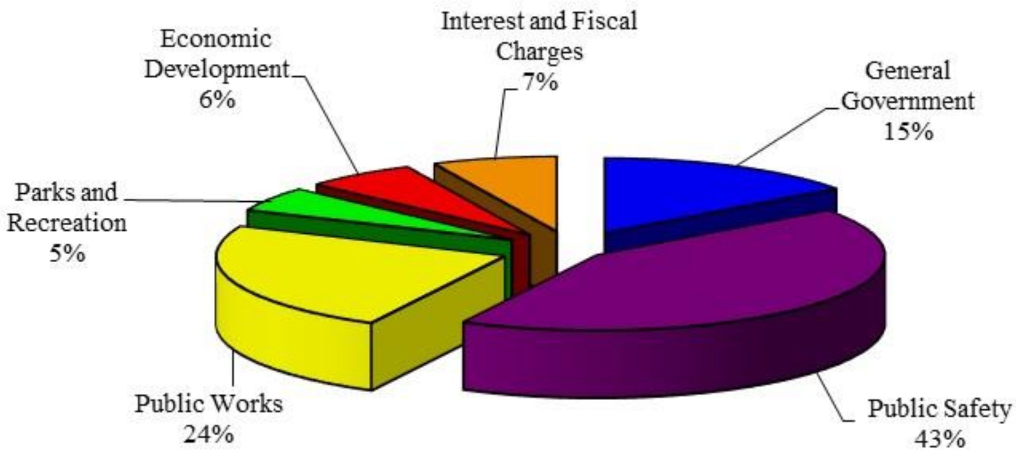
2021 Revenues by Source – Governmental Activities



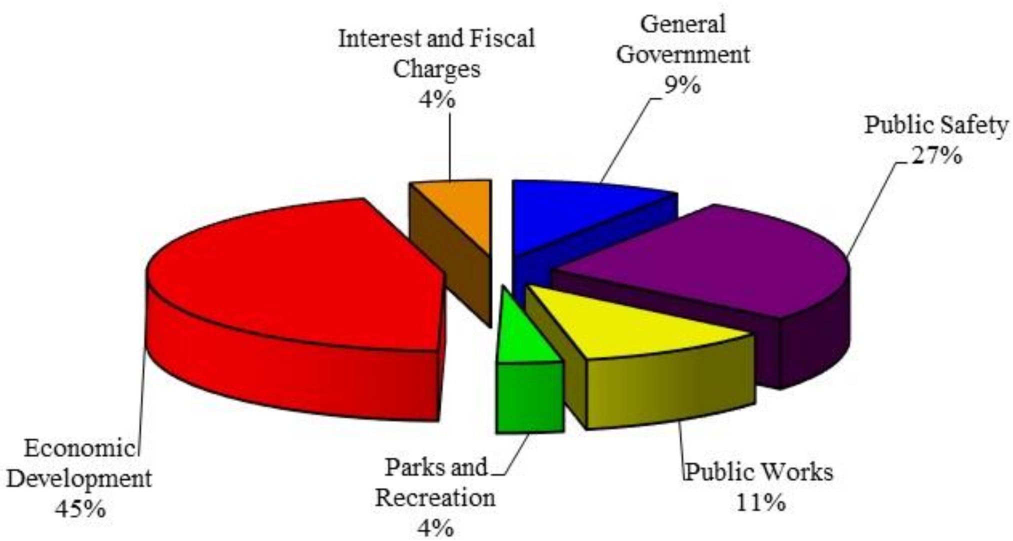
2020 Revenues by Source – Governmental Activities



2021 Expenses – Governmental Activities



2020 Expenses – Governmental Activities



The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2021 and 2020. The overall shift in spending in the current year is largely due to decreased economic development activity.

Business-Type Activities – Business-type activities increased the City's total net position by $2,956,106. Key elements of the business-type activities are as follows:

- Charges for services for business-type activities include charges for electric, water, surface water, waste water, fiber optic, and solid waste. The graph below shows the relationship between the program revenues and expenses for the various activities.

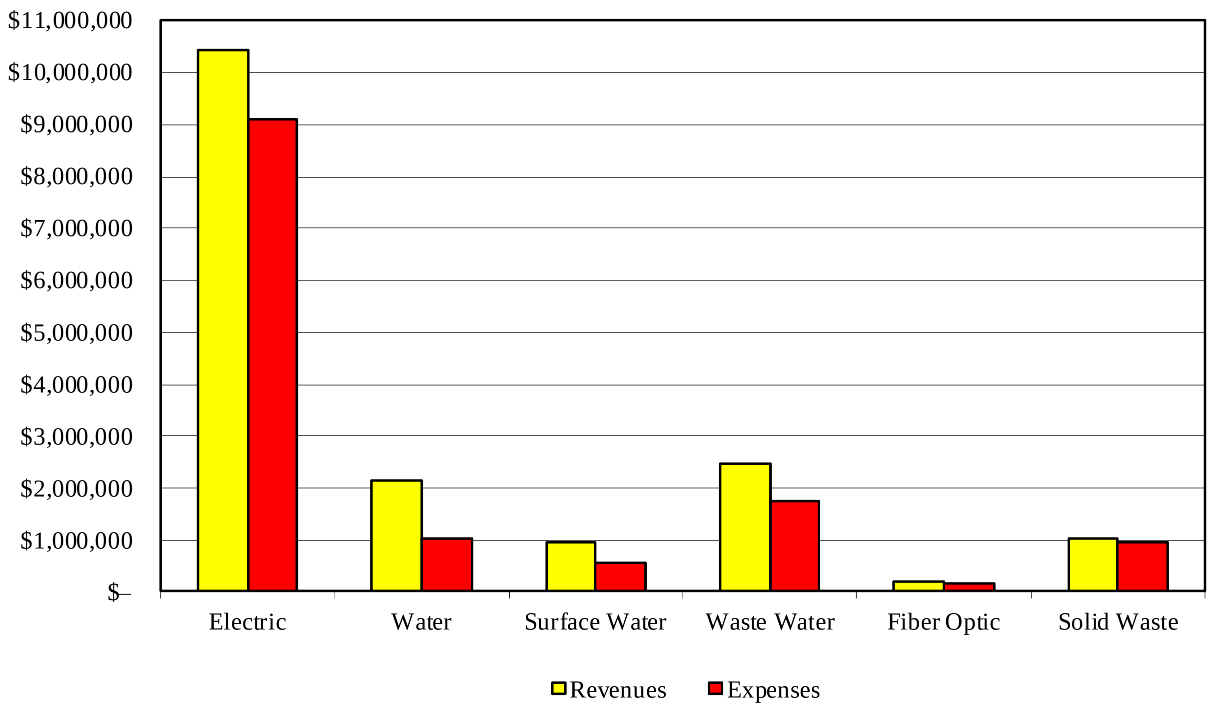
- Capital grants and contributions decreased $753,848, due to municipal state aid funds received for capital-related projects in the prior year.

- Electric expenses increased $1,140,648, directly related to the increased charges for services in this fund.

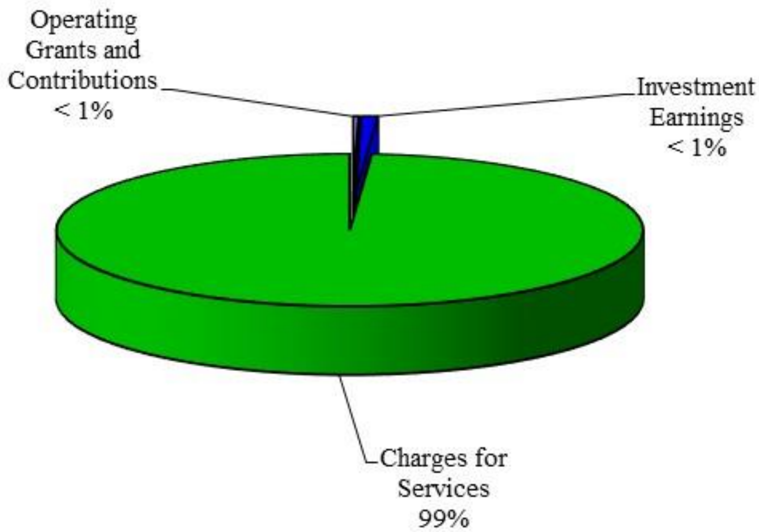
- About 67 percent of all business-type activity expenses are from the electric operations.

- Overall, business-type activities generated an increase in net position before transfers of $3,877,518. After considering transfers to governmental activities totaling $921,412, net position increased by $2,956,106.

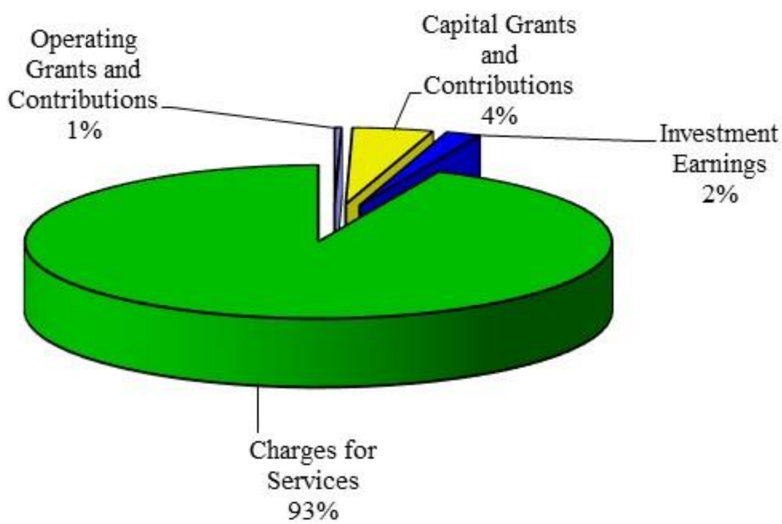
Revenues and Expenses – Business-Type Activities



2021 Revenues by Source – Business-Type Activities



2020 Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,125,311, an increase of $491,613 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was $3,688,344. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 44 percent of the subsequent year budgeted expenditures.

Total fund balance for the City's General Fund increased by $844,802 during 2021. Key factors in this increase are as follows:

- The City adopted a balanced budget prior to the start of the current year.
- The City experienced favorable variances in both revenues and expenditures in the current year. These variances were spread across all revenue categories and expenditure functions.
- The City has a fund balance policy that limits the amount of unassigned fund balance at year-end to 35 percent of the following year's expenditures. Any portion exceeding this limit may be transferred in the subsequent year, as approved by the City Council.

The Anchor Block North – Housing Tax Increment Special Revenue Fund equity decreased $697,942, ending the year with a deficit fund balance of $2,820,724. The decrease was mainly due to the principal payment on the contract for deed exceeding the gain on the assets held for resale that were sold in the current year. The remaining deficit will be eliminated as tax increment funds are received as a result of development.

The Municipal State Aid Capital Project Fund equity decreased by $213,211, ending the year with a deficit fund balance of $1,751,972. The decrease was mainly due to a street construction project in the current year, which is approved for Municipal State Aid funding. The City received an advance in the prior year and will continue to recognize its annual allocation of funding each year to eliminate this deficit.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City is required to adopt a budget for the General Fund prior to the beginning of its fiscal year. There were no budget amendments made in the current year.

Revenues were over budget by $626,832, mainly in licenses and permits and taxes. Conservative budgeting in both of these areas contributed to the favorable revenue variance. General Fund expenditures recognized both favorable and unfavorable budget variances by function, with total expenditures ending the year $217,970, or 2.9 percent, under budget. After the variance in net transfers, the City's General Fund ended the year $844,802 more than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounts to $56,506,658 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and structures, furniture and equipment, and infrastructure.

City of North St. Paul's Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital assets						
Land	$ 3,926,167	$ 3,926,167	$ 331,728	$ 331,728	$ 4,257,895	$ 4,257,895
Construction in progress	3,222,216	9,020,118	2,614,197	6,437,234	5,836,413	15,457,352
Buildings and structures	20,987,743	20,987,743	5,040,830	5,040,830	26,028,573	26,028,573
Furniture and equipment	5,249,784	4,960,736	3,185,525	3,100,983	8,435,309	8,061,719
Infrastructure	28,141,982	21,327,240	23,638,792	19,717,324	51,780,774	41,044,564
Less accumulated depreciation	(22,993,183)	(21,610,097)	(16,839,123)	(16,012,489)	(39,832,306)	(37,622,586)
Total capital assets, net of depreciation	$ 38,534,709	$ 38,611,907	$ 17,971,949	$ 18,615,610	$ 56,506,658	$ 57,227,517

The changes presented in the table above reflect the ongoing activity and completion of projects within the City during fiscal year 2021. The majority of the activity in construction in progress is for street and utility improvements in recent years.

Additional information on the City's capital assets can be found in Note 4 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of $32,010,000. A portion of this comprises general obligation debt backed solely by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured by special assessments, tax increment, specified revenue sources, and general obligation levy, if necessary.

City of North St. Paul's Noncurrent Liabilities

Table 4
Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
G.O. tax increment bonds	$ 7,310,000	$ 7,410,000	$ –	$ –	$ 7,310,000	$ 7,410,000
General obligation bonds	10,899,873	12,182,299	–	–	10,899,873	12,182,299
Utility revenue bonds	–	–	13,800,127	13,767,701	13,800,127	13,767,701
Premium	541,527	546,688	473,127	451,017	1,014,654	997,705
Contract for deed	–	871,500	–	–	–	871,500
Total OPEB liability	182,896	185,182	89,716	83,197	272,612	268,379
Net pension liability	1,790,234	3,092,671	1,086,073	1,463,472	2,876,307	4,556,143
Compensated absences	489,121	680,056	258,669	282,058	747,790	962,114
Total	$21,213,651	$24,968,396	$15,707,712	$16,047,445	$36,921,363	$41,015,841

The City's total bonded debt decreased by $1,350,000, or 4.0 percent, during 2021. The City's most recent bond rating by Standard & Poor's was AA.

In fiscal year 2021, the City sold land that was within a tax increment financing district to developers, the proceeds of which were used to pay down the contract for deed.

The difference in the net pension liability reflects the change in the City's proportionate share of the state-wide pension obligations for the PERA.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.0 percent of its total market valuation. A complete calculation of the City's legal debt margin can be found in the statistical section of this report.

Additional information on the City's long-term debt can be found in Note 5 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Significant increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.
- The U.S. federal government, state of Minnesota, county, and municipal governments have been working together to address the coronavirus pandemic in an effort to flatten the demand on the healthcare system. This will have an unknown negative impact on the economy.

REQUESTS FOR INFORMATION

This ACFR is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this ACFR, or requests for additional financial information, should be addressed to the Finance Department, City of North St. Paul, 2400 Margaret Street, North St. Paul, Minnesota 55109.

BASIC FINANCIAL STATEMENTS

The basic financial statements, including the accompanying notes, constitute the core of the Annual Comprehensive Financial Report's financial section. This section presents the minimum combination of financial statements and note disclosures required for fair presentation in conformity with accounting principles generally accepted in the United States of America.

The following statements are presented:

Government-Wide Financial Statements
- Statement of Net Position
- Statement of Activities

Fund Financial Statements
- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

Proprietary Funds
- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

Notes to Basic Financial Statements

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CITY OF NORTH ST. PAUL

Statement 1

Statement of Net Position
as of December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	$ 19,700,280	$ 14,409,235	$ 34,109,515	$ 475,928
Receivables				
Interest	55,782	65,339	121,121	979
Accounts	448,814	2,665,852	3,114,666	164
Loan	76,528	–	76,528	–
Taxes	205,083	–	205,083	–
Special assessments	1,020,274	46,777	1,067,051	–
Internal balances	(4,939,012)	4,939,012	–	–
Inventory	–	362,397	362,397	–
Prepaid items	124,067	53	124,120	–
Assets held for resale	924,188	–	924,188	49,248
Net pension asset	543,994	–	543,994	–
Restricted assets – temporarily restricted				
Cash and investments for debt service	980,000	1,663,500	2,643,500	–
Capital assets				
Not depreciated	7,148,383	2,945,925	10,094,308	–
Depreciated	31,386,326	15,026,024	46,412,350	–
Total capital assets, net of depreciation	38,534,709	17,971,949	56,506,658	–
Total assets	57,674,707	42,124,114	99,798,821	526,319
Deferred outflows of resources				
Pension plan deferments	2,633,930	769,603	3,403,533	–
OPEB plan deferments	30,061	14,746	44,807	–
Total deferred outflows of resources	2,663,991	784,349	3,448,340	–
Total assets and deferred outflows of resources	$ 60,338,698	$ 42,908,463	$ 103,247,161	$ 526,319
Liabilities				
Accounts and contracts payable	$ 1,069,268	$ 907,659	$ 1,976,927	$ 13,140
Accrued salaries and employee benefits payable	162,702	36,803	199,505	174
Accrued interest payable	195,427	151,474	346,901	–
Due to other governments	20,023	391,923	411,946	–
Customer deposits	305,499	192,339	497,838	–
Unearned revenue	790,737	162,110	952,847	–
Net pension liability				
Due in more than one year	1,790,234	1,086,073	2,876,307	–
Total OPEB liability				
Due in more than one year	182,896	89,716	272,612	–
Bonds and compensated absences payable				
Due within one year	2,774,397	2,961,698	5,736,095	–
Due in more than one year	16,466,124	11,570,225	28,036,349	–
Total liabilities	23,757,307	17,550,020	41,307,327	13,314
Deferred inflows of resources				
Pension plan deferments	3,897,470	1,055,946	4,953,416	–
State aid received for subsequent years	1,749,965	–	1,749,965	–
Total deferred inflows of resources	5,647,435	1,055,946	6,703,381	–
Net position				
Net investment in capital assets	27,299,383	7,092,785	34,392,168	–
Restricted for				
Housing Redevelopment Authority	1,426,463	–	1,426,463	–
Tax increment	998,406	–	998,406	–
Police forfeiture	112,018	–	112,018	–
Cable PEG fees	28,420	–	28,420	–
Debt service	3,354,931	–	3,354,931	–
Pension benefits	371,091	–	371,091	–
Economic Development Authority	–	–	–	513,005
Unrestricted	(2,656,756)	17,209,712	14,552,956	–
Total net position	30,933,956	24,302,497	55,236,453	513,005
Total liabilities, deferred inflows of resources, and net position	$ 60,338,698	$ 42,908,463	$ 103,247,161	$ 526,319

See notes to basic financial statements

Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 1,328,371	$ 400,827	$ –	$ –
Public safety	3,826,009	106,480	330,234	74
Public works	2,135,103	631,019	133,009	373,544
Parks and recreation	470,618	362,490	–	–
Economic development	560,016	–	416,959	–
Interest and fiscal charges	624,528	–	–	–
Total governmental activities	8,944,645	1,500,816	880,202	373,618
Business-type activities				
Electric	9,090,803	10,416,983	9,305	–
Water	1,028,804	2,138,165	4,580	–
Surface water	562,073	946,086	199	–
Waste water	1,760,265	2,482,664	216	–
Fiber optic	141,471	208,915	–	–
Solid waste	938,234	998,597	34,924	–
Total business-type activities	13,521,650	17,191,410	49,224	–
Total primary government	$ 22,466,295	$ 18,692,226	$ 929,426	$ 373,618
Component unit				
Economic development authority	$ 55,761	$ –	$ –	$ –

General revenues
Property taxes
Franchise taxes
Grants and contributions not restricted to specific programs
Other general revenues
Investment earnings (charges)
Gain on disposal of capital assets
Transfers
Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

See notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
$ (927,544)	$ –	$ (927,544)	$ –
(3,389,221)	–	(3,389,221)	–
(997,531)	–	(997,531)	–
(108,128)	–	(108,128)	–
(143,057)	–	(143,057)	–
(624,528)	–	(624,528)	–
(6,190,009)	–	(6,190,009)	–
–	1,335,485	1,335,485	–
–	1,113,941	1,113,941	–
–	384,212	384,212	–
–	722,615	722,615	–
–	67,444	67,444	–
–	95,287	95,287	–
–	3,718,984	3,718,984	–
(6,190,009)	3,718,984	(2,471,025)	–
–	–	–	(55,761)
6,481,133	–	6,481,133	184,687
490,483	–	490,483	–
1,685,861	–	1,685,861	–
114,853	–	114,853	8,602
(4,873)	158,534	153,661	5,673
88,672	–	88,672	–
921,412	(921,412)	–	–
9,777,541	(762,878)	9,014,663	198,962
3,587,532	2,956,106	6,543,638	143,201
27,346,424	21,346,391	48,692,815	369,804
$ 30,933,956	$ 24,302,497	$ 55,236,453	$ 513,005

Balance Sheet
Governmental Funds
as of December 31, 2021

	001 General	210 Special Revenue – TIF 4-10 Anchor Block North – Housing Tax Increment	450 Capital Projects – Municipal State Aid
Assets			
Cash and investments	$ 4,189,842	$ –	$ 198,824
Cash and investments restricted for debt service	–	–	–
Receivables			
Interest	10,423	–	204
Accounts	220,580	–	–
Loan	–	–	–
Taxes	122,193	–	–
Special assessments	2,664	–	–
Prepaid items	51,096	–	–
Assets held for resale	–	–	–
Advance to other funds	30,431	–	–
Total assets	$ 4,627,229	$ –	$ 199,028
Liabilities			
Accounts and contracts payable	$ 297,352	$ 9,005	$ 201,035
Accrued salaries and employee benefits payable	162,383	–	–
Due to other governments	19,202	–	–
Customer deposits	305,499	–	–
Unearned revenue	97,135	–	–
Advance from other funds	–	2,811,719	–
Total liabilities	881,571	2,820,724	201,035
Deferred inflows of resources			
Unavailable revenue – loan receivable	–	–	–
Unavailable revenue – property taxes	54,747	–	–
Unavailable revenue – special assessments	2,567	–	–
State aid received for subsequent years	–	–	1,749,965
Total deferred inflows of resources	57,314	–	1,749,965
Fund balances (deficits)			
Nonspendable	81,527	–	–
Restricted	–	–	–
Committed	–	–	–
Assigned	109,197	–	–
Unassigned	3,497,620	(2,820,724)	(1,751,972)
Total fund balances (deficits)	3,688,344	(2,820,724)	(1,751,972)
Total liabilities, deferred inflows of resources, and fund balances	$ 4,627,229	$ –	$ 199,028

See notes to basic financial statements

Statement 3

Nonmajor	Total
$ 11,513,184	$ 15,901,850
980,000	980,000
32,955	43,582
175,786	396,366
76,528	76,528
82,890	205,083
1,017,610	1,020,274
102	51,198
924,188	924,188
–	30,431
$ 14,803,243	$ 19,629,500
$ 475,757	$ 983,149
–	162,383
801	20,003
–	305,499
693,602	790,737
1,480,345	4,292,064
2,650,505	6,553,835
76,528	76,528
59,880	114,627
1,006,667	1,009,234
–	1,749,965
1,143,075	2,950,354
102	81,629
6,232,816	6,232,816
4,188,953	4,188,953
2,049,562	2,158,759
(1,461,770)	(2,536,846)
11,009,663	10,125,311
$ 14,803,243	$ 19,629,500

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CITY OF NORTH ST. PAUL

Statement 4

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2021

Total fund balances – governmental funds	$ 10,125,311
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Cost of capital assets	58,237,422
Less accumulated depreciation	(21,108,747)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	543,994
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds	(18,209,873)
Unamortized bond premiums	(541,527)
Compensated absences	(489,121)
Total OPEB liability	(182,896)
Net pension liability	(1,790,234)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(195,427)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Internal service fund net position	5,255,523
Internal balances for internal services used by business-type activities	(677,379)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plan deferments	2,633,930
Deferred outflows of resources – OPEB plan deferments	30,061
Deferred inflows of resources – pension plan deferments	(3,897,470)
Deferred inflows of resources – unavailable revenues	1,200,389
Total net position – governmental activities	$ 30,933,956

See notes to basic financial statements

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2021

	001 General	210 Special Revenue – TIF 4-10 Anchor Block North – Housing Tax Increment	450 Capital Projects – Municipal State Aid
Revenues			
Taxes	$ 4,525,491	$ –	$ –
Special assessments	2,485	–	–
Licenses and permits	697,218	–	–
Intergovernmental	1,753,906	–	399,027
Charges for services	38,002	–	–
Fines and forfeits	30,805	–	–
Investment earnings (charges)	9	–	355
Other	262,828	408,500	–
Total revenues	7,310,744	408,500	399,382
Expenditures			
Current			
General government	1,175,770	–	–
Public safety	4,550,160	–	–
Public works	1,105,152	–	–
Parks and recreation	394,860	–	–
Economic development	–	18,271	–
Capital outlay	–	119,110	612,593
Debt service			
Principal	–	871,500	–
Interest and fiscal charges	–	97,561	–
Total expenditures	7,225,942	1,106,442	612,593
Excess (deficiency) of revenues over expenditures	84,802	(697,942)	(213,211)
Other financing sources (uses)			
Refunding bonds issued	–	–	–
Premium on bonds issued	–	–	–
Transfers in	810,000	–	–
Transfers out	(50,000)	–	–
Total other financing sources (uses)	760,000	–	–
Net change in fund balances	844,802	(697,942)	(213,211)
Fund balances (deficits)			
Beginning of year	2,843,542	(2,122,782)	(1,538,761)
End of year	$ 3,688,344	$ (2,820,724)	$ (1,751,972)

See notes to basic financial statements

Statement 5

Nonmajor	Total
$ 2,447,967	$ 6,973,458
203,650	206,135
–	697,218
407,009	2,559,942
144,839	182,841
–	30,805
(4,086)	(3,722)
311,775	983,103
3,511,154	11,629,780
40,753	1,216,523
–	4,550,160
–	1,105,152
51,562	446,422
429,425	447,696
512,072	1,243,775
2,342,426	3,213,926
612,880	710,441
3,989,118	12,934,095
(477,964)	(1,304,315)
960,000	960,000
45,928	45,928
102,658	912,658
(72,658)	(122,658)
1,035,928	1,795,928
557,964	491,613
10,451,699	9,633,698
$ 11,009,663	$ 10,125,311

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Statement 6

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2021

Total net change in fund balances – governmental funds	$ 491,613
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	
Capital outlay	1,016,840
Depreciation expense	(1,449,143)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	101,570
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.	
Refunding debt issued	(960,000)
Principal payments for debt	3,213,926
Debt premiums	5,161
Compensated absences	190,935
Total OPEB liability	2,286
Net pension liability	1,302,437
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	34,824
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plan deferments	1,433,252
Deferred outflows of resources – OPEB plan deferments	9,462
Deferred inflows of resources – pension plan deferments	(2,115,596)
Deferred inflows of resources – unavailable revenues	(125,926)
Internal service funds are used by management to charge certain costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements.	
Internal service fund activity	633,384
Internal balances for internal service activity for business-type activities	(197,493)
Change in net position – governmental activities	$ 3,587,532

See notes to basic financial statements

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CITY OF NORTH ST. PAUL

Statement 7

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Taxes	$ 4,381,844	$ 4,381,844	$ 4,525,491	$ 143,647
Special assessments	–	–	2,485	2,485
Licenses and permits	360,650	360,650	697,218	336,568
Intergovernmental	1,658,676	1,658,676	1,753,906	95,230
Charges for services	31,000	31,000	38,002	7,002
Fines and forfeits	33,000	33,000	30,805	(2,195)
Investment earnings	3,500	3,500	9	(3,491)
Other	215,242	215,242	262,828	47,586
Total revenues	6,683,912	6,683,912	7,310,744	626,832
Expenditures				
Current				
General government	1,258,519	1,258,519	1,175,770	(82,749)
Public safety	4,397,809	4,397,809	4,550,160	152,351
Public works	1,200,669	1,200,669	1,105,152	(95,517)
Parks and recreation	586,915	586,915	394,860	(192,055)
Total expenditures	7,443,912	7,443,912	7,225,942	(217,970)
Excess (deficiency) of revenues over expenditures	(760,000)	(760,000)	84,802	844,802
Other financing sources (uses)				
Transfers in	810,000	810,000	810,000	–
Transfers out	(50,000)	(50,000)	(50,000)	–
Total other financing sources (uses)	760,000	760,000	760,000	–
Net change in fund balances	$ –	$ –	844,802	$ 844,802
Fund balances				
Beginning of year			2,843,542	
End of year			$ 3,688,344	

See notes to basic financial statements

CITY OF NORTH ST. PAUL

Statement of Net Position
Proprietary Funds
as of December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	**048** Water	**052** Surface Water	**049** Waste Water
Assets				
Current assets				
Cash and investments	$ 4,307,434	$ 5,069,489	$ 2,036,880	$ 2,100,260
Cash and investments restricted for debt service	–	566,244	457,758	445,998
Receivables				
Interest	28,329	15,454	9,240	9,252
Accounts	1,586,291	287,019	171,805	404,101
Special assessments	196	21,401	1,815	19,688
Inventory	362,397	–	–	–
Prepaid items	–	53	–	–
Total current assets	6,284,647	5,959,660	2,677,498	2,979,299
Noncurrent assets				
Cash and investments restricted for debt service	193,500	–	–	–
Advances to other funds	4,261,633	–	1,079,139	1,079,139
Capital assets				
Land	154,948	–	176,780	–
Construction in progress	–	884,783	1,373,037	356,377
Buildings and structures	2,490,117	1,192,912	–	1,357,801
Furniture and equipment	1,769,619	277,933	335,551	802,422
Infrastructure	1,724,924	8,411,488	3,899,087	7,372,561
Less accumulated depreciation	(4,954,920)	(5,236,234)	(1,930,284)	(4,127,511)
Total capital assets (net of accumulated depreciation)	1,184,688	5,530,882	3,854,171	5,761,650
Total noncurrent assets	5,639,821	5,530,882	4,933,310	6,840,789
Total assets	11,924,468	11,490,542	7,610,808	9,820,088
Deferred outflows of resources				
Pension plan deferments	579,528	70,844	57,196	62,035
OPEB plan deferments	10,467	1,600	1,259	1,420
Total deferred outflows of resources	589,995	72,444	58,455	63,455
Total assets and deferred outflows of resources	$ 12,514,463	$ 11,562,986	$ 7,669,263	$ 9,883,543
Current liabilities				
Accounts and contracts payable	$ 656,972	$ 49,531	$ 74,370	$ 38,111
Accrued salaries and employee benefits payable	26,933	3,231	2,871	3,347
Accrued interest payable	15,250	48,781	32,136	53,426
Due to other governments	64,590	32,319	9,472	202,617
Customer deposits	186,829	–	–	5,510
Unearned revenue	–	–	–	–
Compensated absences payable – current	193,912	4,031	4,031	–
Bonds payable – current	145,000	919,399	707,832	935,893
Total current liabilities	1,289,486	1,057,292	830,712	1,238,904
Noncurrent liabilities				
Advances from other funds	–	–	–	–
Compensated absences payable	29,321	13,687	13,687	–
Total OPEB liability	63,682	9,732	7,660	8,642
Net pension liability	817,838	99,975	80,716	87,544
Bonds payable	465,000	3,790,888	2,538,266	4,559,560
Total noncurrent liabilities	1,375,841	3,914,282	2,640,329	4,655,746
Total liabilities	2,665,327	4,971,574	3,471,041	5,894,650
Deferred inflows of resources				
Pension plan deferments	795,151	97,202	78,477	85,116
Net position				
Net investment in capital assets	1,184,688	1,396,991	1,603,609	1,266,939
Unrestricted	7,869,297	5,097,219	2,516,136	2,636,838
Total net position	9,053,985	6,494,210	4,119,745	3,903,777
Total liabilities, deferred inflows of resources, and net position	$ 12,514,463	$ 11,562,986	$ 7,669,263	$ 9,883,543

Net position – total enterprise funds

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

Net position – business-type activities

See notes to basic financial statements

054 Fiber Optic	053 Solid Waste	Total	Governmental Activities – Internal Service
$ –	$ 895,172	$ 14,409,235	$ 3,798,430
–	–	1,470,000	–
–	3,064	65,339	12,200
18,668	197,968	2,665,852	52,448
–	3,677	46,777	–
–	–	362,397	–
–	–	53	72,869
18,668	1,099,881	19,019,653	3,935,947
–	–	193,500	–
–	–	6,419,911	–
–	–	331,728	–
–	–	2,614,197	–
–	–	5,040,830	–
–	–	3,185,525	3,290,470
2,230,732	–	23,638,792	–
(590,174)	–	(16,839,123)	(1,884,436)
1,640,558	–	17,971,949	1,406,034
1,640,558	–	24,585,360	1,406,034
1,659,226	1,099,881	43,605,013	5,341,981
–	–	769,603	–
–	–	14,746	–
–	–	784,349	–
$ 1,659,226	$ 1,099,881	$ 44,389,362	$ 5,341,981
$ 5,303	$ 83,372	$ 907,659	$ 86,119
–	421	36,803	319
–	1,881	151,474	–
–	82,925	391,923	20
–	–	192,339	–
162,110	–	162,110	–
–	–	201,974	–
–	51,600	2,759,724	–
167,413	220,199	4,804,006	86,458
2,158,278	–	2,158,278	–
–	–	56,695	–
–	–	89,716	–
–	–	1,086,073	–
–	159,816	11,513,530	–
2,158,278	159,816	14,904,292	–
2,325,691	380,015	19,708,298	86,458
–	–	1,055,946	–
1,640,558	–	7,092,785	1,406,034
(2,307,023)	719,866	16,532,333	3,849,489
(666,465)	719,866	23,625,118	5,255,523
$ 1,659,226	$ 1,099,881	$ 44,389,362	$ 5,341,981
		$ 23,625,118	
		677,379	
		$ 24,302,497	

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	**048** Water	**052** Surface Water	**049** Waste Water
Operating revenue				
Charges for services	$ 10,327,257	$ 2,100,581	$ 945,889	$ 2,446,033
Other services	88,382	37,584	197	36,631
Total operating revenue	10,415,639	2,138,165	946,086	2,482,664
Operating expenses				
Personal services	1,630,526	209,931	157,561	171,507
Professional services	663,357	416,722	147,612	221,493
Purchased utilities	6,404,278	–	–	1,004,103
Materials and supplies	339,812	69,181	46,871	19,238
Insurance	–	–	–	–
Other	9,763	101	–	–
Total operating expenses	9,047,736	695,935	352,044	1,416,341
Operating income before depreciation	1,367,903	1,442,230	594,042	1,066,323
Depreciation	114,831	250,078	159,522	257,764
Operating income	1,253,072	1,192,152	434,520	808,559
Nonoperating revenues (expenses)				
Intergovernmental	9,305	4,580	199	216
Investment earnings (charges)	160,199	(662)	(284)	(743)
Franchise tax	–	–	–	–
Gain on disposal of capital assets	–	–	–	–
Other	1,344	–	–	–
Interest expense	(40,624)	(111,551)	(72,632)	(119,021)
Total nonoperating revenue (expenses)	130,224	(107,633)	(72,717)	(119,548)
Income before transfers	1,383,296	1,084,519	361,803	689,011
Transfers in	–	–	–	–
Transfers out	(431,412)	(205,000)	(80,000)	(145,000)
Change in net position	951,884	879,519	281,803	544,011
Net position				
Beginning of year	8,102,101	5,614,691	3,837,942	3,359,766
End of year	$ 9,053,985	$ 6,494,210	$ 4,119,745	$ 3,903,777

Change in net position – total enterprise funds

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

Change in net position – business-type activities

See notes to basic financial statements

054 Fiber Optic	053 Solid Waste	Total	Governmental Activities – Internal Service
$ 208,915	$ 993,580	$ 17,022,255	$ 1,773,908
–	3,431	166,225	–
208,915	997,011	17,188,480	1,773,908
–	44,898	2,214,423	–
97,032	872,050	2,418,266	627,313
–	3,555	7,411,936	–
–	15,612	490,714	346,137
–	–	–	320,625
–	–	9,864	–
97,032	936,115	12,545,203	1,294,075
111,883	60,896	4,643,277	479,833
44,439	–	826,634	254,876
67,444	60,896	3,816,643	224,957
–	34,924	49,224	–
–	24	158,534	(1,151)
–	–	–	185,125
–	–	–	88,672
–	1,586	2,930	4,369
–	(3,478)	(347,306)	–
–	33,056	(136,618)	277,015
67,444	93,952	3,680,025	501,972
–	–	–	281,412
–	(60,000)	(921,412)	(150,000)
67,444	33,952	2,758,613	633,384
(733,909)	685,914	20,866,505	4,622,139
$ (666,465)	$ 719,866	$ 23,625,118	$ 5,255,523
		$ 2,758,613	
		197,493	
		$ 2,956,106	

CITY OF NORTH ST. PAUL

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	**048** Water	**052** Surface Water	**049** Waste Water
Cash flows from operating activities				
Cash received from customers	$ 10,089,901	$ 2,117,654	$ 914,871	$ 2,470,105
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(7,201,301)	(563,336)	(240,634)	(1,150,524)
Cash payments to employees for services	(1,746,805)	(223,831)	(167,899)	(188,129)
Net cash flows from operating activities	1,141,795	1,330,487	506,338	1,131,452
Cash flows from noncapital financing activities				
Grants received	9,305	4,580	199	216
Franchise tax received	–	–	–	–
Cash received from other funds	102,963	–	55,137	55,138
Cash paid to other funds	–	–	–	–
Transfers out	(431,412)	(205,000)	(80,000)	(145,000)
Net cash flows from noncapital financing activities	(319,144)	(200,420)	(24,664)	(89,646)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(84,542)	(11,259)	(62,002)	(25,170)
Transfers in	–	–	–	–
Transfers out	–	–	–	–
Proceeds from the disposal of capital assets	–	–	–	–
Proceeds from issuance of revenue bonds	–	579,349	468,352	456,320
Payment on bonds	(140,000)	(346,029)	(249,903)	(613,842)
Interest paid	(43,774)	(131,899)	(87,521)	(144,858)
Net cash flows from capital and related financing activities	(268,316)	90,162	68,926	(327,550)
Cash flows from investing activities				
Interest received (charged) on investments	147,057	(7,648)	(4,231)	(4,514)
Net change in cash and cash equivalents	701,392	1,212,581	546,369	709,742
Cash and investments				
Beginning of year	3,799,542	4,423,152	1,948,269	1,836,516
End of year	$ 4,500,934	$ 5,635,733	$ 2,494,638	$ 2,546,258
Reconciliation of cash and cash equivalents				
Cash and investments	$ 4,307,434	$ 5,069,489	$ 2,036,880	$ 2,100,260
Cash and investments restricted for debt service	193,500	566,244	457,758	445,998
Cash and cash equivalents per Statement of Net Position	$ 4,500,934	$ 5,635,733	$ 2,494,638	$ 2,546,258
Reconciliation of operating income to net cash flows from operating activities				
Operating income	$ 1,253,072	$ 1,192,152	$ 434,520	$ 808,559
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	114,831	250,078	159,522	257,764
Other	1,344	–	–	–
Change in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	(322,957)	(22,838)	(31,492)	(14,428)
Special assessments receivable	(80)	2,327	277	1,369
Inventory	46,103	–	–	–
Prepaid items	–	(53)	–	–
Deferred outflows	(480,794)	(58,092)	(46,728)	(50,728)
Accounts and contracts payable	162,114	(83,346)	(36,720)	(64,217)
Accrued salaries and employee benefits payable	(51,616)	(7,849)	(4,130)	(4,545)
Customer deposits	(4,045)	–	–	500
Due to other governments	7,692	6,067	(9,431)	158,527
Unearned revenue	–	–	–	–
Total OPEB liability	7,376	(2,291)	602	832
Net pension liability	(267,882)	(37,297)	(34,694)	(37,526)
Compensated absences	(33,691)	5,151	5,151	–
Deferred inflows	710,328	86,478	69,461	75,345
Net cash flows from operating activities	$ 1,141,795	$ 1,330,487	$ 506,338	$ 1,131,452
Noncash investing, capital, and financing activities				
Amortization of bond premium	$ –	$ 15,846	$ 11,394	$ 18,416

See notes to basic financial statements

054 Fiber Optic	053 Solid Waste	Total	Governmental Activities – Internal Service
$ 207,241	$ 993,582	$ 16,793,354	$ –
–	–	–	1,720,803
(96,966)	(898,138)	(10,150,899)	(1,264,319)
–	(46,293)	(2,372,957)	–
110,275	49,151	4,269,498	456,484
–	34,924	49,224	–
–	–	–	185,125
–	–	213,238	–
(110,275)	–	(110,275)	(141,445)
–	(60,000)	(921,412)	–
(110,275)	(25,076)	(769,225)	43,680
–	–	(182,973)	(629,600)
–	–	–	281,412
–	–	–	(150,000)
–	–	–	108,291
–	–	1,504,021	–
–	(52,800)	(1,402,574)	–
–	(5,173)	(413,225)	–
–	(57,973)	(494,751)	(389,897)
–	(1,279)	129,385	(6,360)
–	(35,177)	3,134,907	103,907
–	930,349	12,937,828	3,694,523
$ –	$ 895,172	$ 16,072,735	$ 3,798,430
$ –	$ 895,172	$ 14,409,235	$ 3,798,430
–	–	1,663,500	–
$ –	$ 895,172	$ 16,072,735	$ 3,798,430
$ 67,444	$ 60,896	$ 3,816,643	$ 224,957
44,439	–	826,634	254,876
–	1,586	2,930	4,369
11,832	(4,917)	(384,800)	(52,448)
–	(98)	3,795	–
–	–	46,103	–
–	–	(53)	(18,684)
–	–	(636,342)	–
66	(4,878)	(26,981)	48,512
–	(1,395)	(69,535)	(5,026)
–	–	(3,545)	–
–	(2,043)	160,812	(72)
(13,506)	–	(13,506)	–
–	–	6,519	–
–	–	(377,399)	–
–	–	(23,389)	–
–	–	941,612	–
$ 110,275	$ 49,151	$ 4,269,498	$ 456,484
$ –	$ 1,255	$ 46,911	$ –

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Index to Notes

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of North St. Paul, Minnesota (the City) operates under "Optional Plan B" as defined in Minnesota Statutes, Chapter 412. Under this plan, the government of the City is run by a council composed of an elected mayor and four councilmembers. The City Council exercises legislative authority and determines all matters of policy. The city manager, who is appointed by the City Council, is responsible for the proper administration of all affairs relating to the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

The North St. Paul Housing and Redevelopment Authority (HRA) is a legally separate organization created in accordance with Minnesota Statutes § 469. The HRA is fiscally dependent upon the City for any funding shortfalls, is governed by a Board consisting of the City Council members, with management of the City having operational responsibility for the component unit. Therefore, the HRA is included as a component unit of the City. The HRA's financial data has been blended with that of the City (i.e., reported as though its funds were funds of the City). The HRA does not issue separate financial statements.

The North St. Paul Economic Development Authority (EDA) is a legally separate organization and assists the City with economic development activities within the City. The purpose of the EDA is to support and benefit the City's ongoing activities of improvement and development. The governing body consists of seven members, two of which are City Council members. The mayor appoints all EDA commissioners with approval by the City Council. The City has the ability to impose its will on the EDA and periodically provides subsidies to support the EDA when it experiences operating deficits that are not financed by other means. Due to the EDA Governing Board not being substantively the same as the City's, the EDA is a discretely presented component unit in these financial statements. The EDA does not issue separate financial statements.

C. Service Area

The City's utilities service area includes parts of the cities of Maplewood and Oakdale. The utilities provided are electric, water, and wastewater. All revenues received and expenses paid in relation to the services provided to this extended service area are included in the accompanying financial statements.

D. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are certified for levy. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

E. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

   Major revenue that is susceptible to accrual includes property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. 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 City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is 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. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

TIF 4-10 Anchor Block North – Housing Tax Increment Special Revenue Fund – This fund administers the resources for the development of this tax increment district.

Municipal State Aid Capital Projects Fund – This fund administers resources for street improvement projects funded by municipal state aid.

The City reports the following major enterprise funds:

Electric Fund – The Electric Fund accounts for the activities of the City's electric distribution operations.

Water Fund – The Water Fund accounts for the activities of the City's water distribution operations.

Surface Water Fund – The Surface Water Fund accounts for the activities of the City's surface water management operations.

Waste Water Fund – The Waste Water Fund accounts for the activities of the City's wastewater processing operations.

Fiber Optic Fund – The Fiber Optic Fund accounts for the activities of the City's telecommunication operations.

Solid Waste Fund – The Solid Waste Fund accounts for the activities of the City's solid waste collection operations.

Additionally, the City reports the following fund type:

Internal Service Funds – Internal service funds account for the financing of goods and services provided to other departments or agencies of the City on a cost-reimbursement basis. The City utilizes an Equipment Internal Service Fund, City Mechanic Internal Service Fund, Insurance Internal Service Fund, Information Technology Internal Service Fund, and Building Maintenance Internal Service Fund in managing city operations.

F. Cash and Investments

Cash and investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund. Restricted cash and investments for debt service in the Water, Surface Water, Waste Water, and G.O. Refunding Bonds of 2021A Funds include balances held for future bond refunding. Restricted cash and investments for debt service in the Electric Fund include balances held in an account in accordance with debt agreements to subsidize potential deficiencies from the Electric Fund operation that could adversely affect debt service payments. Interest on restricted cash and investments is allocated directly to the applicable fund.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. Investments are purchased and regulated according to Minnesota Statutes. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

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 for the City's recurring fair value measurements as of year-end.

G. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The City has recorded a $30,000 allowance for the amount of utility receivables that remain delinquent after having been certified to the county. The only receivables not expected to be collected within one year are property taxes and special assessments receivable.

H. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either "due to/from other funds" (current portion) or "advances to/from other funds." 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 financial statements as "internal balances."

I. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year: in July, December, and January.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable and are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Special Assessments

Special assessments primarily represent the financing for public improvements paid for by benefiting property owners. As previously mentioned under receivables, the City is also generally able to certify delinquent amounts to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable, which remain unpaid on December 31, are offset by a deferred inflow of resources in the governmental fund financial statements. Delinquent assessments receivable at December 31, 2021 totaled $6,587.

K. Inventories

Inventories of the proprietary funds are stated at cost for supplies and at the lower of cost or acquisition value for inventory held for resale, cost being determined by the first-in, first-out method.

L. Prepaid Items

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. The City defines capital assets as those with an initial, individual cost greater than $25,000 for real or personal property and $125,000 for infrastructure items. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress.

The estimated useful lives are as follows:

Buildings and structures	10–40 years
Furniture and equipment	5–15 years
Infrastructure	20–50 years

N. Compensated Absences

It is the City’s policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In the government-wide and proprietary fund financial statements, sick leave is accrued as used or when it becomes likely that it will be paid as termination pay, while vacation is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

O. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

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 received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Unavailable revenue from loans, property taxes, and special assessments arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also reports deferred inflows of resources related to state aid entitlements received for subsequent years in the government-wide and governmental funds Balance Sheet. This item is deferred and recognized as an inflow of resources in the period that the resources are appropriated.

Q. State-Wide Pension Plans

For purposes of measuring the 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 the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund, Housing Redevelopment Authority Fund, and the Economic Development Authority Fund:

1. The city manager submits a proposed operating budget for the fiscal year commencing the following January 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. The budgets are legally enacted through passage of a resolution by the City Council. Budgetary control is achieved in debt service funds through general obligation bond indenture provisions. Budgetary control for capital projects funds and special revenue funds are accomplished through the use of project controls, not legally enacted budgets.

4. The budgets are adopted using the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America.

5. Budgetary control is maintained at the department level. Also, inherent in this controlling function is management's philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the city manager, or between departments by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that: 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

During the budget year, supplemental appropriations can be authorized by the City Council. The amounts shown in the financial statements as "final budgeted amounts" represent the original budgeted amount and all revisions made during the year. Budgeted expenditure appropriations lapse at year-end, but may be adopted in the subsequent year.

S. Assets Held for Resale

Assets held for resale represent various property purchases made by the City with the intent to sell in order to increase the tax base or to attract new businesses. These assets are stated at the lower of cost or acquisition value.

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

U. Net Position and Flow Assumptions

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 is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets."

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

V. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **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 that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Assigned amounts represent intended uses established by the City Council itself or by an official to which the City Council delegates the authority by resolution. Pursuant to City Council resolution, the city manager and/or finance director are authorized to establish assignments of fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, the City first uses restricted resources, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, the City uses resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

W. Restricted Assets

Restricted assets are cash, investments, and interest accrued thereon, if applicable; the use of which is limited by external requirements, such as a bond indenture or trust agreement.

X. 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; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. The LMCIT operates as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in the City's insurance coverage in the current year.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Y. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	8,902,663
Investments		28,324,480
Cash on hand		1,800
Total	$	37,228,943

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position		
Primary government		
Cash and investments	$	34,109,515
Restricted assets – temporarily restricted		
Cash and investments for debt service		2,643,500
Component unit		
Cash and investments		475,928
Total	$	37,228,943

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City's deposits was $8,902,663, while the balance on the bank records was $9,407,663. At December 31, 2021, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City's agent in the City's name.

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years: Less Than 1	Interest Risk – Maturity Duration in Years: 1 to 5	Total
U.S. treasuries	AAA	Moody's	Level 1	$ –	$ 1,963,590	$ 1,963,590
U.S. agencies	AA	S&P	Level 2	–	4,061,967	4,061,967
Municipal securities	AAA	Moody's	Level 2	620,759	–	620,759
Municipal securities	AA	Moody's	Level 2	463,825	1,950,666	2,414,491
Municipal securities	A	Moody's	Level 2	811,136	543,540	1,354,676
Municipal securities	AAA	S&P	Level 2	456,618	349,182	805,800
Municipal securities	AA	S&P	Level 2	1,223,777	3,287,525	4,511,302
Municipal securities	A	S&P	Level 2	150,345	468,360	618,705
Negotiable certificates of deposit	N/R	N/A	Level 2	2,703,423	2,447,922	5,151,345
				$ 6,429,883	$ 15,072,752	21,502,635
Investment pools/mutual funds						
First American Government Obligations Fund	AAA	S&P	Level 1	N/A	N/A	3,961,120
Minnesota Municipal Money Market Fund	N/R	N/A	N/A	N/A	N/A	2,860,725
Total investments						$ 28,324,480

N/A – Not Applicable
N/R – Not Rated

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies do not further address this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City's investment policies do not further address credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. At December 31, 2021, the City had 6.3 percent of its portfolio invested with Federal Home Loan Bank. The City's investment policies do not limit the concentration of investments.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy notes the City will not directly invest in securities maturing more than 10 years from the date of purchase.

NOTE 3 – INTERFUND TRANSACTIONS

A. Advances To and Advances From Other Funds

Advances to and from other funds at year-end were as follows:

	Advances From Other Funds			
	Governmental		Proprietary	
Advances To Other Funds	TIF 4-10 Anchor Block North – Housing Tax Increment	Nonmajor	Fiber Optic	Total
Governmental				
General	$ –	$ 30,431	$ –	$ 30,431
Proprietary				
Electric	2,811,719	1,449,914	–	4,261,633
Surface Water	–	–	1,079,139	1,079,139
Waste Water	–	–	1,079,139	1,079,139
Total	$ 2,811,719	$ 1,480,345	$ 2,158,278	$ 6,450,342

Advances to and from other funds are utilized for cash flow purposes to eliminate cash balance deficits.

B. Interfund Transfers

Interfund transfers for the year were as follows:

	Transfers In			
	Governmental		Proprietary	
Transfers Out	General	Nonmajor	Internal Service	Total
Governmental				
General	$ –	$ 50,000	$ –	$ 50,000
Nonmajor	20,000	52,658	–	72,658
Proprietary				
Electric	300,000	–	131,412	431,412
Water	205,000	–	–	205,000
Surface Water	80,000	–	–	80,000
Waste Water	145,000	–	–	145,000
Solid Waste	60,000	–	–	60,000
Internal Service	–	–	150,000	150,000
Total	$ 810,000	$ 102,658	$ 281,412	$ 1,194,070

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities.

NOTE 4 – CAPITAL ASSETS

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

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated					
Land	$ 3,926,167	$ –	$ –	$ –	$ 3,926,167
Construction in progress	9,020,118	1,016,840	–	(6,814,742)	3,222,216
Total capital assets, not being depreciated	12,946,285	1,016,840	–	(6,814,742)	7,148,383
Capital assets, depreciated					
Buildings and structures	20,987,743	–	–	–	20,987,743
Furniture and equipment	4,960,736	629,600	(340,552)	–	5,249,784
Infrastructure	21,327,240	–	–	6,814,742	28,141,982
Total capital assets, depreciated	47,275,719	629,600	(340,552)	6,814,742	54,379,509
Less accumulated depreciation on					
Buildings and structures	7,651,159	523,754	–	–	8,174,913
Furniture and equipment	3,360,634	296,197	(320,933)	–	3,335,898
Infrastructure	10,598,304	884,068	–	–	11,482,372
Total accumulated depreciation	21,610,097	1,704,019	(320,933)	–	22,993,183
Total capital assets, depreciated, net	25,665,622	(1,074,419)	(19,619)	6,814,742	31,386,326
Net capital assets	$ 38,611,907	$ (57,579)	$ (19,619)	$ –	$ 38,534,709

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated					
Land	$ 331,728	$ –	$ –	$ –	$ 331,728
Construction in progress	6,437,234	98,431	–	(3,921,468)	2,614,197
Total capital assets, not being depreciated	6,768,962	98,431	–	(3,921,468)	2,945,925
Capital assets, depreciated					
Buildings and structures	5,040,830	–	–	–	5,040,830
Furniture and equipment	3,100,983	84,542	–	–	3,185,525
Infrastructure	19,717,324	–	–	3,921,468	23,638,792
Total capital assets, depreciated	27,859,137	84,542	–	3,921,468	31,865,147
Less accumulated depreciation on					
Buildings and structures	3,506,036	67,881	–	–	3,573,917
Furniture and equipment	2,171,664	139,725	–	–	2,311,389
Infrastructure	10,334,789	619,028	–	–	10,953,817
Total accumulated depreciation	16,012,489	826,634	–	–	16,839,123
Total capital assets, depreciated, net	11,846,648	(742,092)	–	3,921,468	15,026,024
Net capital assets	$ 18,615,610	$ (643,661)	$ –	$ –	$ 17,971,949

NOTE 4 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities		
General government	$	295,590
Public safety		21,032
Public works		1,068,987
Parks and recreation		63,534
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		254,876
Total depreciation expense – governmental activities	$	1,704,019
Business-type activities		
Electric	$	114,831
Water		250,078
Surface water		159,522
Waste water		257,764
Fiber optic		44,439
Total depreciation expense – business-type activities	$	826,634

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation bonds					
Special Assessment Bonds of 2014A	$ 2,360,000	2.000–3.000%	2014	2030	$ 1,290,000
Tax Increment Refunding Bonds of 2015A	$ 1,595,000	2.000–3.000%	2015	2032	985,000
Improvement Bonds of 2016A	$ 2,640,000	2.000–2.100%	2016	2032	1,970,000
Tax Abatement Bonds of 2016A	$ 1,240,000	2.000–2.500%	2016	2037	1,030,000
Capital Improvement Refunding Bonds of 2016B	$ 2,430,000	2.000%	2016	2025	1,655,000
Improvement Bonds of 2017A	$ 1,051,380	1.650–3.000%	2017	2033	849,873
Improvement Bonds of 2018A	$ 3,475,000	3.000–5.000%	2018	2034	3,145,000
Taxable Tax Increment Bonds of 2020A	$ 6,325,000	2.000–3.000%	2020	2048	6,325,000
Improvement Refunding Bonds of 2021A	$ 960,000	2.000%	2021	2030	960,000
Premium					541,527
Compensated absences					489,121
Total governmental activities					$ 19,240,521
Business-type activities					
Electric Utility Revenue Bonds of 2009C	$ 1,935,000	2.750–6.000%	2009	2025	$ 610,000
General obligation bonds					
Utility Revenue Bonds of 2014A	$ 2,560,000	2.000–3.000%	2014	2030	1,635,000
Utility Revenue Refunding Bonds of 2015A	$ 4,650,000	2.000–3.000%	2015	2027	2,435,000
Utility Revenue Bonds of 2016A	$ 3,605,000	2.000–2.100%	2016	2032	2,740,000
Utility Revenue Bonds of 2017A	$ 438,620	1.650–3.000%	2017	2033	65,127
Utility Revenue Bonds of 2018A	$ 3,465,000	3.000–5.000%	2018	2034	3,165,000
Utility Revenue Bonds of 2020B	$ 1,830,000	2.000–3.000%	2020	2035	1,715,000
Utility Revenue Refunding Bonds of 2021A	$ 1,435,000	2.000%	2021	2030	1,435,000
Premium					473,127
Compensated absences					258,669
Total business-type activities					$ 14,531,923
Total government-wide activities					$ 33,772,444

B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. tax increment bonds	$ 7,410,000	$ –	$ 100,000	$ 7,310,000	$ 100,000
General obligation bonds	12,182,299	960,000	2,242,426	10,899,873	2,185,276
Premium	546,688	45,928	51,089	541,527	–
Total bonds	20,138,987	1,005,928	2,393,515	18,751,400	2,285,276
Contract for deed	871,500	–	871,500	–	–
Compensated absences	680,056	482,374	673,309	489,121	489,121
Total governmental activities	21,690,543	1,488,302	3,938,324	19,240,521	2,774,397
Business-type activities					
Utility revenue bonds	13,767,701	1,435,000	1,402,574	13,800,127	2,759,724
Premium	451,017	69,021	46,911	473,127	–
Total bonds	14,218,718	1,504,021	1,449,485	14,273,254	2,759,724
Compensated absences	282,058	178,585	201,974	258,669	201,974
Total business-type activities	14,500,776	1,682,606	1,651,459	14,531,923	2,961,698
Total government-wide	$ 36,191,319	$ 3,170,908	$ 5,589,783	$ 33,772,444	$ 5,736,095

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

	Governmental Activities				Business-Type Activities	
Year Ending	Tax Increment		General Obligation		Utility Revenue	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 100,000	$ 191,598	$ 2,185,276	$ 257,782	$ 2,759,724	$ 335,076
2023	145,000	188,816	1,020,159	222,370	1,304,841	285,014
2024	295,000	183,041	1,060,038	195,047	1,359,962	243,944
2025	300,000	174,979	1,069,915	166,495	1,395,085	201,370
2026	310,000	166,560	654,788	141,772	1,035,212	164,812
2027–2031	1,425,000	702,838	3,326,928	425,808	4,243,072	453,943
2032–2036	1,225,000	543,375	1,507,769	76,181	1,702,231	65,843
2037–2041	1,330,000	392,428	75,000	938	–	–
2042–2046	1,510,000	203,065	–	–	–	–
2047–2048	670,000	19,238	–	–	–	–
Total	$ 7,310,000	$ 2,765,938	$ 10,899,873	$ 1,486,393	$ 13,800,127	$ 1,750,002

D. Descriptions of Long-Term Debt

- **General Obligation Tax Increment Bonds** – The City has established tax increment financing districts and has issued general obligation tax increment bonds in accordance with Minnesota Statutes. It is anticipated that the tax increment revenues, derived from the captured assessed value of property in the tax increment district, will provide substantially all funds necessary to retire the bond principal and interest. In addition, future tax levies may be placed on the tax rolls annually as scheduled for supplementary financing.

- **General Obligation Bonds** – These bonds were issued for the construction of municipal buildings and streets, which also benefit the City as a whole and, therefore, are repaid from ad valorem levies and other sources.

- **Utility Revenue Bonds** – Electric, Water, Surface Water, Waste Water, and Solid Waste Enterprise Fund revenues will be used to repay this debt. The liability is recorded in the applicable enterprise fund.

  During 2010, the City transferred an asset from the enterprise funds to the governmental funds totaling $4,274,827. The City issued utility revenue bonds and electric utility revenue bonds to fund part of this project. With the transfer of the asset, the City no longer includes the related debt in its calculation of net investment in capital assets, causing the City's unrestricted net position to decrease.

- **Other Long-Term Liabilities** – The City provides its employees with various benefits, including compensated absences, pension benefits, and OPEB as further described elsewhere in these notes. The General, Electric, Water, Surface Water, and Waste Water Funds will be used to liquidate these liabilities.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Refunding Bond Activity

In November 2021, the City issued $2,395,000 of General Obligation Refunding Bonds, Series 2021A. The proceeds of this issue will be used to refund, in advance of their stated maturities, the remaining maturities of the City's General Obligation Bonds, Series 2014A on February 1, 2022. This current refunding will reduce the City's total future debt service payments by $274,612, and will result in a present value savings of approximately $266,286.

F. 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. In the opinion of management, any obligation would be immaterial.

G. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

		Revenue Pledged				Current Year	
Debt Issue	Use of Proceeds	Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2015A	Street and site improvements	Tax increment financing	100%	2015–2032	$ 1,109,331	$ 125,813	$ 257,328
Tax Increment Revenue Bonds of 2020A	Street and site improvements	Tax increment financing	100%	2020–2048	$ 8,966,607	$ 188,292	$ –
Electric Utility Revenue Bonds of 2009C	Utility improvements	Utility charges	100%	2009–2025	$ 684,700	$ 180,380	$ 10,415,639
Utility Revenue Bonds of 2014A	Utility improvements	Utility charges	100%	2014–2030	$ 1,656,094	$ 203,787	$ 5,566,915
Utility Revenue Refunding Bonds of 2015A	Utility improvements	Utility charges	100%	2015–2027	$ 2,588,444	$ 519,588	$ 6,563,926
Utility Revenue Bonds of 2016A	Utility improvements	Utility charges	100%	2016–2032	$ 3,056,270	$ 282,460	$ 5,566,915
Utility Revenue Bonds of 2017A	Utility improvements	Utility charges	100%	2017–2033	$ 76,142	$ 132,372	$ 3,428,750
Utility Revenue Bonds of 2018A	Utility improvements	Utility charges	100%	2018–2034	$ 3,916,534	$ 299,994	$ 5,566,915
Utility Revenue Bonds of 2020B	Utility improvements	Utility charges	100%	2020–2035	$ 1,997,925	$ 164,448	$ 5,566,915
Utility Revenue Refunding Bonds of 2021A	Utility improvements	Utility charges	100%	2021–2030	$ 1,574,020	$ –	$ 5,566,915

H. Bond Ratings

The City's most recent bond rating by Standard & Poor's was AA.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Employees of the City participate in three defined benefit pension plans. Two of the plans are state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota; the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). The third is a single-employer defined benefit pension plan administered through the North St. Paul Fire Department Relief Association (the Association). The details of the City's participation in each of these plans are presented later in these notes. The following table summarizes the impact of these plans on the City's government-wide financial statements:

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	$ –	$ 1,750,884	$ 1,240,694	$ 1,702,314	$ (60,342)
PERA – PEPFF	–	1,125,423	2,068,633	2,983,993	(120,310)
Fire Relief	543,994	–	94,206	267,109	41,730
Total – all pensions	$ 543,994	$ 2,876,307	$ 3,403,533	$ 4,953,416	$ (138,922)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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. GERF Benefits

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 the 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 Plan 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 Plan 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 age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 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. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years, up to 100.0 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50.0 percent after 10 years, up to 100.0 percent after 20 years of credited service. The annuity accrual rate is 3.0 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.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.0 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.

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2021, were $220,066. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2021, were $317,544. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2021, the City reported a liability of $1,750,884 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16.0 million. The state of Minnesota is considered a nonemployer 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 $53,402. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0410 percent at the end of the measurement period and 0.0424 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$	1,750,884
State's proportionate share of the net pension liability associated with the City	$	53,402

For the year ended December 31, 2021, the City recognized negative pension expense of $64,661 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $4,319 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16.0 million to the GERF.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At December 31, 2021, the City reported its proportionate share of the GERF'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	$ 10,679	$ 53,794
Changes in actuarial assumptions	1,069,053	39,542
Net collective difference between projected and actual investment earnings	–	1,512,740
Changes in proportion	46,995	96,238
Contributions paid to the PERA subsequent to the measurement date	113,967	–
Total	$ 1,240,694	$ 1,702,314

A total of $113,967 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 ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	$ (107,074)
2023	$ (22,335)
2024	$ (32,595)
2025	$ (413,583)

2. PEPFF Pension Costs

At December 31, 2021, the City reported a liability of $1,125,423 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.1458 percent at the end of the measurement period and 0.1528 percent for the beginning of the period.

The state of Minnesota contributed $18.0 million to the PEPFF in the plan fiscal year ended June 30, 2021. The contribution consisted of $9.0 million in direct state aid that does meet the definition of a special funding situation and $9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The $9.0 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay $9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The $9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The state of Minnesota is included as a nonemployer 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 $9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of $129,521 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $9,211 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of $9.0 million to the PEPFF.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$ 1,125,423
State's proportionate share of the net pension liability associated with the City	$ 50,578

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9.0 million in supplemental state aid. The City recognized $13,122 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF.

At December 31, 2021, the City reported its proportionate share of the PEPFF'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	$ 220,174	$ –
Changes in actuarial assumptions	1,654,075	669,251
Net collective difference between projected and actual investment earnings	–	2,141,957
Changes in proportion	28,246	172,785
Contributions paid to the PERA subsequent to the measurement date	166,138	–
Total	$ 2,068,633	$ 2,983,993

A total of $166,138 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	$ (856,140)
2023	$ (161,999)
2024	$ (157,456)
2025	$ (252,635)
2026	$ 346,732

E. Long-Term Expected Return on Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 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 6.50 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 1.00 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 3.00 percent after 29 years of service, and 6.00 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit the 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 study for the Police and Fire Plan was completed in 2020, adopted by the Board, and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

1. **GERF**

   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.

2. **PEPFF**

   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 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the GERF and the PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following table 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
The City's proportionate share of the GERF net pension liability	$ 3,570,909	$ 1,750,884	$ 257,442
The City's proportionate share of the PEPFF net pension liability (asset)	$ 3,573,023	$ 1,125,423	$ (881,005)

I. 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 on the internet at www.mnpera.org.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the North St. Paul Fire Department (the Department) are covered by a defined benefit plan administered by the North St. Paul Fire Department Relief Association (the Association). As of the most recent valuation, the plan covered 29 active firefighters and 6 vested terminated firefighters whose pension benefits are deferred. The plan is a single-employer retirement plan and is established and administered in accordance with Minnesota Statutes, Chapter 69.

The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as described by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years, and have completed at least 10 years of active membership, are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension.

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). Required employer contributions are calculated annually based on statutory provisions. The City had no required contribution as set by state statutes. The City made no voluntary contribution to the plan for the year ended December 31, 2021. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of $543,994 for the plan. The net pension asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension asset in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2020.

For the year ended December 31, 2021, the City recognized pension expense of $41,730. The City also recognized $71,317 as revenue for the state of Minnesota's on-behalf contributions to the Department and $4,950 for the City's contribution.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance – January 1, 2021	$ 1,272,869	$ 1,715,293	$ (442,424)
Changes for the year			
Service cost	55,318	–	55,318
Interest	72,689	–	72,689
Differences between expected and actual experience	(89,832)	–	(89,832)
Changes of assumptions	53,863	–	53,863
Changes of benefit terms	35,255	–	35,255
Contributions (state and local)	–	76,267	(76,267)
Contributions (donations and other income)	–	2,979	(2,979)
Net investment income	–	159,767	(159,767)
Benefit payments	(330,328)	(330,328)	–
Administrative costs	–	(10,150)	10,150
Total net changes	(203,035)	(101,465)	(101,570)
Ending balance – December 31, 2021	$ 1,069,834	$ 1,613,828	$ (543,994)

Plan changes since the prior measurement date include the following:

- The lump sum pension increased from $5,200 per year of service to $5,400 per year of service.

At December 31, 2021, the City reported 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	$ 23,237	$ 147,410
Changes in actuarial assumptions	70,969	19,369
Differences between projected and actual investment earnings	–	100,330
Total	$ 94,206	$ 267,109

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2022	$ (34,416)
2023	$ (15,228)
2024	$ (64,180)
2025	$ (21,610)
2026	$ (8,776)
Thereafter	$ (28,693)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at December 31, 2020 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service reduced by 4 percent for each year of service less than 20 years and eligibility for deferred service pension payable at age 50 with 20 years of service	
Inflation rate	2.25% per year
Cost of living increases	zero percent per year
Investment rate of return	5.25%
20-year municipal bond yield	2.00%

The investment rate of return decreased from 6.25 percent to 5.25 percent.

The inflation rate decreased from 2.50 percent to 2.25 percent.

The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation.

The 5.25 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation, along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The target allocation and best-estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	42.00 %	4.42 %	6.67 %
International equity	19.00	4.91 %	7.16 %
Fixed income	32.00	1.00 %	3.25 %
Real estate and alternatives	1.00	3.98 %	6.23 %
Cash and equivalents	6.00	(0.33) %	1.92 %
Total	100.00 %		5.25 %

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension Liability (Asset) Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding section, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1% Decrease in Discount Rate (4.25%)	Current Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net pension liability (asset)	$ (490,537)	$ (543,994)	$ (593,416)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the North St. Paul Fire Department Relief Association, 2400 Margaret Street, North St. Paul, Minnesota 55109.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment benefits to certain eligible employees through the City's OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. 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.

B. 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. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance. Per state statutes, the City is also required to contribute towards the cost of continued health insurance coverage for officers and firefighters disabled or killed in the line of duty.

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.

C. 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 $44,807.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

D. Membership

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

Retirees and beneficiaries receiving benefits	3
Active plan members	61
Total members	64

E. Total OPEB Liability of the City

The City's total OPEB liability of $272,612 as of year-end was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the entry-age method. The valuation utilized the alternative measurement method allowed for employers with fewer than 100 plan participants. 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	2.25%
Medical trend rate	6.70%, grading to 3.80% over 54 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 were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2019, and other adjustments for the Police and Fire employees. Mortality rates for the General employees were based on Pub-2010 mortality tables with projected mortality improvements based on Scale MP-2019, and other adjustments.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – January 1, 2021	$ 268,379
Changes for the year	
Service cost	12,810
Interest	7,306
Differences between expected and actual experience	4,065
Changes of assumptions	11,066
Benefit payments	(31,014)
Total net changes	4,233
Ending balance – December 31, 2021	$ 272,612

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.75 percent to 2.00 percent.

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

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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.00%	2.00%	3.00%
Total OPEB liability	$ 288,424	$ 272,612	$ 258,005

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:

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare cost trend rate	5.70% decreasing to 2.80% over 54 years	6.70% decreasing to 3.80% over 54 years	7.70% decreasing to 4.80% over 54 years
Total OPEB liability	$ 251,558	$ 272,612	$ 297,296

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

For the current year ended, the City recognized OPEB expense of $35,247. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City's contributions subsequent to the measurement date	$ 44,807	$ –

A total of $44,807 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 ending December 31, 2022.

NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Equity

The following funds have a deficit fund equity at December 31, 2021:

		Amount
Governmental		
Special revenue fund		
TIF 4-10 Anchor Block North – Housing Tax Increment	$	2,820,724
Capital projects fund		
Municipal State Aid	$	1,751,972
Nonmajor funds		
Special revenue funds		
TIF 4-9 Margaret Street Tax Increment	$	30,431
TIF 4-10 Anchor Block North – Soils Tax Increment	$	1,431,339
Proprietary		
Enterprise fund		
Fiber Optic	$	666,465

The deficit in the TIF 4-10 Anchor Block North – Housing Tax Increment Special Revenue Fund will be reduced and eliminated as tax increment funds are received as a result of development.

The deficit in the Municipal State Aid Capital Projects Fund will be reduced and eliminated as the City recognizes its annual allocation of funding each year.

The deficit in the TIF 4-9 Margaret Street Tax Increment Special Revenue Fund will be reduced and eliminated as tax increment funds are received as a result of development.

The deficit in the TIF 4-10 Anchor Block North – Soils Tax Increment Special Revenue Fund will be reduced and eliminated as tax increment funds are received as a result of development.

The deficit in the Fiber Optic Fund will be reduced and eliminated as operations become established and continue to progress.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2021, actual expenditures exceeded budgeted expenditures in the following fund:

		Amount
Component unit		
Economic Development Authority	$	13,479

Expenditures in excess of appropriations were financed by revenues in excess of budget and available fund balance.

NOTE 11 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide statement of net position at December 31, 2021 includes the City's net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets			
Nondepreciable	$ 7,148,383	$ 2,945,925	$ 10,094,308
Depreciable, net of accumulated depreciation	31,386,326	15,026,024	46,412,350
Less: capital related long-term debt outstanding	(11,352,900)	(11,285,999)	(22,638,899)
Plus: unspent bond proceeds	117,574	406,835	524,409
Total net investment in capital assets	$ 27,299,383	$ 7,092,785	$ 34,392,168

B. Governmental Fund Balance Classifications

At December 31, 2021, the City had the following governmental fund balances:

	General	TIF 4-10 Anchor Block North – Housing Tax Increment	Municipal State Aid	Nonmajor	Total
Nonspendable					
Prepaid items	$ 51,096	$ –	$ –	$ 102	$ 51,198
Advance to other funds	30,431	–	–	–	30,431
Total nonspendable	81,527	–	–	102	81,629
Restricted					
HRA	–	–	–	1,346,395	1,346,395
Tax increment	–	–	–	942,942	942,942
Police forfeiture	–	–	–	112,018	112,018
Cable PEG fees	–	–	–	28,420	28,420
Street improvements	–	–	–	117,574	117,574
Debt service	–	–	–	3,685,467	3,685,467
Total restricted	–	–	–	6,232,816	6,232,816
Committed					
Asset preservation	–	–	–	1,674,296	1,674,296
Street maintenance	–	–	–	2,514,657	2,514,657
Total committed	–	–	–	4,188,953	4,188,953
Assigned					
Fire relief	42,048	–	–	–	42,048
Community events	67,149	–	–	–	67,149
Community center	–	–	–	159,808	159,808
Street improvements	–	–	–	666,809	666,809
Permanent improvement revolving	–	–	–	405,889	405,889
Pandemic response	–	–	–	107,702	107,702
Park improvements	–	–	–	709,354	709,354
Total assigned	109,197	–	–	2,049,562	2,158,759
Unassigned	3,497,620	(2,820,724)	(1,751,972)	(1,461,770)	(2,536,846)
Total	$ 3,688,344	$ (2,820,724)	$ (1,751,972)	$ 11,009,663	$ 10,125,311

NOTE 11 – NET POSITION/FUND BALANCES (CONTINUED)

C. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy that limits the amount of unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain an unassigned General Fund balance of 35 percent of the subsequent year's budgeted expenditures. The City Council shall approve any transfer of excess fund balance in the subsequent year. At December 31, 2021, the unassigned fund balance for the General Fund was 44 percent of the subsequent year's budgeted expenditures.

NOTE 12 – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven other municipalities that provide distribution of electric services, created the Minnesota Municipal Power Agency (MMPA). The MMPA began operations on July 1, 1995. The MMPA purchases power that is purchased and distributed by the eight municipalities that operate electric distribution systems. The MMPA's Board of Directors is comprised of one member from each participating entity. Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's purchases of power from the MMPA for the year ended December 31, 2021 were $6,404,278. This agreement became effective on July 1, 1995 and shall remain in effect through October 31, 2040, and if it is not then terminated by at least five years' prior written notice given by either party to the other, it shall continue in full force and effect until so terminated.

NOTE 13 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, will enter into private development and 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 City currently has five agreements that would be considered a tax abatement under GASB Statement No. 77.

In 2006, the City entered into a development agreement with Gervais Court Properties, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City 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 City will make annual installment payments to reimburse the landowner and developer for site acquisition and improvement costs through September 1, 2023. The outstanding principal balance as of December 31, 2021 for this agreement was $54,000 and the City made payments totaling $27,000 in the current year.

In 2009, the City entered into a development agreement with Flex Holding, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. In 2013, the City entered into a second development agreement with Flex Holding, LLC. For both of these agreements, the City 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 City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2022. The outstanding principal balance as of December 31, 2021 for the first agreement was $0 and the City rebated $10,798 in the current year. The outstanding principal balance on the second agreement was $125,000 and the City did not have any rebate in the current year.

In 2013, the City entered into a development agreement with Helen Street Senior Housing, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City 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 City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2032. The outstanding principal balance as of December 31, 2021 for this agreement was $1,911,515 and the City rebated $248,919 in the current year.

In 2019, the City entered into a development agreement with M/I Homes Minneapolis/St. Paul, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City 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 City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2042. The outstanding principal balance as of December 31, 2021 for this agreement was $3,050,000 and the City rebated $31,346 in the current year.

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

- The proposed development or 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 development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;

- The tax increment financing plan conforms to the general plan for the development or 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 development or redevelopment of the project by private enterprise.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

C. Tax Increment Districts

The City's tax increment districts are subject to review by the Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance, which would have a material effect on the financial statements.

NOTE 15 – SUBSEQUENT EVENTS

New Accounting Standards

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH ST. PAUL

North St. Paul Fire Department Relief Association
Schedule of Changes in the City's Net
Pension Liability and Related Ratios
December 31, 2021

	Fiscal Year						
City financial statement year ended December 31,	2015	2016	2017	2018	2019	2020	2021
Measurement period – December 31,	2014	2015	2016	2017	2018	2019	2020
Total pension liability							
Service cost	$ 44,596	$ 49,217	$ 59,100	$ 53,518	$ 53,145	$ 52,189	$ 55,318
Interest	57,027	61,325	68,098	76,514	87,458	82,452	72,689
Differences between expected and actual experience	–	–	37,947	–	(89,257)	–	(89,832)
Changes of assumptions	–	(9,781)	(11,354)	(11,126)	11,318	10,830	53,863
Changes of benefit terms	55,211	89,727	30,905	–	–	–	35,255
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)	–	–	(177,800)	(330,328)
Net change in total pension liability	59,834	107,816	1,613	118,906	62,664	(32,329)	(203,035)
Total pension liability – beginning of year	954,365	1,014,199	1,122,015	1,123,628	1,242,534	1,305,198	1,272,869
Total pension liability – end of year	1,014,199	1,122,015	1,123,628	1,242,534	1,305,198	1,272,869	1,069,834
Plan fiduciary net position							
Contributions – employer	39,982	21,000	22,000	34,504	40,481	22,000	4,950
Contributions – nonemployer (state)	55,788	59,922	60,125	59,121	60,649	63,515	71,317
Projected investment earnings	77,887	28,294	21,230	27,270	25,162	30,826	20,689
Asset gain/(loss)	(2,543)	(66,762)	52,391	152,792	(165,023)	276,812	139,078
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)	–	–	(177,800)	(330,328)
Administrative expenses	(8,700)	(8,950)	(9,350)	(9,500)	(9,700)	(9,950)	(10,150)
Other	–	2,800	1,848	2,259	2,110	2,462	2,979
Net change in plan fiduciary net position	65,414	(46,368)	(34,839)	266,446	(46,321)	207,865	(101,465)
Plan fiduciary net position – beginning of year	1,303,096	1,368,510	1,322,142	1,287,303	1,553,749	1,507,428	1,715,293
Plan fiduciary net position – end of year	1,368,510	1,322,142	1,287,303	1,553,749	1,507,428	1,715,293	1,613,828
Net pension liability (asset)	$ (354,311)	$ (200,127)	$ (163,675)	$ (311,215)	$ (202,230)	$ (442,424)	$ (543,994)
Fiduciary net position as a percentage of the total pension liability	134.94%	117.84%	114.57%	125.05%	115.49%	134.76%	150.85%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

North St. Paul Fire Department Relief Association
Schedule of City Contributions and Nonemployer Contributing Entities
December 31, 2021

	City Contributions			Nonemployer Contribution
Year Ended December 31,	Statutorily Determined Contribution	Actual Contribution	Contribution Excess	State 2% Fire Aid
2014	$ –	$ 39,982	$ 39,982	$ 55,788
2015	–	21,000	21,000	59,922
2016	–	22,000	22,000	60,125
2017	–	34,504	34,504	59,121
2018	–	40,481	40,481	60,649
2019	–	22,000	22,000	63,515
2020	–	4,950	4,950	71,317
2021	–	–	–	76,275

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2021

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0453%	$ 2,347,682	$ –	$ 2,347,682	$ 2,663,600	88.14%	78.20%
12/31/2016	06/30/2016	0.0464%	$ 3,767,450	$ 49,198	$ 3,816,648	$ 2,879,758	130.83%	68.90%
12/31/2017	06/30/2017	0.0449%	$ 2,866,385	$ 36,082	$ 2,902,467	$ 2,889,113	99.21%	75.90%
12/31/2018	06/30/2018	0.0431%	$ 2,391,010	$ 78,405	$ 2,469,415	$ 2,901,027	82.42%	79.50%
12/31/2019	06/30/2019	0.0407%	$ 2,250,212	$ 69,997	$ 2,320,209	$ 2,887,303	77.93%	80.20%
12/31/2020	06/30/2020	0.0424%	$ 2,542,074	$ 78,375	$ 2,620,449	$ 2,979,851	85.31%	79.10%
12/31/2021	06/30/2021	0.0410%	$ 1,750,884	$ 53,402	$ 1,804,286	$ 2,923,369	59.89%	87.00%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2021

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 209,393	$ 209,393	$ –	$ 2,791,911	7.50%
12/31/2016	$ 217,300	$ 217,300	$ –	$ 2,890,723	7.52%
12/31/2017	$ 215,196	$ 215,196	$ –	$ 2,869,280	7.50%
12/31/2018	$ 218,577	$ 218,577	$ –	$ 2,928,097	7.46%
12/31/2019	$ 216,451	$ 216,451	$ –	$ 2,886,215	7.50%
12/31/2020	$ 227,088	$ 227,088	$ –	$ 3,027,832	7.50%
12/31/2021	$ 220,066	$ 220,066	$ –	$ 2,934,208	7.50%

Note: 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.

PERA – Public Employees Police and Fire Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2021

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.1610%	$ 1,829,337	$ –	$ 1,829,337	$ 1,464,630	124.90%	86.60%
12/31/2016	06/30/2016	0.1620%	$ 6,501,343	$ –	$ 6,501,343	$ 1,560,254	416.68%	63.90%
12/31/2017	06/30/2017	0.1580%	$ 2,133,189	$ –	$ 2,133,189	$ 1,620,507	131.64%	85.40%
12/31/2018	06/30/2018	0.1559%	$ 1,661,734	$ –	$ 1,661,734	$ 1,643,072	101.14%	88.80%
12/31/2019	06/30/2019	0.1612%	$ 1,716,138	$ –	$ 1,716,138	$ 1,700,395	100.93%	89.30%
12/31/2020	06/30/2020	0.1528%	$ 2,014,069	$ 47,448	$ 2,061,517	$ 1,722,778	116.91%	87.20%
12/31/2021	06/30/2021	0.1458%	$ 1,125,423	$ 50,578	$ 1,176,001	$ 1,722,082	65.35%	93.70%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2021

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 236,884	$ 236,884	$ –	$ 1,462,066	16.20%
12/31/2016	$ 263,721	$ 263,721	$ –	$ 1,627,910	16.20%
12/31/2017	$ 263,983	$ 263,983	$ –	$ 1,629,522	16.20%
12/31/2018	$ 268,898	$ 268,898	$ –	$ 1,660,140	16.20%
12/31/2019	$ 289,482	$ 289,482	$ –	$ 1,707,735	16.95%
12/31/2020	$ 309,731	$ 309,731	$ –	$ 1,748,712	17.71%
12/31/2021	$ 317,544	$ 317,544	$ –	$ 1,793,418	17.71%

Note: 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.

CITY OF NORTH ST. PAUL

Other Post-Employment Benefits Plan
Schedule of Changes in the City's Total
OPEB Liability and Related Ratios
Year Ended December 31, 2021

	Fiscal Year			
City financial statement year ended December 31,	2018	2019	2020	2021
Measurement period – December 31,	2017	2018	2019	2020
Total OPEB liability				
Service cost	$ 19,631	$ 22,435	$ 22,226	$ 12,810
Interest	20,889	18,864	20,614	7,306
Differences between expected and actual experience	–	–	(338,228)	4,065
Changes of assumptions	16,149	(12,602)	54,180	11,066
Benefit payments	(37,784)	(37,868)	(47,650)	(31,014)
Net change in total OPEB liability	18,885	(9,171)	(288,858)	4,233
Total OPEB liability – beginning of year	547,523	566,408	557,237	268,379
Total OPEB liability – end of year	$ 566,408	$ 557,237	$ 268,379	$ 272,612
Covered payroll	$ 4,088,418	$ 4,215,283	$ 4,543,426	$ 4,690,819
Total OPEB liability as a percentage of covered payroll	13.9%	13.2%	5.9%	5.8%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

NORTH ST. PAUL FIRE DEPARTMENT RELIEF ASSOCIATION

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate decreased from 6.25 percent to 5.25 percent.
- The inflation rate decreased from 2.50 percent to 2.25 percent.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation.

2021 CHANGES IN PLAN PROVISIONS

- The lump sum pension increased from $5,200 per year of service to $5,400 per year of service.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate decreased from 6.50 percent to 6.25 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate decreased from 6.75 percent to 6.50 percent.
- The inflation rate decreased from 2.75 percent to 2.50 percent.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate increased from 6.50 percent to 6.75 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate increased from 6.25 percent to 6.50 percent.

2017 CHANGES IN PLAN PROVISIONS

- The lump sum pension increased from $5,000 per year of service to $5,200 per year of service.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate increased from 6.00 percent to 6.25 percent.

2016 CHANGES IN PLAN PROVISIONS

- The lump sum pension increased from $4,300 per year of service to $5,000 per year of service.

2015 CHANGES IN PLAN PROVISIONS

- The lump sum pension increased from $4,000 per year of service to $4,300 per year of service.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 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 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 two through five, 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 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 IN ACTUARIAL ASSUMPTIONS

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

2018 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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 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 IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 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 $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2021 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 IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent 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 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 CHANGES 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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested 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 3.00 percent 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 65.00 percent to 60.00 percent.
- 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 post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.75 percent to 2.00 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.71 percent to 2.75 percent.
- Assumed retirement age for nonpolice employees was changed from 64 to 62.
- The inflation assumption was changed from 2.75 percent to 2.25 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.31 percent to 3.71 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.31 percent.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

The statements that follow are to provide further detail and support additional analysis for the City's nonmajor special revenue, debt service, and capital projects funds.

CITY OF NORTH ST. PAUL

Statement 11

Nonmajor Governmental Funds
Combining Balance Sheet
as of December 31, 2021

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	$ 2,628,401	$ 2,691,395	$ 6,193,388	$ 11,513,184
Cash and investments restricted for debt service	–	980,000	–	980,000
Receivables				
Interest	3,953	8,685	20,317	32,955
Accounts	44,466	–	131,320	175,786
Loan	76,528	–	–	76,528
Taxes	77,627	5,263	–	82,890
Special assessments	–	834,486	183,124	1,017,610
Prepaid items	102	–	–	102
Assets held for resale	924,188	–	–	924,188
Total assets	$ 3,755,265	$ 4,519,829	$ 6,528,149	$ 14,803,243
Liabilities				
Accounts and contracts payable	$ 219,628	$ 9,471	$ 246,658	$ 475,757
Due to other governments	801	–	–	801
Unearned revenue	683,342	–	10,260	693,602
Advance from other funds	1,480,345	–	–	1,480,345
Total liabilities	2,384,116	9,471	256,918	2,650,505
Deferred inflows of resources				
Unavailable revenue – loan receivable	76,528	–	–	76,528
Unavailable revenue – property taxes	59,004	876	–	59,880
Unavailable revenue – special assessments	–	824,015	182,652	1,006,667
Total deferred inflows of resources	135,532	824,891	182,652	1,143,075
Fund balances (deficits)				
Nonspendable	102	–	–	102
Restricted	2,429,775	3,685,467	117,574	6,232,816
Committed	–	–	4,188,953	4,188,953
Assigned	267,510	–	1,782,052	2,049,562
Unassigned	(1,461,770)	–	–	(1,461,770)
Total fund balances	1,235,617	3,685,467	6,088,579	11,009,663
Total liabilities, deferred inflows of resources, and fund balances	$ 3,755,265	$ 4,519,829	$ 6,528,149	$ 14,803,243

Statement 12

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2021

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Taxes	$ 793,378	$ 1,654,589	$ –	$ 2,447,967
Special assessments	–	146,748	56,902	203,650
Intergovernmental	–	–	407,009	407,009
Charges for services	144,839	–	–	144,839
Investment earnings (charges)	(1,385)	(2,389)	(312)	(4,086)
Other	132,819	–	178,956	311,775
Total revenue	1,069,651	1,798,948	642,555	3,511,154
Expenditures				
Current				
General government	40,753	–	–	40,753
Parks and recreation	51,562	–	–	51,562
Economic development	429,425	–	–	429,425
Capital outlay	–	–	512,072	512,072
Debt service				
Principal	–	2,342,426	–	2,342,426
Interest and fiscal charges	57,450	555,430	–	612,880
Total expenditures	579,190	2,897,856	512,072	3,989,118
Excess (deficiency) of revenues over expenditures	490,461	(1,098,908)	130,483	(477,964)
Other financing sources (uses)				
Refunding bonds issued	–	960,000	–	960,000
Premium on bonds issued	–	45,928	–	45,928
Transfers in	–	52,658	50,000	102,658
Transfers out	(72,658)	–	–	(72,658)
Total other financing sources (uses)	(72,658)	1,058,586	50,000	1,035,928
Net change in fund balances	417,803	(40,322)	180,483	557,964
Fund balances				
Beginning of year	817,814	3,725,789	5,908,096	10,451,699
End of year	$ 1,235,617	$ 3,685,467	$ 6,088,579	$ 11,009,663

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NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes.

Nonmajor special revenue funds presently established are as follows:

- **Housing Redevelopment Authority Fund** – Administers the resources for the rehabilitation of various blighted properties within the City.
- **Community Center Fund** – Administers the resources received and expended for the Community Center.
- **Police Forfeiture Fund** – Administers the resources received through court ordered forfeitures.
- **TIF 4-5 Reflex Medical Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-4 Charles Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-6 Helen Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-7 Anchor Block South Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-8 7th and Margaret Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-9 Margaret Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-10 Anchor Block North – Soils Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **Cable PEG Fees Fund** – Administers the resources received and expended for PEG access facilities and equipment.
- **Pandemic Response Fund** – Administers the resources received and expended for the COVID-19 pandemic.

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2021

	101 Housing Redevelopment Authority	002 Community Center	026 Police Forfeiture	039 TIF 4-5 Reflex Medical Tax Increment	046 TIF 4-4 Charles Street Tax Increment
Assets					
Cash and investments	$ 420,247	$ 165,722	$ 111,642	$ 57,029	$ 311,258
Receivables					
Interest	558	400	376	80	1,089
Accounts	748	–	–	–	–
Loan	76,528	–	–	–	–
Taxes	7,995	–	–	–	31,649
Prepaid items	–	–	–	–	–
Assets held for resale	924,188	–	–	–	–
Total assets	$ 1,430,264	$ 166,122	$ 112,018	$ 57,109	$ 343,996
Liabilities					
Accounts and contracts payable	$ 3,010	$ 6,304	$ –	$ –	$ –
Due to other governments	791	10	–	–	–
Unearned revenue	–	–	–	–	–
Advance from other funds	–	–	–	–	–
Total liabilities	3,801	6,314	–	–	–
Deferred inflows of resources					
Unavailable revenue – loan receivable	76,528	–	–	–	–
Unavailable revenue – property taxes	3,540	–	–	–	17,481
Total deferred inflows of resources	80,068	–	–	–	17,481
Fund balances (deficits)					
Nonspendable	–	–	–	–	–
Restricted for Housing Redevelopment Authority	1,346,395	–	–	–	–
Restricted for tax increment	–	–	–	57,109	326,515
Restricted for police forfeiture	–	–	112,018	–	–
Restricted for cable PEG fees	–	–	–	–	–
Assigned for community center	–	159,808	–	–	–
Assigned for pandemic response	–	–	–	–	–
Unassigned	–	–	–	–	–
Total fund balances (deficits)	1,346,395	159,808	112,018	57,109	326,515
Total liabilities, deferred inflows of resources, and fund balances	$ 1,430,264	$ 166,122	$ 112,018	$ 57,109	$ 343,996

Statement 13

032 TIF 4-6 Helen Street Tax Increment	207 TIF 4-7 Anchor Block South – Tax Increment	208 TIF 4-8 7th and Margaret Street Tax Increment	209 TIF 4-9 Margaret Street Tax Increment	211 TIF 4-10 Anchor Block North – Soils Tax Increment	235 Cable PEG Fees	299 Pandemic Response	Total
$ 581,159	$ 37,551	$ 111,896	$ –	$ –	$ 4,824	$ 827,073	$ 2,628,401
1,377	73	–	–	–	–	–	3,953
–	–	–	–	18,575	25,143	–	44,466
–	–	–	–	–	–	–	76,528
–	37,983	–	–	–	–	–	77,627
–	–	–	–	–	–	102	102
–	–	–	–	–	–	–	924,188
$ 582,536	$ 75,607	$ 111,896	$ –	$ 18,575	$ 29,967	$ 827,175	$ 3,755,265
$ 136,896	$ 31,346	$ 4,496	$ –	$ –	$ 1,547	$ 36,029	$ 219,628
–	–	–	–	–	–	–	801
–	–	–	–	–	–	683,342	683,342
–	–	–	30,431	1,449,914	–	–	1,480,345
136,896	31,346	4,496	30,431	1,449,914	1,547	719,371	2,384,116
–	–	–	–	–	–	–	76,528
–	37,983	–	–	–	–	–	59,004
–	37,983	–	–	–	–	–	135,532
–	–	–	–	–	–	102	102
–	–	–	–	–	–	–	1,346,395
445,640	6,278	107,400	–	–	–	–	942,942
–	–	–	–	–	–	–	112,018
–	–	–	–	–	28,420	–	28,420
–	–	–	–	–	–	–	159,808
–	–	–	–	–	–	107,702	107,702
–	–	–	(30,431)	(1,431,339)	–	–	(1,461,770)
445,640	6,278	107,400	(30,431)	(1,431,339)	28,420	107,804	1,235,617
$ 582,536	$ 75,607	$ 111,896	$ –	$ 18,575	$ 29,967	$ 827,175	$ 3,755,265

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2021

	101	002	026	039	046
	Housing Redevelopment Authority	Community Center	Police Forfeiture	TIF 4-5 Reflex Medical Tax Increment	TIF 4-4 Charles Street Tax Increment
Revenues					
Taxes	$ 189,845	$ –	$ –	$ 58,882	$ 127,341
Charges for services	–	144,839	–	–	–
Investment earnings (charges)	(290)	49	(10)	14	55
Other	87,569	–	–	–	–
Total revenues	277,124	144,888	(10)	58,896	127,396
Expenditures					
Current					
General government	–	–	–	–	–
Parks and recreation	–	51,562	–	–	–
Economic development	50,095	–	–	11,384	27,890
Debt service					
Interest and fiscal charges	–	–	–	–	–
Total expenditures	50,095	51,562	–	11,384	27,890
Excess (deficiency) of revenues over expenditures	227,029	93,326	(10)	47,512	99,506
Other financing sources (uses)					
Transfers out	(20,000)	–	–	–	(52,658)
Net change in fund balances	207,029	93,326	(10)	47,512	46,848
Fund balances (deficits)					
Beginning of year	1,139,366	66,482	112,028	9,597	279,667
End of year	$ 1,346,395	$ 159,808	$ 112,018	$ 57,109	$ 326,515

032 TIF 4-6 Helen Street Tax Increment	**207** TIF 4-7 Anchor Block South – Tax Increment	**208** TIF 4-8 7th and Margaret Street Tax Increment	**209** TIF 4-9 Margaret Street Tax Increment	**211** TIF 4-10 Anchor Block North – Soils Tax Increment	**235** Cable PEG Fees	**299** Pandemic Response	Total
$ 331,990	$ 34,829	$ –	$ –	$ –	$ 50,491	$ –	$ 793,378
–	–	–	–	–	–	–	144,839
92	17	(256)	–	–	(21)	(1,035)	(1,385)
–	–	–	–	31,852	–	13,398	132,819
332,082	34,846	(256)	–	31,852	50,470	12,363	1,069,651
–	–	–	–	–	22,050	18,703	40,753
–	–	–	–	–	–	–	51,562
224,447	33,019	78,213	–	4,377	–	–	429,425
–	–	200	1,171	56,079	–	–	57,450
224,447	33,019	78,413	1,171	60,456	22,050	18,703	579,190
107,635	1,827	(78,669)	(1,171)	(28,604)	28,420	(6,340)	490,461
–	–	–	–	–	–	–	(72,658)
107,635	1,827	(78,669)	(1,171)	(28,604)	28,420	(6,340)	417,803
338,005	4,451	186,069	(29,260)	(1,402,735)	–	114,144	817,814
$ 445,640	$ 6,278	$ 107,400	$ (30,431)	$ (1,431,339)	$ 28,420	$ 107,804	$ 1,235,617

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NONMAJOR DEBT SERVICE FUNDS

Nonmajor debt service funds are used to account for the accumulation of resources for and the payment of principal, interest, and related costs on long-term general obligation debt of governmental funds. The individual nonmajor debt service funds are presented to distinguish between the various bond issues.

CITY OF NORTH ST. PAUL

Nonmajor Debt Service Funds
Combining Balance Sheet
as of December 31, 2021

	076	183	184	045	078
	G.O. Tax Abatement Bonds of 2004A	G.O. Building Refunding Bonds of 2012A	G.O. Bonds of 2014A	Penn Place TIF G.O. Refunding Bonds of 2015A	Charles Street TIF G.O. Refunding Bonds of 2015A
Assets					
Cash and investments	$ 46,466	$ 105,717	$ 364,873	$ 240,909	$ 40
Cash and investments restricted for debt service	–	–	–	–	–
Receivables					
Interest	157	2,054	811	553	–
Taxes	–	–	–	5,263	–
Special assessments	–	–	173,513	–	–
Total assets	$ 46,623	$ 107,771	$ 539,197	$ 246,725	$ 40
Liabilities					
Accounts and contracts payable	$ –	$ 200	$ 50	$ 40	$ 40
Deferred inflows of resources					
Unavailable revenue – property taxes	–	–	–	876	–
Unavailable revenue – special assessments	–	–	170,540	–	–
Total deferred inflows of resources	–	–	170,540	876	–
Fund balances					
Restricted for debt service	46,623	107,571	368,607	245,809	–
Total liabilities, deferred inflows of resources, and fund balances	$ 46,623	$ 107,771	$ 539,197	$ 246,725	$ 40

071 G.O. Bonds of 2016A	075 G.O. Abatement Bonds of 2016A	084 G.O. Capital Improvement Plan Refunding Bonds of 2016B	074 G.O. Bonds of 2017A	309 G.O. Bonds of 2018A	308 G.O. TIF Bonds Uptown Commons of 2020A	321 G.O. Refunding Bonds of 2021A	Total
$ 306,121	$ 37,893	$ 810,251	$ 240,910	$ 437,273	$ 86,947	$ 13,995	$ 2,691,395
–	–	–	–	–	–	980,000	980,000
631	162	1,749	639	1,929	–	–	8,685
–	–	–	–	–	–	–	5,263
260,661	–	–	158,787	241,525	–	–	834,486
$ 567,413	$ 38,055	$ 812,000	$ 400,336	$ 680,727	$ 86,947	$ 993,995	$ 4,519,829
$ 50	$ –	$ 200	$ 67	$ 50	$ –	$ 8,774	$ 9,471
–	–	–	–	–	–	–	876
257,870	–	–	154,738	240,867	–	–	824,015
257,870	–	–	154,738	240,867	–	–	824,891
309,493	38,055	811,800	245,531	439,810	86,947	985,221	3,685,467
$ 567,413	$ 38,055	$ 812,000	$ 400,336	$ 680,727	$ 86,947	$ 993,995	$ 4,519,829

CITY OF NORTH ST. PAUL

Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2021

	076 G.O. Tax Abatement Bonds of 2004A	183 G.O. Building Refunding Bonds of 2012A	184 G.O. Bonds of 2014A	045 Penn Place TIF G.O. Refunding Bonds of 2015A	078 Charles Street TIF G.O. Refunding Bonds of 2015A
Revenues					
Taxes	$ –	$ 435,852	$ 164,762	$ 129,987	$ –
Special assessments	–	–	37,839	–	–
Investment earnings (charges)	(4)	(398)	(318)	(102)	–
Total revenues	(4)	435,454	202,283	129,885	–
Expenditures					
Debt service					
Principal retirement	–	1,195,000	175,000	60,000	40,000
Interest and fiscal charges	–	25,138	34,390	15,670	12,658
Total expenditures	–	1,220,138	209,390	75,670	52,658
Excess (deficiency) of revenues over expenditures	(4)	(784,684)	(7,107)	54,215	(52,658)
Other financing sources					
Refunding bonds issued	–	–	–	–	–
Premium on bonds issued	–	–	–	–	–
Transfers in	–	–	–	–	52,658
Total other financing sources	–	–	–	–	52,658
Net change in fund balances	(4)	(784,684)	(7,107)	54,215	–
Fund balances					
Beginning of year	46,627	892,255	375,714	191,594	–
End of year	$ 46,623	$ 107,571	$ 368,607	$ 245,809	$ –

071 G.O. Bonds of 2016A	075 G.O. Abatement Bonds of 2016A	084 G.O. Capital Improvement Plan Refunding Bonds of 2016B	074 G.O. Bonds of 2017A	309 G.O. Bonds of 2018A	308 G.O. TIF Bonds Uptown Commons of 2020A	321 G.O. Refunding Bonds of 2021A	Total
$ 158,726	$ –	$ 454,755	$ 63,067	$ 247,440	$ –	$ –	$ 1,654,589
45,048	–	–	30,889	32,972	–	–	146,748
(300)	(118)	(708)	(126)	(351)	23	13	(2,389)
203,474	(118)	454,047	93,830	280,061	23	13	1,798,948
170,000	55,000	395,000	62,426	190,000	–	–	2,342,426
43,694	24,124	40,800	23,994	125,950	188,292	20,720	555,430
213,694	79,124	435,800	86,420	315,950	188,292	20,720	2,897,856
(10,220)	(79,242)	18,247	7,410	(35,889)	(188,269)	(20,707)	(1,098,908)
–	–	–	–	–	–	960,000	960,000
–	–	–	–	–	–	45,928	45,928
–	–	–	–	–	–	–	52,658
–	–	–	–	–	–	1,005,928	1,058,586
(10,220)	(79,242)	18,247	7,410	(35,889)	(188,269)	985,221	(40,322)
319,713	117,297	793,553	238,121	475,699	275,216	–	3,725,789
$ 309,493	$ 38,055	$ 811,800	$ 245,531	$ 439,810	$ 86,947	$ 985,221	$ 3,685,467

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NONMAJOR CAPITAL PROJECTS FUNDS

Nonmajor capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Nonmajor capital projects funds presently established are as follows:

- **Park Fund** – Administers the resources for the improvement of the parks.
- **Park Dedication Fund** – Administers the resources for park dedication fees collected.
- **Permanent Improvement Revolving Fund** – Administers the resources for city street projects that do not involve bonded financing.
- **Asset Preservation Fund** – Administers resources for one-time projects and/or capital expenditures that reinvest in the community.
- **Street Maintenance Fund** – Administers local government aid resources to be used for street maintenance projects associated with street upgrades and preservation.
- **Street Improvement Revolving Fund** – Administers the resources for street improvement projects.

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Balance Sheet
as of December 31, 2021

	063 Park	034 Park Dedication	061 Permanent Improvement Revolving	010 Asset Preservation
Assets				
Cash and investments	$ 484,933	$ 243,196	$ 404,361	$ 1,668,663
Receivables				
Interest	1,257	738	1,343	5,633
Accounts	1,840	–	–	–
Special assessments	–	–	14,112	–
Total assets	$ 488,030	$ 243,934	$ 419,816	$ 1,674,296
Liabilities				
Accounts and contracts payable	$ 12,350	$ –	$ –	$ –
Unearned revenue	10,260	–	–	–
Total liabilities	22,610	–	–	–
Deferred inflows of resources				
Unavailable revenue – special assessments	–	–	13,927	–
Fund balances				
Restricted for street improvements	–	–	–	–
Committed for asset preservation	–	–	–	1,674,296
Committed for street maintenance	–	–	–	–
Assigned for permanent improvement revolving	–	–	405,889	–
Assigned for park improvements	465,420	243,934	–	–
Assigned for street improvements	–	–	–	–
Total fund balances	465,420	243,934	405,889	1,674,296
Total liabilities, deferred inflows of resources, and fund balances	$ 488,030	$ 243,934	$ 419,816	$ 1,674,296

011 Street Maintenance	022 Street Improvement Revolving	Total
$ 2,506,375	$ 885,860	$ 6,193,388
8,282	3,064	20,317
–	129,480	131,320
–	169,012	183,124
$ 2,514,657	$ 1,187,416	$ 6,528,149
$ –	$ 234,308	$ 246,658
–	–	10,260
–	234,308	256,918
–	168,725	182,652
–	117,574	117,574
–	–	1,674,296
2,514,657	–	2,514,657
–	–	405,889
–	–	709,354
–	666,809	666,809
2,514,657	784,383	6,088,579
$ 2,514,657	$ 1,187,416	$ 6,528,149

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2021

	063 Park	**034** Park Dedication	**061** Permanent Improvement Revolving	**010** Asset Preservation
Revenues				
Special assessment	$ –	$ –	$ 8,520	$ –
Intergovernmental	100,000	–	–	–
Investment earnings (charges)	(55)	155	(29)	(149)
Other				
Donations	2,126	–	–	–
Miscellaneous	55,330	121,500	–	–
Total revenues	157,401	121,655	8,491	(149)
Expenditures				
Capital outlay	8,796	–	–	7,796
Excess (deficiency) of revenues over expenditures	148,605	121,655	8,491	(7,945)
Other financing sources				
Transfers in	–	–	–	–
Net change in fund balances	148,605	121,655	8,491	(7,945)
Fund balances				
Beginning of year	316,815	122,279	397,398	1,682,241
End of year	$ 465,420	$ 243,934	$ 405,889	$ 1,674,296

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011 Street Maintenance	022 Street Improvement Revolving	Total
$ –	$ 48,382	$ 56,902
307,009	–	407,009
(67)	(167)	(312)
–	–	2,126
–	–	176,830
306,942	48,215	642,555
186,977	308,503	512,072
119,965	(260,288)	130,483
50,000	–	50,000
169,965	(260,288)	180,483
2,344,692	1,044,671	5,908,096
$ 2,514,657	$ 784,383	$ 6,088,579

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GENERAL FUND

The General Fund accounts for revenue and expenditures used to carryout basic governmental activities of the City, such as general government, public safety, public works, and parks and recreation. Revenues are recorded by source (i.e., taxes, licenses and permits, fines and forfeits, service charges, etc.). General Fund expenditures are primarily for current day-to-day operations and operating equipment, and are recorded by major functional classifications and by operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

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CITY OF NORTH ST. PAUL

Statement 19
Page 1 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes				
Property taxes				
Current	$ 3,966,844	$ 4,024,769	$ 57,925	$ 3,996,848
Delinquent	(25,000)	10,239	35,239	9,669
Electric franchise	280,000	277,684	(2,316)	275,660
Gas franchise	85,000	100,598	15,598	83,977
Cable franchise	75,000	112,201	37,201	78,198
Total taxes	4,381,844	4,525,491	143,647	4,444,352
Special assessments	–	2,485	2,485	4,783
Licenses and permits				
Liquor and beer licenses	42,000	37,725	(4,275)	875
Cigarette licenses	2,000	2,400	400	2,100
Contractor licenses	10,000	8,495	(1,505)	8,189
Garbage haulers licenses	3,000	3,520	520	1,320
Miscellaneous licenses	8,500	23,535	15,035	12,612
Building permits	200,000	470,636	270,636	434,422
Electrical inspections	20,000	24,556	4,556	53,634
Heating and air conditioning permits	35,000	61,640	26,640	44,538
Plumbing permits	15,000	22,613	7,613	38,010
Animal licenses	–	–	–	450
Rental inspection	25,000	35,463	10,463	23,890
Miscellaneous permits	150	6,635	6,485	10,346
Total licenses and permits	360,650	697,218	336,568	630,386
Intergovernmental				
Local Government Aid	1,381,596	1,381,596	–	1,377,186
State aid police	130,000	158,572	28,572	144,128
State aid fire	55,000	76,275	21,275	67,317
Liaison officer	73,080	79,691	6,611	74,160
Federal grants	–	–	–	410,884
Other grants	19,000	57,772	38,772	39,856
Total intergovernmental	1,658,676	1,753,906	95,230	2,113,531

(continued)

Statement 19
Page 2 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues (continued)				
Charges for services				
Administration charges	12,000	19,049	7,049	15,661
Searches	4,000	5,130	1,130	4,940
Recreation	15,000	13,823	(1,177)	8,082
Total charges for services	31,000	38,002	7,002	28,683
Fines and forfeits	33,000	30,805	(2,195)	27,025
Investment earnings	3,500	9	(3,491)	26,490
Other				
Antenna income	201,242	232,770	31,528	254,563
Donations	–	4,300	4,300	–
Sales of property	–	2,382	2,382	1,350
Miscellaneous	14,000	23,376	9,376	26,197
Total other	215,242	262,828	47,586	282,110
Total revenues	6,683,912	7,310,744	626,832	7,557,360
Expenditures				
Current				
General government				
City Council				
Personal services	27,700	23,858	(3,842)	32,725
Materials and supplies	150	195	45	20
Contractual services	81,755	66,231	(15,524)	73,594
Other	–	–	–	935
Total City Council	109,605	90,284	(19,321)	107,274
Administration				
Personal services	180,253	151,699	(28,554)	264,856
Materials and supplies	1,000	1,019	19	825
Contractual services	297,389	294,007	(3,382)	277,653
Capital outlay	–	205	205	1,873
Total administration	478,642	446,930	(31,712)	545,207

(continued)

Statement 19
Page 3 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
General government (continued)				
Finance				
Personal services	272,414	269,826	(2,588)	227,855
Materials and supplies	1,841	674	(1,167)	1,112
Contractual services	66,608	48,597	(18,011)	42,683
Total finance	340,863	319,097	(21,766)	271,650
Elections				
Contractual services	31,364	35,409	4,045	26,524
Community events				
Contractual services	–	6,312	6,312	–
Community services				
Personal services	165,840	162,031	(3,809)	171,704
Materials and supplies	2,890	3,193	303	4,179
Contractual services	129,315	112,309	(17,006)	96,637
Capital outlay	–	205	205	1,791
Total community services	298,045	277,738	(20,307)	274,311
Total general government	1,258,519	1,175,770	(82,749)	1,224,966
Public safety				
Police protection				
Personal services	2,438,214	2,566,251	128,037	2,456,377
Materials and supplies	86,300	97,984	11,684	76,118
Contractual services	560,747	547,549	(13,198)	563,212
Capital outlay	4,200	5,604	1,404	16,899
Total police protection	3,089,461	3,217,388	127,927	3,112,606

(continued)

Statement 19
Page 4 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Fire				
Personal services	753,652	651,989	(101,663)	619,092
Materials and supplies	56,320	58,748	2,428	52,154
Contractual services	276,875	282,492	5,617	282,460
Capital outlay	–	205	205	1,791
Total fire	1,086,847	993,434	(93,413)	955,497
Inspections				
Materials and supplies	–	–	–	137
Contractual services	221,501	339,338	117,837	557,223
Total inspections	221,501	339,338	117,837	557,360
Total public safety	4,397,809	4,550,160	152,351	4,625,463
Public works				
Street maintenance				
Personal services	485,605	467,424	(18,181)	428,223
Materials and supplies	185,190	149,727	(35,463)	141,725
Contractual services	312,508	303,992	(8,516)	303,524
Capital outlay	–	–	–	6,926
Total street maintenance	983,303	921,143	(62,160)	880,398
Urban forestry				
Personal services	110,677	105,496	(5,181)	102,948
Materials and supplies	14,571	10,569	(4,002)	9,701
Contractual services	47,118	43,785	(3,333)	54,442
Capital outlay	45,000	24,159	(20,841)	22,437
Total urban forestry	217,366	184,009	(33,357)	189,528
Total public works	1,200,669	1,105,152	(95,517)	1,069,926

(continued)

Statement 19
Page 5 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Parks and recreation				
Parks maintenance				
Personal services	231,890	214,580	(17,310)	200,011
Materials and supplies	80,850	74,625	(6,225)	58,555
Contractual services	231,910	105,037	(126,873)	92,748
Capital outlay	25,000	–	(25,000)	30,135
Total parks maintenance	569,650	394,242	(175,408)	381,449
Recreation				
Personal services	–	–	–	134,722
Materials and supplies	9,400	–	(9,400)	8,095
Contractual services	7,865	618	(7,247)	9,207
Total recreation	17,265	618	(16,647)	152,024
Total parks and recreation	586,915	394,860	(192,055)	533,473
Total expenditures	7,443,912	7,225,942	(217,970)	7,453,828
Excess (deficiency) of revenues over expenditures	(760,000)	84,802	844,802	103,532
Other financing sources (uses)				
Transfers in	810,000	810,000	–	845,317
Transfers out	(50,000)	(50,000)	–	(460,884)
Total other financing sources (uses)	760,000	760,000	–	384,433
Net change in fund balances	–	844,802	844,802	487,965
Fund balance				
Beginning of year	2,843,542	2,843,542	–	2,355,577
End of year	$ 2,843,542	$ 3,688,344	$ 844,802	$ 2,843,542

Statement 20

General Fund
Balance Sheet by Account
as of December 31, 2021

	General Revenue	Community Event	Fire Relief	Total
Assets				
Cash and investments	$ 4,004,789	$ 66,948	$ 118,105	$ 4,189,842
Receivables				
Interest	10,004	201	218	10,423
Accounts	220,580	–	–	220,580
Taxes	122,193	–	–	122,193
Special assessments	2,664	–	–	2,664
Prepaid items	51,096	–	–	51,096
Advance to other funds	30,431	–	–	30,431
Total assets	$ 4,441,757	$ 67,149	$ 118,323	$ 4,627,229
Liabilities				
Accounts and contracts payable	$ 221,077	$ –	$ 76,275	$ 297,352
Accrued salaries and employee benefits payable	162,383	–	–	162,383
Due to other governments	19,202	–	–	19,202
Customer deposits	305,499	–	–	305,499
Unearned revenue	97,135	–	–	97,135
Total liabilities	805,296	–	76,275	881,571
Deferred inflows of resources				
Unavailable revenue – property taxes	54,747	–	–	54,747
Unavailable revenue – special assessments	2,567	–	–	2,567
Total deferred inflows of resources	57,314	–	–	57,314
Fund balances				
Nonspendable	81,527	–	–	81,527
Assigned	–	67,149	42,048	109,197
Unassigned	3,497,620	–	–	3,497,620
Total fund balances	3,579,147	67,149	42,048	3,688,344
Total liabilities, deferred inflows of resources, and fund balances	$ 4,441,757	$ 67,149	$ 118,323	$ 4,627,229

Statement 21

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances by Account
Year Ended December 31, 2021

	General Revenue	Community Event	Fire Relief	Total
Revenue				
Taxes	$ 4,525,491	$ –	$ –	$ 4,525,491
Special assessments	2,485	–	–	2,485
Licenses and permits	697,218	–	–	697,218
Intergovernmental	1,748,906	–	5,000	1,753,906
Charges for services	25,829	12,173	–	38,002
Fines and forfeits	30,805	–	–	30,805
Investment earnings (charges)	14	(7)	2	9
Other	262,828	–	–	262,828
Total revenue	7,293,576	12,166	5,002	7,310,744
Expenditures				
Current				
General government	1,169,458	6,312	–	1,175,770
Public safety	4,468,936	–	81,224	4,550,160
Public works	1,105,152	–	–	1,105,152
Parks and recreation	394,860	–	–	394,860
Total expenditures	7,138,406	6,312	81,224	7,225,942
Excess (deficiency) of revenues over expenditures	155,170	5,854	(76,222)	84,802
Other financing sources (uses)				
Transfers in	719,000	–	91,000	810,000
Transfers out	(50,000)	–	–	(50,000)
Total other financing sources (uses)	669,000	–	91,000	760,000
Net change in fund balances	824,170	5,854	14,778	844,802
Fund balances				
Beginning of year	2,754,977	61,295	27,270	2,843,542
End of year	$ 3,579,147	$ 67,149	$ 42,048	$ 3,688,344

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HOUSING REDEVELOPMENT AUTHORITY FUND

The Housing Redevelopment Authority Fund administers the resources for the rehabilitation of various blighted properties within the City.

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Statement 22

Housing Redevelopment Authority
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes	$ 188,456	$ 189,845	$ 1,389	$ 168,207
Investment earnings (charges)	–	(290)	(290)	4,303
Other	275,000	87,569	(187,431)	66,406
Total revenues	463,456	277,124	(186,332)	238,916
Expenditures				
Current				
Economic development	565,045	50,095	(514,950)	172,746
Excess (deficiency) of revenues over expenditures	(101,589)	227,029	328,618	66,170
Other financing sources (uses)				
Transfers out	(20,000)	(20,000)	–	(20,000)
Net change in fund balances	(121,589)	207,029	328,618	46,170
Fund balance				
Beginning of year	1,139,366	1,139,366	–	1,093,196
End of year	$ 1,017,777	$ 1,346,395	$ 328,618	$ 1,139,366

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INTERNAL SERVICE FUNDS

Internal service funds 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. The City utilizes an Equipment Internal Service Fund, a City Mechanic Internal Service Fund, an Insurance Internal Service Fund, an Information Technology Internal Service Fund, and a Building Maintenance Internal Service Fund in managing city operations.

Statement 23

Internal Service Funds
Combining Statement of Net Position
as of December 31, 2021

	097 Equipment	098 City Mechanic	096 Insurance	095 Information Technology	099 Building Maintenance	Total
Assets						
Current assets						
Cash and investments	$ 3,359,993	$ 36,426	$ 100,690	$ 160,952	$ 140,369	$ 3,798,430
Receivables						
Interest	11,476	–	172	321	231	12,200
Accounts	–	–	52,448	–	–	52,448
Prepaid items	–	–	70,363	–	2,506	72,869
Total current assets	3,371,469	36,426	223,673	161,273	143,106	3,935,947
Noncurrent assets						
Capital assets						
Furniture and equipment	3,290,470	–	–	–	–	3,290,470
Less accumulated depreciation	(1,884,436)	–	–	–	–	(1,884,436)
Total capital assets	1,406,034	–	–	–	–	1,406,034
Total assets	$ 4,777,503	$ 36,426	$ 223,673	$ 161,273	$ 143,106	$ 5,341,981
Current liabilities						
Accounts and contracts payable	$ 47,200	$ 1,802	$ 1,487	$ –	$ 35,630	$ 86,119
Accrued salaries and employee benefits payable	–	319	–	–	–	319
Due to other governments	–	–	–	–	20	20
Total current liabilities	47,200	2,121	1,487	–	35,650	86,458
Net position						
Investment in capital assets	1,406,034	–	–	–	–	1,406,034
Unrestricted	3,324,269	34,305	222,186	161,273	107,456	3,849,489
Total net position	4,730,303	34,305	222,186	161,273	107,456	5,255,523
Total liabilities and net position	$ 4,777,503	$ 36,426	$ 223,673	$ 161,273	$ 143,106	$ 5,341,981

CITY OF NORTH ST. PAUL

Statement 24

Internal Service Funds
Combining Statement of Revenues,
Expenses, and Changes in Net Position
Year Ended December 31, 2021

	097 Equipment	098 City Mechanic	096 Insurance	095 Information Technology	099 Building Maintenance	Total
Operating revenues						
Charges for services	$ 627,363	$ 42,620	$ 470,828	$ 398,150	$ 234,947	$ 1,773,908
Operating expenses						
Professional services	–	1,499	28,870	394,292	202,652	627,313
Materials and supplies	225,824	16,247	–	–	104,066	346,137
Insurance	–	–	320,625	–	–	320,625
Total operating expenses	225,824	17,746	349,495	394,292	306,718	1,294,075
Operating income (loss) before depreciation	401,539	24,874	121,333	3,858	(71,771)	479,833
Depreciation	254,876	–	–	–	–	254,876
Operating income (loss)	146,663	24,874	121,333	3,858	(71,771)	224,957
Nonoperating revenues						
Investment earnings (charges)	(672)	–	(195)	(291)	7	(1,151)
Electric franchise tax	–	–	–	–	185,125	185,125
Gain on disposal of capital assets	88,672	–	–	–	–	88,672
Other	–	–	4,369	–	–	4,369
Total nonoperating revenues	88,000	–	4,174	(291)	185,132	277,015
Income before transfers	234,663	24,874	125,507	3,567	113,361	501,972
Transfers in	131,412	150,000	–	–	–	281,412
Transfers out	(150,000)	–	–	–	–	(150,000)
Change in net position	216,075	174,874	125,507	3,567	113,361	633,384
Net position						
Beginning of year	4,514,228	(140,569)	96,679	157,706	(5,905)	4,622,139
End of year	$ 4,730,303	$ 34,305	$ 222,186	$ 161,273	$ 107,456	$ 5,255,523

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Statement 25

Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2021

	097 Equipment	098 City Mechanic	096 Insurance	095 Information Technology	099 Building Maintenance	Total
Cash flows from operating activities						
Cash receipts on interfund services provided	$ 627,363	$ 42,620	$ 417,723	$ 398,150	$ 234,947	$ 1,720,803
Cash paid to suppliers	(178,724)	(15,953)	(394,896)	(396,471)	(278,275)	(1,264,319)
Net cash flows from operating activities	448,639	26,667	22,827	1,679	(43,328)	456,484
Cash flows from noncapital-related financing activities						
Electric franchise tax received	–	–	–	–	185,125	185,125
Cash paid to other funds	–	(140,241)	–	–	(1,204)	(141,445)
Net cash flows from noncapital-related financing activities	–	(140,241)	–	–	183,921	43,680
Cash flows from capital and related financing activities						
Transfers in	131,412	150,000	–	–	–	281,412
Transfers out	(150,000)	–	–	–	–	(150,000)
Acquisition and construction of capital assets	(629,600)	–	–	–	–	(629,600)
Proceeds from the disposal of capital assets	108,291	–	–	–	–	108,291
Net cash flows from capital and related financing activities	(539,897)	150,000	–	–	–	(389,897)
Cash flows from investing activities						
Interest received (charged) on investments	(5,607)	–	(219)	(310)	(224)	(6,360)
Net change in cash and cash equivalents	(96,865)	36,426	22,608	1,369	140,369	103,907
Cash and cash equivalents						
Beginning of year	3,456,858	–	78,082	159,583	–	3,694,523
End of year	$ 3,359,993	$ 36,426	$ 100,690	$ 160,952	$ 140,369	$ 3,798,430
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	$ 146,663	$ 24,874	$ 121,333	$ 3,858	$ (71,771)	$ 224,957
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	254,876	–	–	–	–	254,876
Other revenue	–	–	4,369	–	–	4,369
Change in assets and liabilities						
Accounts receivable	–	–	(52,448)	–	–	(52,448)
Prepaid items	–	–	(19,928)	–	1,244	(18,684)
Accounts and contracts payable	47,100	1,793	(25,473)	(2,107)	27,199	48,512
Accrued salaries and employee benefits payable	–	–	(5,026)	–	–	(5,026)
Due to other governments	–	–	–	(72)	–	(72)
Total adjustments	301,976	1,793	(98,506)	(2,179)	28,443	231,527
Net cash flows from operating activities	$ 448,639	$ 26,667	$ 22,827	$ 1,679	$ (43,328)	$ 456,484

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DISCRETELY PRESENTED COMPONENT UNIT – EDA

The following financial statements present the fund-based financial information for the North St. Paul Economic Development Authority (EDA). The EDA utilizes one General Fund to administer the resources for the EDA within the City.

CITY OF NORTH ST. PAUL

Statement 26

Economic Development Authority
(Discretely Presented Component Unit)
Balance Sheet
as of December 31, 2021

Assets		
Cash and investments	$	475,928
Receivables		
Interest		979
Accounts		164
Assets held for resale		49,248
Total assets	$	526,319
Liabilities		
Accounts and contracts payable	$	13,140
Accrued salaries and employee benefits payable		174
Total liabilities		13,314
Fund balances		
Restricted for Economic Development Authority		513,005
Total liabilities and fund balances	$	526,319

CITY OF NORTH ST. PAUL

Statement 27

Economic Development Authority
(Discretely Presented Component Unit)
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2021

	Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes	$ 184,687	$ 184,687	$ –
Investment earnings	–	5,673	5,673
Miscellaneous	–	8,602	8,602
Total revenues	184,687	198,962	14,275
Expenditures			
Current			
Economic development	42,282	55,761	13,479
Net change in fund balances	142,405	143,201	796
Fund balances			
Beginning of year	369,804	369,804	–
End of year	$ 512,209	$ 513,005	$ 796

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STATISTICAL SECTION

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STATISTICAL SECTION

(UNAUDITED)

This part of the City of North St. Paul's (the City) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditor.

The contents of the statistical section include:

Financial Trends – These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in a historical perspective.

Revenue Capacity – These schedules contain information to assist the reader in assessing the City's most significant local revenue source—property taxes.

Debt Capacity – These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information – These tables offer economic and demographic indicators that are commonly used for financial analysis and that can assist the reader in understanding the City's present and ongoing financial status.

Operating Information – These tables contain service and infrastructure indicators that can assist the reader in understanding how the information in the City's ACFR relates to the services the City provides and the activities it performs.

Source – Unless otherwise noted, the information in these tables is derived from the ACFR for the relevant year.

CITY OF NORTH ST. PAUL

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	$ 19,540,662	$ 19,051,478	$ 18,499,040	$ 18,732,114
Restricted	2,123,059	2,685,809	3,083,209	3,734,922
Unrestricted	1,758,884	2,211,236	3,473,659	1,113,925
Total governmental activities net position	$ 23,422,605	$ 23,948,523	$ 25,055,908	$ 23,580,961
Business-type activities				
Net investment in capital assets	$ 7,203,491	$ 7,158,035	$ 5,050,697	$ 5,230,857
Unrestricted	2,904,372	4,250,023	4,560,899	3,946,517
Total business-type activities net position	$ 10,107,863	$ 11,408,058	$ 9,611,596	$ 9,177,374
Primary government				
Net investment in capital assets	$ 26,744,153	$ 26,209,513	$ 23,549,737	$ 23,962,971
Restricted	2,123,059	2,685,809	3,083,209	3,734,922
Unrestricted	4,663,256	6,461,259	8,034,558	5,060,442
Total primary government net position	$ 33,530,468	$ 35,356,581	$ 34,667,504	$ 32,758,335

Note 1: The City implemented GASB Statement No. 68 in fiscal 2015. The City reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position. Prior year information has not been restated.

Note 2: The City implemented GASB Statement No. 75 in fiscal 2018. The City reported a change in accounting principle as a result of implementing this standard that decreased net position by $418,070. Prior year information has not been restated.

Table 1

2016	2017	2018	2019	2020	2021
$ 18,613,487	$ 19,304,556	$ 18,936,454	$ 20,896,337	$ 23,925,494	$ 27,299,383
4,343,924	5,086,728	5,905,069	6,313,242	6,750,568	6,291,329
1,535,730	1,906,846	3,798,923	1,913,208	(3,329,638)	(2,656,756)
$ 24,493,141	$ 26,298,130	$ 28,640,446	$ 29,122,787	$ 27,346,424	$ 30,933,956
$ 5,361,800	$ 5,125,174	$ 5,118,537	$ 5,230,430	$ 6,715,226	$ 7,092,785
4,870,810	7,364,722	9,430,795	12,047,528	14,631,165	17,209,712
$ 10,232,610	$ 12,489,896	$ 14,549,332	$ 17,277,958	$ 21,346,391	$ 24,302,497
$ 23,975,287	$ 24,429,730	$ 24,054,991	$ 26,126,767	$ 30,640,720	$ 34,392,168
4,343,924	5,086,728	5,905,069	6,313,242	6,750,568	6,291,329
6,406,540	9,271,568	13,229,718	13,960,736	11,301,527	14,552,956
$ 34,725,751	$ 38,788,026	$ 43,189,778	$ 46,400,745	$ 48,692,815	$ 55,236,453

CITY OF NORTH ST. PAUL

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
Expenses				
Governmental activities				
General government	$ 936,804	$ 1,264,749	$ 1,048,772	$ 2,548,971
Public safety	3,159,955	3,434,875	3,143,696	2,706,191
Public works	2,325,063	1,933,101	2,466,394	1,655,722
Parks and recreation	632,045	520,989	385,973	457,126
Economic development	265,550	169,026	394,293	109,130
Interest and fiscal charges	567,513	342,214	346,375	356,642
Total governmental activities expenses	7,886,930	7,664,954	7,785,503	7,833,782
Business-type activities				
Electric	8,001,969	7,720,874	8,723,726	8,447,378
Water	1,035,281	1,253,111	1,139,639	1,168,913
Surface water	491,557	483,987	394,302	401,214
Waste water	1,386,220	1,282,431	1,260,549	1,480,667
Fiber optic	217,054	173,268	226,918	130,473
Solid waste	911,130	949,179	863,961	1,186,419
Total business-type activities expenses	12,043,211	11,862,850	12,609,095	12,815,064
Total primary government expenses	$ 19,930,141	$ 19,527,804	$ 20,394,598	$ 20,648,846
Program revenues				
Governmental activities				
Charges for services				
General government	$ 255,715	$ 362,839	$ 305,751	$ 287,497
Public safety	171,251	149,689	124,973	127,217
Public works	118,711	147,646	230,044	143,158
Parks and recreation	87,787	274,041	172,060	199,228
Operating grants and contributions	318,614	733,851	431,658	407,347
Capital grants and contributions	170,821	57,958	730,920	128,637
Total governmental activities program revenues	1,122,899	1,726,024	1,995,406	1,293,084
Business-type activities				
Charges for services				
Electric	8,764,946	8,875,437	9,000,195	9,090,354
Water	1,384,986	1,408,464	1,431,055	1,601,572
Surface water	576,499	575,374	581,341	613,555
Waste water	1,493,831	1,555,043	1,653,655	1,832,948
Fiber optic	117,651	118,059	104,472	108,615
Solid waste	984,013	1,056,099	1,100,932	1,128,070
Operating grants and contributions	66,950	84,609	109,690	80,666
Capital grants and contributions	–	–	–	–
Total business-type activities program revenues	13,388,876	13,673,085	13,981,340	14,455,780
Total primary government program revenues	$ 14,511,775	$ 15,399,109	$ 15,976,746	$ 15,748,864

2016	2017	2018	2019	2020	2021
$ 2,635,566	$ 2,500,256	$ 1,852,924	$ 1,559,014	$ 1,484,870	$ 1,328,371
4,237,119	3,802,714	4,006,547	4,087,960	4,298,332	3,826,009
1,576,435	1,512,014	1,790,048	2,104,125	1,712,876	2,135,103
544,721	439,167	636,499	586,040	577,988	470,618
184,357	472,262	508,783	3,028,759	7,263,908	560,016
412,714	409,252	415,264	383,719	701,700	624,528
9,590,912	9,135,665	9,210,065	11,749,617	16,039,674	8,944,645
8,443,299	8,329,029	8,960,653	8,098,292	7,950,155	9,090,803
1,110,248	752,207	938,780	1,105,399	1,008,677	1,028,804
428,295	538,861	642,322	480,131	462,958	562,073
1,620,631	1,484,530	1,744,588	1,817,051	1,814,166	1,760,265
167,886	154,236	181,099	138,423	140,622	141,471
835,013	987,790	991,685	1,492,205	906,762	938,234
12,605,372	12,246,653	13,459,127	13,131,501	12,283,340	13,521,650
$ 22,196,284	$ 21,382,318	$ 22,669,192	$ 24,881,118	$ 28,323,014	$ 22,466,295
$ 298,971	$ 371,906	$ 340,303	$ 498,603	$ 360,872	$ 400,827
107,199	119,264	124,392	129,933	52,571	106,480
182,465	257,790	298,035	580,660	820,311	631,019
193,670	228,307	169,999	263,985	194,967	362,490
445,180	490,623	615,246	648,171	2,621,998	880,202
701,665	720,308	1,292,586	588,053	670,265	373,618
1,929,150	2,188,198	2,840,561	2,709,405	4,720,984	2,754,636
9,226,380	9,534,315	10,149,233	9,284,280	9,275,594	10,416,983
1,676,387	1,787,727	1,823,416	1,853,028	2,015,977	2,138,165
669,380	727,237	820,017	881,196	925,883	946,086
2,060,406	2,105,749	2,198,476	2,325,937	2,477,861	2,482,664
145,673	148,684	141,209	218,655	213,804	208,915
1,084,284	1,099,506	1,135,528	1,106,983	985,699	998,597
178,469	48,752	61,976	341,895	63,645	49,224
–	–	–	–	753,848	–
15,040,979	15,451,970	16,329,855	16,011,974	16,712,311	17,240,634
$ 16,970,129	$ 17,640,168	$ 19,170,416	$ 18,721,379	$ 21,433,295	$ 19,995,270

(continued)

Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2012	2013	2014	2015
Net (expense) revenue				
Governmental activities	$ (6,764,031)	$ (5,938,930)	$ (5,790,097)	$ (6,540,698)
Business-type activities	1,345,665	1,810,235	1,372,245	1,640,716
Total primary government net expense	$ (5,418,366)	$ (4,128,695)	$ (4,417,852)	$ (4,899,982)
General revenues and other changes in net position				
Governmental activities				
Property taxes	$ 3,771,018	$ 3,706,365	$ 3,838,375	$ 3,885,640
Franchise taxes	411,996	435,582	522,358	563,829
Unrestricted grants and contributions	1,874,103	1,882,736	1,900,433	1,828,503
Other general revenues	207,959	29,041	52,840	4,606
Investment earnings (charges)	(19,198)	(41,785)	97,640	88,086
Transfers	152,877	453,175	970,000	1,205,589
Total governmental activities	6,398,755	6,465,114	7,381,646	7,576,253
Business-type activities				
Investment earnings	(22,031)	(57,131)	83,333	96,825
Transfers	(152,877)	(453,175)	(970,000)	(1,205,589)
Total business-type activities	(174,908)	(510,306)	(886,667)	(1,108,764)
Total primary government	$ 6,223,847	$ 5,954,808	$ 6,494,979	$ 6,467,489
Change in net position				
Governmental activities	$ (365,276)	$ 526,184	$ 1,591,549	$ 1,035,555
Business-type activities	1,170,757	1,299,929	485,578	531,952
Total primary government	$ 805,481	$ 1,826,113	$ 2,077,127	$ 1,567,507

Table 2
Page 2 of 2

2016	2017	2018	2019	2020	2021
$ (7,661,762)	$ (6,947,467)	$ (6,369,504)	$ (9,040,212)	$(11,318,690)	$ (6,190,009)
2,435,607	3,205,317	2,870,728	2,880,473	4,428,971	3,718,984
$ (5,226,155)	$ (3,742,150)	$ (3,498,776)	$ (6,159,739)	$ (6,889,719)	$ (2,471,025)
$ 4,546,034	$ 5,111,242	$ 5,496,782	$ 5,809,709	$ 6,348,187	$ 6,481,133
544,367	531,178	431,469	421,413	437,835	490,483
1,919,280	1,812,458	1,838,514	1,843,392	1,800,995	1,685,861
38,802	126,853	212,024	124,510	81,834	203,525
76,459	123,925	174,935	460,597	186,263	(4,873)
1,449,000	1,046,800	841,130	862,932	687,213	921,412
8,573,942	8,752,456	8,994,854	9,522,553	9,542,327	9,777,541
68,629	98,769	164,874	597,528	326,675	158,534
(1,449,000)	(1,046,800)	(841,130)	(862,932)	(687,213)	(921,412)
(1,380,371)	(948,031)	(676,256)	(265,404)	(360,538)	(762,878)
$ 7,193,571	$ 7,804,425	$ 8,318,598	$ 9,257,149	$ 9,181,789	$ 9,014,663
$ 912,180	$ 1,804,989	$ 2,625,350	$ 482,341	$ (1,776,363)	$ 3,587,532
1,055,236	2,257,286	2,194,472	2,615,069	4,068,433	2,956,106
$ 1,967,416	$ 4,062,275	$ 4,819,822	$ 3,097,410	$ 2,292,070	$ 6,543,638

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CITY OF NORTH ST. PAUL

Table 3

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Property Tax	Franchise Tax	Total
2012	$ 3,771,018	$ 411,996	$ 4,183,014
2013	3,706,365	435,582	4,141,947
2014	3,838,375	522,358	4,360,733
2015	3,885,640	563,829	4,449,469
2016	4,546,034	544,367	5,090,401
2017	5,111,242	531,178	5,642,420
2018	5,496,782	431,469	5,928,251
2019	5,809,709	421,413	6,231,122
2020	6,348,187	437,835	6,786,022
2021	6,481,133	490,483	6,971,616

CITY OF NORTH ST. PAUL

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Nonspendable	$ 718	$ 12,521	$ 2,910	$ 1,800
Assigned	443,914	943,890	–	31,455
Unassigned	1,420,191	1,278,326	1,682,876	1,725,949
Total General Fund	$ 1,864,823	$ 2,234,737	$ 1,685,786	$ 1,759,204
All other governmental funds				
Nonspendable	$ –	$ 3	$ –	$ –
Restricted	6,085,749	2,805,663	3,577,232	3,089,182
Committed	9,672	17,068	1,470,423	2,042,917
Assigned	774,040	708,899	572,634	607,146
Unassigned, reported in				
Other governmental funds	(159,717)	(122,942)	(126,182)	(103,906)
Total all other governmental funds	$ 6,709,744	$ 3,408,691	$ 5,494,107	$ 5,635,339
Total all governmental funds				
Nonspendable	$ 718	$ 12,524	$ 2,910	$ 1,800
Restricted	6,085,749	2,805,663	3,577,232	3,089,182
Committed	9,672	17,068	1,470,423	2,042,917
Assigned	1,217,954	1,652,789	572,634	638,601
Unassigned, reported in				
General Fund	1,420,191	1,278,326	1,682,876	1,725,949
Other governmental funds	(159,717)	(122,942)	(126,182)	(103,906)
Total all governmental funds	$ 8,574,567	$ 5,643,428	$ 7,179,893	$ 7,394,543

Table 4

2016	2017	2018	2019	2020	2021
$ 23,492	$ 26,016	$ 24,135	$ 154,851	$ 53,828	$ 81,527
25,230	23,261	19,985	17,740	88,565	109,197
1,713,152	1,708,472	1,788,706	2,182,986	2,701,149	3,497,620
$ 1,761,874	$ 1,757,749	$ 1,832,826	$ 2,355,577	$ 2,843,542	$ 3,688,344
$ –	$ –	$ –	$ –	$ 683	$ 102
6,554,769	7,114,605	9,661,240	5,816,806	5,912,546	6,232,816
2,369,282	3,196,670	3,774,915	4,217,917	4,026,933	4,188,953
1,166,478	996,304	1,931,788	1,758,664	1,943,532	2,049,562
(113,371)	(6,954)	(48,623)	(1,571,775)	(5,093,538)	(6,034,466)
$ 9,977,158	$ 11,300,625	$ 15,319,320	$ 10,221,612	$ 6,790,156	$ 6,436,967
$ 23,492	$ 26,016	$ 24,135	$ 154,851	$ 54,511	$ 81,629
6,554,769	7,114,605	9,661,240	5,816,806	5,912,546	6,232,816
2,369,282	3,196,670	3,774,915	4,217,917	4,026,933	4,188,953
1,191,708	1,019,565	1,951,773	1,776,404	2,032,097	2,158,759
1,713,152	1,708,472	1,788,706	2,182,986	2,701,149	3,497,620
(113,371)	(6,954)	(48,623)	(1,571,775)	(5,093,538)	(6,034,466)
$ 11,739,032	$ 13,058,374	$ 17,152,146	$ 12,577,189	$ 9,633,698	$ 10,125,311

CITY OF NORTH ST. PAUL

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2012	2013	2014	2015
Revenues				
Taxes	$ 4,327,852	$ 4,204,967	$ 4,366,055	$ 4,453,106
Special assessments	74,796	32,978	260,366	125,435
Licenses and permits	197,529	215,313	293,691	241,532
Intergovernmental	2,300,123	2,643,668	2,298,181	2,219,522
Charges for services	117,652	298,480	198,806	214,366
Fines and forfeits	106,206	84,592	61,758	50,850
Investment earnings (charges)	(14,109)	(29,281)	78,708	63,514
Other	408,655	361,919	379,683	257,538
Total revenues	7,518,704	7,812,636	7,937,248	7,625,863
Expenditures				
Current				
General government	680,556	1,056,706	828,533	2,093,492
Public safety	2,819,415	3,330,340	3,235,138	3,136,479
Public works	1,085,088	1,272,887	1,498,650	792,389
Parks and recreation	533,239	413,634	357,404	568,318
Other	42,273	35,000	35,000	–
Economic development	225,949	166,860	363,347	81,715
Capital outlay	626,575	165,764	2,238,418	1,036,298
Debt service				
Principal	655,000	670,000	760,000	775,000
Interest	546,186	430,759	328,208	386,549
Total expenditures	7,214,281	7,541,950	9,644,698	8,870,240
Excess of revenues over (under) expenditures	304,423	270,686	(1,707,450)	(1,244,377)
Other financing sources (uses)				
Bonds issued	–	–	2,360,000	–
Refunding bonds issued	3,760,000	–	–	1,595,000
Contract for deed issued	–	–	–	–
Premium (discount) on bonds issued	–	–	71,655	36,316
Payments to refunded bond escrow agent	–	(3,655,000)	–	(1,575,000)
Transfers in	340,744	521,355	2,433,320	1,681,475
Transfers out	(293,679)	(68,180)	(1,620,794)	(278,764)
Total other financing sources (uses)	3,807,065	(3,201,825)	3,244,181	1,459,027
Net change in fund balances	$ 4,111,488	$ (2,931,139)	$ 1,536,731	$ 214,650
Debt service as a percentage of noncapital expenditures	16.9%	14.8%	14.2%	15.1%

Table 5

	2016	2017	2018	2019	2020	2021
	$ 5,083,188	$ 5,643,488	$ 5,923,559	$ 6,243,978	$ 6,775,208	$ 6,973,458
	303,753	313,972	557,833	264,614	233,359	206,135
	275,704	302,716	355,448	631,259	630,386	697,218
	2,358,025	2,646,164	2,673,823	2,951,440	3,865,688	2,559,942
	188,516	207,009	156,811	215,238	130,683	182,841
	34,824	37,032	38,536	33,274	27,025	30,805
	65,760	100,440	148,593	375,949	143,101	(3,722)
	329,038	415,313	497,783	584,626	1,815,409	983,103
	8,638,808	9,666,134	10,352,386	11,300,378	13,620,859	11,629,780
	2,107,655	2,142,817	1,435,772	1,325,646	1,521,706	1,216,523
	3,453,098	3,582,576	3,939,849	4,329,230	4,625,522	4,550,160
	902,417	884,974	1,021,445	1,093,499	1,069,926	1,105,152
	351,891	374,020	522,972	509,206	569,370	446,422
	–	–	18,006	–	–	–
	172,600	442,989	450,164	3,034,873	7,104,185	447,696
	3,677,596	1,507,700	1,654,658	4,299,602	5,669,116	1,243,775
	1,010,000	1,020,000	1,265,000	1,348,553	2,744,028	3,213,926
	366,628	434,638	434,329	462,658	674,408	710,441
	12,041,885	10,389,714	10,742,195	16,403,267	23,978,261	12,934,095
	(3,403,077)	(723,580)	(389,809)	(5,102,889)	(10,357,402)	(1,304,315)
	3,880,000	1,051,380	3,475,000	–	6,325,000	–
	2,430,000	–	–	–	–	960,000
	–	–	–	2,075,000	–	–
	208,277	40,155	226,760	–	122,131	45,928
	–	–	–	(2,410,000)	–	–
	2,143,316	1,387,155	1,157,039	1,012,932	1,787,397	912,658
	(914,027)	(435,768)	(375,218)	(150,000)	(820,617)	(122,658)
	7,747,566	2,042,922	4,483,581	527,932	7,413,911	1,795,928
	$ 4,344,489	$ 1,319,342	$ 4,093,772	$ (4,574,957)	$ (2,943,491)	$ 491,613
	16.0%	16.1%	18.3%	14.5%	18.6%	32.9%

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CITY OF NORTH ST. PAUL

Table 6

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax	Electric Franchise	Gas Franchise	Cable Franchise	Total
2012	$ 3,915,856	$ 279,158	$ 86,178	$ 46,660	$ 4,327,852
2013	3,769,385	283,302	107,017	45,263	4,204,967
2014	3,843,697	344,743	132,899	44,716	4,366,055
2015	3,889,277	375,224	109,676	78,929	4,453,106
2016	4,538,821	346,059	83,298	115,010	5,083,188
2017	5,112,310	368,484	90,270	72,424	5,643,488
2018	5,492,090	244,007	102,973	84,489	5,923,559
2019	5,822,565	227,068	100,065	94,280	6,243,978
2020	6,337,373	275,660	83,977	78,198	6,775,208
2021	6,482,975	277,684	100,598	112,201	6,973,458

CITY OF NORTH ST. PAUL

Tax Capacity Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

	Tax Capacity (1)				
	Real Property				
Fiscal Year	Residential Property	Commercial Property	Personal Property	Less Tax Exempt Real Property	Fiscal Disparities Distribution
2012	$ 7,032,781	$ 1,806,985	$ 83,858	$ (1,060,962)	$ 2,271,311
2013	5,388,769	1,624,210	91,614	(846,062)	1,978,627
2014	5,245,026	1,591,017	93,742	(805,980)	2,017,025
2015	5,690,060	1,591,017	98,878	(751,660)	2,267,716
2016	6,217,732	1,572,193	100,787	(924,565)	2,298,449
2017	6,718,235	1,582,800	111,924	(969,996)	2,419,838
2018	7,065,334	1,720,882	108,396	(1,028,487)	2,559,341
2019	7,678,389	1,782,523	98,904	(1,110,250)	2,681,211
2020	8,750,806	1,762,170	100,246	(1,181,531)	2,817,225
2021	9,687,274	1,801,666	116,468	(1,282,119)	2,738,340

(1) Tax rates are expressed in terms of "net tax capacity." A property's tax capacity is determined by multiplying its taxable market value by a state determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: Ramsey County

Table 7

Total Tax Capacity Value	Total Direct Tax Rate	Total Estimated Market Value	Tax Capacity Value as a Percentage of Market Value
$ 10,133,973	33.380 %	$ 795,535,900	1.3 %
8,237,158	36.719	703,251,000	1.2
8,140,830	36.185	688,371,700	1.2
8,896,011	35.169	730,216,600	1.2
9,264,596	38.707	777,362,600	1.2
9,862,801	41.919	821,838,000	1.2
10,425,466	42.515	861,724,000	1.2
11,130,777	43.834	919,851,300	1.2
12,248,916	40.732	1,018,683,500	1.2
13,061,629	38.219	1,108,145,800	1.2

CITY OF NORTH ST. PAUL

Table 8

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates (1)			Overlapping			Total Direct and
Fiscal Year	General Levy	Debt Levy	City Total	County	School District	Special District	Overlapping Rates
2012	26.378 %	7.002 %	33.380 %	61.316 %	28.337 %	12.283 %	135.316 %
2013	26.060	10.659	36.719	65.240	32.552	13.597	148.108
2014	25.681	10.504	36.185	63.735	37.643	13.610	151.173
2015	27.012	8.157	35.169	58.922	36.008	12.718	142.817
2016	27.095	11.612	38.707	58.885	35.706	12.638	145.936
2017	31.215	10.704	41.919	55.850	33.798	12.029	143.596
2018	31.980	10.535	42.515	53.962	30.284	12.270	139.031
2019	33.095	10.739	43.834	52.880	29.226	13.446	139.386
2020	32.045	8.687	40.732	52.302	32.689	12.591	138.314
2021	29.997	8.222	38.219	47.760	32.007	12.611	130.597

(1) Tax rates per $100 of tax capacity.

Source: Ramsey County

CITY OF NORTH ST. PAUL

Table 9

Principal Property Taxpayers
Current Year and Nine Years Ago

	2021			2012		
Taxpayer	Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Helen Street Senior Housing, LLC	$ 21,249,400	1	1.92 %	$ –	–	– %
Cedarview Commons	19,061,700	2	1.72	10,898,900	2	1.37
Franklyn Park Apartments	13,847,300	3	1.25	7,212,600	4	0.91
LHB Properties, LLC	11,623,100	4	1.05	5,514,100	6	0.69
Cottages of North St. Paul	11,018,100	5	0.99	5,685,700	5	0.71
Berwald Investment Company	10,810,600	6	0.98	8,376,300	3	1.05
Bigos Regency Park, LLC	9,484,500	7	0.86	4,888,000	7	0.61
Target Stores, Inc.	9,131,400	8	0.82	11,400,000	1	1.43
Baypointe Investment Partnership, LLC	8,293,500	9	0.75	4,418,000	8	0.56
NSP Burke LLC	7,120,000	10	0.64	–	–	–
Gervais Court Properties, LLC	–	–	–	4,365,700	9	0.55
PMP Enterprise, LLC & Co.	–	–	–	3,700,000	10	0.47
Total	$ 121,639,600		10.98 %	$ 66,459,300		8.35 %

Source: Ramsey County Department of Property Taxation

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CITY OF NORTH ST. PAUL

Table 10

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy (2)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	$ 3,378,239	$ 3,331,434	98.6 %	$ 46,805	$ 3,378,239	100.0 %
2013	3,373,711	3,342,142	99.1	31,569	3,373,711	100.0
2014	3,658,474	3,622,632	99.0	35,842	3,658,474	100.0
2015	3,876,496	3,842,585	99.1	32,558	3,875,143	100.0
2016	4,186,996	4,148,345	99.1	35,562	4,183,907	99.9
2017	4,768,855	4,728,652	99.2	35,977	4,764,629	99.9
2018	5,144,397	5,093,568	99.0	46,629	5,140,197	99.9
2019	5,545,599	5,504,917	99.3	37,733	5,542,650	99.9
2020	5,828,387	5,783,121	99.2	39,593	5,822,714	99.9
2021	5,864,589	5,823,146	99.3	–	5,823,146	99.3

(1) Includes fiscal disparity revenues.

(2) Includes fiscal disparity revenues and is net of county/state adjustments.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Tax Increment Bonds	Tax Abatement Bonds	Capital Improvement Bonds	Contract for Deed	Premiums	Total
2012	$ 7,700,000	$ –	$ 1,795,000	$ 510,000	$ 4,500,000	$ –	$ –	$ 14,505,000
2013	3,760,000	–	1,725,000	455,000	4,240,000	–	–	10,180,000
2014	3,410,000	2,360,000	1,650,000	395,000	3,965,000	–	66,878	11,846,878
2015	3,055,000	2,360,000	1,595,000	335,000	3,680,000	–	96,281	11,121,281
2016	2,695,000	4,815,000	1,490,000	1,510,000	5,815,000	–	297,645	16,622,645
2017	2,325,000	5,686,380	1,395,000	1,445,000	5,505,000	–	312,858	16,669,238
2018	1,950,000	8,811,380	1,295,000	1,330,000	5,180,000	–	512,167	19,078,547
2019	1,575,000	8,397,827	1,195,000	1,210,000	2,430,000	2,075,000	470,543	17,353,370
2020	1,195,000	7,852,299	7,410,000	1,085,000	2,050,000	871,500	546,688	21,010,487
2021	960,000	7,254,873	7,310,000	1,030,000	1,655,000	–	541,527	18,751,400

* Information not available for the fiscal year 2021.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

Table 11

Business-Type Activities				Total Primary	Percentage of Personal	
Revenue Bonds	Capital Loans	Premiums	Total	Government	Income (1)	Per Capita (1)
$ 7,825,000	$ 806,798	$ –	$ 8,631,798	$ 23,136,798	5.33 %	$ 2,015
7,350,000	589,029	–	7,939,029	18,119,029	4.09	1,560
9,410,000	361,294	–	9,771,294	21,618,172	4.64	1,809
11,435,000	123,136	117,264	11,675,400	22,796,681	4.67	1,899
14,360,000	–	205,469	14,565,469	31,188,114	9.24	2,577
11,663,620	–	206,372	11,869,992	28,539,230	7.93	2,365
14,198,620	–	409,430	14,608,050	33,686,597	8.79	2,784
13,137,173	–	374,677	13,511,850	30,865,220	8.07	2,538
13,767,701	–	451,017	14,218,718	35,229,205	8.83	2,897
13,800,127	–	473,127	14,273,254	33,024,654	*	2,671

CITY OF NORTH ST. PAUL

Table 12

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Premiums/ (Discounts)	Less Amounts Available in Debt Service Funds (3)	Total	Percentage of Estimated Market Value of Property (1)	Per Capita (2)
2012	$ 12,200,000	$ –	$ 4,709,853	$ 7,490,147	0.94 %	$ 652
2013	8,000,000	–	1,074,211	6,925,789	0.98	596
2014	7,375,000	–	1,253,419	6,121,581	0.89	512
2015	6,735,000	–	1,312,400	5,422,600	0.74	452
2016	8,510,000	110,519	3,875,411	4,745,108	0.61	392
2017	7,830,000	98,239	3,902,113	4,026,126	0.49	334
2018	7,130,000	85,960	3,935,715	3,280,245	0.38	271
2019	4,005,000	73,680	1,615,940	2,462,740	0.27	203
2020	3,245,000	61,400	1,685,808	1,620,592	0.16	133
2021	2,615,000	89,945	1,797,021	907,924	0.08	73

(1) See the Schedule of Tax Capacity Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

(3) The City is using governmental net position restricted for debt service. We believe this to be the best amount available to present a consistent net amount when refunding bonds are held for payment, which are not restricted on entity-wide financial statements, due to conversion for full accrual accounting.

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

Table 13

Direct and Overlapping Governmental Activities Debt
as of December 31, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Direct debt			
City of North St. Paul	$ 18,751,400	100.0 %	$ 18,751,400
Overlapping debt			
Independent School District No. 622	366,000,000	11.3	41,358,000
Ramsey County	176,402,000	3.0	5,292,060
Ramsey County Library	25,185,000	3.7	931,845
Metropolitan Council	1,688,625,662	1.5	25,329,385
Total overlapping debt			72,911,290
Total direct and overlapping debt			$ 91,662,690

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the entity's taxable assessed value that is within the City's boundaries and dividing it by the entity's total taxable assessed value.

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

Source: Ramsey County

CITY OF NORTH ST. PAUL

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Debt limit	$ 23,866,077	$ 20,097,530	$ 20,651,151	$ 21,906,498
Total net debt applicable to the limit	7,490,147	6,925,789	6,121,581	5,422,600
Legal debt margin	$ 16,375,930	$ 13,171,741	$ 14,529,570	$ 16,483,898
Total net debt applicable to the limit as a percentage of debt limit	31.38%	34.46%	29.64%	24.75%

Note: Under Minnesota state law, the City's net debt cannot exceed 3 percent of the estimated market value.

Table 14

	2016	2017	2018	2019	2020	2021
	$ 23,320,878	$ 24,655,140	$ 25,851,720	$ 27,595,539	$ 30,560,505	$ 33,244,374
	4,634,589	3,927,887	3,194,285	2,389,060	1,559,192	817,979
	$ 18,686,289	$ 20,727,253	$ 22,657,435	$ 25,206,479	$ 29,001,313	$ 32,426,395
	19.87%	15.93%	12.36%	8.66%	5.10%	2.46%

Legal Debt Margin Calculation for Fiscal Year 2021

Market value	$ 1,108,145,800
Debt limit (3 percent of market value)	33,244,374
Debt applicable to the limit	
General obligation bonds	2,615,000
Less amount set aside for repayment of general obligation debt	(1,797,021)
Total net debt applicable to the limit	817,979
Legal debt margin	$ 32,426,395

CITY OF NORTH ST. PAUL

Table 15

Pledged Revenue Coverage
Last Ten Fiscal Years

	Revenue Bonds					
	Operating	Less Operating	Net Available	Debt Service		
Fiscal Year	Revenues	Expenses	Revenue	Principal	Interest	Coverage
2012	$ 13,271,225	$ 10,738,422	$ 2,532,803	$ 470,000	$ 349,675	3.09
2013	13,555,026	10,671,672	2,883,354	475,000	334,487	3.56
2014	13,760,220	11,598,333	2,161,887	500,000	351,253	2.54
2015	14,260,639	11,932,652	2,327,987	505,000	369,682	2.66
2016	14,706,437	11,604,993	3,101,444	680,000	425,394	2.81
2017	15,254,109	11,398,378	3,855,731	680,000	295,905	3.95
2018	16,121,710	12,341,182	3,780,528	930,000	352,495	2.95
2019	15,449,750	12,111,198	3,338,552	1,061,447	358,074	2.35
2020	15,666,843	11,487,636	4,179,207	1,199,472	389,812	2.63
2021	16,979,565	12,448,171	4,531,394	1,402,574	413,225	2.50

Note 1: Includes Electric, Water, Surface Water, Waste Water, and Solid Waste Funds. Operating expenses do not include interest or depreciation.

Note 2: The 2015 and 2017 principal payments do not include the refunded portion of bonds paid.

CITY OF NORTH ST. PAUL

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2012	11,485	$ 434,178,940	$ 37,804	33.7	10,885	5.2 %
2013	11,618	442,831,688	38,116	33.7	10,912	4.2
2014	11,951	466,089,000	39,000	33.7	10,727	3.2
2015	12,006	488,211,984	40,664	38.5	10,715	3.1
2016	12,104	337,520,040	27,885	38.5	10,669	3.5
2017	12,069	359,994,132	29,828	38.2	10,480	2.8
2018	12,099	383,223,726	31,674	38.2	10,633	2.7
2019	12,159	382,412,709	31,451	37.9	10,624	2.9
2020	12,161	398,990,249	32,809	34.9	10,454	4.7
2021	12,364	*	*	*	10,221	2.6

* Information not available for the fiscal year 2021.

Data sources:
(1) Metropolitan Council
(2) U.S. Census Bureau; Information prior to 2016 from Minnesota Department of Economic Security
(3) Independent School District No. 622 Annual Comprehensive Financial Report
(4) Minnesota Department of Economic Security

CITY OF NORTH ST. PAUL

Table 17

Principal Employers
Current Year and Nine Years Ago

Employer	2021 Employees	2021 Rank	2012 Employees	2012 Rank
Independent School District No. 622	1,829	1	1,671	1
Berwald Roofing	177	2	175	3
Target Stores, Inc.	172	3	267	2
City of North St. Paul	99	4	63	5
REM Ramsey	95	5	–	–
T.A. Schifsky	70	6	50	7
Rust-Oleum	65	7	–	–
Rock Solid	50	8	–	–
Ideal Credit Union	47	9	–	–
Anderson Cabinet	21	10	–	–
Postal Employees Credit Union	–	–	75	4
Lillie Suburban Newspapers	–	–	62	6
McPhillips	–	–	50	7
Aetrium	–	–	42	9
Custom Millwork	–	–	30	10
Total	2,625		2,485	

Note: The percentage of total city employment is unavailable.

Source: Baker Tilly Bond Consultants – September 2021

Table 18

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
General government	5	7	13	13	13	14	15	15	11	11
Public safety										
Police										
Officers	19	15	15	18	17	18	17	17	18	19
Civilians	2	2	3	3	4	4	4	2	2	2
Fire										
Firefighters and officers	3	3	3	4	4	4	4	4	4	4
Highways and streets										
Engineering	2	2	1	–	–	–	–	–	–	–
Maintenance	7	8	3	4	4	4	4	4	4	4
Parks and recreation	1	1	4	4	4	4	4	4	4	4
Water	3	5	3	3	3	3	3	3	3	3
Electric	12	9	11	12	12	13	12	10	11	11
Total	54	52	55	61	61	64	63	59	57	58

Source: Various government departments

CITY OF NORTH ST. PAUL

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Function				
Police				
Parking violations	949	798	629	838
Traffic violations	1,710	1,446	839	902
Fire				
Number of calls answered	1,103	1,055	999	1,071
Rental inspections	219	81	189	169
Code compliance cases	269	176	177	612
Commercial inspections	2	6	–	1
Highways and streets				
Street resurfacing (miles)	–	–	1.8	0.5
Tons of asphalt used	85.5	231.3	431.1	468.0
Parks and recreation				
Community center admissions (1)	80,000	–	–	–
Water				
New connections	8	11	4	12
Water main breaks	8	20	8	4
Average daily consumption (thousands of gallons)	1,235	1,066	909	900

(1) Beginning in 2013, the North St. Paul Community Center was closed to the public.

Source: Various government departments

Table 19

2016	2017	2018	2019	2020	2021
740	1,054	937	753	590	283
596	690	560	592	512	263
1,243	1,319	1,318	1,355	1,478	1,566
243	382	297	274	173	164
700	447	468	295	257	172
21	145	31	35	27	51
1.6	1.9	0.3	2.6	1.0	2.0
579.7	616.0	729.8	925.0	460.0	625.0
–	–	–	–	–	–
21	9	4	46	37	60
8	6	12	6	10	9
972	973	1,104	840	900	1,074

CITY OF NORTH ST. PAUL

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2012	2013	2014	2015
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	10	10	10
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	45	45	45	45
Streetlights/security lights	625	626	630	630
Traffic signals	1	1	1	1
Parks and recreation				
Parks acreage	140	140	140	140
Parks	13	13	13	13
Swimming beach	1	1	1	1
Tennis courts	9	9	9	9
Community centers	1	–	–	–
Water				
Water mains (miles)	44	44	44	44
Fire hydrants	609	609	609	609
Gallons sold per year (thousands of gallons)	393,821	389,142	330,467	328,624
Sewer				
Sanitary sewers (miles)	43	43	43	43
Storm sewers (miles)	21	21	21	21
Electric				
Number of distribution stations	1	1	1	1
Miles of service lines	68	69	70	70

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

Source: Various government departments

Table 20

2016	2017	2018	2019	2020	2021
1	1	1	1	1	1
10	10	10	10	9	10
1	1	1	1	1	1
45	45	45	45	45	45
630	630	630	639	647	652
1	1	1	1	1	1
140	140	140	140	140	140
13	13	13	13	13	13
1	1	1	1	1	1
9	9	9	9	9	9
–	–	–	–	–	–
44	44	44	62	63	64
609	609	609	622	645	650
273,021	362,558	403,082	306,547	328,529	392,354
43	43	43	46	47	47
21	21	21	44	45	45
1	1	1	1	1	1
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Management Report

for

City of North St. Paul, Minnesota

December 31, 2021

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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 North St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of the City of North St. Paul, Minnesota's (the City) financial statements for the year ended December 31, 2021. We have organized this report into the following sections:

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

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

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

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

Minneapolis, Minnesota
May 9, 2022

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AUDIT SUMMARY

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

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally, in our audit engagement letter, and in a separate letter dated April 12, 2022. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

AUDIT OPINION AND FINDINGS

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

- We have issued an unmodified opinion on the City's basic financial statements.

- We reported two matters involving the City's internal control over financial reporting that we considered to be significant deficiencies. These findings, as further detailed in the City's Special Purpose Audit Reports, include the following:

    1. Segregation of Duties
    2. City Policies and Procedures

- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*

- We reported three findings based on our testing of the City's compliance with Minnesota laws and regulations. These findings, as further detailed in the City's Special Purpose Audit Reports, include the following:

    1. Claims and Disbursements
    2. Broker Certifications
    3. Credit Cards

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, 2021, 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:

- Minnesota Statutes require certain contracts estimated to exceed $25,000, but not to exceed $175,000, be made upon sealed bids, by direct negotiation based on quotations, or through best value procurement. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof. For one of four contracts awarded that we tested in the prior year, to which this requirement applied, the City did not provide documentation that two or more quotations were obtained and kept on file. We are pleased to report this is not a finding in the current year.

OTHER OBSERVATIONS AND RECOMMENDATIONS

- **Individual Fund Deficits** – As reported in the City's Annual Comprehensive Financial Report as of December 31, 2021, the City has three special revenue funds that have a deficit fund equity totaling $4,282,494, one capital projects fund deficit totaling $1,751,972, and one enterprise fund deficit totaling $666,465. There are several reasons that may cause individual funds to end a given period in a deficit position. For instance, the timing of related funding resources (future levy authority), may lag behind related expenditures made. While we understand that the City approves all disbursements and reviews the cash and equity positions of all funds, we recommend that the City match the timing of related resources with related expenditures as much as possible to limit the deficit balances at any given moment.

  The deficit in the three special revenue funds is in tax increment districts, which all have interfund borrowing outstanding at year-end. We comment on this subject to emphasize the importance of adequate planning, projecting, and monitoring of these funds, due to the significance of the deficit balances.

- **Fiber Optic Fund** – The Fiber Optic Fund has generated a significant deficit unrestricted net position balance, due to cash borrowings from the Surface Water and Waste Water Funds, used to finance required debt payments and capital asset purchases. As of December 31, 2021, the Fiber Optic Fund's unrestricted component of net position has a deficit of $2,307,023. It is important that the City review potential revenue streams for future years to ensure that this fund will be self-sustaining and not put any additional burden on other funds of the City.

- **Deposit and Escrow Reconciliation** – Internal controls, processes, and procedures are never perfected and need to be continually reviewed. During our inquiries and testing, we noted that customer deposit and escrow accounts were not reconciled as of year-end. Control procedures, such as periodic and year-end account and subledger reconciliations must be performed regularly, accurately, and in a timely manner. We recommend the City review its policies and procedures over customer deposit and escrow accounts to verify proper reconciliations are completed.

- **Contract Change Orders and Contractor's Bond** – The City has seen an increase in development and construction activity in recent years. During our inquiries and testing, we noted the City's purchasing policy requires any purchase in excess of $20,000 be approved by the City Council, but does not require additional contractor's bonds. We recommend the City review its purchasing policy to include:
  - All increases to the contract price, whether through change orders or otherwise, be approved by the City Council; and
  - When the City Council approves an increase to a contract price, it also considers requiring additional contractor's bonds, and votes to require or waive such bonds.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

- **Total Other Post-Employment Benefit (OPEB) and Net Pension Liabilities** – The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies described in the Governmental Accounting Standards Board (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.

- **Compensated Absences** – Management's estimate is based on current rates of pay and unused compensated absence balances.

- **Value of Land Held for Resale** – Management's estimates of these assets are based on net realizable value (lower of cost or acquisition value).

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.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

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.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2022.

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) 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, which is 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 section and the statistical section, 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.

GOVERNMENTAL FUNDS OVERVIEW

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

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2020 fiscal year, local ad valorem property tax levies provided 40.9 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.5 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2021 increased 4.0 percent compared to the prior year, and 5.9 percent for taxes payable in 2022.

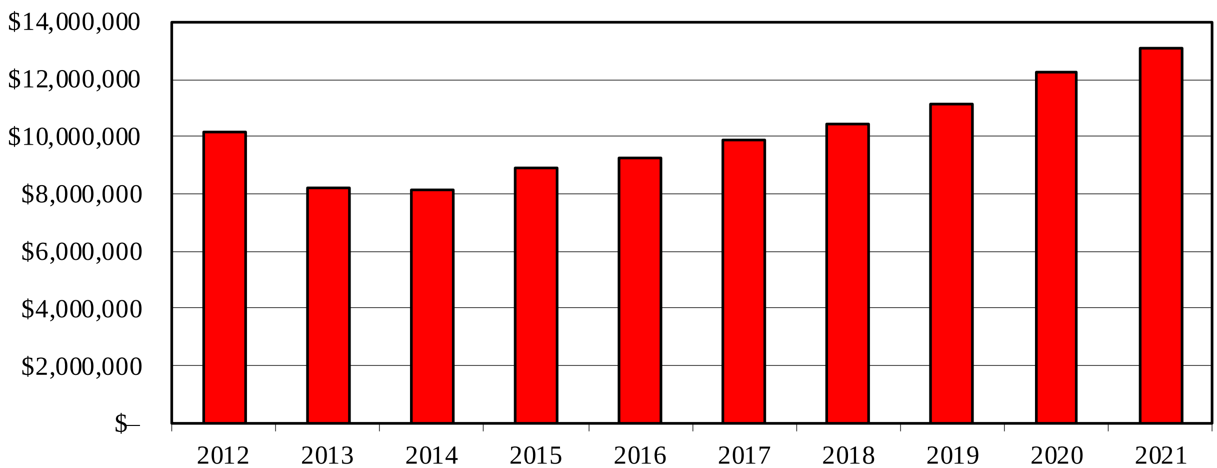
The total tax capacity value of property in Minnesota cities increased about 6.3 percent for the 2021 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2021 were based on assessed market values as of January 1, 2020), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

The City's taxable market value increased 10.7 percent for taxes payable in 2020 and 8.8 percent for taxes payable in 2021. The following graph shows the City's changes in taxable 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 10.0 percent for 2020 and 6.6 percent for 2021.

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

Local Tax Capacity



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 North St. Paul		
	2019	2020	2021
Average tax rate			
City	43.8	40.7	38.2
County	52.9	52.3	47.8
School	29.2	32.7	32.0
Special taxing	13.4	12.6	12.6
Total	139.3	138.3	130.6

The total average tax rate decreased from the prior year, mainly due to a decrease in the city and county rates.

GOVERNMENTAL FUND BALANCES

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

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31, 2021	Fund Balance as of December 31, 2020	Change
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 81,629	$ 54,511	$ 27,118
Restricted	6,232,816	5,912,546	320,270
Committed	4,188,953	4,026,933	162,020
Assigned	2,158,759	2,032,097	126,662
Unassigned	(2,536,846)	(2,392,389)	(144,457)
Total governmental funds	$ 10,125,311	$ 9,633,698	$ 491,613
Total by fund			
General	$ 3,688,344	$ 2,843,542	$ 844,802
TIF 4-10 Anchor Block North – Housing Tax Increment	(2,820,724)	(2,122,782)	(697,942)
Municipal State Aid	(1,751,972)	(1,538,761)	(213,211)
Nonmajor	11,009,663	10,451,699	557,964
Total governmental funds	$ 10,125,311	$ 9,633,698	$ 491,613

In total, the fund balances of the City's governmental funds increased by $491,613 during the year ended December 31, 2021. The increase is due largely to the improved financial position in the General Fund in the current year.

GOVERNMENTAL FUND REVENUES

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

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City's data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city's stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year, due to the effect of inflation and changes in its operation. Also, certain data in 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

	State-Wide			City of North St. Paul		
Year	December 31, 2020			2019	2020	2021
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,159	12,161	12,364
Property taxes	$ 540	$ 517	$ 537	$ 443	$ 468	$ 469
Tax increments	34	33	44	36	53	55
Franchise and other taxes	49	60	46	35	36	40
Special assessments	54	39	54	22	19	17
Licenses and permits	36	39	46	52	52	56
Intergovernmental revenues	474	367	273	243	318	207
Charges for services	113	89	91	18	11	15
Other	83	69	69	82	163	82
Total revenue	$ 1,383	$ 1,213	$ 1,160	$ 931	$ 1,120	$ 941

The City generated $11,629,780 of total revenue in its governmental funds in 2021, a decrease of $1,991,079 (14.6 percent) from the prior year. The City's per capita governmental funds revenue for 2021 was $941, a decrease of $179, from the prior year, including the effect of a change in estimated population. The largest changes occurred with decreases in intergovernmental revenues and other revenues. Intergovernmental revenues decreased by $111 per capita, due to the recognition of the City's portion of coronavirus relief funds (CRF) in the prior year. The decrease in other revenues was due to a gain on the sale of assets held for resale in the tax increment districts in the prior year.

GOVERNMENTAL FUND EXPENDITURES

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

- **Current** – These are typically the general operating type expenditures occurring on an annual basis and are primarily funded by general sources, such as taxes and intergovernmental revenues.

- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.

- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

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

Governmental Funds Expenditures per Capita
With State-Wide Averages by Population Class

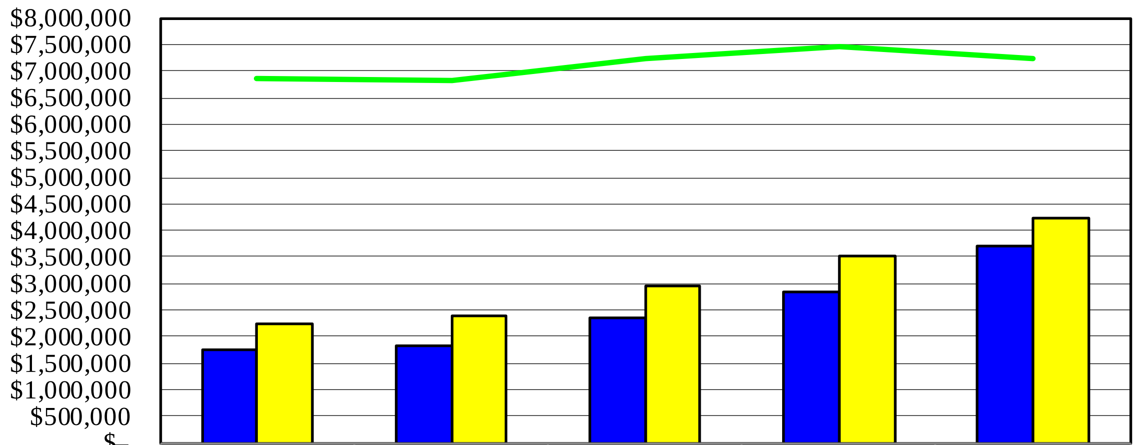
	State-Wide			City of North St. Paul		
Year	December 31, 2020			2019	2020	2021
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,159	12,161	12,364
Current						
General government	$ 176	$ 140	$ 118	$ 109	$ 125	$ 98
Public safety	315	288	320	356	380	368
Streets and highways	146	122	112	90	88	89
Parks and recreation	100	112	95	42	47	36
All other	95	108	104	250	584	36
Total current	832	770	749	847	1,224	627
Capital outlay and construction	586	429	331	354	466	101
Debt service						
Principal	172	149	91	111	226	260
Interest and fiscal	45	42	33	38	55	57
Total debt service	217	191	124	149	281	317
Total expenditures	$ 1,635	$ 1,390	$ 1,204	$ 1,350	$ 1,971	$ 1,045

Total expenditures in the City's governmental funds for 2021 were $12,934,095, a decrease of $11,044,166 (46.1 percent). The City's per capita governmental funds total expenditures decreased $926, or 47.0 percent. This decrease was mainly in all other and capital outlay and construction. All other expenditures decreased $548 per capita, due to decreased economic development activity within the City's tax increment financing districts. Capital outlay and construction decreased $365 per capita, due to decreased street improvement projects in the current year.

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
Years Ended December 31,



	2017	2018	2019	2020	2021
Fund Balance	$1,757,749	$1,832,826	$2,355,577	$2,843,542	$3,688,344
Cash (Net)	$2,224,485	$2,378,154	$2,942,024	$3,528,848	$4,220,273
Expenditures	$6,854,703	$6,845,264	$7,257,555	$7,453,828	$7,225,942

The City's General Fund cash and investment balance (net of borrowing) at December 31, 2021 was $4,220,273, an increase of $691,425 from the previous year. Total fund balance at December 31, 2021 was $3,688,344, an increase of $844,802 from the prior year.

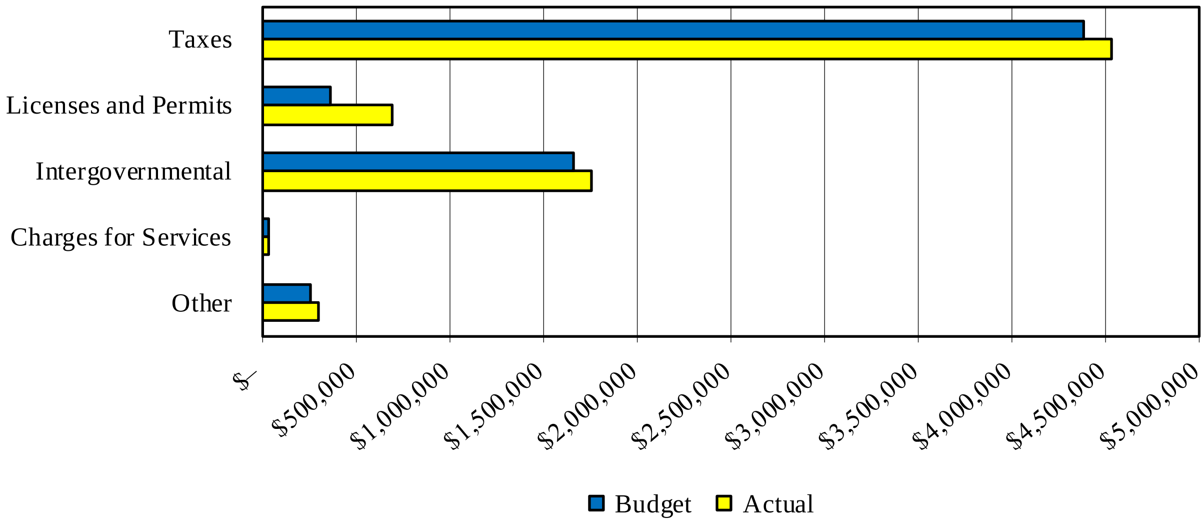
The level of General Fund balance is greatly attributed to the City's fund balance policies, as well as the general budgeting policies. These policies have allowed the City to provide funding for the General Fund operations, as well as equipment replacement and street improvement programs without disrupting the General Fund's financial position or having to issue debt for these types of projects.

As the graph illustrates, the City has generally been able to maintain stable cash and fund balance levels as the volume of financial activity has fluctuated. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. 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 is a factor in determining the City's bond rating and resulting interest costs. Maintaining an adequate fund balance has become increasingly important given the fluctuations in state funding for cities in recent years.

Current city policy allows fund balance in the General Fund to grow to 35 percent of the subsequent year's budgeted expenditures, while the State Auditor recommends that cities maintain an unrestricted fund balance that is between 35 percent and 50 percent of total current expenditures. At December 31, 2021, the unassigned fund balance for the General Fund was 44 percent of the subsequent year's budgeted expenditures. The City should review the level of fund balance on an ongoing basis to determine the optimal level for efficient operations.

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

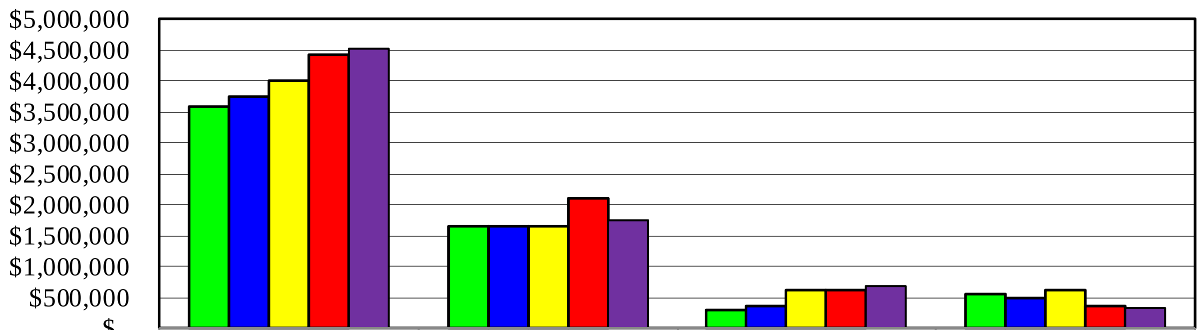
General Fund Revenue



Total General Fund revenues for 2021 were $7,310,744, a decrease of $246,616 from the previous year, and were $626,832 (9.4 percent) over budget. Revenues were more than projected in each category as presented above. The largest variances were in licenses and permits, taxes, and intergovernmental revenues, which were $336,568, $143,647, and $95,230, respectively, above anticipated levels, due in part to conservative budgeting.

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

General Fund Revenue by Source
Years Ended December 31,

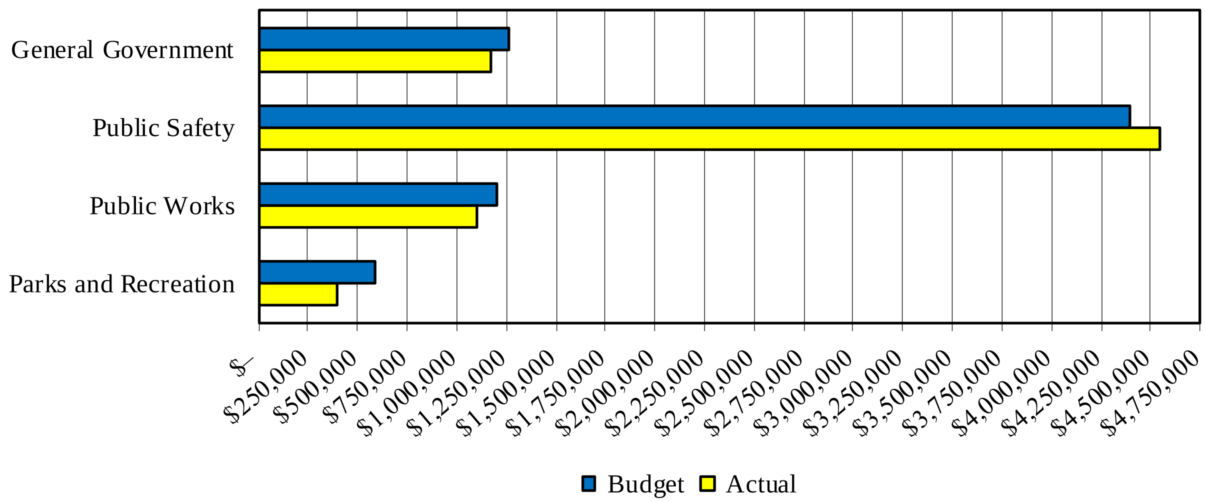


	Taxes	Intergovernmental	Licenses and Permits	All Other
2017	$3,587,226	$1,647,917	$302,716	$554,067
2018	$3,762,372	$1,664,846	$355,448	$495,175
2019	$4,010,984	$1,670,594	$631,259	$633,352
2020	$4,444,352	$2,113,531	$630,386	$369,091
2021	$4,525,491	$1,753,906	$697,218	$334,129

The General Fund is primarily financed by property and other taxes, along with local government aid, to operate activities in this fund. The largest change occurred in intergovernmental, which decreased $359,625 from the prior year, due to the receipt of the CRF as previously mentioned.

The following graph reflects the City's General Fund expenditures compared to budget for 2021:

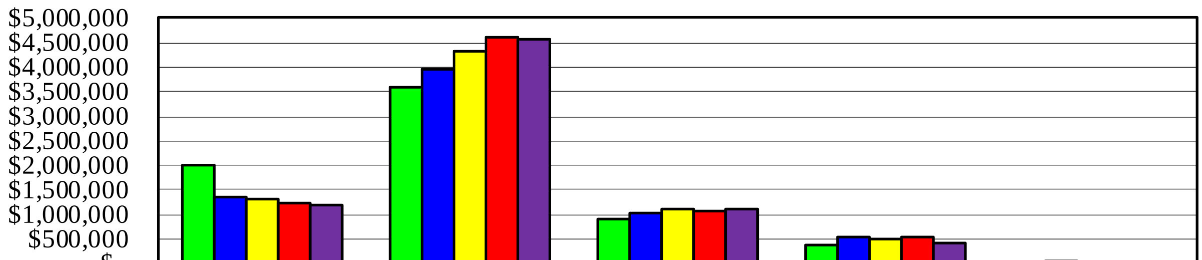
General Fund Expenditures



Total General Fund expenditures for 2021 were $7,225,942, a decrease of $227,886 (3.1 percent) from the previous year, and $217,970 (2.9 percent) under budget. The largest variance occurred in the parks and recreation function, which was under budget by $192,055, mainly in the parks maintenance department as contractual services were less than anticipated.

The following graph provides you with the components of the City's General Fund spending for the past five years:

General Fund Expenditures by Function
Years Ended December 31,



	General Government	Public Safety	Public Works	Parks and Recreation	Other
2017	$2,013,213	$3,582,496	$884,974	$374,020	$–
2018	$1,343,042	$3,939,799	$1,021,445	$522,972	$18,006
2019	$1,325,646	$4,329,204	$1,093,499	$509,206	$–
2020	$1,224,966	$4,625,463	$1,069,926	$533,473	$–
2021	$1,175,770	$4,550,160	$1,105,152	$394,860	$–

Typical to other cities we audit, public safety costs comprise the largest portion of General Fund spending. The largest decrease in the current year was in parks and recreation, which decreased $138,613, mainly in the recreation department, due to the decreased personal service costs.

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 Electric, Water, Surface Water, Waste Water, Fiber Optic, and Solid Waste Funds.

The utility funds comprise a considerable portion of the City's activities. These funds help to defray overhead and administrative costs and provide additional support to general government operations by way of annual transfers. We understand that the City is proactive in reviewing these activities on an ongoing basis and we want to reiterate the importance of continually monitoring these operations. Over the years, we have emphasized to our city clients the importance of these utility operations being self-sustaining, preventing additional burdens on general government funds. This would include the accumulation of net position for future capital improvements and to provide a cushion in the event of a negative trend in operations.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2021, presented both by classification and by fund:

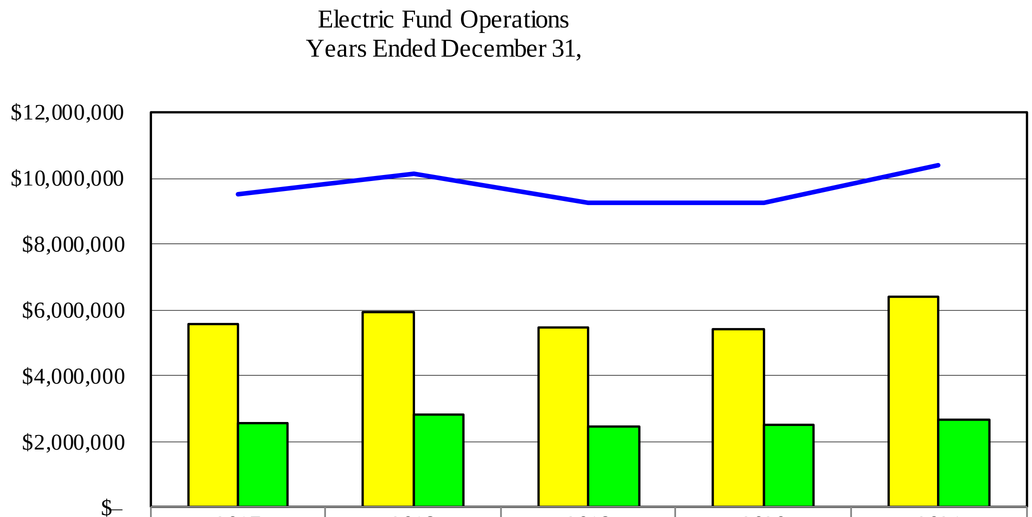
Enterprise Funds Change in Financial Position

	Net Position as of December 31, 2021	Net Position as of December 31, 2020	Change
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 7,092,785	$ 6,715,226	$ 377,559
Unrestricted	16,532,333	14,151,279	2,381,054
Total enterprise funds	$ 23,625,118	$ 20,866,505	$ 2,758,613
Total by fund			
Electric	$ 9,053,985	$ 8,102,101	$ 951,884
Water	6,494,210	5,614,691	879,519
Surface Water	4,119,745	3,837,942	281,803
Waste Water	3,903,777	3,359,766	544,011
Fiber Optic	(666,465)	(733,909)	67,444
Solid Waste	719,866	685,914	33,952
Total enterprise funds	$ 23,625,118	$ 20,866,505	$ 2,758,613

In total, the net position of the City's enterprise funds increased by $2,758,613 during the year ended December 31, 2021. Net investment in capital assets increased $377,559, due to continued investment in utility infrastructure and other capital assets. The increase of $2,381,054 in unrestricted net position was due to positive operating results in the enterprise funds.

ELECTRIC FUND

The following graph and table present comparative data for Electric Fund operations:



	2017	2018	2019	2020	2021
Purchased Utilities	$5,598,551	$5,934,267	$5,492,106	$5,441,693	$6,404,278
Other Operating Expenses	$2,575,595	$2,847,699	$2,449,878	$2,527,008	$2,643,458
Net Sales	$9,533,890	$10,148,273	$9,282,934	$9,261,964	$10,415,639

	2017	2018	2019	2020	2021
Total operating revenue	$ 9,533,890	$ 10,148,273	$ 9,282,934	$ 9,261,964	$ 10,415,639
Purchased utilities	5,598,551	5,934,267	5,492,106	5,441,693	6,404,278
Gross profit	3,935,339	4,214,006	3,790,828	3,820,271	4,011,361
Other operating expenses	(2,575,595)	(2,847,699)	(2,449,878)	(2,527,008)	(2,643,458)
Depreciation	(73,602)	(85,306)	(101,290)	(103,739)	(114,831)
Interest expense	(66,894)	(64,256)	(55,443)	(52,352)	(40,624)
Other income	75,077	97,891	244,957	235,481	170,848
Income before transfers	1,294,325	1,314,636	1,429,174	1,372,653	1,383,296
Net transfers in (out)	(556,800)	(351,130)	(372,932)	(300,000)	(431,412)
Change in net position	$ 737,525	$ 963,506	$ 1,056,242	$ 1,072,653	$ 951,884
Income before transfers as a percentage of net sales	13.6 %	13.0 %	15.4 %	14.8 %	13.3 %

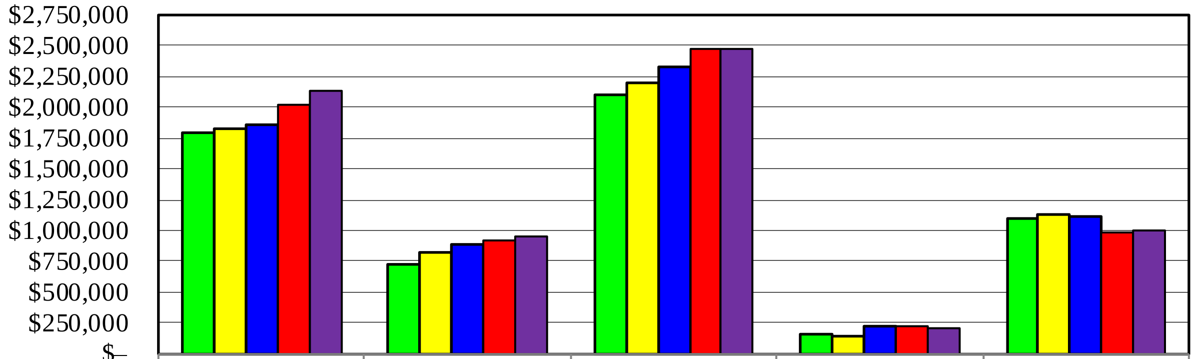
Gross profit results for the City's Electric Fund increased by $191,090 from the prior year. This increase was mainly due to increased rates in the current year, as approved by the City Council.

The Electric Fund ended fiscal 2021 with a total net position of $9,053,985, of which $7,869,297 was unrestricted, with the remaining balance being classified as net investment in capital assets. At December 31, 2021, unrestricted cash and investments totaled $4,307,434 and advances to other funds totaled $4,261,633.

OTHER ENTERPRISE UTILITY FUNDS

The graph below shows operating revenue of the other enterprise utility funds over the last five years:

Utility Revenue
Years Ended December 31,



	Water	Surface Water	Waste Water	Fiber Optic	Solid Waste
2017	$1,787,727	$727,237	$2,105,749	$148,684	$1,099,506
2018	$1,823,416	$820,017	$2,194,476	$141,209	$1,135,528
2019	$1,852,700	$881,196	$2,325,937	$218,655	$1,106,983
2020	$2,015,436	$925,883	$2,477,861	$213,804	$985,699
2021	$2,138,165	$946,086	$2,482,664	$208,915	$997,011

As the graph displays, utility revenue will fluctuate from year-to-year, which is common as a result of changes for rate adjustments as well as external factors, such as the weather, which may impact usage levels.

With the exception of the Fiber Optic Fund, these enterprise utility funds have typically experienced positive operating results. The positive operating results of these funds are important because the revenue is being used to pay debt service on the City's utility revenue bonds.

WATER FUND

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

	2017	2018	2019	2020	2021
Operating revenue	$ 1,787,727	$ 1,823,416	$ 1,852,700	$ 2,015,436	$ 2,138,165
Operating expenses	(532,654)	(642,292)	(827,869)	(746,874)	(695,935)
Depreciation	(167,070)	(194,217)	(205,280)	(205,280)	(250,078)
Operating income	1,088,003	986,907	819,551	1,063,282	1,192,152
Nonoperating revenue (expenses)	(42,463)	(50,743)	32,357	(57,105)	(107,633)
Income before transfers	1,045,540	936,164	851,908	1,006,177	1,084,519
Net transfers in (out)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)
Change in net position	$ 840,540	$ 731,164	$ 646,908	$ 801,177	$ 879,519
Income before transfers as a percentage of operating revenue	58.5 %	51.3 %	46.0 %	49.9 %	50.7 %

The Water Fund ended 2021 with a net position of $6,494,210, an increase of $879,519 from the prior year. Of this, $1,396,991 represents the net investment in capital assets, while $5,097,219 is considered unrestricted.

Operating revenue increased $122,729 from the previous year, or about 6.1 percent. Increased consumption resulted in this overall increase in operating revenue. Operating expenses decreased $50,939, or about 6.8 percent from the prior year, primarily in professional services and materials and supplies.

During the current year, this utility operation also made transfers to other funds totaling $205,000.

SURFACE WATER FUND

The following table presents five years of comparable operating results for the City's Surface Water Fund:

	2017	2018	2019	2020	2021
Operating revenue	$ 727,237	$ 820,017	$ 881,196	$ 925,883	$ 946,086
Operating expenses	(413,569)	(457,275)	(317,898)	(313,785)	(352,044)
Depreciation	(106,553)	(127,752)	(137,772)	(137,772)	(159,522)
Operating income	207,115	234,990	425,526	474,326	434,520
Nonoperating revenue (expense)	(11,740)	(14,690)	47,707	(45,904)	(72,717)
Income before contributions and transfers	195,375	220,300	473,233	428,422	361,803
Capital contributions	–	–	–	930,628	–
Net transfers in (out)	(80,000)	(80,000)	(80,000)	(256,780)	(80,000)
Change in net position	$ 115,375	$ 140,300	$ 393,233	$ 1,102,270	$ 281,803
Income before transfers as a percentage of operating revenue	26.9 %	26.9 %	53.7 %	46.3 %	38.2 %

The Surface Water Fund ended 2021 with a net position of $4,119,745, an increase of $281,803 from the prior year. Of this, $1,603,609 represents the net investment in capital assets, while $2,516,136 is considered unrestricted.

Operating revenues increased $20,203 from the previous year, or about 2.2 percent, due to the increased number of customers. Operating expenses increased $38,259, or about 12.2 percent, from the previous year, primarily in professional services for pond clean out costs.

Capital contributions decreased, mainly due to municipal state aid funds received for capital-related projects in the prior year.

During the current year, this utility operation also made transfers to other funds totaling $80,000.

WASTE WATER FUND

The following table presents five years of comparative operating results for the City's Waste Water Fund:

	2017	2018	2019	2020	2021
Operating revenue	$ 2,105,749	$ 2,194,476	$ 2,325,937	$ 2,477,861	$ 2,482,664
Operating expenses	(1,298,095)	(1,474,719)	(1,536,494)	(1,556,133)	(1,416,341)
Depreciation	(108,295)	(156,383)	(205,103)	(206,816)	(257,764)
Operating income	699,359	563,374	584,340	714,912	808,559
Nonoperating revenue (expenses)	(89,755)	(84,975)	164,720	(100,164)	(119,548)
Income before transfers	609,604	478,399	749,060	614,748	689,011
Net transfers in (out)	(145,000)	(145,000)	(145,000)	(42,213)	(145,000)
Change in net position	$ 464,604	$ 333,399	$ 604,060	$ 572,535	$ 544,011
Income before transfers as a percentage of operating revenue	29.0 %	21.8 %	32.2 %	24.8 %	27.8 %

The Waste Water Fund ended 2021 with a net position of $3,903,777, an increase of $544,011 from the prior year. Of this, $1,266,939 represents the net investment in capital assets, while the unrestricted portion has a balance of $2,636,838.

Operating revenue increased $4,803 from the previous year, or about 0.2 percent. Operating expenses decreased $139,792, or about 9.0 percent from the prior year, primarily in purchased utilities and professional services.

During the current year, this utility operation also made transfers to other funds totaling $145,000.

FIBER OPTIC FUND

The following table presents five years of comparable operating results for the City's Fiber Optic Fund:

	2017	2018	2019	2020	2021
Operating revenue	$ 148,684	$ 141,209	$ 218,655	$ 213,804	$ 208,915
Operating expenses	(109,781)	(136,660)	(93,984)	(96,183)	(97,032)
Depreciation	(44,440)	(44,439)	(44,439)	(44,439)	(44,439)
Operating income (loss)	(5,537)	(39,890)	80,232	73,182	67,444
Nonoperating revenue (expenses)	(36,221)	(41,642)	(14,936)	–	–
Change in net position	(41,758)	(81,532)	65,296	73,182	67,444
Net position					
Beginning of year	(749,097)	(790,855)	(872,387)	(807,091)	(733,909)
End of year	$ (790,855)	$ (872,387)	$ (807,091)	$ (733,909)	$ (666,465)
Net position					
Net investment in capital assets	$ 1,818,314	$ 1,773,875	$ 1,729,436	$ 1,684,997	$ 1,640,558
Unrestricted	(2,609,169)	(2,646,262)	(2,536,527)	(2,418,906)	(2,307,023)
Total net position	$ (790,855)	$ (872,387)	$ (807,091)	$ (733,909)	$ (666,465)

The Fiber Optic Fund ended 2021 with a net position deficit of $666,465, an improvement of $67,444 from the prior year. Of this, $1,640,558 represents the net investment in capital assets, while the unrestricted portion has a deficit balance of $2,307,023.

As discussed earlier in this report, it is critical for the City to review the operations of this fund. This analysis would need to consider the City's plans to cover repair and replacement costs as the operating results include a charge for depreciation expense, which is a noncash expense. Cash flow management for this fund is also important for repayment on interfund borrowing.

SOLID WASTE FUND

The following table presents five years of comparable operating results for the City's Solid Waste Fund:

	2017	2018	2019	2020	2021
Operating revenue	$ 1,099,506	$ 1,135,528	$ 1,106,983	$ 985,699	$ 997,011
Operating expenses	(979,914)	(984,930)	(1,486,953)	(902,143)	(936,115)
Operating income (loss)	119,592	150,598	(379,970)	83,556	60,896
Nonoperating revenue	28,887	37,730	163,661	34,723	33,056
Income (loss) before transfers	148,479	188,328	(216,309)	118,279	93,952
Net transfers in (out)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
Change in net position	$ 88,479	$ 128,328	$ (276,309)	$ 58,279	$ 33,952
Income (loss) before transfers as a percentage of operating revenue	13.5 %	16.6 %	(19.5) %	12.0 %	9.4 %

The Solid Waste Fund ended 2021 with a net position of $719,866, an increase of $33,952 from the prior year, all of which is reported as unrestricted net position.

Operating revenue increased $11,312 from the previous year, or about 1.1 percent, due to the increased number of customers. Operating expenses increased $33,972, or about 3.8 percent, primarily in professional services.

During the current year, this utility operation also made transfers to other funds totaling $60,000.

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.

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

The following table presents the components of the City's net position as of December 31, 2021 and 2020 for governmental activities, business-type activities (utility fund operations), and the Economic Development Authority (EDA) component unit:

	As of December 31,		
	2021	2020	Change
Net position			
Primary government			
Governmental activities			
Net investment in capital assets	$ 27,299,383	$ 23,925,494	$ 3,373,889
Restricted	6,291,329	6,750,568	(459,239)
Unrestricted	(2,656,756)	(3,329,638)	672,882
Total governmental activities	30,933,956	27,346,424	3,587,532
Business-type activities			
Net investment in capital assets	7,092,785	6,715,226	377,559
Unrestricted	17,209,712	14,631,165	2,578,547
Total business-type activities	24,302,497	21,346,391	2,956,106
Total primary government	55,236,453	48,692,815	6,543,638
Component unit			
Economic Development Authority			
Restricted	513,005	369,804	143,201
Total net position	$ 55,749,458	$ 49,062,619	$ 6,686,839

The City (including the EDA) ended 2021 with a combined total net position of $55,749,458, an increase of $6,686,839 from the prior year. The increase in governmental activities is mainly in net investment in capital assets, due to continued investment in infrastructure and other capital assets.

The business-type activities net position increased in the current year, as previously discussed.

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 and the EDA for the years ended December 31, 2021 and 2020:

	2021			2020
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Primary government				
Governmental activities				
General government	$ 1,328,371	$ 400,827	$ (927,544)	$ (1,123,998)
Public safety	3,826,009	436,788	(3,389,221)	(3,455,347)
Public works	2,135,103	1,137,572	(997,531)	(76,029)
Parks and recreation	470,618	362,490	(108,128)	(383,021)
Economic development	560,016	416,959	(143,057)	(5,578,595)
Interest and fiscal charges	624,528	–	(624,528)	(701,700)
Business-type activities				
Electric	9,090,803	10,426,288	1,335,485	1,344,063
Water	1,028,804	2,142,745	1,113,941	1,022,360
Surface water	562,073	946,285	384,212	1,217,083
Waste water	1,760,265	2,482,880	722,615	664,031
Fiber optic	141,471	208,915	67,444	73,182
Solid waste	938,234	1,033,521	95,287	108,252
Total primary government	22,466,295	19,995,270	(2,471,025)	(6,889,719)
Component unit				
Economic Development Authority	55,761	–	(55,761)	(45,999)
Total net (expense) revenue	$ 22,522,056	$ 19,995,270	(2,526,786)	(6,935,718)
General revenues				
Property and franchise taxes			7,156,303	6,952,791
Grants and contributions not restricted to specific programs			1,685,861	1,800,995
Other general revenues			123,455	72,043
Investment earnings			159,334	515,726
Gain on sale of assets			88,672	9,848
Total general revenues			9,213,625	9,351,403
Change in net position			$ 6,686,839	$ 2,415,685

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 that, for the most part, 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.

LEGISLATIVE UPDATES

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

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

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

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

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

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

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

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

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

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

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

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

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

ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years. Due to the COVID-19 pandemic, the GASB has delayed the original implementation dates of these and other standards as described below.

GASB Statement No. 87, *Leases*

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

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

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

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

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

GASB Statement No. 91, *Conduit Debt Obligations*

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

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

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

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

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

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

GASB Statement No. 92, *Omnibus 2020*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2021

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports
Year Ended December 31, 2021

Table of Contents

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON 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 North 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North St. Paul, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify two deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as findings 2021-001 and 2021-002, that we consider to be significant deficiencies.

(continued)

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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.*

CITY'S RESPONSES TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of 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
May 9, 2022

MMKR
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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of North 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North St. Paul, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the depositories of public funds and public investments and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for the 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 Responses as findings 2021-003, 2021-004, and 2021-005. 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 contracting – bid laws, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

CITY'S RESPONSES TO FINDINGS

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

(continued)

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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
May 9, 2022

Schedule of Findings and Responses
Year Ended December 31, 2021

FINDINGS – SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 SEGREGATION OF DUTIES

Criteria – Internal control over financial reporting.

Condition – The City of North St. Paul, Minnesota (the City) has limited segregation of duties in a number of areas.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year finding.

Cause – The limited segregation of duties is primarily caused by turnover in the City's finance department staff in the current year.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual should have responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the City continue to review its accounting procedures and internal controls and make improvements on an ongoing basis within the limits of the staff available.

Management Response – There is no disagreement with the audit finding. The City reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

FINDINGS – SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2021-002 CITY POLICIES AND PROCEDURES

Criteria – Internal control over financial reporting.

Condition – The City has written policies and procedures over several areas. During our audit testing, we noted certain credit card transactions were not in compliance with city purchasing policies. The policy states that claims presented for payment must be in writing and itemized. Each department manager is responsible for ensuring receipts and invoices meet this requirement and provide them to the finance department for prompt payment of the credit card statement. Certain credit card purchases in the current year were not in compliance with city policy and lacked invoices and receipts to support the items charged in the bill from the credit card company.

Questioned Costs – Not applicable.

Context – This condition applies to city policies and procedures over credit cards.

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

Cause – This was an oversight by city personnel.

Effect – The City was out of compliance with their internal city policies. The City does not have invoices and receipts on file to support certain credit card purchases and to verify purchases were for a proper public purpose.

Recommendation – We recommend that the City reviews its policies and procedures for use of credit cards and ensure these policies are being followed by all city staff.

Management Response – There is no disagreement with the audit finding. The City will review policies in place and take measures to ensure they are appropriately followed.

FINDINGS – MINNESOTA LEGAL COMPLIANCE

2021-003 CLAIMS AND DISBURSEMENTS

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services for governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, local governments must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. Six of forty disbursements tested were not paid within the statutory time limit.

Questioned Costs – Not applicable.

Context – Six of forty disbursements tested were not in compliance.

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

Cause – This was an oversight by city personnel.

Effect – Certain payments made to vendors were not paid within the timeframe as required by state statutes.

Recommendation – We recommend that the City review claims and disbursements payment procedures in place to ensure that all invoices are paid within statutory requirements.

Management Response – There is no disagreement with the audit finding. The City will review its procedures in place to ensure future compliance with Minnesota Statutes.

FINDINGS – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

2021-004 BROKER CERTIFICATIONS

Criteria – Minnesota Statutes § 118A.04, Subd. 9.

Condition – Minnesota Statutes annually require that, prior to completing an initial investment transaction with each broker, cities provide to that broker a written statement of investment restrictions and that the broker acknowledge receipt of the investment restrictions and agree to handle a city's account in accordance with the restrictions. The City did not obtain such certifications from one of its investment brokers in 2021.

Questioned Costs – Not applicable.

Context – The City did not obtain a signed broker acknowledgment form from one of the brokers used in 2021.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – The City did not obtain a signed acknowledgment of investment restrictions from one of the brokers it used for investment transactions in 2021, increasing the risk that the broker could sell the City an instrument that is not an allowable investment under Minnesota Statutes.

Recommendation – We recommend that the City review investment procedures in place to ensure future compliance with this statute.

Management Response – There is no disagreement with the audit finding. The City will review its procedures and obtain the appropriate certification from each broker with whom the City intends to transact in the future.

FINDINGS – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

2021-005 CREDIT CARDS

Criteria – Minnesota Statutes § 471.382.

Condition – Minnesota Statutes require a City Council to authorize the use of a credit card by any city employee otherwise authorized to make a purchase on behalf of the city. If a city employee makes or directs a purchase by credit card that is not approved by the City Council, the employee is personally liable for the amount of the purchase. A purchase by credit card must otherwise comply with all statutes, rules, and/or city policy applicable to city purchases.

Questioned Costs – Not applicable.

Context – Certain credit card purchases in the current year lacked proper supporting documentation to be in compliance with city policy and statutory requirements.

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

Cause – This was an oversight by city personnel.

Effect – The City was not in compliance with state credit card law requirements.

Recommendation – We recommend that the City review purchasing and credit card procedures in place to ensure that all credit card purchases are supported by invoices and receipts.

Management Response – There is no disagreement with the audit finding. The City will review its procedures relating to purchasing and credit card laws to ensure future compliance with Minnesota Statutes.

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

A. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 SEGREGATION OF DUTIES

Finding Summary

The City of North St. Paul, Minnesota (the City) has limited segregation of duties in a number of areas.

Corrective Action Plan

Actions Planned – The City is in the process of reorganizing the Finance Department to ensure segregation of duties.

Official Responsible – John Stark, City Manager.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – John Stark, City Manager, and Dan Winek, Finance Director, will work with staff to ensure that segregation of duties is established.

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2021-002 CITY POLICIES AND PROCEDURES

Finding Summary

The City of North St. Paul, Minnesota (the City) has written policies and procedures over several areas. During our audit testing, we noted certain credit card transactions were not in compliance with city purchasing policies. The policy states that claims presented for payment must be in writing and itemized. Each department director is responsible for ensuring receipts and invoices meet this requirement and provide them to the finance department for prompt payment of the credit card statement. Certain credit card purchases in the current year were not in compliance with city policy and lacked invoices and receipts to support the items charged in the bill from the credit card company.

Corrective Action Plan

Actions Planned – In October 2021, the City Council approved a revised purchasing policy and since that time, all credit card purchases have had acceptable supporting documentation. The City intends to continuously monitor its policies and procedures for these areas and ensure they are being followed by all city staff.

Official Responsible – John Stark, City Manager.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – John Stark, City Manager, and Dan Winek, Finance Director, will work with staff to ensure that all policies and procedures are being followed.

B. REPORT ON COMPLIANCE AND OTHER MATTERS

None.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

2021-003 CLAIMS AND DISBURSEMENTS

Finding Summary

Minnesota Statutes require prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services for governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, local governments must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. Six of forty disbursements tested were not paid within the statutory time limit.

Corrective Action Plan

Actions Planned – The City will review the payment procedures and will properly pay all invoices within the 35-day time limit.

Official Responsible – John Stark, City Manager, in coordination with other departments.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – John Stark, City Manager, will review the City's procedures for paying invoices with city employees responsible for processing disbursements.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2021-004 BROKER CERTIFICATIONS

Finding Summary

Minnesota Statutes annually require that, prior to completing an initial investment transaction with each broker, cities provide to that broker a written statement of investment restrictions and that the broker acknowledge receipt of the investment restrictions and agree to handle a city's account in accordance with the restrictions. The City did not obtain such certifications from one of its investment brokers in 2021.

Corrective Action Plan

Actions Planned – The City will review investment procedures in place to ensure compliance with this statute.

Official Responsible – John Stark, City Manager, in coordination with the Finance department.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – John Stark, City Manager, and Dan Winek, Finance Director, will ensure the City obtains the appropriate certification from each broker with whom the City intends to transact in the future.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)

2021-005 CREDIT CARDS

Finding Summary

Minnesota Statutes require a City Council to authorize the use of a credit card by any city employee otherwise authorized to make a purchase on behalf of the city. If a city employee makes or directs a purchase by credit card that is not approved by the City Council, the employee is personally liable for the amount of the purchase. A purchase by credit card must otherwise comply with all statutes, rules, and/or city policy applicable to city purchases.

Corrective Action Plan

Actions Planned – In October 2021, the City Council approved a revised purchasing policy and since that time, all credit card purchases have had acceptable supporting documentation. The City intends to continuously monitor its policies and procedures for these areas and ensure they are being followed by all city staff.

Official Responsible – John Stark, City Manager.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The City is in agreement with this finding.

Plan to Monitor – John Stark, City Manager, and Dan Winek, Finance Director, will work with staff to ensure that all policies and procedures are being followed.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

MINNESOTA LEGAL COMPLIANCE FINDINGS

2020-003 CONTRACTING AND QUOTE LAWS COMPLIANCE

Corrective action has been taken.

North St. Paul
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Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	May 17, 2022

Agenda Placement # IV.B

Topic(s)

Subject

Statements of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and Enterprise Funds

Background/Facts

The City of North St. Paul Finance Department is proud to present this financial report of City operations for your review. This report contains information on resources through the first quarter of 2022, which is the period ending March 31, 2022. The report includes the General Fund and Enterprise Funds. The enterprise funds are comprised of the following:

1. Electric
2. Water
3. Waste Water
4. Surface Water
5. Solid Waste
6. Fiber Optics

For each fund, revenues and expenditures are shown:

- Budget vs. Actual for the period
- Overall Projection for the year based on trends and assumptions

In addition, each fund will show the Change in Fund Balance for the current period and annual projection.

Information contained within this report is preliminary and unaudited. Adjusting and correcting entries may be made as part of the year-end close and audit process.

The City will strive to continue to make improvements in its financial reporting scheme so that information is available to the City Council, City Manager, departments and public is the best available for sound financial decisions.

Recommended Action

For your review and discussion.

Attachments

1. General Fund as of 3.31.22
2. Enterprise Funds as of 3.31.22

Respectfully submitted,
Daniel Winek, Finance Director

NORTH ST.PAUL
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UNAUDITED

CITY OF NORTH ST. PAUL, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Taxes	4,869,679	72,742	(4,796,937)	1%	4,796,937	4,869,679	-	100%
Special Assessments	-	-	-	0%	-	-	-	0%
Licenses	75,500	10,585	(64,915)	14%	64,915	75,500	-	100%
Permits	286,550	242,827	(43,723)	85%	258,636	501,463	214,913	175%
Court Fines	33,000	2,740	(30,260)	8%	27,950	30,690	(2,310)	93%
Intergovernmental	1,582,307	14,690	(1,567,617)	1%	1,567,617	1,582,307	-	100%
Charges for Services	33,500	6,839	(26,661)	20%	23,311	30,150	(3,350)	90%
Other Revenues	232,277	67,191	(165,086)	29%	211,541	278,732	46,455	120%
Transfers	820,000	205,000	(615,000)	25%	615,000	820,000	-	100%
TOTAL REVENUES	7,932,813	622,614	(7,310,199)	8%	7,565,907	8,188,521	255,708	103%
EXPENDITURES								
City Council	103,872	19,737	84,135	19%	74,665	94,402	9,470	91%
Administration	495,349	133,428	361,921	27%	504,420	637,848	(142,499)	129%
Elections	31,664	-	31,664	0%	-	-	31,664	0%
Finance	379,447	61,346	318,101	16%	230,396	291,742	87,705	77%
Community Development	303,429	68,012	235,417	22%	256,039	324,051	(20,622)	107%
Police	3,411,892	729,189	2,682,703	21%	2,740,777	3,469,966	(58,074)	102%
Fire & Code Enforcement	1,121,471	213,114	908,357	19%	716,998	930,112	191,359	83%
Building Inspections	222,619	43,705	178,914	20%	166,079	209,784	12,835	94%
Street Maintenance	1,118,558	281,299	837,259	25%	1,062,837	1,344,136	(225,578)	120%
Urban Forestry	230,656	35,559	195,097	15%	133,896	169,455	61,201	73%
Park Maintenance	490,234	80,675	409,559	16%	303,896	384,571	105,663	78%
Recreation	23,622	345	23,277	1%	1,307	1,652	21,970	7%
TOTAL EXPENDITURES	7,932,813	1,666,409	6,266,404	21%	6,191,309	7,857,718	75,095	99%
CHANGE IN FUND BALANCE	-	(1,043,795)	(1,043,795)			330,803	330,803	
TARGET YEAR-TO-DATE %	25%							

UNAUDITED

CITY OF NORTH ST. PAUL, MINNESOTA
ELECTRIC FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	13,500	-	(13,500)	0%	10,125	10,125	(3,375)	75%
Charges for Services	9,788,662	2,524,398	(7,264,264)	26%	7,753,697	10,278,095	489,433	105%
Other Revenues	96,000	44,906	(51,094)	47%	27,094	72,000	(24,000)	75%
Transfers	-	-	-	0%	-	-	-	0%
		-						
TOTAL REVENUES	9,898,162	2,569,304	(7,328,858)	26%	7,790,916	10,360,220	462,058	105%
EXPENDITURES								
Personnel Services	1,878,014	361,023	1,516,991	19%	1,352,195	1,713,218	164,796	91%
Supplies	280,850	107,057	173,793	38%	406,817	513,874	(233,024)	183%
Contractual Services	7,035,580	1,753,275	5,282,305	25%	5,259,825	7,013,100	22,480	100%
Capital	700,500	-	700,500	0%	700,500	700,500	-	100%
Transfers	300,000	75,000	225,000	25%	225,000	300,000	-	100%
Debt Issuance & Interest	79,375	23,839	55,536	30%	54,786	78,625	750	99%
TOTAL EXPENDITURES	10,274,319	2,320,194	7,954,125	23%	7,999,123	10,319,317	(44,998)	100%
CHANGE IN FUND BALANCE	(376,157)	249,110	625,267			40,903	417,060	
TARGET YEAR-TO-DATE %	25%							

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CITY OF NORTH ST. PAUL, MINNESOTA
WATER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	-	-	-	0%	-	-	-	0%
Charges for Services	1,745,850	430,040	(1,315,810)	25%	1,490,395	1,920,435	174,585	110%
Other Revenues	10,200	(15,284)	(25,484)	-150%	24,464	9,180	(1,020)	90%
Transfers	12,982	-	(12,982)	0%	12,982	12,982	-	100%
		-						
TOTAL REVENUES	1,769,032	414,756	(1,354,276)	23%	1,527,841	1,942,597	173,565	110%
EXPENDITURES								
Personnel Services	304,518	52,288	252,230	17%	195,842	248,130	56,388	81%
Supplies	109,579	19,738	89,841	18%	75,004	94,742	14,837	86%
Contractual Services	483,344	76,101	407,243	16%	289,184	365,285	118,059	76%
Capital	254,500	30,283	224,217	12%	224,217	254,500	-	100%
Transfers	205,000	51,250	153,750	25%	153,750	205,000	-	100%
Debt Issuance & Interest	106,244	56,892	49,352	54%	49,352	106,244	-	100%
TOTAL EXPENDITURES	1,463,185	286,552	1,176,633	20%	987,350	1,273,902	189,283	87%
CHANGE IN FUND BALANCE	305,847	128,204	(177,643)			668,695	362,848	
TARGET YEAR-TO-DATE %	25%							

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UNAUDITED

CITY OF NORTH ST. PAUL, MINNESOTA
WASTE WATER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	3/31/2021 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	-	-	-	0%	-	-	-	0%
Charges for Services	2,439,004	612,668	(1,826,336)	25%	1,826,336	2,439,004	-	100%
Other Revenues	7,500	(2,802)	(10,302)	-37%	10,302	7,500	-	100%
Transfers	16,089	-	(16,089)	0%	16,089	16,089	-	100%
		-						
TOTAL REVENUES	2,462,593	609,866	(1,852,727)	25%	1,852,727	2,462,593	-	100%
EXPENDITURES								
Personnel Services	252,717	42,279	210,438	17%	158,354	200,633	52,084	79%
Supplies	45,866	11,612	34,254	25%	34,836	46,448	(582)	101%
Contractual Services	1,317,394	397,430	919,964	30%	1,192,290	1,589,720	(272,326)	121%
Capital	176,467	(1,576)	178,043	-1%	178,043	176,467	-	100%
Transfers	145,000	36,250	108,750	25%	108,750	145,000	-	100%
Debt Issuance & Interest	128,831	62,815	66,016	49%	66,016	128,831	-	100%
TOTAL EXPENDITURES	2,066,275	548,810	1,517,465	27%	1,738,289	2,287,099	(220,824)	111%
CHANGE IN FUND BALANCE	396,318	61,056	(335,262)			175,494	(220,824)	
TARGET YEAR-TO-DATE %	25%							

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CITY OF NORTH ST. PAUL, MINNESOTA
SURFACE WATER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	-	-	-	0%	-	-	-	0%
Charges for Services	798,250	238,884	(559,366)	30%	639,191	878,075	79,825	110%
Other Revenues	2,000	(9,240)	(11,240)	-462%	11,240	2,000	-	100%
Transfers	9,006	-	(9,006)	0%	9,006	9,006	-	100%
		-						
TOTAL REVENUES	809,256	229,644	(579,612)	28%	659,437	889,081	79,825	110%
EXPENDITURES								
Personnel Services	232,452	38,319	194,133	16%	143,522	181,841	50,611	78%
Supplies	28,017	1,209	26,808	4%	4,594	5,803	22,214	21%
Contractual Services	197,542	15,410	182,132	8%	169,510	184,920	12,622	94%
Capital	-	(7,567)	7,567	0%	7,567	-	-	0%
Transfers	80,000	20,000	60,000	25%	60,000	80,000	-	100%
Debt Issuance & Interest	68,283	37,234	31,049	55%	31,049	68,283	-	100%
TOTAL EXPENDITURES	606,294	104,605	501,689	17%	416,242	520,847	85,447	86%
CHANGE IN FUND BALANCE	202,962	125,039	(77,923)			368,234	165,272	
TARGET YEAR-TO-DATE %	25%							

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CITY OF NORTH ST. PAUL, MINNESOTA
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	27,000	-	(27,000)	0%	27,000	27,000	-	100%
Charges for Services	991,392	246,399	(744,993)	25%	774,735	1,021,134	29,742	103%
Other Revenues	6,650	(2,250)	(8,900)	-34%	7,238	4,988	(1,662)	75%
Transfers	1,254	-	(1,254)	0%	1,254	1,254	-	100%
		-						
TOTAL REVENUES	1,026,296	244,149	(782,147)	24%	810,227	1,054,376	28,080	103%
EXPENDITURES								
Personnel Services	50,246	8,695	41,551	17%	32,567	41,262	8,984	82%
Supplies	-	-	-	0%	-	-	-	0%
Contractual Services	909,078	204,155	704,923	22%	686,703	890,858	18,220	98%
Capital	8,000	-	8,000	0%	8,000	8,000	-	100%
Transfers	60,000	15,000	45,000	25%	45,000	60,000	-	100%
Debt Issuance & Interest	3,889	2,258	1,631	58%	1,631	3,889	-	100%
TOTAL EXPENDITURES	1,031,213	230,108	801,105	22%	773,901	1,004,009	27,204	97%
CHANGE IN FUND BALANCE	(4,917)	14,041	18,958			50,367	55,284	
TARGET YEAR-TO-DATE %	25%							

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CITY OF NORTH ST. PAUL, MINNESOTA
FIBER OPTIC FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 2022

	2022 Adopted Budget	3/31/2022 Actual	Variance from 2022 Actual to Budget Positive (Negative)		Projected Outstanding	12/31/2022 Projected	Projected Variance for 2022 Positive (Negative)	
REVENUES								
Special Assessments	-	-	-	0%	-	-	-	0%
Intergovernmental	-	-	-	0%	-	-	-	0%
Charges for Services	200,663	50,167	(150,496)	25%	160,529	210,696	10,033	105%
Other Revenues	12,185	-	(12,185)	0%	9,139	9,139	(3,046)	75%
Transfers	-	-	-	0%	-	-	-	0%
		-						
TOTAL REVENUES	212,848	50,167	(162,681)	24%	169,668	219,835	6,987	103%
EXPENDITURES								
Personnel Services	-	-	-	0%	-	-	-	0%
Supplies	-	-	-	0%	-	-	-	0%
Contractual Services	99,400	54,943	44,457	55%	52,200	107,143	(7,743)	108%
Capital	-	-	-	0%	44,440	-	-	0%
Transfers	-	-	-	0%	-	-	-	0%
Debt Issuance & Interest	-	-	-	0%	-	-	-	0%
TOTAL EXPENDITURES	99,400	54,943	44,457	55%	96,640	107,143	(7,743)	108%
CHANGE IN FUND BALANCE	113,448	(4,776)	(118,224)			112,692	(756)	
TARGET YEAR-TO-DATE %	25%							

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Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	May 17, 2022

Agenda Placement # IV.C

Topic(s)

Subject

Fund Balance Policy Discussion

Background/Facts

Per the current Fund Balance Policy, the City Council should conduct an annual review of the sufficiency of the minimum unassigned Fund balance level.

Fund Balance measures the net financial resources available to finance expenditures of future periods within Governmental Funds of the City. In 1988 the City Council set a policy that established the fund balance of the General Fund at the end of the year allowing the fund balance to grow by $5,000 every year when revenues exceed expenditures and that any excess be split evenly between the Street Improvement Fund and the Equipment Fund. As the budget has grown over the years the percentage of the ending fund balance into the next year had been decreasing.

In 2002 the City Council passed Resolution 02-110 establishing that the end of the year fund balance of the General Fund be allowed to grow to 25% of the subsequent year's budgeted expenditures with any excess still being split between the Street Improvement Fund and the Equipment Fund.

In 2019 the City Council passed Resolution 2019-155 approving the fund balance policy in accordance with Governmental Accounting Standards Board ("GASB") Statement 54 ("GASB 54"). GASB 54 is a standard for governmental fund balance reporting and governmental fund type definitions. In addition, the fund balance policy incorporated two significant changes:

- Increase in fund balance at year end from 25% to 35% in accordance to the State of Minnesota Office of the State Auditor.

- City Council shall approve transferring excess fund balance above the 35% threshold in the subsequent year.

While the current fund balance policy meets the recommendation of the State of Minnesota Office of the State Auditor ("OSA"), it is on the low end of the OSA's recommendation and risks the City falling below that threshold in the event of loss of revenue and/or unpredicted one-time expenditures. The OSA's recommends that cities maintain an unrestricted fund balance that is between 35 % and 50 % of total current expenditures.

At December 31, 2021, the City's General Fund balance was $3,688,344, an increase of $844,802 from the prior year and the unassigned fund balance of $3,497,620 for the General Fund was 44% of the subsequent year's budgeted expenditures. With the good performance in 2021 and to strengthen the City's overall financial position, it is the recommendation to increase the minimum fund balance policy to 40% beginning in 2022 and in future years to strive to maintain a minimum unassigned General Fund balance of 50% of the subsequent years budgeted expenditures.

Based on the discussion, staff intends to bring the revised policy to the June 7, 2022 City Council meeting for approval and recommendations on the use of fund balance above the minimum.

Recommended Action

For discussion only.

Attachments

1. Fund Balance Policy 2019 - Revision Under Consideration

Respectfully submitted,
Daniel Winek, Finance Director

FUND BALANCE POLICY

City of North St. Paul

Adopted on December 3, 2019

Revision under Consideration

Purpose

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

General Statement of Policy

The policy of the City of North St. Paul is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

Definitions – Fund Balance Classifications

Fund Balance - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in a governmental fund.

- **Nonspendable Fund Balance** - amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently nonspendable, such as, but not limited to, inventories, prepaid items, and long-term receivables

- **Restricted Fund Balance** - amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance** - amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the City Council of the City of North St. Paul and that remain binding unless removed by the City Council of the City of North St. Paul by subsequent formal action. The formal action to commit a fund balance must occur prior to December 31st; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

- **Assigned Fund Balance** - amounts are comprised of unrestricted funds constrained by the City of North St. Paul's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the City of North St. Paul's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

- **Unassigned Fund Balance** - residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. Unassigned fund balance will occur only in the General Fund or in other funds when there is a negative fund balance that cannot be eliminated by reducing restricted, committed or assigned fund balances.

Definitions – Governmental Funds

- **General Fund -** The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, program revenues, intergovernmental revenues, investment interest earnings, and transfers. The General Fund's resources finance a wide range of functions including the operations of general government, public safety, and public works, and parks and recreation. The General Fund may have committed fund balances at year end for budget carryovers. The General Fund may have a portion of its fund balance classified as nonspendable if there are long term receivables, inventories, or prepaid items on the balance sheet.

- **Special Revenue Funds -** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Governmental accountings standards require that substantial inflows of revenues into a special revenue fund be either restricted or committed in order for the fund to be considered a special revenue fund.

- **Debt Service Funds -** Active Debt Service Funds with outstanding debt are considered restricted; they include resources that are being accumulated for payments of principal and interest maturing in current and future years. All of the City of North St. Paul's debt service funds are considered restricted. Closed Debt Service Fund balances are considered assigned fund balances and are used to cover deficits in other active debt service funds.

- **Capital Project Funds -** Capital project fund balances are resources that are being accumulated for current and future projects and are considered either restricted or assigned fund balances. Capital project funds are used for and report financial resources that are restricted to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Classifications of Fund Balances

The City of North St. Paul shall classify its fund balances in its various funds in one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

For the City's General Fund, it is the City's policy to spend the most restricted dollars before less restricted dollars in the following order:

- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

Minimum Fund Balance and Reserves

- **General Fund Working Capital** ~~—~~ – Beginning in 2022, t~~T~~he City of North St. Paul will strive to maintain a minimum unassigned General Fund balance of ~~35~~ 40 percent of the subsequent years budgeted expenditures for working capital and in future years will strive to maintain a minimum unassigned General Fund balance of 50% of the subsequent years budgeted expenditures for working capital, which will avoid issuing short-term debt to meet the cash flow needs of the current operating budget during the time between significant collection of major revenue sources such as property taxes. The City Council shall approve any transfer of excess fund balance in the subsequent year.
    - In the event the unassigned General Fund balance will be calculated to be less than the minimum requirement at the completion of any fiscal year, the City will attempt to replenish the General Fund to the above range of percentages.

- **Special Revenue and Capital Project Fund -** The City will maintain reserves in the Special Revenue and Capital Funds at a level sufficient to provide working capital for current expenditure needs plus an amount of cash that is estimated to be needed to meet legal restrictions and pay for future capital projects.

- **Enterprise and Internal Service Funds -** The City will maintain reserves in Enterprise Funds at a level sufficient to provide adequate working capital for current expenditure needs, replacement of capital assets within the fund over their estimated useful life, and to pay for future capital projects.

The City Council will annually review the adequacy of all reserve balances.

Judicious use of reserves within funds can be used to moderate fluctuations in capital projects and infrastructure maintenance expenses.

Order of Resource Use

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. When unrestricted resources are available for use, it is the City's policy to use resources in the following order (first to last): restricted, committed, assigned, and unassigned.

Committing Fund Balance

A majority vote of the City Council is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the City Council.

Assigning Fund Balance

The City Council also delegates the power to assign fund balances to the City Manager and/or Finance Director.

Policy Considerations

The City Council will conduct an annual review of the sufficiency of the minimum unassigned General Fund balance level.

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Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	May 17, 2022

Agenda Placement # IV.D

Topic(s)

Subject

Review of proposed Sign Ordinance changes

Background/Facts

Staff to provide a presentation on the proposed sign ordinance update.

Recommended Action

Attachments

1. Draft Sign Ordinance

Respectfully submitted,
Brandy Howe, Planner

SIGN ORDINANCE

PUBLIC HEARING DRAFT (June, 2022)

Table of Contents

CHAPTER 157. SIGN ORDINANCE.

§ 157.001. Introductory Provisions

A). Purpose. It is not the purpose or intent of this section to regulate the message displayed on any sign; nor is it the purpose or intent of this article to regulate any building design or any display not defined as a sign, or any sign which cannot be viewed from outside a building. The purpose and intent of this article is to:

1. Regulate the number, location, size, type, illumination, and other physical characteristics of signs within the city in order to promote the public health, safety, and welfare.
2. Maintain, enhance, and improve the aesthetic environment of the city by preventing visual clutter that is harmful to the appearance of the community.
3. Improve the visual appearance of the city while providing for effective means of communication, consistent with constitutional guarantees and the city's goals of public safety and aesthetics.
4. Provide for fair and consistent enforcement of the sign regulations set forth herein under the zoning authority of the city.
5. Ensure adequate means of expression as allowed by the first amendment of the U.S. Constitution and other federal, state, and local laws.
6. Minimize hazards caused by signs that are structurally unsound, interfere with sightlines or unduly distract drivers, pedestrians, or bicyclists.

B). Applicability. Any sign visible from a public street erected, altered, or maintained after the effective date of this ordinance shall conform to the regulations in this Chapter.

C). Interpretation**.** Any sign type determined by staff not identified by this code may be considered by the Planning Commission at a regular meeting and forwarded to the City Council for review.

§ 157.002. Definitions

AWNING SIGN. A building sign attached to, affixed to, or painted on an awning.

BANNER SIGN. A sign made of fabric or other similar nonrigid material with no enclosing framework or electrical components that is supported or anchored on two or more edges or at all four corners.

BENCH SIGN. A sign attached to a bench located on the street and designed for seating while waiting at a bus stop.

BILLBOARD (Prohibited). An off-premises sign intended by the sign owner to be available for sale, lease, or rental for the purpose of promoting any business or other activity which is not situated on the same property as the billboard or of promoting any product or service which is not primarily available on the same property as the billboard; and incidentally used for the display of public service messages.

BUILDING SIGN. A building sign is attached to or supported by a building whether it is the wall, window, or roof of the building. This sign type includes awning, canopy, marquee, projecting, roof, and wall signs.

CANOPY SIGN. A building sign attached to, affixed to, or painted on a canopy.

DWELLING, MULTIFAMILY. A residential structure containing three or more dwelling units.

DWELLING, SINGLE FAMILY. A detached residential structure that is designed for or occupied by one family only.

DWELLING, TWO FAMILY. A residential structure containing two dwelling units.

ELECTRONIC MESSAGE CENTER (EMC). A sign that can display words, symbols, figures, or images that can be electronically changed by remote or automatic means.

FEATHER SIGN. A nonpermanent sign made of lightweight materials that is prone to move in the wind, and that contains a harpoon-style pole or staff that is driven into the ground or supported by means of an individual stand.

FLAG. Any fabric or flexible material attached to or designed to be flown from a flagpole or other similar structure.

FREESTANDING SIGN. A sign on a frame, pole, or other, support structure not attached to any building. This sign type includes pylon, post and arm, and monument signs.

INFLATABLE (AIR ACTIVATED) SIGN. (Prohibited) A nonpermanent sign typically made of plastic, cloth, canvas, or other light fabric, inflated with air, and held upright, typically by mechanical means.

INTERNAL WAYFINDING. A sign used to aid customers in circulation within parking lots of commercial or other nonresidential uses. These signs could come in the form of monument, pylon, post and arm, or wall sign types.

MARQUEE SIGN. Any building sign attached to a marquee, a permanent roof-like structure projecting beyond a building or extending along and projecting beyond the wall of the building, generally designed and constructed to provide protection from the weather.

MONUMENT SIGN. A freestanding sign supported primarily by an internal structural framework or integrated into landscaping or other solid structural features other than support poles.

NONPERMANENT SIGN. A sign structure or device that is easily installed and removed and is not intended or suitable for permanent display due to the construction, materials, placement, or installation.

NONRESIDENTIAL USE. Any land use that is not a residential use.

OFF-PREMISES SIGN. (Prohibited) A sign whose message is unrelated to the premises or the activity and use occurring on the premises on which the sign is located.

ON-PREMISES SIGN. A sign whose message is related to the premises or the activity and use occurring on the premises on which the sign is located.

PERMANENT SIGN. A sign structure or device that is intended for permanent display due to the construction, materials, placement, or installation. See also "BUILDING" and “FREESTANDING” sign definitions.

POST AND ARM SIGN. A type of freestanding sign supported by a post and arm.

PROJECTING SIGN. A type of building sign extending outward from the face of the building.

RESIDENTIAL USE. See dwelling, multifamily, dwelling, single family, and dwelling, two family.

ROOF SIGN. Any single or double-faced signs mounted upon the roof of a building. This also includes signs painted or displayed directly upon the roof surface.

ROTATING SIGN (Prohibited). A sign that revolves, rotates, or mechanically moves.

SIGN. A device, structure, or fixture which communicates a message using words, graphics, letters, figures, symbols, trademarks, or other visual representations. Painted wall designs or patterns are not considered signs.

WALL SIGN. A building sign mounted flat against a wall or painted on the wall of a building or structure with the exposed face of the sign in a plane parallel to the face of the wall.

WINDOW SIGN. A sign posted, painted, placed, or affixed to the interior or exterior of a window.

§ 157.003. Sign Permits

A). Applicability. All permanent sign types shall require a sign permit in all districts.

B). Application.
  1. A sign permit application shall be submitted for all signs requiring a permit.
  2. All sign permit applications shall be accompanied by a permit fee according to the adopted fee schedule.
  3. A sign permit application shall be accompanied by the following items:
     a. A site plan and/or building elevations showing the position, height, and dimensions of the sign(s) in relation to all nearby existing or proposed buildings, structures, and property lines.
     b. Written consent of the property owner of the building or site upon which a sign is to be erected, constructed, or maintained.
     c. Such other information as the zoning administrator requires to show full compliance with this and all other laws and ordinances of the city.

C). Review. Sign permits are reviewed administratively by the zoning administrator with a determination made within 30 days from the time an application has been deemed complete.

D). Appeals.
  1. Applicants wishing to appeal a determination by the zoning administrator shall do so in writing within 30 days of said determination.
  2. Appeals from the zoning administrator's determination shall be heard by the Planning Commission and a recommendation made to City Council.
  3. The Planning Commission shall consider the appeal within 45 days of filing of said appeal by the applicant.

E). Nullification. A sign permit shall become null and void if the work for which the permit was issued has not been completed within a period of six months after the date of the permit. A permit may be renewed and no additional fee shall be collected for the renewal.

F). Revocation. The city may revoke a permit when a sign is in violation of this chapter of any other ordinance in the City of North Saint Paul. Any signs installed under a revoked permit shall be removed within ten days of written notice of the revocation.

§ 157.004. General Sign Regulations

A). Applicability. All permanent and nonpermanent signs, except official traffic and street signs, shall conform to the provisions of this section and any other ordinance or regulations of the city.

B). Sign Area Measurement.
  1. The area within the sign frame shall be used to calculate the square footage.
  2. The area without a sign frame shall be determined by drawing a box around the outermost periphery of letters or graphics. The square footage shall be that of the box surrounding the letters or graphics.
  3. Each side of a double-faced sign shall be considered in determining the total display surface area. The face shall be that portion of a sign upon which the message, advertisement or similar display is presented, as distinguished from the structural members.

C). Sign Height Measurement. The height of a sign shall be measured from the existing grade, or, if elevations of the centerline of the nearest frontage street are provided by the sign applicant, this point of elevation may be used rather than the existing grade.

D). Setbacks. Unless specifically noted otherwise, all permanent freestanding signs shall be set back a minimum of 10 feet from any property line and a minimum of 5 feet from any parking area or driveway. The city may require a greater or lesser setback due to public safety reasons, which may include the following conditions. vehicle sight distance, distance from intersection, designation of adjacent right-of-way.

E). Placement.
1. No sign shall be placed in such a position as to endanger pedestrians, bicyclists, or traffic on a street by obscuring the view or by interfering with official street signs or signals.
2. No sign may be located within a vision triangle as depicted in Chapter 154, Figure 23.
3. Signs and their supporting structures shall maintain clearance and not interfere with any surface and underground utility or communications lines or equipment.
4. No sign shall be mounted on chimneys, rooftop equipment, towers, cooling towers, elevator penthouses, commercial antennas, communication towers, belfries, church spires and cupolas.
5. No sign shall be pasted or attached to utility poles, trees, fences, or other signs.
6. No sign shall be pasted or attached to city property or equipment without permission from the governing body and shall be subject to all related laws and ordinances.

F). Materials and Construction.
1. All signs shall be constructed of durable materials using noncorrosive fastenings.
2. All signs shall be constructed in such a manner and of such material to be considered safe and substantial.
3. All signs and supporting structures shall be designed and constructed to withstand wind pressure of not less than 40 pounds per square foot of area.
4. Signs which utilize electricity must be:
   a. Installed in accordance with the current applicable electrical code.
   b. All necessary electrical and building permits must be obtained prior to placement.
   c. Electrical service to freestanding signs shall be underground
   d. Exposed wiring or conduit shall not be allowed.
   e. All work shall be completed by an electrical contractor licensed by the State of Minnesota.

G). Lighting.
1. Externally sourced lighting must be directed at the sign and must be shielded (not be visible to pedestrians, motorists, or neighboring residents or businesses).
2. Lighted signs shall be no closer than 20 feet from the nearest residential property and shall be illuminated only by white or amber light.

H). Maintenance.
1. All signs and components thereof shall be kept in good repair and in safe, neat, clean, and attractive condition and in compliance with all applicable building code requirements.
2. All permanent signs shall be properly painted including all parts and supports of the sign unless such parts or supports are galvanized or otherwise treated to prevent rust.
3. Any sign which becomes structurally unsafe or endangers the safety of a building or premises, or endangers the public safety, shall be considered a public nuisance and shall repaired or removed by the owner, agent, or person having the beneficial use of the building, structure, or land upon which the sign is located within ten days after written notification from the zoning administrator.

§ 157.005. Sign Area and Location Regulation

A). Applicability. The following district regulations and sign standards are applicable to all permanent and nonpermanent sign types.

B). Acceptable Sign Types by Land Use. See standards for sign types in Section 157.006.

Sign Types	Land Uses			
Permanent	Single-Family	Two-Family	Multifamily	Nonresidential
Awning	NA	NA	Allowed	Allowed
Canopy	NA	NA	Allowed	Allowed
Electronic Message Center	NA	NA	NA	Allowed
Freestanding	NA	NA	Allowed	Allowed
Internal Wayfinding	NA	NA	Allowed	Allowed
Marquee	NA	NA	NA	Allowed
Projecting	NA	NA	NA	Allowed
Roof	NA	NA	NA	Allowed
Wall	NA	NA	Allowed	Allowed
Nonpermanent (all types)*	Allowed	Allowed	Allowed	Allowed
Notes: NA means “not allowed.” *Refer to § 157.008 for a list of nonpermanent sign types.				

C). Sign Dimensional Standards. The dimensions listed below represent the maximum aggregate square footage of all permanent sign faces on a site based on the land use and zoning district.

Sign Types	Land Uses			
Permanent	Single-Family	Two-Family	Multifamily	Nonresidential
R-1	NA	NA	NA	60 SF
R-2	NA	NA	32 SF	60 SF
R-3	NA	NA	60 SF	60 SF
MU-1	NA	NA	60 SF	250 SF
MU-2	NA	NA	60 SF	250 SF
MU-3	NA	NA	60 SF	300 SF
Nonpermanent (all types)*				
R-1	32 SF	32 SF	NA	60 SF
R-2	32 SF	32 SF	32 SF	60 SF
R-3	32 SF	32 SF	60 SF	60 SF
MU-1	32 SF	32 SF	60 SF	250 SF
MU-2	32 SF	32 SF	60 SF	250 SF
MU-3	32 SF	32 SF	60 SF	300 SF

§ 157.006. Standards for Permanent Signs

A). Awning Sign.

1. Signs shall not exceed 75 percent of individual awning area or awning width.
2. One awning sign per side of structure.
3. The awning structure shall have a minimum 8-foot vertical clearance above sidewalk or pathway.

B). Canopy Sign.

1. Signs shall not exceed 75 percent of individual canopy area or canopy width.
2. One canopy sign per side of structure.
3. The canopy structure shall have a minimum 8-foot vertical clearance above sidewalk or pathway.
4. The sign may be placed on the front, above, or suspended below the canopy.

C). Electronic Message Centers (EMC)

1. General.
    a. EMCs shall only be permitted on freestanding signs.
    b. Non-conforming signs shall not be eligible for conversion to an electronic message center.
2. One electronic message center sign may be allowed per street frontage, not to exceed two EMCs per site.
3. EMCs shall adhere to the height standards for freestanding signs.
4. EMC Display.
    a. EMCs shall maintain an 8 second minimum dwell time for any images and messages.
    b. Any change from one static display to another must be instantaneous and shall not include any distracting effects, such as dissolving, spinning, or fading. Animation, motion, or video displays are prohibited.
    c. The images and messages displayed must be complete in themselves without continuation in content to the next image or message or to any other sign.
    d. No EMC shall have a brightness level that exceeds 0.3 foot-candles above ambient light.
    e. All EMC signs shall include certification from the sign's manufacturer that the sign has been preset to conform to the luminance levels noted above and these settings are protected from end users' manipulation by password protected software.
    f. EMCs may use multiple colors within the display, but the use of color shall not create distraction or a hazard to the public health, safety, or welfare.
5. EMC text size and legibility. The following minimum text sizes shall apply to all EMCs. If a sign is located on a corner with streets having differing speed limits, the minimum text size shall be based on the standard for higher speed limit to ensure legibility.

Minimum Text Sizes for EMC Signs	
Speed Limit of Adjacent Road	Minimum Text Size
25 to 34 MPH	7”
25 to 44 MPH	9“
45 to 54 MPH	12”
55 MPH or more	15”

6. Operation.
    a. All EMCs shall be equipped with a means to immediately discontinue the display if it malfunctions.
    b. The owner of an EMC must immediately cease operation of their sign when notified by the city that it fails to comply with the standards of this chapter.

D). Freestanding (includes monument, pylon, and post and arm sign types).

1. The total area of one freestanding sign face shall not exceed 1 square foot of surface area for every one foot of lineal street frontage, not to exceed the maximum aggregate sign area per 157.005(C).
2. One freestanding sign per street frontage.
3. Height.
    a. Post and arm signs shall not exceed 5 feet above existing grade.
    b. Monument signs shall not exceed 8 feet above existing grade.
    c. Pylon signs shall not exceed 25 feet above existing grade.
    d. Electronic message center signs shall not exceed 8 feet above existing grade.

E). Internal Wayfinding Sign.

1. Appropriate number of signs to provide directional assistance given size of site and circulation pattern as determined by the zoning administrator.
2. Signs shall not exceed 8 feet in height.

3. Internal wayfinding signs may come in the form of monument, pylon, or post and arm sign types.
4. Signs shall be designed in a uniform manner (within individual subdivision or center) using consistent background color and typeface colors.

F). Marquee.
1. Signs shall not exceed 75 percent of the size of the marquee.
2. Placement.
    a. Marquee structure shall have a minimum 8 feet vertical clearance above sidewalk or pathway.
    b. May be placed on the front, above, or below the canopy.

G). Projecting.
1. One projecting sign per façade that is visible from a street, alley, or customer parking lot.
2. Projection.
    a. Projecting signs shall not exceed 12 square feet in area.
    b. Maximum distance between the sign and building face shall be one foot.
    c. Horizontally oriented signs shall not project more than 8 feet outward from the face of the building.
    d. Square or vertically oriented signs shall not project more than 3 feet outward from the face of the building.
    e. Shall not be located directly over windows or in conflict with other signs or architectural features of the building.
    f. Signs may project into public right-of-way for storefront buildings but shall not extend over the curb into the travel lane.
3. Height.
    a. Minimum 8 feet vertical clearance above sidewalk or pathway, and minimum 14 feet minimum vertical clearance when within 5 feet of a roadway.
    b. Sign shall not extend above the building parapet, soffit, the eave line, or the roof of the building.

H). Roof.
1. One roof sign per building.
2. Roof signs shall not exceed 6 feet above the ridge line or parapet.
3. The separation of the sign from the roofline to the bottom of the sign shall not be greater than one foot.

I). Wall.
1. A minimum of 10 square feet up to a maximum of 1/3 of the building face.
2. One sign per tenant per façade visible from an adjacent street, alley, or customer parking lot.
3. Wall signs shall not stand more than 6 inches away from the wall.

J). Window. Permanent window signs are limited to one-third of the surface area of the window to which they are affixed.

§ 157.007. Multitenant Buildings

A). The property owner shall be responsible for allocating the allowable sign area among the tenants of multi-tenant buildings. If the owner does not allocate the sign area, the city may do so based on the relative floor area or tenant frontage.

B). The total surface area of all individual signs on the buildings shall not exceed the maximum square footage requirements per Sections 157.005(C).

C). Master Sign Plan. A master sign plan is required to control total sign area and sign placement to help eliminate incongruities as tenants/occupants change.
1. No permit shall be issued for an individual sign per Section 157.003 without a submittal of a master sign plan as part of the permit application.
2. A master signage plan shall contain the following information:

a. A scaled site plan showing location of buildings, parking lots, driveways and landscaped areas and an accurate indication on the site plan of the proposed location of present and future signs of any type, whether requiring a permit or not.
b. Scaled color drawings clearly showing the location of the sign on the site or building elevation.
c. Dimensions of each sign per the plan including a summary table with said dimensions.
d. The plan shall be signed by all owners or their authorized agents in such form as required by the city or as a part of applicable and active restrictive covenants.
e. A master sign plan may be amended by filing administratively a new master sign plan that conforms to all requirements of this chapter.
f. After approval of a master signage plan by the zoning administrator, no sign shall be erected, placed, painted, or maintained, except in conformance with approved master signage plan and such plan may be enforced in the same way as provisions of this chapter.

§ 157.008. Standards for Nonpermanent Signs

A). Applicability. Nonpermanent signs are not intended for permanent installation. Nonpermanent signs come in a variety of types, each of which are regulated by below. Where not specifically defined, nonpermanent signs shall be regulated per subsection (B), below.

B). General Regulations.

1. Location.
   a. No nonpermanent sign may be placed in the right-of-way. Exception: bus bench and shelter signs, refer to subsections C.2. and C.3., below.
   b. If attached to a building, sign shall be flat and shall not project above the roof line.
2. Limit. No more than 4 nonpermanent signs may be placed on a site at any one time.
3. Area. The maximum aggregate area of nonpermanent signs shall not exceed the area standards per 157.005(C).
4. Per Minn. Stat. 211B.045, all noncommercial signs of any size may be posted in any number beginning 46 days before the state primary in a state general election year until 10 days following the state general election. The same time limitations shall apply to local elections.
5. Maintenance. All nonpermanent signs must be maintained and shall be removed if material shows signs of wear such as fraying, fading, chipping, or other physical damage.

C). Specific Regulations by Type of Nonpermanent Sign.

1. A-frame (sandwich board).
   a. Signs must leave a minimum of 6 feet of clear walkway on the sidewalk.
   b. One sign allowed per business, ten square feet per side, four feet in height.
   c. Such signs shall not be left on the sidewalk overnight.
2. Banner Sign.
   a. Banner signs may extend across a public street only by permission of the governing body and shall be subject to all related laws and ordinances.
   b. One sign per property.
   c. Signs may be supported by posts or stakes which are attached to the ground or securely attached to the face of a building.
3. Bus Bench or Shelter Sign.
   a. Signs may be installed on bus benches and/or shelters within city right-of-way, pursuant to a franchise authorized by the City Council.
   b. One sign per bus bench or shelter.
4. Feather Sign.
   a. Sign shall be set back no less than 10 feet from the curb or street.
   b. Two per site, provided there is at least 100 feet of separation between the signs.
5. Flag.
   a. Sign shall be set back no less than 10 feet from the curb or street.

b. The maximum aggregate area of all flag signs shall not exceed 32 square feet.
c. A flagpole shall not exceed a height of 25 feet.

6. Freestanding.
   a. The top of the sign shall not extend more than 6 feet above ground level.
   b. The sign shall be set back no less than ten feet from the curb or street.
7. Window Signs.
   a. Location. No limit on the location of the sign except as otherwise specified in this Code.
   b. Limit. Window signs must not consume more than 1/3 of the window area.

§ 157.009. Prohibited Signs

A. Prohibited Sign Types.
   1. Billboards.
   2. Flashing lights.
   3. Inflatable signs.
   4. Off-premises signs.
   5. Rotating signs.
   6. Signs on or attached to mobile equipment where the sign is a principal use of the equipment on either a nonpermanent or permanent basis.
   7. Signs which are of a size, location, movement, content, coloring, or manner of illumination which may be confused with or construed as a traffic control device, or which hide from view any traffic or street sign or signal or which obstruct the view in any direction at a street or road intersection.

B. Prohibited signs are subject to removal by the city at the owner's expense.

§ 157.010. Exemptions

A. The following are not regulated by this ordinance.
   1. Building addresses.
   2. Historic plaques.
   3. Inflatable children's play equipment.
   4. Murals.
   5. Seasonal decorations, including inflatable seasonal decorations.
   6. Sculptures.
   7. Traffic signs.

§ 157.011. Nonconforming Signs

A. A nonconforming sign is any sign that was legally established and maintained in compliance with the provisions of all applicable laws in effect at the time of original installation but that does not now comply with the provisions of this chapter. It is the intent of this chapter to recognize that the eventual elimination of signs that do not comply with the provisions of this chapter is as important as the prohibition of new signs that would violate these standards.

B. General Requirements. A nonconforming sign may not be:
   1. Changed to another nonconforming sign.
   2. Expanded.
   3. Reestablished after a business discontinued for more than one year.
   4. Reestablished after damage or destruction of more than 50 percent of its value, as determined by the building official, and no building permit has been applied for within 180 days of when the damage occurred.

C. Amortization. After the date of enactment of this chapter, nonconforming signs located within any zoning district shall be brought into compliance with this chapter if said sign is to be expanded.

D. Maintenance and Repair. Non-conforming signs and sign structures may be maintained and repaired.

§ 157.012. Abandoned Signs

An abandoned sign is a sign that has been inactive for a period of at least one year. An abandoned sign shall be removed by the owner or lessee of the premises upon which the sign is located when the business that it advertises is no longer conducted on the premises. If the owner or lessee fails to remove the sign, the zoning administrator shall give the owner 30 days written notice to remove it. Upon failure to comply with the notice, the zoning administrator may have the sign removed at the owner's expense.

§ 157.013. Enforcement

The provisions of this chapter shall be enforced and administered in accordance with the provisions of the Zoning Code.

§ 157.014. Substitution Clause

Any sign allowed under this section may contain, in lieu of any other message or copy, any lawful noncommercial message or copy.

§ 157.015. Severability

If any section, subsection, paragraph, sentence, clause or phrase of this section or its application to any person or situation should be held to be invalid or unconstitutional for any reason by a court or competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining portions of this section or its application to any other person or situation.