



City of North St. Paul
City Council
Workshop Meeting Agenda

May 5, 2026
5:15 PM

The City Council Workshop Meeting will be conducted on **May 5, 2026** at 5:15 p.m. in the Council Chambers at City Hall, located at 2400 Margaret St., North St. Paul.

You can watch the meeting on our YouTube channel here: [tinyurl.com/NSPYouTube](https://www.youtube.com/NSPYouTube)

I. Call to Order

II. Roll Call

Council Member Nordby
Council Member Woods
Council Member McKenzie
Council Member Schweer
Mayor Monge

III. Adopt Agenda

IV. Topic(s)

- A. Review of the 2025 Financial Report with the City's Audit Firm of LB Carlson, LLP
- B. Alley Improvement Process Discussion

V. Other Business

VI. Adjournment

Members may be participating by Interactive Technology.

The next regularly scheduled City Council Workshop meeting is May 19, 2026.



To	Date
Honorable Mayor Monge and City Council	May 5, 2026

Agenda Placement # IV.A

Topic(s)

Subject

Review of the 2025 Financial Report with the City's Audit Firm of LB Carlson, LLP

Background/Facts

Each year at the conclusion of their audit, the city's auditors review the Comprehensive Annual Financial Report (ACFR) with the city council. Jackie Huegel, Principi, with the City's auditing firm, LB Carlson, LLP will present the 2025 Annual Comprehensive Finance Report (ACFR) and review their Management Report at the City Council Workshop on May 5, 2026.

Included with the council packet are four separate documents; the first document, and largest, is a copy of the Annual Comprehensive Financial Report, the second is auditor's Management Report, the third is the Special Purpose Audit Report including opinions on compliance with Government Auditing Standards and Legal Compliance, and the fourth is the Corrective Action Plan and Summary Schedule of Prior Audit Findings. The Annual Comprehensive Financial Report will also be posted on the City's website. Last year was the 38th consecutive year that the City of North St. Paul participated in and was awarded the Certificate of Achievement for Excellence in Financial Reporting program administered by the Governmental Finance Officers Association (GFOA). Staff believes that the current year's submission will also meet the requirements to receive the award.

Financial Impact

Recommended Action

For City Council review.

Attachments

1. 6340 2025 NSP Fin Stmt
2. 6340 2025 NSP Mgmt Rpt
3. 6340 2025 NSP Spec Purp

4. 2025 Corrective Action Plan and Summary Schedule of Prior Audit Findings

Respectfully submitted,
Daniel Winek, Finance Director

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2025

City of North St. Paul, Minnesota

extraordinary.

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Annual Comprehensive
Financial Report

for the Fiscal Year Ended
December 31, 2025

Brian Frandle
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

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CITY OF NORTH ST. PAUL

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INTRODUCTORY SECTION

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**NORTH
ST. PAUL**

April 24, 2026

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

INTRODUCTION

The Annual Comprehensive Financial Report (ACFR) of the City of North St. Paul, Minnesota (the City) for the fiscal year ended December 31, 2025 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board.

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

The City's financial statements have been audited by LB Carlson, LLP, 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, 2025, 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, 2025 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.

-i-



Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1887, is located in northeastern Ramsey County, and is a first ring northern suburb of the Minneapolis-St. Paul metropolitan area. This area is considered the major population and economic growth area in the state, and among the highly ranked economic growth areas in the country. The City encompasses an area of 3 square miles and serves an estimated population of 12,644. The City is empowered to levy a property tax on both real and certain personal properties located within its borders.

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

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

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

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

The North St. Paul Fire Department Relief Association is a separate legal entity, and is included only in the government-wide financial statements. Additional information on this legally separate entity can be found in Note 9 of the notes to basic financial statements.



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

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

LOCAL ECONOMY

The City is located within Ramsey County and is part of the Minneapolis-St. Paul seven county metropolitan area; an economically diverse environment with an equally diverse labor force. In December 2025, the unemployment rate for Ramsey County was 3.9 percent, compared to the national rate of 4.4 percent. The Minneapolis-St. Paul-Bloomington area consumer price index was up 2.5 percent for 2025, compared to 2.7 percent nationally. These figures display the strength of the local economy compared to the national average.

The City's tax base is comprised mainly of residential property. The 10 largest taxpayers make up about 18.9 percent of the City's taxable net tax capacity. This provides the City with a stable source of property tax revenue. The City's largest private employers are Berwald Roofing and Target Stores, Inc. Berwald Roofing employs approximately 177 people. Target Stores, Inc. employs approximately 172 people and is part of a large national chain of stores.

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

LONG-TERM PLANNING AND MAJOR INITIATIVES

Factors Affecting Financial Condition

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

Financial Planning

The City places a high priority on planning for future growth. Staff uses 10-year financial revenue and expenditure models during the annual preparation of the budget for the General Fund, Housing Redevelopment Authority, Community Center, Park, Economic Development Authority, and enterprise funds. Furthermore, the City Council and staff compile a 10-year Capital Improvement Plan (CIP), which addresses the future building and infrastructure projects necessary to address the new residential and commercial property outlined in the City's 2040 Comprehensive Plan.



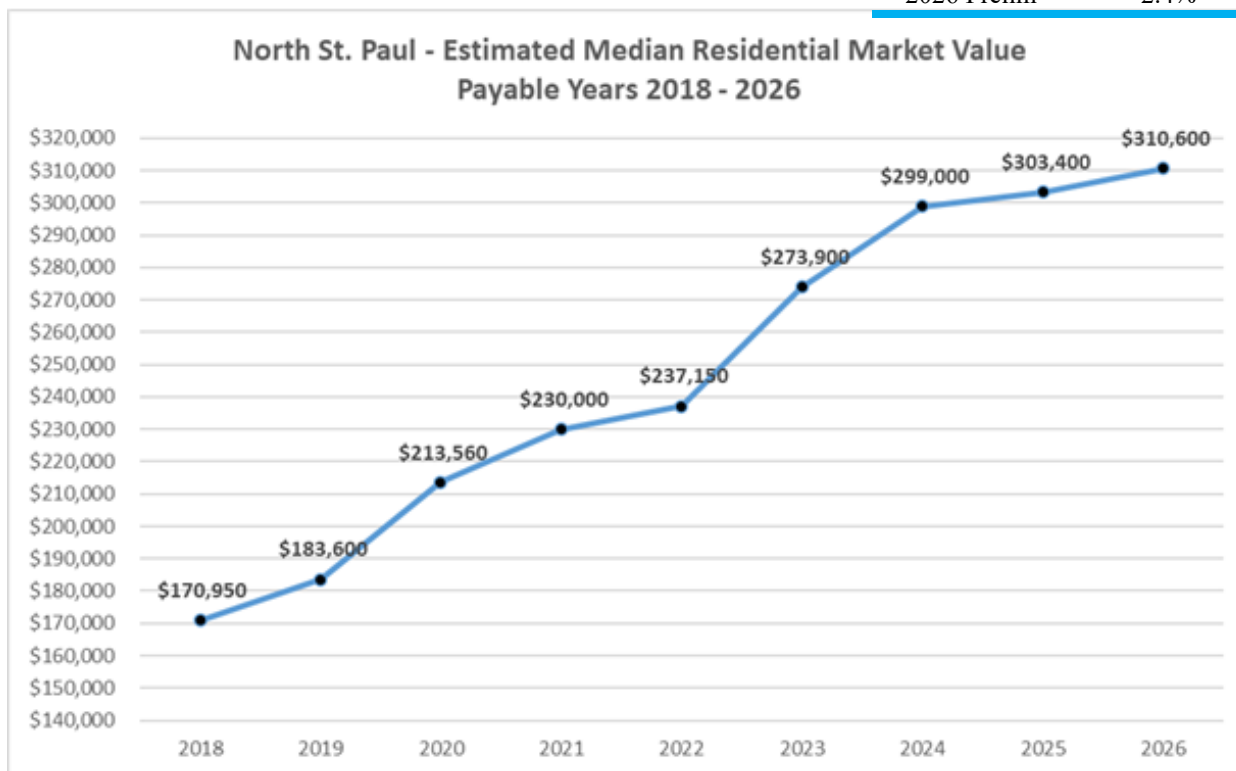
The City maintains several internal service funds, including equipment, city mechanic, insurance, information technology, and building maintenance. The funding for these programs is through the internal service fund rate charges, which are determined by departmental use, replacement plans, and determination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

Related to the establishment of multiple tax increment financing (TIF) districts, the City has entered into several pay-as-you-go notes (the “tax abatements”) (see Note 14) with private developers to facilitate certain development and redevelopment projects within the City, but for the use of tax increment financing and the City financing of a portion of the extraordinary costs related to the projects, the development/redevelopment activities would not have occurred. The tax abatements have resulted in substantial taxable value increases for the City that will assist with long-term financial planning of financing required capital improvements, while maintaining level annual levies and tax rate. Once decertified, the captured tax capacity of the TIF districts have resulted (and will continue in the future as newer districts are decertified) to enhance and diversify the City’s tax base.

Housing Values

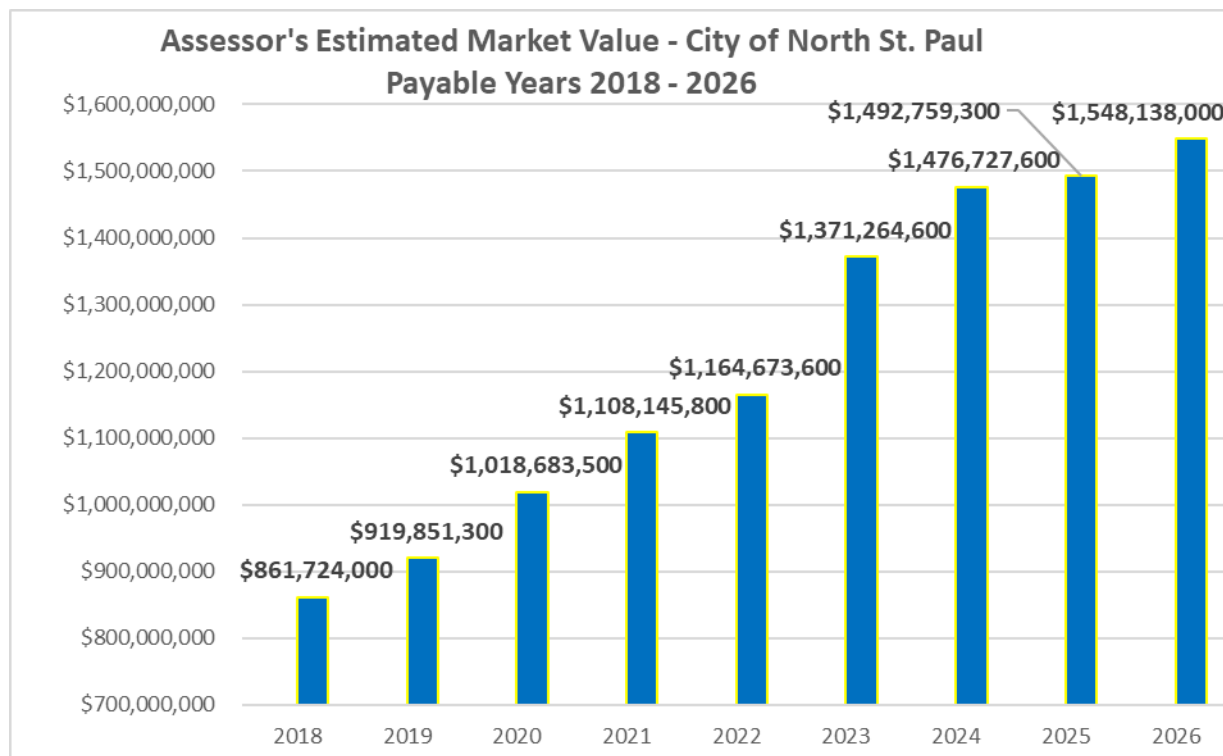
Home values in the City are continuing on a positive trend. The assessor’s estimated residential market values increased on the median valued home approximately 1.5 percent for 2025 taxes payable. Since 2018, the City’s median residential value has increased 81.7 percent. Preliminary assessor values for 2026 continue this positive trend with an increase of 2.4 percent.

	Increase (Decline) in Median Residential Value
2019	7.4%
2020	16.3%
2021	7.7%
2022	3.1%
2023	15.5%
2024	9.2%
2025	1.5%
2026 Prelim	2.4%



Market Values

Total market value increased by \$16.0 million in payable year 2025. Legislative changes in the homestead market value exclusion reduced the City's residential tax base. Conditions are expected to continue improving at a moderate rate, with preliminary county assessor data for payable 2026 assessed values showing an estimated market value of \$1.5 billion. Total market value increased by \$55.4 million.



Major Initiatives

Development Projects

17th Avenue East & Delaware Avenue (Delaware Place)

The Delaware Place Townhouse project is now under construction on the northeast corner of 17th Avenue East and Delaware Avenue. This 2.43-acre parcel is the location of a former church that was demolished in 2009. On March 19, 2024, the City Council approved a contract for private development and sale of property with Andrus Built, LLC (Doug Andrus). The project required City approval of a planned unit development (PUD), a rezoning, a preliminary plat and a final plat. As approved, the development has 10 lots for townhouses – with three buildings facing 17th Avenue and two buildings facing Delaware Avenue. The developer expects to complete the project in 2027.

Cowern Elementary School

In 2025, city staff worked with the School District and their consultants on plans for the expansion and remodeling of Cowern Elementary School located at 2131 Margaret Street North. The project as approved by the City includes a two-story addition on the southwest corner of the building, an addition on the east side of the building for an expansion of the kitchen and cafeteria, and increased security entry functions for the building. It also includes the expansion and improvements to the existing parking lot along South Avenue and the creation of a new bus parking lot and loop in the northeast corner of the site.



The two-story addition will contain 16 classrooms, restrooms, calming spaces, storage, and a storm shelter. Changes to other parts of the building will include updating the existing toilet rooms and restrooms and adding a 36-foot by 60-foot addition to the cafeteria on the east side of the building. It also includes general upgrades throughout the building to meet Americans with Disabilities Act (ADA) requirements. The City Council approved conditional use permit amendment and design plans for this project on September 16, 2025. The School District will complete the construction for this project in phases starting in the Spring of 2026 with project completion expected in 2028.

Student-Built Housing

The City's Housing and Redevelopment Authority (HRA) has partnered with Northeast Metro 916 Career and Technical Center and Century College on the City's Student-Built Housing Program. The constructed homes are designed to complement existing homes within the neighborhood and are sold at market value. The partnership allows an opportunity to improve the City's housing stock while giving high school students the opportunity to explore career paths in the construction and building trades. In 2024–2025, the City continued this partnership with the students completing the construction of a home at 2007 6th Street North in July 2025. The City sold this property to a private party in August 2025.

In the Spring of 2025, the City was notified that Northeast Metro 916 Career and Technical Center would no longer be offering their carpentry program. This change required the City to find a new partner to continue developing or redeveloping city-owned properties with new homes. Fortunately, the City was able to start a new partnership with Saint Paul College to continue the student-built program. The college carpentry program started construction of a duplex in November 2025 on city-owned property located at 2357 7th Avenue East. They expect to complete the duplex in May or June 2026.

Infrastructure Improvements

Electric Utility Improvements

Gerald and Mohawk: Installed loop feed primary and all underground high voltage.

17th and Delaware: Buried main circuit feeder and feed to homes.

Casey Lake Park: Installed lighting to increase safety in the park.

Parks

Installed a new playground at Polar Park and constructed a utility/soccer field at Casey Lake.

2025 Street and Utility Improvement Project

The 2025 Street and Utility Improvement Project in the City consists of the following work:

- Reconstruction of:
 - Gerald Avenue Street and utilities between Mohawk Road and Mesabi Avenue.
 - Shawnee Drive Street and utilities between McKnight Road North and Casey Lake Park.
 - Buhl Avenue Street and utilities between Mesabi Avenue and Mesabi Avenue.
 - Casey Lake trail from the sanitary lift station to Shawnee Drive.
- Mill and overlay of Casey Lake Park parking lot off of Shawnee Drive.
- Reconstruction and expansion of Casey Lake Park stormwater basin near Shawnee Drive.

This project consists of pavement removal, pavement milling, grading and base, concrete curb and gutter, and bituminous surfacing. This project also includes the removal and installation of new watermain, sanitary sewer, and drainage improvements. Other project work includes new concrete walk, bituminous trails, grading, landscaping, striping, stormwater basin expansion, sanitary lining, directional drilling, and pipe bursting.



Construction began in the Spring of 2025 and was completed in the Fall of 2025. Wear course paving to be in the Spring of 2026.

Sanitary Sewer Cleaning / Televising

The City continues its sanitary sewer cleaning and televising on large sections of the City's system. Contractors are making simple repairs and collecting data on the health of the system for future infrastructure projects.

Pavement Rehabilitation

The pavement rehabilitation street and alley areas include regular bituminous mill and overlay or full depth bituminous reclamation/pavement replacement. The rehabilitation of bituminous roadway areas is based on need and pavement distress, which includes milling or reclamation of the pavement surface, spot curb and gutter repair, ADA improvements, and a bituminous asphalt pavement overlay or replacement. Sanitary sewer mainline lining and manhole structure rehabilitation or replacement, water valve manhole structure rehabilitation or replacement, and storm sewer catch basin and manhole structure rehabilitation or replacement will also be conducted within the project areas.

This is a continuation of ongoing pavement rehabilitation to maintain existing infrastructure conditions. Utility manhole structure rehabilitation or replacement will protect the investment in roadway improvements by addressing needed deficiencies in underground utility infrastructure systems under and embedded within the roadway areas to be improved. Sanitary sewer mainlines lining and point repairs will likewise protect roadway improvements and address inflow and infiltration (I/I) caused by cracked or separated pipes.

Capital Improvement Plan Update

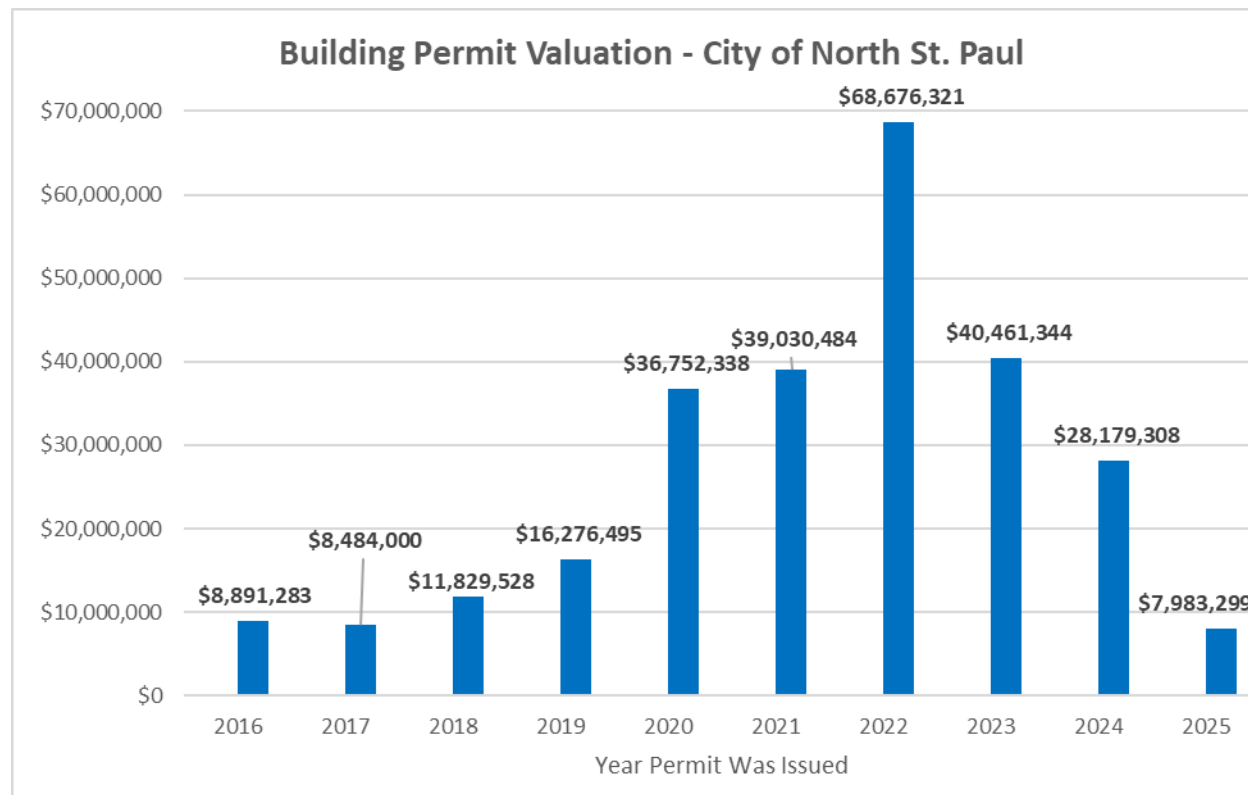
City staff has updated the current CIP to span 10 years in 2021, an update to the five-year view that had historically been presented. The 10-year CIP is updated as a part of the annual budget process. The 10-year CIP identifies immediate needs but also seeks to capture long-term capital needs throughout the City.

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



Building Permit Valuation

In 2021, the building permit valuation was \$39.0 million, mainly as a result of the mixed-use redevelopment project on the former City Hall site, an indoor climate-controlled storage facility on the north side of the former Anchor Block site, and continuation of the townhome project that began in 2019. The 2022 building permit valuation remained strong at \$68.7 million, with permits for an addition to the North St. Paul High School and city-wide roof and siding replacements, due to the major hailstorm in May of 2022. The 2023 building permit valuation continued the strong trend since 2020 with \$40.5 million, with permits for the Webster Education Center Renovation and the Article 7 Apartments. The 2024 building permit valuation was \$28.2 million, and 2025 building permit valuation was \$8.0 million as expected. The City expects future permit valuations to be similar to the 2016 to 2019 average, as the development projects have been completed.



Long-Term Financial Planning

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

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



Each year, the City updates a 10-year Pavement Management Plan (PMP). The PMP identifies the City’s infrastructure that is in need of repair or reconstruction, and the estimated costs associated with each project. The City also maintains internal service funds for the replacement of various capital assets. The Equipment Fund maintains reserves for the replacement of the City’s fleet and heavy equipment. The Building Maintenance Fund was established for maintenance and upkeep of city-owned properties. All is incorporated into the City’s 10-year CIP.

Relevant Financial Policies

In 2022, to strengthen the City’s overall financial position, the City Council adopted a fund balance policy that will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent year’s budgeted expenditures for working capital. On December 31, 2025, the unassigned fund balance for the General Fund was over 50 percent of the subsequent year’s budgeted expenditures.

BOND RATING UPGRADE

In 2025, S&P Global Ratings raised its long-term rating to ‘AA+’ from ‘AA’ on North St. Paul, Minnesota’s general obligation (G.O.) bonds outstanding and assigned its ‘AA+’ long-term rating to the City’s anticipated \$6.5 million series 2025 G.O. street reconstruction and utility bonds.

Credit Overview

North St. Paul’s credit profile benefits from the revenue stream stability and predictability derived from a primarily residential property tax base. A prudent approach to financial management, including annually updated 10-year financial and capital plans, an adopted fund balance policy, and routine budget amendments enabling the budget to track changing conditions further support credit quality. Incomes that are just average, and therefore low relative to similarly rated peers, and higher debt service carrying charges serve as the primary offsetting credit factors.

North St. Paul is a built-out residential suburb in Ramsey County. Residential properties represent 84 percent of net tax capacity, and property taxes represent two-thirds of General Fund revenue. Similar to many municipalities in the Twin Cities area, North St. Paul has seen rapid property value growth in recent years as revaluations and relative scarcity in housing supply have boosted values. Management expects this to slow and is assuming roughly 2 percent annual net tax capacity increases over its 10-year forecast period.

Several years of operating surpluses have brought the available fund balance to above the 50 percent of expenditures targeted in the City’s fund balance policy, adopted in 2022. Given its estimated 9 percent operating surplus in fiscal 2025 and management indicating the City is on track to likely meet or exceed its balanced fiscal 2026 budget, we expect both performance and reserves to remain credit strengths, even in the event of a broader economic slowdown. Moving forward, slower national and state-wide economic growth could somewhat pressure the City’s ability to sustain recent years’ stronger performance. S&P Global Ratings forecasts declining GDP growth and somewhat higher unemployment in 2025 (see “Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies,” published March 25, 2025 on RatingsDirect).



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2024. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate, a governmental unit must publish an easily readable and efficiently organized ACFR, whose contents comply with rigorous standards of the program. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The certificate is valid for a period of one year only. The City has received this certificate for the last 38 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,



Brian Frandle
City Manager

-X-





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of North Saint Paul
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

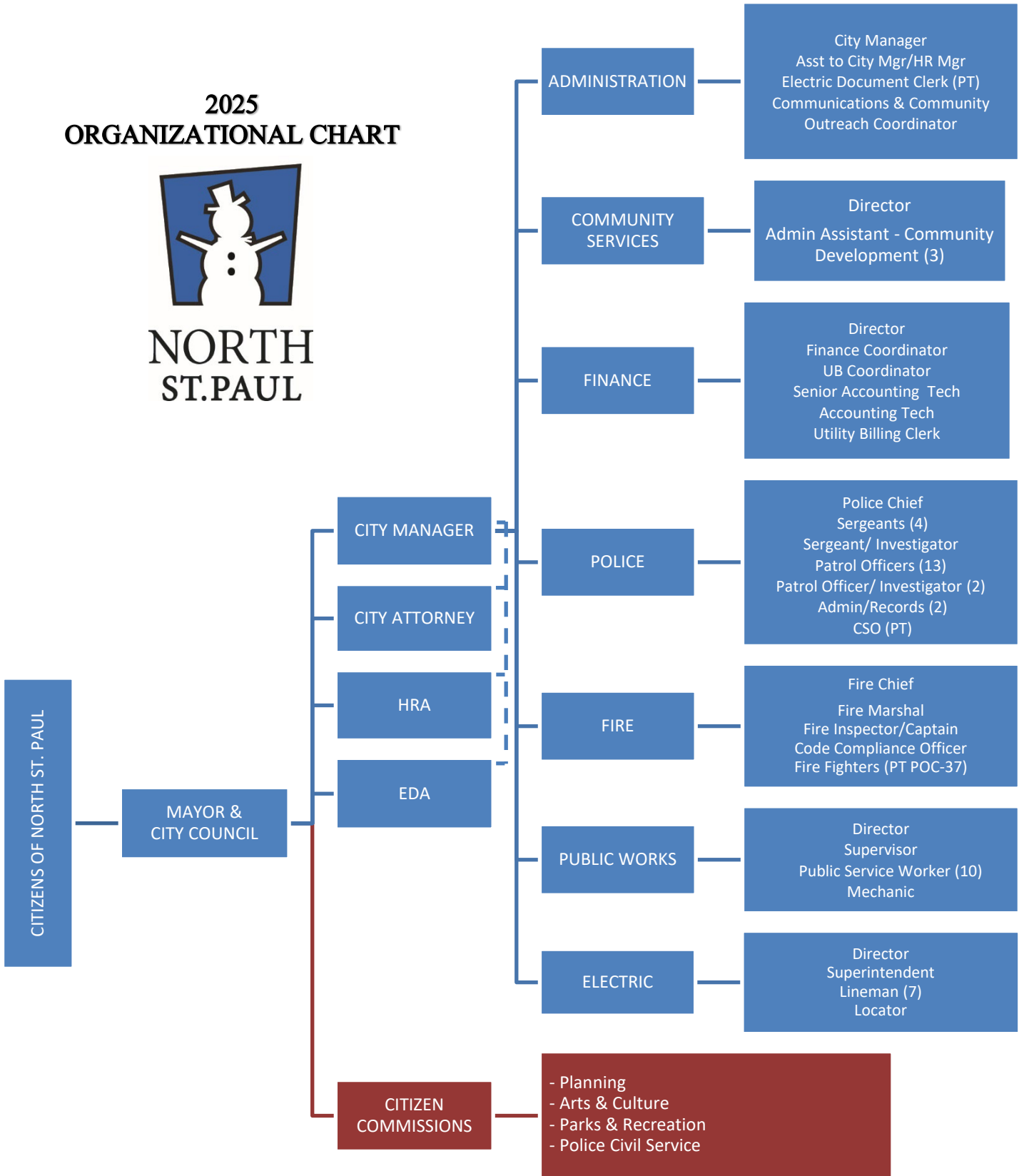
Christopher P. Morill

Executive Director/CEO

2025 ORGANIZATIONAL CHART



**NORTH
ST. PAUL**



CITY OF NORTH ST. PAUL

Elected Officials and Appointed Personnel
December 31, 2025

ELECTED OFFICIALS

		<u>Term Expires</u>
John Monge	Mayor	December 31, 2026
Dave Mckenzie	Councilmember	December 31, 2028
Jason Nordby	Councilmember	December 31, 2026
Cassidy Schweer	Councilmember	December 31, 2026
Troy Woods	Councilmember	December 31, 2028

APPOINTED PERSONNEL

Brian Frandle	City Manager
Dan Winek	Finance Director
Raymond Rozales	Police Chief
Jason Mallinger	Fire Chief
Ron Ritchie	Public Works Director
John Wick	Electric Director
Ken Roberts	Community Development Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

(continued)

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

SUPPLEMENTARY INFORMATION

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

OTHER INFORMATION

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2026, 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "LB Carlson, LLP".

LB CARLSON, LLP
Minneapolis, Minnesota

April 24, 2026

CITY OF NORTH ST. PAUL

Management's Discussion and Analysis Year Ended December 31, 2025

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, 2025. 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 \$76,429,857 (*net position*). Of this amount, \$30,558,551 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; \$6,883,070 is restricted for specific purposes (*restricted net position*); and \$38,988,236 represents the net investment in capital assets. The City's total net position increased \$6,504,425 during the year ended December 31, 2025.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,220,548, an increase of \$2,807,999.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,792,087, or 67 percent, of total General Fund expenditures based on 2026 budgeted expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, and economic development. The business-type activities of the City include electric, water, surface water, waste water, fiber optic, and solid waste operations.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Anchor Block North – Housing Tax Increment Special Revenue Fund, and the Street Improvement Revolving 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, Community Center Fund, Park Fund, and the discretely presented component unit – the EDA. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,429,857 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 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, 2025 and 2024

	Governmental Activities		Business-Type Activities		Totals – Primary Government	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 28,648,205	\$ 24,711,742	\$ 31,344,650	\$ 27,168,124	\$ 59,992,855	\$ 51,879,866
Capital assets, net	42,432,514	41,402,932	23,890,034	22,167,341	66,322,548	63,570,273
Total assets	\$ 71,080,719	\$ 66,114,674	\$ 55,234,684	\$ 49,335,465	\$ 126,315,403	\$ 115,450,139
Deferred outflows of resources						
Pension plan deferments	\$ 2,859,307	\$ 3,790,425	\$ 224,028	\$ 241,132	\$ 3,083,335	\$ 4,031,557
OPEB plan deferments	96,119	76,061	36,598	28,778	132,717	104,839
Total deferred outflows of resources	\$ 2,955,426	\$ 3,866,486	\$ 260,626	\$ 269,910	\$ 3,216,052	\$ 4,136,396
Total assets and deferred outflows of resources	\$ 74,036,145	\$ 69,981,160	\$ 55,495,310	\$ 49,605,375	\$ 129,531,455	\$ 119,586,535
Liabilities						
Other liabilities	\$ 2,114,108	\$ 1,733,399	\$ 1,917,166	\$ 1,686,409	\$ 4,031,274	\$ 3,419,808
Noncurrent liabilities	23,430,990	22,947,219	18,095,400	15,497,029	41,526,390	38,444,248
Total liabilities	\$ 25,545,098	\$ 24,680,618	\$ 20,012,566	\$ 17,183,438	\$ 45,557,664	\$ 41,864,056
Deferred inflows of resources						
Lease revenue for subsequent years	\$ 2,909,518	\$ 2,112,796	\$ –	\$ –	\$ 2,909,518	\$ 2,112,796
Pension plan deferments	4,099,941	4,648,561	534,475	661,163	4,634,416	5,309,724
State aid received for subsequent years	–	374,527	–	–	–	374,527
Total deferred inflows of resources	\$ 7,009,459	\$ 7,135,884	\$ 534,475	\$ 661,163	\$ 7,543,934	\$ 7,797,047
Net position						
Net investment in capital assets	\$ 29,659,418	\$ 29,794,782	\$ 9,328,818	\$ 9,398,382	\$ 38,988,236	\$ 39,193,164
Restricted	6,883,070	6,728,122	–	–	6,883,070	6,728,122
Unrestricted	4,939,100	1,641,754	25,619,451	22,362,392	30,558,551	24,004,146
Total net position	\$ 41,481,588	\$ 38,164,658	\$ 34,948,269	\$ 31,760,774	\$ 76,429,857	\$ 69,925,432
Total liabilities, deferred inflows of resources, and net position	\$ 74,036,145	\$ 69,981,160	\$ 55,495,310	\$ 49,605,375	\$ 129,531,455	\$ 119,586,535

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 \$30,558,551 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the City as a whole.

There was an increase in net position in the governmental activities of \$3,316,930 and an increase in the business-type activities of \$3,187,495, for a total increase of \$6,504,425 in net position. The increase in current and other assets is mainly due to positive operating results in the current year. The change in the City's share of the Public Employees Retirement Association (PERA) pension plan contributed to the change in deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources.

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

Table 2 Change in Net Position for the Years Ended December 31, 2025 and 2024						
	Governmental Activities		Business-Type Activities		Total – Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 763,172	\$ 1,155,150	\$ 18,702,157	\$ 18,009,316	\$ 19,465,329	\$ 19,164,466
Operating grants and contributions	968,857	1,132,647	88,379	172,340	1,057,236	1,304,987
Capital grants and contributions	577,076	514,617	–	–	577,076	514,617
General revenues						
Property taxes	9,548,403	9,185,108	–	–	9,548,403	9,185,108
Franchise taxes	520,456	491,346	–	–	520,456	491,346
Grants and contributions not restricted to specific programs	1,917,322	3,490,093	–	–	1,917,322	3,490,093
Other	206,490	61,416	–	–	206,490	61,416
Investment earnings	978,371	908,608	1,234,373	1,134,881	2,212,744	2,043,489
Total revenues	15,480,147	16,938,985	20,024,909	19,316,537	35,505,056	36,255,522
Expenses						
General government	1,731,162	1,741,946	–	–	1,731,162	1,741,946
Public safety	6,021,155	6,139,013	–	–	6,021,155	6,139,013
Public works	3,078,387	3,348,805	–	–	3,078,387	3,348,805
Parks and recreation	666,204	675,368	–	–	666,204	675,368
Economic development	833,678	2,077,429	–	–	833,678	2,077,429
Interest and fiscal charges	689,540	618,223	–	–	689,540	618,223
Electric	–	–	10,001,358	9,662,344	10,001,358	9,662,344
Water	–	–	1,351,410	1,468,051	1,351,410	1,468,051
Surface water	–	–	947,967	823,637	947,967	823,637
Waste water	–	–	2,324,373	2,189,689	2,324,373	2,189,689
Fiber optic	–	–	152,129	152,188	152,129	152,188
Solid waste	–	–	1,203,268	1,145,171	1,203,268	1,145,171
Total expenses	13,020,126	14,600,784	15,980,505	15,441,080	29,000,631	30,041,864
Increase in net position before transfers	2,460,021	2,338,201	4,044,404	3,875,457	6,504,425	6,213,658
Transfers	856,909	1,890,000	(856,909)	(1,890,000)	–	–
Change in net position	3,316,930	4,228,201	3,187,495	1,985,457	6,504,425	6,213,658
Net position – beginning	38,164,658	33,936,457	31,760,774	29,775,317	69,925,432	63,711,774
Net position – ending	\$ 41,481,588	\$ 38,164,658	\$ 34,948,269	\$ 31,760,774	\$ 76,429,857	\$ 69,925,432

Governmental Activities – The City’s net position for governmental activities increased by \$3,316,930, or 8.7 percent, after \$856,909 of net transfers from business-type activities. Key elements of this increase are seen in the table above.

Revenues decreased overall by \$1,458,838, or 8.6 percent.

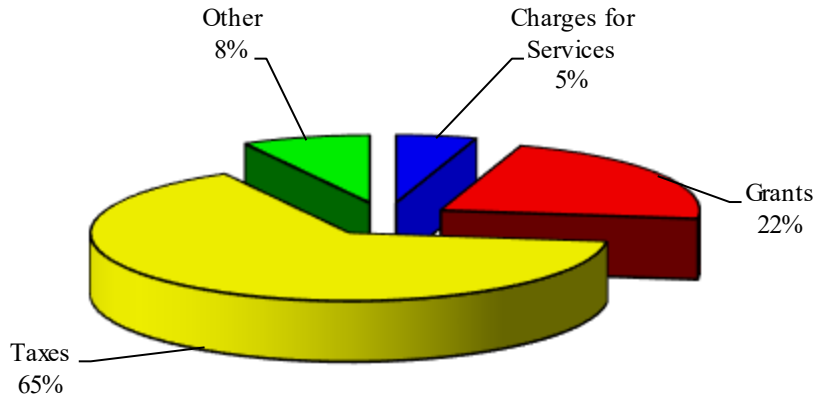
- The largest change occurred in grants and contributions not restricted to specific programs, due to the recognition of coronavirus state and local fiscal recovery funds in the prior year.

Expenses decreased overall by \$1,580,658, or 10.8 percent.

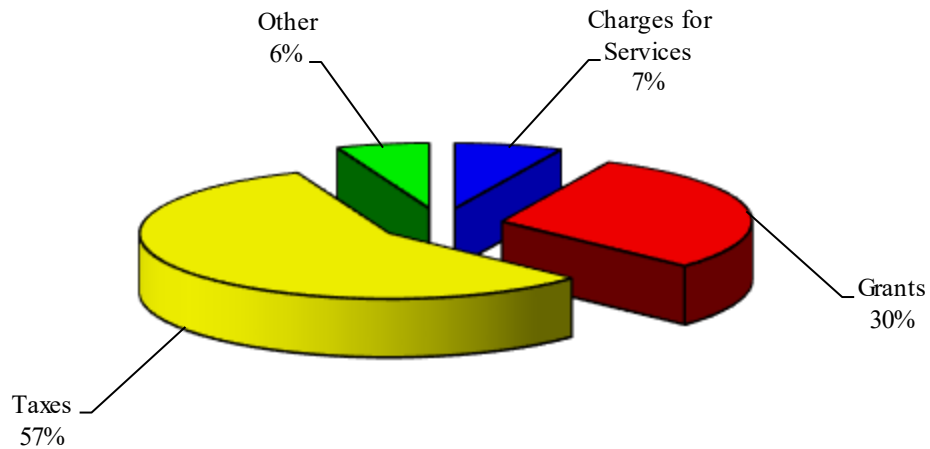
- The City experienced a decrease in economic development payments in the current year.

As seen in the following graph, taxes make up about 65 percent of the total revenues for 2025. Grants (operating, capital, and unrestricted grants, and contributions), including state aids, such as local government aid, make up about 22 percent of the total and are followed by other at 8 percent and charges for services at 5 percent of the total.

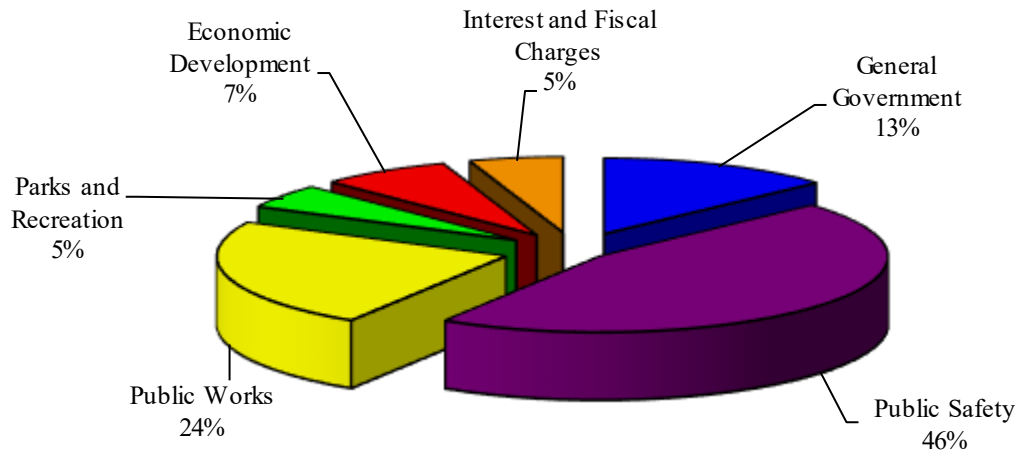
2025 Revenues by Source – Governmental Activities



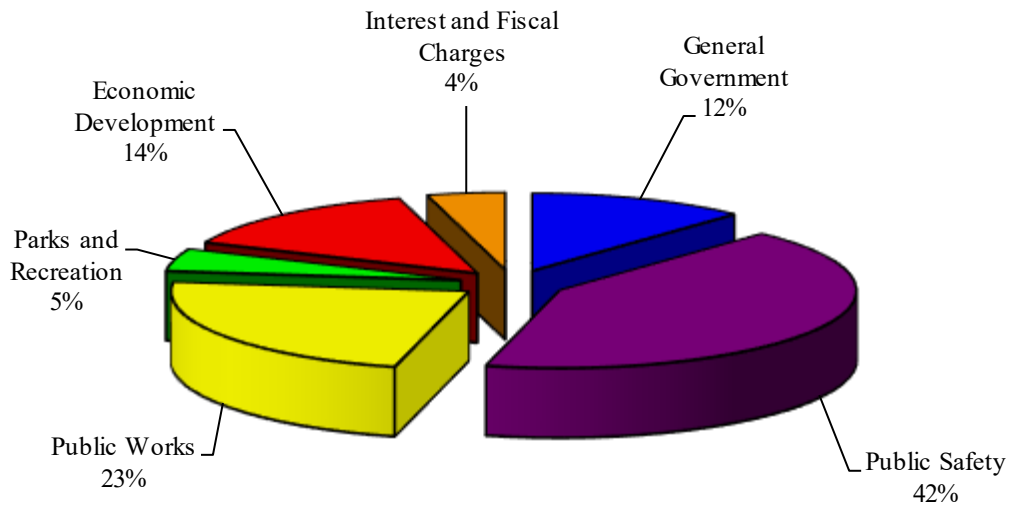
2024 Revenues by Source – Governmental Activities



2025 Expenses – Governmental Activities



2024 Expenses – Governmental Activities

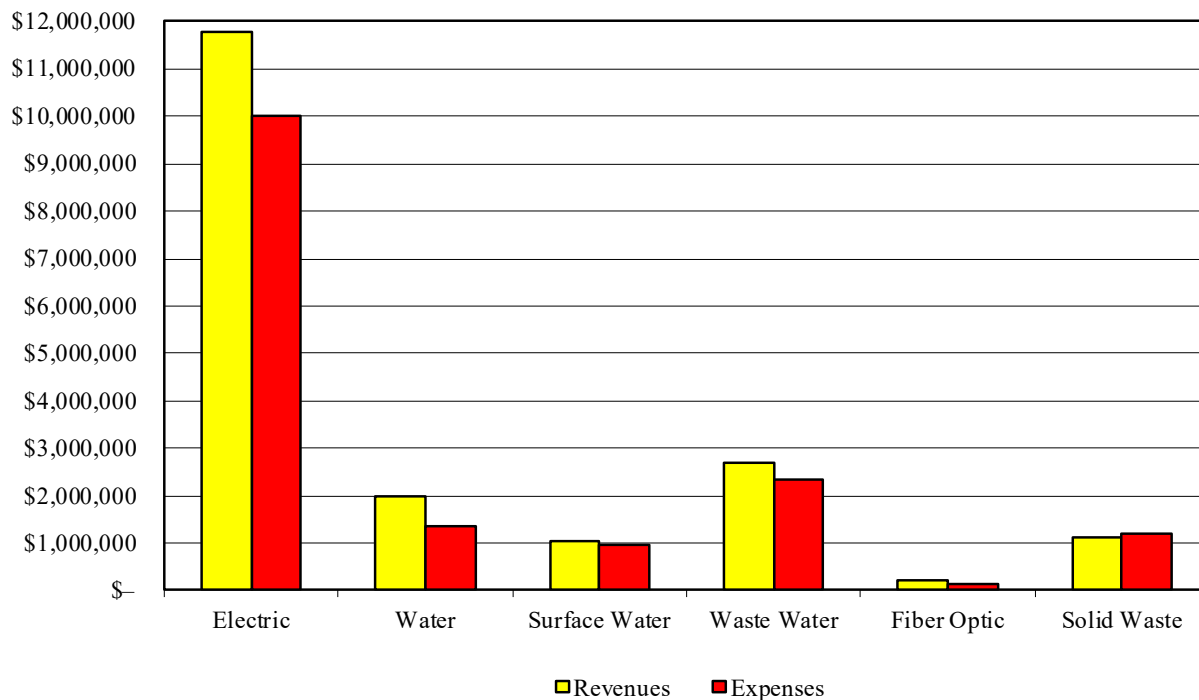


The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2025 and 2024.

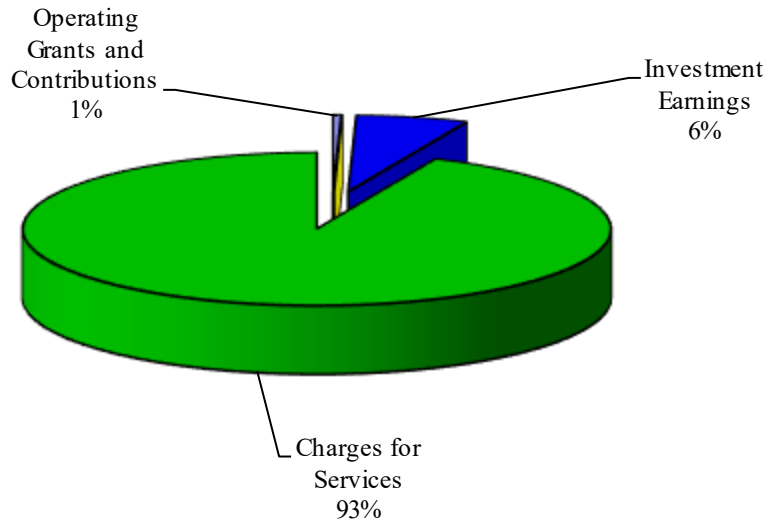
Business-Type Activities – Business-type activities increased the City’s total net position by \$3,187,495. Key elements of the business-type activities are as follows:

- 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. Charges for services increased in the current year due to the increase in consumption.
- Expenses increased \$539,425, mainly in electric purchased utilities due to an increase in consumption. The remaining increase was due to inflationary increases in the current year.
- About 63 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 \$4,044,404. After considering transfers to governmental activities totaling \$856,909, net position increased by \$3,187,495.

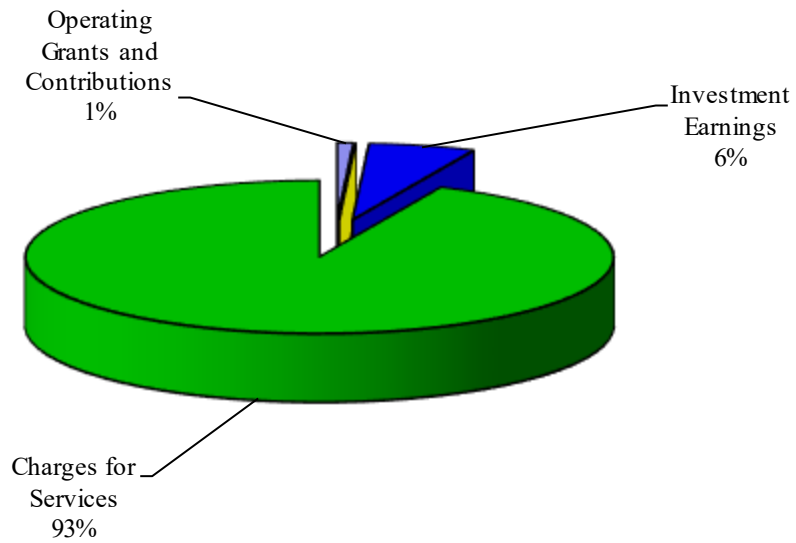
Revenues and Expenses – Business-Type Activities



2025 Revenues by Source – Business-Type Activities



2024 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 \$18,220,548, an increase of \$2,807,999 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 \$6,937,806. 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 67 percent of the subsequent year budgeted expenditures.

Total fund balance for the City's General Fund increased by \$889,400 during 2025. Key factors in this increase are as follows:

- The City adopted a balanced budget prior to the start of the current year then further amended the budget during the year projecting a decrease in fund balance of \$20,000 at year-end.
- The City's fund balance increased in the current year due to revenues and transfers in exceeding expenditures and transfers out. Expenditures were lower than revenues mainly resulting from vacant positions and a decrease in building inspections due to lower permit revenue in the current year. The City's consultant costs in the current year were also lower than anticipated.
- The City has a fund balance policy that will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent year's budgeted expenditures for working capital.

The fund balance in the Anchor Block North – Housing Tax Increment Special Revenue Fund increased \$2,683, ending the year with a deficit fund balance of \$2,630,835. The increase was mainly due to tax increment received offset by economic development payments and interest paid on the interfund loan in the current year. The remaining deficit will be eliminated as tax increment funds are received as a result of development.

The fund balance in the Street Improvement Revolving Capital Project Fund increased \$556,425, ending the year with a fund balance of \$1,702,992. The increase was mainly due to the issuance of the 2025A 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, increasing revenues by \$91,016, and expenditures by \$111,016.

Revenues were under budget by \$33,081, mainly in licenses and permits with lower building activity within the City than expected. This variance was offset by investment earnings being more than anticipated. General Fund expenditures recognized favorable budget variances in each function, with total expenditures ending the year \$942,481, or 9.2 percent, under budget. Public safety expenditures were under budget, mainly due to vacant positions in the police protection department. The expenditures in the inspections department were also lower than anticipated directly related to the variance in licenses and permits revenue in the current year. The public works function was under budget with lower expenditures than anticipated in the street maintenance department. The City's consultant costs in the current year were also lower than anticipated resulting in the general government function being under budget. After the recognition of net transfers, the City's General Fund ended the year \$909,400 more than anticipated in the budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025 amounts to \$66,322,548 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and structures, furniture and equipment, infrastructure, and subscriptions.

City of North St. Paul's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Capital assets						
Land	\$ 3,926,167	\$ 3,926,167	\$ 331,728	\$ 331,728	\$ 4,257,895	\$ 4,257,895
Construction in progress	2,205,977	448,697	2,713,601	–	4,919,578	448,697
Buildings and structures	21,056,119	21,028,663	5,069,632	5,069,632	26,125,751	26,098,295
Furniture and equipment	7,635,155	6,528,008	4,228,258	4,142,033	11,863,413	10,670,041
Infrastructure	39,112,267	38,550,219	31,678,971	31,676,508	70,791,238	70,226,727
Subscriptions	128,990	214,417	181,655	181,655	310,645	396,072
Less accumulated depreciation/amortization	(31,632,161)	(29,293,239)	(20,313,811)	(19,234,215)	(51,945,972)	(48,527,454)
Total capital assets, net of depreciation/amortization	\$ 42,432,514	\$ 41,402,932	\$ 23,890,034	\$ 22,167,341	\$ 66,322,548	\$ 63,570,273

The changes presented in the table above reflect the ongoing activity and completion of projects within the City during fiscal year 2025. The majority of the activity in construction in progress is for street and utility improvements in recent years.

Additional information on the City's capital assets can be found in Note 5 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 \$34,350,000. 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 Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
G.O. tax increment bonds	\$ 6,470,000	\$ 6,770,000	\$ –	\$ –	\$ 6,470,000	\$ 6,770,000
General obligation bonds	11,924,485	10,844,400	–	–	11,924,485	10,844,400
Utility revenue bonds	–	–	15,955,515	13,335,600	15,955,515	13,335,600
Premium	473,138	461,313	488,335	418,298	961,473	879,611
Subscription liability	–	42,982	154,442	167,847	154,442	210,829
Total OPEB liability	1,101,046	1,158,888	419,213	438,476	1,520,259	1,597,364
Net pension liability	2,453,850	2,818,341	811,802	898,174	3,265,652	3,716,515
Compensated absences	1,008,471	851,295	266,093	238,634	1,274,564	1,089,929
Total	\$23,430,990	\$22,947,219	\$18,095,400	\$15,497,029	\$41,526,390	\$38,444,248

The City’s total bonded debt increased by \$3,400,000, or 11.0 percent, during 2025. This increase was due to the City issuing \$6,530,000 in 2025A General Obligation Bonds offset by scheduled debt service payments in the current year. The City’s most recent bond rating by Standard & Poor’s was AA+.

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

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

Additional information on the City’s long-term debt can be found in Note 6 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- December 2025, the unemployment rate for Ramsey County (which includes the City) was 3.90 percent, compared to the national rate of 4.40 percent.
- The Minneapolis-St. Paul-Bloomington area consumer price index was up 2.50 percent for 2025, compared to 2.70 percent nationally.
- The state projects a \$3.70 billion surplus for the 2026–2027 biennium and a \$2.30 billion deficit for the 2028–2029 biennium. It is unlikely that the City will see a reduction in anticipated aid payments in the next budget cycle. However, the likelihood of a reduction in anticipated aid payments rises in the future budget cycles.
- The total estimated market value for taxes payable in 2026 increased \$55.40 million, or 3.70 percent.
- The City increased its levy 8.21 percent for taxes payable in 2026, while keeping the EDA and HRA levy the same.
- The City tax rate for taxes payable in 2026 is 50.955 percent.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

The following statements are presented:

Government-Wide Financial Statements

Statement of Net Position

Statement of Activities

Fund Financial Statements

Balance Sheet – Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

Proprietary Funds

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Net Position

Statement of Cash Flows

Notes to Basic Financial Statements

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CITY OF NORTH ST. PAUL

Statement of Net Position
as of December 31, 2025

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	\$ 26,956,220	\$ 22,779,755	\$ 49,735,975	\$ 653,417
Receivables				
Interest	131,617	145,493	277,110	3,269
Accounts	372,600	2,930,168	3,302,768	–
Due from other governments	159,338	–	159,338	–
Loan	33,579	–	33,579	–
Taxes	202,287	–	202,287	3,843
Special assessments	508,810	64,820	573,630	–
Lease	2,909,518	–	2,909,518	–
Internal balances	(4,354,970)	4,354,970	–	–
Inventory	–	954,467	954,467	–
Prepaid items	35,765	114,977	150,742	–
Assets held for resale	696,142	–	696,142	49,248
Net pension asset	997,299	–	997,299	–
Capital assets				
Not depreciated/amortized	6,132,144	3,045,329	9,177,473	–
Depreciated/amortized	36,300,370	20,844,705	57,145,075	–
Total capital assets, net of depreciation/amortization	42,432,514	23,890,034	66,322,548	–
Total assets	71,080,719	55,234,684	126,315,403	709,777
Deferred outflows of resources				
Pension plan deferments	2,859,307	224,028	3,083,335	–
OPEB plan deferments	96,119	36,598	132,717	–
Total deferred outflows of resources	2,955,426	260,626	3,216,052	–
Total assets and deferred outflows of resources	\$ 74,036,145	\$ 55,495,310	\$ 129,531,455	\$ 709,777
Liabilities				
Accounts and contracts payable	\$ 1,132,095	\$ 1,035,654	\$ 2,167,749	\$ –
Accrued salaries and employee benefits payable	216,053	84,435	300,488	3,650
Accrued interest payable	256,226	253,360	509,586	–
Due to other governments	29,851	209,053	238,904	–
Customer deposits	280,056	226,577	506,633	–
Unearned revenue	199,827	108,087	307,914	–
Net pension liability				
Due in more than one year	2,453,850	811,802	3,265,652	–
Total OPEB liability				
Due within one year	96,119	36,598	132,717	–
Due in more than one year	1,004,927	382,615	1,387,542	–
Bonds, subscriptions, and compensated absences payable				
Due within one year	1,598,487	1,416,641	3,015,128	–
Due in more than one year	18,277,607	15,447,744	33,725,351	–
Total liabilities	25,545,098	20,012,566	45,557,664	3,650
Deferred inflows of resources				
Lease revenue for subsequent years	2,909,518	–	2,909,518	–
Pension plan deferments	4,099,941	534,475	4,634,416	–
Total deferred inflows of resources	7,009,459	534,475	7,543,934	–
Net position				
Net investment in capital assets	29,659,418	9,328,818	38,988,236	–
Restricted for				
Housing Redevelopment Authority	1,819,753	–	1,819,753	–
Tax increment	1,208,196	–	1,208,196	–
Police forfeiture	15,105	–	15,105	–
Cable PEG fees	77,359	–	77,359	–
Debt service	2,566,657	–	2,566,657	–
State-funded street projects	198,701	–	198,701	–
Pension benefits	997,299	–	997,299	–
Economic Development Authority	–	–	–	706,127
Unrestricted	4,939,100	25,619,451	30,558,551	–
Total net position	41,481,588	34,948,269	76,429,857	706,127
Total liabilities, deferred inflows of resources, and net position	\$ 74,036,145	\$ 55,495,310	\$ 129,531,455	\$ 709,777

See notes to basic financial statements

CITY OF NORTH ST. PAUL

Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,731,162	\$ 325,224	\$ -	\$ -
Public safety	6,021,155	112,829	590,559	-
Public works	3,078,387	219,205	177,955	577,076
Parks and recreation	666,204	105,914	-	-
Economic development	833,678	-	200,343	-
Interest and fiscal charges	689,540	-	-	-
Total governmental activities	<u>13,020,126</u>	<u>763,172</u>	<u>968,857</u>	<u>577,076</u>
Business-type activities				
Electric	10,001,358	11,761,638	2,096	-
Water	1,351,410	1,960,336	9,245	-
Surface water	947,967	1,031,805	673	-
Waste water	2,324,373	2,676,437	32,232	-
Fiber optic	152,129	210,405	-	-
Solid waste	1,203,268	1,061,536	44,133	-
Total business-type activities	<u>15,980,505</u>	<u>18,702,157</u>	<u>88,379</u>	<u>-</u>
Total primary government	<u>\$ 29,000,631</u>	<u>\$ 19,465,329</u>	<u>\$ 1,057,236</u>	<u>\$ 577,076</u>
Component unit				
Economic development authority	<u>\$ 127,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

 Change in net position

 Net position – beginning

 Net position – ending

Statement 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
\$ (1,405,938)	\$ —	\$ (1,405,938)	\$ —
(5,317,767)	—	(5,317,767)	—
(2,104,151)	—	(2,104,151)	—
(560,290)	—	(560,290)	—
(633,335)	—	(633,335)	—
(689,540)	—	(689,540)	—
<u>(10,711,021)</u>	<u>—</u>	<u>(10,711,021)</u>	<u>—</u>
—	1,762,376	1,762,376	—
—	618,171	618,171	—
—	84,511	84,511	—
—	384,296	384,296	—
—	58,276	58,276	—
—	(97,599)	(97,599)	—
<u>—</u>	<u>2,810,031</u>	<u>2,810,031</u>	<u>—</u>
(10,711,021)	2,810,031	(7,900,990)	—
—	—	—	(127,864)
9,548,403	—	9,548,403	200,285
520,456	—	520,456	—
1,917,322	—	1,917,322	—
160,629	—	160,629	—
978,371	1,234,373	2,212,744	23,968
45,861	—	45,861	—
856,909	(856,909)	—	—
<u>14,027,951</u>	<u>377,464</u>	<u>14,405,415</u>	<u>224,253</u>
3,316,930	3,187,495	6,504,425	96,389
<u>38,164,658</u>	<u>31,760,774</u>	<u>69,925,432</u>	<u>609,738</u>
<u>\$ 41,481,588</u>	<u>\$ 34,948,269</u>	<u>\$ 76,429,857</u>	<u>\$ 706,127</u>

CITY OF NORTH ST. PAUL

Balance Sheet
Governmental Funds
as of December 31, 2025

	001	210	022
	General	Special Revenue – TIF 4-10 Anchor Block North – Housing Tax Increment	Capital Projects – Street Improvement Revolving
Assets			
Cash and investments	\$ 7,179,456	\$ –	\$ 2,231,894
Receivables			
Interest	33,228	–	10,947
Accounts	361,031	–	–
Due from other governments	–	–	–
Loan	–	–	–
Taxes	133,118	–	–
Special assessments	3,453	–	59,258
Lease	2,909,518	–	–
Prepaid items	22,586	–	–
Assets held for resale	–	–	–
Advance to other funds	52,137	–	–
	<u>10,694,527</u>	<u>–</u>	<u>2,302,099</u>
Total assets	\$ 10,694,527	\$ –	\$ 2,302,099
Liabilities			
Accounts and contracts payable	\$ 129,847	\$ –	\$ 542,711
Accrued salaries and employee benefits payable	212,671	–	–
Due to other governments	26,492	–	–
Customer deposits	280,056	–	–
Unearned revenue	97,780	–	–
Advance from other funds	–	2,630,835	–
Total liabilities	746,846	2,630,835	542,711
Deferred inflows of resources			
Lease revenue for subsequent years	2,909,518	–	–
Unavailable revenue – loan receivable	–	–	–
Unavailable revenue – property taxes	96,904	–	–
Unavailable revenue – special assessments	3,453	–	56,396
Unavailable revenue – long-term receivable	–	–	–
Total deferred inflows of resources	3,009,875	–	56,396
Fund balances (deficits)			
Nonspendable	74,723	–	–
Restricted	–	–	386,549
Committed	–	–	–
Assigned	70,996	–	1,316,443
Unassigned	6,792,087	(2,630,835)	–
Total fund balances (deficits)	6,937,806	(2,630,835)	1,702,992
	<u>10,694,527</u>	<u>–</u>	<u>2,302,099</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,694,527	\$ –	\$ 2,302,099

Statement 3

<u>Nonmajor</u>	<u>Total</u>
\$ 12,671,113	\$ 22,082,463
62,336	106,511
11,498	372,529
159,338	159,338
33,579	33,579
69,169	202,287
446,099	508,810
–	2,909,518
–	22,586
696,142	696,142
–	52,137
<u>\$ 14,149,274</u>	<u>\$ 27,145,900</u>
\$ 243,558	\$ 916,116
2,206	214,877
3,309	29,801
–	280,056
102,047	199,827
<u>888,159</u>	<u>3,518,994</u>
1,239,279	5,159,671
–	2,909,518
33,579	33,579
63,330	160,234
443,163	503,012
<u>159,338</u>	<u>159,338</u>
699,410	3,765,681
–	74,723
5,442,587	5,829,136
5,748,472	5,748,472
1,907,685	3,295,124
<u>(888,159)</u>	<u>3,273,093</u>
<u>12,210,585</u>	<u>18,220,548</u>
<u>\$ 14,149,274</u>	<u>\$ 27,145,900</u>

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CITY OF NORTH ST. PAUL

Statement 4

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2025

Total fund balances – governmental funds	\$ 18,220,548
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	68,314,989
Less accumulated depreciation	(28,598,572)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
	997,299
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds	(18,394,485)
Unamortized premiums	(473,138)
Compensated absences	(1,008,471)
Total OPEB liability	(1,101,046)
Net pension liability	(2,453,850)
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.	
	(256,226)
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	7,411,005
Internal balances for internal services used by business-type activities	(888,113)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – pension plan deferments	2,859,307
Deferred outflows of resources – OPEB plan deferments	96,119
Deferred inflows of resources – pension plan deferments	(4,099,941)
Deferred inflows of resources – unavailable revenues	856,163
	<hr/>
Total net position – governmental activities	<u><u>\$ 41,481,588</u></u>

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2025

	001	210	022
	General	Special Revenue – TIF 4-10 Anchor Block North – Housing Tax Increment	Capital Projects – Street Improvement Revolving
Revenues			
Taxes	\$ 6,366,521	\$ 259,093	\$ –
Special assessments	725	–	29,376
Licenses and permits	341,284	–	–
Intergovernmental	2,290,372	–	–
Charges for services	56,228	–	–
Fines and forfeits	22,377	–	–
Investment earnings	255,535	–	97,399
Other	227,844	–	–
Total revenues	<u>9,560,886</u>	<u>259,093</u>	<u>126,775</u>
Expenditures			
Current			
General government	1,381,501	–	–
Public safety	6,033,655	–	–
Public works	1,455,248	–	–
Parks and recreation	486,302	–	–
Economic development	–	148,069	–
Capital outlay	–	–	1,903,754
Debt service			
Principal	–	–	–
Interest and fiscal charges	–	108,341	57,168
Total expenditures	<u>9,356,706</u>	<u>256,410</u>	<u>1,960,922</u>
Excess (deficiency) of revenues over expenditures	204,180	2,683	(1,834,147)
Other financing sources (uses)			
Bonds issued	–	–	2,320,000
Premium on bonds issued	–	–	70,572
Transfers in	876,909	–	–
Transfers out	(191,689)	–	–
Total other financing sources (uses)	<u>685,220</u>	<u>–</u>	<u>2,390,572</u>
Net change in fund balances	889,400	2,683	556,425
Fund balances (deficits)			
Beginning of year	<u>6,048,406</u>	<u>(2,633,518)</u>	<u>1,146,567</u>
End of year	<u>\$ 6,937,806</u>	<u>\$ (2,630,835)</u>	<u>\$ 1,702,992</u>

See notes to basic financial statements

Statement 5

	<u>Nonmajor</u>		<u>Total</u>
\$	3,452,262	\$	10,077,876
	103,071		133,172
	-		341,284
	921,928		3,212,300
	-		56,228
	-		22,377
	449,547		802,481
	210,654		438,498
	<u>5,137,462</u>		<u>15,084,216</u>
	36,088		1,417,589
	-		6,033,655
	-		1,455,248
	89,057		575,359
	696,639		844,708
	878,888		2,782,642
	1,539,915		1,539,915
	537,384		702,893
	<u>3,777,971</u>		<u>15,352,009</u>
	1,359,491		(267,793)
	-		2,320,000
	-		70,572
	135,613		1,012,522
	(135,613)		(327,302)
	<u>-</u>		<u>3,075,792</u>
	1,359,491		2,807,999
	<u>10,851,094</u>		<u>15,412,549</u>
\$	<u>12,210,585</u>	\$	<u>18,220,548</u>

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CITY OF NORTH ST. PAUL

Statement 6

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2025

Total net change in fund balances – governmental funds \$ 2,807,999

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	2,695,461
Depreciation expense	(2,072,546)

Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.

167,672

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Other long-term adjustments are also made between the governmental funds and the Statement of Activities for debt premiums, compensated absences, pension liabilities, and OPEB obligations.

Bonds issued	(2,320,000)
Principal payments for debt	1,539,915
Debt premiums	(11,825)
Compensated absences	(157,176)
Total OPEB liability	57,842
Net pension liability	364,491

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.

(45,394)

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – pension plan deferments	(931,118)
Deferred outflows of resources – OPEB plan deferments	20,058
Deferred inflows of resources – pension plan deferments	548,620
Deferred inflows of resources – unavailable revenues	81,844

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	717,009
Internal balances for internal service activity for business-type activities	(145,922)

Change in net position – governmental activities \$ 3,316,930

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CITY OF NORTH ST. PAUL

Statement 7

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues				
Taxes	\$ 6,418,880	\$ 6,418,880	\$ 6,366,521	\$ (52,359)
Special assessments	133	133	725	592
Licenses and permits	670,982	670,982	341,284	(329,698)
Intergovernmental	2,146,532	2,237,548	2,290,372	52,824
Charges for services	51,634	51,634	56,228	4,594
Fines and forfeits	22,036	22,036	22,377	341
Investment earnings	29,971	29,971	255,535	225,564
Other	162,783	162,783	227,844	65,061
Total revenues	<u>9,502,951</u>	<u>9,593,967</u>	<u>9,560,886</u>	<u>(33,081)</u>
Expenditures				
Current				
General government	1,524,301	1,524,301	1,381,501	(142,800)
Public safety	6,577,628	6,577,628	6,033,655	(543,973)
Public works	1,536,688	1,647,704	1,455,248	(192,456)
Parks and recreation	549,554	549,554	486,302	(63,252)
Total expenditures	<u>10,188,171</u>	<u>10,299,187</u>	<u>9,356,706</u>	<u>(942,481)</u>
Excess (deficiency) of revenues over expenditures	(685,220)	(705,220)	204,180	909,400
Other financing sources (uses)				
Transfers in	876,909	876,909	876,909	–
Transfers out	(191,689)	(191,689)	(191,689)	–
Total other financing sources (uses)	<u>685,220</u>	<u>685,220</u>	<u>685,220</u>	<u>–</u>
Net change in fund balances	<u>\$ –</u>	<u>\$ (20,000)</u>	889,400	<u>\$ 909,400</u>
Fund balances				
Beginning of year			<u>6,048,406</u>	
End of year			<u>\$ 6,937,806</u>	

CITY OF NORTH ST. PAUL

Statement of Net Position
Proprietary Funds
as of December 31, 2025

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	048 Water	052 Surface Water	049 Waste Water
Assets				
Current assets				
Cash and investments	\$ 8,096,056	\$ 7,287,091	\$ 4,134,043	\$ 2,914,418
Receivables				
Interest	62,046	38,145	25,184	17,401
Accounts	1,688,898	298,199	168,963	486,032
Special assessments	302	29,803	3,244	26,259
Inventory	954,467	–	–	–
Prepaid items	4,614	2,791	–	107,572
Total current assets	<u>10,806,383</u>	<u>7,656,029</u>	<u>4,331,434</u>	<u>3,551,682</u>
Noncurrent assets				
Advances to other funds	3,466,857	–	898,435	898,435
Capital assets				
Land	154,948	–	176,780	–
Construction in progress	–	982,456	1,007,115	724,030
Buildings and structures	2,490,117	1,221,714	–	1,357,801
Furniture and equipment	2,115,674	424,877	335,551	1,285,879
Infrastructure	1,991,958	11,919,939	7,121,876	8,414,466
Subscriptions	181,655	–	–	–
Less accumulated depreciation/amortization	(5,031,406)	(6,490,952)	(2,845,822)	(5,153,099)
Total capital assets (net of accumulated depreciation/amortization)	<u>1,902,946</u>	<u>8,058,034</u>	<u>5,795,500</u>	<u>6,629,077</u>
Total noncurrent assets	<u>5,369,803</u>	<u>8,058,034</u>	<u>6,693,935</u>	<u>7,527,512</u>
Total assets	<u>16,176,186</u>	<u>15,714,063</u>	<u>11,025,369</u>	<u>11,079,194</u>
Deferred outflows of resources				
Pension plan deferments	156,337	25,128	20,373	22,190
OPEB plan deferments	22,802	5,200	4,101	4,495
Total deferred outflows of resources	<u>179,139</u>	<u>30,328</u>	<u>24,474</u>	<u>26,685</u>
Total assets and deferred outflows of resources	<u>\$ 16,355,325</u>	<u>\$ 15,744,391</u>	<u>\$ 11,049,843</u>	<u>\$ 11,105,879</u>
Current liabilities				
Accounts and contracts payable	\$ 551,661	\$ 161,243	\$ 131,229	\$ 81,838
Accrued salaries and employee benefits payable	55,985	9,847	8,113	8,758
Accrued interest payable	–	90,554	91,068	71,738
Due to other governments	83,115	25,158	12,524	28,895
Customer deposits	213,067	–	–	13,510
Unearned revenue	–	–	–	–
Compensated absences payable – current	141,908	6,706	6,706	–
Total OPEB liability – current	22,802	5,200	4,101	4,495
Bonds payable – current	–	476,367	279,563	489,282
Subscription liability – current	16,109	–	–	–
Total current liabilities	<u>1,084,647</u>	<u>775,075</u>	<u>533,304</u>	<u>698,516</u>
Noncurrent liabilities				
Advances from other funds	–	–	–	–
Compensated absences payable	56,285	27,244	27,244	–
Total OPEB liability	238,389	54,367	42,870	46,989
Net pension liability	566,510	91,056	73,826	80,410
Bonds payable	–	5,478,588	5,151,891	4,568,159
Subscription liability	138,333	–	–	–
Total noncurrent liabilities	<u>999,517</u>	<u>5,651,255</u>	<u>5,295,831</u>	<u>4,695,558</u>
Total liabilities	<u>2,084,164</u>	<u>6,426,330</u>	<u>5,829,135</u>	<u>5,394,074</u>
Deferred inflows of resources				
Pension plan deferments	372,980	59,950	48,605	52,940
Net position				
Net investment in capital assets	1,748,504	2,327,346	1,382,683	2,365,808
Unrestricted	12,149,677	6,930,765	3,789,420	3,293,057
Total net position	<u>13,898,181</u>	<u>9,258,111</u>	<u>5,172,103</u>	<u>5,658,865</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,355,325</u>	<u>\$ 15,744,391</u>	<u>\$ 11,049,843</u>	<u>\$ 11,105,879</u>

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

Statement 8

054 Fiber Optic	053 Solid Waste	Total	Governmental Activities – Internal Service
\$ -	\$ 348,147	\$ 22,779,755	\$ 4,873,757
-	2,717	145,493	25,106
18,060	270,016	2,930,168	71
-	5,212	64,820	-
-	-	954,467	-
-	-	114,977	13,179
<u>18,060</u>	<u>626,092</u>	<u>26,989,680</u>	<u>4,912,113</u>
-	-	5,263,727	-
-	-	331,728	-
-	-	2,713,601	-
-	-	5,069,632	40,920
-	66,277	4,228,258	5,579,776
2,230,732	-	31,678,971	-
-	-	181,655	128,990
<u>(767,933)</u>	<u>(24,599)</u>	<u>(20,313,811)</u>	<u>(3,033,589)</u>
<u>1,462,799</u>	<u>41,678</u>	<u>23,890,034</u>	<u>2,716,097</u>
<u>1,462,799</u>	<u>41,678</u>	<u>29,153,761</u>	<u>2,716,097</u>
1,480,859	667,770	56,143,441	7,628,210
-	-	224,028	-
-	-	36,598	-
<u>-</u>	<u>-</u>	<u>260,626</u>	<u>-</u>
<u>\$ 1,480,859</u>	<u>\$ 667,770</u>	<u>\$ 56,404,067</u>	<u>\$ 7,628,210</u>
\$ -	\$ 109,683	\$ 1,035,654	\$ 215,979
-	1,732	84,435	1,176
-	-	253,360	-
-	59,361	209,053	50
-	-	226,577	-
108,087	-	108,087	-
-	-	155,320	-
-	-	36,598	-
-	-	1,245,212	-
-	-	16,109	-
<u>108,087</u>	<u>170,776</u>	<u>3,370,405</u>	<u>217,205</u>
1,796,870	-	1,796,870	-
-	-	110,773	-
-	-	382,615	-
-	-	811,802	-
-	-	15,198,638	-
-	-	138,333	-
<u>1,796,870</u>	<u>-</u>	<u>18,439,031</u>	<u>-</u>
1,904,957	170,776	21,809,436	217,205
-	-	534,475	-
1,462,799	41,678	9,328,818	2,595,875
<u>(1,886,897)</u>	<u>455,316</u>	<u>24,731,338</u>	<u>4,815,130</u>
<u>(424,098)</u>	<u>496,994</u>	<u>34,060,156</u>	<u>7,411,005</u>
<u>\$ 1,480,859</u>	<u>\$ 667,770</u>	<u>\$ 56,404,067</u>	<u>\$ 7,628,210</u>
		\$ 34,060,156	
		888,113	
		<u>\$ 34,948,269</u>	

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2025

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	048 Water	052 Surface Water	049 Waste Water
Operating revenue				
Charges for services	\$ 11,543,801	\$ 1,932,834	\$ 1,022,945	\$ 2,641,636
Other services	217,837	27,502	8,860	34,801
Total operating revenue	11,761,638	1,960,336	1,031,805	2,676,437
Operating expenses				
Personal services	1,834,328	327,599	267,873	284,243
Professional services	597,488	411,197	193,984	156,138
Purchased utilities	7,120,967	–	–	1,210,290
Materials and supplies	406,905	40,895	61,470	150,112
Insurance	–	–	–	–
Other	1,286	12	1,624	36,000
Total operating expenses	9,960,974	779,703	524,951	1,836,783
Operating income (loss) before depreciation	1,800,664	1,180,633	506,854	839,654
Depreciation/amortization	151,224	400,434	252,271	359,990
Operating income (loss)	1,649,440	780,199	254,583	479,664
Nonoperating revenues (expenses)				
Intergovernmental	2,096	9,245	673	32,232
Investment earnings	588,630	284,317	200,073	142,887
Franchise tax	–	–	–	–
Gain on disposal of capital assets	31,240	–	–	1,805
Other	–	–	–	–
Interest and fiscal charges	(20,225)	(186,519)	(185,711)	(144,510)
Total nonoperating revenue (expenses)	601,741	107,043	15,035	32,414
Income (loss) before transfers	2,251,181	887,242	269,618	512,078
Transfers in	–	–	–	–
Transfers out	(431,829)	(184,115)	(57,989)	(122,976)
Change in net position	1,819,352	703,127	211,629	389,102
Net position				
Beginning of year	12,078,829	8,554,984	4,960,474	5,269,763
End of year	\$ 13,898,181	\$ 9,258,111	\$ 5,172,103	\$ 5,658,865

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

Statement 9

054 Fiber Optic	053 Solid Waste	Total	Governmental Activities – Internal Service
\$ 210,405	\$ 1,042,084	\$ 18,393,705	\$ 2,030,562
–	19,452	308,452	–
210,405	1,061,536	18,702,157	2,030,562
–	62,277	2,776,320	–
107,689	1,079,305	2,545,801	799,841
–	–	8,331,257	–
–	26,155	685,537	113,413
–	–	–	514,554
–	24,259	63,181	–
107,689	1,191,996	14,402,096	1,427,808
102,716	(130,460)	4,300,061	602,754
44,440	11,948	1,220,307	496,552
58,276	(142,408)	3,079,754	106,202
–	44,133	88,379	–
–	18,466	1,234,373	175,890
–	–	–	192,948
–	–	33,045	45,861
–	–	–	25,837
–	(104)	(537,069)	(1,418)
–	62,495	818,728	439,118
58,276	(79,913)	3,898,482	545,320
–	–	–	171,689
–	(60,000)	(856,909)	–
58,276	(139,913)	3,041,573	717,009
(482,374)	636,907	31,018,583	6,693,996
\$ (424,098)	\$ 496,994	\$ 34,060,156	\$ 7,411,005
		\$ 3,041,573	
		145,922	
		\$ 3,187,495	

CITY OF NORTH ST. PAUL

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2025

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	050 Electric	048 Water	052 Surface Water	049 Waste Water
Cash flows from operating activities				
Cash received from customers	\$ 11,740,375	\$ 1,951,192	\$ 1,032,459	\$ 2,657,812
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(8,422,771)	(531,084)	(268,713)	(1,567,533)
Cash payments to employees for services	(1,981,785)	(336,724)	(274,324)	(297,538)
Net cash flows from operating activities	<u>1,335,819</u>	<u>1,083,384</u>	<u>489,422</u>	<u>792,741</u>
Cash flows from noncapital financing activities				
Intergovernmental grants	2,096	9,245	673	32,232
Franchise tax received	–	–	–	–
Cash received from other funds	188,028	–	46,438	46,438
Cash paid to other funds	–	–	–	–
Transfers in	–	–	–	–
Transfers out	(431,829)	(184,115)	(57,989)	(122,976)
Net cash flows from noncapital financing activities	<u>(241,705)</u>	<u>(174,870)</u>	<u>(10,878)</u>	<u>(44,306)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(125,705)	(937,092)	(912,406)	(653,187)
Proceeds from the disposal of capital assets	31,240	–	–	1,805
Proceeds from issuance of revenue bonds	–	1,365,413	1,859,731	1,112,956
Payment on bonds	(160,000)	(470,047)	(341,340)	(567,098)
Payment on subscription liability	(13,405)	–	–	–
Interest paid	(24,225)	(178,196)	(159,382)	(143,920)
Net cash flows from capital and related financing activities	<u>(292,095)</u>	<u>(219,922)</u>	<u>446,603</u>	<u>(249,444)</u>
Cash flows from investing activities				
Interest received on investments	585,331	280,208	195,548	141,641
Net change in cash and cash equivalents	<u>1,387,350</u>	<u>968,800</u>	<u>1,120,695</u>	<u>640,632</u>
Cash and investments				
Beginning of year	<u>6,708,706</u>	<u>6,318,291</u>	<u>3,013,348</u>	<u>2,273,786</u>
End of year	<u>\$ 8,096,056</u>	<u>\$ 7,287,091</u>	<u>\$ 4,134,043</u>	<u>\$ 2,914,418</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 1,649,440	\$ 780,199	\$ 254,583	\$ 479,664
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	151,224	400,434	252,271	359,990
Other revenue	–	–	–	–
Change in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	(27,634)	(5,253)	806	(15,762)
Special assessments receivable	(27)	(3,891)	(152)	(2,613)
Inventory	(276,794)	–	–	–
Prepaid items	(1,904)	549	–	(6,754)
Deferred outflows	10,154	(425)	(234)	(211)
Accounts and contracts payable	(21,588)	(76,490)	(11,459)	(6,397)
Accrued salaries and employee benefits payable	11,850	2,691	2,284	2,427
Customer deposits	6,398	–	–	(250)
Due to other governments	4,161	(3,039)	(176)	(1,842)
Unearned revenue	–	–	–	–
Total OPEB liability	(22,341)	944	1,286	848
Net pension liability	(69,259)	(5,994)	(5,297)	(5,822)
Compensated absences	17,161	5,149	5,149	–
Deferred inflows	(95,022)	(11,490)	(9,639)	(10,537)
Net cash flows from operating activities	<u>\$ 1,335,819</u>	<u>\$ 1,083,384</u>	<u>\$ 489,422</u>	<u>\$ 792,741</u>
Noncash investing, capital, and financing activities				
Payments of capital assets on account	\$ –	\$ (122,901)	\$ (94,710)	\$ (70,843)
Net book value of capital asset disposals	\$ –	\$ –	\$ –	\$ –
Amortization of bond premium	\$ –	\$ 19,842	\$ 15,944	\$ 21,023

See notes to basic financial statements

Statement 10

054		053		Total	Governmental Activities – Internal Service
Fiber Optic	Solid Waste				
\$ 200,565	\$ 1,049,923	\$ 18,632,326	\$ –		
–	–	–	2,050,506		
(107,689)	(1,170,424)	(12,068,214)	(1,352,583)		
–	(61,900)	(2,952,271)	–		
<u>92,876</u>	<u>(182,401)</u>	<u>3,611,841</u>	<u>697,923</u>		
–	44,133	88,379	–		
–	–	–	192,948		
–	–	280,904	–		
(92,876)	–	(92,876)	–		
–	–	–	171,689		
–	(60,000)	(856,909)	–		
<u>(92,876)</u>	<u>(15,867)</u>	<u>(580,502)</u>	<u>364,637</u>		
–	(26,156)	(2,654,546)	(783,662)		
–	–	33,045	46,526		
–	–	4,338,100	–		
–	(51,600)	(1,590,085)	–		
–	–	(13,405)	(42,982)		
–	(1,842)	(507,565)	(1,418)		
–	(79,598)	(394,456)	(781,536)		
–	19,385	1,222,113	179,139		
–	(258,481)	3,858,996	460,163		
–	606,628	18,920,759	4,413,594		
<u>\$ –</u>	<u>\$ 348,147</u>	<u>\$ 22,779,755</u>	<u>\$ 4,873,757</u>		
\$ 58,276	\$ (142,408)	\$ 3,079,754	\$ 106,202		
44,440	11,948	1,220,307	496,552		
–	–	–	25,837		
3,666	(11,718)	(55,895)	(964)		
–	105	(6,578)	–		
–	–	(276,794)	–		
–	–	(8,109)	3,501		
–	–	9,284	–		
–	3,668	(112,266)	71,694		
–	377	19,629	(4,929)		
–	–	6,148	–		
–	(44,373)	(45,269)	30		
(13,506)	–	(13,506)	–		
–	–	(19,263)	–		
–	–	(86,372)	–		
–	–	27,459	–		
–	–	(126,688)	–		
<u>\$ 92,876</u>	<u>\$ (182,401)</u>	<u>\$ 3,611,841</u>	<u>\$ 697,923</u>		
<u>\$ –</u>	<u>\$ –</u>	<u>\$ (288,454)</u>	<u>\$ (120,222)</u>		
<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 665</u>		
<u>\$ –</u>	<u>\$ 1,254</u>	<u>\$ 58,063</u>	<u>\$ –</u>		

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CITY OF NORTH ST. PAUL

Notes to Basic Financial Statements
as of December 31, 2025

Index to Notes

Note Number	Title
1	Significant Accounting Policies
2	Deposits and Investments
3	Lease Receivable
4	Interfund Transactions
5	Capital Assets
6	Long-Term Debt
7	Defined Benefit Pension Plans
8	Defined Benefit Pension Plans – State-Wide
9	Defined Benefit Pension Plans – Fire Relief Association
10	Other Post-Employment Benefits (OPEB) Plan
11	Stewardship and Accountability
12	Net Position/Fund Balances
13	Jointly Governed Organization
14	Tax Abatement Agreements
15	Commitments and Contingencies

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, and is governed by a Board consisting of the City Council members, with management of the City having operational responsibility for the component unit. Therefore, the HRA is included as a component unit of the City. The HRA’s financial data has been blended with that of the City (i.e., reported as though its funds were funds of the City). The HRA does not issue separate financial statements.

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

C. Service Area

The City’s utilities service area includes parts of the cities of Maplewood and Oakdale. The utilities provided are electric, water, and waste water. 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/amortization 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 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/amortization on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

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

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

Street Improvement Revolving 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 waste water processing operations.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund type:

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

F. Cash and Investments

Cash and investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund. Certain bond proceeds may be held separately for capital projects. Earnings on these accounts are allocated directly to the respective funds.

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

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

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

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

G. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The City has recorded a \$30,000 allowance for the amount of utility receivables that remain delinquent after having been certified to the county. The only receivables not expected to be collected within one year are certain state aid construction receivable, loan receivable, lease receivable, property taxes receivable, 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, 2025 totaled \$12,246.

K. Inventories

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

L. Prepaid Items

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The City has entered into certain SBITAs for financial, permit, licensing, and infrastructure technology. Capital assets associated with SBITAs are presented separately from other capital assets in Note 5 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 6 to include the terms and related disclosures associated with any subscription liability.

N. 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. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. 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. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if cost of the assets is considered significant in the aggregate. 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. Capital assets are depreciated using the straight-line method over their estimated useful lives. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. 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

O. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. It is the City's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. Deferred Outflows/Inflows of Resources

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

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

The City reports deferred inflows of resources related to lease receivables in the government-wide Statement of Net Position and governmental funds Balance Sheet. This deferred inflow of resources related to lease receivables requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

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

R. State-Wide Pension Plans

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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, Community Center Fund, Park 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.

T. Assets Held for Resale

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

U. 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)

V. Net Position Classifications 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 and amortization, 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.

W. Fund Balance Classifications and Flow Assumptions

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Assigned amounts represent intended uses established by the City Council itself or by an official to which the City Council delegates the authority by resolution. Pursuant to City Council resolution, the city manager and/or finance director are authorized to establish assignments of fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Y. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 8,525,663
Investments	41,861,929
Cash on hand	<u>1,800</u>
Total	<u>\$ 50,389,392</u>

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

Statement of Net Position	
Primary government	
Cash and investments	\$ 49,735,975
Component unit	
Cash and investments	<u>653,417</u>
Total	<u>\$ 50,389,392</u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the City’s deposits was \$8,525,663, while the balance on the bank records was \$9,110,232. At December 31, 2025, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasuries	N/A	N/A	Level 1	\$ 997,400	\$ 10,431,379	\$ 1,011,520	\$ 12,440,299
U.S. agencies	AA	S&P	Level 2	–	2,132,060	–	2,132,060
Municipal securities	AAA	S&P	Level 2	352,664	–	–	352,664
Municipal securities	AA	S&P	Level 2	1,495,141	669,722	–	2,164,863
Municipal securities	AAA	Moody’s	Level 2	–	102,257	–	102,257
Municipal securities	AA	Moody’s	Level 2	787,015	1,885,267	–	2,672,282
Municipal securities	A	Moody’s	Level 2	155,160	–	–	155,160
Negotiable certificates of deposit	N/R	N/A	Level 2	5,679,370	9,139,125	254,951	15,073,446
				<u>\$ 9,466,750</u>	<u>\$ 24,359,810</u>	<u>\$ 1,266,471</u>	35,093,031
Investment pools/mutual funds							
First American Treasury Obligation Fund	AAA	S&P	Level 1	N/A	N/A	N/A	6,143,063
Minnesota Municipal Money Market Fund	AAA	S&P	Amortized Cost	N/A	N/A	N/A	<u>625,835</u>
Total investments							<u>\$ 41,861,929</u>

N/A – Not Applicable

N/R – Not Rated

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.

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

NOTE 3 – LEASE RECEIVABLE

The City has entered into lease receivable agreements for cell tower rental space and building space rental on city property. These leases are reported using an incremental borrowing rate ranging from 3.30–4.00 percent with a final maturity in fiscal 2049. During the current year, the City received principal and interest payments on these leases of \$217,484.

NOTE 4 – INTERFUND TRANSACTIONS

A. Advances To and Advances From Other Funds

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

Advances To Other Funds	Advances From Other Funds				Total
	Governmental		Proprietary		
	TIF 4-10 Anchor Block North – Housing Tax Increment	Nonmajor	Fiber Optic		
Governmental General	\$ –	\$ 52,137	\$ –	\$ 52,137	
Proprietary Electric	2,630,835	836,022	–	3,466,857	
Surface Water	–	–	898,435	898,435	
Waste Water	–	–	898,435	898,435	
Total	\$ 2,630,835	\$ 888,159	\$ 1,796,870	\$ 5,315,864	

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

Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

NOTE 4 – INTERFUND TRANSACTIONS (CONTINUED)

B. Interfund Transfers

Interfund transfers for the year were as follows:

Transfers Out	Transfers In			Total
	Governmental		Proprietary	
	General	Nonmajor	Internal Service	
Governmental				
General	\$ –	\$ 20,000	\$ 171,689	\$ 191,689
Nonmajor	20,000	115,613	–	135,613
Proprietary				
Electric	431,829	–	–	431,829
Water	184,115	–	–	184,115
Surface Water	57,989	–	–	57,989
Waste Water	122,976	–	–	122,976
Solid Waste	60,000	–	–	60,000
Total	<u>\$ 876,909</u>	<u>\$ 135,613</u>	<u>\$ 171,689</u>	<u>\$ 1,184,211</u>

Transfers were made in accordance with budget appropriations or as approved by the City Council for the following purposes:

- The General Fund transferred \$20,000 to the nonmajor fund and \$171,689 to the internal service fund to finance operations.
- The nonmajor fund transferred \$20,000 to the General Fund to finance operations and \$115,613 to the nonmajor fund for debt service payments.
- The proprietary funds transferred \$856,909 to the General Fund to finance operations.

Transfers are reported in the fund financial statements but are eliminated in the government-wide financial statements, as applicable.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 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/amortized					
Land	\$ 3,926,167	\$ –	\$ –	\$ –	\$ 3,926,167
Construction in progress	448,697	2,609,073	–	(851,793)	2,205,977
Total capital assets, not being depreciated/amortized	4,374,864	2,609,073	–	(851,793)	6,132,144
Capital assets, depreciated/amortized					
Buildings and structures	21,028,663	27,456	–	–	21,056,119
Furniture and equipment	6,528,008	962,816	(145,414)	289,745	7,635,155
Infrastructure	38,550,219	–	–	562,048	39,112,267
Subscriptions	214,417	–	(85,427)	–	128,990
Total capital assets, depreciated/amortized	66,321,307	990,272	(230,841)	851,793	67,932,531
Less accumulated depreciation/amortization on					
Buildings and structures	9,746,175	526,830	–	–	10,273,005
Furniture and equipment	4,158,391	481,193	(144,749)	–	4,494,835
Infrastructure	15,217,253	1,518,078	–	–	16,735,331
Subscriptions	171,420	42,997	(85,427)	–	128,990
Total accumulated depreciation/amortization	29,293,239	2,569,098	(230,176)	–	31,632,161
Total capital assets, depreciated/amortized, net	37,028,068	(1,578,826)	(665)	851,793	36,300,370
Net capital assets	\$ 41,402,932	\$ 1,030,247	\$ (665)	\$ –	\$ 42,432,514

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

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated/amortized					
Land	\$ 331,728	\$ –	\$ –	\$ –	\$ 331,728
Construction in progress	–	2,716,064	–	(2,463)	2,713,601
Total capital assets, not being depreciated/amortized	331,728	2,716,064	–	(2,463)	3,045,329
Capital assets, depreciated/amortized					
Buildings and structures	5,069,632	–	–	–	5,069,632
Furniture and equipment	4,142,033	226,936	(140,711)	–	4,228,258
Infrastructure	31,676,508	–	–	2,463	31,678,971
Subscriptions	181,655	–	–	–	181,655
Total capital assets, depreciated/amortized	41,069,828	226,936	(140,711)	2,463	41,158,516
Less accumulated depreciation/amortization on					
Buildings and structures	3,779,122	69,322	–	–	3,848,444
Furniture and equipment	2,131,068	221,901	(140,711)	–	2,212,258
Infrastructure	13,291,731	912,937	–	–	14,204,668
Subscriptions	32,294	16,147	–	–	48,441
Total accumulated depreciation/amortization	19,234,215	1,220,307	(140,711)	–	20,313,811
Total capital assets, depreciated/amortized, net	21,835,613	(993,371)	–	2,463	20,844,705
Net capital assets	\$ 22,167,341	\$ 1,722,693	\$ –	\$ –	\$ 23,890,034

NOTE 5 – CAPITAL ASSETS (CONTINUED)

C. Depreciation/Amortization Expense by Function

Depreciation/amortization expense was charged to the following functions:

Governmental activities	
General government	\$ 292,511
Public safety	22,241
Public works	1,679,574
Parks and recreation	78,220
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>496,552</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 2,569,098</u>
Business-type activities	
Electric	\$ 151,224
Water	400,434
Surface water	252,271
Waste water	359,990
Fiber optic	44,440
Solid waste	<u>11,948</u>
Total depreciation/amortization expense – business-type activities	<u>\$ 1,220,307</u>

NOTE 6 – 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 Increment Refunding Bonds of 2015A	\$ 1,595,000	2.000–3.000%	2015	2032	\$ 550,000
Improvement Bonds of 2016A	\$ 2,640,000	2.000–2.100%	2016	2032	1,280,000
Tax Abatement Bonds of 2016A	\$ 1,240,000	2.000–2.500%	2016	2037	800,000
Improvement Bonds of 2017A	\$ 1,051,380	1.650–3.000%	2017	2033	569,485
Improvement Bonds of 2018A	\$ 3,475,000	3.000–5.000%	2018	2034	2,305,000
Taxable Tax Increment Bonds of 2020A	\$ 6,325,000	2.000–3.000%	2020	2048	5,920,000
Improvement Refunding Bonds of 2021A	\$ 960,000	2.000%	2021	2030	610,000
Improvement Bonds of 2022A	\$ 4,590,000	3.050–4.000%	2022	2042	4,040,000
Improvement Bonds of 2025A	\$ 2,320,000	4.000–5.000%	2025	2046	2,320,000
Premium					473,138
Compensated absences					1,008,471
Total governmental activities					<u>\$ 19,876,094</u>
Business-type activities					
General obligation bonds					
Utility Revenue Refunding Bonds of 2015A	\$ 4,650,000	2.000–3.000%	2015	2027	\$ 545,000
Utility Revenue Bonds of 2016A	\$ 3,605,000	2.000–2.100%	2016	2032	1,810,000
Utility Revenue Bonds of 2017A	\$ 438,620	1.650–3.000%	2017	2033	45,515
Utility Revenue Bonds of 2018A	\$ 3,465,000	3.000–5.000%	2018	2034	2,360,000
Utility Revenue Bonds of 2020B	\$ 1,830,000	2.000–3.000%	2020	2035	1,290,000
Utility Revenue Refunding Bonds of 2021A	\$ 1,435,000	2.000%	2021	2030	930,000
Utility Revenue Bonds of 2022A	\$ 5,405,000	3.050–4.000%	2022	2042	4,765,000
Utility Revenue Bonds of 2025A	\$ 4,210,000	4.000–5.000%	2025	2046	4,210,000
Premium					488,335
Subscription liability					154,442
Compensated absences					266,093
Total business-type activities					<u>\$ 16,864,385</u>
Total government-wide activities					<u>\$ 36,740,479</u>

B. Changes in Long-Term Debt

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
General obligation tax increment bonds	\$ 6,770,000	\$ –	\$ 300,000	\$ 6,470,000	\$ 310,000
General obligation bonds	10,844,400	2,320,000	1,239,915	11,924,485	829,788
Premium	461,313	70,572	58,747	473,138	–
Total bonds	18,075,713	2,390,572	1,598,662	18,867,623	1,139,788
Subscription liability	42,982	–	42,982	–	–
Compensated absences	851,295	615,875	458,699	1,008,471	458,699
Total governmental activities	18,969,990	3,006,447	2,100,343	19,876,094	1,598,487
Business-type activities					
Utility revenue bonds	13,335,600	4,210,000	1,590,085	15,955,515	1,245,212
Premium	418,298	128,100	58,063	488,335	–
Total bonds	13,753,898	4,338,100	1,648,148	16,443,850	1,245,212
Subscription liability	167,847	–	13,405	154,442	16,109
Compensated absences	238,634	182,779	155,320	266,093	155,320
Total business-type activities	14,160,379	4,520,879	1,816,873	16,864,385	1,416,641
Total government-wide	<u>\$ 33,130,369</u>	<u>\$ 7,527,326</u>	<u>\$ 3,917,216</u>	<u>\$ 36,740,479</u>	<u>\$ 3,015,128</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds and subscriptions are as follows:

Year Ending December 31,	Governmental Activities				Business-Type Activities			
	Tax Increment		General Obligation		Utility Revenue		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 310,000	\$ 166,560	\$ 829,788	\$ 401,393	\$ 1,245,212	\$ 548,800	\$ 16,109	\$ 4,861
2027	320,000	157,723	934,658	349,871	1,410,342	467,752	17,173	4,307
2028	325,000	148,360	944,525	319,504	1,175,474	426,757	17,749	3,731
2029	255,000	139,660	969,389	290,916	1,215,611	390,945	18,343	3,137
2030	260,000	131,935	989,250	261,556	1,250,750	354,431	18,958	2,522
2031–2035	1,245,000	570,710	3,651,875	909,218	4,613,126	1,279,339	66,110	3,699
2036–2040	1,295,000	425,603	2,095,000	468,455	2,685,000	706,325	–	–
2041–2045	1,470,000	244,060	1,345,000	132,933	2,055,000	228,175	–	–
2046–2048	990,000	42,892	165,000	3,403	305,000	6,292	–	–
Total	<u>\$ 6,470,000</u>	<u>\$ 2,027,503</u>	<u>\$ 11,924,485</u>	<u>\$ 3,137,249</u>	<u>\$ 15,955,515</u>	<u>\$ 4,408,816</u>	<u>\$ 154,442</u>	<u>\$ 22,257</u>

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.
- **Subscription Liability** – The City entered into agreements to finance the use of software, which calls for annual principal and interest payments through March 2034. These agreements are paid by the Electric Enterprise and Information Technology Internal Service Funds. The total amount of the underlying subscription assets and the related accumulated amortization is presented in Note 5 of the notes to basic financial statements.

Subscription Description	Interest Rate	Date	Final Maturity	Principal Outstanding
Business-type activities Landis Gyr	3.30%	01/01/2023	03/31/2034	\$ 154,442

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

E. 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.

F. Revenue Pledged

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

Debt Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2015A	Street and site improvements	Tax increment financing	100%	2015–2032	\$ 593,163	\$ 131,569	\$ 312,897
Tax Increment Revenue Bonds of 2020A	Street and site improvements	Tax increment financing	100%	2020–2048	\$ 7,904,340	\$ 343,410	\$ 378,895
Utility Revenue Refunding Bonds of 2015A	Utility improvements	Utility charges	100%	2015–2027	\$ 558,688	\$ 504,081	\$ 6,730,114
Utility Revenue Bonds of 2016A	Utility improvements	Utility charges	100%	2016–2032	\$ 1,942,130	\$ 279,010	\$ 5,668,578
Utility Revenue Bonds of 2017A	Utility improvements	Utility charges	100%	2017–2033	\$ 50,761	\$ 6,345	\$ 3,708,242
Utility Revenue Bonds of 2018A	Utility improvements	Utility charges	100%	2018–2034	\$ 2,706,934	\$ 300,744	\$ 5,668,578
Utility Revenue Bonds of 2020B	Utility improvements	Utility charges	100%	2020–2035	\$ 1,429,000	\$ 146,125	\$ 5,668,578
Utility Revenue Refunding Bonds of 2021A	Utility improvements	Utility charges	100%	2021–2030	\$ 977,600	\$ 195,350	\$ 5,668,578
Utility Revenue Bonds of 2022A	Utility improvements	Utility charges	100%	2022–2042	\$ 6,258,778	\$ 364,614	\$ 5,668,578
Utility Revenue Bonds of 2025A	Utility improvements	Utility charges	100%	2025–2046	\$ 6,440,440	\$ –	\$ 5,668,578

G. Bond Ratings

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS

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

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	\$ –	\$ 1,400,866	\$ 386,589	\$ 922,305	\$ (25,219)
PERA – PEPFF	–	1,864,786	2,647,262	3,272,828	500,604
Fire Relief	997,299	–	49,484	439,283	124,572
Total – all pensions	<u>\$ 997,299</u>	<u>\$ 3,265,652</u>	<u>\$ 3,083,335</u>	<u>\$ 4,634,416</u>	<u>\$ 599,957</u>

NOTE 8 – 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. These plan provisions are established and administered according to Minnesota Statutes, Chapters 353 and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

Membership in the GERF includes employees of counties, cities, townships, schools in noncertified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Fund (PEPFF)

Membership in the PEPFF includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes Section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide PEPFF coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. GERF Benefits

The GERF requires three years of service to vest. 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 GERF members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, GERF members receive 1.20 percent of the highest average salary for each of the first 10 years of service, and 1.70 percent for each additional year. Under the Level formula, GERF members receive 1.70 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90, and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows GERF members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.00 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a prorated increase.

2. PEPFF Benefits

Benefits for PEPFF members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50.00 percent vested after five years of service, and 100.00 percent vested after 10 years. After five years, vesting increases by 10.00 percent each full year of service until members are 100.00 percent vested after 10 years. Police and Fire Plan members receive 3.00 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.00 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months, but less than 36 months, as of the June 30 before the effective date of the increase, will receive a prorated increase.

C. Contributions

Minnesota Statutes, Chapter 353 and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025, and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the GERF for the year ended December 31, 2025 were \$301,094. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2025, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2025 were \$467,273. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERS Pension Costs

At December 31, 2025, the City reported a liability of \$1,400,866 for its proportionate share of the GERS's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$33,793.

City's proportionate share of the net pension liability	\$ 1,400,866
State's proportionate share of the net pension liability associated with the City	<u>33,793</u>
Total	<u><u>\$ 1,434,659</u></u>

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0423 percent at the end of the measurement period and 0.0418 percent for the beginning of the period.

For the year ended December 31, 2025, the City recognized negative pension expense of \$20,036 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$5,183 as negative pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16.0 million to the GERS.

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 133,472	\$ –
Changes in actuarial assumptions	33,753	322,334
Net difference between projected and actual earnings on pension plan investments	–	557,418
Changes in proportion	66,755	42,553
Employer contributions subsequent to the measurement date	<u>152,609</u>	<u>–</u>
Total	<u><u>\$ 386,589</u></u>	<u><u>\$ 922,305</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The \$152,609 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2026	\$ (125,234)
2027	\$ (278,244)
2028	\$ (185,268)
2029	\$ (99,579)

2. PEPFF Pension Costs

At December 31, 2025, the City reported a liability of \$1,864,786 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.1592 percent at the end of the measurement period and 0.1650 percent for the beginning of the period.

The state of Minnesota contributed \$18.0 million to the PEPFF in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9.0 million in direct state aid that meets the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million, which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110.00 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9.0 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100.00 percent funded for three consecutive years (on an actuarial value of assets basis). The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$64,643.

City’s proportionate share of the net pension liability	\$ 1,864,786
State’s proportionate share of the net pension liability associated with the City	<u>64,643</u>
Total	<u><u>\$ 1,929,429</u></u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended December 31, 2025, the City recognized pension expense of \$469,327 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$31,277 as grant revenue and pension expense for its proportionate share of the state of Minnesota’s pension expense for the contribution of \$9.0 million to the PEPFF special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9.0 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$42,495 for the year ended December 31, 2025, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the PEPFF.

At December 31, 2025, 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	\$ 861,590	\$ –
Changes in actuarial assumptions	1,414,106	2,336,499
Net difference between projected and actual earnings on pension plan investments	–	832,280
Changes in proportion	123,408	104,049
Employer contributions subsequent to the measurement date	248,158	–
Total	\$ 2,647,262	\$ 3,272,828

The \$248,158 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. 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
2026	\$ 446,916
2027	\$ (384,610)
2028	\$ (903,929)
2029	\$ (64,077)
2030	\$ 31,976

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investments

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

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

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.50 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75 percent after one year of service to 3.00 percent after 23 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the Board and became effective with the July 1, 2025 actuarial valuation.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2025:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The combined service annuity loading factors increased from 15.00 percent to 19.00 percent for vested terminated members and from 3.00 percent to 44.00 percent for nonvested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.

CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase formula changed to 100.00 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85.00 percent for the last two consecutive annual valuations or is less than 80.00 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50.00 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98.00 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100.00 percent funded status.

2. PEPFF

CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70.00 percent to 65.00 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33.00 percent to 13.00 percent for vested, terminated members and from 2.00 percent to 38.00 percent for nonvested, terminated members.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

CHANGES IN PLAN PROVISIONS

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9.0 million annual state aid contribution changed from the earlier of July 1, 2048 or 90.00 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100.00 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9.0 million annual state aid contribution changed from the earlier of July 1, 2048 or 100.00 percent funded for a minimum of three consecutive years to 110.00 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following table presents the City’s proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate disclosed in the preceding section, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
The City’s proportionate share of the GERF net pension liability (asset)	\$ 3,402,483	\$ 1,400,866	\$ (222,896)
The City’s proportionate share of the PEPFF net pension liability (asset)	\$ 4,886,135	\$ 1,864,786	\$ (616,218)

I. Pension Plan Fiduciary Net Position

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the North St. Paul Fire Department (the Department) are covered by a defined benefit plan administered by the North St. Paul Fire Department Relief Association (the Association). As of the most recent valuation, the plan covered 32 active firefighters and 10 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 had no required contribution as set by state statutes. The City made no voluntary contributions to the plan for the year ended December 31, 2025. The City also passed through \$112,237 of on-behalf contributions from the state of Minnesota. Furthermore, the firefighter has no obligation to contribute to the plan.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

D. Pension Costs

At December 31, 2025, the City reported a net pension asset of \$997,299 for the plan. The net pension asset was measured as of December 31, 2024. The total pension liability used to calculate the net pension asset in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2024.

For the year ended December 31, 2025, the City recognized pension expense of \$124,572.

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	\$ 873,516	\$ 1,703,143	\$ (829,627)
Changes for the year			
Service cost	66,764	–	66,764
Interest	54,066	–	54,066
Differences between expected and actual experience	(82,970)	–	(82,970)
Changes of assumptions	(28,412)	–	(28,412)
Changes of benefit terms	161,332	–	161,332
Contributions (state and local)	–	103,834	(103,834)
Net investment income	–	246,079	(246,079)
Other additions	–	3,164	(3,164)
Administrative expense	–	(14,625)	14,625
Total net changes	<u>170,780</u>	<u>338,452</u>	<u>(167,672)</u>
Ending balance	<u>\$ 1,044,296</u>	<u>\$ 2,041,595</u>	<u>\$ (997,299)</u>

Assumption changes since the prior measurement date include the following:

- The discount rate increased from 5.75 percent to 6.50 percent.
- The disability, mortality, and withdrawal assumptions were updated from the rates used in the July 1, 2023 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2024 Minnesota PERA Police and Fire Plan actuarial valuation.

Plan changes since the prior measurement date include the following:

- The lump sum pension increased from \$5,400 per year of service to \$6,800 per year of service.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 11,469	\$ 279,163
Changes in actuarial assumptions	38,015	55,849
Net collective difference between projected and actual investment earnings	<u>–</u>	<u>104,271</u>
Total	<u>\$ 49,484</u>	<u>\$ 439,283</u>

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

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2026	\$ (57,461)
2027	\$ (30,557)
2028	\$ (97,978)
2029	\$ (66,141)
2030	\$ (34,369)
Thereafter	\$ (103,293)

E. Actuarial Methods and Assumptions

The total pension liability at December 31, 2024 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at 100.00 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service reduced by 4.00 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 – 2.50 percent per year
- Cost of living increases – zero percent per year
- Investment rate of return – 6.50 percent
- 20-year municipal bond yield – 4.08 percent

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.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION
(CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	62.00 %	4.52 %	7.02 %
International equity	14.00	5.08 %	7.58 %
Fixed income	21.00	2.44 %	4.94 %
Real estate and alternatives	1.00	3.73 %	6.23 %
Cash and equivalents	2.00	0.99 %	3.49 %
Total	<u>100.00 %</u>		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.

G. Pension Liability (Asset) Sensitivity

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

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Net pension liability (asset)	\$ (937,583)	\$ (997,299)	\$ (1,052,588)

H. Pension Plan Fiduciary Net Position

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment benefits to certain eligible employees through the City’s OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The Plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance. Per state statutes, the City is also required to contribute towards the cost of continued health insurance coverage for officers and firefighters disabled or killed in the line of duty.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City’s current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$132,717.

D. Membership

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

Retirees and beneficiaries receiving benefits	7
Active plan members	<u>58</u>
Total members	<u><u>65</u></u>

E. Total OPEB Liability of the City

The City’s total OPEB liability of \$1,520,259 as of year-end was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2024, using the entry-age method. The valuation utilized the alternative measurement method allowed for employers with fewer than 100 plan participants. The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.08%
20-year municipal bond yield	4.08%
Inflation rate	2.50%
Medical trend rate	6.90%, grading to 3.90% over 50 years

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

Mortality rates were based on the Pub-2010 Public Safety Mortality Tables with projected mortality improvements based on Scale MP-2021, and other adjustments for the police and fire employees. Mortality rates for the general employees were based on Pub-2010 General Mortality Tables with projected mortality improvements based on Scale MP-2021, and other adjustments.

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 1,597,364
Changes for the year	
Service cost	20,307
Interest	59,010
Differences between expected and actual experience	105
Changes of assumptions	(51,688)
Benefit payments	(104,839)
Total net changes	<u>(77,105)</u>
Ending balance	<u>\$ 1,520,259</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.77 percent to 4.08 percent.

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

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.08%	4.08%	5.08%
Total OPEB liability	\$ 1,697,480	\$ 1,520,259	\$ 1,370,776

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare cost trend rate	5.90% grading to 2.90% over 50 years	6.90% grading to 3.90% over 50 years	7.90% grading to 4.90% over 50 years
Total OPEB liability	\$ 1,358,044	\$ 1,520,259	\$ 1,711,142

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

For the current year ended, the City recognized OPEB expense of \$27,734. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City’s contributions subsequent to the measurement date	<u>\$ 132,717</u>	<u>\$ –</u>

A total of \$132,717 reported as deferred outflows of resources related to OPEB resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2026.

NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY

Deficit Fund Balance/Net Position

The following funds have a deficit fund balance/net position at December 31, 2025:

	<u>Amount</u>
Governmental	
Special revenue fund	
TIF 4-10 Anchor Block North – Housing Tax Increment	\$ 2,630,835
Nonmajor funds	
Special revenue funds	
TIF 4-9 Margaret Street Tax Increment	\$ 52,137
TIF 4-10 Anchor Block North – Soils Tax Increment	\$ 836,022
Proprietary	
Enterprise fund	
Fiber Optic	\$ 424,098

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

NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

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

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

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

NOTE 12 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide statement of net position at December 31, 2025 includes the City’s net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets			
Capital assets			
Nondepreciable	\$ 6,132,144	\$ 3,045,329	\$ 9,177,473
Depreciable, net of accumulated depreciation/amortization	36,300,370	20,844,705	57,145,075
Less capital-related long-term debt outstanding	(12,397,623)	(16,598,292)	(28,995,915)
Less capital-related accounts/contracts payable	(762,022)	(288,454)	(1,050,476)
Plus unspent bond proceeds	386,549	2,325,530	2,712,079
Total net investment in capital assets	<u>\$ 29,659,418</u>	<u>\$ 9,328,818</u>	<u>\$ 38,988,236</u>

NOTE 12 – NET POSITION/FUND BALANCES (CONTINUED)

B. Governmental Fund Balance Classifications

At December 31, 2025, the City had the following governmental fund balances:

	General	TIF 4-10 Anchor Block North – Housing Tax Increment	Street Improvement Revolving	Nonmajor	Total
Nonspendable					
Prepaid items	\$ 22,586	\$ –	\$ –	\$ –	\$ 22,586
Advance to other funds	52,137	–	–	–	52,137
Total nonspendable	<u>74,723</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>74,723</u>
Restricted					
Street improvements	–	–	386,549	–	386,549
HRA	–	–	–	1,785,044	1,785,044
Tax increment	–	–	–	1,145,996	1,145,996
Police forfeiture	–	–	–	15,105	15,105
Cable PEG fees	–	–	–	77,359	77,359
Debt service	–	–	–	2,379,720	2,379,720
Municipal state aid	–	–	–	39,363	39,363
Total restricted	<u>–</u>	<u>–</u>	<u>386,549</u>	<u>5,442,587</u>	<u>5,829,136</u>
Committed					
Asset preservation	–	–	–	1,690,655	1,690,655
Street maintenance	–	–	–	4,057,817	4,057,817
Total committed	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,748,472</u>	<u>5,748,472</u>
Assigned					
Fire relief	18,627	–	–	–	18,627
Community events	52,369	–	–	–	52,369
Community center	–	–	–	22,504	22,504
Street improvements	–	–	1,316,443	–	1,316,443
Permanent improvement revolving	–	–	–	465,505	465,505
Opioid response	–	–	–	7,046	7,046
Pandemic response	–	–	–	110,280	110,280
Park improvements	–	–	–	1,302,350	1,302,350
Total assigned	<u>70,996</u>	<u>–</u>	<u>1,316,443</u>	<u>1,907,685</u>	<u>3,295,124</u>
Unassigned	<u>6,792,087</u>	<u>(2,630,835)</u>	<u>–</u>	<u>(888,159)</u>	<u>3,273,093</u>
Total	<u>\$ 6,937,806</u>	<u>\$ (2,630,835)</u>	<u>\$ 1,702,992</u>	<u>\$ 12,210,585</u>	<u>\$ 18,220,548</u>

C. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy that limits the amount of unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent year’s budgeted expenditures for working capital. At December 31, 2025, the unassigned fund balance for the General Fund was 67 percent of the subsequent year’s budgeted expenditures.

NOTE 13 – 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, 2025 were \$7,120,967. 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 14 – 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 three agreements that would be considered a tax abatement under GASB Statement No. 77.

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, 2025 for this agreement was \$993,807 and the City rebated \$248,751 in the current year.

In 2019, the City entered into a development agreement with M/I Homes Minneapolis/St. Paul, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2042. The outstanding principal balance as of December 31, 2025 for this agreement was \$2,540,938 and the City rebated \$368,436 in the current year.

In 2020, the City entered into a development agreement with Anchor View, 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 47.5 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2048. The outstanding principal balance as of December 31, 2025 for this agreement was \$2,400,000 and the City rebated \$148,069 in the current year.

NOTE 14 – TAX ABATEMENT AGREEMENTS (CONTINUED)

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

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

NOTE 15 – 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, 2025 is \$1,295,118.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH ST. PAUL

North St. Paul Fire Department Relief Association
 Schedule of Changes in the City's
 Net Pension Liability and Related Ratios
 December 31, 2025

City financial statement year ended December 31, Measurement period – December 31,	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability										
Service cost	\$ 49,217	\$ 59,100	\$ 53,518	\$ 53,145	\$ 52,189	\$ 55,318	\$ 65,287	\$ 66,756	\$ 65,136	\$ 66,764
Interest	61,325	68,098	76,514	87,458	82,452	72,689	50,599	47,766	47,496	54,066
Differences between expected and actual experience	–	37,947	–	(89,257)	–	(89,832)	–	(167,477)	–	(82,970)
Changes of assumptions	(9,781)	(11,354)	(11,126)	11,318	10,830	53,863	–	(29,231)	–	(28,412)
Changes of benefit terms	89,727	30,905	–	–	–	35,255	–	–	–	161,332
Benefit payments, including refunds of member contributions	(82,672)	(183,083)	–	–	(177,800)	(330,328)	(342,650)	–	–	–
Net change in total pension liability	107,816	1,613	118,906	62,664	(32,329)	(203,035)	(226,764)	(82,186)	112,632	170,780
Total pension liability – beginning of year	1,014,199	1,122,015	1,123,628	1,242,534	1,305,198	1,272,869	1,069,834	843,070	760,884	873,516
Total pension liability – end of year	1,122,015	1,123,628	1,242,534	1,305,198	1,272,869	1,069,834	843,070	760,884	873,516	1,044,296
Plan fiduciary net position										
Contributions – employer	21,000	22,000	34,504	40,481	22,000	4,950	–	14,113	5,578	5,578
Contributions – nonemployer (state)	59,922	60,125	59,121	60,649	63,515	71,317	73,275	76,887	85,422	98,256
Projected investment earnings	28,294	21,230	27,270	25,162	30,826	20,689	19,564	15,663	23,566	29,646
Asset gain/(loss)	(66,762)	52,391	152,792	(165,023)	276,812	139,078	188,378	(273,836)	215,697	216,433
Benefit payments, including refunds of member contributions	(82,672)	(183,083)	–	–	(177,800)	(330,328)	(342,650)	–	–	–
Administrative expenses	(8,950)	(9,350)	(9,500)	(9,700)	(9,950)	(10,150)	(10,500)	–	(12,300)	(14,625)
Other	2,800	1,848	2,259	2,110	2,462	2,979	5,461	2,838	2,159	3,164
Net change in plan fiduciary net position	(46,368)	(34,839)	266,446	(46,321)	207,865	(101,465)	(66,472)	(164,335)	320,122	338,452
Plan fiduciary net position – beginning of year	1,368,510	1,322,142	1,287,303	1,553,749	1,507,428	1,715,293	1,613,828	1,547,356	1,383,021	1,703,143
Plan fiduciary net position – end of year	1,322,142	1,287,303	1,553,749	1,507,428	1,715,293	1,613,828	1,547,356	1,383,021	1,703,143	2,041,595
Net pension liability (asset)	\$ (200,127)	\$ (163,675)	\$ (311,215)	\$ (202,230)	\$ (442,424)	\$ (543,994)	\$ (704,286)	\$ (622,137)	\$ (829,627)	\$ (997,299)
Fiduciary net position as a percentage of the total pension liability	117.84%	114.57%	125.05%	115.49%	134.76%	150.85%	183.54%	181.77%	194.98%	195.50%

CITY OF NORTH ST. PAUL

North St. Paul Fire Department Relief Association
 Schedule of City Contributions and Nonemployer Contributing Entities
 December 31, 2025

Year Ended December 31,	City Contributions			Nonemployer Contribution
	Statutorily Determined Contribution	Actual Contribution	Contribution Excess	State 2% Fire Aid
2016	\$ -	\$ 22,000	\$ 22,000	\$ 60,125
2017	-	34,504	34,504	59,121
2018	-	40,481	40,481	60,649
2019	-	22,000	22,000	63,515
2020	-	4,950	4,950	71,317
2021	-	-	-	73,275
2022	-	14,113	14,113	76,887
2023	-	5,578	5,578	85,422
2024	-	5,578	5,578	98,256
2025	-	-	-	112,237

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, 2025

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 Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2016	06/30/2016	0.0464%	\$ 3,767,450	\$ 49,198	\$ 3,816,648	\$ 2,879,758	130.83%	68.9%	
12/31/2017	06/30/2017	0.0449%	\$ 2,866,385	\$ 36,082	\$ 2,902,467	\$ 2,889,113	99.21%	75.9%	
12/31/2018	06/30/2018	0.0431%	\$ 2,391,010	\$ 78,405	\$ 2,469,415	\$ 2,901,027	82.42%	79.5%	
12/31/2019	06/30/2019	0.0407%	\$ 2,250,212	\$ 69,997	\$ 2,320,209	\$ 2,887,303	77.93%	80.2%	
12/31/2020	06/30/2020	0.0424%	\$ 2,542,074	\$ 78,375	\$ 2,620,449	\$ 2,979,851	85.31%	79.1%	
12/31/2021	06/30/2021	0.0410%	\$ 1,750,884	\$ 53,402	\$ 1,804,286	\$ 2,923,369	59.89%	87.0%	
12/31/2022	06/30/2022	0.0401%	\$ 3,175,934	\$ 92,938	\$ 3,268,872	\$ 3,000,929	105.83%	76.7%	
12/31/2023	06/30/2023	0.0432%	\$ 2,415,696	\$ 66,456	\$ 2,482,152	\$ 3,431,456	70.40%	83.1%	
12/31/2024	06/30/2024	0.0418%	\$ 1,545,378	\$ 39,960	\$ 1,585,338	\$ 3,537,254	43.69%	89.1%	
12/31/2025	06/30/2025	0.0423%	\$ 1,400,866	\$ 33,793	\$ 1,434,659	\$ 3,828,541	36.59%	90.8%	

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2025

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
12/31/2016	\$ 217,300	\$ 217,300	\$ –	\$ 2,890,723	7.52%
12/31/2017	\$ 215,196	\$ 215,196	\$ –	\$ 2,869,280	7.50%
12/31/2018	\$ 218,577	\$ 218,577	\$ –	\$ 2,928,097	7.46%
12/31/2019	\$ 216,451	\$ 216,451	\$ –	\$ 2,886,215	7.50%
12/31/2020	\$ 227,088	\$ 227,088	\$ –	\$ 3,027,832	7.50%
12/31/2021	\$ 220,066	\$ 220,066	\$ –	\$ 2,934,208	7.50%
12/31/2022	\$ 239,407	\$ 239,407	\$ –	\$ 3,192,087	7.50%
12/31/2023	\$ 261,507	\$ 261,507	\$ –	\$ 3,486,761	7.50%
12/31/2024	\$ 271,547	\$ 271,547	\$ –	\$ 3,619,974	7.50%
12/31/2025	\$ 301,094	\$ 301,094	\$ –	\$ 4,014,554	7.50%

CITY OF NORTH ST. PAUL

PERA – Public Employees Police and Fire Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2025

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 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
12/31/2016	06/30/2016	0.1620%	\$ 6,501,343	\$ –	\$ 6,501,343	\$ 1,560,254	416.68%	63.9%
12/31/2017	06/30/2017	0.1580%	\$ 2,133,189	\$ –	\$ 2,133,189	\$ 1,620,507	131.64%	85.4%
12/31/2018	06/30/2018	0.1559%	\$ 1,661,734	\$ –	\$ 1,661,734	\$ 1,643,072	101.14%	88.8%
12/31/2019	06/30/2019	0.1612%	\$ 1,716,138	\$ –	\$ 1,716,138	\$ 1,700,395	100.93%	89.3%
12/31/2020	06/30/2020	0.1528%	\$ 2,014,069	\$ 47,448	\$ 2,061,517	\$ 1,722,778	116.91%	87.2%
12/31/2021	06/30/2021	0.1458%	\$ 1,125,423	\$ 50,578	\$ 1,176,001	\$ 1,722,082	65.35%	93.7%
12/31/2022	06/30/2022	0.1549%	\$ 6,740,635	\$ 294,529	\$ 7,035,164	\$ 1,846,321	365.08%	70.5%
12/31/2023	06/30/2023	0.1637%	\$ 2,826,885	\$ 113,873	\$ 2,940,758	\$ 2,149,564	131.51%	86.5%
12/31/2024	06/30/2024	0.1650%	\$ 2,171,137	\$ 82,763	\$ 2,253,900	\$ 2,285,361	95.00%	90.2%
12/31/2025	06/30/2025	0.1592%	\$ 1,864,786	\$ 64,643	\$ 1,929,429	\$ 2,415,485	77.20%	91.8%

PERA – Public Employees Police and Fire Fund
 Schedule of City Contributions
 Year Ended December 31, 2025

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
12/31/2016	\$ 263,721	\$ 263,721	\$ –	\$ 1,627,910	16.20%
12/31/2017	\$ 263,983	\$ 263,983	\$ –	\$ 1,629,522	16.20%
12/31/2018	\$ 268,898	\$ 268,898	\$ –	\$ 1,660,140	16.20%
12/31/2019	\$ 289,482	\$ 289,482	\$ –	\$ 1,707,735	16.95%
12/31/2020	\$ 309,731	\$ 309,731	\$ –	\$ 1,748,712	17.71%
12/31/2021	\$ 317,544	\$ 317,544	\$ –	\$ 1,793,418	17.71%
12/31/2022	\$ 351,119	\$ 351,119	\$ –	\$ 1,983,723	17.70%
12/31/2023	\$ 386,766	\$ 386,766	\$ –	\$ 2,185,119	17.70%
12/31/2024	\$ 416,267	\$ 416,267	\$ –	\$ 2,351,927	17.70%
12/31/2025	\$ 467,273	\$ 467,273	\$ –	\$ 2,639,961	17.70%

CITY OF NORTH ST. PAUL

Other Post-Employment Benefits Plan
 Schedule of Changes in the City's Total
 OPEB Liability and Related Ratios
 Year Ended December 31, 2025

City financial statement year ended December 31, Measurement period – December 31,	Fiscal Year							
	2018 2017	2019 2018	2020 2019	2021 2020	2022 2021	2023 2022	2024 2023	2025 2024
Total OPEB liability								
Service cost	\$ 19,631	\$ 22,435	\$ 22,226	\$ 12,810	\$ 14,998	\$ 17,106	\$ 12,324	\$ 20,307
Interest	20,889	18,864	20,614	7,306	5,361	19,379	33,486	59,010
Differences between expected and actual experience	–	–	(338,228)	4,065	781,846	(4,735)	701,304	105
Changes of assumptions	16,149	(12,602)	54,180	11,066	40,426	(158,592)	90,604	(51,688)
Benefit payments	<u>(37,784)</u>	<u>(37,868)</u>	<u>(47,650)</u>	<u>(31,014)</u>	<u>(39,148)</u>	<u>(79,935)</u>	<u>(109,672)</u>	<u>(104,839)</u>
Net change in total OPEB liability	18,885	(9,171)	(288,858)	4,233	803,483	(206,777)	728,046	(77,105)
Total OPEB liability – beginning of year	<u>547,523</u>	<u>566,408</u>	<u>557,237</u>	<u>268,379</u>	<u>272,612</u>	<u>1,076,095</u>	<u>869,318</u>	<u>1,597,364</u>
Total OPEB liability – end of year	<u>\$ 566,408</u>	<u>\$ 557,237</u>	<u>\$ 268,379</u>	<u>\$ 272,612</u>	<u>\$ 1,076,095</u>	<u>\$ 869,318</u>	<u>\$ 1,597,364</u>	<u>\$ 1,520,259</u>
Covered-employee payroll	<u>\$4,088,418</u>	<u>\$4,215,283</u>	<u>\$4,543,426</u>	<u>\$4,690,819</u>	<u>\$4,501,970</u>	<u>\$5,099,478</u>	<u>\$5,380,293</u>	<u>\$5,799,671</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>13.9%</u>	<u>13.2%</u>	<u>5.9%</u>	<u>5.8%</u>	<u>23.9%</u>	<u>17.0%</u>	<u>29.7%</u>	<u>26.2%</u>

Note 1: The City has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF NORTH ST. PAUL

Notes to Required Supplementary Information
December 31, 2025

NORTH ST. PAUL FIRE DEPARTMENT RELIEF ASSOCIATION

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate increased from 5.75 percent to 6.50 percent.
- The disability, mortality, and withdrawal assumptions were updated from the rates used in the July 1, 2023 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2024 Minnesota PERA Police and Fire Plan actuarial valuation.

2024 CHANGES IN PLAN PROVISIONS

- The lump sum pension increased from \$5,400 per year of service to \$6,800 per year of service.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate increased from 5.25 percent to 5.75 percent.
- The inflation rate increased from 2.25 percent to 2.50 percent.
- The disability, mortality, and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police and Fire Plan actuarial valuation.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

NORTH ST. PAUL FIRE DEPARTMENT RELIEF ASSOCIATION (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2025 CHANGES IN ACTUARIAL ASSUMPTIONS

- The combined service annuity loading factors increased from 15.00 percent to 19.00 percent for vested terminated members and from 3.00 percent to 44.00 percent for nonvested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.

2025 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase formula changed to 100.00 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85.00 percent for the last two consecutive annual valuations or is less than 80.00 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50.00 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98.00 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100.00 percent funded status.

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 General Mortality Table, with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2024 CHANGES IN PLAN PROVISIONS

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2025 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70.00 percent to 65.00 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33.00 percent to 13.00 percent for vested, terminated members and from 2.00 percent to 38.00 percent for nonvested, terminated members.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2025 CHANGES IN PLAN PROVISIONS

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9.0 million annual state aid contribution changed from the earlier of July 1, 2048, or 90.00 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100.00 percent funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9.0 million annual state aid contribution changed from the earlier of July 1, 2048, or 100.00 percent funded for a minimum of three consecutive years to 110.00 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 CHANGES IN PLAN PROVISIONS

- The state contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.00 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.00 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 Public Safety Mortality Table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality Table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality Table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2025 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.77 percent to 4.08 percent.

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.05 percent to 3.77 percent.
- The healthcare trend rates, mortality tables, and payroll growth rates were updated for changes in recent studies and inflationary adjustments.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 1.84 percent to 4.05 percent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.00 percent to 1.84 percent.
- The inflation assumption was changed from 2.25 percent to 2.50 percent.
- The healthcare trend rates, mortality tables, and payroll growth rates were updated for changes in recent studies and inflationary adjustments.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF NORTH ST. PAUL

Statement 11

Nonmajor Governmental Funds
Combining Balance Sheet
as of December 31, 2025

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 2,602,494	\$ 2,364,733	\$ 7,703,886	\$ 12,671,113
Receivables				
Interest	11,761	8,634	41,941	62,336
Accounts	9,668	-	1,830	11,498
Due from other governments	-	-	159,338	159,338
Loan	33,579	-	-	33,579
Taxes	65,427	3,742	-	69,169
Special assessments	-	446,099	-	446,099
Assets held for resale	696,142	-	-	696,142
	<u>\$ 3,419,071</u>	<u>\$ 2,823,208</u>	<u>\$ 7,906,995</u>	<u>\$ 14,149,274</u>
Liabilities				
Accounts and contracts payable	\$ 71,566	\$ 325	\$ 171,667	\$ 243,558
Accrued salaries and employee benefits payable	2,206	-	-	2,206
Due to other governments	3,309	-	-	3,309
Unearned revenue	81,747	-	20,300	102,047
Advance from other funds	888,159	-	-	888,159
Total liabilities	<u>1,046,987</u>	<u>325</u>	<u>191,967</u>	<u>1,239,279</u>
Deferred inflows of resources				
Unavailable revenue – loan receivable	33,579	-	-	33,579
Unavailable revenue – property taxes	63,330	-	-	63,330
Unavailable revenue – special assessments	-	443,163	-	443,163
Unavailable revenue – long-term receivable	-	-	159,338	159,338
Total deferred inflows of resources	<u>96,909</u>	<u>443,163</u>	<u>159,338</u>	<u>699,410</u>
Fund balances (deficits)				
Restricted	3,023,504	2,379,720	39,363	5,442,587
Committed	-	-	5,748,472	5,748,472
Assigned	139,830	-	1,767,855	1,907,685
Unassigned	(888,159)	-	-	(888,159)
Total fund balances	<u>2,275,175</u>	<u>2,379,720</u>	<u>7,555,690</u>	<u>12,210,585</u>
	<u>\$ 3,419,071</u>	<u>\$ 2,823,208</u>	<u>\$ 7,906,995</u>	<u>\$ 14,149,274</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,419,071</u>	<u>\$ 2,823,208</u>	<u>\$ 7,906,995</u>	<u>\$ 14,149,274</u>

CITY OF NORTH ST. PAUL

Statement 12

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2025

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Taxes	\$ 1,081,495	\$ 1,456,588	\$ 914,179	\$ 3,452,262
Special assessments	-	99,034	4,037	103,071
Intergovernmental	200,343	-	721,585	921,928
Investment earnings	82,667	58,721	308,159	449,547
Other	133,732	-	76,922	210,654
Total revenue	<u>1,498,237</u>	<u>1,614,343</u>	<u>2,024,882</u>	<u>5,137,462</u>
Expenditures				
Current				
General government	36,088	-	-	36,088
Parks and recreation	89,057	-	-	89,057
Economic development	696,639	-	-	696,639
Capital outlay	-	-	878,888	878,888
Debt service				
Principal	-	1,539,915	-	1,539,915
Interest and fiscal charges	40,252	497,132	-	537,384
Total expenditures	<u>862,036</u>	<u>2,037,047</u>	<u>878,888</u>	<u>3,777,971</u>
Excess (deficiency) of revenues over expenditures	636,201	(422,704)	1,145,994	1,359,491
Other financing sources (uses)				
Transfers in	20,000	115,613	-	135,613
Transfers out	(70,613)	-	(65,000)	(135,613)
Total other financing sources (uses)	<u>(50,613)</u>	<u>115,613</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balances	585,588	(307,091)	1,080,994	1,359,491
Fund balances				
Beginning of year	<u>1,689,587</u>	<u>2,686,811</u>	<u>6,474,696</u>	<u>10,851,094</u>
End of year	<u>\$ 2,275,175</u>	<u>\$ 2,379,720</u>	<u>\$ 7,555,690</u>	<u>\$ 12,210,585</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

Nonmajor special revenue funds presently established are as follows:

- **Housing Redevelopment Authority Fund** – Administers the resources for the rehabilitation of various blighted properties within the City.
- **Community Center Fund** – Administers the resources received and expended for the Community Center.
- **Police Forfeiture Fund** – Administers the resources received through court ordered forfeitures.
- **TIF 4-4 Charles Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-6 Helen Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-7 Anchor Block South Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-8 7th and Margaret Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-9 Margaret Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF 4-10 Anchor Block North – Soils Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **TIF Pool** – Administers the resources received from other tax increment districts to be spent for tax increment financing eligible expenditures.
- **Cable PEG Fees Fund** – Administers the resources received and expended for PEG access facilities and equipment.
- **Opioid Response Fund** – Administers the resources received from a class action lawsuit.
- **Pandemic Response Fund** – Administers the resources received and expended for the COVID-19 pandemic.

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2025

	101	002	026	046	032	207	208
	Housing Redevelopment Authority	Community Center	Police Forfeiture	TIF 4-4 Charles Street Tax Increment	TIF 4-6 Helen Street Tax Increment	TIF 4-7 Anchor Block South – Tax Increment	TIF 4-8 7th and Margaret Street Tax Increment
Assets							
Cash and investments	\$ 1,147,621	\$ 32,706	\$ 15,023	\$ 294,525	\$ 104,727	\$ 335,169	\$ 36,142
Receivables							
Interest	4,832	307	82	1,465	585	979	–
Accounts	422	–	–	–	–	–	–
Loan	33,579	–	–	–	–	–	–
Taxes	1,081	–	–	20,337	–	44,009	–
Assets held for resale	696,142	–	–	–	–	–	–
Total assets	\$ 1,883,677	\$ 33,013	\$ 15,105	\$ 316,327	\$ 105,312	\$ 380,157	\$ 36,142
Liabilities							
Accounts and contracts payable	\$ 61,465	\$ 7,453	\$ –	\$ –	\$ –	\$ –	\$ –
Accrued salaries and employee benefits payable	2,206	–	–	–	–	–	–
Due to other governments	253	3,056	–	–	–	–	–
Unearned revenue	–	–	–	–	–	–	–
Advance from other funds	–	–	–	–	–	–	–
Total liabilities	63,924	10,509	–	–	–	–	–
Deferred inflows of resources							
Unavailable revenue – loan receivable	33,579	–	–	–	–	–	–
Unavailable revenue – property taxes	1,130	–	–	20,337	–	41,863	–
Total deferred inflows of resources	34,709	–	–	20,337	–	41,863	–
Fund balances (deficits)							
Restricted for Housing Redevelopment Authority	1,785,044	–	–	–	–	–	–
Restricted for tax increment	–	–	–	295,990	105,312	338,294	36,142
Restricted for police forfeiture	–	–	15,105	–	–	–	–
Restricted for cable PEG fees	–	–	–	–	–	–	–
Assigned for community center	–	22,504	–	–	–	–	–
Assigned for opioid response	–	–	–	–	–	–	–
Assigned for pandemic response	–	–	–	–	–	–	–
Unassigned	–	–	–	–	–	–	–
Total fund balances (deficits)	1,785,044	22,504	15,105	295,990	105,312	338,294	36,142
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,883,677	\$ 33,013	\$ 15,105	\$ 316,327	\$ 105,312	\$ 380,157	\$ 36,142

Statement 13

209 TIF 4-9 Margaret Street Tax Increment	211 TIF 4-10 Anchor Block North – Soils Tax Increment	212 TIF Pool	235 Cable PEG Fees	298 Opioid Response	299 Pandemic Response	Total
\$ -	\$ -	\$ 368,195	\$ 70,382	\$ 88,339	\$ 109,665	\$ 2,602,494
-	-	2,063	379	454	615	11,761
-	-	-	9,246	-	-	9,668
-	-	-	-	-	-	33,579
-	-	-	-	-	-	65,427
-	-	-	-	-	-	696,142
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,258</u>	<u>\$ 80,007</u>	<u>\$ 88,793</u>	<u>\$ 110,280</u>	<u>\$ 3,419,071</u>
\$ -	\$ -	\$ -	\$ 2,648	\$ -	\$ -	\$ 71,566
-	-	-	-	-	-	2,206
-	-	-	-	-	-	3,309
-	-	-	-	81,747	-	81,747
52,137	836,022	-	-	-	-	888,159
<u>52,137</u>	<u>836,022</u>	<u>-</u>	<u>2,648</u>	<u>81,747</u>	<u>-</u>	<u>1,046,987</u>
-	-	-	-	-	-	33,579
-	-	-	-	-	-	63,330
-	-	-	-	-	-	96,909
-	-	-	-	-	-	1,785,044
-	-	370,258	-	-	-	1,145,996
-	-	-	-	-	-	15,105
-	-	-	77,359	-	-	77,359
-	-	-	-	-	-	22,504
-	-	-	-	7,046	-	7,046
-	-	-	-	-	110,280	110,280
(52,137)	(836,022)	-	-	-	-	(888,159)
<u>(52,137)</u>	<u>(836,022)</u>	<u>370,258</u>	<u>77,359</u>	<u>7,046</u>	<u>110,280</u>	<u>2,275,175</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,258</u>	<u>\$ 80,007</u>	<u>\$ 88,793</u>	<u>\$ 110,280</u>	<u>\$ 3,419,071</u>

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2025

	101	002	026	046	032	207	208
	Housing Redevelopment Authority	Community Center	Police Forfeiture	TIF 4-4 Charles Street Tax Increment	TIF 4-6 Helen Street Tax Increment	TIF 4-7 Anchor Block South – Tax Increment	TIF 4-8 7th and Margaret Street Tax Increment
Revenues							
Taxes	\$ 10,600	\$ –	\$ –	\$ 139,587	\$ 261,867	\$ 406,274	\$ –
Intergovernmental	200,343	–	–	–	–	–	–
Investment earnings	36,694	1,826	597	10,914	4,130	6,976	1,451
Other	131,676	–	2,056	–	–	–	–
Total revenues	379,313	1,826	2,653	150,501	265,997	413,250	1,451
Expenditures							
Current							
General government	–	–	–	–	–	–	–
Parks and recreation	–	89,057	–	–	–	–	–
Economic development	79,452	–	–	–	248,751	368,436	–
Debt service	–	–	–	–	–	–	–
Interest and fiscal charges	–	–	–	–	–	–	–
Total expenditures	79,452	89,057	–	–	248,751	368,436	–
Excess (deficiency) of revenues over expenditures	299,861	(87,231)	2,653	150,501	17,246	44,814	1,451
Other financing sources (uses)							
Transfers in	–	20,000	–	–	–	–	–
Transfers out	(20,000)	–	–	(50,613)	–	–	–
Total other financing sources (uses)	(20,000)	20,000	–	(50,613)	–	–	–
Net change in fund balances	279,861	(67,231)	2,653	99,888	17,246	44,814	1,451
Fund balances (deficits)							
Beginning of year	1,505,183	89,735	12,452	196,102	88,066	293,480	34,691
End of year	\$ 1,785,044	\$ 22,504	\$ 15,105	\$ 295,990	\$ 105,312	\$ 338,294	\$ 36,142

Statement 14

209 TIF 4-9 Margaret Street Tax Increment	211 TIF 4-10 Anchor Block North – Soils Tax Increment	212 TIF Pool	235 Cable PEG Fees	298 Opioid Response	299 Pandemic Response	Total
\$ -	\$ 223,592	\$ -	\$ 39,575	\$ -	\$ -	\$ 1,081,495
-	-	-	-	-	-	200,343
-	-	13,895	2,764	3,420	-	82,667
-	-	-	-	-	-	133,732
-	223,592	13,895	42,339	3,420	-	1,498,237
-	-	-	32,865	-	3,223	36,088
-	-	-	-	-	-	89,057
-	-	-	-	-	-	696,639
2,005	38,247	-	-	-	-	40,252
2,005	38,247	-	32,865	-	3,223	862,036
(2,005)	185,345	13,895	9,474	3,420	(3,223)	636,201
-	-	-	-	-	-	20,000
-	-	-	-	-	-	(70,613)
-	-	-	-	-	-	(50,613)
(2,005)	185,345	13,895	9,474	3,420	(3,223)	585,588
(50,132)	(1,021,367)	356,363	67,885	3,626	113,503	1,689,587
\$ (52,137)	\$ (836,022)	\$ 370,258	\$ 77,359	\$ 7,046	\$ 110,280	\$ 2,275,175

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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, 2025

	184	045	078	071	075	084
	G.O. Bonds of 2014A	Penn Place TIF G.O. Refunding Bonds of 2015A	Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A	G.O. Capital Improvement Plan Refunding Bonds of 2016B
Assets						
Cash and investments	\$ 98,334	\$ 266,750	\$ -	\$ 281,436	\$ 3,870	\$ 514,548
Receivables						
Interest	444	870	-	981	-	3,117
Taxes	-	3,742	-	-	-	-
Special assessments	79,922	-	-	145,761	-	-
Total assets	\$ 178,700	\$ 271,362	\$ -	\$ 428,178	\$ 3,870	\$ 517,665
Liabilities						
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources						
Unavailable revenue – special assessments	79,543	-	-	144,678	-	-
Fund balances						
Restricted for debt service	99,157	271,362	-	283,500	3,870	517,665
Total liabilities, deferred inflows of resources and fund balances	\$ 178,700	\$ 271,362	\$ -	\$ 428,178	\$ 3,870	\$ 517,665

074	309	308	321	322	
G.O. Bonds of 2017A	G.O. Bonds of 2018A	G.O. TIF Bonds Uptown Commons of 2020A	G.O. Refunding Bonds of 2021A	G.O. Bonds of 2022A	Total
\$ 242,946	\$ 337,011	\$ 190,598	\$ 96,519	\$ 332,721	\$ 2,364,733
1,114	1,044	-	181	883	8,634
-	-	-	-	-	3,742
75,125	145,291	-	-	-	446,099
<u>\$ 319,185</u>	<u>\$ 483,346</u>	<u>\$ 190,598</u>	<u>\$ 96,700</u>	<u>\$ 333,604</u>	<u>\$ 2,823,208</u>
\$ -	\$ 325	\$ -	\$ -	\$ -	\$ 325
73,898	145,044	-	-	-	443,163
245,287	337,977	190,598	96,700	333,604	2,379,720
<u>\$ 319,185</u>	<u>\$ 483,346</u>	<u>\$ 190,598</u>	<u>\$ 96,700</u>	<u>\$ 333,604</u>	<u>\$ 2,823,208</u>

CITY OF NORTH ST. PAUL

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2025

	184	045	078	071	075	084
	G.O. Bonds of 2014A	Penn Place TIF G.O. Refunding Bonds of 2015A	Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A	G.O. Capital Improvement Plan Refunding Bonds of 2016B
Revenues						
Taxes	\$ -	\$ 173,310	\$ -	\$ 156,017	\$ -	\$ -
Special assessments	26,445	-	-	26,903	-	-
Investment earnings	3,365	6,586	-	6,409	-	20,407
Total revenues	29,810	179,896	-	189,329	-	20,407
Expenditures						
Debt service						
Principal retirement	-	75,000	40,000	175,000	60,000	425,000
Interest and fiscal charges	-	8,569	10,613	27,912	18,676	10,545
Total expenditures	-	83,569	50,613	202,912	78,676	435,545
Excess (deficiency) of revenues over expenditures	29,810	96,327	(50,613)	(13,583)	(78,676)	(415,138)
Other financing sources						
Transfers in	-	-	50,613	-	65,000	-
Net change in fund balances	29,810	96,327	-	(13,583)	(13,676)	(415,138)
Fund balances						
Beginning of year	69,347	175,035	-	297,083	17,546	932,803
End of year	\$ 99,157	\$ 271,362	\$ -	\$ 283,500	\$ 3,870	\$ 517,665

074	309	308	321	322	
G.O. Bonds of 2017A	G.O. Bonds of 2018A	G.O. TIF Bonds Uptown Commons of 2020A	G.O. Refunding Bonds of 2021A	G.O. Bonds of 2022A	Total
\$ 60,689	\$ 246,012	\$ 378,895	\$ 110,402	\$ 331,263	\$ 1,456,588
18,725	26,961	-	-	-	99,034
7,755	6,522	1,021	977	5,679	58,721
<u>87,169</u>	<u>279,495</u>	<u>379,916</u>	<u>111,379</u>	<u>336,942</u>	<u>1,614,343</u>
69,915	220,000	185,000	120,000	170,000	1,539,915
19,000	84,808	158,740	14,033	144,236	497,132
<u>88,915</u>	<u>304,808</u>	<u>343,740</u>	<u>134,033</u>	<u>314,236</u>	<u>2,037,047</u>
(1,746)	(25,313)	36,176	(22,654)	22,706	(422,704)
-	-	-	-	-	115,613
(1,746)	(25,313)	36,176	(22,654)	22,706	(307,091)
247,033	363,290	154,422	119,354	310,898	2,686,811
<u>\$ 245,287</u>	<u>\$ 337,977</u>	<u>\$ 190,598</u>	<u>\$ 96,700</u>	<u>\$ 333,604</u>	<u>\$ 2,379,720</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

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

Nonmajor capital projects funds presently established are as follows:

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

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2025

	063	034	061	010
	Park	Park Dedication	Permanent Improvement Revolving	Asset Preservation
Assets				
Cash and investments	\$ 881,882	\$ 471,183	\$ 462,926	\$ 1,713,738
Receivables				
Interest	4,633	2,639	2,579	9,978
Accounts	1,830	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 888,345	\$ 473,822	\$ 465,505	\$ 1,723,716
Liabilities				
Accounts and contracts payable	\$ 39,517	\$ -	\$ -	\$ 33,061
Unearned revenue	20,300	-	-	-
Total liabilities	59,817	-	-	33,061
Deferred inflows of resources				
Unavailable revenue – long-term receivable	-	-	-	-
Fund balances				
Restricted for municipal state aid	-	-	-	-
Committed for asset preservation	-	-	-	1,690,655
Committed for street maintenance	-	-	-	-
Assigned for permanent improvement revolving	-	-	465,505	-
Assigned for park improvements	828,528	473,822	-	-
Total fund balances	828,528	473,822	465,505	1,690,655
Total liabilities, deferred inflows of resources, and fund balances	\$ 888,345	\$ 473,822	\$ 465,505	\$ 1,723,716

Statement 17

011	450	
Street Maintenance	Municipal State Aid	Total
\$ 4,135,014	\$ 39,143	\$ 7,703,886
21,892	220	41,941
-	-	1,830
-	159,338	159,338
<u>\$ 4,156,906</u>	<u>\$ 198,701</u>	<u>\$ 7,906,995</u>
\$ 99,089	\$ -	\$ 171,667
-	-	20,300
99,089	-	191,967
-	159,338	159,338
-	39,363	39,363
-	-	1,690,655
4,057,817	-	4,057,817
-	-	465,505
-	-	1,302,350
<u>4,057,817</u>	<u>39,363</u>	<u>7,555,690</u>
<u>\$ 4,156,906</u>	<u>\$ 198,701</u>	<u>\$ 7,906,995</u>

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended December 31, 2025

	063	034	061	010
	Park	Park Dedication	Permanent Improvement Revolving	Asset Preservation
Revenues				
Taxes	\$ 78,702	\$ -	\$ -	\$ -
Special assessment	-	-	4,037	-
Intergovernmental	100,000	-	-	-
Investment earnings	34,180	19,507	18,606	71,429
Other				
Donations	1,000	-	-	-
Miscellaneous	75,022	900	-	-
Total revenues	<u>288,904</u>	<u>20,407</u>	<u>22,643</u>	<u>71,429</u>
Expenditures				
Capital outlay	<u>99,911</u>	<u>-</u>	<u>-</u>	<u>155,662</u>
Excess (deficiency) of revenues over expenditures	188,993	20,407	22,643	(84,233)
Other financing sources (uses)				
Transfers out	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	123,993	20,407	22,643	(84,233)
Fund balances (deficits)				
Beginning of year	<u>704,535</u>	<u>453,415</u>	<u>442,862</u>	<u>1,774,888</u>
End of year	<u>\$ 828,528</u>	<u>\$ 473,822</u>	<u>\$ 465,505</u>	<u>\$ 1,690,655</u>

Statement 18

011	450	
<u>Street Maintenance</u>	<u>Municipal State Aid</u>	<u>Total</u>
\$ 835,477	\$ —	\$ 914,179
—	—	4,037
247,058	374,527	721,585
162,860	1,577	308,159
—	—	1,000
—	—	75,922
<u>1,245,395</u>	<u>376,104</u>	<u>2,024,882</u>
 623,315	 —	 878,888
 <u>622,080</u>	 <u>376,104</u>	 <u>1,145,994</u>
 —	 —	 (65,000)
 <u>622,080</u>	 <u>376,104</u>	 <u>1,080,994</u>
 <u>3,435,737</u>	 <u>(336,741)</u>	 <u>6,474,696</u>
 <u><u>\$ 4,057,817</u></u>	 <u><u>\$ 39,363</u></u>	 <u><u>\$ 7,555,690</u></u>

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GENERAL FUND

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

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CITY OF NORTH ST. PAUL

Statement 19
Page 1 of 5

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Revenues				
Taxes				
Property taxes				
Current	\$ 5,912,641	\$ 5,860,144	\$ (52,497)	\$ 5,449,954
Delinquent	(25,000)	(14,079)	10,921	24,190
Electric franchise	286,388	289,423	3,035	286,622
Gas franchise	138,678	143,089	4,411	110,962
Cable franchise	106,173	87,944	(18,229)	93,762
Total taxes	<u>6,418,880</u>	<u>6,366,521</u>	<u>(52,359)</u>	<u>5,965,490</u>
Special assessments	133	725	592	1,456
Licenses and permits				
Liquor and beer licenses	42,000	60,916	18,916	52,675
Cannabis licenses	–	500	500	–
Cigarette licenses	2,100	2,100	–	3,050
Contractor licenses	11,425	10,120	(1,305)	10,760
Garbage haulers licenses	3,080	1,100	(1,980)	2,640
Miscellaneous licenses	14,186	13,760	(426)	6,750
Building permits	453,191	117,567	(335,624)	263,262
Electrical inspections	27,500	20,233	(7,267)	22,885
Heating and air conditioning permits	49,500	33,627	(15,873)	37,548
Plumbing permits	27,500	20,388	(7,112)	25,241
Rental inspection	30,000	34,308	4,308	44,218
Miscellaneous permits	10,500	26,665	16,165	22,982
Total licenses and permits	<u>670,982</u>	<u>341,284</u>	<u>(329,698)</u>	<u>492,011</u>
Intergovernmental				
Local government aid	1,466,430	1,467,463	1,033	1,466,430
State aid police	218,605	227,511	8,906	218,605
State aid fire	98,256	112,237	13,981	98,256
Liaison officer	110,036	123,709	13,673	123,716
Other grants	344,221	359,452	15,231	415,736
Total intergovernmental	<u>2,237,548</u>	<u>2,290,372</u>	<u>52,824</u>	<u>2,322,743</u>

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Revenues (continued)				
Charges for services				
Administration charges	34,384	20,906	(13,478)	24,116
Searches	2,760	3,270	510	2,905
Recreation	14,490	32,052	17,562	59,191
Total charges for services	51,634	56,228	4,594	86,212
Fines and forfeits	22,036	22,377	341	16,990
Investment earnings	29,971	255,535	225,564	206,180
Other				
Antenna income	146,665	205,355	58,690	152,618
Donations	–	–	–	500
Miscellaneous	16,118	22,489	6,371	102,556
Total other	162,783	227,844	65,061	255,674
Total revenues	9,593,967	9,560,886	(33,081)	9,346,756
Expenditures				
Current				
General government				
City Council				
Personal services	34,200	31,972	(2,228)	32,400
Materials and supplies	350	254	(96)	127
Contractual services	84,053	71,493	(12,560)	79,418
Other	250	–	(250)	–
Total City Council	118,853	103,719	(15,134)	111,945
Administration				
Personal services	333,756	317,529	(16,227)	272,127
Materials and supplies	1,170	1,020	(150)	726
Contractual services	288,434	200,773	(87,661)	176,577
Capital outlay	–	–	–	662
Total administration	623,360	519,322	(104,038)	450,092

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
General government (continued)				
Finance				
Personal services	306,628	304,509	(2,119)	316,518
Materials and supplies	1,750	2,447	697	1,491
Contractual services	65,302	60,271	(5,031)	59,604
Capital outlay	–	–	–	4,689
Total finance	<u>373,680</u>	<u>367,227</u>	<u>(6,453)</u>	<u>382,302</u>
Elections				
Contractual services	40,000	38,945	(1,055)	36,587
Community events				
Contractual services	–	22,936	22,936	57,020
Community services				
Personal services	269,072	240,130	(28,942)	212,267
Materials and supplies	3,225	1,493	(1,732)	1,700
Contractual services	96,111	87,729	(8,382)	75,585
Capital outlay	–	–	–	2,682
Total community services	<u>368,408</u>	<u>329,352</u>	<u>(39,056)</u>	<u>292,234</u>
Total general government	1,524,301	1,381,501	(142,800)	1,330,180
Public safety				
Police protection				
Personal services	3,689,485	3,515,472	(174,013)	1,794,436
Materials and supplies	146,000	134,219	(11,781)	134,211
Contractual services	726,732	703,984	(22,748)	670,184
Capital outlay	5,000	17	(4,983)	1,818
Total police protection	<u>4,567,217</u>	<u>4,353,692</u>	<u>(213,525)</u>	<u>2,600,649</u>

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Fire				
Personal services	1,063,390	1,034,192	(29,198)	926,049
Materials and supplies	64,850	70,438	5,588	64,477
Contractual services	432,171	454,082	21,911	406,865
Total fire	<u>1,560,411</u>	<u>1,558,712</u>	<u>(1,699)</u>	<u>1,397,391</u>
Inspections				
Contractual services	<u>450,000</u>	<u>121,251</u>	<u>(328,749)</u>	<u>413,420</u>
Total public safety	6,577,628	6,033,655	(543,973)	4,411,460
Public works				
Street maintenance				
Personal services	671,563	660,680	(10,883)	576,449
Materials and supplies	183,450	141,630	(41,820)	141,026
Contractual services	398,659	288,252	(110,407)	385,443
Capital outlay	–	616	616	1,483
Total street maintenance	<u>1,253,672</u>	<u>1,091,178</u>	<u>(162,494)</u>	<u>1,104,401</u>
Urban forestry				
Personal services	137,620	134,124	(3,496)	118,838
Materials and supplies	17,800	9,939	(7,861)	16,892
Contractual services	38,726	35,945	(2,781)	32,297
Capital outlay	199,886	184,062	(15,824)	308,021
Total urban forestry	<u>394,032</u>	<u>364,070</u>	<u>(29,962)</u>	<u>476,048</u>
Total public works	1,647,704	1,455,248	(192,456)	1,580,449

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Parks and recreation				
Parks maintenance				
Personal services	303,500	291,521	(11,979)	241,028
Materials and supplies	78,380	63,712	(14,668)	61,175
Contractual services	127,438	118,870	(8,568)	123,598
Capital outlay	–	–	–	12,900
Total parks maintenance	<u>509,318</u>	<u>474,103</u>	<u>(35,215)</u>	<u>438,701</u>
Recreation				
Personal services	9,398	7,132	(2,266)	7,723
Materials and supplies	3,705	4,659	954	890
Contractual services	27,133	408	(26,725)	11,968
Total recreation	<u>40,236</u>	<u>12,199</u>	<u>(28,037)</u>	<u>20,581</u>
Total parks and recreation	<u>549,554</u>	<u>486,302</u>	<u>(63,252)</u>	<u>459,282</u>
Total expenditures	<u>10,299,187</u>	<u>9,356,706</u>	<u>(942,481)</u>	<u>7,781,371</u>
Excess (deficiency) of revenues over expenditures	(705,220)	204,180	909,400	1,565,385
Other financing sources (uses)				
Transfers in	876,909	876,909	–	962,585
Transfers out	<u>(191,689)</u>	<u>(191,689)</u>	<u>–</u>	<u>(1,521,149)</u>
Total other financing sources (uses)	<u>685,220</u>	<u>685,220</u>	<u>–</u>	<u>(558,564)</u>
Net change in fund balances	<u>\$ (20,000)</u>	889,400	<u>\$ 909,400</u>	1,006,821
Fund balance				
Beginning of year		<u>6,048,406</u>		<u>5,041,585</u>
End of year		<u>\$ 6,937,806</u>		<u>\$ 6,048,406</u>

CITY OF NORTH ST. PAUL

Statement 20

General Fund
Balance Sheet by Account
as of December 31, 2025

	General Revenue	Community Event	Fire Relief	Total
Assets				
Cash and investments	\$ 7,108,810	\$ 52,330	\$ 18,316	\$ 7,179,456
Receivables				
Interest	32,608	309	311	33,228
Accounts	361,031	-	-	361,031
Taxes	133,118	-	-	133,118
Special assessments	3,453	-	-	3,453
Lease	2,909,518	-	-	2,909,518
Prepaid items	22,586	-	-	22,586
Advance to other funds	52,137	-	-	52,137
	<u>\$ 10,623,261</u>	<u>\$ 52,639</u>	<u>\$ 18,627</u>	<u>\$ 10,694,527</u>
Liabilities				
Accounts and contracts payable	\$ 129,577	\$ 270	\$ -	\$ 129,847
Accrued salaries and employee benefits payable	212,671	-	-	212,671
Due to other governments	26,492	-	-	26,492
Customer deposits	280,056	-	-	280,056
Unearned revenue	97,780	-	-	97,780
Total liabilities	<u>746,576</u>	<u>270</u>	<u>-</u>	<u>746,846</u>
Deferred inflows of resources				
Lease revenue for subsequent years	2,909,518	-	-	2,909,518
Unavailable revenue – property taxes	96,904	-	-	96,904
Unavailable revenue – special assessments	3,453	-	-	3,453
Total deferred inflows of resources	<u>3,009,875</u>	<u>-</u>	<u>-</u>	<u>3,009,875</u>
Fund balances				
Nonspendable	74,723	-	-	74,723
Assigned	-	52,369	18,627	70,996
Unassigned	6,792,087	-	-	6,792,087
Total fund balances	<u>6,866,810</u>	<u>52,369</u>	<u>18,627</u>	<u>6,937,806</u>
	<u>\$ 10,623,261</u>	<u>\$ 52,639</u>	<u>\$ 18,627</u>	<u>\$ 10,694,527</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,623,261</u>	<u>\$ 52,639</u>	<u>\$ 18,627</u>	<u>\$ 10,694,527</u>

CITY OF NORTH ST. PAUL

Statement 21

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances by Account
 Year Ended December 31, 2025

	General Revenue	Community Event	Fire Relief	Total
Revenue				
Taxes	\$ 6,366,521	\$ -	\$ -	\$ 6,366,521
Special assessments	725	-	-	725
Licenses and permits	341,284	-	-	341,284
Intergovernmental	2,290,372	-	-	2,290,372
Charges for services	42,223	14,005	-	56,228
Fines and forfeits	22,377	-	-	22,377
Investment earnings	251,345	2,153	2,037	255,535
Other	227,844	-	-	227,844
Total revenue	<u>9,542,691</u>	<u>16,158</u>	<u>2,037</u>	<u>9,560,886</u>
Expenditures				
Current				
General government	1,358,565	22,936	-	1,381,501
Public safety	5,915,718	-	117,937	6,033,655
Public works	1,455,248	-	-	1,455,248
Parks and recreation	486,302	-	-	486,302
Total expenditures	<u>9,215,833</u>	<u>22,936</u>	<u>117,937</u>	<u>9,356,706</u>
Excess (deficiency) of revenues over expenditures	326,858	(6,778)	(115,900)	204,180
Other financing sources (uses)				
Transfers in	775,153	-	101,756	876,909
Transfers out	(191,689)	-	-	(191,689)
Total other financing sources (uses)	<u>583,464</u>	<u>-</u>	<u>101,756</u>	<u>685,220</u>
Net change in fund balances	910,322	(6,778)	(14,144)	889,400
Fund balances				
Beginning of year	<u>5,956,488</u>	<u>59,147</u>	<u>32,771</u>	<u>6,048,406</u>
End of year	<u>\$ 6,866,810</u>	<u>\$ 52,369</u>	<u>\$ 18,627</u>	<u>\$ 6,937,806</u>

CITY OF NORTH ST. PAUL

Statement 22

Housing Redevelopment Authority Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2025

(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Revenues				
Taxes	\$ 11,000	\$ 10,600	\$ (400)	\$ 10,659
Intergovernmental	–	200,343	200,343	84,570
Investment earnings	2,500	36,694	34,194	18,741
Other	380,000	131,676	(248,324)	6,372
Total revenues	393,500	379,313	(14,187)	120,342
Expenditures				
Current				
Economic development	478,993	79,452	(399,541)	99,979
Excess (deficiency) of revenues over expenditures	(85,493)	299,861	385,354	20,363
Other financing sources (uses)				
Transfers out	(20,000)	(20,000)	–	(20,000)
Net change in fund balances	\$ (105,493)	279,861	\$ 385,354	363
Fund balance				
Beginning of year		1,505,183		1,504,820
End of year		\$ 1,785,044		\$ 1,505,183

CITY OF NORTH ST. PAUL

Statement 23

Community Center Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2025

(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Revenues				
Investment earnings	\$ -	\$ 1,826	\$ 1,826	\$ 5,564
Expenditures				
Current				
Parks and recreation	<u>97,250</u>	<u>89,057</u>	<u>(8,193)</u>	<u>81,773</u>
Excess (deficiency) of revenues over expenditures	(97,250)	(87,231)	10,019	(76,209)
Other financing sources				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><u>\$ (77,250)</u></u>	<u>(67,231)</u>	<u><u>\$ 10,019</u></u>	<u>(76,209)</u>
Fund balances				
Beginning of year		<u>89,735</u>		<u>165,944</u>
End of year		<u><u>\$ 22,504</u></u>		<u><u>\$ 89,735</u></u>

CITY OF NORTH ST. PAUL

Statement 24

Park Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2025

(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2025		Over (Under) Budget	2024
	Final Budget	Actual		Actual
Revenues				
Taxes	\$ 78,702	\$ 78,702	\$ -	\$ 36,042
Intergovernmental	100,000	100,000	-	257,343
Investment earnings	-	34,180	34,180	26,815
Other	107,485	76,022	(31,463)	107,527
Total revenues	<u>286,187</u>	<u>288,904</u>	<u>2,717</u>	<u>427,727</u>
Expenditures				
Capital outlay				
Parks and recreation	<u>179,474</u>	<u>99,911</u>	<u>(79,563)</u>	<u>374,470</u>
Excess (deficiency) of revenues over expenditures	106,713	188,993	82,280	53,257
Other financing sources (uses)				
Transfers out	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>	<u>(65,000)</u>
Net change in fund balances	<u>\$ 41,713</u>	123,993	<u>\$ 82,280</u>	(11,743)
Fund balances				
Beginning of year		<u>704,535</u>		<u>716,278</u>
End of year		<u>\$ 828,528</u>		<u>\$ 704,535</u>

INTERNAL SERVICE FUNDS

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

CITY OF NORTH ST. PAUL

Statement 25

Internal Service Funds
Combining Statement of Net Position
as of December 31, 2025

	097	098	096	095	099	
	Equipment	City Mechanic	Insurance	Information Technology	Building Maintenance	Total
Assets						
Current assets						
Cash and investments	\$ 3,643,569	\$ 47,904	\$ 322,201	\$ 293,687	\$ 566,396	\$ 4,873,757
Receivables						
Interest	20,957	298	964	1,264	1,623	25,106
Accounts	-	-	71	-	-	71
Prepaid items	-	-	-	9,420	3,759	13,179
Total current assets	<u>3,664,526</u>	<u>48,202</u>	<u>323,236</u>	<u>304,371</u>	<u>571,778</u>	<u>4,912,113</u>
Noncurrent assets						
Capital assets						
Buildings and structures	-	-	-	-	40,920	40,920
Furniture and equipment	5,518,140	-	-	46,999	14,637	5,579,776
Subscriptions	-	-	-	128,990	-	128,990
Less accumulated depreciation/amortization	<u>(2,888,392)</u>	<u>-</u>	<u>-</u>	<u>(139,289)</u>	<u>(5,908)</u>	<u>(3,033,589)</u>
Total capital assets	<u>2,629,748</u>	<u>-</u>	<u>-</u>	<u>36,700</u>	<u>49,649</u>	<u>2,716,097</u>
Total assets	<u>\$ 6,294,274</u>	<u>\$ 48,202</u>	<u>\$ 323,236</u>	<u>\$ 341,071</u>	<u>\$ 621,427</u>	<u>\$ 7,628,210</u>
Current liabilities						
Accounts and contracts payable	\$ 134,003	\$ 1,513	\$ 1,267	\$ 30,825	\$ 48,371	\$ 215,979
Accrued salaries and employee benefits payable	-	-	1,176	-	-	1,176
Due to other governments	-	-	-	-	50	50
Total liabilities	<u>134,003</u>	<u>1,513</u>	<u>2,443</u>	<u>30,825</u>	<u>48,421</u>	<u>217,205</u>
Net position						
Net investment in capital assets	2,509,526	-	-	36,700	49,649	2,595,875
Unrestricted	3,650,745	46,689	320,793	273,546	523,357	4,815,130
Total net position	<u>6,160,271</u>	<u>46,689</u>	<u>320,793</u>	<u>310,246</u>	<u>573,006</u>	<u>7,411,005</u>
Total liabilities and net position	<u>\$ 6,294,274</u>	<u>\$ 48,202</u>	<u>\$ 323,236</u>	<u>\$ 341,071</u>	<u>\$ 621,427</u>	<u>\$ 7,628,210</u>

CITY OF NORTH ST. PAUL

Statement 26

Internal Service Funds
 Combining Statement of Revenues,
 Expenses, and Change in Net Position
 Year Ended December 31, 2025

	<u>097</u>	<u>098</u>	<u>096</u>	<u>095</u>	<u>099</u>	
	Equipment	City Mechanic	Insurance	Information Technology	Building Maintenance	Total
Operating revenues						
Charges for services	\$ 527,800	\$ 43,924	\$ 624,838	\$ 523,700	\$ 310,300	\$ 2,030,562
Operating expenses						
Professional services	-	3,936	20,592	469,713	305,600	799,841
Materials and supplies	13,781	47,893	-	-	51,739	113,413
Insurance	-	-	514,554	-	-	514,554
Total operating expenses	<u>13,781</u>	<u>51,829</u>	<u>535,146</u>	<u>469,713</u>	<u>357,339</u>	<u>1,427,808</u>
Operating income (loss) before depreciation	514,019	(7,905)	89,692	53,987	(47,039)	602,754
Depreciation/amortization	<u>443,029</u>	<u>-</u>	<u>-</u>	<u>50,684</u>	<u>2,839</u>	<u>496,552</u>
Operating income (loss)	70,990	(7,905)	89,692	3,303	(49,878)	106,202
Nonoperating revenues						
Investment earnings	147,082	2,008	6,746	7,748	12,306	175,890
Electric franchise tax	-	-	-	-	192,948	192,948
Gain on disposal of capital assets	45,861	-	-	-	-	45,861
Other	-	-	25,837	-	-	25,837
Interest expense	-	-	-	(1,418)	-	(1,418)
Total nonoperating revenues	<u>192,943</u>	<u>2,008</u>	<u>32,583</u>	<u>6,330</u>	<u>205,254</u>	<u>439,118</u>
Income (loss) before transfers	263,933	(5,897)	122,275	9,633	155,376	545,320
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,689</u>	<u>171,689</u>
Change in net position	263,933	(5,897)	122,275	9,633	327,065	717,009
Net position						
Beginning of year	<u>5,896,338</u>	<u>52,586</u>	<u>198,518</u>	<u>300,613</u>	<u>245,941</u>	<u>6,693,996</u>
End of year	<u>\$ 6,160,271</u>	<u>\$ 46,689</u>	<u>\$ 320,793</u>	<u>\$ 310,246</u>	<u>\$ 573,006</u>	<u>\$ 7,411,005</u>

CITY OF NORTH ST. PAUL

Statement 27

Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2025

	097	098	096	095	099	
	Equipment	City Mechanic	Insurance	Information Technology	Building Maintenance	Total
Cash flows from operating activities						
Cash receipts on interfund services provided	\$ 527,800	\$ 43,924	\$ 644,782	\$ 523,700	\$ 310,300	\$ 2,050,506
Cash paid to suppliers	-	(51,972)	(534,201)	(434,693)	(331,717)	(1,352,583)
Net cash flows from operating activities	527,800	(8,048)	110,581	89,007	(21,417)	697,923
Cash flows from noncapital financing activities						
Electric franchise tax received	-	-	-	-	192,948	192,948
Transfers in	-	-	-	-	171,689	171,689
Net cash flows from noncapital financing activities	-	-	-	-	364,637	364,637
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(744,407)	-	-	(24,618)	(14,637)	(783,662)
Proceeds from the disposal of capital assets	46,526	-	-	-	-	46,526
Payment on subscription liability	-	-	-	(42,982)	-	(42,982)
Interest paid	-	-	-	(1,418)	-	(1,418)
Net cash flows from capital and related financing activities	(697,881)	-	-	(69,018)	(14,637)	(781,536)
Cash flows from investing activities						
Interest received on investments	149,124	2,072	8,032	8,023	11,888	179,139
Net change in cash and cash equivalents	(20,957)	(5,976)	118,613	28,012	340,471	460,163
Cash and cash equivalents						
Beginning of year	3,664,526	53,880	203,588	265,675	225,925	4,413,594
End of year	\$ 3,643,569	\$ 47,904	\$ 322,201	\$ 293,687	\$ 566,396	\$ 4,873,757
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ 70,990	\$ (7,905)	\$ 89,692	\$ 3,303	\$ (49,878)	\$ 106,202
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation/amortization	443,029	-	-	50,684	2,839	496,552
Other revenue	-	-	25,837	-	-	25,837
Change in assets and liabilities						
Accounts receivable	-	-	(964)	-	-	(964)
Prepaid items	-	-	-	4,195	(694)	3,501
Accounts and contracts payable	13,781	(143)	945	30,825	26,286	71,694
Accrued salaries and employee benefits payable	-	-	(4,929)	-	-	(4,929)
Due to other governments	-	-	-	-	30	30
Total adjustments	456,810	(143)	20,889	85,704	28,461	591,721
Net cash flows from operating activities	\$ 527,800	\$ (8,048)	\$ 110,581	\$ 89,007	\$ (21,417)	\$ 697,923
Noncash investing, capital, and financing activities						
Payments of capital assets on account	\$ (120,222)	\$ -	\$ -	\$ -	\$ -	\$ (120,222)
Net book value of capital asset disposals	\$ 665	\$ -	\$ -	\$ -	\$ -	\$ 665

DISCRETELY PRESENTED COMPONENT UNIT – EDA

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

CITY OF NORTH ST. PAUL

Statement 28

Economic Development Authority
 (Discretely Presented Component Unit)
 Balance Sheet
 as of December 31, 2025

Assets	
Cash and investments	\$ 653,417
Receivables	
Interest	3,269
Taxes	3,843
Assets held for resale	<u>49,248</u>
Total assets	<u><u>\$ 709,777</u></u>
Liabilities	
Accrued salaries and employee benefits payable	\$ 3,650
Deferred inflows of resources	
Unavailable revenue – property taxes	1,517
Fund balances	
Restricted for Economic Development Authority	<u>704,610</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 709,777</u></u>
Total fund balances reported above	\$ 704,610
Amounts reported for the Economic Development Authority in the Statement of Net Position are different because:	
Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.	<u>1,517</u>
Total net position – governmental activities	<u><u>\$ 706,127</u></u>

CITY OF NORTH ST. PAUL

Statement 29

Economic Development Authority
 (Discretely Presented Component Unit)
 Statement of Revenues, Expenditures, and
 Change in Fund Balances – Budget and Actual
 Year Ended December 31, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Taxes	\$ 200,907	\$ 198,768	\$ (2,139)
Investment earnings	2,000	23,968	21,968
Total revenues	<u>202,907</u>	<u>222,736</u>	<u>19,829</u>
Expenditures			
Current			
Economic development	<u>267,355</u>	<u>127,864</u>	<u>(139,491)</u>
Net change in fund balances	<u>\$ (64,448)</u>	94,872	<u>\$ 159,320</u>
Fund balances			
Beginning of year		<u>609,738</u>	
End of year		<u>\$ 704,610</u>	
Net change in fund balances reported above		\$ 94,872	
Amounts reported for the Economic Development Authority in the Statement of Activities are different because:			
Revenues in the government-wide Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.		<u>1,517</u>	
Change in net position – governmental activities		<u>\$ 96,389</u>	

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STATISTICAL SECTION

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STATISTICAL SECTION

(UNAUDITED)

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

The contents of the statistical section include:

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

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

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

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

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

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

CITY OF NORTH ST. PAUL

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

	2016	2017	2018	Fiscal Year 2019
Governmental activities				
Net investment in capital assets	\$ 18,613,487	\$ 19,304,556	\$ 18,936,454	\$ 20,896,337
Restricted	4,343,924	5,086,728	5,905,069	6,313,242
Unrestricted	<u>1,535,730</u>	<u>1,906,846</u>	<u>3,798,923</u>	<u>1,913,208</u>
Total governmental activities net position	<u>\$ 24,493,141</u>	<u>\$ 26,298,130</u>	<u>\$ 28,640,446</u>	<u>\$ 29,122,787</u>
Business-type activities				
Net investment in capital assets	\$ 5,361,800	\$ 5,125,174	\$ 5,118,537	\$ 5,230,430
Unrestricted	<u>4,870,810</u>	<u>7,364,722</u>	<u>9,430,795</u>	<u>12,047,528</u>
Total business-type activities net position	<u>\$ 10,232,610</u>	<u>\$ 12,489,896</u>	<u>\$ 14,549,332</u>	<u>\$ 17,277,958</u>
Primary government				
Net investment in capital assets	\$ 23,975,287	\$ 24,429,730	\$ 24,054,991	\$ 26,126,767
Restricted	4,343,924	5,086,728	5,905,069	6,313,242
Unrestricted	<u>6,406,540</u>	<u>9,271,568</u>	<u>13,229,718</u>	<u>13,960,736</u>
Total primary government net position	<u>\$ 34,725,751</u>	<u>\$ 38,788,026</u>	<u>\$ 43,189,778</u>	<u>\$ 46,400,745</u>

Note 1: The City implemented GASB Statement No. 75 in fiscal 2018. The City reported a change in accounting principle as a result of implementing this standard that decreased net position by \$418,070. Prior year information has not been restated.

Note 2: In fiscal 2024, the City reported a change in accounting principle for a change in reporting certain groups of similar capital assets acquired in prior years, that increased net position by \$18,509. Prior year information has not been restated.

Table 1

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 23,925,494	\$ 27,299,383	\$ 27,356,833	\$ 28,319,939	\$ 29,794,782	\$ 29,659,418
6,750,568	6,291,329	6,605,820	7,519,972	6,728,122	6,883,070
<u>(3,329,638)</u>	<u>(2,656,756)</u>	<u>(2,491,905)</u>	<u>(1,903,454)</u>	<u>1,641,754</u>	<u>4,939,100</u>
<u>\$ 27,346,424</u>	<u>\$ 30,933,956</u>	<u>\$ 31,470,748</u>	<u>\$ 33,936,457</u>	<u>\$ 38,164,658</u>	<u>\$ 41,481,588</u>
\$ 6,715,226	\$ 7,092,785	\$ 6,330,294	\$ 7,752,067	\$ 9,398,382	\$ 9,328,818
<u>14,631,165</u>	<u>17,209,712</u>	<u>19,764,508</u>	<u>22,004,741</u>	<u>22,362,392</u>	<u>25,619,451</u>
<u>\$ 21,346,391</u>	<u>\$ 24,302,497</u>	<u>\$ 26,094,802</u>	<u>\$ 29,756,808</u>	<u>\$ 31,760,774</u>	<u>\$ 34,948,269</u>
\$ 30,640,720	\$ 34,392,168	\$ 33,687,127	\$ 36,072,006	\$ 39,193,164	\$ 38,988,236
6,750,568	6,291,329	6,605,820	7,519,972	6,728,122	6,883,070
<u>11,301,527</u>	<u>14,552,956</u>	<u>17,272,603</u>	<u>20,101,287</u>	<u>24,004,146</u>	<u>30,558,551</u>
<u>\$ 48,692,815</u>	<u>\$ 55,236,453</u>	<u>\$ 57,565,550</u>	<u>\$ 63,693,265</u>	<u>\$ 69,925,432</u>	<u>\$ 76,429,857</u>

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2016	2017	2018	2019
Expenses				
Governmental activities				
General government	\$ 2,635,566	\$ 2,500,256	\$ 1,852,924	\$ 1,559,014
Public safety	4,237,119	3,802,714	4,006,547	4,087,960
Public works	1,576,435	1,512,014	1,790,048	2,104,125
Parks and recreation	544,721	439,167	636,499	586,040
Economic development	184,357	472,262	508,783	3,028,759
Interest and fiscal charges	412,714	409,252	415,264	383,719
Total governmental activities expenses	<u>9,590,912</u>	<u>9,135,665</u>	<u>9,210,065</u>	<u>11,749,617</u>
Business-type activities				
Electric	8,443,299	8,329,029	8,960,653	8,098,292
Water	1,110,248	752,207	938,780	1,105,399
Surface water	428,295	538,861	642,322	480,131
Waste water	1,620,631	1,484,530	1,744,588	1,817,051
Fiber optic	167,886	154,236	181,099	138,423
Solid waste	835,013	987,790	991,685	1,492,205
Total business-type activities expenses	<u>12,605,372</u>	<u>12,246,653</u>	<u>13,459,127</u>	<u>13,131,501</u>
Total primary government expenses	<u>\$ 22,196,284</u>	<u>\$ 21,382,318</u>	<u>\$ 22,669,192</u>	<u>\$ 24,881,118</u>
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 298,971	\$ 371,906	\$ 340,303	\$ 498,603
Public safety	107,199	119,264	124,392	129,933
Public works	182,465	257,790	298,035	580,660
Parks and recreation	193,670	228,307	169,999	263,985
Operating grants and contributions	445,180	490,623	615,246	648,171
Capital grants and contributions	701,665	720,308	1,292,586	588,053
Total governmental activities program revenues	<u>1,929,150</u>	<u>2,188,198</u>	<u>2,840,561</u>	<u>2,709,405</u>
Business-type activities				
Charges for services				
Electric	9,226,380	9,534,315	10,149,233	9,284,280
Water	1,676,387	1,787,727	1,823,416	1,853,028
Surface water	669,380	727,237	820,017	881,196
Waste water	2,060,406	2,105,749	2,198,476	2,325,937
Fiber optic	145,673	148,684	141,209	218,655
Solid waste	1,084,284	1,099,506	1,135,528	1,106,983
Operating grants and contributions	178,469	48,752	61,976	341,895
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>15,040,979</u>	<u>15,451,970</u>	<u>16,329,855</u>	<u>16,011,974</u>
Total primary government program revenues	<u>\$ 16,970,129</u>	<u>\$ 17,640,168</u>	<u>\$ 19,170,416</u>	<u>\$ 18,721,379</u>

Table 2
Page 1 of 2

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 1,484,870	\$ 1,328,371	\$ 1,813,006	\$ 1,822,939	\$ 1,741,946	\$ 1,731,162
4,298,332	3,826,009	5,718,250	5,852,635	6,139,013	6,021,155
1,712,876	2,135,103	2,853,488	2,866,024	3,348,805	3,078,387
577,988	470,618	666,685	647,156	675,368	666,204
7,263,908	560,016	549,676	765,731	2,077,429	833,678
701,700	624,528	770,759	681,499	618,223	689,540
<u>16,039,674</u>	<u>8,944,645</u>	<u>12,371,864</u>	<u>12,635,984</u>	<u>14,600,784</u>	<u>13,020,126</u>
7,950,155	9,090,803	10,286,514	10,140,345	9,662,344	10,001,358
1,008,677	1,028,804	1,209,955	1,245,077	1,468,051	1,351,410
462,958	562,073	666,147	768,449	823,637	947,967
1,814,166	1,760,265	2,067,753	2,079,731	2,189,689	2,324,373
140,622	141,471	145,320	160,177	152,188	152,129
906,762	938,234	946,788	1,053,052	1,145,171	1,203,268
<u>12,283,340</u>	<u>13,521,650</u>	<u>15,322,477</u>	<u>15,446,831</u>	<u>15,441,080</u>	<u>15,980,505</u>
<u>\$ 28,323,014</u>	<u>\$ 22,466,295</u>	<u>\$ 27,694,341</u>	<u>\$ 28,082,815</u>	<u>\$ 30,041,864</u>	<u>\$ 29,000,631</u>
\$ 360,872	\$ 400,827	\$ 341,716	\$ 298,132	\$ 393,175	\$ 325,224
52,571	106,480	102,658	111,274	92,865	112,829
820,311	631,019	976,441	655,805	373,374	219,205
194,967	362,490	275,913	243,362	295,736	105,914
2,621,998	880,202	631,090	1,161,987	1,132,647	968,857
670,265	373,618	448,478	480,707	514,617	577,076
<u>4,720,984</u>	<u>2,754,636</u>	<u>2,776,296</u>	<u>2,951,267</u>	<u>2,802,414</u>	<u>2,309,105</u>
9,275,594	10,416,983	11,282,305	11,660,434	10,996,569	11,761,638
2,015,977	2,138,165	2,021,685	2,154,579	1,944,601	1,960,336
925,883	946,086	957,409	968,318	1,006,697	1,031,805
2,477,861	2,482,664	2,457,962	2,560,648	2,803,361	2,676,437
213,804	208,915	213,176	214,176	214,424	210,405
985,699	998,597	1,008,152	1,031,341	1,043,664	1,061,536
63,645	49,224	69,777	187,708	172,340	88,379
753,848	-	-	-	-	-
<u>16,712,311</u>	<u>17,240,634</u>	<u>18,010,466</u>	<u>18,777,204</u>	<u>18,181,656</u>	<u>18,790,536</u>
<u>\$ 21,433,295</u>	<u>\$ 19,995,270</u>	<u>\$ 20,786,762</u>	<u>\$ 21,728,471</u>	<u>\$ 20,984,070</u>	<u>\$ 21,099,641</u>

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2016	2017	2018	2019
Net (expense) revenue				
Governmental activities	\$ (7,661,762)	\$ (6,947,467)	\$ (6,369,504)	\$ (9,040,212)
Business-type activities	2,435,607	3,205,317	2,870,728	2,880,473
Total primary government net expense	<u>\$ (5,226,155)</u>	<u>\$ (3,742,150)</u>	<u>\$ (3,498,776)</u>	<u>\$ (6,159,739)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 4,546,034	\$ 5,111,242	\$ 5,496,782	\$ 5,809,709
Franchise taxes	544,367	531,178	431,469	421,413
Unrestricted grants and contributions	1,919,280	1,812,458	1,838,514	1,843,392
Other general revenues	38,802	126,853	212,024	124,510
Investment earnings (charges)	76,459	123,925	174,935	460,597
Transfers	1,449,000	1,046,800	841,130	862,932
Total governmental activities	<u>8,573,942</u>	<u>8,752,456</u>	<u>8,994,854</u>	<u>9,522,553</u>
Business-type activities				
Investment earnings (charges)	68,629	98,769	164,874	597,528
Transfers	<u>(1,449,000)</u>	<u>(1,046,800)</u>	<u>(841,130)</u>	<u>(862,932)</u>
Total business-type activities	<u>(1,380,371)</u>	<u>(948,031)</u>	<u>(676,256)</u>	<u>(265,404)</u>
Total primary government	<u>\$ 7,193,571</u>	<u>\$ 7,804,425</u>	<u>\$ 8,318,598</u>	<u>\$ 9,257,149</u>
Change in net position				
Governmental activities	\$ 912,180	\$ 1,804,989	\$ 2,625,350	\$ 482,341
Business-type activities	<u>1,055,236</u>	<u>2,257,286</u>	<u>2,194,472</u>	<u>2,615,069</u>
Total primary government	<u>\$ 1,967,416</u>	<u>\$ 4,062,275</u>	<u>\$ 4,819,822</u>	<u>\$ 3,097,410</u>

Table 2
Page 2 of 2

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$(11,318,690)	\$ (6,190,009)	\$ (9,595,568)	\$ (9,684,717)	\$(11,798,370)	\$(10,711,021)
<u>4,428,971</u>	<u>3,718,984</u>	<u>2,687,989</u>	<u>3,330,373</u>	<u>2,740,576</u>	<u>2,810,031</u>
<u>\$ (6,889,719)</u>	<u>\$ (2,471,025)</u>	<u>\$ (6,907,579)</u>	<u>\$ (6,354,344)</u>	<u>\$ (9,057,794)</u>	<u>\$ (7,900,990)</u>
\$ 6,348,187	\$ 6,481,133	\$ 7,147,994	\$ 8,296,412	\$ 9,185,108	\$ 9,548,403
437,835	490,483	563,490	531,239	491,346	520,456
1,800,995	1,685,861	1,661,614	1,570,639	3,490,093	1,917,322
81,834	203,525	199,242	148,378	61,416	206,490
186,263	(4,873)	(229,980)	813,758	908,608	978,371
<u>687,213</u>	<u>921,412</u>	<u>790,000</u>	<u>790,000</u>	<u>1,890,000</u>	<u>856,909</u>
<u>9,542,327</u>	<u>9,777,541</u>	<u>10,132,360</u>	<u>12,150,426</u>	<u>16,026,571</u>	<u>14,027,951</u>
326,675	158,534	(105,684)	1,121,633	1,134,881	1,234,373
<u>(687,213)</u>	<u>(921,412)</u>	<u>(790,000)</u>	<u>(790,000)</u>	<u>(1,890,000)</u>	<u>(856,909)</u>
<u>(360,538)</u>	<u>(762,878)</u>	<u>(895,684)</u>	<u>331,633</u>	<u>(755,119)</u>	<u>377,464</u>
<u>\$ 9,181,789</u>	<u>\$ 9,014,663</u>	<u>\$ 9,236,676</u>	<u>\$ 12,482,059</u>	<u>\$ 15,271,452</u>	<u>\$ 14,405,415</u>
\$ (1,776,363)	\$ 3,587,532	\$ 536,792	\$ 2,465,709	\$ 4,228,201	\$ 3,316,930
<u>4,068,433</u>	<u>2,956,106</u>	<u>1,792,305</u>	<u>3,662,006</u>	<u>1,985,457</u>	<u>3,187,495</u>
<u>\$ 2,292,070</u>	<u>\$ 6,543,638</u>	<u>\$ 2,329,097</u>	<u>\$ 6,127,715</u>	<u>\$ 6,213,658</u>	<u>\$ 6,504,425</u>

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CITY OF NORTH ST. PAUL

Table 3

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2016	\$ 4,546,034	\$ 544,367	\$ 5,090,401
2017	5,111,242	531,178	5,642,420
2018	5,496,782	431,469	5,928,251
2019	5,809,709	421,413	6,231,122
2020	6,348,187	437,835	6,786,022
2021	6,481,133	490,483	6,971,616
2022	7,147,994	563,490	7,711,484
2023	8,296,412	531,239	8,827,651
2024	9,185,108	491,346	9,676,454
2025	9,548,403	520,456	10,068,859

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2016	2017	2018	2019
General Fund				
Nonspendable	\$ 23,492	\$ 26,016	\$ 24,135	\$ 154,851
Assigned	25,230	23,261	19,985	17,740
Unassigned	<u>1,713,152</u>	<u>1,708,472</u>	<u>1,788,706</u>	<u>2,182,986</u>
Total General Fund	<u>\$ 1,761,874</u>	<u>\$ 1,757,749</u>	<u>\$ 1,832,826</u>	<u>\$ 2,355,577</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	6,554,769	7,114,605	9,661,240	5,816,806
Committed	2,369,282	3,196,670	3,774,915	4,217,917
Assigned	1,166,478	996,304	1,931,788	1,758,664
Unassigned, reported in Other governmental funds	<u>(113,371)</u>	<u>(6,954)</u>	<u>(48,623)</u>	<u>(1,571,775)</u>
Total all other governmental funds	<u>\$ 9,977,158</u>	<u>\$ 11,300,625</u>	<u>\$ 15,319,320</u>	<u>\$ 10,221,612</u>
Total all governmental funds				
Nonspendable	\$ 23,492	\$ 26,016	\$ 24,135	\$ 154,851
Restricted	6,554,769	7,114,605	9,661,240	5,816,806
Committed	2,369,282	3,196,670	3,774,915	4,217,917
Assigned	1,191,708	1,019,565	1,951,773	1,776,404
Unassigned, reported in				
General Fund	1,713,152	1,708,472	1,788,706	2,182,986
Other governmental funds	<u>(113,371)</u>	<u>(6,954)</u>	<u>(48,623)</u>	<u>(1,571,775)</u>
Total all governmental funds	<u>\$ 11,739,032</u>	<u>\$ 13,058,374</u>	<u>\$ 17,152,146</u>	<u>\$ 12,577,189</u>

Table 4

2020	2021	2022	2023	2024	2025
\$ 53,828	\$ 81,527	\$ 53,389	\$ 79,009	\$ 70,310	\$ 74,723
88,565	109,197	100,857	116,558	91,918	70,996
<u>2,701,149</u>	<u>3,497,620</u>	<u>4,170,579</u>	<u>4,846,018</u>	<u>5,886,178</u>	<u>6,792,087</u>
<u>\$ 2,843,542</u>	<u>\$ 3,688,344</u>	<u>\$ 4,324,825</u>	<u>\$ 5,041,585</u>	<u>\$ 6,048,406</u>	<u>\$ 6,937,806</u>
\$ 683	\$ 102	\$ -	\$ -	\$ -	\$ -
5,912,546	6,232,816	7,962,023	6,018,933	5,241,033	5,829,136
4,026,933	4,188,953	3,777,432	3,673,975	5,210,625	5,748,472
1,943,532	2,049,562	2,391,518	2,850,562	2,954,243	3,224,128
<u>(5,093,538)</u>	<u>(6,034,466)</u>	<u>(5,606,568)</u>	<u>(4,893,360)</u>	<u>(4,041,758)</u>	<u>(3,518,994)</u>
<u>\$ 6,790,156</u>	<u>\$ 6,436,967</u>	<u>\$ 8,524,405</u>	<u>\$ 7,650,110</u>	<u>\$ 9,364,143</u>	<u>\$ 11,282,742</u>
\$ 54,511	\$ 81,629	\$ 53,389	\$ 79,009	\$ 70,310	\$ 74,723
5,912,546	6,232,816	7,962,023	6,018,933	5,241,033	5,829,136
4,026,933	4,188,953	3,777,432	3,673,975	5,210,625	5,748,472
2,032,097	2,158,759	2,492,375	2,967,120	3,046,161	3,295,124
2,701,149	3,497,620	4,170,579	4,846,018	5,886,178	6,792,087
<u>(5,093,538)</u>	<u>(6,034,466)</u>	<u>(5,606,568)</u>	<u>(4,893,360)</u>	<u>(4,041,758)</u>	<u>(3,518,994)</u>
<u>\$ 9,633,698</u>	<u>\$ 10,125,311</u>	<u>\$ 12,849,230</u>	<u>\$ 12,691,695</u>	<u>\$ 15,412,549</u>	<u>\$ 18,220,548</u>

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2016	2017	2018	2019
Revenues				
Taxes	\$ 5,083,188	\$ 5,643,488	\$ 5,923,559	\$ 6,243,978
Special assessments	303,753	313,972	557,833	264,614
Licenses and permits	275,704	302,716	355,448	631,259
Intergovernmental	2,358,025	2,646,164	2,673,823	2,951,440
Charges for services	188,516	207,009	156,811	215,238
Fines and forfeits	34,824	37,032	38,536	33,274
Investment earnings (charges)	65,760	100,440	148,593	375,949
Other	329,038	415,313	497,783	584,626
Total revenues	<u>8,638,808</u>	<u>9,666,134</u>	<u>10,352,386</u>	<u>11,300,378</u>
Expenditures				
Current				
General government	2,107,655	2,142,817	1,435,772	1,325,646
Public safety	3,453,098	3,582,576	3,939,849	4,329,230
Public works	902,417	884,974	1,021,445	1,093,499
Parks and recreation	351,891	374,020	522,972	509,206
Other	-	-	18,006	-
Economic development	172,600	442,989	450,164	3,034,873
Capital outlay	3,677,596	1,507,700	1,654,658	4,299,602
Debt service				
Principal	1,010,000	1,020,000	1,265,000	1,348,553
Interest	366,628	434,638	434,329	462,658
Total expenditures	<u>12,041,885</u>	<u>10,389,714</u>	<u>10,742,195</u>	<u>16,403,267</u>
Excess (deficiency) of revenues over expenditures	(3,403,077)	(723,580)	(389,809)	(5,102,889)
Other financing sources (uses)				
Bonds issued	3,880,000	1,051,380	3,475,000	-
Refunding bonds issued	2,430,000	-	-	-
Contract for deed issued	-	-	-	2,075,000
Premium (discount) on bonds issued	208,277	40,155	226,760	-
Payments to refunded bond escrow agent	-	-	-	(2,410,000)
Transfers in	2,143,316	1,387,155	1,157,039	1,012,932
Transfers out	(914,027)	(435,768)	(375,218)	(150,000)
Total other financing sources (uses)	<u>7,747,566</u>	<u>2,042,922</u>	<u>4,483,581</u>	<u>527,932</u>
Net change in fund balances	<u>\$ 4,344,489</u>	<u>\$ 1,319,342</u>	<u>\$ 4,093,772</u>	<u>\$ (4,574,957)</u>
Debt service as a percentage of noncapital expenditures	<u>16.0%</u>	<u>16.1%</u>	<u>18.3%</u>	<u>14.5%</u>

Table 5

2020	2021	2022	2023	2024	2025
\$ 6,775,208	\$ 6,973,458	\$ 7,770,528	\$ 8,861,084	\$ 9,708,616	\$ 10,077,876
233,359	206,135	216,035	160,585	144,441	133,172
630,386	697,218	1,024,746	776,874	492,011	341,284
3,865,688	2,559,942	2,728,803	2,633,171	5,031,731	3,212,300
130,683	182,841	227,658	158,341	86,212	56,228
27,025	30,805	22,080	22,036	16,990	22,377
143,101	(3,722)	(169,313)	673,833	708,957	802,481
1,815,409	983,103	414,543	310,148	538,566	438,498
<u>13,620,859</u>	<u>11,629,780</u>	<u>12,235,080</u>	<u>13,596,072</u>	<u>16,727,524</u>	<u>15,084,216</u>
1,521,706	1,216,523	1,339,166	1,436,832	1,365,436	1,417,589
4,625,522	4,550,160	5,343,902	5,474,379	5,780,484	6,033,655
1,069,926	1,105,152	1,326,130	1,350,284	1,580,449	1,455,248
569,370	446,422	587,660	577,258	541,055	575,359
–	–	–	–	–	–
7,104,185	447,696	514,598	742,548	2,056,656	844,708
5,669,116	1,243,775	2,820,747	3,403,360	2,206,628	2,782,642
2,744,028	3,213,926	1,305,276	1,380,159	1,520,038	1,539,915
674,408	710,441	759,626	770,149	691,459	702,893
<u>23,978,261</u>	<u>12,934,095</u>	<u>13,997,105</u>	<u>15,134,969</u>	<u>15,742,205</u>	<u>15,352,009</u>
(10,357,402)	(1,304,315)	(1,762,025)	(1,538,897)	985,319	(267,793)
6,325,000	–	4,590,000	–	–	2,320,000
–	960,000	–	–	–	–
–	–	–	–	–	–
122,131	45,928	85,944	–	–	70,572
–	–	(980,000)	–	–	–
1,787,397	912,658	2,036,939	1,683,903	3,544,554	1,012,522
(820,617)	(122,658)	(1,246,939)	(302,541)	(1,809,019)	(327,302)
<u>7,413,911</u>	<u>1,795,928</u>	<u>4,485,944</u>	<u>1,381,362</u>	<u>1,735,535</u>	<u>3,075,792</u>
<u>\$ (2,943,491)</u>	<u>\$ 491,613</u>	<u>\$ 2,723,919</u>	<u>\$ (157,535)</u>	<u>\$ 2,720,854</u>	<u>\$ 2,807,999</u>
<u>18.6%</u>	<u>32.9%</u>	<u>18.1%</u>	<u>18.2%</u>	<u>16.2%</u>	<u>17.7%</u>

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CITY OF NORTH ST. PAUL

Table 6

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Electric Franchise</u>	<u>Gas Franchise</u>	<u>Cable Franchise</u>	<u>Total</u>
2016	\$ 4,538,821	\$ 346,059	\$ 83,298	\$ 115,010	\$ 5,083,188
2017	5,112,310	368,484	90,270	72,424	5,643,488
2018	5,492,090	244,007	102,973	84,489	5,923,559
2019	5,822,565	227,068	100,065	94,280	6,243,978
2020	6,337,373	275,660	83,977	78,198	6,775,208
2021	6,482,975	277,684	100,598	112,201	6,973,458
2022	7,207,038	285,311	167,697	110,482	7,770,528
2023	8,329,845	286,388	138,678	106,173	8,861,084
2024	9,217,270	286,622	110,962	93,762	9,708,616
2025	9,557,420	289,423	143,089	87,944	10,077,876

CITY OF NORTH ST. PAUL

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

Fiscal Year	Tax Capacity (1)				
	Real Property		Personal Property	Less Tax Exempt Real Property	Fiscal Disparities Distribution
	Residential Property	Commercial Property			
2016	\$ 6,217,732	\$ 1,572,193	\$ 100,787	\$ (924,565)	\$ 2,298,449
2017	6,718,235	1,582,800	111,924	(969,996)	2,419,838
2018	7,065,334	1,720,882	108,396	(1,028,487)	2,559,341
2019	7,678,389	1,782,523	98,904	(1,110,250)	2,681,211
2020	8,750,806	1,762,170	100,246	(1,181,531)	2,817,225
2021	9,687,274	1,801,666	116,468	(1,282,119)	2,738,340
2022	10,214,854	1,888,979	118,204	(1,570,784)	2,930,417
2023	12,332,890	2,151,824	120,600	(2,218,318)	2,858,933
2024	13,355,303	2,424,591	126,282	(2,447,127)	2,982,912
2025	13,052,129	2,431,586	125,488	(2,488,215)	3,471,445

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

Source: Ramsey County

Table 7

<u>Total Tax Capacity Value</u>	<u>Total Direct Tax Rate</u>	<u>Total Estimated Market Value</u>	<u>Tax Capacity Value as a Percentage of Market Value</u>
\$ 9,264,596	38.707 %	\$ 777,362,600	1.2 %
9,862,801	41.919	821,838,000	1.2
10,425,466	42.515	861,724,000	1.2
11,130,777	43.834	919,851,300	1.2
12,248,916	40.732	1,018,683,500	1.2
13,061,629	38.219	1,108,145,800	1.2
13,581,670	44.140	1,164,673,600	1.2
15,245,929	42.711	1,371,264,600	1.1
16,441,961	43.362	1,476,727,600	1.1
16,592,433	48.982	1,492,759,300	1.1

CITY OF NORTH ST. PAUL

Table 8

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rates (1)			Overlapping			Total Direct and Overlapping Rates
	General Levy	Debt Levy	City Total	County	School District	Special District	
2016	27.095 %	11.612 %	38.707 %	58.885 %	35.706 %	12.638 %	145.936 %
2017	31.215	10.704	41.919	55.850	33.798	12.029	143.596
2018	31.980	10.535	42.515	53.962	30.284	12.270	139.031
2019	33.095	10.739	43.834	52.880	29.226	13.446	139.386
2020	32.045	8.687	40.732	52.302	32.689	12.591	138.314
2021	29.997	8.222	38.219	47.760	32.007	12.611	130.597
2022	35.918	8.222	44.140	47.226	32.329	12.756	136.451
2023	33.732	8.979	42.711	44.900	29.975	11.256	128.842
2024	34.499	8.863	43.362	45.455	29.698	8.426	126.941
2025	43.586	5.396	48.982	47.475	32.002	8.415	136.874

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

Source: Ramsey County

CITY OF NORTH ST. PAUL

Table 9

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2025			2016		
	Total Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Anchor View, LLC	\$ 555,896	1	3.35 %	\$ 4,308,000	10	0.55 %
Berwald Investment Company	455,304	2	2.74	7,637,800	5	0.98
North St. Paul Land Dev. Co., LLC	367,804	3	2.22	-	-	-
Target Stores, Inc.	338,704	4	2.04	10,887,700	2	1.40
Helen Street Senior Housing Realty	312,886	5	1.89	10,710,000	3	1.38
TKG III Acquisition, LLC	278,010	6	1.68	-	-	-
Kwik Trip, Inc.	226,528	7	1.37	-	-	-
Cottages of North St. Paul	210,656	8	1.27	6,187,100	7	0.80
LHB Properties	205,745	9	1.24	6,313,300	6	0.81
Endurus Regency Park, LLC	187,986	10	1.13	-	-	-
Cedarview Commons	-	-	-	12,729,200	1	1.64
Franklin Apartments	-	-	-	7,817,500	4	1.01
Bigos Regency Park, LLC	-	-	-	4,995,100	8	0.64
Baypointe Investment Partnership, LLC	-	-	-	4,478,700	9	0.58
Total	\$ 3,139,519		18.93 %	\$ 76,064,400		9.79 %

Source: Ramsey County Department of Property Taxation

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CITY OF NORTH ST. PAUL

Table 10

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy (2)		Collections (Abatements) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 4,186,996	\$ 4,148,345	99.1 %	\$ 38,651	\$ 4,186,996	100.0 %
2017	4,768,855	4,728,652	99.2	40,203	4,768,855	100.0
2018	5,144,397	5,093,568	99.0	50,829	5,144,397	100.0
2019	5,545,599	5,504,917	99.3	39,875	5,544,792	100.0
2020	5,828,387	5,783,121	99.2	44,213	5,827,334	100.0
2021	5,864,589	5,823,146	99.3	38,809	5,861,955	100.0
2022	6,226,210	6,224,303	100.0	(1,074)	6,223,229	100.0
2023	6,753,978	6,711,157	99.4	25,301	6,736,458	99.7
2024	7,321,989	7,283,956	99.5	23,787	7,307,743	99.8
2025	7,988,219	7,927,908	99.2	–	7,927,908	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

Fiscal Year	Governmental Activities								Total
	General Obligation Bonds	Special Assessment Bonds	Tax Increment Bonds	Tax Abatement Bonds	Capital Improvement Bonds	Contract for Deed	Subscription	Premiums	
2016	\$ 2,695,000	\$ 4,815,000	\$ 1,490,000	\$ 1,510,000	\$ 5,815,000	\$ -	\$ -	\$ 297,645	\$ 16,622,645
2017	2,325,000	5,686,380	1,395,000	1,445,000	5,505,000	-	-	312,858	16,669,238
2018	1,950,000	8,811,380	1,295,000	1,330,000	5,180,000	-	-	512,167	19,078,547
2019	1,575,000	8,397,827	1,195,000	1,210,000	2,430,000	2,075,000	-	470,543	17,353,370
2020	1,195,000	7,852,299	7,410,000	1,085,000	2,050,000	871,500	-	546,688	21,010,487
2021	960,000	7,254,873	7,310,000	1,030,000	1,655,000	-	-	541,527	18,751,400
2022	5,550,000	5,524,597	7,210,000	975,000	1,255,000	-	-	572,085	21,086,682
2023	5,225,000	5,079,438	7,065,000	920,000	845,000	-	126,610	516,699	19,777,747
2024	4,940,000	4,619,400	6,770,000	860,000	425,000	-	42,982	461,313	18,118,695
2025	6,970,000	4,154,485	6,470,000	800,000	-	-	-	473,138	18,867,623

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

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

Table 11

Revenue Bonds	Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Subscription	Premiums	Total			
\$ 14,360,000	\$ -	\$ 205,469	\$ 14,565,469	\$ 31,188,114	9.24 %	\$ 2,577
11,663,620	-	206,372	11,869,992	28,539,230	7.93	2,365
14,198,620	-	409,430	14,608,050	33,686,597	8.79	2,784
13,137,173	-	374,677	13,511,850	30,865,220	8.07	2,538
13,767,701	-	451,017	14,218,718	35,229,205	8.83	2,897
13,800,127	-	473,127	14,273,254	33,024,654	8.44	2,671
16,445,403	-	522,223	16,967,626	38,054,308	9.70	3,070
14,890,562	177,192	470,261	15,538,015	35,315,762	8.37	2,833
13,335,600	167,847	418,298	13,921,745	32,040,440	7.26	2,548
15,955,515	154,442	488,335	16,598,292	35,465,915	7.50	2,805

CITY OF NORTH ST. PAUL

Table 12

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Premiums/ (Discounts)</u>	<u>Less Amounts Available in Debt Service Funds (3)</u>	<u>Total</u>	<u>Percentage of Estimated Market Value of Property (1)</u>	<u>Per Capita (2)</u>
2016	\$ 8,510,000	\$ 110,519	\$ 3,875,411	\$ 4,745,108	0.61 %	\$ 392
2017	7,830,000	98,239	3,902,113	4,026,126	0.49	334
2018	7,130,000	85,960	3,935,715	3,280,245	0.38	271
2019	4,005,000	73,680	1,615,940	2,462,740	0.27	203
2020	3,245,000	61,400	1,685,808	1,620,592	0.16	133
2021	2,615,000	89,945	1,797,021	907,924	0.08	73
2022	6,805,000	154,209	1,266,010	5,693,199	0.49	459
2023	6,070,000	132,528	1,311,964	4,890,564	0.36	392
2024	5,365,000	110,848	1,363,055	4,112,793	0.28	327
2025	6,970,000	156,379	947,969	6,178,410	0.41	489

(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 government-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

Table 13

Direct and Overlapping Governmental Activities Debt
as of December 31, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Direct debt			
City of North St. Paul	\$ 18,867,623	100.0 %	\$ 18,867,623
Overlapping debt			
Independent School District No. 622	167,920,089	11.3	18,931,049
Ramsey County	214,887,000	1.9	4,080,416
Ramsey County Library	16,335,000	3.7	605,880
Metropolitan Council	1,558,153,207	0.3	3,963,097
Total overlapping debt			<u>27,580,442</u>
Total direct and overlapping debt			<u>\$ 46,448,065</u>

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

Note 1: 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.

Note 2: The overlapping debt presented above is as of December 31, 2024.

Source: Ramsey County

CITY OF NORTH ST. PAUL

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2016	2017	2018	2019
Debt limit	\$ 23,320,878	\$ 24,655,140	\$ 25,851,720	\$ 27,595,539
Total net debt applicable to the limit	<u>4,634,589</u>	<u>3,927,887</u>	<u>3,194,285</u>	<u>2,389,060</u>
Legal debt margin	<u>\$ 18,686,289</u>	<u>\$ 20,727,253</u>	<u>\$ 22,657,435</u>	<u>\$ 25,206,479</u>
Total net debt applicable to the limit as a percentage of debt limit	19.87%	15.93%	12.36%	8.66%

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

Table 14

2020	2021	2022	2023	2024	2025
\$ 30,560,505	\$ 33,244,374	\$ 34,940,208	\$ 41,137,938	\$ 44,354,766	\$ 44,782,779
1,559,192	817,979	5,538,990	4,758,036	4,001,945	6,022,031
<u>\$ 29,001,313</u>	<u>\$ 32,426,395</u>	<u>\$ 29,401,218</u>	<u>\$ 36,379,902</u>	<u>\$ 40,352,821</u>	<u>\$ 38,760,748</u>
5.10%	2.46%	15.85%	11.57%	9.02%	13.45%

Legal Debt Margin Calculation for Fiscal Year 2025

Market value	\$ 1,492,759,300
Debt limit (3 percent of market value)	44,782,779
Debt applicable to the limit	
General obligation bonds	6,970,000
Less amount set aside for repayment of general obligation debt	(947,969)
Total net debt applicable to the limit	<u>6,022,031</u>
Legal debt margin	<u>\$ 38,760,748</u>

CITY OF NORTH ST. PAUL

Table 15

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds					Coverage
	Operating Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2016	\$ 14,706,437	\$ 11,604,993	\$ 3,101,444	\$ 680,000	\$ 425,394	2.81
2017	15,254,109	11,398,378	3,855,731	680,000	295,905	3.95
2018	16,121,710	12,341,182	3,780,528	930,000	352,495	2.95
2019	15,449,750	12,111,198	3,338,552	1,061,447	358,074	2.35
2020	15,666,843	11,487,636	4,179,207	1,199,472	389,812	2.63
2021	16,979,565	12,448,171	4,531,394	1,402,574	413,225	2.50
2022	17,727,513	13,963,542	3,763,971	1,124,724	491,090	2.33
2023	18,375,320	13,886,801	4,488,519	1,554,841	508,206	2.18
2024	17,794,892	13,892,849	3,902,043	1,554,962	439,980	1.96
2025	18,491,752	14,294,407	4,197,345	1,590,085	507,565	2.00

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

Note 2: The 2017 and 2022 principal payments do not include the refunded portion of bonds paid.

CITY OF NORTH ST. PAUL

Table 16

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2016	12,104	\$ 337,520,040	\$ 27,885	38.5	10,669	3.5 %
2017	12,069	359,994,132	29,828	38.2	10,480	2.8
2018	12,099	383,223,726	31,674	38.2	10,633	2.7
2019	12,159	382,412,709	31,451	37.9	10,636	2.9
2020	12,161	398,990,249	32,809	34.9	10,563	4.7
2021	12,364	391,370,056	31,654	*	10,305	2.6
2022	12,395	392,351,330	31,654	32.1	10,263	2.8
2023	12,465	421,901,467	33,847	32.1	10,244	2.3
2024	12,574	441,058,198	35,077	33.6	10,754	2.6
2025	12,644	472,721,228	37,387	39.2	10,633	3.9

* Information not available for the fiscal year 2021.

Data sources:

- (1) U.S. Census Bureau
- (2) U.S. Census Bureau
- (3) Independent School District No. 622 Annual Comprehensive Financial Report
- (4) Minnesota Department of Economic Security – Ramsey County – December 2025

CITY OF NORTH ST. PAUL

Table 17

Principal Employers
Current Year and Nine Years Ago

Employer	2025		2016	
	Employees	Rank	Employees	Rank
Independent School District No. 622	1,829	1	1,550	1
Berwald Roofing	177	2	155	3
Target Stores, Inc.	172	3	170	2
REM Ramsey, Inc.	95	4	80	5
City of North St. Paul	93	5	57	7
Martin Marietta Materials Inc (formerly T.A. Schifsky & Sons, Inc.)	70	6	70	6
Rust-Oleum	65	7	–	–
Rock Solid	50	8	50	9
Ideal Credit Union	47	9	54	8
Andersen Cabinet, Inc.	21	10	–	–
Metropolitan Area Agency on Aging	–	–	95	4
Lillie Suburban Newspaper	–	–	50	9
Total	<u>2,619</u>		<u>2,331</u>	

Note: The percentage of total city employment is unavailable.

Source: Baker Tilly Bond Consultants – May 2025

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

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	13	14	15	15	11	11	12	14	14	14
Public safety										
Police										
Officers	17	18	17	17	18	19	19	19	21	21
Civilians	4	4	4	2	2	2	2	2	2	2
Fire										
Firefighters and officers	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Maintenance	4	4	4	4	4	4	4	4	4	4
Parks and recreation	4	4	4	4	4	4	4	4	4	4
Water	3	3	3	3	3	3	3	4	4	4
Electric	12	13	12	10	11	11	11	11	10	10
Total	<u>61</u>	<u>64</u>	<u>63</u>	<u>59</u>	<u>57</u>	<u>58</u>	<u>59</u>	<u>62</u>	<u>63</u>	<u>63</u>

Source: Various government departments

CITY OF NORTH ST. PAUL

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2016	2017	2018	2019
Police				
Parking violations	740	1,054	937	753
Traffic violations	596	690	560	592
Fire				
Number of calls answered	1,243	1,319	1,318	1,355
Rental property licenses	243	382	297	274
Code compliance cases	700	447	468	295
Fire certificate of compliance	21	145	31	35
Zoning inspections	N/A	N/A	N/A	N/A
Highways and streets				
Street resurfacing (miles)	1.6	1.9	0.3	2.6
Tons of asphalt used	579.7	616.0	729.8	925.0
Water				
New connections	21	9	4	46
Water main breaks	8	6	12	6
Average daily consumption (thousands of gallons)	972	973	1,104	840

N/A – Not Available

Source: Various government departments

Table 19

2020	2021	2022	2023	2024	2025
590	283	237	201	184	335
512	263	239	86	85	256
1,478	1,566	1,605	1,694	1,771	1,932
173	164	218	233	285	230
257	172	218	243	349	182
27	51	32	76	42	21
N/A	N/A	66	142	106	124
1.0	2.0	2.0	1.1	2.0	1.5
460.0	625.0	500.0	465.0	242.0	122.5
37	60	128	11	10	67
10	9	7	2	5	3
900	1,074	1,020	1,057	946	965

CITY OF NORTH ST. PAUL

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2016	2017	2018	2019
Public safety				
Police				
Stations	1	1	1	1
Patrol units	10	10	10	10
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	45	45	45	45
Streetlights/security lights	630	630	630	639
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
Water				
Water mains (miles)	44	44	44	62
Fire hydrants	609	609	609	622
Gallons sold per year (thousands of gallons)	273,021	362,558	403,082	306,547
Sewer				
Sanitary sewers (miles)	43	43	43	46
Storm sewers (miles)	21	21	21	44
Electric				
Number of distribution stations	1	1	1	1
Miles of service lines	70	70	71	72

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

Source: Various government departments

Table 20

2020	2021	2022	2023	2024	2025
1	1	1	1	1	1
9	10	12	14	14	14
1	1	1	1	1	1
45	45	45	45	45	45
647	652	652	652	652	652
1	1	1	1	1	1
140	140	140	140	140	140
13	13	13	13	13	13
1	1	1	1	1	1
9	9	2	2	2	2
63	64	64	64	64	64
645	650	650	650	650	650
328,529	392,354	372,418	386,019	345,389	318,402
47	47	47	47	47	47
45	45	45	45	45	45
1	1	1	1	1	1
73	73	74	74	74	74

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Management Report
for
City of North St. Paul, Minnesota
December 31, 2025



Certified Public Accountants Business Consultants

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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, 2025. We have organized this report into the following sections:

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads 'LB Carlson, LLP'.

LB CARLSON, LLP
Minneapolis, Minnesota

April 24, 2026

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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, 2025. 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 OPINIONS AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2025:

- We have issued unmodified opinions on the City's basic financial statements.
- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.
- We reported one finding based on our testing of the City's compliance with Minnesota laws and regulations. We noted that 2 of 40 disbursements tested were not paid within the 35-day period as required by Minnesota Statutes § 471.425, Subd. 2.

OTHER OBSERVATIONS AND RECOMMENDATIONS

- **Individual Fund Deficits** – As reported in the City’s Annual Comprehensive Financial Report as of December 31, 2025, the City has three special revenue funds that have a deficit fund equity totaling \$3,518,994 and one enterprise fund deficit totaling \$424,098. There are several reasons that may cause individual funds to end a given period in a deficit position. For instance, the timing of related funding resources (future levy authority) may lag behind related expenditures made. While we understand that the City approves all disbursements and reviews the cash and equity positions of all funds, we recommend that the City match the timing of related resources with related expenditures as much as possible to limit the deficit balances at any given moment.

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

- **Fiber Optic Fund** – The Fiber Optic Fund has generated a significant deficit unrestricted net position balance, due to cash borrowings from the Surface Water and Waste Water Funds, used to finance required debt payments and capital asset purchases. As of December 31, 2025, the Fiber Optic Fund’s unrestricted component of net position has a deficit of \$1,886,897. It is important that the City review potential revenue streams for future years to ensure that this fund will be self-sustaining and not put any additional burden on other funds of the City.
- **Deposit and Escrow Reconciliation** – Internal controls, processes, and procedures are never perfected and need to be continually reviewed. During our inquiries and testing, we noted that customer deposit and escrow accounts were not reconciled as of year-end. Control procedures, such as periodic and year-end account and subledger reconciliations, must be performed regularly, accurately, and in a timely manner. We recommend the City review its policies and procedures over customer deposit and escrow accounts to verify proper reconciliations are completed.
- **Alternative Dissemination of Bids and Requests** – As an alternative to the statutory bid requirements for newspaper publication, a city may disseminate solicitations of bids, requests for information, and requests for proposals. A city may use its website or recognized industry trade journals as an alternative means of dissemination if the City simultaneously publishes, either as part of the minutes of a regular meeting of the City Council or in a separate notice published in the official newspaper, a description of all solicitations or requests, along with the means by which the dissemination occurred. For the first six months after a city designates an alternative means of dissemination, it must continue to publish solicitation of bids, requests for information, and requests for proposals in the official newspaper in addition to the alternative method. The publication in the official newspaper must indicate where to find the designated alternative method. We recommend the City review its policies and procedures over statutory bid requirements as it continues to explore the option of using alternative means of advertising.

- **Uniform Guidance Revisions** – Although the City did not earn enough federal funding to require a Single Audit of its expenditures of federal awards this year, if the City receives any federal funding it is obligated to maintain a comprehensive system of internal controls over federal grant compliance that is up to date with current requirements. The U.S. Office of Management and Budget issued a revision to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in 2024, aiming to streamline grant management and reduce grantor agency and recipient burden. The revised guidance is effective for new federal grant entitlements awarded on or after October 1, 2024.

The revision includes a number of significant changes to the federal Single Audit process, including: an increase in dollar threshold for requiring a Single Audit from \$750,000 to \$1,000,000; changes to the thresholds and process used for determining major programs; an increase in the threshold for the disposition of equipment and remitting unused supplies from \$5,000 to \$10,000; and an increase in the federal de minimis indirect cost rate from 10 percent to 15 percent. Key changes to written policy requirements for recipients include: enhancement of cybersecurity controls, inclusion of veteran-owned businesses to the group of entities for procurement preference, and a broadened scope for reporting of mandatory disclosures. We recommend the City review its internal control policies to ensure compliance with current guidance.

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, 2025.

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:

- **Depreciation and Amortization** – Management’s estimates of depreciation and amortization expense are based on the estimated useful lives of the assets.
- **OPEB and Pension Benefits** – The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. Actuarial estimates of these obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement Nos. 68 and 75. The actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.
- **Value of Land Held for Resale** – These assets are stated at the lower of cost or acquisition value based on management’s estimates.
- **Compensated Absences** – Management’s estimate is based on current rates of pay, unused compensated absence balances, and the likelihood compensated absences will be paid out over the course of employment or at termination.

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

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

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management 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 24, 2026.

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 supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

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GOVERNMENTAL FUNDS OVERVIEW

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

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, 2025, presented both by fund balance classification and by major fund:

Governmental Funds Change in Fund Balance			
	Fund Balance as of December 31,		Change
	<u>2025</u>	<u>2024</u>	
Fund balances of governmental funds			
Total by classification			
Nonspendable	\$ 74,723	\$ 70,310	\$ 4,413
Restricted	5,829,136	5,241,033	588,103
Committed	5,748,472	5,210,625	537,847
Assigned	3,295,124	3,046,161	248,963
Unassigned	<u>3,273,093</u>	<u>1,844,420</u>	<u>1,428,673</u>
Total governmental funds	<u>\$ 18,220,548</u>	<u>\$ 15,412,549</u>	<u>\$ 2,807,999</u>
Total by fund			
General	\$ 6,937,806	\$ 6,048,406	\$ 889,400
TIF 4-10 Anchor Block North – Housing Tax Increment	(2,630,835)	(2,633,518)	2,683
Street Improvement Revolving	1,702,992	1,146,567	556,425
Nonmajor funds	<u>12,210,585</u>	<u>10,851,094</u>	<u>1,359,491</u>
Total governmental funds	<u>\$ 18,220,548</u>	<u>\$ 15,412,549</u>	<u>\$ 2,807,999</u>

In total, the fund balances of the City’s governmental funds increased by \$2,807,999 during the year ended December 31, 2025. The increase is largely due to an increase in unassigned fund balance, due to the improved financial position in the General Fund and nonmajor Municipal State Aid Capital Projects Fund in the current year. Restricted fund balance in the Street Improvement Revolving Capital Projects Fund increased resulting from bond proceeds exceeding current year spending on street projects.

GOVERNMENTAL FUNDS REVENUE

The following table presents the City's governmental funds revenue by source for the last two fiscal years:

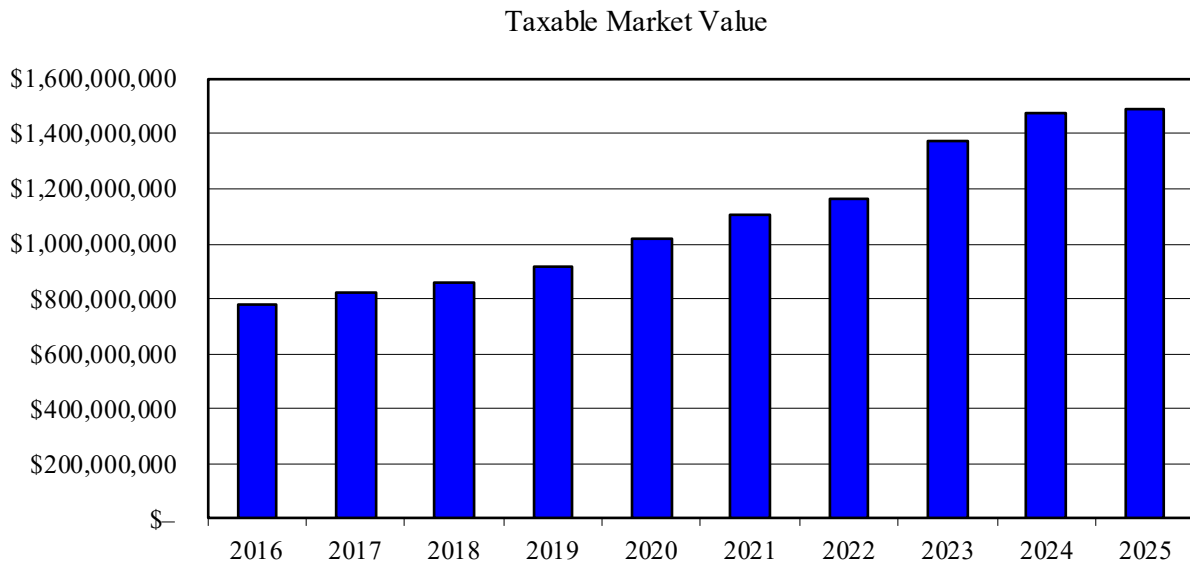
Governmental Funds Revenue by Source						
	2025		2024		Year-to-Year Change	
	Revenue	Percent of Total	Revenue	Percent of Total	Dollar Change	Percent Change
Property taxes	\$ 8,093,697	53.5 %	\$ 7,490,522	44.8 %	\$ 603,175	8.1 %
Tax increments	1,463,723	9.7	1,726,748	10.3	(263,025)	(15.2) %
Franchise and other taxes	520,456	3.5	491,346	2.9	29,110	5.9 %
Special assessments	133,172	0.9	144,441	0.9	(11,269)	(7.8) %
Licenses and permits	341,284	2.3	492,011	2.9	(150,727)	(30.6) %
Intergovernmental	3,212,300	21.3	5,031,731	30.1	(1,819,431)	(36.2) %
Charges for services	56,228	0.4	86,212	0.5	(29,984)	(34.8) %
Other	1,263,356	8.4	1,264,513	7.6	(1,157)	(0.1) %
Total revenue	\$ 15,084,216	100.0 %	\$ 16,727,524	100.0 %	\$ (1,643,308)	(9.8) %

The City generated \$15,084,216 of total revenue in its governmental funds in 2025, a decrease of \$1,643,308 (9.8 percent) from the prior year. The largest change occurred with a decrease in intergovernmental revenues, due to the recognition of Coronavirus State and Local Fiscal Recovery Funds in the prior year. This decrease was offset by an increase in property taxes with the increased property tax levy approved by the City Council.

PROPERTY TAXES

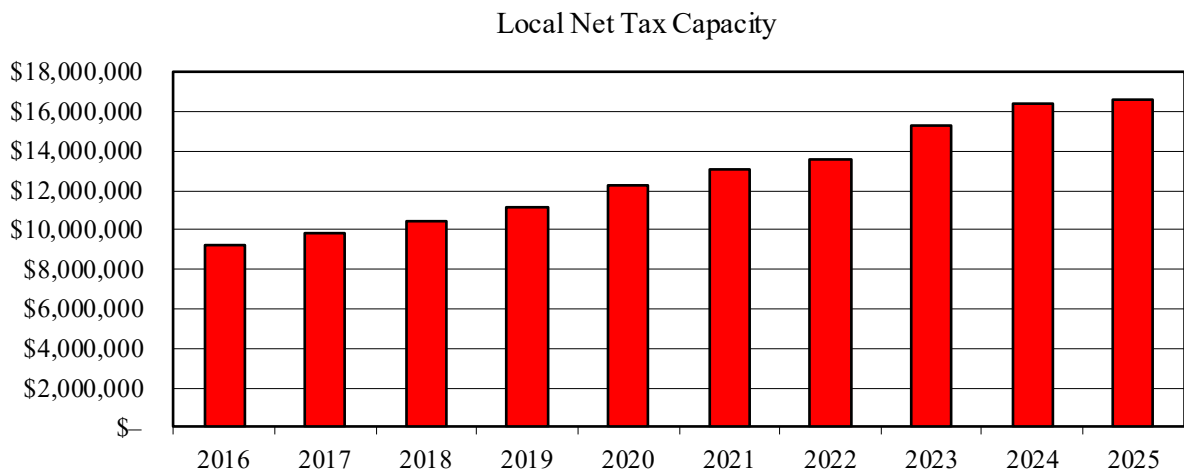
Minnesota cities rely heavily on local property taxes to support governmental fund activities. In the 2025 fiscal year, ad valorem property taxes provided 53.5 percent, while tax increment provided 9.7 percent of the City's total governmental funds revenue.

The City's taxable market value increased 7.7 percent for taxes payable in 2024 and 1.1 percent for taxes payable in 2025. The following graph shows the City's changes in taxable market value over the past 10 years:

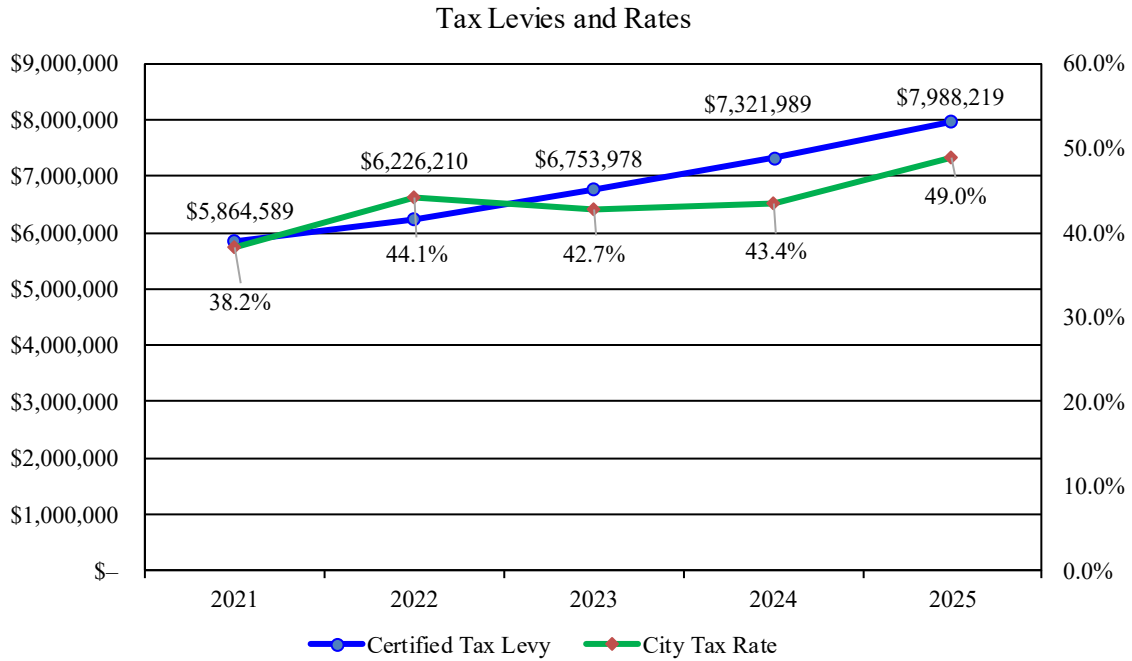


Tax capacity is considered the actual base available for taxation. It is calculated by applying the state's property classification system to each property's market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, 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 7.8 percent and 0.9 percent for taxes payable in 2024 and 2025, respectively.

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



The following graph presents the City’s certified tax levy and resulting tax rates applied to city residents for each of the last five levy years:



The City’s certified levy has continued to grow over the last five years, while increases in property valuations have contributed to the change in the average tax rate.

GOVERNMENTAL FUNDS EXPENDITURES

The City's governmental funds 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** – 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 following table presents the City's governmental funds expenditures by type for the last two fiscal years:

Governmental Funds Expenditures by Type						
	2025		2024		Year-to-Year Change	
	Expenditures	Percent of Total	Expenditures	Percent of Total	Dollar Change	Percent Change
Current						
General government	\$ 1,417,589	9.2 %	\$ 1,365,436	8.7 %	\$ 52,153	3.8 %
Public safety	6,033,655	39.3	5,780,484	36.7	253,171	4.4 %
Public works	1,455,248	9.5	1,580,449	10.0	(125,201)	(7.9) %
Parks and recreation	575,359	3.7	541,055	3.4	34,304	6.3 %
Economic development	844,708	5.5	2,056,656	13.1	(1,211,948)	(58.9) %
Total current	<u>10,326,559</u>	<u>67.2</u>	<u>11,324,080</u>	<u>71.9</u>	<u>(997,521)</u>	<u>(8.8) %</u>
Capital outlay	2,782,642	18.2	2,206,628	14.1	576,014	26.1 %
Debt service	<u>2,242,808</u>	<u>14.6</u>	<u>2,211,497</u>	<u>14.0</u>	<u>31,311</u>	<u>1.4 %</u>
Total revenue	<u>\$ 15,352,009</u>	<u>100.0 %</u>	<u>\$ 15,742,205</u>	<u>100.0 %</u>	<u>\$ (390,196)</u>	<u>(2.5) %</u>

Total expenditures in the City's governmental funds for 2025 were \$15,352,009, a decrease of \$390,196 (2.5 percent). This decrease was mainly in economic development expenditures, due to decreased economic development payments in the current year. This decrease was offset by the increase in capital outlay, with more street improvement projects in the current year.

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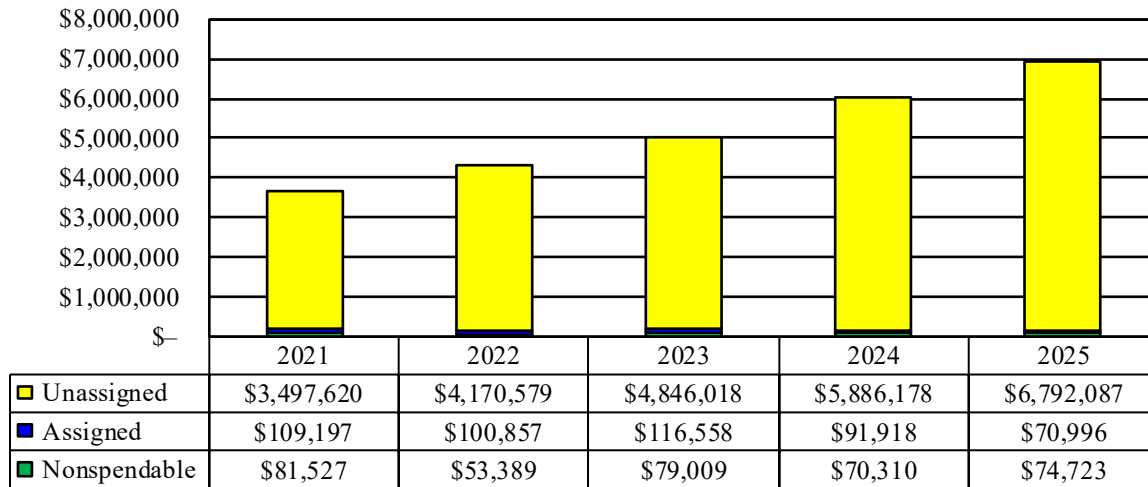
GENERAL FUND OVERVIEW

This section of the report focuses specifically on the financial trends and activities of the General Fund, which accounts for the financial activity of the basic services provided to the community. The primary services included within this fund include the administration of municipal operations, police and fire protection, permitting and building inspection, streets and highway maintenance, culture and recreation, and economic development.

GENERAL FUND FINANCIAL POSITION

The graph below illustrates the change in the fund balances of the General Fund over the last five years:

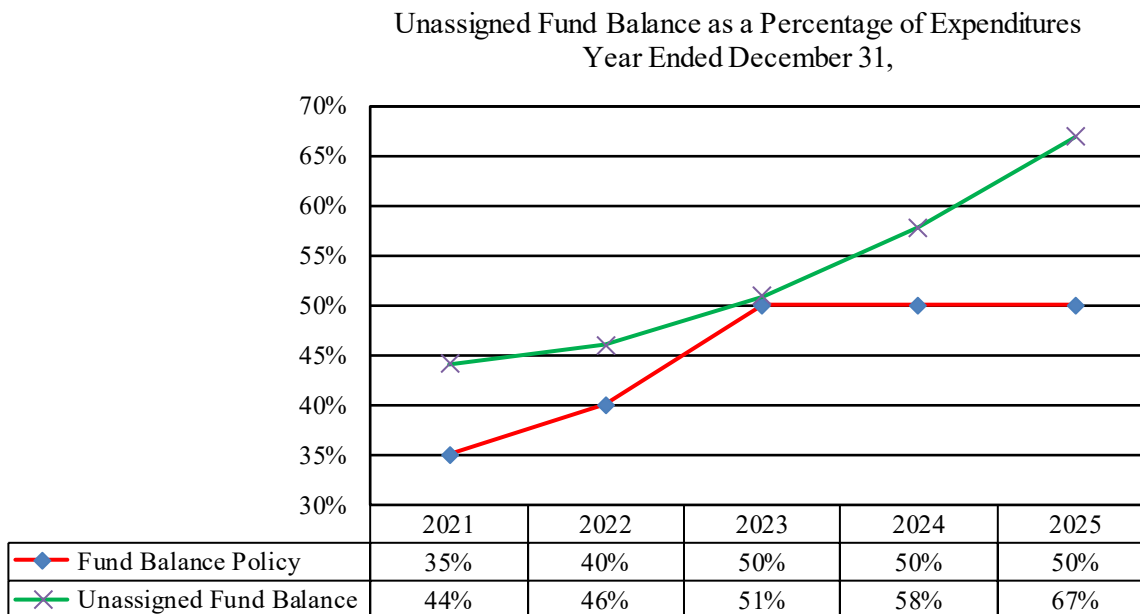
General Fund Year-End Fund Balance
As of December 31,



The total fund balance of the City’s General Fund at year-end was \$6,937,806, which represents an increase of \$889,400 in 2025, as compared to a \$20,000 decrease in total fund balance projected in the final budget.

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.

The current fund balance policy establishes the City will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent year’s budgeted expenditures for working capital. The following graph presents this ratio for the last five years compared to the City’s policy:



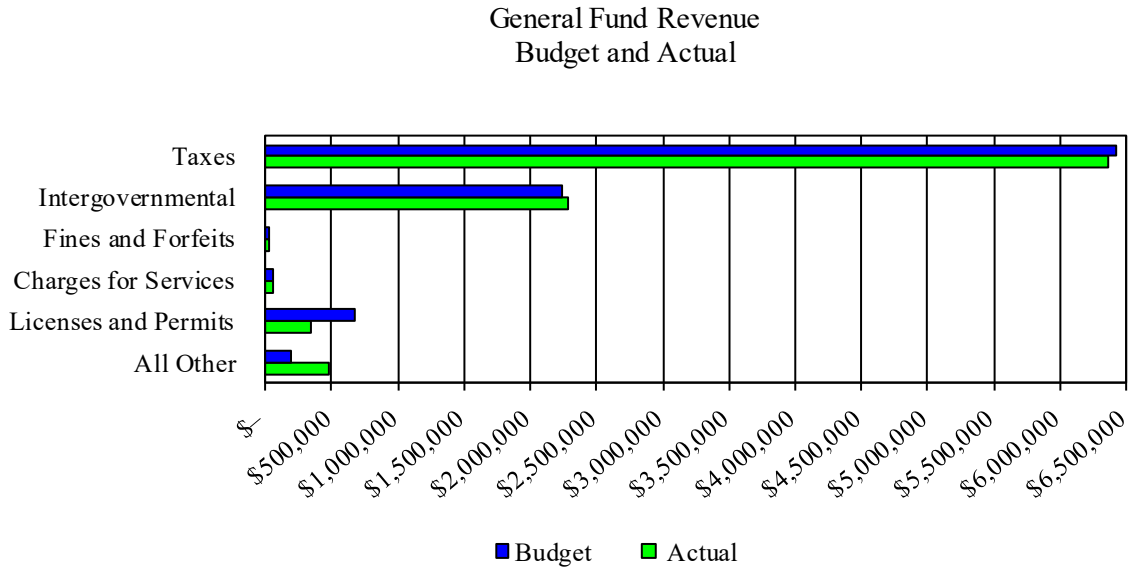
As the graph illustrates, the City has been in compliance with this policy. At December 31, 2025, the unassigned fund balance for the General Fund was 67 percent of the subsequent year’s budgeted expenditures. The City should review the level of fund balance on an ongoing basis to determine the optimal level for efficient operations.

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.

A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City’s General Fund cash disbursements are spread relatively evenly throughout the year, other than the impact of seasonal services such as snowplowing, street maintenance, and recreation activities. Cash receipts of the General Fund are quite a different story. Property taxes comprise about 67 percent of the fund’s total annual revenue. Approximately half of the City’s annual property tax levy is collected and remitted to the City by the end of June and the rest by December. Consequently, cities depend on the resources this fund balance represents to provide adequate cash reserves to finance its everyday operations between these collections.

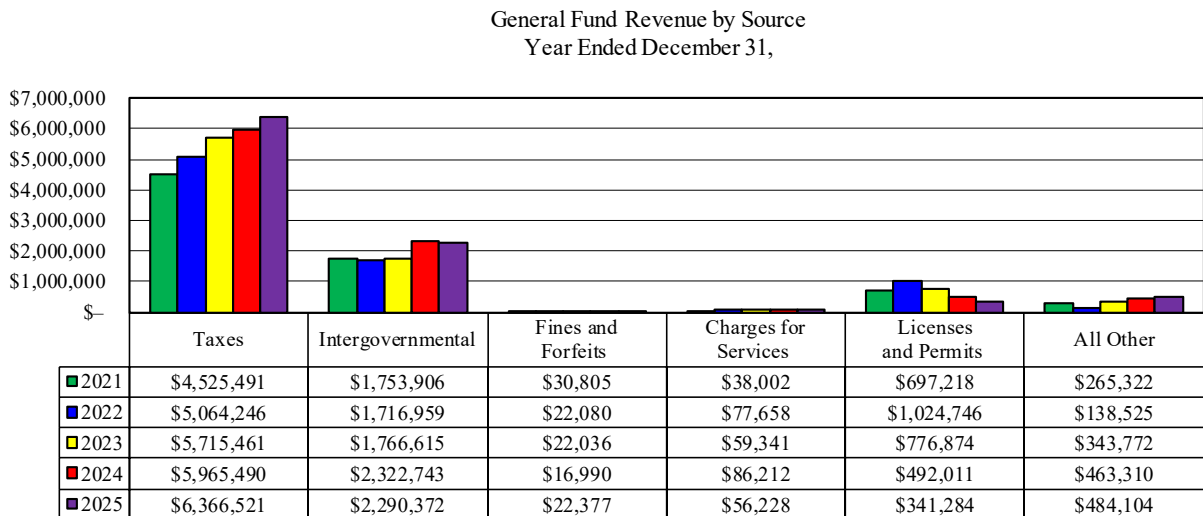
GENERAL FUND REVENUE

The following graph reflects the City’s General Fund revenue sources for 2025 compared to budget:



Total General Fund revenues for 2025 were \$9,560,886, an increase of \$214,130 from the previous year, and were \$33,081 (0.3 percent) under budget. The largest variance was in licenses and permits, which was \$329,698 under anticipated levels with lower building activity within the City than expected. This was offset by all other revenue, which was \$291,217 above anticipated levels, mainly in investment earnings due in part to conservative budgeting.

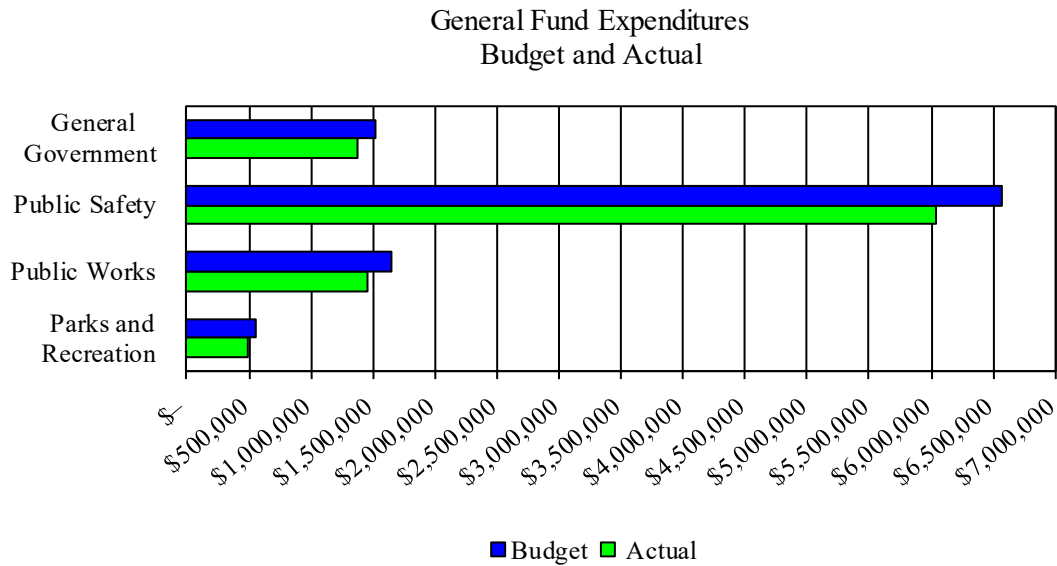
The following graph presents the City’s General Fund revenue by source for the last five years. The graph reflects the City’s reliance on property and other taxes, which represented 67 percent of General Fund revenue in 2025.



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 taxes and licenses and permits. Tax revenue increased \$401,031, due to an increase in the property tax levy approved by the City Council for 2025. This increase was offset by a decrease in licenses and permits of \$150,727, with less building activity in the current year.

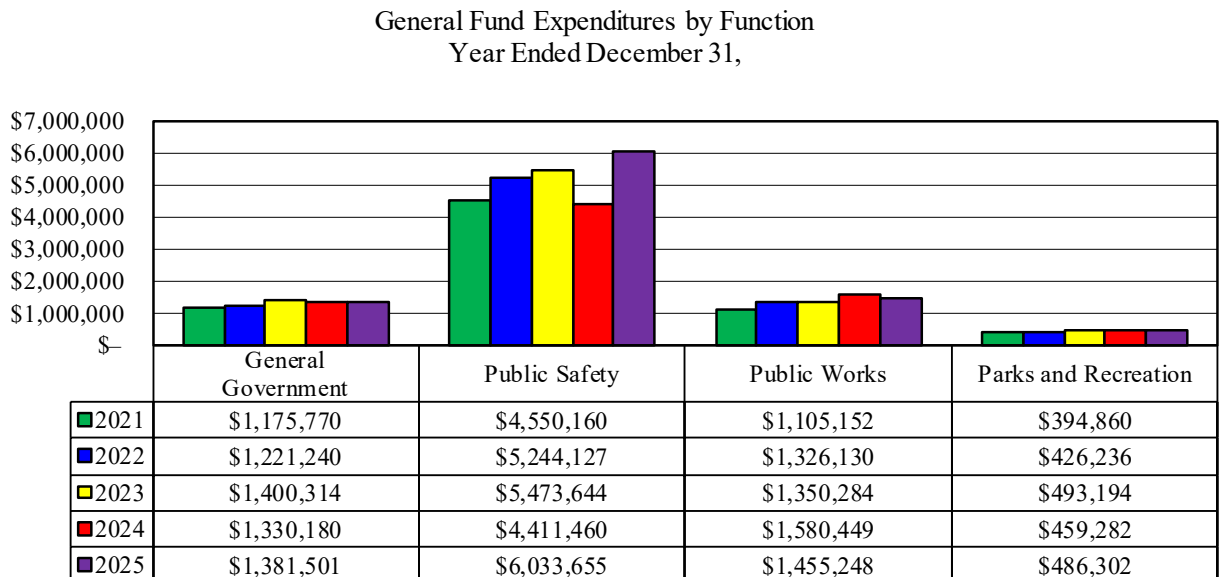
GENERAL FUND EXPENDITURES

The following graph illustrates the components of General Fund spending for 2025 compared to budget:



Total General Fund expenditures for 2025 were \$9,356,706, an increase of \$1,575,335 (20.2 percent) from the previous year, and \$942,481 (9.2 percent) under budget. Public safety expenditures were under budget, mainly due to vacant positions in the police protection department. The expenditures in the inspections department were also lower than anticipated directly related to the variance in licenses and permits revenue in the current year. The public works function was under budget with lower expenditures than anticipated in the street maintenance department. The City’s consultant costs in the current year were also lower than anticipated resulting in the general government function being under budget.

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



Typical to other cities we audit, public safety costs comprise the largest portion of General Fund spending. The largest change in the current year was in public safety, which increased \$1,622,195. Public safety expenditures increased, mainly in personal service costs in the police protection department. This increase is due to the City recognizing public safety expenditures in the General Fund in the current year, but were funded by the Coronavirus State and Local Fiscal Recovery Funds in the Pandemic Response Special Revenue Fund in the prior year.

ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the services. 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.

ENTERPRISE FUNDS FINANCIAL POSITION

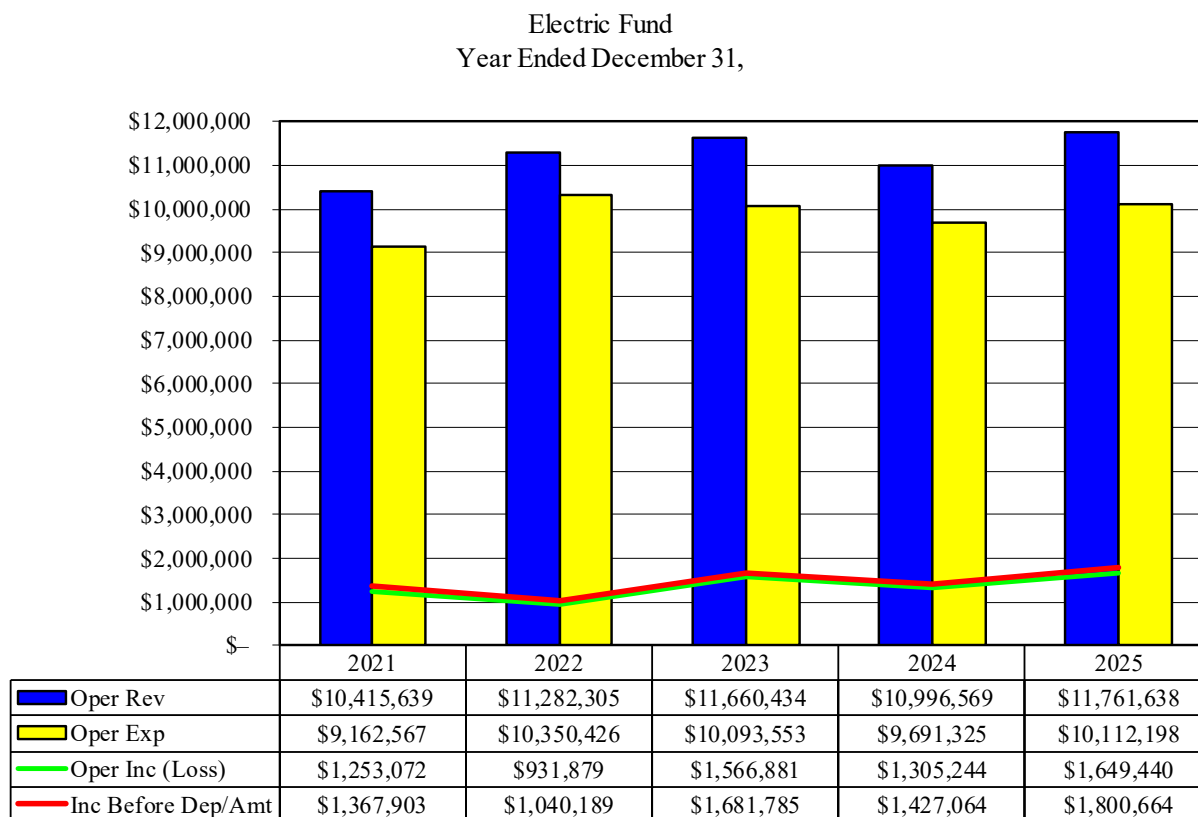
The following table summarizes the changes in the financial position of the City’s enterprise funds during the year ended December 31, 2025, presented both by classification and by fund:

Enterprise Funds Change in Financial Position			
	Net Position as of December 31,		Change
	2025	2024	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 9,328,818	\$ 9,398,382	\$ (69,564)
Unrestricted	<u>24,731,338</u>	<u>21,620,201</u>	<u>3,111,137</u>
Total enterprise funds	<u>\$ 34,060,156</u>	<u>\$ 31,018,583</u>	<u>\$ 3,041,573</u>
Total by fund			
Electric	\$ 13,898,181	\$ 12,078,829	\$ 1,819,352
Water	9,258,111	8,554,984	703,127
Surface Water	5,172,103	4,960,474	211,629
Waste Water	5,658,865	5,269,763	389,102
Fiber Optic	(424,098)	(482,374)	58,276
Solid Waste	<u>496,994</u>	<u>636,907</u>	<u>(139,913)</u>
Total enterprise funds	<u>\$ 34,060,156</u>	<u>\$ 31,018,583</u>	<u>\$ 3,041,573</u>

In total, the net position of the City’s enterprise funds increased by \$3,041,573 during the year ended December 31, 2025. This increase is mainly in unrestricted net position due to the overall improved performance in the enterprise funds.

ELECTRIC FUND

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



The Electric Fund ended 2025 with a total net position of \$13,898,181, an increase of \$1,819,352 from the prior year. Of this, \$1,748,504 represents the investment in capital assets, leaving an unrestricted net position of \$12,149,677.

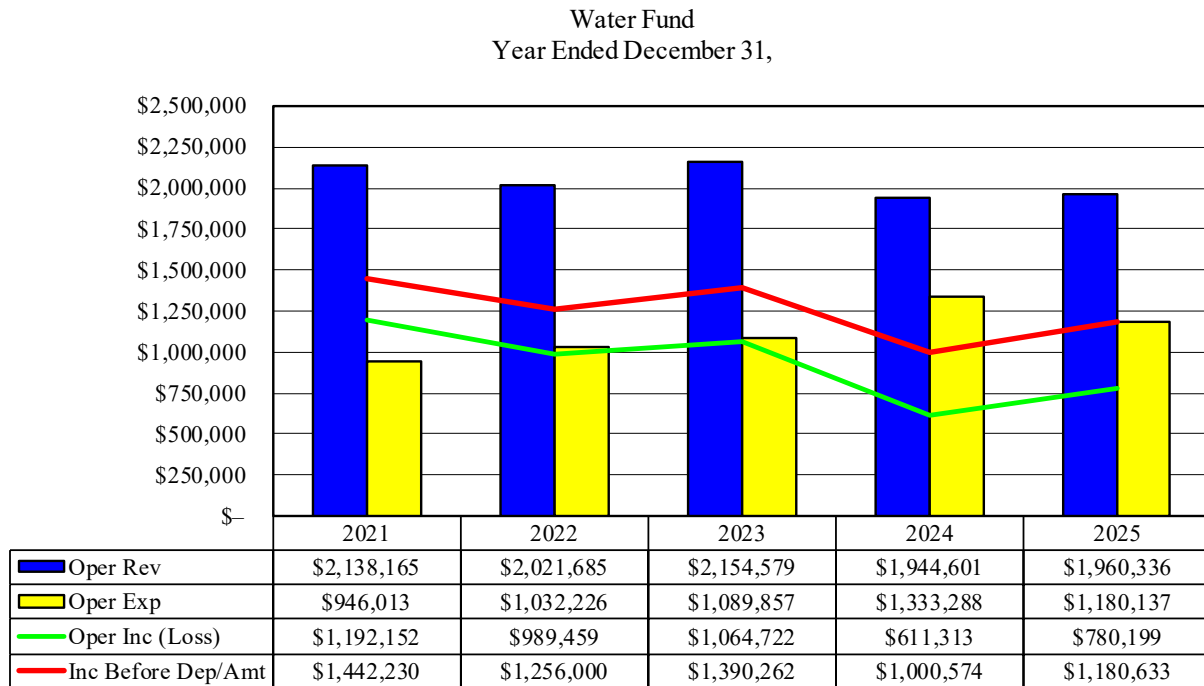
Operating revenue in the Electric Fund increased from the prior year by \$765,069 (7.0 percent). Revenues were higher due to an increase in consumption in the current year.

Electric Fund operating expenses for 2025 increased \$420,873 (4.3 percent) from the previous year, mainly in purchased utilities directly related to the increase in consumption in the current year.

During the current year, this utility operation also made transfers to other funds totaling \$431,829.

WATER FUND

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



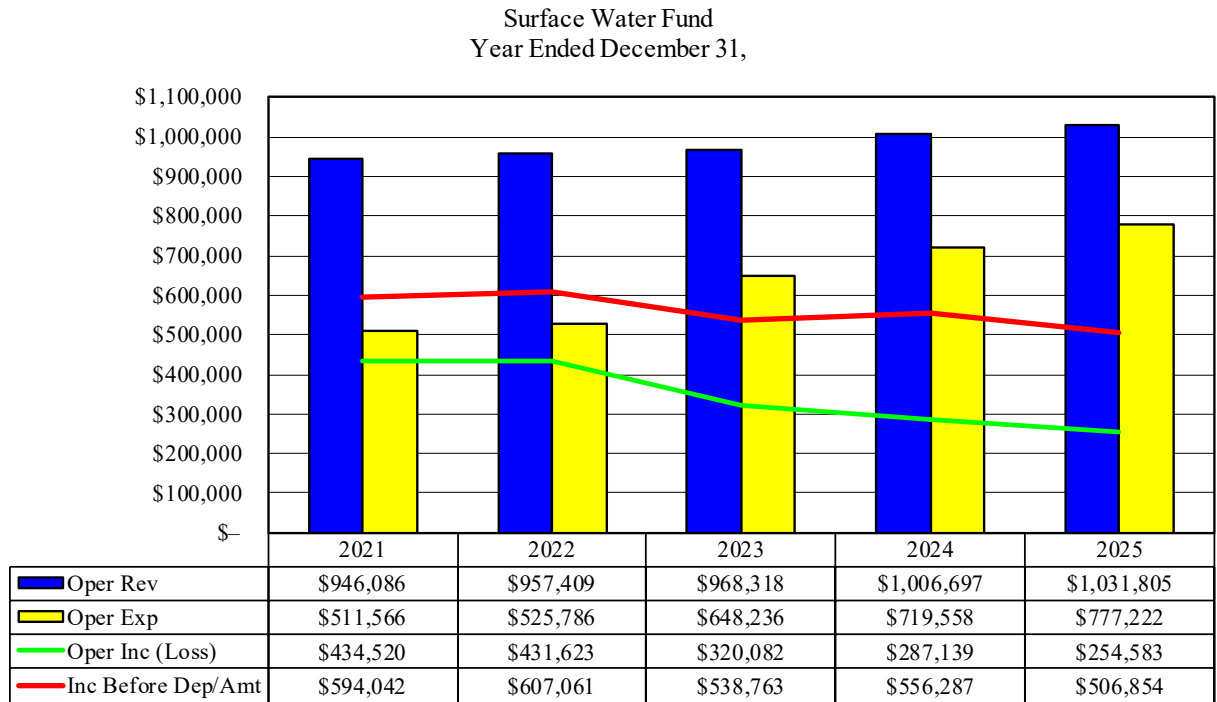
The Water Fund ended 2025 with a total net position of \$9,258,111, an increase of \$703,127 from the prior year. Of this, \$2,327,346 represents the net investment in capital assets, leaving an unrestricted net position of \$6,930,765.

Operating revenue increased \$15,735 from the previous year, or about 0.8 percent. Operating expenses decreased \$153,151, or about 11.5 percent, from the prior year due to decreased professional services and materials and supplies.

During the current year, this utility operation also made transfers to other funds totaling \$184,115.

SURFACE WATER FUND

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



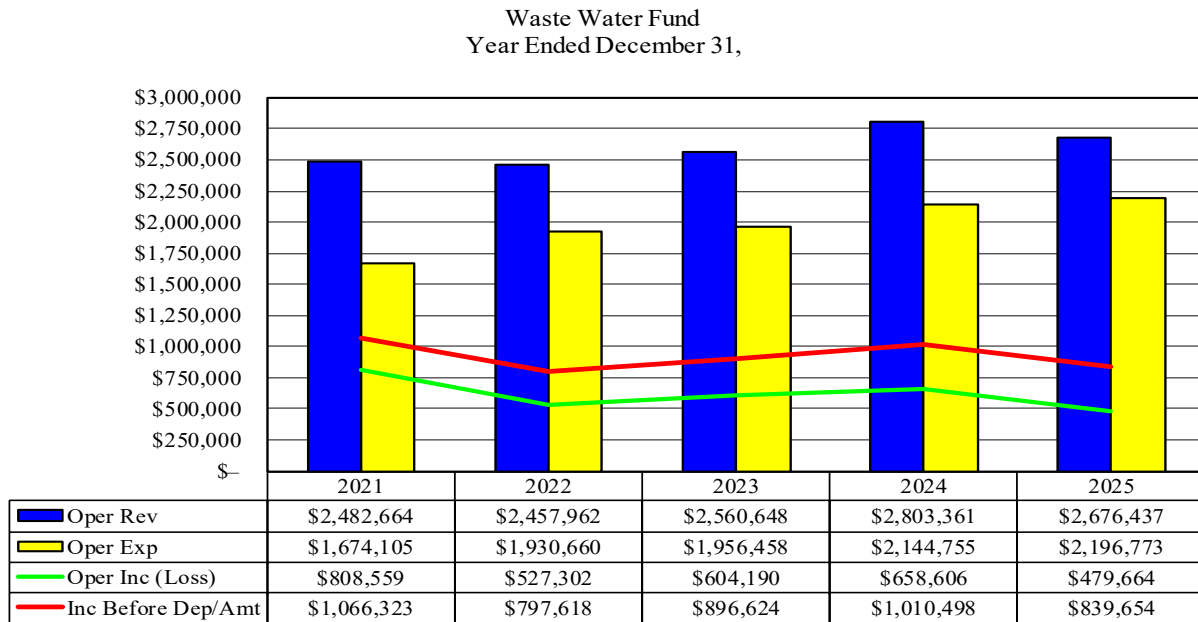
The Surface Water Fund ended 2025 with a total net position of \$5,172,103, an increase of \$211,629 from the prior year. Of this, \$1,382,683 represents the net investment in capital assets, leaving an unrestricted net position of \$3,789,420.

Operating revenues increased \$25,108 from the previous year, or about 2.5 percent, due to the increased number of customers and the approved rate increase. Operating expenses increased \$57,664, or about 8.0 percent, from the previous year, due to increased professional services and materials and supplies.

During the current year, this utility operation also made transfers to other funds totaling \$57,989.

WASTE WATER FUND

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



The Waste Water Fund ended 2025 with a total net position of \$5,658,865, an increase of \$389,102 from the prior year. Of this, \$2,365,808 represents the net investment in capital assets, leaving an unrestricted net position of \$3,293,057.

Operating revenue decreased \$126,924 from the previous year, or about 4.5 percent, mainly due to decreased connection charges in the current year. Operating expenses increased \$52,018, or about 2.4 percent, from the prior year, mainly in purchased utilities.

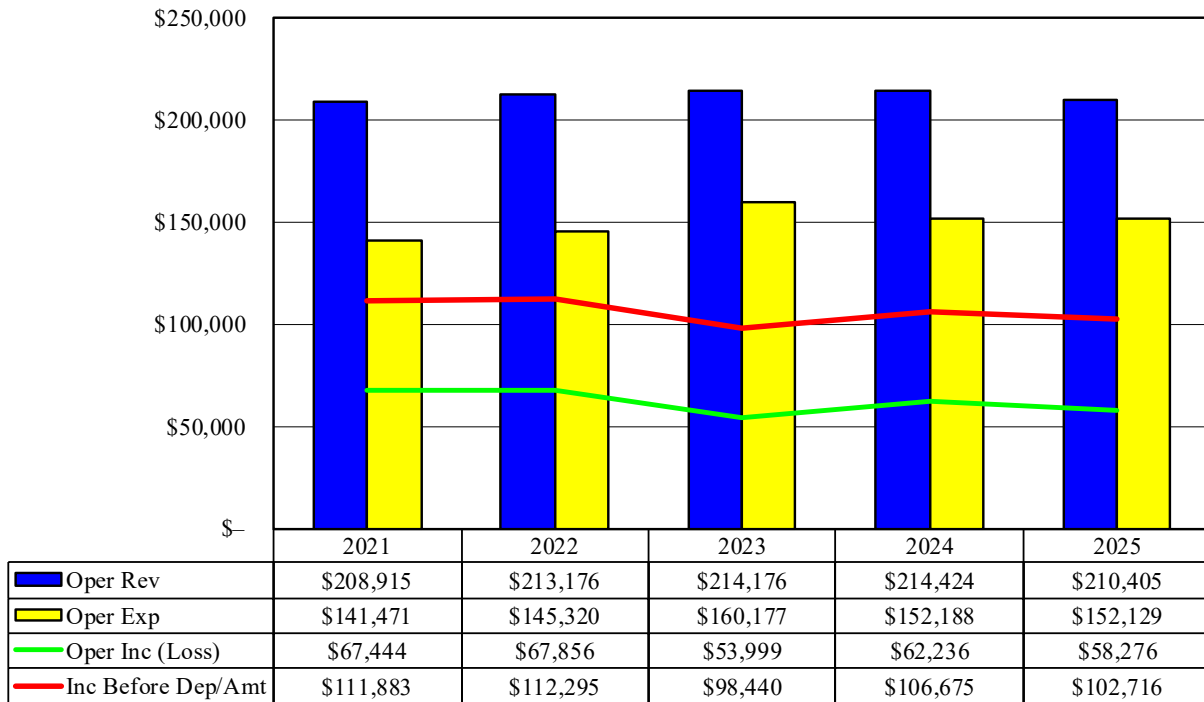
Nonoperating revenue (expense) decreased \$56,705 from the previous year, due to the gain on disposal of capital assets in the prior year.

During the current year, this utility operation also made transfers to other funds totaling \$122,976.

FIBER OPTIC FUND

The following graph presents five years of comparative operating results for the City’s Fiber Optic Fund:

Fiber Optic Fund
Year Ended December 31,

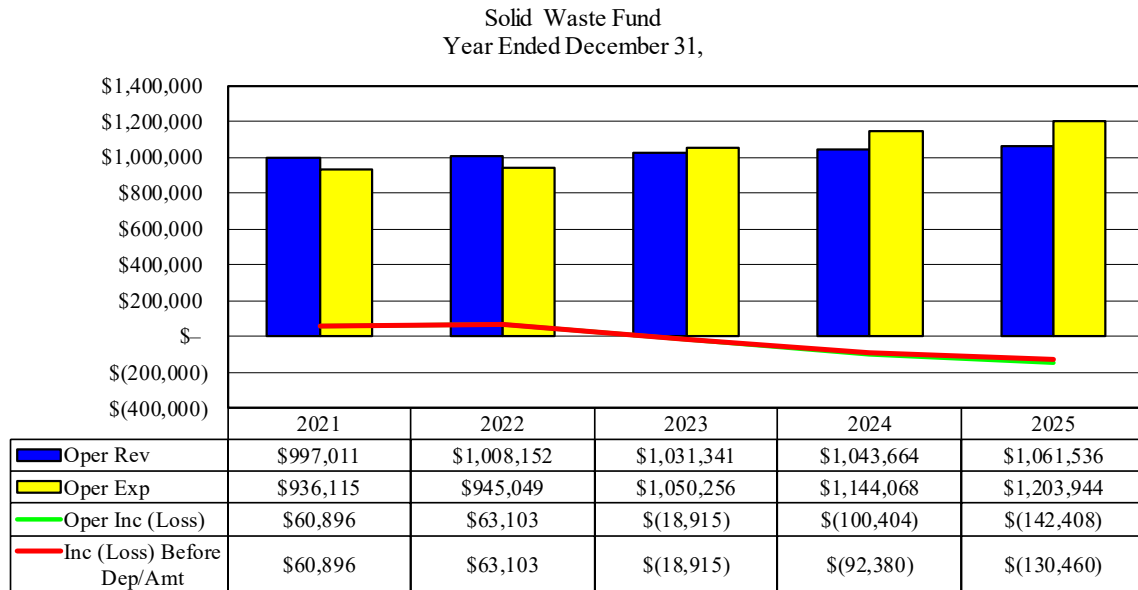


The Fiber Optic Fund ended 2025 with a net position deficit of \$424,098, an improvement of \$58,276 from the prior year. Of this, \$1,462,799 represents the net investment in capital assets, while the unrestricted portion has a deficit balance of \$1,886,897.

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/amortization 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 graph presents five years of comparative operating results for the City's Solid Waste Fund:



The Solid Waste Fund ended 2025 with a total net position of \$496,994, a decrease of \$139,913 from the prior year. Of this, \$41,678 represents the net investment in capital assets, leaving an unrestricted net position of \$455,316.

Operating revenue increased \$17,872 from the previous year, or about 1.7 percent, due to the increased number of customers. Operating expenses increased \$59,876, or about 5.2 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 \$60,000.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

The following table presents the components of the City's net position as of December 31, 2025 and 2024 for governmental activities, business-type activities, and the Economic Development Authority (EDA) component unit:

	As of December 31,		Change
	2025	2024	
Net position			
Governmental activities			
Net investment in capital assets	\$ 29,659,418	\$ 29,794,782	\$ (135,364)
Restricted	6,883,070	6,728,122	154,948
Unrestricted	4,939,100	1,641,754	3,297,346
Total governmental activities	<u>41,481,588</u>	<u>38,164,658</u>	<u>3,316,930</u>
Business-type activities			
Net investment in capital assets	9,328,818	9,398,382	(69,564)
Unrestricted	25,619,451	22,362,392	3,257,059
Total business-type activities	<u>34,948,269</u>	<u>31,760,774</u>	<u>3,187,495</u>
Total primary government	<u>76,429,857</u>	<u>69,925,432</u>	<u>6,504,425</u>
Component unit			
Economic Development Authority			
Restricted	<u>706,127</u>	<u>609,738</u>	<u>96,389</u>
Total net position	<u>\$ 77,135,984</u>	<u>\$ 70,535,170</u>	<u>\$ 6,600,814</u>

The City (including the EDA) ended 2025 with a combined total net position of \$77,135,984, an increase of \$6,600,814 from the prior year. The increase in governmental activities is mainly in unrestricted net position due to the improved financial position in the governmental funds.

The business-type activities net position increased in the current year, consistent with the change in enterprise funds as previously discussed.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation/amortization 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, 2025 and 2024:

	2025		2024	
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Primary government				
Governmental activities				
General government	\$ 1,731,162	\$ 325,224	\$ (1,405,938)	\$ (1,348,771)
Public safety	6,021,155	703,388	(5,317,767)	(5,460,101)
Public works	3,078,387	974,236	(2,104,151)	(2,301,164)
Parks and recreation	666,204	105,914	(560,290)	(379,632)
Economic development	833,678	200,343	(633,335)	(1,690,479)
Interest and fiscal charges	689,540	–	(689,540)	(618,223)
Business-type activities				
Electric	10,001,358	11,763,734	1,762,376	1,412,447
Water	1,351,410	1,969,581	618,171	500,594
Surface water	947,967	1,032,478	84,511	186,755
Waste water	2,324,373	2,708,669	384,296	643,224
Fiber optic	152,129	210,405	58,276	62,236
Solid waste	1,203,268	1,105,669	(97,599)	(64,680)
Total primary government	29,000,631	21,099,641	(7,900,990)	(9,057,794)
Component unit				
Economic Development Authority	127,864	–	(127,864)	(140,182)
Total net (expense) revenue	<u>\$ 29,128,495</u>	<u>\$ 21,099,641</u>	(8,028,854)	(9,197,976)
General revenues				
Property and franchise taxes			10,269,144	9,877,361
Grants and contributions not restricted to specific programs			1,917,322	3,490,093
Other general revenues			160,629	37,630
Investment earnings			2,236,712	2,063,735
Gain on sale of assets			45,861	23,822
Total general revenues			<u>14,629,668</u>	<u>15,492,641</u>
Change in net position			<u>\$ 6,600,814</u>	<u>\$ 6,294,665</u>

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.

ACCOUNTING AND AUDITING UPDATES

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

GASB STATEMENT NO. 103, *FINANCIAL REPORTING MODEL IMPROVEMENTS*

The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

This statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. In addition, this statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This statement defines unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence, and requires governments to display the inflows and outflows related to each unusual or infrequent item separately.

This statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in the notes to RSI.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 104, *DISCLOSURE OF CERTAIN CAPITAL ASSETS*

The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets.

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class.

This statement also requires additional disclosures for capital assets held for sale. A capital asset is considered held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. Capital assets held for sale are required to be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB STATEMENT NO. 105, *SUBSEQUENT EVENTS*

The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed.

This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2025



Certified Public Accountants Business Consultants

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports
Year Ended December 31, 2025

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

To the City Council and Management
City of 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, 2025, 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 24, 2026.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

REPORT ON COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Respectfully submitted,

Handwritten signature in cursive script that reads "LB Carlson, LLP".

LB CARLSON, LLP
Minneapolis, Minnesota

April 24, 2026



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, 2025, 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 24, 2026.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as finding 2025-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

CITY’S RESPONSE TO FINDING

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

(continued)

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.

Respectfully submitted,

Handwritten signature in cursive script that reads "LB Carlson, LLP".

LB CARLSON, LLP
Minneapolis, Minnesota

April 24, 2026

CITY OF NORTH ST. PAUL

Schedule of Findings and Responses
Year Ended December 31, 2025

FINDINGS – MINNESOTA LEGAL COMPLIANCE

2025-001 PAYMENT OF INVOICES

Criteria – Minnesota Statutes § 471.425, Subd. 2.

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

Questioned Costs – Not applicable.

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

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

Cause – This was an oversight by city personnel.

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

Recommendation – We recommend that the City of North St. Paul, Minnesota (the City) review claims and disbursements payment procedures in place to ensure that all invoices are paid within statutory requirements.

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

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Corrective Action Plans and Summary
Schedule of Prior Audit Findings
Year Ended December 31, 2025

A. REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING FINDINGS

None.

B. REPORT ON COMPLIANCE AND OTHER MATTERS FINDINGS

None.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

2025-001 PAYMENT OF INVOICES

Finding Summary

Minnesota Statutes § 471.425, Subd. 2 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services for governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, local governments must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. Two of forty disbursements tested were not paid within the statutory time limit.

Corrective Action Plan

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

Official Responsible – Brian Frandle, City Manager, in coordination with other departments.

Planned Completion Date – Immediately.



CITY OF NORTH ST. PAUL

Corrective Action Plans and
Summary Schedule of Prior Audit Findings (continued)
Year Ended December 31, 2025

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

Plan to Monitor – Brian Frandle, City Manager, and Dan Winek, Finance Director, will review the City’s procedures for paying invoices with city employees responsible for processing disbursements and approve special releases when necessary.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

A. REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING FINDINGS

None.

B. REPORT ON COMPLIANCE AND OTHER MATTERS FINDINGS

None.

C. MINNESOTA LEGAL COMPLIANCE FINDINGS

2024-001 PAYMENT OF INVOICES

Corrective action is ongoing.

City of North St. Paul

City Council Report



From: Ken Roberts, Community Development Director
Meeting Date: May 5, 2026
Agenda Item: **Public Alley Improvement Process**

INTRODUCTION

City staff were recently approached by a property owner representing several residents wanting to improve a public-owned alley adjacent to their properties. The existing surface of the alley is gravel that needs regular grading and maintenance to keep it passable for vehicles to drive on. To help ensure the alley is drivable in all seasons, the adjacent property owners are proposing to grade and pave with bituminous the alley adjacent to their properties. However, the City does not have any policies or processes in place to allow or approve private property owners to make changes or improvements to a public alley. City staff believe it is in the best interest of the City to develop a set of policies and a review process for such requests.

BACKGROUND

What is an alley?

From NSP City Code:

1. **ALLEY.** A thoroughfare through the middle of a block giving access to the rear of lots or buildings.

From Minnesota Administrative Rules – 2400.2040

Subd. 7. Alley. “Alley” means a public right-of-way other than a street that affords a secondary means of access to abutting property.

Alleys provide secondary access to abutting properties, distinguishing them from primary streets. Most alley rights-of-ways in North Saint Paul are either 16 or 20 feet wide.

DISCUSSION

Policy Question

There are many public alleys in North Saint Paul that are unimproved or are under improved with only minimal improvements (they may have gravel or grass surfaces or both for example). Adjacent to some alleys are garages and sheds on private property. Many of the adjacent property owners use the alley, whether it is improved or not, to access their property. Overtime, the unimproved or under-improved alleys become difficult or impossible to drive on with vehicles.

The City Council needs to determine if the City should or will allow private property owners to make improvements to public alleys. If so, the City must develop processes and standards for such improvements to ensure the city is protected and so City staff and property owners have clear direction and expectations to propose and implement such improvements.

Review Process

City staff researched other City Codes and information provided by the City Engineer to start formulating the proposed policies and procedures for such requests. City staff met with the City Engineer to discuss concerns, options and minimum requirements the City should have for requests by property owners to improve alleys.

Through Alleys

The City should consider a request for the improvement (paving) of the entire length of a through alley by the petition and assessment process the city would use for all types public improvements. If the City improves a through alley, it will need to be constructed and improved to City standards and the City would take over maintenance responsibilities for the alley after the project is completed. Such an improvement project could possibly trigger the need for a Watershed District permit and the creation or improvement of stormwater management facilities.

Alley Segments

City staff have determined there are several details the City would need to review when considering a request by property owners to improve a segment or a portion of a public alley. They are:

1. This process is only for segments of alleys adjoining residential properties. It is not intended for alleys adjacent to commercial or industrial properties.
2. The applicant shall schedule a pre-application meeting with City Public Works staff to discuss their proposal and the required application materials. This meeting would be held on-site with the interested property owners. City staff would provide the property owners feedback about the proposal, including the feasibility of the improvement and the concerns and requirements the City will have about the proposal.
3. The city should require the property owners interested in improving a segment or portion of a public alley to make a formal application to the City requesting approval to do so. The application would include the following information:
 - a. Name, address and contact information of the primary contact person.
 - b. The names and addresses of all the property owners adjacent to alley segment proposed for improvement.
 - c. A map showing the alley segment they wish to improve including any existing garages or driveways that connect to the alley. The City may require the applicant to have a certificate of survey of the alley area or section in question if it is not clear to the city about the location of property lines and improvements in the area of the proposed improvement.
 - d. A statement as to why they are making the request to improve the alley.
 - e. Payment of an application fee. (\$\$\$ to be determined)
 - f. Submittal of an escrow fee to pay for City Engineer and City Attorney costs.
 - g. The size, type, length and width of the proposed improvement. (Example – 12-14 foot-wide, bituminous pavement, 200 feet in length).
 - h. A typical section of the proposed improvement showing the type and thickness of the base materials, the pavement thickness and the proposed side slopes.
 - i. A general grading and drainage plan showing existing and proposed drainage patterns in the alley. **NOTE:** The improvement project, if approved by the City, must maintain the existing drainage patterns in the area.
 - j. The City will require a right-of-way permit if the project includes adding or changing an apron to connect the paved alley to a public street.
4. The City will review all the submitted materials and determine if the application is complete. If not complete, City staff will contact the applicant to get the missing information.
5. Once City staff have determined the application is complete, they will start the review process of the request for City Council consideration and possible approval.

6. City staff will prepare a report explaining the request for City Council consideration. This report will include an analysis of the request, and a recommendation for the City Council to consider and if approved, the conditions of approval for the project.
7. Staff recommends the City Council require the applicant enter into a license agreement with the City for the placement of private improvements in a public alley or right-of-way. This is a legal document prepared by the City Attorney that includes the roles, responsibilities and rights of the applicant and the City when private improvements are installed in a public alley.

The City must approve and sign the license agreement and the applicants and all affected property owners also must sign the agreement. The City will record the agreement against the property records of all the properties using or benefitting from the proposed improvements in the alley. This agreement should be approved by the City and signed by all parties before the start of construction.

8. The City should require City staff, the affected property owners and the contractor to have a pre-construction meeting before the work begins. This meeting, if possible, should be held on site.
9. City staff and/or the City Engineer will make inspections of the project as it progresses.
10. The applicant or the contractor shall call for a final inspection by the City to ensure the improvements are installed according to the approved plan.

Staff are proposing the following minimum construction practices and standards for any private improvement project in a public alley:

1. The removal and proper disposal of all topsoil and organic materials in the area of the proposed improvement.
2. Installation of 8 inches minimum of suitable base material – gravel, sand, recycled base, etc. as approved by the City.
3. The base material must be compacted to minimum City standards before paving with bituminous.
4. 3 inches minimum of bituminous paving. If concrete is used, the minimum thickness shall be 5 inches.
5. 12-foot-wide (minimum) paved surface when complete.
6. Gravel or Class 5 is not an accepted surface paving material.
7. The project must include adding a concrete apron with a curb cut meeting City-standards adjacent to the public street if there is not one already in place. The addition of an apron to connect the paved alley to a public street also requires a right-of-way permit issued by the city.
8. The project must maintain the existing drainage patterns in the area.
9. The City will require inspections during the construction to ensure the minimum city standards are met.

Next Steps

Anything else?

RECOMMENDATION

City Staff are recommending the City Council review and discuss the information and criteria included in this memo. City staff are asking the Council to provide direction as to how to proceed with the creation of policies and processes to consider private improvements to public alleys in the City of North Saint Paul.

Attachment:

1. Map – Aerial Photo of the NW Quadrant of South Avenue and Margaret Street

Northwest Quadrant of South Avenue East and Margaret Street

