CITY OF NORTH ST. PAUL
CITY COUNCIL
WORKSHOP AGENDA
MAY 1, 2018
5:00 PM

North St. Paul City Hall – Sandberg Room
2400 Margaret Street

I. CALL TO ORDER

II. ROLL CALL
Council Member Furlong
Council Member Petersen
Council Member Walczak
Council Member Sonnek
Mayor Kuehn

III. ADOPT AGENDA

IV. TOPIC(S)
A. Silver Lake Weed Treatment 5:00 p.m.
B. Dangerous Animal Ordinance Review 5:15 p.m.
C. Comprehensive Annual Financial Report (CAFR) 6:00 p.m.

V. OTHER BUSINESS

VI. ADJOURNMENT

Workshop Agenda
Information Memorandum
North St. Paul City Council
May 1, 2018

FROM THE OFFICE OF THE CITY MANAGER

Agenda placement: Workshop Topic

Subject: Arrangements for Requested Share of Silver Lake Invasive Plant Treatment Costs

To: Honorable Mayor and City Council

Background/Facts: North St Paul City officials Mayor Mike Kuehn, Councilmember Terry Furlong and City Manager Craig Waldron met with Silver Lake Improvement Association board members John Muller, Paul Anderson and Rick Gelbmann on April 18. We met to discuss Silver Lake Invasive Plant Treatment process and costs.

In past City Council meetings city officials agreed to pay up to $3,000 of the cost of treatment on Silver Lake.

In the past five years treatment costs invasive plant treatment have varied from $1,625.00 (partial treatment) to $4,092.00 (full treatment). In most cases annual costs have been approximately $4,000. Please see attached notes about treatment for more details.

In the meeting all agreed that a fair contribution by the City for annual lake treatment would be half of the annual total cost of treatment.

SLIA will continue to manage the treatment process.

Also discussed was the possibility of the City paying an additional $500 due to SLIA's depleted funds and upcoming 501c3 registration expenses.

Arrangements have been made to provide SLIA with legal counsel which will eliminate an expected expense so those additional funds will not be needed.

Recommendation: It is recommended the City Council of North St. Paul pay half the 2018 Silver Lake invasive plant treatment costs to be billed directly to the City by the contractor.

Attachments:
Letter from Silver Lake Improvement Association President
Silver Lake Treatment Notes from April meeting

Respectfully submitted,

/s/ Craig Waldron by mm

Dr. Craig Waldron
City Manager

To: Craig Waldron, City Manager North St Paul

Date: April 24, 2018

Subject: Arrangements for Requested Share of Silver Lake Invasive Plant Treatment Costs

North St Paul City officials Mayor Mike Kuehn, Councilmember Terry Furlong and City Manager Craig Waldron met with Silver Lake Improvement Association board members John Muller, Paul Anderson and Rick Gelbmann on April 18. We met to discuss Silver Lake Invasive Plant Treatment process and costs.

In past a City Council meetings city officials agreed to pay up to $3,000 of the cost of treatment so citizens of North St Paul can continue to enjoy fishing, swimming, boating and other recreation on and near Silver Lake.

Cost of invasive plant treatment varies depending on the types of invasives treated, density of invasive plants, weather conditions and other circumstances. In the past five years treatment costs have varied from $1,625.00 (partial treatment) to $4,092.00 (full treatment). In most cases annual costs have been approximately $4,000. Please see attached notes about treatment for more details.

In the meeting all agreed that a fair contribution by the City for annual lake treatment would be half of the annual total cost of treatment. SLIA will continue to manage the treatment process. Once the City agrees I will arrange with our contractor to have the City's portion of treatment costs billed directly. In our meeting we also discussed the possibility of the City paying an additional $500 due to SLIA's depleted funds and upcoming 501c3 registration expenses. I understand arrangements have been made to provide SLIA with legal counsel which will eliminate an expected expense so those additional funds will not be needed.

On behalf of the Silver Lake Improvement Association I am requesting: The City of North St Paul pay half the 2018 Silver Lake invasive plant treatment costs to be billed directly to the City by the contractor.

Both as a citizen of North St Paul and a friend of Silver Lake thank you for your generous support .

Sincerely,

Rick Gelbmann, Silver Lake Improvement Association President

Notes for City of North St Paul and Silver Lake Improvement Association Meeting 4/11/2018

Decision parameters for Aquatic Invasive Species Treatment

- Water Temperature mainly for Curley Leaf Pondweed (50 – 60 F)
- Other weather conditions (wind, rain - recent and eminent)
- Density of invasive plants
- Concentrations and densities of invasive plants
- Concentrations and densities of native plants
- Cost of treatment

Past Treatment Costs*

Year	Cost of Treatment
2017	$4,083.00
2016	$1625.00
2015	$4,092.50
2014	$3,080.00
2013	$3,103.00

*Note cost variability can be due to: Area Treated, Number of Treatments or Visits, Species Treated, Treatment Product Used, Level of Service and Contractor Cost Increases.

Funding

- SLIA Target amount: $1,000. SLIA budget balance as of 4/6/2018: $1,989.42
- North St Paul up to $3,000
- Oakdale $400
- Maplewood $0 possible future Charitable gambling funds grant if 501c3 designation
- Exploring 501c3 designation (estimated cost $500-$1,000)
- Valley Branch Watershed District $0 for treatment – have provided technical help
- Local businesses and organizations?
- Expanded membership
-

Workshop Agenda
Information Memorandum
North St. Paul City Council
May 1, 2018

FROM THE OFFICE OF THE CITY ATTORNEY

Agenda placement: Workshop Topic

Subject: Dangerous Animal Ordinance Review

To: Honorable Mayor and City Council

Background/Facts: As the Council is aware, there is both a dangerous dog state statute and a dangerous animal city ordinance. Pursuant to the state statute, cities must enforce the state statute, but may also regulate dangerous animals in a stricter manner.

In my review of the City's ordinance, it appears the City's Dangerous Animal ordinance is not a model of clarity, especially as it interacts with the state Dangerous Dog statute. For that reason, I have re-drafted the City's Dangerous Animals ordinance. The new version (attached) harmonizes the City ordinance with the state statute, while maintaining those stricter provisions which the city adopted. I have also developed new forms for 1) potentially dangerous animal designations, 2) dangerous animal designations, 3) seizures pursuant to the dangerous animal statute and ordinance, and 4) destruction pursuant to the dangerous animal statute and ordinance, which match the requirements of the state statute and new ordinance amendments.

One notable change – the state statute requires that hearings for an appeal of a dangerous dog designation must be held within 14 days of receipt of the appeal request. This short turn around would pose an issue if the hearing was before council. The situation could arise where an appeal is delivered the day before a council meeting and, since that meeting would be the only meeting of council within the next 14 days, staff and council would have to rush to hold the hearing the next day. Since the statute doesn't require these hearings to be held before council, I have changed the ordinance so that the hearings are before the City Manager instead. Perhaps it is worth discussing this point. If we don't want to have the City Manager hear the appeal, we could offer the appellant an opportunity to have a special meeting (and pay for it) as long as we can round up three council members.

Recommendation: It is recommended the City Council of North St. Paul amend its Dangerous Animal Ordinance.

Attachments:
New version of the City's Dangerous Animals Ordinance
New forms to match the new ordinance

Respectfully submitted,

/s/ Soren Mattick by mm

Soren Mattick
City Attorney

APPROVED FOR AGENDA ENCLOSURE:

/s/ Craig Waldron by mm

Dr. Craig Waldron
City Manager

CITY OF NORTH ST. PAUL

ORDINANCE NO. ____

**AN ORDINANCE AMENDING THE
NORTH SAINT PAUL CITY CODE OF ORDINANCES
TITLE IX, GENERAL REGULATIONS,
CHAPTER 95, ANIMALS**

THE CITY COUNCIL OF THE CITY OF NORTH ST. PAUL, MINNESOTA ORDAINS:

SECTION 1. Section 95.19 of the North St. Paul City Code is hereby repealed in its entirety and replaced as follows:

§ 95.19 DANGEROUS ANIMALS.

(A) The provisions of Minnesota Statutes, Sections 347.50 through 347.565 are adopted and incorporated as if stated herein, except that all references to "dog" shall be replaced with "animal". In addition to those provisions, the following provisions apply.~~*Attack by an animal*. It shall be unlawful for any person's animal to inflict or attempt to inflict bodily injury to any person or other animal whether or not the owner is present. This section shall not apply to an attack by a dog under the control of an on-duty law enforcement officer or to an attack upon an uninvited intruder who has entered the owner's home with criminal intent.~~

(B) *Attack by an animal.*

(1) -It shall be unlawful for any person's animal to inflict or attempt to inflict bodily injury to any person or other animal whether or not the owner is present. This section shall not apply to an attack by a ~~dog~~animal under the control of an on-duty law enforcement officer or to an attack upon an uninvited intruder who has entered the owner's home with criminal intent.

~~(H) *Stopping an attack.*~~ If any police officer or Animal Control Officer is witness to an attack by an animal upon a person or another animal, the officer may take whatever means the officer deems appropriate to bring the attack to an end and prevent further injury to the victim.

~~(1)~~(2) ~~Destruction of dangerous animal. The Animal Control Officer shall have the authority to order the destruction of dangerous animals in accordance with the terms established by this chapter.~~

(C) *Definitions.* For the purpose of this ~~division~~section, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

(1) ***DANGEROUS ANIMAL.*** An animal which has:

(a) without provocation, inflicted substantial bodily harm on or disfigurement to a human being on public or private property;
(b) killed a domestic animal without provocation while off the owner's property;
(c) previously been found to be potentially dangerous, and after the owner has notice that the animal is potentially dangerous, the animal aggressively bit, attacked, or endangered the safety of humans or domestic animals; or

~~(a) Caused bodily injury or disfigurement to any person on public or private property;~~

~~(b) Engaged in any attack on any person under circumstances which would indicate danger to personal safety;~~

~~(c) Exhibited unusually aggressive behavior, such as an attack on another animal;~~

(d) when unprovoked, b~~B~~itten one or more persons on two or more occasions~~;~~ . ~~or~~

~~(e) Been found to be potentially dangerous and/or the owner has personal knowledge of the same, the animal aggressively bites, attacks, or endangers the safety of humans or domestic animals.~~

(2) ***POTENTIALLY DANGEROUS ANIMAL.*** An animal which has:

(a) when unprovoked, inflicted bites on a human or domestic animal on public or private property;
(b) when unprovoked, chased or approached a person, including a person on a bicycle, upon the streets, sidewalks, or any public or private property, other than the animal owner's property, in an apparent attitude of attack;
(c) exhibited unusually aggressive behavior, such as an attack on another animal; or
(d) had a known propensity, tendency, or disposition to attack unprovoked, causing injury or otherwise threatening the safety of humans or domestic animals.

~~(a) Bitten a human or a domestic animal on public or private property;~~

~~(b) When unprovoked, chased or approached a person upon the streets, sidewalks, or any public property in an apparent attitude of attack; or~~

~~(c) Has engaged in unprovoked attacks causing injury or otherwise threatening the safety of humans or domestic animals.~~

(3) ***PROPER ENCLOSURE.*** Securely confined indoors or in a securely locked pen or structure suitable to prevent the animal from escaping and to provide protection for the animal from the elements. A proper enclosure does not include a porch, patio, or any part of a house, garage, or other structure that would allow the animal to exit of its own volition, or any house or structure in which windows are open or in which door or window screens are the only barriers which prevent the animal from exiting. The enclosure shall not allow the egress of the animal in any manner without human assistance. A pen or kennel shall meet the following minimum specifications:

(a) Have a minimum overall floor size of 32 square feet.

(b) Sidewalls shall have a minimum height of five feet and be constructed of 11-gauge or heavier wire. Openings in the wire shall not exceed two inches, support posts shall be 1¼-inch or larger steel pipe buried in the ground 18 inches or more. When a concrete floor is not provided, the sidewalls shall be buried a minimum of 18 inches in the ground.

(c) A cover over the entire pen or kennel shall be provided. The cover shall be constructed of the same gauge wire or heavier as the sidewalls and shall also have no openings in the wire greater than two inches.

(d) An entrance/exit gate shall be provided and be constructed of the same material as the sidewalls and shall also have no openings in the wire greater than two inches. The gate shall be equipped with a device capable of being locked and shall be locked at all times when the animal is in the pen or kennel.

(4) ***UNPROVOKED.*** The condition in which the animal is not purposely excited, stimulated, agitated or disturbed.

(D) *Designation as potentially dangerous animal.* The Animal Control Officer shall designate any animal as a potentially dangerous animal upon receiving evidence that the ~~potentially dangerous~~ animal has~~, when unprovoked, then bitten, attacked, or threatened the safety of a person or a domestic animal as~~ committed one of the acts stated in ~~division~~ Section 95.19(C)(2). When an animal is declared potentially dangerous, the Animal Control Officer shall cause one owner of the ~~potentially dangerous~~ animal to be notified ~~in writing that the animal is potentially dangerous~~pursuant to Section 95.19(4)(F)(1).

(E) *Designation as a dangerous animal*~~*Evidence justifying designation*~~. The Animal Control Officer shall designate any animal as a dangerous animal upon receiving evidence that the animal has committed one of the acts stated in Section 95.19(C)(1). When an animal is declared dangerous, the Animal Control Officer shall cause one owner of the animal to be notified pursuant to Section 95.19(4)(F)(1).

~~have the authority to designate any animal as a dangerous animal upon receiving evidence of the following:~~

~~(1) That the animal has, when unprovoked, bitten, attacked, or threatened the safety of a person or domestic animal as stated in division (C)(1).~~

~~(2) That the animal has been declared potentially dangerous and the animal has then bitten, attacked, or threatened the safety of a person or domestic animal as stated in division (C)(1).~~

~~(F) Authority to order destruction. The Animal Control Officer, upon finding that an animal is dangerous hereunder, is authorized to order, as part of the disposition of the case, that the animal be destroyed based on a written order containing one or more of the following findings of fact:~~

~~(1) The animal is dangerous as demonstrated by a vicious attack, an unprovoked attack, an attack without warning or multiple attacks; or~~

~~(2) The owner of the animal has demonstrated an inability or unwillingness to control the animal in order to prevent injury to persons or other animals.~~

(~~G~~F) *Procedure.* The Animal Control Officer, after having determined that an animal is dangerous or potentially dangerous, may proceed in the following manner:

(1) ~~The Animal Control Officer, after having determined that an animal is dangerous, may proceed in the following manner:~~ The Animal Control Officer shall cause one owner of the animal to be notified in writing or in person that the animal is dangerous or potentially dangerous and may order the animal seized or make orders as deemed proper. This owner shall be notified as to dates, times, places and parties bitten, and shall be given 14 days to appeal this order by requesting a hearing before the City ~~Council~~ Manager for a review of this determination.

~~(1) If no appeal is filed, the Animal Control Officer shall obtain an order or warrant authorizing the seizure and the destruction of the animal from a court of competent jurisdiction, unless the animal is already in custody or the owner consents to the seizure and destruction of the animal.~~

(2) If an owner requests a hearing for determination as to the dangerous or potentially dangerous nature of the animal, the hearing shall be held before the City Manager~~City Council~~, which shall set a date for hearing not more than ~~three weeks~~14 days after a demand for the hearing. The records of the Animal Control Officer ~~or City Manager's office~~ shall be admissible for consideration by the City Manager~~Animal Control Officer~~ without further foundation. After considering all evidence pertaining to the temperament of the animal, the City ~~Council~~ Manager shall make an order as it deems proper. In the event that the designation is upheld, actual expenses of the hearing up to a maximum of $1,000 will be the responsibility of the animal's owner.

~~The City Council may order that the Animal Control Officer take the animal into custody for destruction, if the animal is not currently in custody. If the animal is ordered into custody for destruction, the owner shall immediately make the animal available to the Animal Control Officer. If the owner does not immediately make the animal available, the Animal Control Officer shall obtain an order or warrant authorizing the seizure and the destruction of the animal from a court of competent jurisdiction.~~

(G) *Conditions.* Following designation as a dangerous or potentially dangerous animal, the following conditions will apply:

(1) The Animal Control Officer may impose conditions it deems necessary to protect the safety of the public.
(2) The owner must comply with all state statutory requirements.
(3) The owner of the animal must immediately register the animal with the Animal Control Officer and pay the registration fee. The owner must provide the address where the animal resides.
(4) The owner shall notify the Animal Control Officer in writing if the animal is to be relocated from its current address or given or sold to another person. The notification shall be given in writing at least 14 days prior to the relocation or transfer of

ownership. The notification shall include the current owner's name and address, the relocation address, and the name of the new owner, if any.

(H) *Seizure.* The Animal Control officer must seize an animal for any of the reasons listed in Minnesota Statutes Section 347.54. The Animal Control Officer may seize an animal for failure to comply with any conditions imposed under this Section, and said animal may be reclaimed upon payment of fees and proof of compliance. The Animal Control Officer may seize an animal pending destruction. If the animal is ordered into custody, the owner shall immediately make the animal available to the Animal Control Officer. If the owner does not immediately make the animal available, the Animal Control Officer shall obtain an order or warrant authorizing the seizure of the animal from a court of competent jurisdiction.

~~(3) No person shall harbor an animal after it has been found by to be dangerous and ordered into custody for destruction.~~

(I) *Destruction.* The Animal Control Officer is authorized to order that an animal be destroyed based on a written order containing one or more of the following findings of fact:

(1) the animal inflicted substantial or great bodily harm on a human on public or private property without provocation;
(2) the animal inflicted multiple bites on a human on public or private property without provocation;
(3) the animal bit multiple human victims on public or private property in the same attack without provocation;
(4) the animal bit a human on public or private property without provocation in an attack where more than one animal participated in the attack; or
(5) the animal has been declared dangerous or potentially dangerous, and the owner of the animal has demonstrated an inability or unwillingness to control the animal in order to prevent injury to persons or other animals.

The owner shall be provided written notice of the order for destruction and shall be given 14 days to appeal this order by requesting a hearing for a review of this determination. If an owner requests a hearing under this section, the hearing shall be held before the City Council, which shall set a date for hearing not more than three weeks after a demand for the hearing. The records of the Animal Control or City Manager's office shall be admissible for consideration by the Animal Control Officer without further foundation. After considering all evidence pertaining destruction of the animal, the City Council shall make an order as it deems proper.

If the owner does not request a hearing within 14 days, the animal may be destroyed. ~~(3)~~ No person shall harbor an animal after it has been ~~found by to be dangerous and~~ ordered into custody for destruction. If the owner does not immediately make the animal available, the Animal Control Officer shall obtain an order or warrant authorizing the seizure of the animal from a court of competent jurisdiction.

~~(H) *Stopping an attack.* If any police officer or Animal Control Officer is witness to an attack by an animal upon a person or another animal, the officer may take whatever means the officer deems appropriate to bring the attack to an end and prevent further injury to the victim.~~

~~(I) *Notification of new address.* The owner of an animal which has been identified as dangerous or potentially dangerous shall notify the Animal Control Officer in writing if the animal is to be relocated from its current address or given or sold to another person. The notification shall be given in writing at least 14 days prior to the relocation or transfer of ownership. The notification shall include the current owner's name and address, the relocation address, and the name of the new owner, if any.~~

<u>SECTION 2</u>. This ordinance shall be effective immediately upon its passage and publication.

ADOPTED this ________ day of ________________, 2016, by the City Council of the City of North St. Paul, Minnesota.

On motion by ______________________
Second by _________________________

Voting: Ayes:
Absent:
Abstain:

CITY OF NORTH ST. PAUL

BY: __________________________________
Michael Kuehn, Mayor

ATTEST:

____
Jason Ziemer, City Manager

Summary published in Review: _________________________

CITY OF NORTH ST. PAUL
NOTICE TO DECLARE ANIMAL POTENTIALLY DANGEROUS

Date of Service of Notice: ________________ Complaint No: _______________
Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____

Name of Animal: ____________________________ Type of animal: ________________________
Breed: _________________ Color: __________________ Markings: ________________________
License No.: __________________ Sex: _____________________ Spayed/Neutered: ___________
Address where animal resides: ____

YOU ARE HEREBY NOTIFIED as the owner of the above-referenced animal that, pursuant to Minnesota Statutes Sections 347.50 through 347.565 and North St. Paul City Code Section 95.19, your animal is declared Potentially Dangerous, because on _____________ at ______________ your animal (check when applicable):
(date) (time)

- ☐ when unprovoked, inflicted bites on a human or domestic animal on public or private property;
- ☐ when unprovoked, chased or approached a person, including a person on a bicycle, upon the streets, sidewalks, or any public or private property, other than the animal owner's property, in an apparent attitude of attack;
- ☐ exhibited unusually aggressive behavior, such as an attack on another animal; or
- ☐ had a known propensity, tendency, or disposition to attack unprovoked, causing injury or otherwise threatening the safety of humans or domestic animals.

(date) (time)

Location of attack: ________________________ Parties Bitten: ________________________________

YOU ARE HEREBY ORDERED to comply with the following requirements:

- ☐ microchip the animal per Minnesota Statutes Section 347.515
- ☐ comply with North St. Paul City Code Section 95.19(G)
- ☐ Other: ____

YOU HAVE 14 DAYS FROM THE DATE OF SERVICE OF THIS NOTICE ON YOU TO APPEAL THIS ORDER AND REQUEST A HEARING. Appeals must be in writing on the attached form and delivered in person or by certified mail to the North St. Paul City Clerk at 2400 Margaret Street, North St. Paul, Minnesota, 55109. In the event that the order is upheld, you may be responsible for expenses of the hearing of up to $1,000. Failure to request a hearing within 14 days of this notice will terminate your right to a hearing.

Animal Control Officer: __________________________ Print: _________________________________

FORM
APPEAL OF DESIGNATION & REQUEST FOR HEARING

Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____
Name of Animal: ____________________________ Type of animal: _______________________

On _______________, in Complaint Number _______________, my animal was declared:

- ☐ Potentially Dangerous
- ☐ Dangerous

I hereby appeal the designation and request a hearing.

I understand that, if the designation is upheld, I will be responsible for expenses of the hearing of up to $1,000.

Sign Name: _____________________________________ Date: _________________________

Print Name: _____________________________________

This Form must be delivered within 14 days from receipt of
the notice to declare animal dangerous/potentially dangerous.
Delivery must be made in person or by certified mail to:

North St. Paul City Clerk
2400 Margaret Street
North St. Paul, Minnesota, 55109

CITY OF NORTH ST. PAUL
NOTICE TO DECLARE ANIMAL DANGEROUS

Date of Service of Notice: ________________ Complaint No: _______________
Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____

Name of Animal: ____________________________ Type of animal: _______________________
Breed: _________________ Color: __________________ Markings: ________________________
License No.: __________________ Sex: _____________________ Spayed/Neutered: ___________
Address where animal resides: ____

YOU ARE HEREBY NOTIFIED as the owner of the above-referenced animal that, pursuant to Minnesota Statutes Sections 347.50 through 347.565 and North St. Paul City Code Section 95.19, your animal is declared Dangerous, because on _____________ (date) at ______________ (time) your animal (check when applicable):

- ☐ without provocation, inflicted substantial bodily harm on or disfigurement to a human being on public or private property;
- ☐ killed a domestic animal without provocation while off the owner's property;
- ☐ had previously been found to be potentially dangerous, and after the owner has notice that the animal is potentially dangerous, the animal aggressively bit, attacked, or endangered the safety of humans or domestic animals; or
- ☐ when unprovoked, bit one or more persons on two or more occasions.

Location of attack: ________________________ Parties Bitten: _________________________________

YOU ARE HEREBY ORDERED to comply with the following requirements:

- ☐ complete all requirements of Minnesota Statutes Sections 347.51 and 347.52
- ☐ microchip the animal per Minnesota Statutes Section 347.515
- ☐ comply with North St. Paul City Code Section 95.19(G)
- ☐ Other: ____

YOU HAVE 14 DAYS FROM THE DATE OF SERVICE OF THIS NOTICE ON YOU TO APPEAL THIS ORDER AND REQUEST A HEARING. You may request a hearing concerning the dangerous animal declaration and, if applicable, prior potentially dangerous animal declarations. Appeals must be in writing on the attached form and delivered in person or by certified mail to the North St. Paul City Clerk at 2400 Margaret Street, North St. Paul, Minnesota, 55109. Failure to request a hearing within 14 days of this notice will terminate your right to a hearing. Even if you appeal and request a hearing, you still must immediately comply with all requirements listed in Minnesota Statutes Sections 347.52(a) and (c), until a final opinion is issued. If the final opinion affirms the designation, you will have 14 days from receipt of that opinion to comply with all other requirements listed above. In the event that the order is upheld, you may be responsible for expenses of the hearing of up to $1,000.

Animal Control Officer: __________________________ Print: _________________________________

FORM
APPEAL OF DESIGNATION & REQUEST FOR HEARING

Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____
Name of Animal: ____________________________ Type of animal: _______________________

On _______________, in Complaint Number _______________, my animal was declared:

- ☐ Potentially Dangerous
- ☐ Dangerous

I hereby appeal the designation and request a hearing.

I understand that, if the designation is upheld, I will be responsible for expenses of the hearing of up to $1,000.

Sign Name: _____________________________________ Date: _________________________

Print Name: _____________________________________

This Form must be delivered within 14 days from receipt of
the notice to declare animal dangerous/potentially dangerous.
Delivery must be made in person or by certified mail to:

North St. Paul City Clerk
2400 Margaret Street
North St. Paul, Minnesota, 55109

CITY OF NORTH ST. PAUL
NOTICE & ORDER FOR DESTRUCTION OF ANIMAL

Date of Service of Notice: ________________ Complaint No: _______________
Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____

Name of Animal: ____________________________ Type of animal: _______________________
Breed: __________________ Color: __________________ Markings: ________________________
License No.: __________________ Sex: _____________________ Spayed/Neutered: ___________
Address where animal resides: ____

YOU ARE HEREBY NOTIFIED as the owner of the above-referenced animal that your animal (check when applicable):

- ☐ inflicted substantial or great bodily harm on human on public or private property without provocation;
- ☐ inflicted multiple bites on a human on public or private property without provocation;
- ☐ bit multiple human victims on public or private property in the same attack without provocation;
- ☐ bit a human on public or private property without provocation in an attack where more than one animal participated in the attack;
- ☐ had been declared dangerous or potentially dangerous, and you have demonstrated an inability or unwillingness to control the animal in order to prevent injury to persons or other animals;
- ☐ was seized and has not been reclaimed.

YOUR ANIMAL IS THEREFORE ORDERED TO BE DESTROYED pursuant to Minnesota Statutes Sections 347.50 through 347.565 and North St. Paul City Code Section 95.19.

YOU HAVE 14 DAYS FROM THE DATE OF SERVICE OF THIS NOTICE ON YOU TO APPEAL THIS ORDER AND REQUEST A HEARING. Appeals must be in writing and delivered in person or by certified mail to the North St. Paul City Clerk at 2400 Margaret Street, North. St. Paul, Minnesota, 55109. Failure to request a hearing within 14 days of this notice will terminate your right to a hearing and your animal will be destroyed.

Animal Control Officer: __________________________ Print: _________________________________

CITY OF NORTH ST. PAUL
NOTICE FOR SEIZURE OF ANIMAL

Date of Service of Notice: ________________ Complaint No: _______________
Owner Name: ________________________________ Owner Phone Number: ____________________
Owner Address: ____

Name of Animal: ____________________________ Type of animal: ________________________
Breed: ___________________ Color: __________________ Markings: _________________________
License No.: __________________ Sex: _____________________ Spayed/Neutered: ___________
Address where animal resides: ____

YOU ARE HEREBY NOTIFIED as the owner of the above-referenced animal that (check when applicable):

- ☐ Option 1 - The animal has been declared dangerous and:
  - ☐ After 14 days after the owner had notice that the animal is dangerous, the animal is not validly registered;
  - ☐ After 14 days after the owner had notice that the animal was dangerous, the owner did not secure the proper liability insurance or surety coverage;
  - ☐ The animal was not maintained in the proper enclosure;
  - ☐ The animal was outside the proper enclosure and not under physical restraint of a responsible person;
  - ☐ The animal was not sterilized within 30 days;
- ☐ Option 2 - The owner failed to comply with North St. Paul City Code Section 95.19
- ☐ Option 3 - The owner was convicted of a misdemeanor for violating a provision of Minnesota Statutes Sections 347.51, 347.5125, or 347.52, and the owner was charged with a subsequent violation relating to the same animal;
- ☐ Option 4 – The animal has been ordered destroyed.

YOUR ANIMAL IS THEREFORE ORDERED TO BE SEIZED pursuant to Minnesota Statutes Sections 347.50 through 347.565 and North St. Paul City Code Section 95.19.

If your animal was seized pursuant to Option 1 or Option 2 above, you may reclaim the animal upon payment of fees and proof of compliance with the relevant requirements. If you do not reclaim your animal within 7 days, it may be destroyed. If your animal was seized pursuant to Option 3 above, it will be held until the conclusion of your criminal case. If your animal was seized pursuant to Option 4 above, it will be held until destruction. All actual costs of the care, keeping, and disposition of the dog are the responsibility of the person claiming an interest in the dog, except to the extent that a court or hearing officer finds that the seizure or impoundment was not substantially justified by law.

Animal Control Officer: __________________________ Print: _________________________________

Agenda Information Memorandum
North St. Paul City Council
May 1, 2018

FROM THE OFFICE OF THE FINANCE DEPARTMENT

Agenda placement: Council Workshop/Council Presentation

Subject: Review of the 2017 financial report with the city's audit firm of Malloy, Montague, Karnowski, Radosevich & Co. P.A. (MMKR).

To: Honorable Mayor and City Council

Background/Facts:

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

MMKR. has again issued a clean ("unmodified") opinion on the city's 2017 financial statement audit, and they have found two compliance issues regarding payroll declaration, and solid waste management billing. These two items have been findings in past audits and staff has been working to resolve.

Follow-up on prior year findings of vendor payment obligations was found to be corrected by the city in the current year. Also, similar to prior years, are the recommendations regarding the city's fund balance policy, housing improvement Interfund loan and land held for resales. Also individual fund deficits, and the fiber optic fund deficit.

Aaron Nielson, and Jackie Huegel, partners with MMKR will attend the city council workshop to discuss the results of the 2017 CAFR, special purpose report, and management comments related to their audit. They will be available to respond to any questions of the council regarding the same. They will also provide a brief overview as a presentation at the regular council meeting.

Recommendation: There is no action required of the city council; the auditor's report is informational only.

Attachments:
2017 Management Report
2017 Special Purpose Report
2017 Comprehensive Annual Financial Report

Respectfully submitted,

/s/ JD by mm
Jeanne M. Day
Finance Director

APPROVED FOR AGENDA ENCLOSURE:

/s/ CW by mm

Dr. Craig Waldron
City Manager

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NORTH ST. PAUL MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

City of North St. Paul, Minnesota

extraordinary.

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Comprehensive
Annual Financial Report

for the Fiscal Year Ended
December 31, 2017

Dr. Craig Waldron
City Manager

Report Prepared by
Department of Finance

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

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CITY OF NORTH ST. PAUL

Table of Contents

CITY OF NORTH ST. PAUL

Table of Contents (continued)

INTRODUCTORY SECTION

NORTH ST. PAUL

April 18, 2018

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

Dear Mayor Kuehn and Members of the City Council:

INTRODUCTION

The comprehensive annual financial report (CAFR) of the City of North St. Paul, Minnesota (the City) for the fiscal year ended December 31, 2017 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 CAFR 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, 2017, 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, 2017, 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.

2400 Margaret Street, North St. Paul, MN 55109 | northstpaul.org | main 651.747.2400 | fax 651.747.2400

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 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 is a fully developed suburb in the Minneapolis/St. Paul metropolitan area. Lying in Ramsey County, it covers an area of 3.5 square miles and has a population of 12,069.

The City operates under the council-manager form of government. 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 provides a full complement of municipal services. This includes general government, public safety (police, fire, and code enforcement), public works (engineering and streets), parks and recreation, and economic development. In addition, the City has six enterprise funds. These funds provide utility operations for electric, water, surface water, waste water, fiber optic, and solid waste.

The annual budget serves as the foundation for the City's financial planning and control. City departments submit their appropriation requests to the city manager. The city manager presents a preliminary balanced budget to the City Council prior to September 15. The City Council sets a preliminary tax levy, which may later be lowered, but not increased. The final budget and tax levy need to be adopted by December 20.

LOCAL ECONOMY

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 employer is Target Stores, Inc. It employs approximately 400 people and is part of a large chain of stores.

LONG TERM PLANNING AND MAJOR INITIATIVES

Reinvestment in the community's critical physical assets has continued as the main focus of financial and policy emphasis of the North St. Paul City Council. The City Council authorized a series of major planning initiatives that will guide department priorities and determine important community investments that are beneficial to both the physical and social environments of the City.

Comprehensive Master Plan – A Comprehensive Master Plan review and update is a major initiative required of communities in the Twin Cities metropolitan area every 10 years. The Comprehensive Master Plan update provides an opportunity to establish a vision for how the community will grow and develop over the next 20 years and is intended to be reflective of the desires of the entire community.

In 2017, a series of five Community Cafes was completed to gain community input into the 2040 draft plan, a Steering Committee was formed and four meetings were held to provide direction and review chapters of the plan. Draft chapters were also reviewed by the Planning Commission and information was shared via the City's website, social media, and a dedicated website for public feedback.

Pavement Management Plan – An update to the Pavement Management Plan (PMP) and a community-wide flooding assessment to understand storm water utility needs, and costs, over the next 20 years were completed and presented to the City Council in 2016 to help guide discussions. The City also receives updated road ratings every two years, which helps to provide guidance regarding which roads should be considered for mill and overlay/street resurfacing projects and major street and utility reconstruction projects.

Park Improvement Plan – The City has continued to accomplish goals outlined in the City's Park Improvement Plan (PIP). In 2017, the City completed the following projects: new playground and site work at Hause Park and new playground and site work at Dorothy Park.

Strategic Operations Plan – Following its adoption in October 2014, the City Council has enjoyed great success implementing many of its goals and initiatives as defined by the City's first-ever Strategic Plan. The Plan, which emphasized 6 key strategic areas, 23 specific strategies, and 88 objectives, defines and provides clear direction for city priorities through 2020. In 2017, some of the key objectives that were completed are the redesign and launch of the City's new website, installation of an electronic reader board sign at Casey Lake Park, and parking lot directional signs located in downtown. Also, the business facade improvement program participation included two downtown businesses, which had their facades updated in 2017. This prepared for and supported the redevelopment of the Anchor Block site. The City also created a new resident guide and prepared for renegotiation of the solid waste and recycling contract by completing a community-survey to receive community feedback.

Community Development Initiatives – The City's Housing and Redevelopment Authority continues to acquire blighted and underutilized properties, remove existing structures and construct newer, higher values homes in their place. These new homes are constructed by high school students through an innovative student home construction program in partnership with the Northeast Metropolitan Intermediate School District No. 916 through the Career and Technical Center at Century College. Construction on the ninth home in the program began in fall 2017 and will be complete in summer 2018. The HRA also provides home improvement loans to residents to encourage on-going new investment in the City's housing stock. To date, the programs have loaned out about $130,000. Total value of building permits issued by the City in 2017 was $8.5 million, which was the second year in a row permit values were over $8 million.

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 CAFR for the fiscal year ended December 31, 2016. 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 CAFR, whose contents complies with rigorous standards of the program standards. 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 30 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,

Craig A. Waldron

Dr. Craig Waldron
City Manager

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extraordinary.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Saint Paul

Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

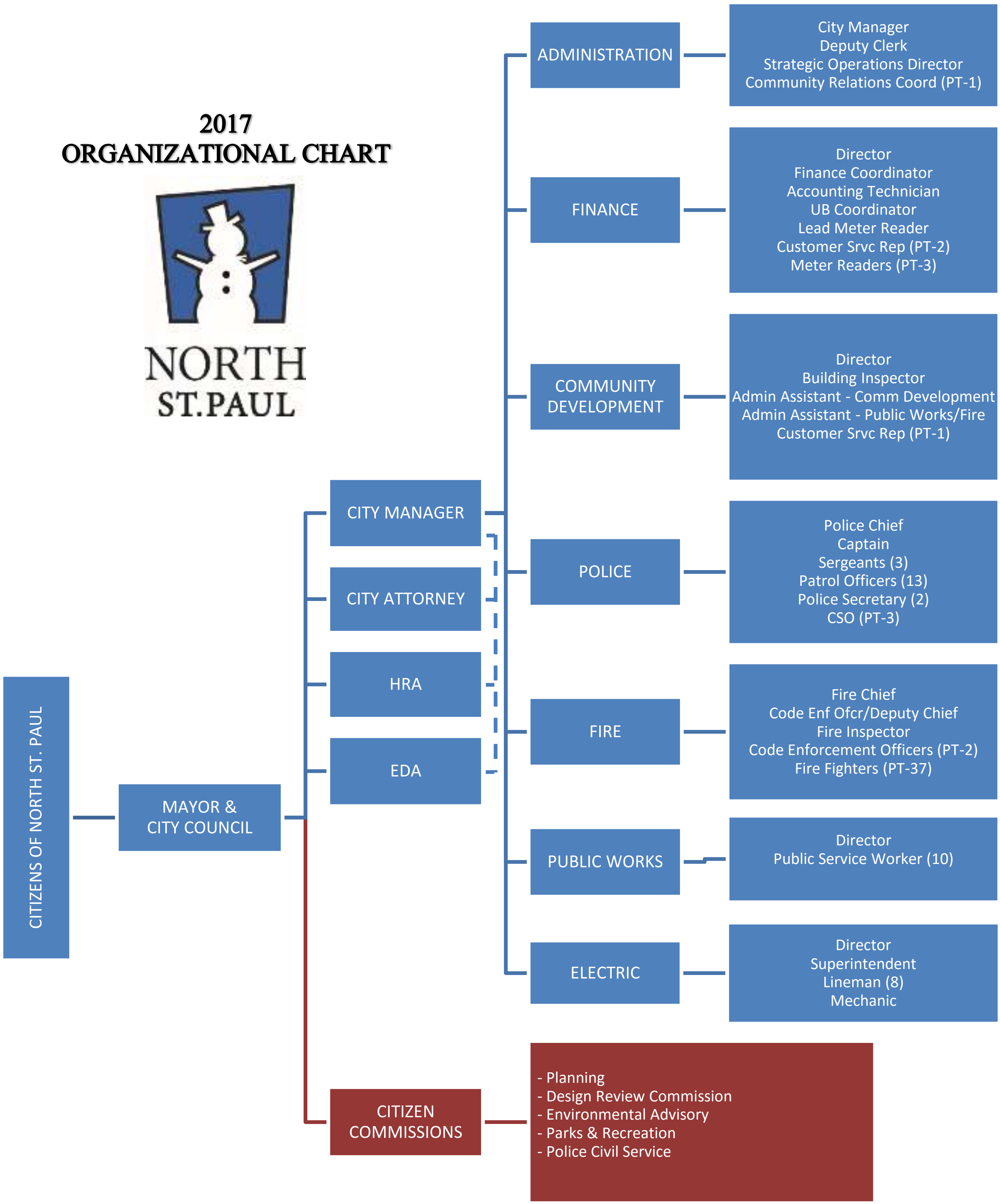
December 31, 2016

Christopher P. Morrill

Executive Director/CEO

2017
ORGANIZATIONAL CHART

NORTH
ST.PAUL



CITY OF NORTH ST. PAUL

Elected Officials and Appointed Personnel
December 31, 2017

ELECTED OFFICIALS

		Term Expires
Mike Kuehn	Mayor	December 31, 2018
Terry Furlong	Councilmember	December 31, 2018
Candy Petersen	Councilmember	December 31, 2018
Thomas Sonnek	Councilmember	December 31, 2020
Jan Walczak	Councilmember	December 31, 2020

APPOINTED PERSONNEL

Dr. Craig Waldron	City Manager
Jeanne Day	Finance Director
Tom Lauth	Police Chief
Scott Duddeck	Fire Chief
Nick Fleischhacker	Public Works Director
Brian Frandle	Electric Director
Paul Ammerman	Community Development Director

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY 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; this includes 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(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

OPINIONS

In our opinion, the financial statements referred to on the previous page 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, 2017, 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.

OTHER MATTERS

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, 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.

Other 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 introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary 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. Such 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.

The introductory and statistical sections have 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 them.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018 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
April 18, 2018

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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, 2017. 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 $38,788,026 (*net position*). Of this amount, $9,271,568 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; $5,086,728 is restricted for specific purposes (*restricted net position*); and $24,429,730 represents the net investment in capital assets. The City's total net position increased $4,062,275 during the year ended December 31, 2017.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $13,058,374, an increase of $1,319,342. The increase is due in part to the issuance of the 2017A General Obligation Bonds, increased Municipal State Aid funds received in the current year, increased special assessments, and an increase in the debt service levy.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,708,472, or 25 percent, of total General Fund expenditures based on 2018 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, G.O. Capital Improvement Plan Bonds of 2008A/G.O. Capital Improvement Plan Refunding Bonds of 2016B Debt Service Fund, and the Street Improvement 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 – Economic Development Authority. 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, and benefits and insurance. 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 fund 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, excluding the Solid Waste Fund. 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 and internal service funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the Comprehensive Annual Financial Report (CAFR) 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 $38,788,026 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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals – Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 17,568,001	$ 16,206,273	$ 14,266,522	$ 14,577,885	$ 31,834,523	$ 30,784,158
Capital assets	31,455,038	30,607,795	13,330,661	13,410,807	44,785,699	44,018,602
Total assets	$ 49,023,039	$ 46,814,068	$ 27,597,183	$ 27,988,692	$ 76,620,222	$ 74,802,760
Deferred outflows of resources						
Pension plan deferments	$ 3,720,928	$ 5,689,148	$ 339,951	$ 800,006	$ 4,060,879	$ 6,489,154
Total assets and deferred outflows	$ 52,743,967	$ 52,503,216	$ 27,937,134	$ 28,788,698	$ 80,681,101	$ 81,291,914
Liabilities						
Other liabilities	$ 1,267,395	$ 1,215,834	$ 1,712,682	$ 1,786,231	$ 2,980,077	$ 3,002,065
Noncurrent liabilities	20,989,799	25,706,060	13,437,381	16,609,952	34,427,180	42,316,012
Total liabilities	$ 22,257,194	$ 26,921,894	$ 15,150,063	$ 18,396,183	$ 37,407,257	$ 45,318,077
Deferred inflows of resources						
Pension plan deferments	$ 4,188,643	$ 1,088,181	$ 297,175	$ 159,905	$ 4,485,818	$ 1,248,086
Net position						
Net investment in capital assets	$ 19,304,556	$ 18,613,487	$ 5,125,174	$ 5,361,800	$ 24,429,730	$ 23,975,287
Restricted	5,086,728	4,343,924	–	–	5,086,728	4,343,924
Unrestricted	1,906,846	1,535,730	7,364,722	4,870,810	9,271,568	6,406,540
Total net position	$ 26,298,130	$ 24,493,141	$ 12,489,896	$ 10,232,610	$ 38,788,026	$ 34,725,751
Total liabilities, deferred inflows, and net position	$ 52,743,967	$ 52,503,216	$ 27,937,134	$ 28,788,698	$ 80,681,101	$ 81,291,914

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 $9,271,568 may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase in net position in the governmental activities of $1,804,989 and in the business-type activities of $2,257,286 for a total increase of $4,062,275 in net position. Both governmental activities and business-type activities experienced changes in deferred outflows of resources, deferred inflows of resources, and long-term liabilities as a result of the City's participation in defined benefit pension plans.

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

Table 2
Change in Net Position
for the Years Ended December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total – Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	$ 977,267	$ 782,305	$ 15,403,218	$ 14,862,510	$ 16,380,485	$ 15,644,815
Operating grants and contributions	490,623	445,180	48,752	178,469	539,375	623,649
Capital grants and contributions	720,308	701,665	–	–	720,308	701,665
General revenues						
Property taxes	5,111,242	4,546,034	–	–	5,111,242	4,546,034
Franchise taxes	531,178	544,367	–	–	531,178	544,367
Grants and contributions not restricted to specific programs	1,812,458	1,919,280	–	–	1,812,458	1,919,280
Other	126,853	38,802	–	–	126,853	38,802
Investment earnings	123,925	76,459	98,769	68,629	222,694	145,088
Total revenues	9,893,854	9,054,092	15,550,739	15,109,608	25,444,593	24,163,700
Expenses						
General government	2,500,256	2,635,566	–	–	2,500,256	2,635,566
Public safety	3,802,714	4,237,119	–	–	3,802,714	4,237,119
Public works	1,512,014	1,576,435	–	–	1,512,014	1,576,435
Parks and recreation	439,167	544,721	–	–	439,167	544,721
Economic development	472,262	184,357	–	–	472,262	184,357
Interest and fiscal charges	409,252	412,714	–	–	409,252	412,714
Electric	–	–	8,329,029	8,443,299	8,329,029	8,443,299
Water	–	–	752,207	1,110,248	752,207	1,110,248
Surface water	–	–	538,861	428,295	538,861	428,295
Waste water	–	–	1,484,530	1,620,631	1,484,530	1,620,631
Fiber optic	–	–	154,236	167,886	154,236	167,886
Solid waste	–	–	987,790	835,013	987,790	835,013
Total expenses	9,135,665	9,590,912	12,246,653	12,605,372	21,382,318	22,196,284
Increase (decrease) in net position before transfers	758,189	(536,820)	3,304,086	2,504,236	4,062,275	1,967,416
Transfers	1,046,800	1,449,000	(1,046,800)	(1,449,000)	–	–
Change in net position	1,804,989	912,180	2,257,286	1,055,236	4,062,275	1,967,416
Net position – beginning	24,493,141	23,580,961	10,232,610	9,177,374	34,725,751	32,758,335
Net position – ending	$ 26,298,130	$ 24,493,141	$ 12,489,896	$ 10,232,610	$ 38,788,026	$ 34,725,751

Governmental Activities – The City's net position for governmental activities increased by $1,804,989, or 7.4 percent, after $1,046,800 of net transfers from business-type activities. Key elements of this increase are seen in the table above.

Revenues increased overall by $839,762, or 9.3 percent.

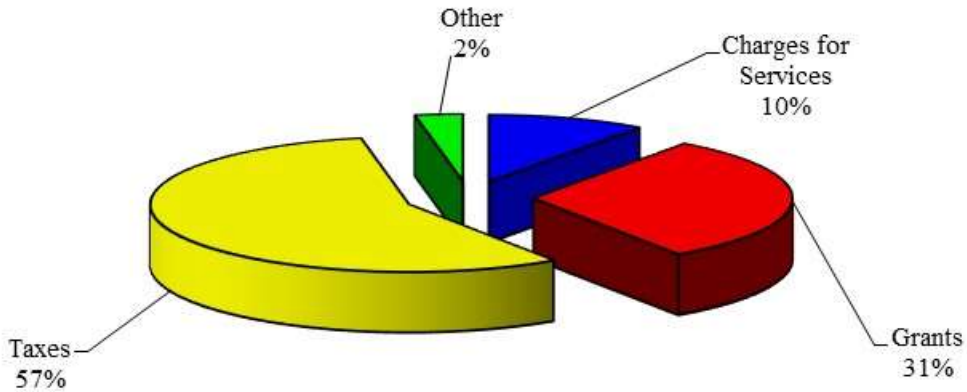
- The largest change occurred in property taxes due to an increase in the levied amount approved by City Council.

Expenses decreased overall by $455,247, or 4.7 percent.

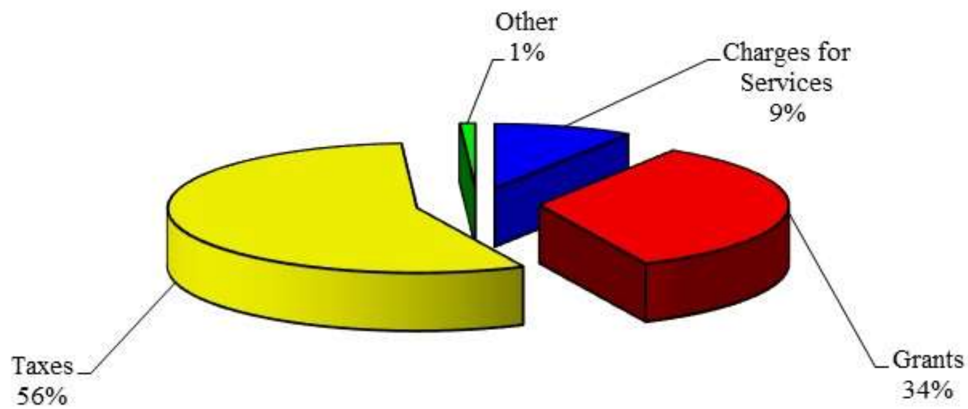
- The City experienced the largest decrease within the public safety function mainly due to a decrease in pension obligations.

As seen in the following graph, taxes make up about 57 percent of the total revenues for 2017. Grants (operating, capital, and unrestricted grants and contributions), including state aids such as local government aid, make up about 31 percent of the total and are followed by charges for services at 10 percent and other at 2 percent of the total.

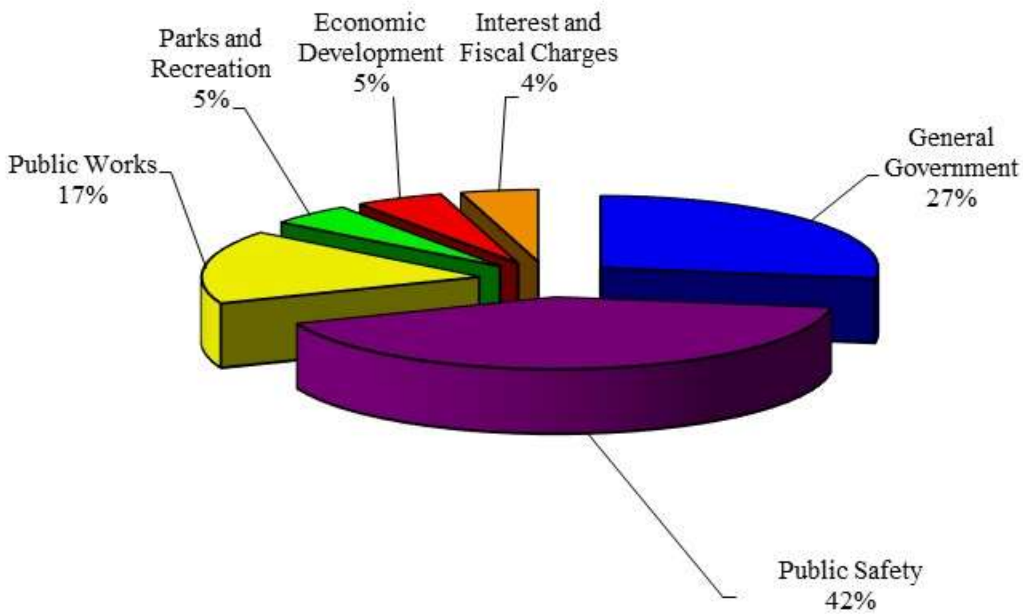
2017 Revenues by Source – Governmental Activities



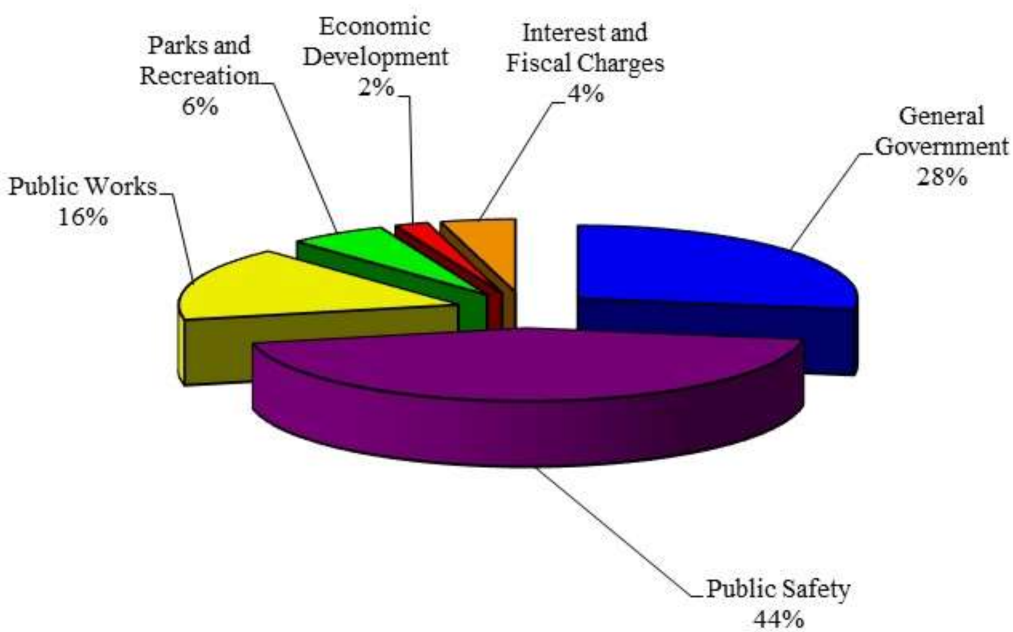
2016 Revenues by Source – Governmental Activities



2017 Expenses – Governmental Activities



2016 Expenses – Governmental Activities

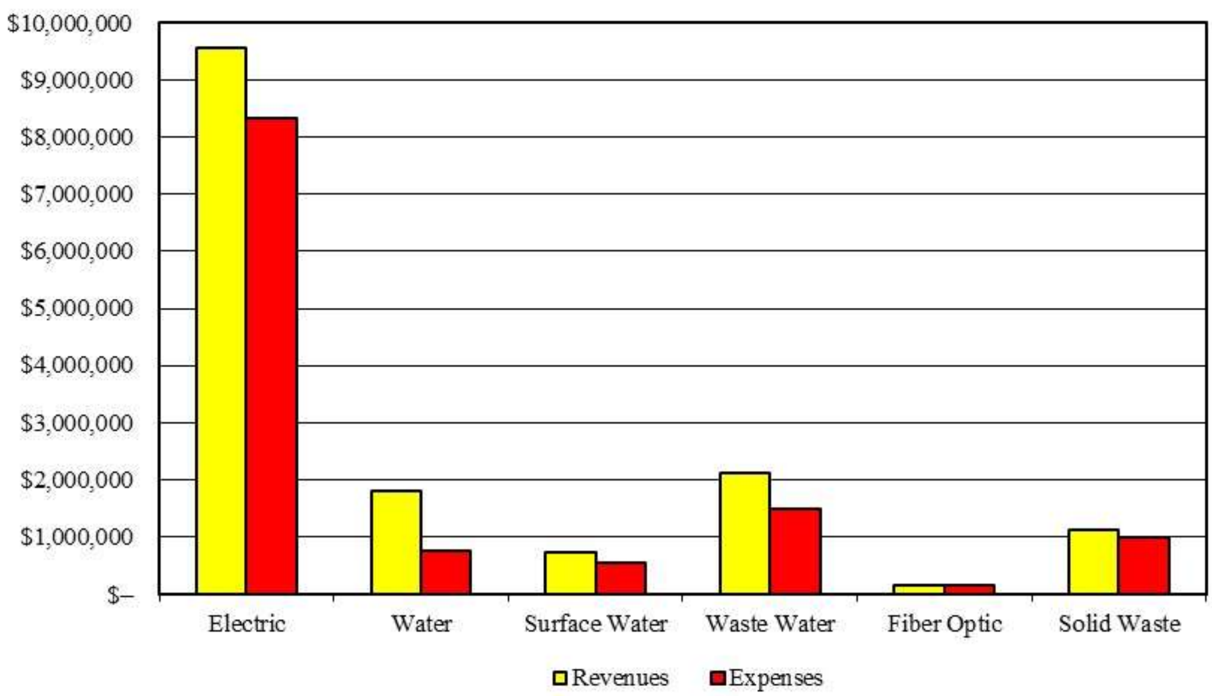


The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2017 and 2016.

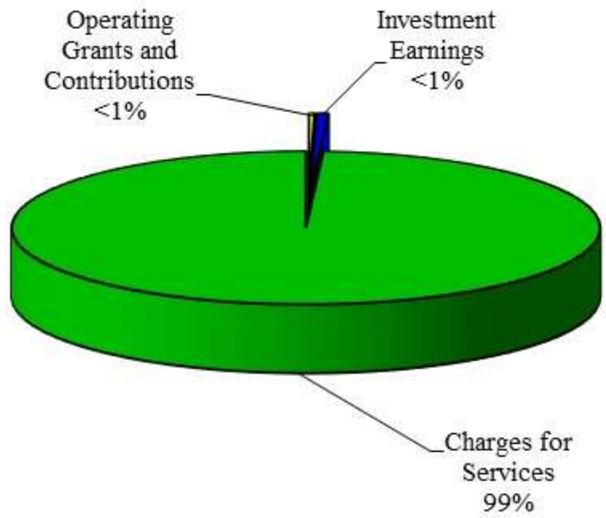
Business-Type Activities – Business-type activities increased the City's total net position by $2,257,286. Key elements of the business-type activities are as follows:

- 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.
- About 68 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 $3,304,086. After considering transfers to governmental activities totaling $1,046,800, net position increased by $2,257,286.

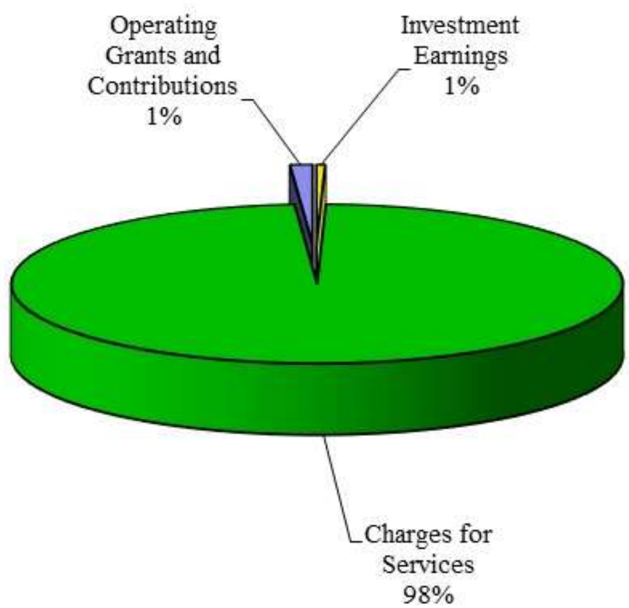
Revenues and Expenses – Business-Type Activities



2017 Revenues by Source – Business-Type Activities



2016 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 $13,058,374, an increase of $1,319,342 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 $1,757,749. 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 25 percent of subsequent year budget expenditures as established in the City's fund balance policy.

Total fund balance for the City's General Fund decreased by $4,125 during 2017. Key factors in this decrease are as follows:

- The City adopted a balanced budget prior to the start of the current year.
- The City experienced a favorable variance in revenues, allowing the City to transfer funds in accordance with the fund balance policy.
- The City has a fund balance policy that limits the amount of unassigned fund balance at year-end to 25 percent of the following year's expenditures. Any portion exceeding this limit is transferred equally to the Equipment Internal Service Fund and the Street Improvement Capital Projects Fund.

The G.O. Capital Improvement Plan Bonds of 2008A/G. O. Capital Improvement Plan Refunding Bonds of 2016B Fund equity changed slightly, increasing by $1,471, ending the year with a fund balance of $3,108,427.

The Street Improvement Capital Project Fund equity decreased by $213,202, ending the year with a fund balance of $702,456. The decrease was planned spending of bond proceeds from the 2016A General Obligation Bonds, which were issued for street construction projects.

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. During the year, the City amended the budget, decreasing revenues and expenditures by $22,000 related to grant funding and shifting budget between accounts.

Revenues were over budget by $227,196, mainly in licenses and permits and charges for services. 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 $39,673, or 0.6 percent, over budget. After the variances in revenues and expenditures, the City was able to transfer additional funds to the Equipment Internal Service Fund and the Street Improvement Capital Projects Fund in accordance with the City's fund balance policy.

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, 2017 amounts to $44,785,699 (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	
	2017	2016	2017	2016	2017	2016
Capital assets						
Land	$ 3,454,393	$ 3,454,393	$ 154,948	$ 154,948	$ 3,609,341	$ 3,609,341
Construction in progress	3,953,445	5,609,094	3,402,591	5,283,862	7,356,036	10,892,956
Buildings and structures	19,585,815	19,585,815	3,953,897	3,953,897	23,539,712	23,539,712
Furniture and equipment	4,631,656	4,648,453	2,537,820	2,440,948	7,169,476	7,089,401
Infrastructure	17,633,984	14,633,385	17,378,867	15,209,012	35,012,851	29,842,397
Less accumulated depreciation	(17,804,255)	(17,323,345)	(14,097,462)	(13,631,860)	(31,901,717)	(30,955,205)
Total capital assets, net of depreciation	$ 31,455,038	$ 30,607,795	$ 13,330,661	$ 13,410,807	$ 44,785,699	$ 44,018,602

The majority of the activity in construction in progress is for street and sanitary sewer 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 $28,020,000. 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	
	2017	2016	2017	2016	2017	2016
G.O. tax increment bonds	$ 1,395,000	$ 1,490,000	$ –	$ –	$ 1,395,000	$ 1,490,000
General obligation bonds	14,961,380	14,835,000	–	–	14,961,380	14,835,000
Utility revenue bonds	–	–	11,663,620	14,360,000	11,663,620	14,360,000
Premium	312,858	297,645	206,372	205,469	519,230	503,114
Net OPEB obligation	62,488	55,760	29,181	23,434	91,669	79,194
Net pension liability	3,676,464	8,455,683	1,323,110	1,813,110	4,999,574	10,268,793
Compensated absences	581,609	571,972	215,098	207,939	796,707	779,911
Total	$20,989,799	$25,706,060	$13,437,381	$16,609,952	$34,427,180	$42,316,012

The City's total bonded debt decreased by $2,665,000, or 8.7 percent, during 2017. The City's most recent bond rating by Standard & Poor's and Moody's was AA and Aa3, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 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.

- Property tax collection rates are expected to remain strong, at or near the 2017 level.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

REQUESTS FOR INFORMATION

This CAFR 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 CAFR 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 comprehensive annual 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 of Net Position
as of December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	$ 12,399,172	$ 10,689,951	$ 23,089,123	$ 89,186
Receivables				
Interest	34,108	38,809	72,917	–
Accounts	123,126	2,631,990	2,755,116	–
Taxes	131,773	–	131,773	–
Special assessments	1,158,824	59,479	1,218,303	–
Internal balances	(136,906)	136,906	–	–
Inventory	–	412,711	412,711	–
Prepaid items	26,016	103,176	129,192	694
Assets held for resale	1,208,751	–	1,208,751	49,248
Net pension asset	163,675	–	163,675	–
Restricted assets – temporarily restricted				
Cash and investments for debt service	2,450,389	193,500	2,643,889	–
Interest receivable	9,073	–	9,073	–
Capital assets				
Not depreciated	7,407,838	3,557,539	10,965,377	–
Depreciated	24,047,200	9,773,122	33,820,322	–
Total capital assets, net of depreciation	31,455,038	13,330,661	44,785,699	–
Total assets	49,023,039	27,597,183	76,620,222	139,128
Deferred outflows of resources				
Pension plan deferments	3,720,928	339,951	4,060,879	–
Total assets and deferred outflows of resources	$ 52,743,967	$ 27,937,134	$ 80,681,101	$ 139,128
Liabilities				
Accounts and contracts payable	$ 601,107	$ 886,690	$ 1,487,797	$ 1,546
Accrued salaries and employee benefits payable	139,666	62,090	201,756	1,773
Accrued interest payable	185,902	117,594	303,496	–
Due to other governments	25,568	278,855	304,423	–
Customer deposits	134,592	203,820	338,412	–
Unearned revenue	180,560	163,633	344,193	–
Noncurrent liabilities				
Due within one year	1,608,480	1,059,566	2,668,046	–
Due in more than one year	19,381,319	12,377,815	31,759,134	–
Total noncurrent liabilities	20,989,799	13,437,381	34,427,180	–
Total liabilities	22,257,194	15,150,063	37,407,257	3,319
Deferred inflows of resources				
Pension plan deferments	4,188,643	297,175	4,485,818	–
Net position				
Net investment in capital assets	19,304,556	5,125,174	24,429,730	–
Restricted for				
Housing Redevelopment Authority	1,100,954	–	1,100,954	–
Tax increment	189,572	–	189,572	–
Police forfeiture	98,833	–	98,833	–
Economic Development Authority	–	–	–	135,809
Debt service	3,404,136	–	3,404,136	–
Pension benefits	293,233	–	293,233	–
Unrestricted	1,906,846	7,364,722	9,271,568	–
Total net position	26,298,130	12,489,896	38,788,026	135,809
Total liabilities, deferred inflows of resources, and net position	$ 52,743,967	$ 27,937,134	$ 80,681,101	$ 139,128

CITY OF NORTH ST. PAUL

Statement of Activities
Year Ended December 31, 2017

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	$ 2,500,256	$ 371,906	$ –	$ –
Public safety	3,802,714	119,264	298,947	22,345
Public works	1,512,014	257,790	127,922	697,963
Parks and recreation	439,167	228,307	62,754	–
Economic development	472,262	–	1,000	–
Interest and fiscal charges	409,252	–	–	–
Total governmental activities	9,135,665	977,267	490,623	720,308
Business-type activities				
Electric	8,329,029	9,534,315	22,331	–
Water	752,207	1,787,727	59	–
Surface water	538,861	727,237	50	–
Waste water	1,484,530	2,105,749	53	–
Fiber optic	154,236	148,684	–	–
Solid waste	987,790	1,099,506	26,259	–
Total business-type activities	12,246,653	15,403,218	48,752	–
Total primary government	$ 21,382,318	$ 16,380,485	$ 539,375	$ 720,308
Component unit				
Economic development authority	$ 81,890	$ –	$ –	$ –

General revenues
Property taxes
Franchise taxes
Grants and contributions not restricted to specific programs
Other general revenues
Investment earnings
Gain on sale of 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
$ (2,128,350)	$ –	$ (2,128,350)	$ –
(3,362,158)	–	(3,362,158)	–
(428,339)	–	(428,339)	–
(148,106)	–	(148,106)	–
(471,262)	–	(471,262)	–
(409,252)	–	(409,252)	–
(6,947,467)	–	(6,947,467)	–
–	1,227,617	1,227,617	–
–	1,035,579	1,035,579	–
–	188,426	188,426	–
–	621,272	621,272	–
–	(5,552)	(5,552)	–
–	137,975	137,975	–
–	3,205,317	3,205,317	–
(6,947,467)	3,205,317	(3,742,150)	–
–	–	–	(81,890)
5,111,242	–	5,111,242	140,935
531,178	–	531,178	–
1,812,458	–	1,812,458	–
91,079	–	91,079	3,870
123,925	98,769	222,694	–
35,774	–	35,774	–
1,046,800	(1,046,800)	–	–
8,752,456	(948,031)	7,804,425	144,805
1,804,989	2,257,286	4,062,275	62,915
24,493,141	10,232,610	34,725,751	72,894
$ 26,298,130	$ 12,489,896	$ 38,788,026	$ 135,809

CITY OF NORTH ST. PAUL

Balance Sheet
Governmental Funds
as of December 31, 2017

	General	Debt Service – G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Capital Projects – Street Improvement
Assets			
Cash and investments	$ 2,224,485	$ 647,310	$ 52,057
Cash and investments held by trustee	–	2,450,389	–
Receivables			
Interest	5,498	10,728	2,047
Accounts	121,126	–	–
Taxes	122,055	–	–
Special assessments	2,200	–	94,453
Due from other funds	–	–	726,595
Prepaid items	26,016	–	–
Assets held for resale	–	–	–
Total assets	$ 2,501,380	$ 3,108,427	$ 875,152
Liabilities			
Accounts and contracts payable	$ 262,358	$ –	$ 80,196
Accrued salaries and employee benefits payable	136,183	–	–
Due to other funds	–	–	–
Due to other governments	25,293	–	–
Customer deposits	134,592	–	–
Unearned revenue	123,492	–	2,880
Total liabilities	681,918	–	83,076
Deferred inflows of resources			
Unavailable revenue – property taxes	59,543	–	–
Unavailable revenue – special assessments	2,170	–	89,620
Total deferred inflows of resources	61,713	–	89,620
Fund balances (deficit)			
Nonspendable	26,016	–	–
Restricted	–	3,108,427	595,517
Committed	–	–	–
Assigned	23,261	–	106,939
Unassigned	1,708,472	–	–
Total fund balances (deficit)	1,757,749	3,108,427	702,456
Total liabilities, deferred inflows of resources, and fund balances	$ 2,501,380	$ 3,108,427	$ 875,152

Nonmajor	Total
$ 7,075,540	$ 9,999,392
–	2,450,389
18,440	36,713
2,000	123,126
9,718	131,773
1,062,171	1,158,824
5,662	732,257
–	26,016
1,208,751	1,208,751
$ 9,382,282	$ 15,867,241
$ 97,440	$ 439,994
1,014	137,197
732,257	732,257
275	25,568
–	134,592
9,424	135,796
840,410	1,605,404
3,785	63,328
1,048,345	1,140,135
1,052,130	1,203,463
–	26,016
3,410,661	7,114,605
3,196,670	3,196,670
889,365	1,019,565
(6,954)	1,701,518
7,489,742	13,058,374
$ 9,382,282	$ 15,867,241

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CITY OF NORTH ST. PAUL

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2017

Total fund balances – governmental funds	$ 13,058,374
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	46,533,651
Less accumulated depreciation	(16,068,246)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	163,675
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds (see Note 5 for more details on components of long-term liabilities).	
Due within one year	(1,608,480)
Due in more than one year	(19,381,319)
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.	(185,902)
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 included in governmental activities	3,037,232
Internal balances for internal services used by business-type activities	13,397
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 – pension plans	3,720,928
Deferred inflows – pension plans	(4,188,643)
Deferred inflows – unavailable revenues	1,203,463
Total net position – governmental activities	$ 26,298,130

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	General	Debt Service – G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Capital Projects – Street Improvement
Revenues			
Taxes	$ 3,587,226	$ 485,937	$ –
Special assessments	1,009	–	22,317
Licenses and permits	302,716	–	–
Intergovernmental	1,647,917	–	–
Charges for services	207,009	–	–
Fines and forfeits	37,032	–	–
Investment earnings	9,325	24,655	10,513
Other	299,692	–	–
Total revenues	6,091,926	510,592	32,830
Expenditures			
Current			
General government	2,013,213	–	–
Public safety	3,582,496	–	–
Public works	884,974	–	–
Parks and recreation	374,020	–	–
Economic development	–	–	–
Capital outlay	–	–	1,405,360
Debt service			
Principal	–	310,000	–
Interest and fiscal charges	–	199,121	–
Total expenditures	6,854,703	509,121	1,405,360
Excess (deficiency) of revenues over expenditures	(762,777)	1,471	(1,372,530)
Other financing sources (uses)			
Bonds issued	–	–	1,051,380
Premium on bonds issued	–	–	40,155
Transfers in	1,066,800	–	95,413
Transfers out	(308,148)	–	(27,620)
Total other financing sources (uses)	758,652	–	1,159,328
Net change in fund balances	(4,125)	1,471	(213,202)
Fund balances			
Beginning of year	1,761,874	3,106,956	915,658
End of year	$ 1,757,749	$ 3,108,427	$ 702,456

See notes to basic financail statements

Nonmajor	Total
$ 1,570,325	$ 5,643,488
290,646	313,972
–	302,716
998,247	2,646,164
–	207,009
–	37,032
55,947	100,440
115,621	415,313
3,030,786	9,666,134
129,604	2,142,817
80	3,582,576
–	884,974
–	374,020
442,989	442,989
102,340	1,507,700
710,000	1,020,000
235,517	434,638
1,620,530	10,389,714
1,410,256	(723,580)
–	1,051,380
–	40,155
224,942	1,387,155
(100,000)	(435,768)
124,942	2,042,922
1,535,198	1,319,342
5,954,544	11,739,032
$ 7,489,742	$ 13,058,374

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CITY OF NORTH ST. PAUL

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2017

Total net change in fund balances – governmental funds	$ 1,319,342
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	1,344,950
Depreciation expense	(952,091)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	(36,452)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term debt adjustments are also made between the governmental funds and the Statement of Activities for premiums, compensated absences, OPEB obligations, and net pension liability (see Note 5 for more details on changes in long-term debt).	
Governmental activities – additions to long-term debt	(2,224,678)
Governmental activities – deletions of long-term debt	6,940,939
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.	444
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 – pension plans	(1,968,220)
Deferred inflows – pension plans	(3,100,462)
Deferred inflows – unavailable revenues	154,761
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 included in governmental activities	378,977
Internal balances for internal service activity for business-type activities	(52,521)
Change in net position – governmental activities	$ 1,804,989

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CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Taxes	$ 3,579,698	$ 3,579,698	$ 3,587,226	$ 7,528
Special assessments	–	–	1,009	1,009
Licenses and permits	221,500	221,500	302,716	81,216
Intergovernmental	1,672,755	1,650,755	1,647,917	(2,838)
Charges for services	108,910	108,910	207,009	98,099
Fines and forfeits	36,000	36,000	37,032	1,032
Investment earnings	15,000	15,000	9,325	(5,675)
Other	242,867	252,867	299,692	46,825
Total revenues	5,876,730	5,864,730	6,091,926	227,196
Expenditures				
Current				
General government	1,822,650	1,904,541	2,013,213	108,672
Public safety	3,574,279	3,492,893	3,582,496	89,603
Public works	1,132,545	1,004,725	884,974	(119,751)
Parks and recreation	407,556	412,871	374,020	(38,851)
Total expenditures	6,937,030	6,815,030	6,854,703	39,673
Excess (deficiency) of revenues over expenditures	(1,060,300)	(950,300)	(762,777)	187,523
Other financing sources (uses)				
Transfers in	1,076,800	1,066,800	1,066,800	–
Transfers out	(16,500)	(116,500)	(308,148)	(191,648)
Total other financing sources (uses)	1,060,300	950,300	758,652	(191,648)
Net change in fund balances	$ –	$ –	(4,125)	$ (4,125)
Fund balances				
Beginning of year			1,761,874	
End of year			$ 1,757,749	

CITY OF NORTH ST. PAUL

Statement of Net Position
Proprietary Funds
as of December 31, 2017

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Assets				
Current assets				
Cash and investments	$ 4,994,155	$ 2,266,961	$ 1,059,184	$ 1,319,710
Cash and investments restricted for debt service	193,500	–	–	–
Receivables				
Interest	15,683	6,478	6,777	6,922
Accounts	1,485,739	308,221	127,183	347,201
Special assessments	250	22,439	963	33,835
Due from other funds	150,303	–	–	–
Inventory	412,711	–	–	–
Prepaid items	7,073	5,652	–	90,451
Total current assets	7,259,414	2,609,751	1,194,107	1,798,119
Noncurrent assets				
Advances to other funds	–	–	1,216,478	1,216,478
Capital assets				
Land	154,948	–	–	–
Construction in progress	–	568,449	514,940	2,319,202
Buildings and structures	2,490,117	1,192,912	–	270,868
Furniture and equipment	1,325,146	277,933	335,551	599,190
Infrastructure	1,724,924	6,229,886	2,600,736	4,592,589
Less accumulated depreciation	(4,634,754)	(4,381,379)	(1,367,466)	(3,301,445)
Total capital assets (net of accumulated depreciation)	1,060,381	3,887,801	2,083,761	4,480,404
Total noncurrent assets	1,060,381	3,887,801	3,300,239	5,696,882
Total assets	8,319,795	6,497,552	4,494,346	7,495,001
Deferred outflows of resources				
Pension plan deferments – PERA	255,998	33,438	26,279	23,746
Total assets and deferred outflows of resources	$ 8,575,793	$ 6,530,990	$ 4,520,625	$ 7,518,747
Current liabilities				
Accounts and contracts payable	$ 599,294	$ 15,660	$ 58,989	$ 63,738
Accrued salaries and employee benefits payable	43,720	6,524	4,826	5,199
Accrued interest payable	26,851	25,870	17,661	43,631
Due to other funds	–	–	–	–
Due to other governments	81,558	34,082	–	–
Customer deposits	198,820	–	–	5,000
Unearned revenue	–	–	–	–
Compensated absences payable – current	99,908	14,829	14,829	–
Bonds payable – current	130,000	234,557	131,078	383,965
Total current liabilities	1,180,151	331,522	227,383	501,533
Noncurrent liabilities				
Advances from other funds	–	–	–	–
Compensated absences payable	85,532	–	–	–
Net OPEB obligation	20,603	2,998	2,406	2,522
Net pension liability	965,776	135,238	106,858	96,822
Bonds payable	1,015,000	2,580,436	1,944,801	5,029,597
Total noncurrent liabilities	2,086,911	2,718,672	2,054,065	5,128,941
Total liabilities	3,267,062	3,050,194	2,281,448	5,630,474
Deferred inflows of resources				
Pension plan deferments – PERA	207,474	30,721	25,332	25,541
Net position				
Net investment in capital assets	1,060,381	1,167,120	767,525	311,834
Unrestricted	4,040,876	2,282,955	1,446,320	1,550,898
Total net position	5,101,257	3,450,075	2,213,845	1,862,732
Total liabilities, deferred inflows of resources, and net position	$ 8,575,793	$ 6,530,990	$ 4,520,625	$ 7,518,747

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

		Nonmajor Fund		Governmental Activities –
	Fiber Optic	Solid Waste	Total	Internal Service
	$ –	$ 1,049,941	$ 10,689,951	$ 2,399,780
	–	–	193,500	–
	–	2,949	38,809	6,468
	22,641	341,005	2,631,990	–
	–	1,992	59,479	–
	–	–	150,303	–
	–	–	412,711	–
	–	–	103,176	–
	22,641	1,395,887	14,279,919	2,406,248
	–	–	2,432,956	–
	–	–	154,948	–
	–	–	3,402,591	–
	–	–	3,953,897	–
	–	–	2,537,820	2,725,642
	2,230,732	–	17,378,867	–
	(412,418)	–	(14,097,462)	(1,736,009)
	1,818,314	–	13,330,661	989,633
	1,818,314	–	15,763,617	989,633
	1,840,955	1,395,887	30,043,536	3,395,881
	–	490	339,951	–
	$ 1,840,955	$ 1,396,377	$ 30,383,487	$ 3,395,881
	$ 35,151	$ 113,858	$ 886,690	$ 161,113
	70	1,751	62,090	2,469
	–	3,581	117,594	–
	–	–	–	150,303
	–	163,215	278,855	–
	–	–	203,820	–
	163,633	–	163,633	44,764
	–	–	129,566	–
	–	50,400	930,000	–
	198,854	332,805	2,772,248	358,649
	2,432,956	–	2,432,956	–
	–	–	85,532	–
	–	652	29,181	–
	–	18,416	1,323,110	–
	–	370,158	10,939,992	–
	2,432,956	389,226	14,810,771	–
	2,631,810	722,031	17,583,019	358,649
	–	8,107	297,175	–
	1,818,314	–	5,125,174	989,633
	(2,609,169)	666,239	7,378,119	2,047,599
	(790,855)	666,239	12,503,293	3,037,232
	$ 1,840,955	$ 1,396,377	$ 30,383,487	$ 3,395,881
			$ 12,503,293	
			(13,397)	
			$ 12,489,896	

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2017

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Operating revenue				
Charges for services	$ 9,267,958	$ 1,754,270	$ 716,575	$ 2,024,076
Other services	265,932	33,457	10,662	81,673
Total operating revenue	9,533,890	1,787,727	727,237	2,105,749
Operating expenses				
Personal services	1,418,207	223,419	179,064	198,992
Professional services	456,637	243,806	147,521	108,400
Purchased utilities	5,598,551	–	–	917,946
Materials and supplies	332,267	65,429	86,984	72,757
Administration	368,484	–	–	–
Insurance	–	–	–	–
Other	–	–	–	–
Total operating expenses	8,174,146	532,654	413,569	1,298,095
Operating income before depreciation	1,359,744	1,255,073	313,668	807,654
Depreciation	73,602	167,070	106,553	108,295
Operating income (loss)	1,286,142	1,088,003	207,115	699,359
Nonoperating revenues (expenses)				
Investment earnings (charges)	52,321	24,143	22,536	25,716
Gain on disposal of capital assets	–	4,850	–	–
Other	22,756	59	50	53
Interest expense	(66,894)	(71,515)	(34,326)	(115,524)
Total nonoperating revenue (expenses)	8,183	(42,463)	(11,740)	(89,755)
Income (loss) before transfers	1,294,325	1,045,540	195,375	609,604
Transfers in	–	–	–	–
Transfers out	(556,800)	(205,000)	(80,000)	(145,000)
Change in net position	737,525	840,540	115,375	464,604
Net position				
Beginning of year	4,363,732	2,609,535	2,098,470	1,398,128
End of year	$ 5,101,257	$ 3,450,075	$ 2,213,845	$ 1,862,732

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

	Nonmajor Fund		Governmental
			Activities –
Fiber Optic	Solid Waste	Total	Internal Service
$ 133,996	$ 1,024,987	$ 14,921,862	$ 1,069,148
14,688	74,519	480,931	–
148,684	1,099,506	15,402,793	1,069,148
3,408	69,584	2,092,674	89,102
106,373	62	1,062,799	92,480
–	896,977	7,413,474	–
–	5,476	562,913	47,987
–	–	368,484	–
–	–	–	492,153
–	7,815	7,815	–
109,781	979,914	11,508,159	721,722
38,903	119,592	3,894,634	347,426
44,440	–	499,960	123,121
(5,537)	119,592	3,394,674	224,305
(36,221)	10,274	98,769	23,485
–	–	4,850	35,774
–	26,259	49,177	–
–	(7,646)	(295,905)	–
(36,221)	28,887	(143,109)	59,259
(41,758)	148,479	3,251,565	283,564
–	–	–	95,413
–	(60,000)	(1,046,800)	–
(41,758)	88,479	2,204,765	378,977
(749,097)	577,760	10,298,528	2,658,255
$ (790,855)	$ 666,239	$ 12,503,293	$ 3,037,232
		$ 2,204,765	
		52,521	
		$ 2,257,286	

CITY OF NORTH ST. PAUL

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Cash flows from operating activities				
Cash received from customers	$ 9,355,585	$ 1,719,198	$ 727,622	$ 2,075,338
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(6,417,875)	(328,943)	(211,098)	(1,221,274)
Cash payments to employees for services	(1,335,015)	(210,743)	(168,440)	(188,109)
Payment in lieu of taxes	(368,484)	–	–	–
Net cash flows from operating activities	1,234,211	1,179,512	348,084	665,955
Cash flows from noncapital financing activities				
Cash received from other funds	–	–	5,055	5,055
Cash paid to other funds	(150,303)	–	–	–
Transfers in	–	–	–	–
Transfers out	(556,800)	(205,000)	(80,000)	(145,000)
Net cash flows from noncapital financing activities	(707,103)	(205,000)	(74,945)	(139,945)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(131,230)	(29,420)	(26,600)	(232,564)
Proceeds from the disposal of capital assets	–	4,850	–	–
Proceeds from issuance of revenue bonds	–	–	78,620	360,000
Payment on bonds	(125,000)	(1,456,000)	(145,400)	(1,358,200)
Interest paid	(69,316)	(101,361)	(37,154)	(137,800)
Net cash flows from capital and related financing activities	(325,546)	(1,581,931)	(130,534)	(1,368,564)
Cash flows from investing activities				
Interest received (paid) on investments	50,374	22,097	21,560	25,015
Net increase (decrease) in cash and cash equivalents	251,936	(585,322)	164,165	(817,539)
Cash and investments				
Beginning of year	4,935,719	2,852,283	895,019	2,137,249
End of year	$ 5,187,655	$ 2,266,961	$ 1,059,184	$ 1,319,710
Reconciliation of cash and cash equivalents				
Cash and investments	$ 4,994,155	$ 2,266,961	$ 1,059,184	$ 1,319,710
Cash and investments restricted for debt service	193,500	–	–	–
Cash and cash equivalents per Statement of Net Position	$ 5,187,655	$ 2,266,961	$ 1,059,184	$ 1,319,710
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 1,286,142	$ 1,088,003	$ 207,115	$ 699,359
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	73,602	167,070	106,553	108,295
Other	22,756	59	50	53
Change in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	(198,468)	(71,247)	(146)	(26,871)
Special assessments receivable	106	2,659	481	(3,593)
Inventory	(46,958)	–	–	–
Prepaid items	(1,655)	6,269	–	(8,569)
Deferred outflows	312,597	48,053	40,439	42,638
Accounts and contracts payable	11,194	(28,258)	23,407	(113,602)
Accrued salaries and employee benefits	846	432	(264)	166
Customer deposits	(2,699)	–	–	–
Due to other governments	6,999	2,281	–	–
Unearned revenue	–	–	–	–
Net OPEB obligation	3,316	506	927	771
Net pension liability	(332,944)	(51,180)	(43,071)	(45,414)
Compensated absences	6,105	527	527	–
Deferred inflows	93,272	14,338	12,066	12,722
Net cash flows from operating activities	$ 1,234,211	$ 1,179,512	$ 348,084	$ 665,955
Noncash investing, capital, and financing activities				
Capital assets purchased on account	$ –	$ –	$ –	$ –

See notes to basic financial statements

	Nonmajor Fund			Governmental Activities –
	Fiber Optic	Solid Waste	Total	Internal Service
	$ 127,683	$ 1,016,066	$ 15,021,492	$ –
	–	–	–	1,074,978
	(78,014)	(842,527)	(9,099,731)	(621,639)
	(3,338)	(65,001)	(1,970,646)	(89,044)
	–	–	(368,484)	–
	46,331	108,538	3,582,631	364,295
	–	–	10,110	150,303
	(10,110)	–	(160,413)	–
	–	–	–	95,413
	–	(60,000)	(1,046,800)	–
	(10,110)	(60,000)	(1,197,103)	245,716
	–	–	(419,814)	(460,278)
	–	–	4,850	35,774
	–	–	438,620	–
	–	(50,400)	(3,135,000)	–
	–	(9,195)	(354,826)	–
	–	(59,595)	(3,466,170)	(424,504)
	(36,221)	10,099	92,924	22,758
	–	(958)	(987,718)	208,265
	–	1,050,899	11,871,169	2,191,515
	$ –	$ 1,049,941	$ 10,883,451	$ 2,399,780
	$ –	$ 1,049,941	$ 10,689,951	$ 2,399,780
	–	–	193,500	–
	$ –	$ 1,049,941	$ 10,883,451	$ 2,399,780
	$ (5,537)	$ 119,592	$ 3,394,674	$ 224,305
	44,440	–	499,960	123,121
	–	26,259	49,177	–
	(9,995)	(110,553)	(417,280)	–
	–	854	507	–
	–	–	(46,958)	–
	–	–	(3,955)	–
	–	16,328	460,055	–
	28,359	35,466	(43,434)	10,981
	70	547	1,797	58
	–	–	(2,699)	–
	–	32,337	41,617	–
	(11,006)	–	(11,006)	5,830
	–	227	5,747	–
	–	(17,391)	(490,000)	–
	–	–	7,159	–
	–	4,872	137,270	–
	$ 46,331	$ 108,538	$ 3,582,631	$ 364,295
	$ –	$ –	$ –	$ 117,227

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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) 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

G.O. Capital Improvement Plan Bonds of 2008A/G.O. Capital Improvement Plan Refunding Bonds of 2016B Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on the 2008A and 2016B general obligation improvement plan bonds.

Street Improvement Capital Projects Fund – This fund administers resources for street improvement projects.

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.

The City reports the following nonmajor enterprise fund:

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 types:

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, and a Benefits and Insurance 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 held by trustee in the G.O. Capital Improvement Plan Bonds Debt Service Fund include balances held in an escrow account 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 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 City's investment in this fund is measured at amortized cost.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 totaled $5,566.

K. Inventories

Inventories of the proprietary funds are stated at cost for supplies and at the lower of cost or market 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, statements of financial position or balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, and from 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 standards.

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items which qualify for reporting in this category.

The first item, unavailable revenue, arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to pensions, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes in proportion, changes of assumptions, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

Q. 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, except that the PERA’s fiscal year-end is June 30. 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.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

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 tax base or to attract new businesses. These assets are stated at the lower of cost or fair value. Assets held for resale has a Level 2 fair value measurement category using the same accounting principles generally accepted in the United States of America hierarchy as discussed earlier in these notes.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The City Council has not adopted a resolution authorizing management to assign 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Changes in the fund's claim liability for the past two years were as follows:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2016	$ –	$ 449,920	$ 449,920	$ –
2017	$ –	$ 492,153	$ 492,153	$ –

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	$	2,522,569
Investments		23,298,829
Cash on hand		800
Total	$	25,822,198

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

Statement of Net Position		
Primary government		
Cash and investments	$	23,089,123
Restricted assets – temporarily restricted		
Cash and investments for debt service		2,643,889
Component unit		
Cash and investments		89,186
Total	$	25,822,198

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 $2,522,569, while the balance on the bank records was $2,629,591. At December 31, 2017, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Using	Less Than 1	1 to 5	5 to 10	Total
U.S. treasuries	N/R	N/A	Level 1	$ 26,873	$ 2,423,515	$ –	$ 2,450,388
U.S. agencies	AA	S&P	Level 2	–	1,958,060	1,442,945	3,401,005
Municipal securities	AAA	S&P	Level 2	–	719,956	–	719,956
Municipal securities	AA	S&P	Level 2	–	1,303,524	–	1,303,524
Municipal securities	AA	Moody's	Level 2	–	1,081,999	–	1,081,999
Negotiable certificates of deposit	N/R	N/A	Level 2	2,693,752	7,962,671	228,104	10,884,527
				$ 2,720,625	$ 15,449,725	$ 1,671,049	19,841,399
Investment pools/mutual funds							
Minnesota Municipal Money Market Fund	N/R	N/A	NAV	N/A	N/A	N/A	2,573,904
Wells Fargo Invesco Government Money Market	AAA	S&P	Level 1	N/A	N/A	N/A	883,526
Total investments							$ 23,298,829

N/A – Not Applicable
N/R – Not Rated
NAV – Net Asset Value

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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. The City's investment policies do not limit the concentration of investments. At year-end, the City's investment portfolio includes the Federal Farm Credit Bank at 6.3 percent.

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 policies do not mandate a limit on the duration of investments.

NOTE 3 – INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

Interfund receivables and payables at year-end were as follows:

	Due To Other Funds		
	Governmental	Proprietary	
Due From Other Funds	Nonmajor	Internal Service	Total
Governmental			
Street Improvement	$ 726,595	$ –	$ 726,595
Nonmajor	5,662	–	5,662
Proprietary			
Electric	–	150,303	150,303
Total	$ 732,257	$ 150,303	$ 882,560

Interfund borrowing is utilized for cash flow purposes to eliminate temporary cash balance deficits.

B. Advances To and Advances From Other Funds

The Surface Water and Waste Water Enterprise Funds have each advanced $1,216,478 to the Fiber Optic Enterprise Fund for cash flow purposes. As of December 31, 2017, there are no formal terms for the repayment of the advances.

NOTE 3 – INTERFUND TRANSACTIONS (CONTINUED)

C. Interfund Transfers

Interfund transfers for the year were as follows:

	Transfers In				
	Governmental			Proprietary	
Transfers Out	General	Capital Projects – Street Improvement	Nonmajor	Internal Service	Total
Governmental					
General	$ –	$ 95,413	$ 117,322	$ 95,413	$ 308,148
Capital Projects – Street Improvement	–	–	27,620		27,620
Nonmajor	20,000	–	80,000	–	100,000
Proprietary					
Electric	556,800	–	–	–	556,800
Water	205,000	–	–	–	205,000
Surface Water	80,000	–	–	–	80,000
Waste Water	145,000	–	–	–	145,000
Solid Waste	60,000	–	–	–	60,000
Total	$ 1,066,800	$ 95,413	$ 224,942	$ 95,413	$ 1,482,568

Transfers are made in accordance with budget appropriations, fund balance policy requirements, 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, 2017 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	$ 3,454,393	$ –	$ –	$ –	$ 3,454,393
Construction in progress	5,609,094	370,988	–	(2,026,637)	3,953,445
Total capital assets, not being depreciated	9,063,487	370,988	–	(2,026,637)	7,407,838
Capital assets, depreciated					
Buildings and structures	19,585,815	–	–	–	19,585,815
Furniture and equipment	4,648,453	577,505	(594,302)	–	4,631,656
Infrastructure	14,633,385	973,962	–	2,026,637	17,633,984
Total capital assets, depreciated	38,867,653	1,551,467	(594,302)	2,026,637	41,851,455
Less accumulated depreciation on					
Buildings and structures	5,583,275	492,531	–	–	6,075,806
Furniture and equipment	3,391,569	186,282	(594,302)	–	2,983,549
Infrastructure	8,348,501	396,399	–	–	8,744,900
Total accumulated depreciation	17,323,345	1,075,212	(594,302)	–	17,804,255
Total capital assets, depreciated, net	21,544,308	476,255	–	2,026,637	24,047,200
Net capital assets	$ 30,607,795	$ 847,243	$ –	$ –	$ 31,455,038

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated					
Land	$ 154,948	$ –	$ –	$ –	$ 154,948
Construction in progress	5,283,862	288,584	–	(2,169,855)	3,402,591
Total capital assets, not being depreciated	5,438,810	288,584	–	(2,169,855)	3,557,539
Capital assets, depreciated					
Buildings and structures	3,953,897	–	–	–	3,953,897
Furniture and equipment	2,440,948	131,230	(34,358)	–	2,537,820
Infrastructure	15,209,012	–	–	2,169,855	17,378,867
Total capital assets, depreciated	21,603,857	131,230	(34,358)	2,169,855	23,870,584
Less accumulated depreciation on					
Buildings and structures	3,291,877	31,650	–	–	3,323,527
Furniture and equipment	1,873,952	84,378	(34,358)	–	1,923,972
Infrastructure	8,466,031	383,932	–	–	8,849,963
Total accumulated depreciation	13,631,860	499,960	(34,358)	–	14,097,462
Total capital assets, depreciated, net	7,971,997	(368,730)	–	2,169,855	9,773,122
Net capital assets	$ 13,410,807	$ (80,146)	$ –	$ –	$ 13,330,661

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	$ 302,369
Public safety	21,033
Public works	583,784
Parks and recreation	44,905
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	123,121
Total depreciation expense – governmental activities	$ 1,075,212
Business-type activities	
Electric	$ 73,602
Water	167,070
Surface water	106,553
Waste water	108,295
Fiber optic	44,440
Total depreciation expense – business-type activities	$ 499,960

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					
Tax Abatement Bonds of 2004A	$ 800,000	2.200–4.600%	2004	2020	$ 205,000
Capital Improvement Bonds of 2008A	$ 5,000,000	3.500–4.700%	2008	2025	3,075,000
Municipal Building Refunding Bonds of 2012A	$ 3,760,000	0.450–1.950%	2012	2023	2,325,000
Special Assessment Bonds of 2014A	$ 2,360,000	2.000–3.000%	2014	2030	1,995,000
Tax Increment Refunding Bonds of 2015A	$ 1,595,000	2.000–3.000%	2015	2032	1,395,000
Improvement Bonds of 2016A	$ 2,640,000	2.000–2.100%	2016	2032	2,640,000
Tax Abatement Bonds of 2016A	$ 1,240,000	2.000–2.500%	2016	2037	1,240,000
Capital Improvement Refunding Bonds of 2016B	$ 2,430,000	2.00%	2016	2025	2,430,000
Improvement Bonds of 2017A	$ 1,051,380	1.650–3.000%	2017	2033	1,051,380
Premium					312,858
Net OPEB obligation					62,488
Net pension liability					3,676,464
Compensated absences					581,609
Total governmental activities					$ 20,989,799
Business-type activities					
Electric Utility Revenue Bonds of 2009C	$ 1,935,000	2.750–6.000%	2009	2025	$ 1,145,000
General obligation bonds					
Utility Revenue Bonds of 2014A	$ 2,560,000	2.000–3.000%	2014	2030	2,260,000
Utility Revenue Refunding Bonds of 2015A	$ 4,650,000	2.000–3.000%	2015	2027	4,215,000
Utility Revenue Bonds of 2016A	$ 3,605,000	2.000–2.100%	2016	2032	3,605,000
Utility Revenue Bonds of 2017A	$ 438,620	1.650–3.000%	2017	2033	438,620
Premium					206,372
Net OPEB obligation					29,181
Net pension liability					1,323,110
Compensated absences					215,098
Total business-type activities					$ 13,437,381
Total government-wide activities					$ 34,427,180

B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
G.O. tax increment bonds	$ 1,490,000	$ –	$ 95,000	$ 1,395,000	$ 100,000
General obligation bonds	14,835,000	1,051,380	925,000	14,961,380	1,165,000
Premium	297,645	40,155	24,942	312,858	–
Total bonds	16,622,645	1,091,535	1,044,942	16,669,238	1,265,000
Net OPEB obligation	55,760	34,261	27,533	62,488	–
Net pension liability	8,455,683	745,765	5,524,984	3,676,464	–
Compensated absences	571,972	353,117	343,480	581,609	343,480
Total governmental activities	25,706,060	2,224,678	6,940,939	20,989,799	1,608,480
Business-type activities					
Utility revenue bonds	14,360,000	438,620	3,135,000	11,663,620	930,000
Premium	205,469	16,752	15,849	206,372	–
Total bonds	14,565,469	455,372	3,150,849	11,869,992	930,000
Net OPEB obligation	23,434	15,998	10,251	29,181	–
Net pension liability	1,813,110	233,560	723,560	1,323,110	–
Compensated absences	207,939	136,745	129,586	215,098	129,566
Total business-type activities	16,609,952	841,675	4,014,246	13,437,381	1,059,566
Total government-wide	$ 42,316,012	$ 3,066,353	$ 10,955,185	$ 34,427,180	$ 2,668,046

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
2018	$ 100,000	$ 32,013	$ 1,165,000	$ 392,406	$ 930,000	$ 270,978
2019	100,000	30,013	3,658,552	287,967	1,061,448	259,202
2020	110,000	27,913	1,290,528	203,255	1,074,472	233,036
2021	100,000	25,813	1,247,426	177,372	1,112,574	206,013
2022	100,000	23,813	1,275,277	154,262	1,004,724	177,707
2023–2027	580,000	81,844	3,909,559	461,127	4,530,442	490,922
2028–2032	305,000	18,675	1,981,229	164,869	1,943,771	98,653
2033–2037	–	–	433,809	23,921	6,189	154
Total	$ 1,395,000	$ 240,084	$ 14,961,380	$ 1,865,179	$ 11,663,620	$ 1,736,665

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.

- **Net OPEB Obligation** – This liability represents the City's other post-employment benefits (OPEB) obligation as further described later in these notes. The General, Electric, Water, Surface Water, and Waste Water Funds will be used to liquidate this liability.

- **Net Pension Liability** – This liability represents the City's pension benefit obligations as further described later in these notes. The General, Electric, Water, Surface Water, Waste Water, and Solid Waste Funds will be used to liquidate this liability.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The City participates in two state-wide, cost-sharing, multi-employer defined benefit pension plans administered by the PERA and a single employer plan administered by the fire relief association. The following is a summary of the net pension asset, net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2017:

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	$ –	$ 2,866,385	$ 755,051	$ 580,048	$ 413,684
PERA – PEPFF	–	2,133,189	3,097,490	3,826,990	510,585
Fire Relief	163,675	–	208,338	78,780	112,622
Total – all pensions	$ 163,675	$ 4,999,574	$ 4,060,879	$ 4,485,818	$ 1,036,891

- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The General, Electric, Water, and Surface Water Funds will be used to liquidate this liability.

E. Refunding Bond Activity

During 2015, the City issued General Obligation Refunding Bonds, Series 2015A in a current refunding of Series 2005A and 2009A bonds and a crossover refunding of Series 2006A bonds. The crossover refunding of Series 2006A bonds occurred on February 1, 2017. This refunding resulted in a net cash flow savings of $641,285 and a net present value benefit of $564,147.

During 2016, the City issued General Obligation Capital Improvement Plan Refunding Bonds, Series 2016B in a crossover refunding of Series 2008A bonds. The crossover refunding of Series 2008A bonds will occur in 2019. This refunding will result in a net cash flow savings of $212,292 and a net present value benefit of $204,067.

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	$ 1,635,084	$ 128,963	$ 232,284
Electric Utility Revenue Bonds of 2009C	Utility improvements	Utility charges	100%	2009–2025	$ 1,423,571	$ 192,349	$ 9,533,890
Utility Revenue Bonds of 2014A	Utility improvements	Utility charges	100%	2014–2030	$ 2,665,906	$ 206,188	$ 4,620,713
Utility Revenue Refunding Bonds of 2015A	Utility improvements	Utility charges	100%	2015–2027	$ 4,660,394	$ 302,688	$ 5,720,219
Utility Revenue Bonds of 2016A	Utility improvements	Utility charges	100%	2016–2032	$ 4,177,160	$ 81,574	$ 4,620,713
Utility Revenue Bonds of 2017A	Utility improvements	Utility charges	100%	2017–2033	$ 473,254	$ –	$ 2,832,986

H. Bond Ratings

The City's most recent bond rating by Standard & Poor's and Moody's was AA and Aa3, respectively.

NOTE 6 – 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 either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year 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.

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 percent after five years up to 100 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 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For the PEPFF 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.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the year ended December 31, 2017 were $215,196. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for members in calendar year 2017. The City's contributions to the PEPFF for the year ended December 31, 2017 were $263,983. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2017, the City reported a liability of $2,866,385 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0449 percent at the end of the measurement period and 0.0464 percent for the beginning of the period.

The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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 net pension liability	$ 2,866,385
State's proportionate share of the net pension liability associated with the City	$ 36,082

For the year ended December 31, 2017, the City recognized pension expense of $412,642 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $1,042 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

At December 31, 2017, 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	$ 94,467	$ 189,604
Changes in actuarial assumptions	491,781	287,356
Differences between projected and actual investment earnings	32,692	–
Changes in proportion	28,504	103,088
Contributions paid to the PERA subsequent to the measurement date	107,607	–
Total	$ 755,051	$ 580,048

Deferred outflows of resources reported $107,607 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, 2018. 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
2018	$ 109,100
2019	$ 160,298
2020	$ (80,330)
2021	$ (121,672)

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of $2,133,189 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.158 percent at the end of the measurement period and 0.162 percent for the beginning of the period.

For the year ended December 31, 2017, the City recognized pension expense of $496,365 for its proportionate share of the PEPFF's pension expense. The City also recognized $14,220 for the year ended December 31, 2017 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. Legislation passed in 2013 required the state of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2017, 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	$ 49,102	$ 583,616
Changes in actuarial assumptions	2,862,379	3,028,599
Differences between projected and actual investment earnings	46,186	–
Changes in proportion	7,575	214,775
Contributions paid to the PERA subsequent to the measurement date	132,248	–
Total	$ 3,097,490	$ 3,826,990

Deferred outflows of resources reported $132,248 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, 2018. 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
2018	$ 5,460
2019	$ 5,460
2020	$ (74,223)
2021	$ (175,794)
2022	$ (622,651)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.0 percent per year for the GERF through 2044, and the PEPFF through 2064, and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for the PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

1. GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60.0 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years, to 1.0 percent per year through 2044, and 2.5 percent per year thereafter.

2. PEPFF

- 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 percent for vested and nonvested deferred members. The CSA has been changed to 33 percent for vested members and 2 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 3.0 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 percent to 60 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 changed from 5.60 percent to 7.50 percent.

The 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 stocks	39 %	5.10 %
International stocks	19	5.30 %
Bonds	20	0.75 %
Alternative assets	20	5.90 %
Cash	2	– %
Total	100 %	

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 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.

G. 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 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
The City's proportionate share of the GERF net pension liability	$ 4,445,978	$ 2,866,385	$ 1,573,204
The City's proportionate share of the PEPFF net pension liability	$ 4,017,415	$ 2,133,189	$ 577,654

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

NOTE 7 – 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 December 31, 2016, the plan covered 38 active firefighters and 5 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.

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 made a voluntary contribution to the plan for the year ended December 31, 2017 totaling $34,504. The City's contributions were equal to the required contributions as set by state statutes. Furthermore, firefighters have no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2017, the City reported a net pension asset of $163,675 for the plan. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension asset in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $112,622. The City also recognized $60,125 as revenue for the state of Minnesota's on-behalf contributions to the Department.

NOTE 7 – 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, 2017	$ 1,122,015	$ 1,322,142	$ (200,127)
Changes for the year			
Service cost	59,100	–	59,100
Interest	68,098	–	68,098
Difference between expected and actual experience	37,947	–	37,947
Changes of assumptions	(11,354)	–	(11,354)
Changes of benefit terms	30,905	–	30,905
Contributions (state and local)	–	82,125	(82,125)
Contributions (donations and other income)	–	1,848	(1,848)
Net investment income	–	73,621	(73,621)
Benefit payments	(183,083)	(183,083)	–
Administrative costs	–	(9,350)	9,350
Total net changes	1,613	(34,839)	36,452
Ending balance – December 31, 2017	$ 1,123,628	$ 1,287,303	$ (163,675)

At December 31, 2017, 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	$ 35,005	$ –
Changes in actuarial assumptions	–	18,659
Differences between projected and actual investment earnings	78,708	–
City contributions subsequent to the measurement date	34,504	–
State aid to the City subsequent to the measurement date	60,121	60,121
Total	$ 208,338	$ 78,780

Deferred outflows of resources totaling $94,625 related to pensions resulting from city contributions and state aid received subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Deferred inflows of resources totaling $60,121 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2018. Other 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
2018	$ 27,230
2019	$ 27,228
2020	$ 26,722
2021	$ 2,584
2022	$ 1,264
Thereafter	$ 10,026

NOTE 7 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at December 31, 2016 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	2.75% per year
Cost of living increases	0.00% per year
Investment rate of return	6.50%
20-year municipal bond yield	3.78%

The investment rate of return above represents a 0.25 percent increase from the Association's previous valuation.

The 6.50 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 arithmetic 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	36.72 %	5.58 %	8.33 %
International equity	16.32	5.71	8.46
Fixed income	35.90	2.27	5.02
Real estate and alternatives	0.82	4.44	7.19
Cash and equivalents	10.24	0.84	3.59
Total	100.00 %		6.50

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

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 paragraph, 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 (5.50%)	Current (6.50%)	1% Increase (7.50%)
Defined benefit plan	$ (116,326)	$ (163,675)	$ (208,132)

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, MN 55109.

NOTE 8 – 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. These benefits are summarized as follows:

Post-Employment Insurance Benefits – 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.

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, 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.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the City.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contributions (ARC) of the City. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost is accrued in the accrual-based statements. The liability is funded through payments from the City's General Fund and enterprise funds.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the plan:

ARC	$ 51,793
Interest on net OPEB obligation	2,772
Adjustment to ARC	(4,306)
Annual OPEB cost (expense)	50,259
Contributions made	37,784
Increase (decrease) in net OPEB obligation	12,475
Net OPEB obligation – beginning of year	79,194
Net OPEB obligation – end of year	$ 91,669

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 31,202	$ 39,141	125.4%	$ 84,588
2016	$ 31,184	$ 36,578	117.3%	$ 79,194
2017	$ 50,259	$ 37,784	75.2%	$ 91,669

D. Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both $566,468, as the plan was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $4,088,418 and the ratio of the UAAL to the covered payroll was 13.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.50 percent investment rate of return (net of administrative expenses) based on the City's own investments; an annual healthcare cost trend rate of 6.80 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after 57 years for medical insurance, and an inflation rate of 2.75 percent. The UAAL is amortized as a level dollar amount over a 30-year open period.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Equity

The following funds have a deficit fund equity at December 31, 2017:

	Amount
Governmental	
Nonmajor funds	
Special revenue funds	
Reflex Medical Tax Increment	$ 5,662
Capital projects funds	
Casey Lake Project	$ 1,292
Proprietary	
Enterprise fund	
Fiber Optic	$ 790,855
Internal service fund	
City Mechanic	$ 159,786

The deficit in the Reflex Medical 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 Casey Lake Project Capital Projects Fund will be reduced and eliminated through other revenues and transfers from other funds.

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

The deficit in the City Mechanic Fund will be eliminated with future charges for services.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2017, total General Fund expenditures exceeded budget by $39,673. The following General Fund departments had expenditures exceeding the final budget:

	Amount
General Fund	
Administration	$ 28,621
Elections	$ 16,535
Central services	$ 54,189
Legal services	$ 36,843
Community events	$ 24,351
Police protection	$ 31,161
Fire	$ 59,350
Urban forestry	$ 1,063

Expenditures in excess of appropriations were financed with favorable expenditure variances in other departments, revenues in excess of amounts anticipated in the budget, and available fund balance.

NOTE 10 – FUND BALANCES

A. Classifications

At December 31, 2017, the City had the following governmental fund balances:

	General Fund	G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Street Improvement	Nonmajor	Total
Nonspendable					
Prepaid items	$ 26,016	$ –	$ –	$ –	$ 26,016
Restricted					
Debt service	–	3,108,427	–	2,025,080	5,133,507
Street improvements	–	–	595,517	–	595,517
Housing Redevelopment Authority	–	–	–	1,097,176	1,097,176
Tax increment	–	–	–	189,572	189,572
Police forfeiture	–	–	–	98,833	98,833
Total restricted	–	3,108,427	595,517	3,410,661	7,114,605
Committed					
Silver Lake Beach	–	–	–	18,227	18,227
LGA contingency	–	–	–	1,667,482	1,667,482
Street maintenance	–	–	–	1,510,961	1,510,961
Total committed	–	–	–	3,196,670	3,196,670
Assigned					
Housing improvements	–	–	–	180,521	180,521
Downtown beautification	–	–	–	1,173	1,173
Community events	23,261	–	–	–	23,261
Street improvements	–	–	106,939	–	106,939
Permanent improvement revolving	–	–	–	447,196	447,196
Park improvements	–	–	–	260,475	260,475
Total assigned	23,261	–	106,939	889,365	1,019,565
Unassigned	1,708,472	–	–	(6,954)	1,701,518
Total	$ 1,757,749	$ 3,108,427	$ 702,456	$ 7,489,742	$ 13,058,374

NOTE 10 – FUND BALANCES (CONTINUED)

B. 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 a General Fund balance of 25 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2017, the fund balance of the General Fund meets this policy.

NOTE 11 – 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, 2017 were $5,598,551. 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 12 – 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 four 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, 2017, for this agreement was $162,000 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, 2017, for the first agreement was $113,414 and the City rebated $28,844 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.

NOTE 12 – TAX ABATEMENT AGREEMENTS (CONTINUED)

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, 2017, for this agreement was $2,754,992 and the City rebated $270,008 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 statute 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 13 – 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.

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.

D. Construction Contracts

The City has several outstanding contracts at year-end. A liability for work completed has been recorded as contracts payable. The City's commitment for uncompleted work on these contracts at December 31, 2017 is $292,270.

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, 2017

City financial statement year ended December 31,	2015	2016	2017
Measurement period – December 31,	2014	2015	2016
Total pension liability			
Service cost	$ 44,596	$ 49,217	$ 59,100
Interest	57,027	61,325	68,098
Differences between expected and actual experience	–	–	37,947
Changes of assumptions	–	(9,781)	(11,354)
Changes of benefit terms	55,211	89,727	30,905
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)
Net change in total pension liability	59,834	107,816	1,613
Total pension liability – beginning of year	954,365	1,014,199	1,122,015
Total pension liability – end of year	1,014,199	1,122,015	1,123,628
Plan fiduciary net position			
Contributions – employer	39,982	21,000	22,000
Contributions – nonemployer (state)	55,788	59,922	60,125
Projected investment earnings	77,887	28,294	21,230
Asset (gain)/loss	(2,543)	(66,762)	52,391
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)
Administrative expenses	(8,700)	(8,950)	(9,350)
Other	–	2,800	1,848
Net change in plan fiduciary net position	65,414	(46,368)	(34,839)
Plan fiduciary net position – beginning of year	1,303,096	1,368,510	1,322,142
Plan fiduciary net position – end of year	1,368,510	1,322,142	1,287,303
Net pension liability (asset)	$ (354,311)	$ (200,127)	$ (163,675)
Fiduciary net position as a percentage of the total pension liability	134.94%	117.84%	114.57%

Note 1: **Changes in Plan Provisions.** (1) 2015 Changes – The lump sum pension increased from $4,000 per year of service to $4,300 per year of service. (2) 2016 Changes – The lump sum pension increased from $4,300 per year of service to $5,000 per year of service. (3) 2017 Changes – The lump sum pension increased from $5,000 per year of service to $5,200 per year of service.

Note 2: **Changes in Actuarial Assumptions.** (1) 2016 Changes – The discount rate increased from 6.00 percent to 6.25 percent. (2) 2017 Changes – The discount rate increased from 6.25 percent to 6.50 percent.

Note 3: 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.

CITY OF NORTH ST. PAUL

North St. Paul Fire Department Relief Association
Schedule of City Contributions and Nonemployer Contributing Entities
December 31, 2017

	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	59,222
2016	–	22,000	22,000	60,125
2017	–	34,504	34,504	60,121

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.

CITY OF NORTH ST. PAUL

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2017

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%	78.19%
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%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2017

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%

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

PERA – Public Employees Police and Fire Fund
Schedule of City's Proportionate Share of Net Pension Liability
Year Ended December 31, 2017

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 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	$ 1,464,630	124.90%	86.60%
12/31/2016	06/30/2016	0.1620%	$ 6,501,343	$ 1,560,254	416.68%	63.90%
12/31/2017	06/30/2017	0.1580%	$ 2,133,189	$ 1,620,507	131.64%	85.40%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2017

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%

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 Funding Progress
December 31, 2017

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
12/31/2011	$ 678,824	$ –	$ 678,824	– %	$ 4,223,073	16.1%
12/31/2014	$ 407,053	$ –	$ 407,053	– %	$ 4,354,745	9.3%
12/31/2017	$ 566,468	$ –	$ 566,468	– %	$ 4,088,418	13.9%

PERA – General Employees Retirement Fund

2017 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60.0 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years, to 1.0 percent per year through 2044, and 2.5 percent per year thereafter.

2016 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035, and 2.5 percent per year thereafter, to 1.0 percent per year for all years.

- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES

CHANGES IN PLAN PROVISIONS:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030, and 2.5 percent per year thereafter, to 1.0 percent per year through 2035, and 2.5 percent per year thereafter.

2017 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- Assumed rates of retirement were changed, resulting in fewer retirements.

- The Combined Service Annuity (CSA) load was 30 percent for vested and nonvested deferred members. The CSA has been changed to 33 percent for vested members and 2 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 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 percent to 60 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 changed from 5.60 percent 7.50 percent.

PERA – Public Employees Police and Fire Fund

2016 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037, and 2.5 percent thereafter, to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate changed from 7.9 percent to 5.6 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

CHANGES IN PLAN PROVISIONS:

- The post-retirement benefit increase to be paid after attainment of the 90.0 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030, and 2.5 percent per year thereafter, to 1.0 percent per year through 2037, and 2.5 percent per year thereafter.

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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

Nonmajor Governmental Funds
Combining Balance Sheet
as of December 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	$ 4,300,369	$ 2,011,358	$ 763,813	$ 7,075,540
Receivables				
Interest	12,457	3,685	2,298	18,440
Accounts	–	–	2,000	2,000
Taxes	7,656	2,062	–	9,718
Special assessments	–	992,745	69,426	1,062,171
Due from other funds	5,662	–	–	5,662
Assets held for resale	301,498	–	907,253	1,208,751
Total assets	$ 4,627,642	$ 3,009,850	$ 1,744,790	$ 9,382,282
Liabilities				
Accounts and contracts payable	$ 39,288	$ –	$ 58,152	$ 97,440
Accrued salaries and employee benefits payable	1,014	–	–	1,014
Due to other funds	5,662	–	726,595	732,257
Due to other governments	138	–	137	275
Unearned revenue	–	–	9,424	9,424
Total liabilities	46,102	–	794,308	840,410
Deferred inflows of resources				
Unavailable revenue – property taxes	3,778	7	–	3,785
Unavailable revenue – special assessments	–	984,763	63,582	1,048,345
Total deferred inflows of resources	3,778	984,770	63,582	1,052,130
Fund balances (deficits)				
Restricted	1,385,581	2,025,080	–	3,410,661
Committed	3,196,670	–	–	3,196,670
Assigned	1,173	–	888,192	889,365
Unassigned	(5,662)	–	(1,292)	(6,954)
Total fund balances	4,577,762	2,025,080	886,900	7,489,742
Total liabilities, deferred inflows of resources, and fund balances	$ 4,627,642	$ 3,009,850	$ 1,744,790	$ 9,382,282

CITY OF NORTH ST. PAUL

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Taxes	$ 515,574	$ 1,054,751	$ –	$ 1,570,325
Special assessments	–	271,273	19,373	290,646
Intergovernmental	835,493	–	162,754	998,247
Investment earnings	40,661	7,925	7,361	55,947
Other	86,553	–	29,068	115,621
Total revenue	1,478,281	1,333,949	218,556	3,030,786
Expenditures				
Current				
General government	129,604	–	–	129,604
Public safety	80	–	–	80
Economic development	442,989	–	–	442,989
Capital outlay	2,922	–	99,418	102,340
Debt service				
Principal	–	710,000	–	710,000
Interest and fiscal charges	–	235,517	–	235,517
Total expenditures	575,595	945,517	99,418	1,620,530
Excess of revenues over expenditures	902,686	388,432	119,138	1,410,256
Other financing sources (uses)				
Transfers in	100,000	107,620	17,322	224,942
Transfers out	(35,000)	–	(65,000)	(100,000)
Total other financing sources (uses)	65,000	107,620	(47,678)	124,942
Net change in fund balances	967,686	496,052	71,460	1,535,198
Fund balances				
Beginning of year	3,610,076	1,529,028	815,440	5,954,544
End of year	$ 4,577,762	$ 2,025,080	$ 886,900	$ 7,489,742

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NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for the proceeds of certain 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.
- **Police Forfeiture Fund** – Administers the resources received through court ordered forfeitures.
- **Downtown Beautification Fund** – Administers the resources for the downtown beautification program.
- **Silver Lake Beach Fund** – Administers the resources received and expended separately for Silver Lake Beach.
- **Reflex Medical Tax Increment Fund –** Administers the resources for the development of this tax increment district.
- **Charles Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **Helen Street Tax Increment Fund –** Administers the resources for the development of this tax increment district.
- **Local Government Aid Fund** – Administers Local Government Aid (LGA) resources for one-time projects and/or capital expenditures that reinvestment in the community.
- **Street Maintenance Fund** – Administers LGA resources to be used for street maintenance projects associated with street upgrades and preservation.

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2017

	Housing Redevelopment Authority	Police Forfeiture	Downtown Beautification	Silver Lake Beach
Assets				
Cash and investments	$ 796,273	$ 98,556	$ 1,170	$ 18,176
Receivables				
Interest	2,320	277	3	51
Taxes	7,656	–	–	–
Due from other funds	–	–	–	–
Assets held for resale	301,498	–	–	–
Total assets	$ 1,107,747	$ 98,833	$ 1,173	$ 18,227
Liabilities				
Accounts and contracts payable	$ 5,641	$ –	$ –	$ –
Accrued salaries and employee benefits payable	1,014	–	–	–
Due to other funds	–	–	–	–
Due to other governments	138	–	–	–
Total liabilities	6,793	–	–	–
Deferred inflows of resources				
Unavailable revenue – property taxes	3,778	–	–	–
Fund balances (deficits)				
Restricted for Housing Redevelopment Authority	1,097,176	–	–	–
Restricted for tax increment	–	–	–	–
Restricted for police forfeiture	–	98,833	–	–
Committed for Silver Lake Beach	–	–	–	18,227
Committed for LGA contingency	–	–	–	–
Committed for street maintenance	–	–	–	–
Assigned for downtown beautification	–	–	1,173	–
Unassigned	–	–	–	–
Total fund balances (deficits)	1,097,176	98,833	1,173	18,227
Total liabilities, deferred inflows of resources, and fund balances	$ 1,107,747	$ 98,833	$ 1,173	$ 18,227

Reflex Medical Tax Increment	Charles Street Tax Increment	Helen Street Tax Increment	Local Government Aid	Street Maintenance	Total
$ –	$ 5,350	$ 183,691	$ 1,690,428	$ 1,506,725	$ 4,300,369
–	15	516	5,039	4,236	12,457
–	–	–	–	–	7,656
–	–	–	5,662	–	5,662
–	–	–	–	–	301,498
$ –	$ 5,365	$ 184,207	$ 1,701,129	$ 1,510,961	$ 4,627,642
$ –	$ –	$ –	$ 33,647	$ –	$ 39,288
–	–	–	–	–	1,014
5,662	–	–	–	–	5,662
–	–	–	–	–	138
5,662	–	–	33,647	–	46,102
–	–	–	–	–	3,778
–	–	–	–	–	1,097,176
–	5,365	184,207	–	–	189,572
–	–	–	–	–	98,833
–	–	–	–	–	18,227
–	–	–	1,667,482	–	1,667,482
–	–	–	–	1,510,961	1,510,961
–	–	–	–	–	1,173
(5,662)	–	–	–	–	(5,662)
(5,662)	5,365	184,207	1,667,482	1,510,961	4,577,762
$ –	$ 5,365	$ 184,207	$ 1,701,129	$ 1,510,961	$ 4,627,642

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2017

	Housing Redevelopment Authority	Police Forfeiture	Downtown Beautification	Silver Lake Beach
Revenues				
Taxes	$ 143,319	$ –	$ –	$ –
Intergovernmental	–	–	–	–
Investment earnings	6,312	957	12	163
Other	69,625	7,979	–	7,949
Total revenues	219,256	8,936	12	8,112
Expenditures				
Current				
General government	–	–	–	–
Public safety	–	80	–	–
Economic development	136,933	–	–	–
Capital outlay	–	–	–	–
Total expenditures	136,933	80	–	–
Excess (deficiency) of revenues over expenditures	82,323	8,856	12	8,112
Other financing sources (uses)				
Transfers in	–	–	–	–
Transfers out	(20,000)	–	–	–
Total other financing sources (uses)	(20,000)	–	–	–
Net change in fund balances	62,323	8,856	12	8,112
Fund balances (deficits)				
Beginning of year	1,034,853	89,977	1,161	10,115
End of year	$ 1,097,176	$ 98,833	$ 1,173	$ 18,227

Reflex Medical Tax Increment	Charles Street Tax Increment	Helen Street Tax Increment	Local Government Aid	Street Maintenance	Total
$ 32,931	$ 106,536	$ 232,788	$ –	$ –	$ 515,574
–	–	–	226,000	609,493	835,493
–	–	1,908	17,323	13,986	40,661
1,000	–	–	–	–	86,553
33,931	106,536	234,696	243,323	623,479	1,478,281
–	–	–	129,604	–	129,604
–	–	–	–	–	80
30,336	29,261	246,459	–	–	442,989
–	–	–	–	2,922	2,922
30,336	29,261	246,459	129,604	2,922	575,595
3,595	77,275	(11,763)	113,719	620,557	902,686
–	–	–	–	100,000	100,000
–	–	–	(15,000)	–	(35,000)
–	–	–	(15,000)	100,000	65,000
3,595	77,275	(11,763)	98,719	720,557	967,686
(9,257)	(71,910)	195,970	1,568,763	790,404	3,610,076
$ (5,662)	$ 5,365	$ 184,207	$ 1,667,482	$ 1,510,961	$ 4,577,762

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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, 2017

	Penn Place TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2017A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A
Assets				
Cash and investments	$ 101,465	$ 161,855	$ 321,486	$ 100,954
Receivables				
Interest	–	–	–	59
Taxes	2,062	–	–	–
Special assessments	–	272,149	406,018	–
Total assets	$ 103,527	$ 434,004	$ 727,504	$ 101,013
Deferred inflows of resources				
Unavailable revenue – property taxes	$ 7	$ –	$ –	$ –
Unavailable revenue – special assessments	–	272,149	402,852	–
Total deferred inflows of resources	7	272,149	402,852	–
Fund balances				
Restricted for debt service	103,520	161,855	324,652	101,013
Total deferred inflows of resources and fund balances	$ 103,527	$ 434,004	$ 727,504	$ 101,013

G.O. Tax Abatement Bonds of 2004A	Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Building Refunding Bonds of 2012A	G.O. Bonds of 2014A	Total
$ 111,225	$ 36,030	$ 791,461	$ 386,882	$ 2,011,358
313	–	2,225	1,088	3,685
–	–	–	–	2,062
–	–	–	314,578	992,745
$ 111,538	$ 36,030	$ 793,686	$ 702,548	$ 3,009,850
$ –	$ –	$ –	$ –	$ 7
–	–	–	309,762	984,763
–	–	–	309,762	984,770
111,538	36,030	793,686	392,786	2,025,080
$ 111,538	$ 36,030	$ 793,686	$ 702,548	$ 3,009,850

CITY OF NORTH ST. PAUL

Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2017

	Penn Place TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2017A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A
Revenues				
Taxes	$ 125,748	$ –	$ 108,894	$ 51,244
Special assessments	–	141,220	66,373	–
Investment earnings	–	–	–	–
Total revenues	125,748	141,220	175,267	51,244
Expenditures				
Debt service				
Principal retirement	60,000	–	–	–
Interest and fiscal fees	21,194	6,985	60,170	30,064
Total expenditures	81,194	6,985	60,170	30,064
Excess (deficiency) of revenues over expenditures	44,554	134,235	115,097	21,180
Other financing sources				
Transfers in	–	27,620	–	80,000
Net change in fund balances	44,554	161,855	115,097	101,180
Fund balances (deficits)				
Beginning of year	58,966	–	209,555	(167)
End of year	$ 103,520	$ 161,855	$ 324,652	$ 101,013

	G.O. Tax Abatement Bonds of 2004A	Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Building Refunding Bonds of 2012A	G.O. Bonds of 2014A	Total
	$ 78,152	$ 86,993	$ 431,398	$ 172,322	$ 1,054,751
	–	–	–	63,680	271,273
	585	–	4,997	2,343	7,925
	78,737	86,993	436,395	238,345	1,333,949
	65,000	35,000	370,000	180,000	710,000
	11,278	15,963	41,164	48,699	235,517
	76,278	50,963	411,164	228,699	945,517
	2,459	36,030	25,231	9,646	388,432
	–	–	–	–	107,620
	2,459	36,030	25,231	9,646	496,052
	109,079	–	768,455	383,140	1,529,028
	$ 111,538	$ 36,030	$ 793,686	$ 392,786	$ 2,025,080

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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.
- **Housing Improvement Fund** – Administers the resources for the rehabilitation of various blighted properties within the City.
- **Permanent Improvement Revolving Fund** – Administers the resources for city street projects that do not involve bonded financing.
- **Casey Lake Project Fund –** Administers the resources for the Casey Lake Project.

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Balance Sheet
as of December 31, 2017

	Park	Park Dedication	Housing Improvement	Permanent Improvement Revolving
Assets				
Cash and investments	$ 247,233	$ 14,600	$ –	$ 445,730
Receivables				
Interest	878	41	–	1,221
Accounts	2,000	–	–	–
Special assessments	–	–	–	69,426
Assets held for resale	–	–	907,253	–
Total assets	$ 250,111	$ 14,641	$ 907,253	$ 516,377
Liabilities				
Accounts and contracts payable	$ 452	$ –	$ –	$ –
Due to other funds	–	–	726,595	–
Due to other governments	–	–	137	–
Unearned revenue	3,825	–	–	5,599
Total liabilities	4,277	–	726,732	5,599
Deferred inflows of resources				
Unavailable revenue – special assessments	–	–	–	63,582
Fund balances				
Assigned for housing improvements	–	–	180,521	–
Assigned for permanent improvement revolving	–	–	–	447,196
Assigned for park improvements	245,834	14,641	–	–
Unassigned	–	–	–	–
Total fund balances	245,834	14,641	180,521	447,196
Total liabilities, deferred inflows of resources, and fund balances	$ 250,111	$ 14,641	$ 907,253	$ 516,377

Casey Lake Project	Total
$ 56,250	$ 763,813
158	2,298
–	2,000
–	69,426
–	907,253
$ 56,408	$ 1,744,790
$ 57,700	$ 58,152
–	726,595
–	137
–	9,424
57,700	794,308
–	63,582
–	180,521
–	447,196
–	260,475
(1,292)	(1,292)
(1,292)	886,900
$ 56,408	$ 1,744,790

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2017

	Park	Park Dedication	Housing Improvement	Permanent Improvement Revolving
Revenues				
Special assessment	$ –	$ –	$ –	$ 19,373
Intergovernmental	100,000	–	–	–
Investment earnings	2,886	151	–	4,207
Other				
Donations	4,018	–	–	–
Miscellaneous	22,351	2,699	–	–
Total revenues	129,255	2,850	–	23,580
Expenditures				
Capital outlay	43,631	–	23,661	–
Excess (deficiency) of revenues over expenditures	85,624	2,850	(23,661)	23,580
Other financing sources (uses)				
Transfers in	17,322	–	–	–
Transfers out	(65,000)	–	–	–
Total other financing sources (uses)	(47,678)	–	–	–
Net change in fund balances	37,946	2,850	(23,661)	23,580
Fund balances (deficits)				
Beginning of year	207,888	11,791	204,182	423,616
End of year	$ 245,834	$ 14,641	$ 180,521	$ 447,196

Casey Lake Project	Total
$ –	$ 19,373
62,754	162,754
117	7,361
–	4,018
–	25,050
62,871	218,556
32,126	99,418
30,745	119,138
–	17,322
–	(65,000)
–	(47,678)
30,745	71,460
(32,037)	815,440
$ (1,292)	$ 886,900

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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

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes				
Property taxes				
Current	$ 3,016,498	$ 3,024,755	$ 8,257	$ 2,829,136
Delinquent	–	31,293	31,293	30,077
Electric franchise	343,200	368,484	25,284	346,059
Gas franchise	120,000	90,270	(29,730)	83,298
Cable franchise	100,000	72,424	(27,576)	115,010
Total taxes	3,579,698	3,587,226	7,528	3,403,580
Special assessments	–	1,009	1,009	1,269
Licenses and permits				
Liquor and beer licenses	43,000	42,050	(950)	42,250
Cigarette licenses	2,000	2,700	700	2,100
Contractor licenses	3,000	15,730	12,730	9,782
Garbage haulers licenses	2,000	3,520	1,520	1,400
Miscellaneous licenses	11,000	10,583	(417)	13,894
Building permits	90,000	132,280	42,280	133,651
Electrical inspections	13,000	15,519	2,519	11,807
Heating and air conditioning permits	22,000	18,013	(3,987)	18,055
Plumbing permits	9,000	13,594	4,594	11,025
Animal licenses	3,000	7,649	4,649	2,949
Rental inspection	23,000	39,577	16,577	26,805
Miscellaneous permits	500	1,501	1,001	1,986
Total licenses and permits	221,500	302,716	81,216	275,704
Intergovernmental				
Local Government Aid	1,398,504	1,289,749	(108,755)	1,289,270
State aid police	110,000	141,355	31,355	129,722
State aid fire	62,000	60,121	(1,879)	59,125
PERA aid	12,251	12,251	–	12,251
Liaison officer	65,000	65,000	–	75,833
Other grants	3,000	79,441	76,441	144,228
Total intergovernmental	1,650,755	1,647,917	(2,838)	1,710,429

(continued)

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues (continued)				
Charges for services				
Administration charges	9,000	17,709	8,709	20,230
Searches	3,000	3,900	900	4,535
Snow removal	12,500	10,510	(1,990)	5,941
Recreation	–	24,890	24,890	40,939
Community center				
Rentals	84,410	150,000	65,590	116,871
Total charges for services	108,910	207,009	98,099	188,516
Fines and forfeits	36,000	37,032	1,032	34,824
Investment earnings	15,000	9,325	(5,675)	13,952
Other				
Antenna income	227,792	206,243	(21,549)	200,648
Donations	–	500	500	14,750
Sales of property	–	1,084	1,084	–
Miscellaneous	25,075	91,865	66,790	33,665
Total other	252,867	299,692	46,825	249,063
Total revenues	5,864,730	6,091,926	227,196	5,877,337
Expenditures				
Current				
General government				
City Council				
Personal services	32,941	32,041	(900)	33,204
Materials and supplies	–	86	86	103
Contractual services	93,329	71,931	(21,398)	45,902
Capital outlay	6,000	6,632	632	–
Other	–	703	703	496
Total City Council	132,270	111,393	(20,877)	79,705
Administration				
Personal services	368,968	378,403	9,435	371,124
Materials and supplies	2,000	763	(1,237)	2,869
Contractual services	70,434	90,539	20,105	94,413
Capital outlay	–	318	318	–
Total administration	441,402	470,023	28,621	468,406

(continued)

CITY OF NORTH ST. PAUL

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
General government (continued)				
Finance				
Personal services	300,060	289,506	(10,554)	263,127
Materials and supplies	1,500	1,150	(350)	2,146
Contractual services	28,290	26,384	(1,906)	17,075
Total finance	329,850	317,040	(12,810)	282,348
Elections				
Personal services	–	–	–	7,830
Contractual services	23,993	40,528	16,535	72,923
Total elections	23,993	40,528	16,535	80,753
Central services				
Personal services	55,067	66,954	11,887	66,793
Materials and supplies	20,000	34,809	14,809	34,237
Contractual services	411,161	459,481	48,320	476,007
Capital outlay	33,000	12,173	(20,827)	92,687
Total central services	519,228	573,417	54,189	669,724
Legal services				
Contractual services	176,000	212,843	36,843	186,269
Community events				
Materials and supplies	–	424	424	544
Contractual services	–	23,927	23,927	10,118
Total community events	–	24,351	24,351	10,662
Community development				
Personal services	195,448	151,122	(44,326)	276,460
Materials and supplies	2,500	2,996	496	4,713
Contractual services	83,850	107,613	23,763	46,137
Capital outlay	–	–	–	1,543
Other	–	1,887	1,887	–
Total community development	281,798	263,618	(18,180)	328,853
Total general government	1,904,541	2,013,213	108,672	2,106,720

(continued)

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Public safety				
Police protection				
Personal services	2,154,254	2,125,197	(29,057)	2,110,864
Materials and supplies	98,453	66,850	(31,603)	76,537
Contractual services	291,676	376,508	84,832	302,071
Capital outlay	6,000	12,989	6,989	13,705
Total police protection	2,550,383	2,581,544	31,161	2,503,177
Fire				
Personal services	579,209	639,232	60,023	594,421
Materials and supplies	64,400	39,491	(24,909)	55,069
Contractual services	164,317	188,553	24,236	174,230
Capital outlay	–	–	–	900
Total fire	807,926	867,276	59,350	824,620
Inspections				
Personal services	114,729	115,076	347	112,573
Materials and supplies	1,000	439	(561)	340
Contractual services	18,855	18,161	(694)	12,388
Total inspections	134,584	133,676	(908)	125,301
Total public safety	3,492,893	3,582,496	89,603	3,453,098
Public works				
Street maintenance				
Personal services	338,700	314,888	(23,812)	336,121
Materials and supplies	143,000	117,622	(25,378)	135,639
Contractual services	324,523	273,752	(50,771)	279,299
Capital outlay	20,853	–	(20,853)	2,025
Total street maintenance	827,076	706,262	(120,814)	753,084

(continued)

CITY OF NORTH ST. PAUL

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Public works (continued)				
Urban forestry				
Personal services	94,149	97,451	3,302	99,321
Materials and supplies	10,250	9,472	(778)	6,333
Contractual services	53,250	53,501	251	32,589
Capital outlay	20,000	18,288	(1,712)	11,090
Total urban forestry	177,649	178,712	1,063	149,333
Total public works	1,004,725	884,974	(119,751)	902,417
Parks and recreation				
Parks				
Personal services	165,409	167,314	1,905	167,724
Materials and supplies	63,000	51,821	(11,179)	54,333
Contractual services	124,462	109,489	(14,973)	81,839
Capital outlay	60,000	45,396	(14,604)	47,995
Total parks and recreation	412,871	374,020	(38,851)	351,891
Total expenditures	6,815,030	6,854,703	39,673	6,814,126
Excess (deficiency) of revenues over expenditures	(950,300)	(762,777)	187,523	(936,789)
Other financing sources (uses)				
Transfers in	1,066,800	1,066,800	–	1,518,450
Transfers out	(116,500)	(308,148)	(191,648)	(578,991)
Total other financing sources (uses)	950,300	758,652	(191,648)	939,459
Net change in fund balances	–	(4,125)	(4,125)	2,670
Fund balance				
Beginning of year	1,761,874	1,761,874	–	1,759,204
End of year	$ 1,761,874	$ 1,757,749	$ (4,125)	$ 1,761,874

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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.

CITY OF NORTH ST. PAUL

Housing Redevelopment Authority
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes	$ 143,812	$ 143,319	$ (493)	$ 124,351
Investment earnings	–	6,312	6,312	3,023
Other	299,900	69,625	(230,275)	13,321
Total revenues	443,712	219,256	(224,456)	140,695
Expenditures				
Current				
Economic development	432,148	136,933	(295,215)	110,951
Excess (deficiency) of revenues over expenditures	11,564	82,323	70,759	29,744
Other financing sources (uses)				
Transfers out	(20,000)	(20,000)	–	(20,000)
Net change in fund balances	(8,436)	62,323	70,759	9,744
Fund balance				
Beginning of year	1,034,853	1,034,853	–	1,025,109
End of year	$ 1,026,417	$ 1,097,176	$ 70,759	$ 1,034,853

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, and a Benefits and Insurance Internal Service Fund in managing city operations.

Internal Service Funds
Combining Statement of Net Position
as of December 31, 2017

	Equipment	City Mechanic	Benefits and Insurance	Total
Assets				
Current assets				
Cash and investments	$ 2,297,650	$ –	$ 102,130	$ 2,399,780
Receivables				
Interest	6,222	–	246	6,468
Total current assets	2,303,872	–	102,376	2,406,248
Noncurrent assets				
Capital assets				
Furniture and equipment	2,725,642	–	–	2,725,642
Less accumulated depreciation	(1,736,009)	–	–	(1,736,009)
Total capital assets	989,633	–	–	989,633
Total assets	$ 3,293,505	$ –	$ 102,376	$ 3,395,881
Current liabilities				
Accounts and contracts payable	$ 152,299	$ 7,014	$ 1,800	$ 161,113
Accrued salaries and employee benefits payable	–	2,469	–	2,469
Due to other funds	–	150,303	–	150,303
Unearned revenue	–	–	44,764	44,764
Total current liabilities	152,299	159,786	46,564	358,649
Net position				
Investment in capital assets	989,633	–	–	989,633
Unrestricted	2,151,573	(159,786)	55,812	2,047,599
Total net position	3,141,206	(159,786)	55,812	3,037,232
Total liabilities and net position	$ 3,293,505	$ –	$ 102,376	$ 3,395,881

CITY OF NORTH ST. PAUL

Internal Service Funds
Combining Statement of Revenues,
Expenses, and Changes in Net Position
Year Ended December 31, 2017

	Equipment	City Mechanic	Benefits and Insurance	Total
Operating revenues				
Charges for services	$ 458,865	$ 137,017	$ 473,266	$ 1,069,148
Operating expenses				
Personal services	–	89,102	–	89,102
Professional services	–	92,480	–	92,480
Materials and supplies	44,974	3,013	–	47,987
Insurance	–	–	492,153	492,153
Total operating expenses	44,974	184,595	492,153	721,722
Operating income (loss) before depreciation	413,891	(47,578)	(18,887)	347,426
Depreciation	123,121	–	–	123,121
Operating income (loss)	290,770	(47,578)	(18,887)	224,305
Nonoperating revenues				
Investment earnings	22,815	–	670	23,485
Gain on disposal of capital assets	35,774	–	–	35,774
Total nonoperating revenues	58,589	–	670	59,259
Income (loss) before transfers	349,359	(47,578)	(18,217)	283,564
Transfers in	95,413	–	–	95,413
Change in net position	444,772	(47,578)	(18,217)	378,977
Net position				
Beginning of year	2,696,434	(112,208)	74,029	2,658,255
End of year	$ 3,141,206	$ (159,786)	$ 55,812	$ 3,037,232

CITY OF NORTH ST. PAUL

Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2017

	Equipment	City Mechanic	Benefits and Insurance	Total
Cash flows from operating activities				
Cash receipts on interfund services provided	$ 458,865	$ 137,017	$ 479,096	$ 1,074,978
Cash paid to suppliers	(39,596)	(91,690)	(490,353)	(621,639)
Cash payments to employees for services	–	(89,044)	–	(89,044)
Net cash flows from operating activities	419,269	(43,717)	(11,257)	364,295
Cash flows from noncapital-related financing activities				
Cash received from other funds	106,586	43,717	–	150,303
Transfers in	95,413	–	–	95,413
Net cash flows from noncapital related financing activities	201,999	43,717	–	245,716
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(460,278)	–	–	(460,278)
Proceeds from the disposal of capital assets	35,774	–	–	35,774
Net cash flows from capital and related financing activities	(424,504)	–	–	(424,504)
Cash flows from investing activities				
Interest received on investments	22,057	–	701	22,758
Net increase in cash and cash equivalents	218,821	–	(10,556)	208,265
Cash and cash equivalents				
Beginning of year	2,078,829	–	112,686	2,191,515
End of year	$ 2,297,650	$ –	$ 102,130	$ 2,399,780
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 290,770	$ (47,578)	$ (18,887)	$ 224,305
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	123,121	–	–	123,121
Change in assets and liabilities				
Accounts and contracts payable	5,378	3,803	1,800	10,981
Accrued salaries and employee benefits	–	58	–	58
Unearned revenue	–	–	5,830	5,830
Total adjustments	128,499	3,861	7,630	139,990
Net cash flows from operating activities	$ 419,269	$ (43,717)	$ (11,257)	$ 364,295
Noncash investing, capital, and financing activities				
Capital assets purchased on account	$ 117,227	$ –	$ –	$ 117,227

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.

Economic Development Authority
(Discretely Presented Component Unit)
Balance Sheet
as of December 31, 2017

Assets		
Cash and investments	$	89,186
Assets held for resale		49,248
Prepaid items		694
Total assets	$	139,128
Liabilities		
Accounts and contracts payable	$	1,546
Accrued salaries and employee benefits payable		1,773
Total liabilities		3,319
Fund balances		
Nonspendable for prepaid items		694
Restricted for Economic Development Authority		135,115
Total fund balances		135,809
Total liabilities and fund balances	$	139,128

CITY OF NORTH ST. PAUL

Economic Development Authority
(Discretely Presented Component Unit)
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2017

	Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes	$ 140,935	$ 140,935	$ –
Miscellaneous	–	3,870	3,870
Total revenues	140,935	144,805	3,870
Expenditures			
Current			
Economic development	131,261	81,890	(49,371)
Net change in fund balances	9,674	62,915	53,241
Fund balances			
Beginning of year	72,894	72,894	–
End of year	$ 82,568	$ 135,809	$ 53,241

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STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION

(UNAUDITED)

This part of the City's Comprehensive Annual Financial Report (CAFR) 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 CAFR 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 CAFR for the relevant year.

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	$ 16,018,752	$ 15,259,253	$ 19,902,525	$ 19,858,975
Restricted	1,065,668	1,534,591	1,323,286	2,048,297
Unrestricted	528,804	985,755	1,780,263	1,984,776
Total governmental activities net position	$ 17,613,224	$ 17,779,599	$ 23,006,074	$ 23,892,048
Business-type activities				
Net investment in capital assets	$ 6,955,960	$ 7,224,890	$ 7,017,330	$ 6,511,318
Unrestricted	5,897,492	5,744,457	2,253,411	2,425,788
Total business-type activities net position	$ 12,853,452	$ 12,969,347	$ 9,270,741	$ 8,937,106
Primary government				
Net investment in capital assets	$ 22,974,712	$ 22,484,143	$ 26,919,855	$ 26,370,293
Restricted	1,065,668	1,534,591	1,323,286	2,048,297
Unrestricted	6,426,296	6,730,212	4,033,674	4,410,564
Total primary government net position	$ 30,466,676	$ 30,748,946	$ 32,276,815	$ 32,829,154

Note: 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.

2012	2013	2014	2015	2016	2017
$ 19,540,662	$ 19,051,478	$ 18,499,040	$ 18,732,114	$ 18,613,487	$ 19,304,556
2,123,059	2,685,809	3,083,209	3,734,922	4,343,924	5,086,728
1,758,884	2,211,236	3,473,659	1,113,925	1,535,730	1,906,846
$ 23,422,605	$ 23,948,523	$ 25,055,908	$ 23,580,961	$ 24,493,141	$ 26,298,130
$ 7,203,491	$ 7,158,035	$ 5,050,697	$ 5,230,857	$ 5,361,800	$ 5,125,174
2,904,372	4,250,023	4,560,899	3,946,517	4,870,810	7,364,722
$ 10,107,863	$ 11,408,058	$ 9,611,596	$ 9,177,374	$ 10,232,610	$ 12,489,896
$ 26,744,153	$ 26,209,513	$ 23,549,737	$ 23,962,971	$ 23,975,287	$ 24,429,730
2,123,059	2,685,809	3,083,209	3,734,922	4,343,924	5,086,728
4,663,256	6,461,259	8,034,558	5,060,442	6,406,540	9,271,568
$ 33,530,468	$ 35,356,581	$ 34,667,504	$ 32,758,335	$ 34,725,751	$ 38,788,026

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities				
General government	$ 1,157,825	$ 990,068	$ 872,406	$ 889,925
Public safety	2,813,839	3,066,774	3,140,467	3,123,608
Public works	1,566,557	1,520,544	1,311,529	1,839,882
Parks and recreation	894,429	853,083	765,969	629,378
Economic development	164,463	509,880	199,905	1,090,876
Interest and fiscal charges	499,721	550,797	543,946	486,550
Total governmental activities expenses	7,096,834	7,491,146	6,834,222	8,060,219
Business-type activities				
Electric	8,526,639	7,306,853	7,944,059	8,026,117
Water	1,525,590	1,101,401	1,105,838	1,181,656
Surface water	356,826	298,766	226,884	257,538
Waste water	1,314,529	1,518,414	1,472,506	1,314,816
Fiber optic	76,324	203,477	234,136	271,090
Solid waste	729,952	799,768	845,021	871,207
Total business-type activities expenses	12,529,860	11,228,679	11,828,444	11,922,424
Total primary government expenses	$19,626,694	$18,719,825	$18,662,666	$19,982,643
Program revenues				
Governmental activities				
Charges for services				
General government	$ 207,831	$ 190,908	$ 237,152	$ 233,619
Public safety	149,292	191,838	168,399	198,676
Public works	155,298	223,774	204,326	145,128
Parks and recreation	260,437	221,144	205,114	125,702
Operating grants and contributions	794,391	697,197	598,893	672,154
Capital grants and contributions	445,955	30,505	207,138	199,193
Total governmental activities program revenues	2,013,204	1,555,366	1,621,022	1,574,472
Business-type activities				
Charges for services				
Electric	8,938,103	7,579,067	8,427,393	8,727,126
Water	1,021,017	1,052,812	1,015,249	1,071,303
Surface water	439,484	497,628	568,024	579,930
Waste water	1,261,565	1,246,144	1,325,014	1,372,504
Fiber optic	92,294	63,937	74,238	120,715
Solid waste	878,230	921,463	979,508	962,084
Operating grants and contributions	–	–	–	68,032
Total business-type activities program revenues	12,630,693	11,361,051	12,389,426	12,901,694
Total primary government program revenues	$14,643,897	$12,916,417	$14,010,448	$14,476,166

2012	2013	2014	2015	2016	2017
$ 936,804	$ 1,264,749	$ 1,048,772	$ 2,548,971	$ 2,635,566	$ 2,500,256
3,159,955	3,434,875	3,143,696	2,706,191	4,237,119	3,802,714
2,325,063	1,933,101	2,466,394	1,655,722	1,576,435	1,512,014
632,045	520,989	385,973	457,126	544,721	439,167
265,550	169,026	394,293	109,130	184,357	472,262
567,513	342,214	346,375	356,642	412,714	409,252
7,886,930	7,664,954	7,785,503	7,833,782	9,590,912	9,135,665
8,001,969	7,720,874	8,723,726	8,447,378	8,443,299	8,329,029
1,035,281	1,253,111	1,139,639	1,168,913	1,110,248	752,207
491,557	483,987	394,302	401,214	428,295	538,861
1,386,220	1,282,431	1,260,549	1,480,667	1,620,631	1,484,530
217,054	173,268	226,918	130,473	167,886	154,236
911,130	949,179	863,961	1,186,419	835,013	987,790
12,043,211	11,862,850	12,609,095	12,815,064	12,605,372	12,246,653
$19,930,141	$19,527,804	$20,394,598	$20,648,846	$22,196,284	$21,382,318
$ 255,715	$ 362,839	$ 305,751	$ 287,497	$ 298,971	$ 371,906
171,251	149,689	124,973	127,217	107,199	119,264
118,711	147,646	230,044	143,158	182,465	257,790
87,787	274,041	172,060	199,228	193,670	228,307
318,614	733,851	431,658	407,347	445,180	490,623
170,821	57,958	730,920	128,637	701,665	720,308
1,122,899	1,726,024	1,995,406	1,293,084	1,929,150	2,188,198
8,764,946	8,875,437	9,000,195	9,090,354	9,226,380	9,534,315
1,384,986	1,408,464	1,431,055	1,601,572	1,676,387	1,787,727
576,499	575,374	581,341	613,555	669,380	727,237
1,493,831	1,555,043	1,653,655	1,832,948	2,060,406	2,105,749
117,651	118,059	104,472	108,615	145,673	148,684
984,013	1,056,099	1,100,932	1,128,070	1,084,284	1,099,506
66,950	84,609	109,690	80,666	178,469	48,752
13,388,876	13,673,085	13,981,340	14,455,780	15,040,979	15,451,970
$14,511,775	$15,399,109	$15,976,746	$15,748,864	$16,970,129	$17,640,168

(continued)

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2008	2009	2010	2011
Net (expense) revenue				
Governmental activities	$ (5,083,630)	$ (5,935,780)	$ (5,213,200)	$ (6,485,747)
Business-type activities	100,833	132,372	560,982	979,270
Total primary government net expense	$ (4,982,797)	$ (5,803,408)	$ (4,652,218)	$ (5,506,477)
General revenues and other changes in net position				
Governmental activities				
Property taxes	$ 3,204,036	$ 3,360,145	$ 3,713,970	$ 3,705,019
Franchise taxes	452,071	407,523	393,444	400,851
Unrestricted grants and contributions	1,808,217	2,115,148	1,929,029	1,922,347
Other general revenues	11,831	72,132	104,763	14,547
Investment earnings (charges)	183,386	79,757	16,751	9,093
Transfers	1,299,020	67,450	4,281,718	1,319,864
Total governmental activities	6,958,561	6,102,155	10,439,675	7,371,721
Business-type activities				
Investment earnings	196,769	50,973	22,130	6,959
Transfers	(1,299,020)	(67,450)	(4,281,718)	(1,319,864)
Total business-type activities	(1,102,251)	(16,477)	(4,259,588)	(1,312,905)
Total primary government	$ 5,856,310	$ 6,085,678	$ 6,180,087	$ 6,058,816
Change in net position				
Governmental activities	$ 1,874,931	$ 166,375	$ 5,226,475	$ 885,974
Business-type activities	(1,001,418)	115,895	(3,698,606)	(333,635)
Total primary government	$ 873,513	$ 282,270	$ 1,527,869	$ 552,339

2012	2013	2014	2015	2016	2017
$ (6,764,031)	$ (5,938,930)	$ (5,790,097)	$ (6,540,698)	$ (7,661,762)	$ (6,947,467)
1,345,665	1,810,235	1,372,245	1,640,716	2,435,607	3,205,317
$ (5,418,366)	$ (4,128,695)	$ (4,417,852)	$ (4,899,982)	$ (5,226,155)	$ (3,742,150)
$ 3,771,018	$ 3,706,365	$ 3,838,375	$ 3,885,640	$ 4,546,034	$ 5,111,242
411,996	435,582	522,358	563,829	544,367	531,178
1,874,103	1,882,736	1,900,433	1,828,503	1,919,280	1,812,458
207,959	29,041	52,840	4,606	38,802	126,853
(19,198)	(41,785)	97,640	88,086	76,459	123,925
152,877	453,175	970,000	1,205,589	1,449,000	1,046,800
6,398,755	6,465,114	7,381,646	7,576,253	8,573,942	8,752,456
(22,031)	(57,131)	83,333	96,825	68,629	98,769
(152,877)	(453,175)	(970,000)	(1,205,589)	(1,449,000)	(1,046,800)
(174,908)	(510,306)	(886,667)	(1,108,764)	(1,380,371)	(948,031)
$ 6,223,847	$ 5,954,808	$ 6,494,979	$ 6,467,489	$ 7,193,571	$ 7,804,425
$ (365,276)	$ 526,184	$ 1,591,549	$ 1,035,555	$ 912,180	$ 1,804,989
1,170,757	1,299,929	485,578	531,952	1,055,236	2,257,286
$ 805,481	$ 1,826,113	$ 2,077,127	$ 1,567,507	$ 1,967,416	$ 4,062,275

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CITY OF NORTH ST. PAUL

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

Fiscal Year	Property Tax	Franchise Tax	Total
2008	$ 3,204,036	$ 452,071	$ 3,656,107
2009	3,360,145	407,523	3,767,668
2010	3,713,970	393,444	4,107,414
2011	3,705,019	400,851	4,105,870
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

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Reserved	$ 28,658	$ –	$ –	$ –
Unreserved	1,472,930	1,427,926	1,372,835	–
Nonspendable	–	–	–	–
Restricted	–	–	–	12,099
Assigned	–	–	–	193,718
Unassigned	–	–	–	1,323,990
Total General Fund	$ 1,501,588	$ 1,427,926	$ 1,372,835	$ 1,529,807
All other governmental funds				
Reserved	$ 1,591,978	$ 1,795,822	$ 1,857,568	$ –
Unreserved, reported in				
Special revenue funds	(755,879)	(493,577)	(681,756)	–
Capital projects funds	3,432,549	(41,424)	(84,244)	–
Debt service funds	2,255,262	1,052,902	1,492,573	–
Nonspendable	–	–	–	–
Restricted	–	–	–	2,167,904
Committed	–	–	–	9,714
Assigned	–	–	–	1,083,644
Unassigned, reported in				
Other governmental funds	–	–	–	(223,823)
Total all other governmental funds	$ 6,523,910	$ 2,313,723	$ 2,584,141	$ 3,037,439
Total all governmental funds				
Reserved	$ 1,620,636	$ 1,795,822	$ 1,857,568	$ –
Unreserved, reported in				
General Fund	1,472,930	1,427,926	1,372,835	–
Special revenue funds	(755,879)	(493,577)	(681,756)	–
Capital projects funds	3,432,549	(41,424)	(84,244)	–
Debt service funds	2,255,262	1,052,902	1,492,573	–
Nonspendable	–	–	–	–
Restricted	–	–	–	2,180,003
Committed	–	–	–	9,714
Assigned	–	–	–	1,277,362
Unassigned, reported in				
General Fund	–	–	–	1,323,990
Other governmental funds	–	–	–	(223,823)
Total all governmental funds	$ 8,025,498	$ 3,741,649	$ 3,956,976	$ 4,567,246

Note: The City implemented GASB Statement No. 54 in fiscal 2011. Prior year information has not been restated.

2012	2013	2014	2015	2016	2017
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
718	12,521	2,910	1,800	23,492	26,016
–	–	–	–	–	–
443,914	943,890	–	31,455	25,230	23,261
1,420,191	1,278,326	1,682,876	1,725,949	1,713,152	1,708,472
$ 1,864,823	$ 2,234,737	$ 1,685,786	$ 1,759,204	$ 1,761,874	$ 1,757,749
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	3	–	–	–	–
6,085,749	2,805,663	3,577,232	3,089,182	6,554,769	7,114,605
9,672	17,068	1,470,423	2,042,917	2,369,282	3,196,670
774,040	708,899	572,634	607,146	1,166,478	996,304
(159,717)	(122,942)	(126,182)	(103,906)	(113,371)	(6,954)
$ 6,709,744	$ 3,408,691	$ 5,494,107	$ 5,635,339	$ 9,977,158	$ 11,300,625
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
718	12,524	2,910	1,800	23,492	26,016
6,085,749	2,805,663	3,577,232	3,089,182	6,554,769	7,114,605
9,672	17,068	1,470,423	2,042,917	2,369,282	3,196,670
1,217,954	1,652,789	572,634	638,601	1,191,708	1,019,565
1,420,191	1,278,326	1,682,876	1,725,949	1,713,152	1,708,472
(159,717)	(122,942)	(126,182)	(103,906)	(113,371)	(6,954)
$ 8,574,567	$ 5,643,428	$ 7,179,893	$ 7,394,543	$ 11,739,032	$ 13,058,374

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	$ 3,649,224	$ 3,775,637	$ 4,108,880	$ 4,105,870
Special assessments	107,983	105,492	72,831	94,037
Licenses and permits	243,042	293,349	269,470	194,472
Intergovernmental	2,913,140	2,621,178	2,596,912	2,749,174
Charges for services	291,409	239,960	215,627	148,213
Fines and forfeits	75,373	117,674	108,117	137,393
Investment earnings (charges)	171,669	73,232	12,502	6,482
Other	168,220	449,248	318,429	219,354
Total revenues	7,620,060	7,675,770	7,702,768	7,654,995
Expenditures				
Current				
General government	673,764	599,459	635,641	665,578
Public safety	2,532,619	2,646,540	2,786,494	2,788,505
Public works	1,224,857	993,759	988,204	989,558
Parks and recreation	792,133	761,815	633,739	564,772
Economic development	32,755	36,668	81,255	1,059,468
Other	35,000	35,000	37,445	36,389
Capital outlay	4,126,078	4,291,673	1,090,805	894,765
Debt service				
Principal	527,531	539,644	571,876	674,231
Interest	446,032	496,439	522,866	498,235
Total expenditures	10,390,769	10,400,997	7,348,325	8,171,501
Excess of revenues over (under) expenditures	(2,770,709)	(2,725,227)	354,443	(516,506)
Other financing sources (uses)				
Bonds issued	5,000,000	–	–	–
Refunding bonds issued	–	–	–	–
Premium (discount) on bonds issued	(10,091)	–	–	–
Payments to refunded bond escrow agent	–	(1,125,000)	–	–
Transfers in	1,496,966	568,521	589,215	1,805,548
Transfers out	(384,392)	(1,002,143)	(728,331)	(678,772)
Total other financing sources (uses)	6,102,483	(1,558,622)	(139,116)	1,126,776
Net change in fund balances	$ 3,331,774	$ (4,283,849)	$ 215,327	$ 610,270
Debt service as a percentage of noncapital expenditures	15.0%	15.3%	17.3%	15.8%

2012	2013	2014	2015	2016	2017
$ 4,327,852	$ 4,204,967	$ 4,366,055	$ 4,453,106	$ 5,083,188	$ 5,643,488
74,796	32,978	260,366	125,435	303,753	313,972
197,529	215,313	293,691	241,532	275,704	302,716
2,300,123	2,643,668	2,298,181	2,219,522	2,358,025	2,646,164
117,652	298,480	198,806	214,366	188,516	207,009
106,206	84,592	61,758	50,850	34,824	37,032
(14,109)	(29,281)	78,708	63,514	65,760	100,440
408,655	361,919	379,683	257,538	329,038	415,313
7,518,704	7,812,636	7,937,248	7,625,863	8,638,808	9,666,134
680,556	1,056,706	828,533	2,093,492	2,107,655	2,142,817
2,819,415	3,330,340	3,235,138	3,136,479	3,453,098	3,582,576
1,085,088	1,272,887	1,498,650	792,389	902,417	884,974
533,239	413,634	357,404	568,318	351,891	374,020
225,949	166,860	363,347	81,715	172,600	442,989
42,273	35,000	35,000	–	–	–
626,575	165,764	2,238,418	1,036,298	3,677,596	1,507,700
655,000	670,000	760,000	775,000	1,010,000	1,020,000
546,186	430,759	328,208	386,549	366,628	434,638
7,214,281	7,541,950	9,644,698	8,870,240	12,041,885	10,389,714
304,423	270,686	(1,707,450)	(1,244,377)	(3,403,077)	(723,580)
–	–	2,360,000	–	3,880,000	1,051,380
3,760,000	–	–	1,595,000	2,430,000	–
–	–	71,655	36,316	208,277	40,155
–	(3,655,000)	–	(1,575,000)	–	–
340,744	521,355	2,433,320	1,681,475	2,143,316	1,387,155
(293,679)	(68,180)	(1,620,794)	(278,764)	(914,027)	(435,768)
3,807,065	(3,201,825)	3,244,181	1,459,027	7,747,566	2,042,922
$ 4,111,488	$ (2,931,139)	$ 1,536,731	$ 214,650	$ 4,344,489	$ 1,319,342
16.9%	14.8%	14.2%	15.1%	16.0%	16.1%

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CITY OF NORTH ST. PAUL

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
2008	$ 3,197,153	$ 248,403	$ 159,447	$ 44,221	$ 3,649,224
2009	3,368,114	238,606	121,373	47,544	3,775,637
2010	3,715,436	242,393	103,481	47,570	4,108,880
2011	3,705,019	248,025	108,494	44,332	4,105,870
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

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
2008	$ 8,500,703	$ 1,858,182	$ 60,740	$ (1,012,717)	$ 1,601,721
2009	8,683,978	1,876,639	63,615	(1,167,204)	1,833,751
2010	8,193,815	2,010,328	77,226	(1,032,722)	2,118,903
2011	7,625,673	1,958,071	86,212	(1,092,613)	2,242,221
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

(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

Total Tax Capacity Value	Total Direct Tax Rate	Total Estimated Market Value	Tax Capacity Value as a Percentage of Market Value
$ 11,008,629	21.550 %	$ 941,892,800	1.2 %
11,290,779	22.125	961,328,900	1.2
11,367,550	27.603	921,154,500	1.2
10,819,564	29.022	862,978,100	1.3
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	41.866	821,838,000	1.2

CITY OF NORTH ST. PAUL

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
2008	– %	– %	21.550 %	44.023 %	20.426 %	9.163 %	95.162 %
2009	21.493	0.632	22.125	46.546	24.816	9.316	102.803
2010	22.183	5.420	27.603	50.248	25.359	11.117	114.327
2011	23.420	5.602	29.022	54.678	27.785	11.598	123.083
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	35.864	13.871	143.826
2016	27.095	11.612	38.707	58.885	35.569	12.638	145.799
2017	31.162	10.704	41.866	55.850	33.582	12.029	143.327

Tax rates per $100 of tax capacity.

(1) Information on the components of the City’s direct tax rates is not readily available for levy years prior to 2009.

Source: Ramsey County

CITY OF NORTH ST. PAUL

Principal Property Taxpayers
Current Year and Nine Years Ago

	2017				2008			
Taxpayer	Estimated Market Value	Rank	Percentage of Total Estimated Market Value		Estimated Market Value	Rank	Percentage of Total Estimated Market Value	
Cedarview Commons	$ 15,235,800	1	1.85	%	$ 10,926,200	3	1.16	%
Helen Street Senior Housing, LLC	13,606,600	2	1.66		–	–	–	
Berwald Investment Company	11,411,900	3	1.39		13,325,800	1	1.41	
Target Stores, Inc.	10,146,000	4	1.23		12,500,000	2	1.33	
Franklin Apartments	9,172,600	5	1.12		7,230,600	4	0.77	
Parkside Apartments – LHB Properties, LLC	7,625,900	6	0.93		5,750,000	5	0.61	
Cottages of North St. Paul	7,397,400	7	0.90		5,700,000	6	0.61	
Bigos Regency Park, LLC	6,010,200	8	0.73		–	–	–	
Baypointe Investment Partnership, LLC	5,578,800	9	0.68		–	–	–	
NSP Burke LLC	4,877,300	10	0.59		–	–	–	
Regency Park Apartments	–	–	–		5,355,000	7	0.57	
Anchor Block	–	–	–		5,246,500	8	0.56	
McKnight Plaza	–	–	–		4,800,000	9	0.51	
Silas Point Apartments	–	–	–		4,429,000	10	0.47	
Total	$ 91,062,500		11.08	%	$ 75,263,100		8.00	%

Source: Ramsey County Department of Property Taxation

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CITY OF NORTH ST. PAUL

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
2008	$ 2,766,110	$ 2,710,896	98.0 %	$ 55,214	$ 2,766,110	100.0 %
2009	2,848,145	2,804,323	98.5	43,822	2,848,145	100.0
2010	3,183,232	3,119,313	98.0	63,919	3,183,232	100.0
2011	3,221,550	3,177,876	98.6	43,674	3,221,550	100.0
2012	3,378,239	3,331,434	98.6	45,994	3,377,428	100.0
2013	3,373,711	3,342,142	99.1	29,853	3,371,995	99.9
2014	3,658,474	3,622,632	99.0	30,396	3,653,028	99.9
2015	3,876,496	3,842,585	99.1	28,270	3,870,855	99.9
2016	4,186,996	4,148,345	99.1	24,906	4,173,251	99.7
2017	4,768,855	4,728,652	99.2	–	4,728,652	99.2

(1) Includes fiscal disparity revenues.

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

CITY OF NORTH ST. PAUL

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	Capital Leases	Premiums	Total
2008	$ 4,980,000	$ 150,000	$ 3,360,000	$ 695,000	$ 5,000,000	$ 125,751	$ –	$ 14,310,751
2009	4,735,000	75,000	2,090,000	660,000	5,000,000	86,107	–	12,646,107
2010	4,480,000	–	1,930,000	620,000	5,000,000	44,231	–	12,074,231
2011	4,215,000	–	1,865,000	565,000	4,755,000	–	–	11,400,000
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

* Information not available for the 2017 year.

(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.

Business-Type Activities					Percentage	
Revenue Bonds	Capital Loans	Premiums	Total	Total Primary Government	of Personal Income (1)	Per Capita (1)
$ 5,330,000	$ 1,586,654	$ –	$ 6,916,654	$ 21,227,405	5.03 %	$ 1,815
9,065,000	1,404,575	–	10,469,575	23,115,682	5.55	1,993
8,740,000	1,214,163	–	9,954,163	22,028,394	5.17	1,904
8,295,000	1,015,037	–	9,310,037	20,710,037	4.85	1,807
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	*	2,365

CITY OF NORTH ST. PAUL

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)
2008	$ 9,980,000	$ –	$ 726,062	$ 9,253,938	0.98 %	$ 791
2009	9,735,000	–	627,315	9,107,685	0.95	785
2010	9,480,000	–	920,758	8,559,242	0.93	740
2011	8,970,000	–	974,639	7,995,361	0.93	698
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

(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.

CITY OF NORTH ST. PAUL

Direct and Overlapping Governmental Activities Debt
as of December 31, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Direct debt			
City of North St. Paul	$ 16,669,238	100.0 %	$ 16,669,238
Overlapping debt			
Independent School District No. 622	97,480,000	13.3	12,964,840
Ramsey County	162,252,000	3.7	6,003,324
Ramsey County Library	31,350,000	0.9	282,150
Metropolitan Council	1,484,038,432	1.5	22,260,576
Total overlapping debt			41,510,890
Total direct and overlapping debt			$ 58,180,128

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county'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			
	2008	2009	2010	2011
Debt limit	$ 28,256,784	$ 28,839,867	$ 27,634,635	$ 25,889,343
Total net debt applicable to the limit	9,253,938	9,107,685	8,559,242	7,995,361
Legal debt margin	$ 19,002,846	$ 19,732,182	$ 19,075,393	$ 17,893,982
Total net debt applicable to the limit as a percentage of debt limit	32.75%	31.58%	30.97%	30.88%

Note: Under Minnesota state law, the City's net debt cannot exceed 3 percent (2 percent for years prior to 2008) of the estimated market value.

2012	2013	2014	2015	2016	2017
$ 23,866,077	$ 20,097,530	$ 20,651,151	$ 21,906,498	$ 23,320,878	$ 24,655,140
7,490,147	6,925,789	6,121,581	5,422,600	4,634,589	3,927,887
$ 16,375,930	$ 13,171,741	$ 14,529,570	$ 16,483,898	$ 18,686,289	$ 20,727,253
31.38%	34.46%	29.64%	24.75%	19.87%	15.93%

Legal Debt Margin Calculation for Fiscal Year 2017	
Market value	$ 821,838,000
Debt limit (3 percent of market value)	24,655,140
Debt applicable to limit	
General obligation bonds	7,830,000
Less amount set aside for repayment of general obligation debt	(3,902,113)
Total net debt applicable to limit	3,927,887
Legal debt margin	$ 20,727,253

CITY OF NORTH ST. PAUL

Pledged Revenue Coverage
Last Ten Fiscal Years

	Revenue Bonds					
	Operating	Less Operating	Net Available	Debt Service		
Fiscal Year	Revenues	Expenses	Revenue	Principal	Interest	Coverage
2008	$ 12,538,399	$ 11,408,993	$ 1,129,406	$ 325,000	$ 311,158	1.78
2009	11,297,114	9,998,013	1,299,101	340,000	230,447	2.28
2010	12,315,188	10,451,097	1,864,091	325,000	376,484	2.66
2011	12,780,979	10,538,859	2,242,120	445,000	363,126	2.77
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

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

Note 2: The 2009, 2015, and 2017 principal payments do not include the refunded portion of bonds paid.

CITY OF NORTH ST. PAUL

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (4)
2008	11,695	$ 422,049,160	$ 36,088	33.7	11,448	6.1 %
2009	11,600	416,208,000	35,880	33.7	11,365	7.2
2010	11,569	425,924,304	36,816	33.7	11,072	6.8
2011	11,460	427,274,640	37,284	33.7	10,979	5.6
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	*	*	38.2	10,480	2.8

* Information not available for the 2017 year.

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

Principal Employers
Current Year and Nine Years Ago

Employer	2017 Employees	2017 Rank	2008 Employees	2008 Rank
Independent School District No. 622	1,500	1	1,514	1
Target Stores, Inc.	400	2	225	2
Berwald Roofing	150	3	150	3
REM Ramsey	85	4	–	–
Ideal Credit Union	65	5	–	–
Rust-Oleum	65	5	–	–
Lillie Suburban Newspapers	60	7	85	4
Anchor Block	55	8	50	8
Custom Millwork	46	9	42	9
T.A. Schifsky	40	10	40	10
Burger King	40	10	–	–
Anderson Cabinet	40	10	–	–
Aetrium	–	–	80	5
Postal Employees Credit Union	–	–	75	6
City of North St. Paul	–	–	63	7
Total	2,546		2,324	

Note: The percentage of total city employment is unavailable.

Source: Springsted Bond Consultants

CITY OF NORTH ST. PAUL

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General government	5	5	6	5	5	7	13	13	13	14
Public safety										
Police										
Officers	18	17	18	19	19	15	15	18	17	18
Civilians	3	3	2	2	2	2	3	3	4	4
Fire										
Firefighters and officers	3	3	3	3	3	3	3	4	4	4
Highways and streets										
Engineering	2	2	2	2	2	2	1	–	–	–
Maintenance	8	8	8	7	7	8	3	4	4	4
Parks and recreation	3	3	1	1	1	1	4	4	4	4
Water	6	6	6	3	3	5	3	3	3	3
Electric	14	14	14	12	12	9	11	12	12	13
Total	62	61	60	54	54	52	55	61	61	64

Source: Various government departments

Operating Indicators by Function
Last Ten Fiscal Years

	2008	2009	2010	2011
Function				
Police				
Parking violations	77	1,022	973	1,043
Traffic violations	563	2,581	2,356	2,715
Fire				
Number of calls answered	1,029	907	920	947
Rental inspections	–	16	308	203
Code compliance cases	150	194	336	337
Commercial inspections	1	1	5	14
Highways and streets				
Street resurfacing (miles)	0.5	11.2	–	–
Potholes repaired	2,500	3,200	3,000	3,300
Tons of asphalt used (1)	–	–	–	–
Parks and recreation				
Community center admissions	75,000	85,000	80,000	80,000
Water				
New connections	5	6	2	3
Water main breaks	10	6	5	6
Average daily consumption (thousands of gallons)	1,177	1,167	1,015	1,009

(1) Beginning in 2012, potholes repaired is reflected in tons of asphalt used.

Source: Various government departments

2012	2013	2014	2015	2016	2017
949	798	629	838	740	1,054
1,710	1,446	839	902	596	690
1,103	1,055	999	1,071	1,243	1,319
219	81	189	169	243	382
269	176	177	612	700	447
2	6	–	1	21	145
–	–	1.8	0.5	1.6	1.9
–	–	–	–	–	–
85.5	231.3	431.1	468.0	579.7	616.0
80,000	–	–	–	–	–
8	11	4	12	21	9
8	20	8	4	8	6
1,235	1,066	909	900	972	973

CITY OF NORTH ST. PAUL

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	8	8
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	45	45	45	45
Streetlights/security lights	621	621	625	625
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	1	1	1
Water				
Water mains (miles)	44	44	44	44
Fire hydrants	605	605	609	609
Gallons sold per year (thousands of gallons)	429,710	426,059	370,625	368,335
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	68	68	68

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

Source: Various government departments

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
8	10	10	10	10	10
1	1	1	1	1	1
45	45	45	45	45	45
625	626	630	630	630	630
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
1	–	–	–	–	–
44	44	44	44	44	44
609	609	609	609	609	609
393,821	389,142	330,467	328,624	273,021	362,558
43	43	43	43	43	43
21	21	21	21	21	21
1	1	1	1	1	1
68	69	70	70	70	70

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Management Report

for

City of North St. Paul, Minnesota

December 31, 2017

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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

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, 2017. 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
April 18, 2018

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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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, 2017, and the related notes to the financial statements. 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 and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2017:

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

- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.

    - It should be understood that internal controls are never perfected, and those controls which protect the City's funds from such things as fraud and accounting errors need to be continually reviewed and modified as necessary.

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

- We reported two 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. Payroll Declaration
    2. Solid Waste Management Billing

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, 2017, we performed procedures to follow-up on the findings and recommendations that resulted from our prior year audit. We reported the following finding that was corrected by the City in the current year:

- Minnesota Statutes require cities to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or service or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the City must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For two disbursements selected for testing in the prior year, the City did not pay the obligation within the required time period and did not pay interest on the unpaid obligation. We are pleased to report this is not a finding in the current year.

AUDIT COMMENTS

- **Fund Balance Policy Recommendation** – With the implementation of a new fund balance standard in prior years, we recommend that the City review and update the current policy to be consistent with the fund balance components as established in this new standard.

- **Housing Improvement Interfund Loan and Land Held for Resale** – The Housing Improvement Fund is used to administer the resources for the rehabilitation of blighted properties within the City. The City holds a significant amount of assets held for resale, which management reports at the lower of cost or fair value. Cash resources have been made available primarily through the use of interfund loans and transfers, allowing this fund to purchase various properties as they became available. With interfund borrowing experiencing minimal activity in the current year, a significant balance still remains. Therefore, we continue to recommend that the City adopt a plan that would create a more formal arrangement on the related interfund loans. This plan would include the establishment of the terms of the interfund loans, including interest rates and length of borrowing. We recognize the City is working on an ongoing basis to utilize these assets in the best interest of the City. We also recommend that the City continue to review these property values to ensure a proper reporting of city assets and financial activity between funds for accurate presentation.

- **Individual Fund Deficits** – As reported in the City's Comprehensive Annual Financial Report as of December 31, 2017, the City has one special revenue fund that has a deficit fund equity totaling $5,662, one capital projects fund deficit totaling $1,292, one enterprise fund deficit totaling $790,855, and one internal service fund deficit totaling $159,786. 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.

- **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, 2017, the Fiber Optic Fund's unrestricted component of net position has a deficit of $2,609,169. 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.

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, 2017, however, the City implemented the following governmental accounting standards during the fiscal year:

- Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants,* which enhanced disclosures regarding investments.
- GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73,* which addressed certain issues related to pension reporting and disclosures.

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:

- **Net Other Post-Employment Benefit (OPEB) and 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 GASB Nos. 45 and 68. 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 fair value).

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

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. Where applicable, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management, when applicable, 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 April 18, 2018.

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

We were not engaged to report on the introductory 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

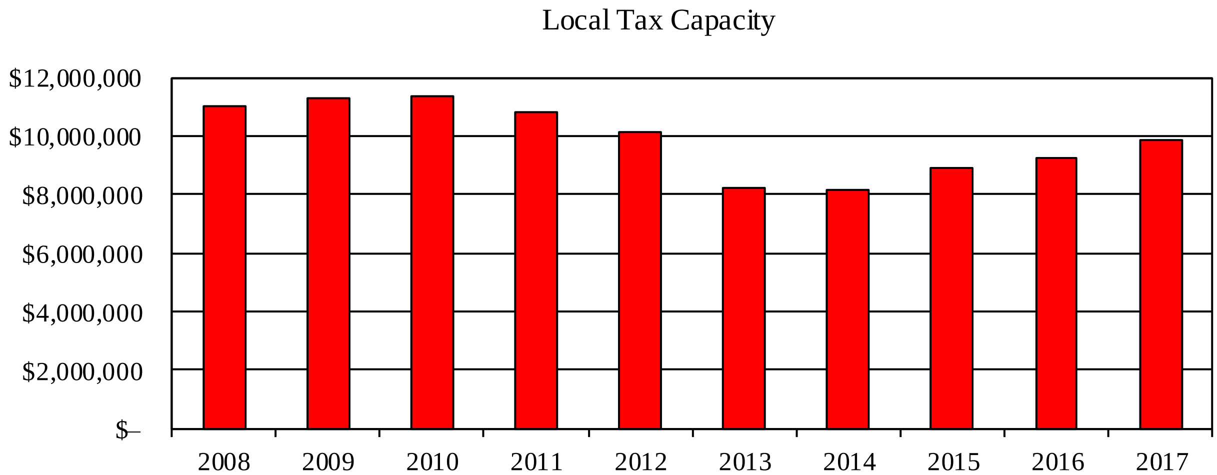
Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2016 fiscal year, local ad valorem property tax levies provided 39.8 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.4 percent for cities under 2,500 in population.

The total market value of property in Minnesota cities increased about 5.6 percent for the 2017 levy year, which followed an increase of 5.7 percent for the levy year 2016. The market values used for levying property taxes are based on the previous fiscal year (e.g., market values for taxes levied in 2017 were based on assessed values as of January 1, 2016), so the trend of change in these market values lags somewhat behind the housing market and economy in general.

The City's taxable market value increased 6.5 percent for taxes payable in 2016 and 5.7 percent for taxes payable in 2017. 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 4.1 percent for 2016 and 6.5 percent for 2017.

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



The following table presents the average tax rates applied to city residents for each of the last three levy years, along with comparative state-wide and metro area average rates from the two most recent years for which the information is available:

Rates Expressed as a Percentage of Net Tax Capacity

	All Cities State-Wide		Seven-County Metro Area		City of North St. Paul		
	2015	2016	2015	2016	2015	2016	2017
Average tax rate							
City	46.9	46.5	43.4	43.0	35.2	38.7	41.9
County	44.7	44.1	42.9	42.3	58.9	58.9	55.9
School	27.1	27.5	28.3	28.6	35.9	35.6	33.6
Special taxing	6.9	6.9	8.8	8.7	13.8	12.6	12.0
Total	125.6	125.0	123.4	122.6	143.8	145.8	143.4

Note: State-wide and metro area average tax rates are not available for 2017.

There are a number of reasons contributing to the change in the average total tax rate. The City's portion of the total tax capacity rate for the City's residents has historically been well below the average for Minnesota cities state-wide and for cities in the seven-county metro area. Higher than average tax rates of other taxing authorities resulted in a total average tax rate exceeding both averages provided in the table above.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2017, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31, 2017	Fund Balance as of December 31, 2016	Increase (Decrease)
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 26,016	$ 23,492	$ 2,524
Restricted	7,114,605	6,554,769	559,836
Committed	3,196,670	2,369,282	827,388
Assigned	1,019,565	1,191,708	(172,143)
Unassigned	1,701,518	1,599,781	101,737
Total governmental funds	$ 13,058,374	$ 11,739,032	$ 1,319,342
Total by fund			
General	$ 1,757,749	$ 1,761,874	$ (4,125)
G.O. Capital Improvement Plan Bonds of 2008A/G.O. Capital Improvement Plan Refunding Bonds of 2016B	3,108,427	3,106,956	1,471
Street Improvement	702,456	915,658	(213,202)
Nonmajor	7,489,742	5,954,544	1,535,198
Total governmental funds	$ 13,058,374	$ 11,739,032	$ 1,319,342

In total, the fund balances of the City's governmental funds increased by $1,319,342 during the year ended December 31, 2017. The increase is due largely to the increase in committed funds in the Street Maintenance Special Revenue Fund. This increase was the result of increased municipal street aid received in the current year. The increase in restricted funds is due in part to the issuance of the 2017A General Obligation Bonds, increased special assessments, and an increase in the debt service levy.

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 on these tables may be classified differently than how they appear on 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 management's discussion and analysis. 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, 2016			2015	2016	2017
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,006	12,104	12,069
Property taxes	$ 460	$ 432	$ 455	$ 309	$ 343	$ 387
Tax increments	26	26	42	15	32	37
Franchise and other taxes	35	43	45	47	45	44
Special assessments	59	44	59	10	25	26
Licenses and permits	35	33	42	20	23	25
Intergovernmental revenues	313	275	152	185	195	219
Charges for services	110	92	103	18	16	17
Other	91	57	54	31	35	46
Total revenue	$ 1,129	$ 1,002	$ 952	$ 635	$ 714	$ 801

The City's governmental funds have generated significantly less revenue per capita in total than other Minnesota cities in its population class. A city's stage of development, along with the way a city finances various capital projects, will impact the mix of revenue sources it receives.

The City generated $9,666,134 of total revenue in its governmental funds in 2017, an increase of $1,027,326 (11.9 percent) from the prior year. The City's per capita governmental funds revenue for 2017 was $801, an increase of $87, from the prior year, including the effect of a change in estimated population. The largest changes occurred with increases in property taxes and intergovernmental revenues. The increase in property taxes was mainly due to the increased general property tax levy. Intergovernmental revenues increased due to the increased municipal street aid received in the current 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, 2016			2015	2016	2017
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,006	12,104	12,069
Current						
General government	$ 145	$ 114	$ 97	$ 174	$ 174	$ 178
Public safety	263	250	273	261	285	297
Streets and highways	126	123	95	66	75	73
Parks and recreation	93	109	95	47	29	31
All other	74	77	91	7	14	37
	701	673	651	555	577	616
Capital outlay and construction	381	370	301	86	304	125
Debt service						
Principal	196	163	115	65	83	85
Interest and fiscal	48	38	34	32	30	36
	244	201	149	97	113	121
Total expenditures	$ 1,326	$ 1,244	$ 1,101	$ 738	$ 994	$ 862

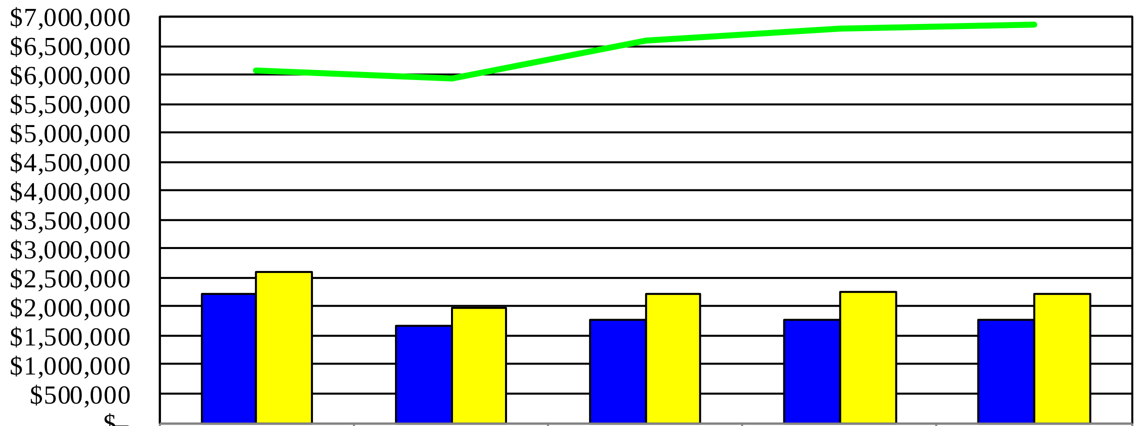
As the above table reflects, the City's expenditures per capita have also been below the state-wide averages in recent years. A significant reason for this difference is in capital outlay and debt service, which is reasonable for a city that is not in the middle of a major development or redevelopment period.

Total expenditures in the City's governmental funds for 2017 were $10,389,714, a decrease of $1,652,171 (13.7 percent). The City's per capita governmental funds total expenditures decreased $132, or 13.3 percent. This decrease was mainly in capital outlay and construction related to street improvement projects and the Casey Lake Project completed in the prior 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,



	2013	2014	2015	2016	2017
Fund Balance	$2,234,743	$1,685,786	$1,759,204	$1,761,874	$1,757,749
Cash (Net)	$2,586,008	$1,996,062	$2,208,507	$2,261,283	$2,224,485
Expenditures	$6,084,048	$5,945,113	$6,585,504	$6,814,126	$6,854,703

The City's General Fund cash and investment balance (net of borrowing) at December 31, 2017 was $2,224,485, a decrease of $36,798 from the previous year. Total fund balance at December 31, 2017 was $1,757,749, a decrease of $4,125 from the prior year. The unassigned portion of this fund balance level represents approximately 25 percent of the City's 2018 budgeted General Fund expenditure levels.

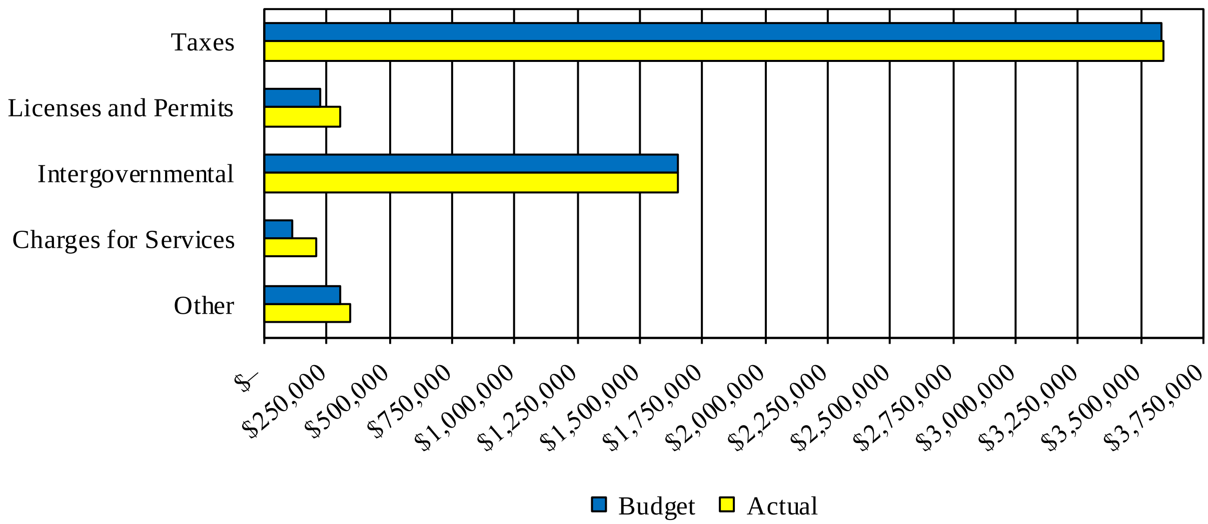
The level of General Fund balance is greatly attributed to the City's fund balance policies as well as the general budgeting policies. These policies have allowed the City to provide funding for the General Fund operations as well as equipment replacement and street improvement programs without disrupting 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 25 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. 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 2017:

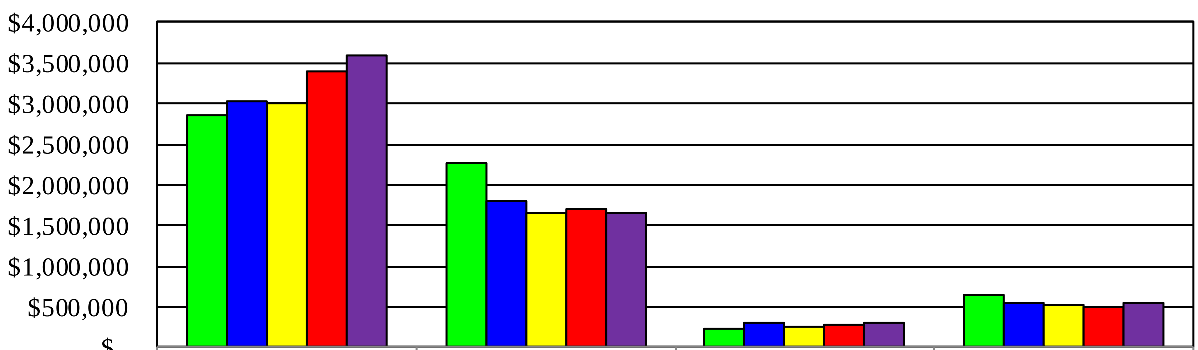
General Fund Revenue



Total General Fund revenues for 2017 were $6,091,926, an increase of $214,589 from the previous year, and were $227,196 (3.9 percent) over budget. Revenues were more than projected in each category as presented above, except for intergovernmental revenue, with the largest variances in charges for services and licenses and permits, which were $98,099 and $81,216, 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,

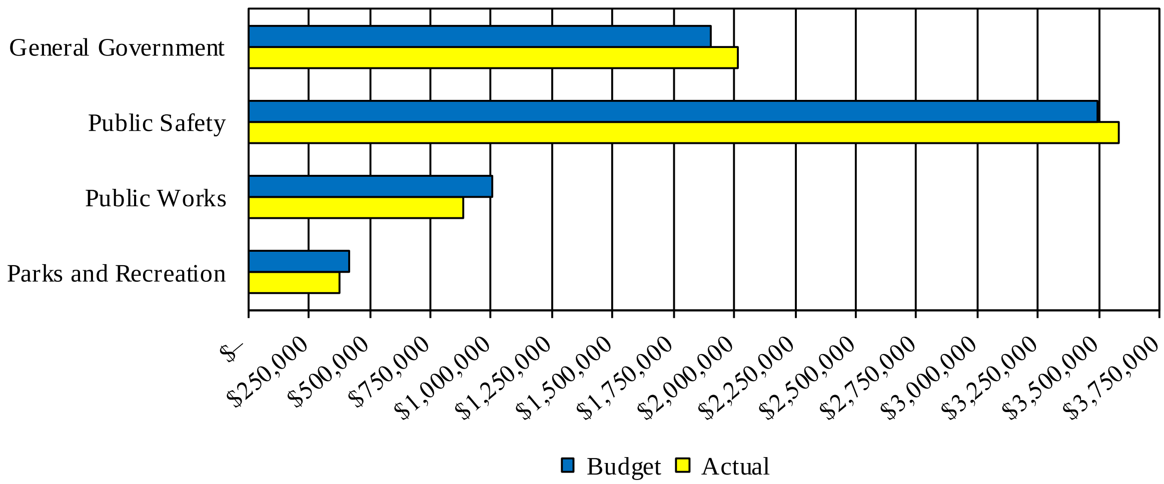


	Taxes	Intergovernmental	Licenses and Permits	All Other
2013	$2,859,371	$2,269,279	$215,313	$646,824
2014	$3,016,970	$1,792,686	$293,691	$551,647
2015	$3,001,290	$1,646,938	$241,532	$526,782
2016	$3,403,580	$1,710,429	$275,704	$487,624
2017	$3,587,226	$1,647,917	$302,716	$554,067

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 tax sources, which increased by $183,646 from the prior year as a result of an increase in the general property tax levy approved by the City Council for 2017.

The following graph reflects the City's General Fund expenditures compared to budget for 2017:

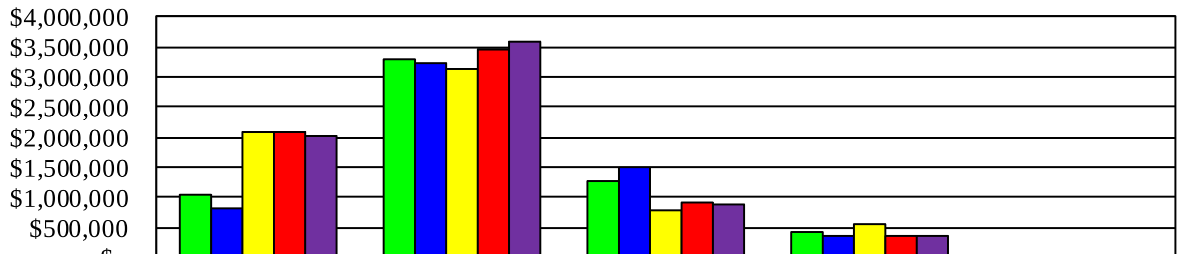
General Fund Expenditures



Total General Fund expenditures for 2017 were $6,854,703, an increase of $40,577, or 0.6 percent, from the previous year, and $39,673, or 0.6 percent, over budget. The largest variances occurred in the general government and public works functions. Public works expenditures were $119,751 less than anticipated, while general government spending was over budget by $108,672. The underspending in public works was largely caused by anticipating more spending for certain projects than actually occurred in the current year. The general government function was over budget mainly in the central services and legal services departments.

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
2013	$1,047,162	$3,306,412	$1,282,431	$413,043	$35,000
2014	$828,533	$3,230,288	$1,498,650	$352,642	$35,000
2015	$2,091,457	$3,136,479	$792,389	$565,179	$–
2016	$2,106,720	$3,453,098	$902,417	$351,891	$–
2017	$2,013,213	$3,582,496	$884,974	$374,020	$–

Typical to other cities we audit, public safety costs comprise the largest portion of General Fund spending. The largest changes occurred in public safety, which increased by $129,398, and general government, which decreased by $93,507, in the current year. The increase in the public safety function was mainly due to increased contractual services in police protection and increased personal services in fire. The decrease in the general government function was mainly due to staff turnover in the community development department.

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, 2017, presented both by classification and by fund:

Enterprise Funds Change in Financial Position

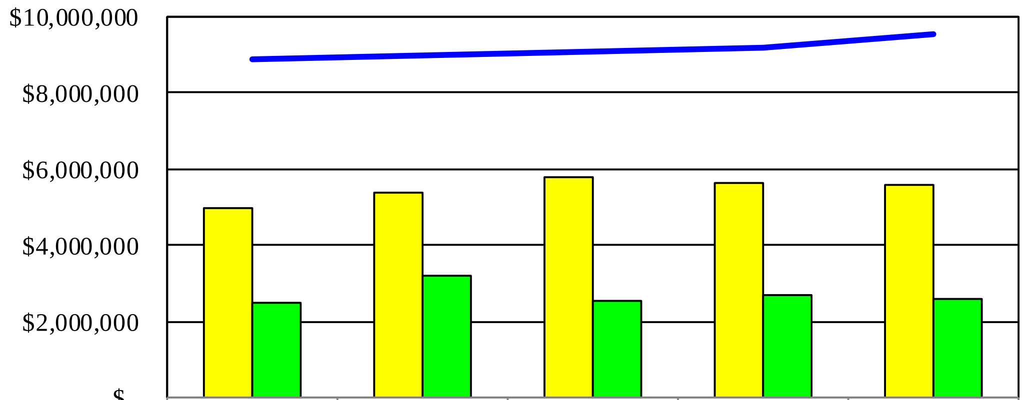
	Net Position as of December 31, 2017	Net Position as of December 31, 2016	Increase (Decrease)
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 5,125,174	$ 5,361,800	$ (236,626)
Unrestricted	7,378,119	4,936,728	2,441,391
Total enterprise funds	$ 12,503,293	$ 10,298,528	$ 2,204,765
Total by fund			
Electric	$ 5,101,257	$ 4,363,732	$ 737,525
Water	3,450,075	2,609,535	840,540
Surface Water	2,213,845	2,098,470	115,375
Waste Water	1,862,732	1,398,128	464,604
Fiber Optic	(790,855)	(749,097)	(41,758)
Solid Waste	666,239	577,760	88,479
Total enterprise funds	$ 12,503,293	$ 10,298,528	$ 2,204,765

In total, the net position of the City's enterprise funds increased by $2,204,765 during the year ended December 31, 2017. This increase was mainly in unrestricted net position, which increased $2,441,391 due to positive operating results in the enterprise funds.

ELECTRIC FUND

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

Electric Fund Operations
Years Ended December 31,



	2013	2014	2015	2016	2017
Purchased Utilities	$4,960,032	$5,383,056	$5,800,842	$5,612,907	$5,598,551
Other Operating Expenses	$2,508,062	$3,187,473	$2,513,005	$2,676,080	$2,575,595
Net Sales	$8,903,555	$9,000,195	$9,089,050	$9,215,980	$9,533,890

	2013	2014	2015	2016	2017
Total operating revenue	$ 8,903,555	$ 9,000,195	$ 9,089,050	$ 9,215,980	$ 9,533,890
Purchased utilities	4,960,032	5,383,056	5,800,842	5,612,907	5,598,551
Gross profit	3,943,523	3,617,139	3,288,208	3,603,073	3,935,339
Other operating expenses	(2,508,062)	(3,187,473)	(2,513,005)	(2,676,080)	(2,575,595)
Depreciation	(155,852)	(56,960)	(65,916)	(71,606)	(73,602)
Interest expense	(85,625)	(81,524)	(76,546)	(74,761)	(66,894)
Other income (loss)	(27,751)	75,482	73,904	69,321	75,077
Income (loss) before transfers	1,166,233	366,664	706,645	849,947	1,294,325
Net transfers in (out)	(343,175)	(600,000)	(1,146,021)	(959,000)	(556,800)
Change in net position	$ 823,058	$ (233,336)	$ (439,376)	$ (109,053)	$ 737,525
Income (loss) before transfers as a percentage of net sales	13.1 %	4.1 %	7.8 %	9.2 %	13.6 %

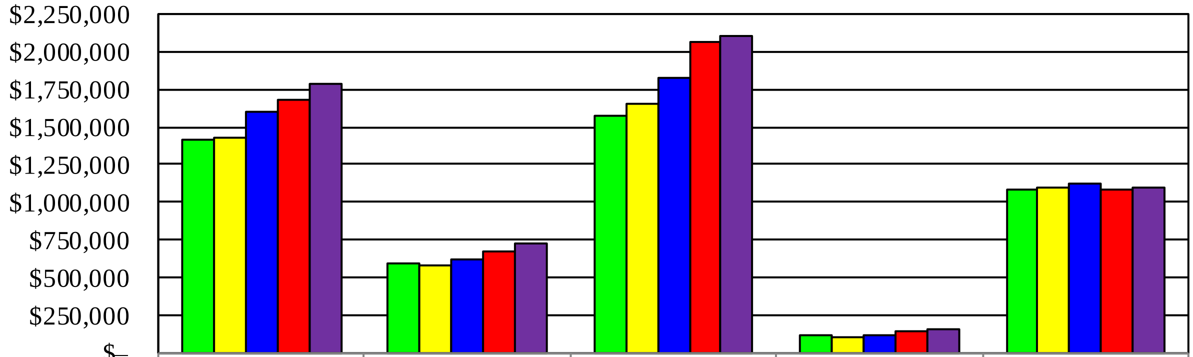
Gross profit results for the City's Electric Fund increased by $332,266 from the prior year. This increase was mainly due to increased rates in the current year as approved by City Council.

The Electric Fund ended fiscal 2017 with a total net position of $5,101,257, of which $4,040,876 was unrestricted, with the remaining balance being classified as net investment in capital assets. At December 31, 2017, unrestricted cash and investments totaled $4,994,155.

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
2013	$1,408,464	$586,525	$1,568,817	$118,059	$1,087,665
2014	$1,429,871	$581,341	$1,653,655	$104,472	$1,095,158
2015	$1,597,494	$613,504	$1,832,616	$108,615	$1,127,975
2016	$1,676,387	$669,380	$2,060,406	$145,673	$1,084,284
2017	$1,787,727	$727,237	$2,105,749	$148,684	$1,099,506

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 of 2009C, 2014A, 2015A, 2016A, and 2017A.

WATER FUND

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

	2013	2014	2015	2016	2017
Operating revenue	$ 1,408,464	$ 1,429,871	$ 1,597,494	$ 1,676,387	$ 1,787,727
Operating expenses	(962,340)	(905,104)	(934,400)	(825,720)	(532,654)
Depreciation	(212,357)	(160,457)	(162,240)	(162,915)	(167,070)
Operating income	233,767	364,310	500,854	687,752	1,088,003
Nonoperating revenue (expenses)	(76,817)	(73,485)	(80,462)	(111,442)	(42,463)
Income before transfers	156,950	290,825	420,392	576,310	1,045,540
Net transfers in (out)	(46,000)	(185,000)	(142,201)	(205,000)	(205,000)
Change in net position	$ 110,950	$ 105,825	$ 278,191	$ 371,310	$ 840,540
Income before transfers as a percentage of operating revenue	11.1 %	20.3 %	26.3 %	34.4 %	58.5 %

The Water Fund ended 2017 with a net position of $3,450,075, an increase of $840,540 from the prior year. Of this, $1,167,120 represents the net investment in capital assets, while $2,282,955 is considered unrestricted.

Operating revenue increased $111,340 from the previous year, or about 6.6 percent. Increased rates and consumption resulted in this overall increase in operating revenue. Operating expenses decreased $293,066, or about 35.5 percent, from the prior year primarily in professional services and materials and supplies due to the installation of water meters in the prior year.

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:

	2013	2014	2015	2016	2017
Operating revenue	$ 586,525	$ 581,341	$ 613,504	$ 669,380	$ 727,237
Operating expenses	(345,793)	(271,762)	(246,858)	(301,498)	(413,569)
Depreciation	(94,673)	(79,073)	(99,533)	(99,533)	(106,553)
Operating income	146,059	230,506	267,113	268,349	207,115
Nonoperating revenue (expense)	(56,278)	(16,802)	(33,472)	(23,831)	(11,740)
Income before transfers	89,781	213,704	233,641	244,518	195,375
Net transfers in (out)	–	(40,000)	164,599	(80,000)	(80,000)
Change in net position	$ 89,781	$ 173,704	$ 398,240	$ 164,518	$ 115,375
Income before transfers as a percentage of operating revenue	15.3 %	36.8 %	38.1 %	36.5 %	26.9 %

The Surface Water Fund ended 2017 with a net position of $2,213,845, an increase of $115,375 from the prior year. Of this, $767,525 represents the net investment in capital assets, while $1,446,320 is considered unrestricted.

Operating revenues increased $57,857 from the previous year, or about 8.6 percent, due to the increased rates. Operating expenses increased $112,071, or about 37.2 percent, from the previous year primarily in professional services and materials and supplies.

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:

	2013	2014	2015	2016	2017
Operating revenue	$ 1,568,817	$ 1,653,655	$ 1,832,616	$ 2,060,406	$ 2,105,749
Operating expenses	(977,277)	(1,011,362)	(1,270,007)	(1,362,513)	(1,298,095)
Depreciation	(197,498)	(148,457)	(113,889)	(106,296)	(108,295)
Operating income	394,042	493,836	448,720	591,597	699,359
Nonoperating revenue (expenses)	(115,448)	(80,637)	(99,808)	(32,810)	(89,755)
Income before transfers	278,594	413,199	348,912	558,787	609,604
Net transfers in (out)	(44,000)	(125,000)	(61,966)	(145,000)	(145,000)
Change in net position	$ 234,594	$ 288,199	$ 286,946	$ 413,787	$ 464,604
Income before transfers as a percentage of operating revenue	17.8 %	25.0 %	19.0 %	27.1 %	29.0 %

The Waste Water Fund ended 2017 with a net position of $1,862,732, an increase of $464,604 from the prior year. Of this, $311,834 represents the net investment in capital assets, while the unrestricted portion has a balance of $1,550,898.

Operating revenue increased $45,343 from the previous year, or about 2.2 percent, largely due to the increase in rates applied in fiscal 2017. Operating expenses decreased $64,418, or about 4.7 percent, due to decreased spending in professional services related to the street improvements and lift station repairs in the prior year.

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:

	2013	2014	2015	2016	2017
Operating revenue	$ 118,059	$ 104,472	$ 108,615	$ 145,673	$ 148,684
Operating expenses	(94,045)	(157,661)	(73,756)	(121,364)	(109,781)
Depreciation	(46,558)	(46,558)	(44,440)	(44,440)	(44,440)
Operating income (loss)	(22,544)	(99,747)	(9,581)	(20,131)	(5,537)
Nonoperating revenue (expenses)	(32,665)	(22,699)	(5,293)	(24,000)	(36,221)
Change in net position	(55,209)	(122,446)	(14,874)	(44,131)	(41,758)
Net position					
Beginning of year	(512,437)	(567,646)	(690,092)	(704,966)	(749,097)
End of year	$ (567,646)	$ (690,092)	$ (704,966)	$ (749,097)	$ (790,855)
Net position					
Net investment in capital assets	$ 1,409,163	$ 1,590,340	$ 1,784,058	$ 1,862,754	$ 1,818,314
Unrestricted	(1,976,809)	(2,280,432)	(2,489,024)	(2,611,851)	(2,609,169)
Total net position	$ (567,646)	$ (690,092)	$ (704,966)	$ (749,097)	$ (790,855)

The Fiber Optic Fund ended 2017 with a net position deficit of $790,855, down $41,758 from the prior year. Of this, $1,818,314 represents the net investment in capital assets, while the unrestricted portion has a deficit balance of $2,609,169.

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:

	2013	2014	2015	2016	2017
Operating revenue	$ 1,087,665	$ 1,095,158	$ 1,127,975	$ 1,084,284	$ 1,099,506
Operating expenses	(923,779)	(839,576)	(1,167,540)	(826,275)	(979,914)
Operating income	163,886	255,582	(39,565)	258,009	119,592
Nonoperating revenue (expenses)	(29,699)	25,694	23,069	27,545	28,887
Income (loss) before transfers	134,187	281,276	(16,496)	285,554	148,479
Net transfers in (out)	(20,000)	(20,000)	(20,000)	(60,000)	(60,000)
Change in net position	$ 114,187	$ 261,276	$ (36,496)	$ 225,554	$ 88,479
Income (loss) before transfers as a percentage of operating revenue	12.3 %	25.7 %	(1.5) %	26.3 %	13.5 %

The Solid Waste Fund ended 2017 with a net position of $666,239, an increase of $88,479 from the prior year, all of which is reported as unrestricted net position.

Operating revenue increased $15,222 from the previous year, or about 1.4 percent. Operating expenses increased $153,639, or about 18.6 percent, as a result of increased hauling charges recognized in the current year.

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, 2017 and 2016 for governmental activities, business-type activities (utility fund operations), and the Economic Development Authority (EDA) component unit:

	As of December 31,		Increase
	2017	2016	(Decrease)
Net position			
Primary government			
Governmental activities			
Net investment in capital assets	$ 19,304,556	$ 18,613,487	$ 691,069
Restricted	5,086,728	4,343,924	742,804
Unrestricted	1,906,846	1,535,730	371,116
Total governmental activities	26,298,130	24,493,141	1,804,989
Business-type activities			
Net investment in capital assets	5,125,174	5,361,800	(236,626)
Unrestricted	7,364,722	4,870,810	2,493,912
Total business-type activities	12,489,896	10,232,610	2,257,286
Total primary government	38,788,026	34,725,751	4,062,275
Component unit			
Economic Development Authority			
Restricted	135,809	72,894	62,915
Total net position	$ 38,923,835	$ 34,798,645	$ 4,125,190

The City (including the EDA) ended 2017 with combined total net position of $38,923,835, an increase of $4,125,190 from the prior year. At the end of the current fiscal year, the City is able to present positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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 positions. 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, 2017 and 2016:

	2017			2016
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Primary government				
Governmental activities				
General government	$ 2,500,256	$ 371,906	$ (2,128,350)	$ (2,336,595)
Public safety	3,802,714	440,556	(3,362,158)	(3,797,695)
Public works	1,512,014	1,083,675	(428,339)	(595,961)
Parks and recreation	439,167	291,061	(148,106)	(334,640)
Economic development	472,262	1,000	(471,262)	(184,157)
Interest and fiscal charges	409,252	–	(409,252)	(412,714)
Business-type activities				
Electric	8,329,029	9,556,646	1,227,617	812,018
Water	752,207	1,787,786	1,035,579	570,346
Surface water	538,861	727,287	188,426	241,710
Waste water	1,484,530	2,105,802	621,272	555,158
Fiber optic	154,236	148,684	(5,552)	(22,213)
Solid waste	987,790	1,125,765	137,975	278,588
Total primary government	21,382,318	17,640,168	(3,742,150)	(5,226,155)
Component unit				
Economic Development Authority	81,890	–	(81,890)	(122,849)
Total net (expense) revenue	$ 21,464,208	$ 17,640,168	(3,824,040)	(5,349,004)
General revenues				
Property and franchise taxes			5,783,355	5,222,789
Grants and contributions not restricted to specific programs			1,812,458	1,919,280
Other general revenues			94,949	42,049
Investment earnings			222,694	145,088
Gain on sale of assets			35,774	–
Total general revenues			7,949,230	7,329,206
Change in net position			$ 4,125,190	$ 1,980,202

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

The 2017 legislative session began with a full agenda, which included adopting a fiscal year 2018–2019 biennial state budget. The February 2017, state budget forecast projected that the state General Fund would end the 2016–2017 biennium with a surplus of $743 million, eliminating the need for budget cuts or transfers to balance the fund. However, the Legislature was expected to address several significant spending areas for which successful funding appropriations had not been passed in recent legislative sessions. The 2017 regular legislative session ended with four omnibus budget bills being vetoed, potentially leaving a number of these same areas without appropriations. After a three-day special session, the Governor and Legislature were able to agree on budget and appropriation bills addressing most of the state budgetary needs for the upcoming biennium, albeit not without several line item vetoes invoked by the Governor, including striking the appropriations for operating the House and Senate from the bills.

The following is a summary of recent legislation affecting Minnesota cities:

Omnibus Bonding Bill – The omnibus bonding bill authorizes financing for approximately $1.1 billion in capital improvements. Included in the approved funding was $255 million for transportation infrastructure, $83 million for economic development, $116 million for Public Financing Agency water infrastructure loans and grants to municipalities, and $4 million for Metropolitan Council inflow and infiltration improvement grants to metro area cities.

Omnibus Transportation Bill – The omnibus transportation bill appropriates $2.95 billion in fiscal 2018 and $2.87 billion in fiscal 2019, for a wide variety of transportation related projects. Included in the appropriations are approximately $191 million and $198 million for municipal state aid street fund purposes in fiscal 2018 and fiscal 2019, respectively.

Property Tax Relief – The omnibus tax bill contained a number of property tax relief measures, including:

- Elimination of the implicit price deflator annual increase for the state general property tax levy, effectively freezing it at the payable 2018 level for many property classes;
- Exempting the first $100,000 of each commercial-industrial parcel's tax capacity from the state general property tax levy;
- Expanding eligibility for homestead or agricultural property classification exemptions for certain types of resort and conservation property for general property taxes; and
- Increasing the minimum value for a storage shed, deck, or similar structure on a leased mobile home to be considered taxable from $1,000 to $10,000.

Local Government Aid – The annual appropriation for Local Government Aid (LGA) for cities was increased $15.0 million to $534.4 million for aid payable in 2018 and thereafter, and the LGA payment schedule was accelerated for fiscal 2019 only. Several corrections were also made to the city LGA formula calculation, and a sparsity adjustment was incorporated for certain medium and small cities beginning in 2018.

Minnesota Investment Fund – The omnibus jobs and economic growth bill appropriates $12.5 million for each year of the biennium for the Minnesota Investment Fund, which is available for municipalities to provide loans to assist with the expansion of local businesses.

Electronic Funds Transfers – Effective August 1, 2017, home rule charter cities of the second, third, or fourth class are added to the list of local government entities allowed to pay certain claims using electronic funds transfers. To be eligible, local governments must enact specified policy controls governing the initiation, authorization, and documentation of electronic funds transfers.

Claims Declaration – The requirement to obtain a specific form of written claim declaration was also repealed based on the understanding that by making the claim, the party making the claim is declaring that the claim is just and correct and has not been paid previously.

City E-mail Address Required to Receive State Aid – Effective for state aids payable in 2018 and thereafter, cities will be required to register an official e-mail address with the Commissioner of the state Department of Revenue in order to receive state aid payments.

Workforce Housing Tax Increment Financing – The omnibus tax bill created a new authorized use of tax increment financing (TIF), for workforce housing in cities located outside of the statutorily defined metropolitan area that meet certain criteria.

Tax Increment Financing Interfund Loans – Interfund loan provisions for TIF were amended to make it easier for cities and development authorities to make and document interfund loans. Loans may now be made or documented up to 60 days after the actual transfer or expenditure occurs. Interfund loan resolutions may now be passed prior to the final approval of the related TIF plan. Loan terms may be amended after the loan has been made if the TIF district has not been decertified.

Public Debt – The Legislature passed several amendments to statutes governing public debt that took effect on July 1, 2017, including:

- Allowing both home rule charter and statutory cities to issue 20-year capital notes for projects to eliminate R-22 Freon-based refrigerant;
- Increasing the maximum dollar limit on Housing and Redevelopment Authority general obligation bond issues from $3 million to $5 million; and
- Modifying the requirements for street reconstruction bonds to be approved by a two-thirds majority of the governing body rather than requiring unanimous approval.

Local Housing Trust Funds – The omnibus jobs and economic growth appropriations bill established authority for cities to create a local housing trust fund by ordinance, or to participate in a joint powers agreement to establish a regional housing trust fund. The funds, which may be financed from sources such as local government appropriations or housing and redevelopment authority levies, may be used for grants or loans for development, rehabilitation, financing of housing to match federal or state or private funds for housing, down payment assistance, rental assistance, or homebuyer counseling.

Long-Term Equity Investment Authority – Effective July 1, 2017, cities with a population of more than 100,000 or those that had their most recently issued general obligation bonds rated in the highest category, are authorized to invest in an expanded list of authorized investments that includes certain equity-based investments. The amount invested in equity-based investments cannot exceed 15 percent of the sum of a city's assigned cash, cash equivalents, deposits, and investments. Before investing in the expanded list of authorized investments, the governing body of the municipality must adopt a resolution acknowledging the risks assumed.

Border-to-Border Broadband Grants – The Legislature appropriated $20 million in fiscal 2018 for the Border-to-Border Broadband Grant Program. The grants, available through the Office of Broadband Development in the Department of Employment and Economic Development, provide funding to help communities meet state goals for the development of state-wide, high-speed broadband access, focusing on areas currently considered to be underserved or with a high concentration of low-income households.

Elections – An omnibus elections law was passed making several modifications to election administration, including: requiring special elections conducted by local governments be held on one of five uniform election dates, clarifying the timeline for municipalities to change from odd to even-year election cycles or vise-versa, allowing municipalities to canvass the results of a primary election on the second or third day after the primary, and appropriating $7 million for grants to replace aging election equipment or purchase electronic poll books.

Workers' Compensation and PERA Retirement Benefits – A statutory change was adopted based on the results of recent court rulings that Public Employees Retirement Association (PERA) retirement benefits should not be offset against workers' compensation permanent total disability benefits. Under the new law, claimants would receive all past and future permanent and total disability benefits without a PERA retirement offset.

Notice of Proposed Ordinances – A new statute was created requiring cities to provide a 10-day notice prior to a scheduled final vote on most new proposed ordinances or amendments to ordinances, and specifying the various acceptable means of providing the required notification.

State Building Code Applicability – Construction, additions, and alterations to places of public accommodation; defined as publicly or privately-owned facilities designed for occupancy by 200 or more people as a sports or entertainment arena, stadium, theater, community or convention hall, special event center, indoor amusement facility or water park, or indoor swimming pool; must comply with the state building code.

Sunday Liquor Sales – Minnesota Statutes were amended to allow for the sale of intoxicating liquor on Sundays between the hours of 11:00 a.m. and 6:00 p.m. by off-sale licensees, effective July 1, 2017.

REAL ID Act – Minnesota Statutes were amended to make the state compliant with federal REAL ID Act requirements, which will change identity verification and security related to state-issued identification cards and driver's licenses.

ACCOUNTING AND AUDITING UPDATES

GASB STATEMENT NO. 75, *ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with other post-employment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement replaces the requirements of GASB Statement Nos. 45 and 57.

This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Similar to changes implemented for pensions, this statement requires the liability of employer and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Note disclosure and RSI requirements about defined benefit OPEB also are addressed.

The requirements for this statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB STATEMENT NO. 83, *CERTAIN ASSET RETIREMENT OBLIGATIONS*

This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO), which are legally enforceable liabilities associated with the retirement of a tangible capital asset.

This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability when it is both incurred and reasonably estimable. The measurement of an ARO is required to be based on the best estimate of the current value of outlays expected to be incurred, and a deferred outflow of resources associated with an ARO is required to be measured at the amount of the corresponding liability upon initial measurement.

This statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. Deferred outflows of resources should be reduced and recognized as outflows of resources in a systematic and rational manner over the estimated useful life of the tangible capital asset.

If a government owns a minority interest in a jointly owned tangible asset where a nongovernmental entity is the majority owner or has operational responsibility for the jointly owned asset, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this statement.

The statement also requires disclosures of any funding or financial assurance requirements a government has related to the performance of asset retirement activities, along with any assets restricted for the payment of the government's AROs. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB STATEMENT NO. 84, *FIDUCIARY ACTIVITIES*

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements, which should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources, defined as when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB STATEMENT NO. 85, *OMNIBUS 2017*

The objective of this statement is to address issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and OPEB). The statement is meant to enhance consistency in the application of recent accounting and financial reporting standards. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB STATEMENT NO. 86, *CERTAIN DEBT EXTINGUISHMENT ISSUES*

Current GASB guidance requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. This new standard establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt.

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

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 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 December 15, 2019.

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2017

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports
Year Ended December 31, 2017

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Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2018.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
April 18, 2018

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2018.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Responses as items 2017-001 and 2017-002. 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.

CITY'S RESPONSES TO FINDINGS

The City's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Responses. The City's responses were not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on them.

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
April 18, 2018

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FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2017-001 PAYROLL DECLARATION

Criteria – Minnesota Statutes § 412.271, Subd. 2.

Condition – Minnesota Statutes require that when any claim for wages listed on a payroll is paid, the employee shall sign a declaration, which may be a part of the payroll, to the effect that the employee has received the wages and done the work for which the wages have been paid. Each employee claiming payment from the City of North St. Paul (the City) is required to make the following written declaration: "I declare under penalties of law that I have received the wages stated on this payroll opposite my name and have done the work for which the wages were paid." This declaration was not obtained for the timecard employees tested in fiscal year 2017.

Context – This is a current year and prior year finding.

Cause – This was an oversight by city personnel.

Effect – The City did not properly obtain this declaration for timecard employees tested in 2017 as required by Minnesota Statutes.

Recommendation – We recommend that the City include the required declaration onto each timesheet in the future to ensure compliance with this statute.

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

2016-002 SOLID WASTE MANAGEMENT BILLING

Criteria – Minnesota Statutes § 297H.07.

Condition – Minnesota Statutes require any taxes imposed on solid waste management services to be itemized separately by the City on each customer's bill. The City was not in compliance with this statute.

Context – This is a current year and prior year finding.

Cause – The billing software for the City does not separately itemize taxes imposed on solid waste management fees.

Effect – The City did not separately itemize taxes imposed for solid waste management services on customer billing statements as required by Minnesota Statutes.

Recommendation – We recommend that the City review the format of its customer billing statements to ensure future compliance with this statute.

Management Response – There is no disagreement with the audit finding. The City will review its procedures in place and work with the billing software company to ensure future compliance with this statute.

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