CITY OF NORTH ST. PAUL
CITY COUNCIL
WORKSHOP AGENDA
MAY 7, 2019
5:00 PM

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

I. CALL TO ORDER

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

III. ADOPT AGENDA

IV. TOPIC(S)
A. 5:00 p.m. Baker Tilley (formerly Springsted) Anchor Block North TIF 4-10
B. 6:00 p.m. MMKR CAFR (Comprehensive Audit Financial Report)

V. OTHER BUSINESS

VI. ADJOURNMENT

Agenda Information Memorandum
North St. Paul City Council
May 7, 2019

FROM THE OFFICE OF THE FINANCE DEPARTMENT

Agenda placement: Council Workshop/Council Presentation

Subject: Review of the 2018 financial report with the city's audit firm of Malloy, Montague, Karnowski, Radosevich & Co. P.A. (MMKR).

To: Honorable Mayor and City Council

Background/Facts:

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

Aaron Nielson, and Jackie Huegel, partners with MMKR will attend the city council workshop to discuss the results of the 2018 CAFR, special purpose report, and management comments related to their audit. They will be available to respond to any questions of the council. They will also provide a brief overview as a presentation at the regular council meeting.

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

Attachments:
2018 Management Report
2018 Special Purpose Report
2018 Comprehensive Annual Financial Report

Respectfully submitted,

/s/ JZ by mm

Jason Zimmerman
Interim Finance Director

APPROVED FOR AGENDA ENCLOSURE:

/s/ SD by mm

Scott Duddeck
City Manager

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

City of North St. Paul, Minnesota

extraordinary.

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Comprehensive
Annual Financial Report

for the Fiscal Year Ended
December 31, 2018

Dr. Craig Waldron
City Manager

Report Prepared by
Department of Finance

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

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CITY OF NORTH ST. PAUL

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CITY OF NORTH ST. PAUL

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INTRODUCTORY SECTION

April 24, 2019

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

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of the City of North St. Paul, Minnesota (the City) for the fiscal year ended December 31, 2018 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board.

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

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2018, 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, 2018, 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.

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 is a fully developed suburb in the Minneapolis/St. Paul metropolitan area. Lying in Ramsey County, it covers an area of 3.5 square miles and has a population of 12,099.

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

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

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

LOCAL ECONOMY

The City's tax base is comprised mainly of residential property. The 10 largest taxpayers make up about 11 percent of the City's estimated market value. This provides the City with a stable source of property tax revenue. The City's largest private employer is Target Stores, Inc. It employs approximately 170 people and is part of a large chain of stores.

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

LONG -TERM PLANNING AND MAJOR INITIATIVES

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

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

The City's comprehensive planning process has been ongoing since early 2017. In 2017, a series of five Community Cafes was completed to gain community input into the 2040 draft plan, a Steering Committee was formed, and four meetings were held to provide direction and review chapters of the plan. Draft chapters were also reviewed by the Planning Commission and information was shared via the City's website, social media, and a dedicated website for public feedback. The City Council recommended submittal of the plan to the Metropolitan Council in December 2018. The plan will be adopted by the Metropolitan Council sometime in 2019. The plan has a 21-year time horizon and as such extends through 2040.

Pavement Management Plan – An update to the Pavement Management Plan (PMP) and a community-wide flooding assessment to understand storm water utility needs and costs over the next 20 years, were completed and presented to the City Council in 2016 to help guide discussions. The City also receives updated road ratings every three years, which helps to provide guidance regarding which roads should be considered for mill and overlay/street resurfacing projects and major streets and utility reconstruction projects. The current plan will be revisited and updated in early 2019 to take into consideration updated infrastructure needs information and priorities, along with recent redevelopment initiatives within the City, or improvements that may have been communicated to the City by surrounding communities, Ramsey County, or watershed districts.

ADA Transition Plan – In 2018, the City conducted a self-evaluation of its facilities within public rights of way and has developed an ADA Transition Plan detailing how the organization will ensure that all facilities will be accessible to all individuals. The self-evaluation examines the condition of the City's Pedestrian Circulation Route/Pedestrian Access Route (PCR/PAR) and identifies potential need for PCR/PAR infrastructure improvements. The plan includes the sidewalks, curb ramps, bicycle/pedestrian trails, traffic control signals, and transit facilities that are located within the City rights of way. The City will utilize two methods for upgrading pedestrian facilities to the current ADA standards. The first and most comprehensive of the two methods are the scheduled street and utility improvement projects. All pedestrian facilities impacted by these projects will be upgraded to current ADA accessibility standards. The second method is the stand-alone sidewalk and ADA accessibility improvement project. These projects may be incorporated into the Capital Improvement Program (CIP) on a case by case basis as determined by the City. The City also has an annual maintenance budget for sidewalk improvements that may be utilized as appropriate.

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

Park Improvement Plan – The City has continued to accomplish goals outlined in the City's Park Improvement Plan (PIP). In 2018, the City completed the following projects: renovated the Hause Park enclosed shelter, installed a new picnic area by the City's famous snowman, and installed a historical curly slide sign at Silver Lake Park. In 2019, the City plans to complete construction of a new playground at Colby Hills Park, update park amenities at Polar Park, and reconstruct the tennis courts at Silver Lake Park.

Community Development Initiatives – The City's Housing and Redevelopment Authority continues to acquire blighted and underutilized properties, remove existing structures, and construct newer, higher values homes in their place. These new homes are constructed by high school students through an innovative student home construction program in partnership with the Northeast Metropolitan Intermediate School District No. 916 through the Career and Technical Center at Century College. Construction on the tenth home in the program began in fall 2018 and will be complete in summer 2019. The total value of building permits issued by the City in 2018 was $12.46 million, which is an increase of $4 million from 2017.

The City is currently working on several major redevelopment projects:

- Gateway at McKnight/Anchor Block South project is a 100-townhome project that is currently underway with national home builder M & I homes.

- Suite Living redevelopment project is currently under construction with a late 2019 completion date. The site will have a 34-bed senior memory care and assisted living facility.

- Anchor Block North redevelopment is proposed to include 120 market rate apartments, 125,000 square foot indoor storage, and a gas/convenience store.

- Old City Hall (located on 7th Avenue East) redevelopment site is proposed to have 87 market rate apartments with main level commercial retail space.

- Margaret Avenue redevelopment site is proposed to have 75 market rate apartments with main level commercial retail space.

- Delaware and 17th redevelopment project is proposed to be a small residential development with 14 single-level townhomes.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2017. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents complies with rigorous standards of the program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The certificate is valid for a period of one year only. The City has received this certificate for the last 31 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,

Scott Duddeck
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Saint Paul

Minnesota

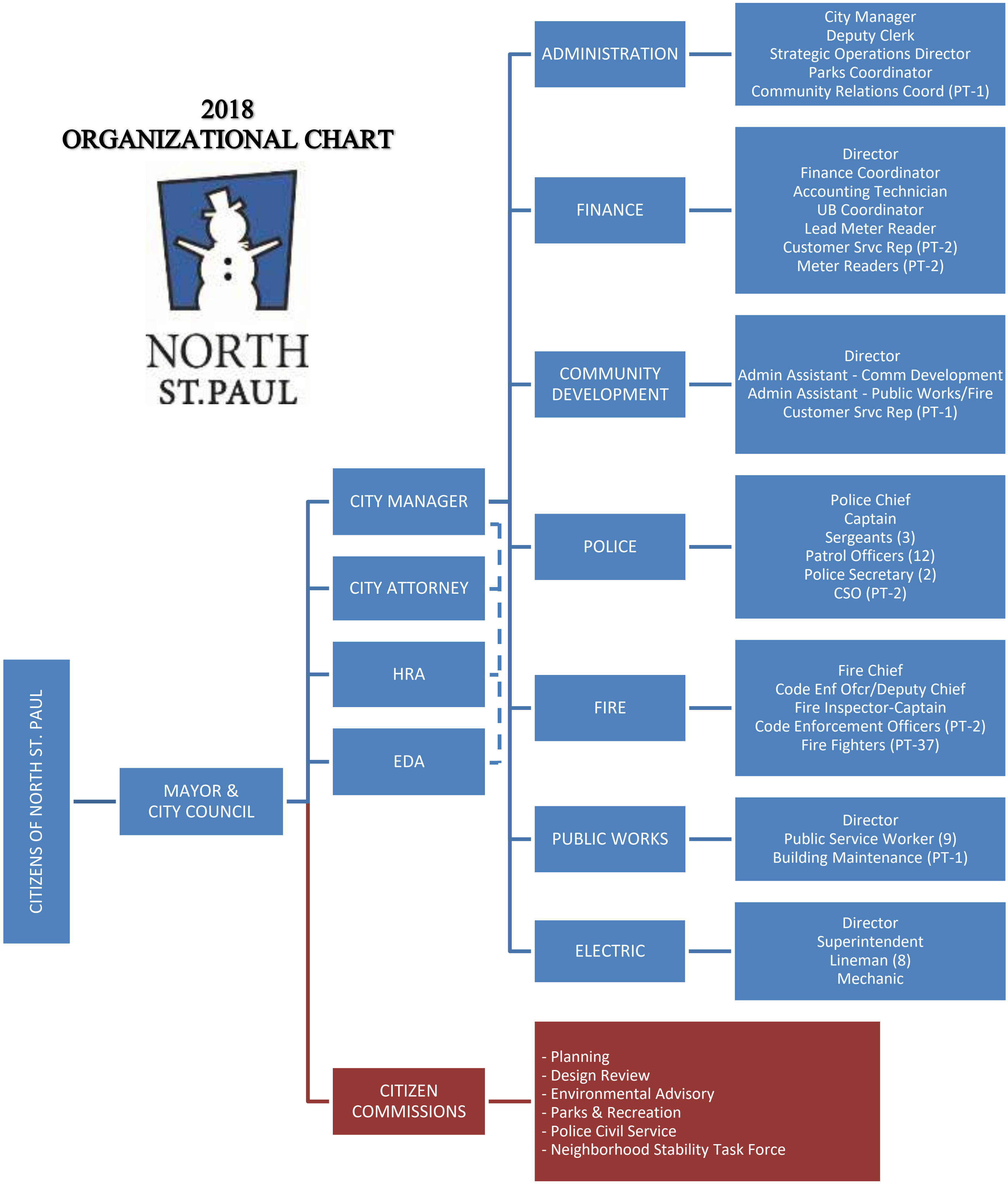
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

2018 ORGANIZATIONAL CHART



CITY OF NORTH ST. PAUL

Elected Officials and Appointed Personnel
December 31, 2018

ELECTED OFFICIALS

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

APPOINTED PERSONNEL

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

FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North St. Paul, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continued)

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

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
April 24, 2019

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As management of the City of North St. Paul, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. 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 $43,189,778 (*net position*). Of this amount, $13,229,718 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; $5,905,069 is restricted for specific purposes (*restricted net position*); and $24,054,991 represents the net investment in capital assets. The City's total net position increased $4,819,822 during the year ended December 31, 2018, excluding the change in accounting principle reported in the current year as discussed below.

- The City recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses as they relate to other post-employment benefit (OPEB) obligations. The implementation of this standard reduced beginning net position in the government-wide financial statements by $418,070.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $17,152,146, an increase of $4,093,772. The increase is due in part to the issuance of the 2018A General Obligation Bonds, increased municipal state aid funds received in the current year, and increased special assessments.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,788,706, or 25 percent, of total General Fund expenditures based on 2019 budgeted expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, G.O. Capital Improvement Plan Bonds of 2008A/G.O. Capital Improvement Plan Refunding Bonds of 2016B Debt Service Fund, and the Street Improvement Capital Projects Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, surface water, waste water, fiber optic, and solid waste operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment, city mechanic, benefits and insurance, 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 fund financial statements provide separate information for the electric, water, surface water, waste water, fiber optic, and solid waste operations, all of which are considered to be major funds of the City, excluding the Solid Waste Fund. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $43,189,778 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings and structures, furniture and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of North St. Paul's Net Position

Table 1
Summary of Net Position
as of December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals – Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$23,316,986	$17,568,001	$18,308,279	$14,266,522	$41,625,265	$31,834,523
Capital assets	31,629,545	31,455,038	14,438,195	13,330,661	46,067,740	44,785,699
Total assets	$54,946,531	$49,023,039	$32,746,474	$27,597,183	$87,693,005	$76,620,222
Deferred outflows of resources						
Pension plan deferments	$ 2,745,572	$ 3,720,928	$ 167,845	$ 339,951	$ 2,913,417	$ 4,060,879
OPEB plan deferments	25,637	–	12,231	–	37,868	–
Total deferred outflows of resources	$ 2,771,209	$ 3,720,928	$ 180,076	$ 339,951	$ 2,951,285	$ 4,060,879
Total assets and deferred outflows	$57,717,740	$52,743,967	$32,926,550	$27,937,134	$90,644,290	$80,681,101
Liabilities						
Other liabilities	$ 2,090,068	$ 1,267,395	$ 1,937,808	$ 1,712,682	$ 4,027,876	$ 2,980,077
Noncurrent liabilities	23,088,223	20,989,799	16,067,031	13,437,381	39,155,254	34,427,180
Total liabilities	$25,178,291	$22,257,194	$18,004,839	$15,150,063	$43,183,130	$37,407,257
Deferred inflows of resources						
Pension plan deferments	$ 3,899,003	$ 4,188,643	$ 372,379	$ 297,175	$ 4,271,382	$ 4,485,818
Net position						
Net investment in capital assets	$18,936,454	$19,304,556	$ 5,118,537	$ 5,125,174	$24,054,991	$24,429,730
Restricted	5,905,069	5,086,728	–	–	5,905,069	5,086,728
Unrestricted	3,798,923	1,906,846	9,430,795	7,364,722	13,229,718	9,271,568
Total net position	$28,640,446	$26,298,130	$14,549,332	$12,489,896	$43,189,778	$38,788,026
Total liabilities, deferred inflows, and net position	$57,717,740	$52,743,967	$32,926,550	$27,937,134	$90,644,290	$80,681,101

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 $13,229,718 may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase in net position in the governmental activities of $2,342,316 and in the business-type activities of $2,059,436 for a total increase of $4,401,752 in net position. This change in net position reflects an increase of $4,819,822 from the current year operating results while the change in accounting principle mentioned earlier reduced unrestricted net position by $418,070. The increase in total assets and long-term liabilities in the current year is due to the issuance of bonds for street projects.

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

Table 2
Change in Net Position
for the Years Ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total – Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	$ 932,729	$ 977,267	$ 16,267,879	$ 15,403,218	$ 17,200,608	$ 16,380,485
Operating grants and contributions	615,246	490,623	61,976	48,752	677,222	539,375
Capital grants and contributions	1,292,586	720,308	–	–	1,292,586	720,308
General revenues						
Property taxes	5,496,782	5,111,242	–	–	5,496,782	5,111,242
Franchise taxes	431,469	531,178	–	–	431,469	531,178
Grants and contributions not restricted to specific programs	1,838,514	1,812,458	–	–	1,838,514	1,812,458
Other	212,024	126,853	–	–	212,024	126,853
Investment earnings	174,935	123,925	164,874	98,769	339,809	222,694
Total revenues	10,994,285	9,893,854	16,494,729	15,550,739	27,489,014	25,444,593
Expenses						
General government	1,852,924	2,500,256	–	–	1,852,924	2,500,256
Public safety	4,006,547	3,802,714	–	–	4,006,547	3,802,714
Public works	1,790,048	1,512,014	–	–	1,790,048	1,512,014
Parks and recreation	636,499	439,167	–	–	636,499	439,167
Economic development	508,783	472,262	–	–	508,783	472,262
Interest and fiscal charges	415,264	409,252	–	–	415,264	409,252
Electric	–	–	8,960,653	8,329,029	8,960,653	8,329,029
Water	–	–	938,780	752,207	938,780	752,207
Surface water	–	–	642,322	538,861	642,322	538,861
Waste water	–	–	1,744,588	1,484,530	1,744,588	1,484,530
Fiber optic	–	–	181,099	154,236	181,099	154,236
Solid waste	–	–	991,685	987,790	991,685	987,790
Total expenses	9,210,065	9,135,665	13,459,127	12,246,653	22,669,192	21,382,318
Increase in net position before transfers	1,784,220	758,189	3,035,602	3,304,086	4,819,822	4,062,275
Transfers	841,130	1,046,800	(841,130)	(1,046,800)	–	–
Change in net position	2,625,350	1,804,989	2,194,472	2,257,286	4,819,822	4,062,275
Net position – beginning, as previously reported	26,298,130	24,493,141	12,489,896	10,232,610	38,788,026	34,725,751
Change in accounting principle	(283,034)	–	(135,036)	–	(418,070)	–
Net position – beginning, restated	26,015,096	24,493,141	12,354,860	10,232,610	38,369,956	34,725,751
Net position – ending	$ 28,640,446	$ 26,298,130	$ 14,549,332	$ 12,489,896	$ 43,189,778	$ 38,788,026

Governmental Activities – The City's net position for governmental activities increased by $2,342,316, or 8.9 percent, after $841,130 of net transfers from business-type activities and after the change in accounting principle previously discussed. Key elements of this increase are seen in the table above. During 2018, the City reclassified certain expenditure presentations within the City's General Fund that contributed to the changes in the table above for governmental activities.

Revenues increased overall by $1,100,431, or 11.1 percent.

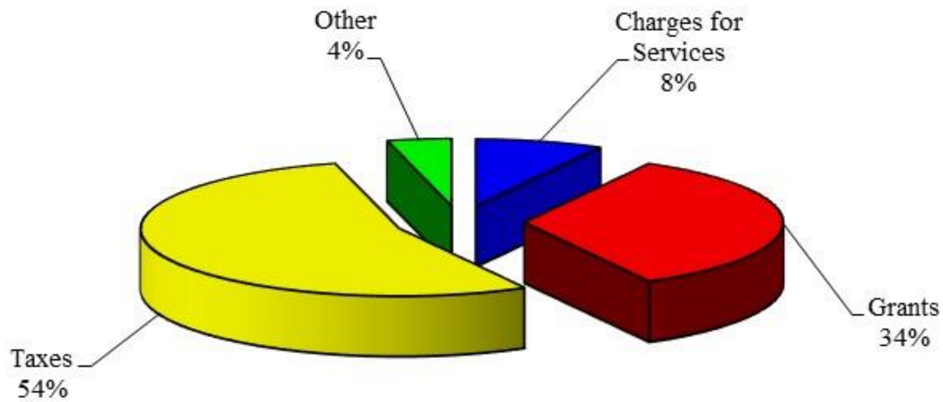
- The largest changes occurred in capital grants and contributions and property taxes. Capital grants and contributions increased, due to new street assessments in the current year. The increase in property taxes is a result of an increase in the levied amount approved by the City Council.

Expenses increased overall by $74,400, or 0.8 percent.

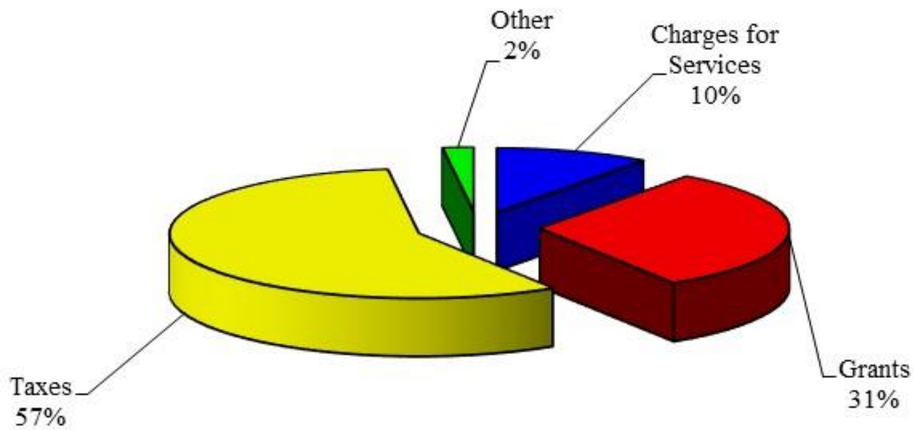
- The City experienced changes within each function, as previously discussed, but overall the change was minimal from the prior year to current year.

As seen in the following graph, taxes make up about 54 percent of the total revenues for 2018. Grants (operating, capital, and unrestricted grants and contributions), including state aids, such as local government aid, make up about 34 percent of the total and are followed by charges for services at 8 percent and other at 4 percent of the total.

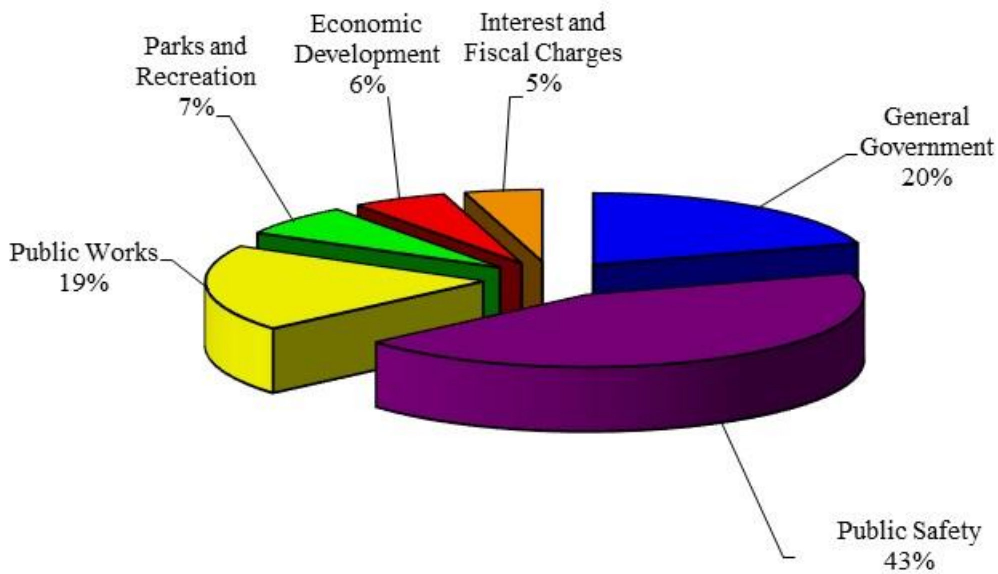
2018 Revenues by Source – Governmental Activities



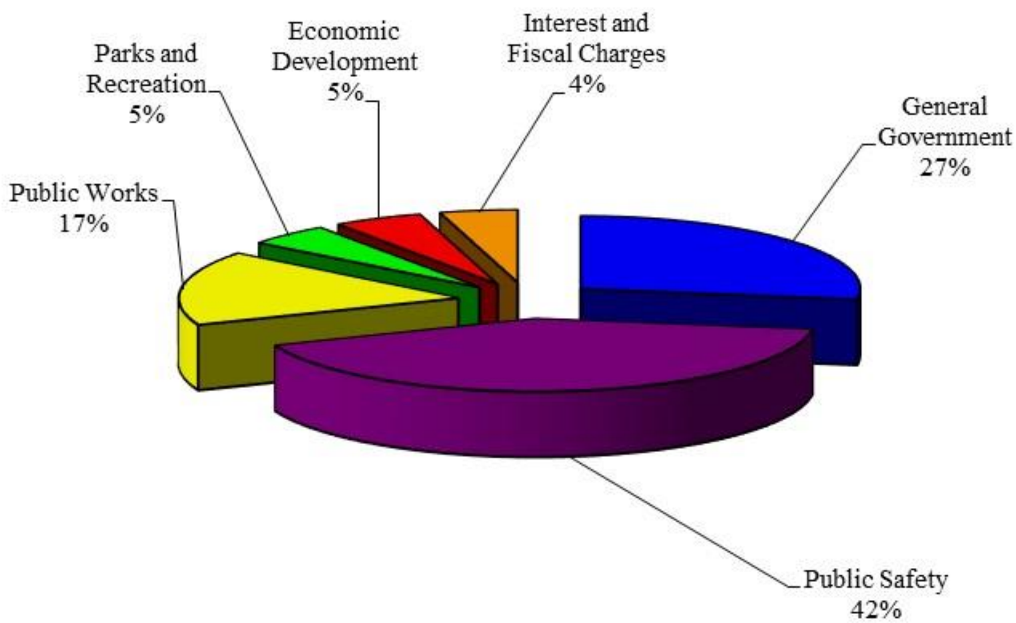
2017 Revenues by Source – Governmental Activities



2018 Expenses – Governmental Activities



2017 Expenses – Governmental Activities



The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2018 and 2017.

Business-Type Activities – Business-type activities increased the City's total net position by $2,059,436. Key elements of the business-type activities are as follows:

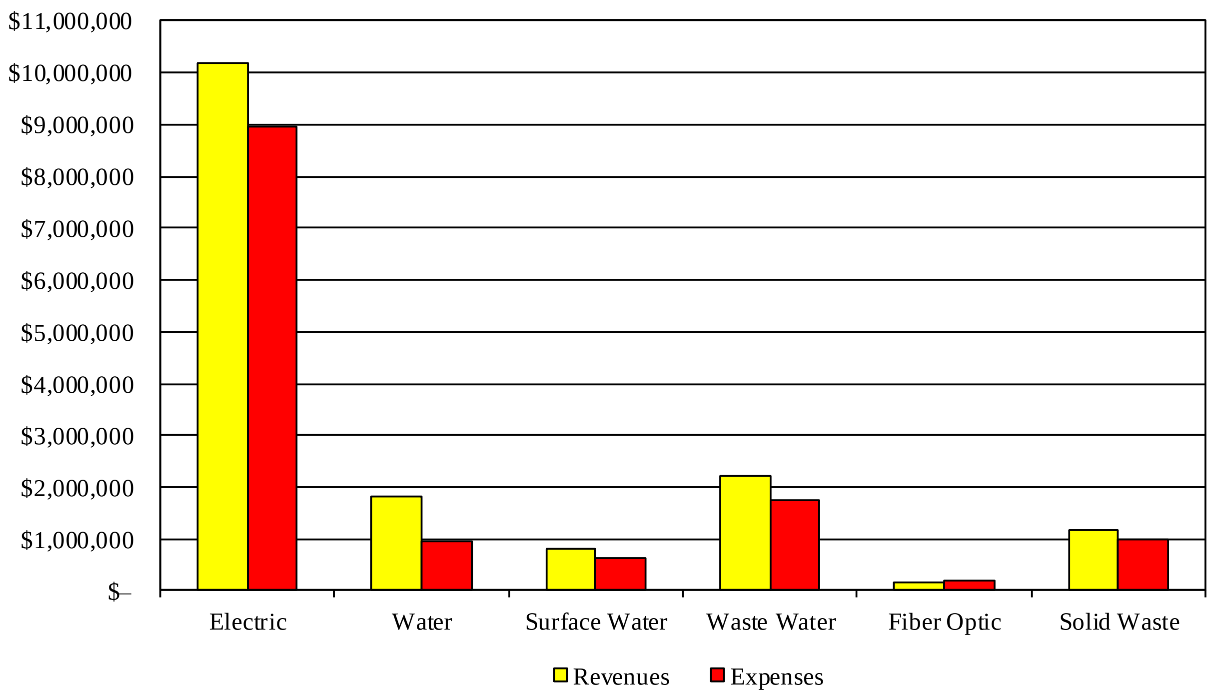
- Charges for services for business-type activities include charges for electric, water, surface water, waste water, fiber optic, and solid waste. The graph below shows the relationship between the program revenues and expenses for the various activities.

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

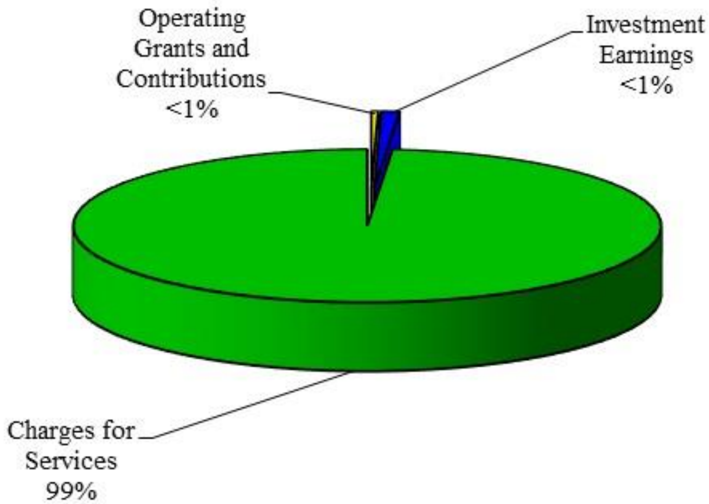
- Overall, business-type activities generated an increase in net position before transfers of $3,035,602. After considering transfers to governmental activities totaling $841,130, net position increased by $2,194,472.

- The City reported a change in accounting principle for reporting OPEB obligations, reducing beginning net position by $135,036, as previously mentioned.

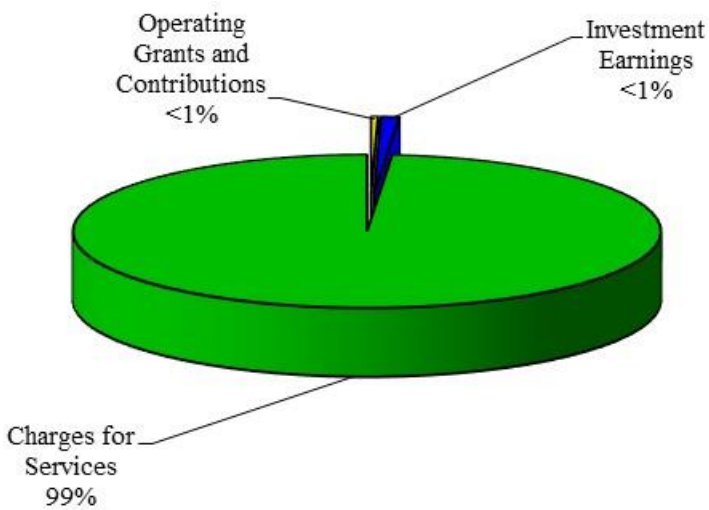
Revenues and Expenses – Business-Type Activities



2018 Revenues by Source – Business-Type Activities



2017 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 $17,152,146, an increase of $4,093,772 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was $1,832,826. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 25 percent of subsequent year budget expenditures as established in the City's fund balance policy.

Total fund balance for the City's General Fund increased by $75,077 during 2018. Key factors in this increase are as follows:

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

The G.O. Capital Improvement Plan Bonds of 2008A/G. O. Capital Improvement Plan Refunding Bonds of 2016B Fund equity changed slightly, increasing by $8,915, ending the year with a fund balance of $3,117,342.

The Street Improvement Capital Project Fund equity increased by $2,863,328, ending the year with a fund balance of $3,565,784. The increase was mainly due to the issuance of the 2018A General Obligation Bonds, which were issued for street construction projects.

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

General Fund Budgetary Highlights

The City is required to adopt a budget for the General Fund prior to the beginning of its fiscal year. During the year, the City amended the budget, decreasing expenditures by $11,085.

Revenues were over budget by $220,761, mainly in licenses and permits and intergovernmental revenue. Conservative budgeting in both of these areas contributed to the favorable revenue variance. General Fund expenditures recognized both favorable and unfavorable budget variances by function, with total expenditures ending the year $138,981, or 2.1 percent, over budget. After the variances in revenues and expenditures, the City was able to transfer additional funds to the Equipment Internal Service Fund and the Street Improvement Capital Projects Fund in accordance with the City's fund balance policy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to $46,067,740 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and structures, furniture and equipment, and infrastructure.

City of North St. Paul's Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital assets						
Land	$ 3,454,393	$ 3,454,393	$ 154,948	$ 154,948	$ 3,609,341	$ 3,609,341
Construction in progress	1,657,080	3,953,445	1,205,024	3,402,591	2,862,104	7,356,036
Buildings and structures	20,987,743	19,585,815	5,040,830	3,953,897	26,028,573	23,539,712
Furniture and equipment	4,540,225	4,631,656	3,025,628	2,537,820	7,565,853	7,169,476
Infrastructure	19,974,455	17,633,984	19,717,324	17,378,867	39,691,779	35,012,851
Less accumulated depreciation	(18,984,351)	(17,804,255)	(14,705,559)	(14,097,462)	(33,689,910)	(31,901,717)
Total capital assets, net of depreciation	$ 31,629,545	$ 31,455,038	$ 14,438,195	$ 13,330,661	$ 46,067,740	$ 44,785,699

The changes presented in the table above reflect the ongoing activity and completion of projects within the City during fiscal year 2018. The majority of the activity in construction in progress is for street and sanitary sewer improvements in recent years.

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

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of $32,765,000. A portion of this comprises general obligation debt backed solely by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured by special assessments, tax increment, specified revenue sources, and general obligation levy, if necessary.

City of North St. Paul's Noncurrent Liabilities

Table 4
Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
G.O. tax increment bonds	$ 1,295,000	$ 1,395,000	$ –	$ –	$ 1,295,000	$ 1,395,000
General obligation bonds	17,271,380	14,961,380	–	–	17,271,380	14,961,380
Utility revenue bonds	–	–	14,198,620	11,663,620	14,198,620	11,663,620
Premium	512,167	312,858	409,430	206,372	921,597	519,230
Total OPEB liability	383,886	62,488	182,522	29,181	566,408	91,669
Net pension liability	3,002,994	3,676,464	1,049,750	1,323,110	4,052,744	4,999,574
Compensated absences	622,796	581,609	226,709	215,098	849,505	796,707
Total	$23,088,223	$20,989,799	$16,067,031	$13,437,381	$39,155,254	$34,427,180

The City's total bonded debt increased by $4,745,000, or 16.9 percent, during 2018. The City's most recent bond rating by Standard & Poor's and Moody's was AA and Aa3, respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total market valuation. A complete calculation of the City's legal debt margin can be found in the statistical section of this report.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Significant increases in local government aids and other state sources are not anticipated based on legislation at the time of writing this report.

- Property tax collection rates are expected to remain strong, at or near the 2018 level.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

The following statements are presented:

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

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

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

Notes to Basic Financial Statements

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CITY OF NORTH ST. PAUL

Statement of Net Position
as of December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Authority
Assets				
Cash and investments	$ 17,404,202	$ 14,880,410	$ 32,284,612	$ 87,041
Receivables				
Interest	42,395	52,454	94,849	–
Accounts	90,612	2,334,167	2,424,779	–
Taxes	250,662	–	250,662	–
Special assessments	1,550,501	63,239	1,613,740	–
Internal balances	(240,463)	240,463	–	–
Inventory	–	438,590	438,590	–
Prepaid items	28,935	105,456	134,391	694
Assets held for resale	1,446,425	–	1,446,425	49,248
Net pension asset	311,215	–	311,215	–
Restricted assets – temporarily restricted				
Cash and investments for debt service	2,423,515	193,500	2,617,015	–
Interest receivable	8,987	–	8,987	–
Capital assets				
Not depreciated	5,111,473	1,359,972	6,471,445	–
Depreciated	26,518,072	13,078,223	39,596,295	–
Total capital assets, net of depreciation	31,629,545	14,438,195	46,067,740	–
Total assets	54,946,531	32,746,474	87,693,005	136,983
Deferred outflows of resources				
Pension plan deferments	2,745,572	167,845	2,913,417	–
OPEB plan deferments	25,637	12,231	37,868	–
Total deferred outflows of resources	2,771,209	180,076	2,951,285	–
Total assets and deferred outflows of resources	$ 57,717,740	$ 32,926,550	$ 90,644,290	$ 136,983
Liabilities				
Accounts and contracts payable	$ 1,271,065	$ 1,064,162	$ 2,335,227	$ –
Accrued salaries and employee benefits payable	183,730	73,703	257,433	2,252
Accrued interest payable	194,288	152,469	346,757	–
Due to other governments	57,716	290,777	348,493	–
Customer deposits	256,293	204,070	460,363	–
Unearned revenue	126,976	152,627	279,603	–
Noncurrent liabilities				
Due within one year	4,017,662	1,206,602	5,224,264	–
Due in more than one year	19,070,561	14,860,429	33,930,990	–
Total noncurrent liabilities	23,088,223	16,067,031	39,155,254	–
Total liabilities	25,178,291	18,004,839	43,183,130	2,252
Deferred inflows of resources				
Pension plan deferments	3,899,003	372,379	4,271,382	–
Net position				
Net investment in capital assets	18,936,454	5,118,537	24,054,991	–
Restricted for				
Housing Redevelopment Authority	1,066,125	–	1,066,125	–
Tax increment	337,866	–	337,866	–
Police forfeiture	99,865	–	99,865	–
Debt service	4,078,328	–	4,078,328	–
Pension benefits	322,885	–	322,885	–
Economic Development Authority	–	–	–	134,731
Unrestricted	3,798,923	9,430,795	13,229,718	–
Total net position	28,640,446	14,549,332	43,189,778	134,731
Total liabilities, deferred inflows of resources, and net position	$ 57,717,740	$ 32,926,550	$ 90,644,290	$ 136,983

CITY OF NORTH ST. PAUL

Statement of Activities
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 1,852,924	$ 340,303	$ –	$ –
Public safety	4,006,547	124,392	477,547	37,923
Public works	1,790,048	298,035	137,699	1,254,663
Parks and recreation	636,499	169,999	–	–
Economic development	508,783	–	–	–
Interest and fiscal charges	415,264	–	–	–
Total governmental activities	9,210,065	932,729	615,246	1,292,586
Business-type activities				
Electric	8,960,653	10,149,233	26,873	–
Water	938,780	1,823,416	1,095	–
Surface water	642,322	820,017	883	–
Waste water	1,744,588	2,198,476	958	–
Fiber optic	181,099	141,209	–	–
Solid waste	991,685	1,135,528	32,167	–
Total business-type activities	13,459,127	16,267,879	61,976	–
Total primary government	$ 22,669,192	$ 17,200,608	$ 677,222	$ 1,292,586
Component unit				
Economic development authority	$ 154,961	$ –	$ –	$ –

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

Change in net position

Net position – beginning, as previously reported
Change in accounting principle
Net position – beginning, restated

Net position – ending

See notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
$ (1,512,621)	$ –	$ (1,512,621)	$ –
(3,366,685)	–	(3,366,685)	–
(99,651)	–	(99,651)	–
(466,500)	–	(466,500)	–
(508,783)	–	(508,783)	–
(415,264)	–	(415,264)	–
(6,369,504)	–	(6,369,504)	–
–	1,215,453	1,215,453	–
–	885,731	885,731	–
–	178,578	178,578	–
–	454,846	454,846	–
–	(39,890)	(39,890)	–
–	176,010	176,010	–
–	2,870,728	2,870,728	–
(6,369,504)	2,870,728	(3,498,776)	–
–	–	–	(154,961)
5,496,782	–	5,496,782	148,999
431,469	–	431,469	–
1,838,514	–	1,838,514	–
179,393	–	179,393	4,884
174,935	164,874	339,809	–
32,631	–	32,631	–
841,130	(841,130)	–	–
8,994,854	(676,256)	8,318,598	153,883
2,625,350	2,194,472	4,819,822	(1,078)
26,298,130	12,489,896	38,788,026	135,809
(283,034)	(135,036)	(418,070)	–
26,015,096	12,354,860	38,369,956	135,809
$ 28,640,446	$ 14,549,332	$ 43,189,778	$ 134,731

CITY OF NORTH ST. PAUL

Balance Sheet
Governmental Funds
as of December 31, 2018

	General	Debt Service – G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Capital Projects – Street Improvement
Assets			
Cash and investments	$ 2,378,154	$ 682,999	$ 4,022,537
Cash and investments held by trustee	–	2,423,515	–
Receivables			
Interest	6,512	10,828	8,796
Accounts	89,102	–	–
Taxes	114,575	–	–
Special assessments	5,076	–	281,934
Due from other funds	–	–	521,563
Prepaid items	24,135	–	–
Assets held for resale	–	–	–
Total assets	$ 2,617,554	$ 3,117,342	$ 4,834,830
Liabilities			
Accounts and contracts payable	$ 154,206	$ –	$ 987,180
Accrued salaries and employee benefits payable	173,703	–	–
Due to other funds	–	–	–
Due to other governments	20,053	–	–
Customer deposits	256,293	–	–
Unearned revenue	113,097	–	2,880
Total liabilities	717,352	–	990,060
Deferred inflows of resources			
Unavailable revenue – property taxes	62,385	–	–
Unavailable revenue – special assessments	4,991	–	278,986
Total deferred inflows of resources	67,376	–	278,986
Fund balances (deficit)			
Nonspendable	24,135	–	–
Restricted	–	3,117,342	2,574,497
Committed	–	–	–
Assigned	19,985	–	991,287
Unassigned	1,788,706	–	–
Total fund balances (deficit)	1,832,826	3,117,342	3,565,784
Total liabilities, deferred inflows of resources, and fund balances	$ 2,617,554	$ 3,117,342	$ 4,834,830

See notes to basic financial statements

Nonmajor	Total
$ 7,556,926	$ 14,640,616
–	2,423,515
18,449	44,585
1,510	90,612
136,087	250,662
1,263,491	1,550,501
48,322	569,885
–	24,135
1,446,425	1,446,425
$ 10,471,210	$ 21,040,936
$ 2,902	$ 1,144,288
1,230	174,933
569,885	569,885
138	20,191
–	256,293
10,999	126,976
585,154	2,292,566
5,635	68,020
1,244,227	1,528,204
1,249,862	1,596,224
–	24,135
3,969,401	9,661,240
3,774,915	3,774,915
940,501	1,951,773
(48,623)	1,740,083
8,636,194	17,152,146
$ 10,471,210	$ 21,040,936

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Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of December 31, 2018

Total fund balances – governmental funds	$ 17,152,146
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	47,979,685
Less accumulated depreciation	(17,205,433)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	311,215
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds (see Note 5 for more details on components of long-term liabilities).	
Due within one year	(4,017,662)
Due in more than one year	(19,070,561)
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.	(194,288)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Internal service fund net position included in governmental activities	3,182,824
Internal balances for internal services used by business-type activities	34,090
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	2,745,572
Deferred outflows of resources – OPEB plan deferments	25,637
Deferred inflows of resources – pension plan deferments	(3,899,003)
Deferred inflows of resources – unavailable revenues	1,596,224
Total net position – governmental activities	$ 28,640,446

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	General	Debt Service – G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Capital Projects – Street Improvement
Revenues			
Taxes	$ 3,762,372	$ 487,184	$ –
Special assessments	1,396	–	111,103
Licenses and permits	355,448	–	–
Intergovernmental	1,664,846	–	371,278
Charges for services	156,811	–	–
Fines and forfeits	38,536	–	–
Investment earnings	17,553	27,666	32,361
Other	280,867	–	76,556
Total revenues	6,277,829	514,850	591,298
Expenditures			
Current			
General government	1,343,042	–	–
Public safety	3,939,799	–	–
Public works	1,021,445	–	–
Parks and recreation	522,972	–	–
Other expenditures	18,006	–	–
Economic development	–	–	–
Capital outlay	–	–	1,489,039
Debt service			
Principal	–	325,000	–
Interest and fiscal charges	–	180,935	–
Total expenditures	6,845,264	505,935	1,489,039
Excess (deficiency) of revenues over expenditures	(567,435)	8,915	(897,741)
Other financing sources (uses)			
Bonds issued	–	–	3,475,000
Premium on bonds issued	–	–	226,760
Transfers in	861,130	–	59,309
Transfers out	(218,618)	–	–
Total other financing sources (uses)	642,512	–	3,761,069
Net change in fund balances	75,077	8,915	2,863,328
Fund balances			
Beginning of year	1,757,749	3,108,427	702,456
End of year	$ 1,832,826	$ 3,117,342	$ 3,565,784

See notes to basic financial statements

Nonmajor	Total
$ 1,674,003	$ 5,923,559
445,334	557,833
–	355,448
637,699	2,673,823
–	156,811
–	38,536
71,013	148,593
140,360	497,783
2,968,409	10,352,386
92,730	1,435,772
50	3,939,849
–	1,021,445
–	522,972
–	18,006
450,164	450,164
165,619	1,654,658
940,000	1,265,000
253,394	434,329
1,901,957	10,742,195
1,066,452	(389,809)
–	3,475,000
–	226,760
236,600	1,157,039
(156,600)	(375,218)
80,000	4,483,581
1,146,452	4,093,772
7,489,742	13,058,374
$ 8,636,194	$ 17,152,146

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CITY OF NORTH ST. PAUL

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2018

Total net change in fund balances – governmental funds	$ 4,093,772
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	1,446,034
Depreciation expense	(1,137,187)
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	147,540
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term debt adjustments are also made between the governmental funds and the Statement of Activities for premiums, compensated absences, OPEB liability, and net pension liability (see Note 5 for more details on changes in long-term debt).	
Governmental activities – additions to long-term debt	(4,403,638)
Governmental activities – deletions of long-term debt	2,613,827
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.	(8,386)
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	(975,356)
Deferred outflows of resources – OPEB plan deferments	58
Deferred inflows of resources – pension plan deferments	289,640
Deferred inflows of resources – unavailable revenues	392,761
Internal service funds are used by management to charge certain costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements.	
Internal service fund activity included in governmental activities	145,592
Internal balances for internal service activity for business-type activities	20,693
Change in net position – governmental activities	$ 2,625,350

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CITY OF NORTH ST. PAUL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues				
Taxes	$ 3,826,841	$ 3,826,841	$ 3,762,372	$ (64,469)
Special assessments	–	–	1,396	1,396
Licenses and permits	249,750	249,750	355,448	105,698
Intergovernmental	1,564,602	1,564,602	1,664,846	100,244
Charges for services	135,910	135,910	156,811	20,901
Fines and forfeits	34,000	34,000	38,536	4,536
Investment earnings	15,000	15,000	17,553	2,553
Other	230,965	230,965	280,867	49,902
Total revenues	6,057,068	6,057,068	6,277,829	220,761
Expenditures				
Current				
General government	1,712,590	1,214,207	1,343,042	128,835
Public safety	3,589,863	3,947,081	3,939,799	(7,282)
Public works	1,006,221	1,037,854	1,021,445	(16,409)
Parks and recreation	408,694	494,241	522,972	28,731
Other	–	12,900	18,006	5,106
Total expenditures	6,717,368	6,706,283	6,845,264	138,981
Excess (deficiency) of revenues over expenditures	(660,300)	(649,215)	(567,435)	81,780
Other financing sources (uses)				
Transfers in	776,800	776,800	861,130	84,330
Transfers out	(116,500)	(116,500)	(218,618)	(102,118)
Total other financing sources (uses)	660,300	660,300	642,512	(17,788)
Net change in fund balances	$ –	$ 11,085	75,077	$ 63,992
Fund balances				
Beginning of year			1,757,749	
End of year			$ 1,832,826	

See notes to basic financial statements

CITY OF NORTH ST. PAUL

Statement of Net Position
Proprietary Funds
as of December 31, 2018

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Assets				
Current assets				
Cash and investments	$ 5,671,309	$ 4,112,565	$ 1,674,161	$ 2,303,982
Cash and investments restricted for debt service	193,500	–	–	–
Receivables				
Interest	17,560	12,557	8,558	10,765
Accounts	1,336,778	244,064	123,095	345,907
Special assessments	177	25,856	2,064	32,354
Due from other funds	274,553	–	–	–
Inventory	438,590	–	–	–
Prepaid items	6,312	6,312	–	92,832
Total current assets	7,938,779	4,401,354	1,807,878	2,785,840
Noncurrent assets				
Advances to other funds	–	–	1,223,421	1,223,421
Capital assets				
Land	154,948	–	–	–
Construction in progress	–	519,852	252,203	432,969
Buildings and structures	2,490,117	1,192,912	–	1,357,801
Furniture and equipment	1,712,509	277,933	335,551	699,635
Infrastructure	1,724,924	6,798,821	3,116,116	5,846,731
Less accumulated depreciation	(4,720,060)	(4,575,596)	(1,495,218)	(3,457,828)
Total capital assets (net of accumulated depreciation)	1,362,438	4,213,922	2,208,652	4,879,308
Total noncurrent assets	1,362,438	4,213,922	3,432,073	6,102,729
Total assets	9,301,217	8,615,276	5,239,951	8,888,569
Deferred outflows of resources				
Pension plan deferments	135,774	14,270	10,823	6,978
OPEB plan deferments	8,293	1,325	1,060	1,174
Total deferred outflows of resources	144,067	15,595	11,883	8,152
Total assets and deferred outflows of resources	$ 9,445,284	$ 8,630,871	$ 5,251,834	$ 8,896,721
Current liabilities				
Accounts and contracts payable	$ 712,883	$ 49,533	$ 19,669	$ 156,024
Accrued salaries and employee benefits payable	51,814	7,574	5,487	5,978
Accrued interest payable	24,143	39,260	25,335	60,570
Due to other funds	–	–	–	–
Due to other governments	89,234	23,155	712	18,978
Customer deposits	199,070	–	–	5,000
Unearned revenue	–	–	–	–
Compensated absences payable – current	123,053	11,051	11,051	–
Bonds payable – current	130,000	238,477	136,761	505,809
Total current liabilities	1,330,197	369,050	199,015	752,359
Noncurrent liabilities				
Advances from other funds	–	–	–	–
Compensated absences payable	79,296	1,129	1,129	–
Total OPEB liability	124,571	19,614	15,699	17,239
Net pension liability	787,178	106,763	83,897	71,912
Bonds payable	885,000	3,927,683	2,576,819	5,838,359
Total noncurrent liabilities	1,876,045	4,055,189	2,677,544	5,927,510
Total liabilities	3,206,242	4,424,239	2,876,559	6,679,869
Deferred inflows of resources				
Pension plan deferments	265,836	40,026	32,836	33,681
Net position				
Net investment in capital assets	1,362,438	1,117,542	615,945	248,737
Unrestricted	4,610,768	3,049,064	1,726,494	1,934,434
Total net position	5,973,206	4,166,606	2,342,439	2,183,171
Total liabilities, deferred inflows of resources, and net position	$ 9,445,284	$ 8,630,871	$ 5,251,834	$ 8,896,721

Net position – total enterprise funds

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

Net position – business-type activities

See notes to basic financial statements

Fiber Optic	Nonmajor Fund Solid Waste	Total	Governmental Activities – Internal Service
$ –	$ 1,118,393	$ 14,880,410	$ 2,763,586
–	–	193,500	–
–	3,014	52,454	6,797
21,246	263,077	2,334,167	–
–	2,788	63,239	–
–	–	274,553	–
–	–	438,590	–
–	–	105,456	4,800
21,246	1,387,272	18,342,369	2,775,183
–	–	2,446,842	–
–	–	154,948	–
–	–	1,205,024	–
–	–	5,040,830	–
–	–	3,025,628	2,634,211
2,230,732	–	19,717,324	–
(456,857)	–	(14,705,559)	(1,778,918)
1,773,875	–	14,438,195	855,293
1,773,875	–	16,885,037	855,293
1,795,121	1,387,272	35,227,406	3,630,476
–	–	167,845	–
–	379	12,231	–
–	379	180,076	–
$ 1,795,121	$ 1,387,651	$ 35,407,482	$ 3,630,476
$ 67,953	$ 58,100	$ 1,064,162	$ 126,777
86	2,764	73,703	8,797
–	3,161	152,469	–
–	–	–	274,553
–	158,698	290,777	37,525
–	–	204,070	–
152,627	–	152,627	–
–	–	145,155	–
–	50,400	1,061,447	–
220,666	273,123	3,144,410	447,652
2,446,842	–	2,446,842	–
–	–	81,554	–
–	5,399	182,522	–
–	–	1,049,750	–
–	318,742	13,546,603	–
2,446,842	324,141	17,307,271	–
2,667,508	597,264	20,451,681	447,652
–	–	372,379	–
1,773,875	–	5,118,537	855,293
(2,646,262)	790,387	9,464,885	2,327,531
(872,387)	790,387	14,583,422	3,182,824
$ 1,795,121	$ 1,387,651	$ 35,407,482	$ 3,630,476
		$ 14,583,422	
		(34,090)	
		$ 14,549,332	

CITY OF NORTH ST. PAUL

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Operating revenue				
Charges for services	$ 9,879,858	$ 1,794,012	$ 808,129	$ 2,151,415
Other services	268,415	29,404	11,888	43,061
Total operating revenue	10,148,273	1,823,416	820,017	2,194,476
Operating expenses				
Personal services	1,372,310	233,970	172,063	183,921
Professional services	530,755	347,211	246,832	250,397
Purchased utilities	5,934,267	–	–	1,017,386
Materials and supplies	686,411	59,979	29,897	12,284
Administration	244,007	–	–	–
Insurance	–	–	–	–
Other	14,216	1,132	8,483	10,731
Total operating expenses	8,781,966	642,292	457,275	1,474,719
Operating income (loss) before depreciation	1,366,307	1,181,124	362,742	719,757
Depreciation	85,306	194,217	127,752	156,383
Operating income (loss)	1,281,001	986,907	234,990	563,374
Nonoperating revenues (expenses)				
Intergovernmental	26,873	1,095	883	958
Investment earnings (charges)	70,058	49,730	32,676	41,834
Gain on disposal of capital assets	–	–	–	–
Other	960	–	–	4,000
Interest expense	(64,256)	(101,568)	(48,249)	(131,767)
Total nonoperating revenue (expenses)	33,635	(50,743)	(14,690)	(84,975)
Income (loss) before transfers	1,314,636	936,164	220,300	478,399
Transfers in	–	–	–	–
Transfers out	(351,130)	(205,000)	(80,000)	(145,000)
Change in net position	963,506	731,164	140,300	333,399
Net position				
Beginning of year, as previously reported	5,101,257	3,450,075	2,213,845	1,862,732
Change in accounting principle	(91,557)	(14,633)	(11,706)	(12,960)
Beginning of year, restated	5,009,700	3,435,442	2,202,139	1,849,772
End of year	$ 5,973,206	$ 4,166,606	$ 2,342,439	$ 2,183,171

Change in net position – total enterprise funds

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

Change in net position – business-type activities

See notes to basic financial statements

	Fiber Optic	Nonmajor Fund Solid Waste	Total	Governmental Activities – Internal Service
	$ 130,203	$ 1,064,718	$ 15,828,335	$ 1,524,840
	11,006	70,810	434,584	–
	141,209	1,135,528	16,262,919	1,524,840
	2,433	45,049	2,009,746	157,247
	133,617	3,429	1,512,241	540,430
	–	932,102	7,883,755	–
	490	97	789,158	327,807
	–	–	244,007	–
	–	–	–	505,889
	120	4,253	38,935	–
	136,660	984,930	12,477,842	1,531,373
	4,549	150,598	3,785,077	(6,533)
	44,439	–	608,097	134,340
	(39,890)	150,598	3,176,980	(140,873)
	–	32,167	61,976	168,183
	(41,642)	12,218	164,874	26,342
	–	–	–	32,631
	–	–	4,960	–
	–	(6,655)	(352,495)	–
	(41,642)	37,730	(120,685)	227,156
	(81,532)	188,328	3,056,295	86,283
	–	–	–	59,309
	–	(60,000)	(841,130)	–
	(81,532)	128,328	2,215,165	145,592
	(790,855)	666,239	12,503,293	3,037,232
	–	(4,180)	(135,036)	–
	(790,855)	662,059	12,368,257	3,037,232
	$ (872,387)	$ 790,387	$ 14,583,422	$ 3,182,824
			$ 2,215,165	
			(20,693)	
			$ 2,194,472	

CITY OF NORTH ST. PAUL

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Business-Type Activities – Enterprise Funds			
	Major Funds			
	Electric	Water	Surface Water	Waste Water
Cash flows from operating activities				
Cash received from customers	$ 10,298,517	$ 1,884,156	$ 823,004	$ 2,201,251
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(7,069,502)	(386,036)	(323,820)	(1,181,915)
Cash payments to employees for services	(1,343,201)	(234,913)	(173,525)	(182,561)
Payment in lieu of taxes	(244,007)	–	–	–
Net cash flows from operating activities	1,641,807	1,263,207	325,659	836,775
Cash flows from noncapital financing activities				
Grants received	26,873	1,095	883	958
Cash received from other funds	–	–	–	–
Cash paid to other funds	(124,250)	–	(6,943)	(6,943)
Transfers in	–	–	–	–
Transfers out	(351,130)	(205,000)	(80,000)	(145,000)
Net cash flows from noncapital financing activities	(448,507)	(203,905)	(86,060)	(150,985)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(387,363)	(520,338)	(252,643)	(555,287)
Proceeds from the disposal of capital assets	–	–	–	–
Proceeds from issuance of revenue bonds	–	1,589,114	771,424	1,323,143
Payment on bonds	(130,000)	(234,557)	(131,078)	(383,965)
Interest paid	(66,964)	(91,568)	(43,220)	(123,400)
Net cash flows from capital and related financing activities	(584,327)	742,651	344,483	260,491
Cash flows from investing activities				
Interest received (paid) on investments	68,181	43,651	30,895	37,991
Net change in cash and cash equivalents	677,154	1,845,604	614,977	984,272
Cash and investments				
Beginning of year	5,187,655	2,266,961	1,059,184	1,319,710
End of year	$ 5,864,809	$ 4,112,565	$ 1,674,161	$ 2,303,982
Reconciliation of cash and cash equivalents				
Cash and investments	$ 5,671,309	$ 4,112,565	$ 1,674,161	$ 2,303,982
Cash and investments restricted for debt service	193,500	–	–	–
Cash and cash equivalents per Statement of Net Position	$ 5,864,809	$ 4,112,565	$ 1,674,161	$ 2,303,982
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ 1,281,001	$ 986,907	$ 234,990	$ 563,374
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	85,306	194,217	127,752	156,383
Other	960	–	–	4,000
Change in assets, deferred outflows, liabilities, and deferred inflows				
Accounts receivable	148,961	64,157	4,088	1,294
Special assessments receivable	73	(3,417)	(1,101)	1,481
Inventory	(25,879)	–	–	–
Prepaid items	761	(660)	–	(2,381)
Deferred outflows	120,206	19,165	15,454	16,765
Accounts and contracts payable	113,589	33,873	(39,320)	92,286
Accrued salaries and employee benefits	8,094	1,050	661	779
Customer deposits	250	–	–	–
Due to other governments	7,676	(10,927)	712	18,978
Unearned revenue	–	–	–	–
Total OPEB liability	4,136	661	529	586
Net pension liability	(178,598)	(28,475)	(22,961)	(24,910)
Compensated absences	16,909	(2,649)	(2,649)	–
Deferred inflows	58,362	9,305	7,504	8,140
Net cash flows from operating activities	$ 1,641,807	$ 1,263,207	$ 325,659	$ 836,775
Noncash investing, capital, and financing activities				
Amortization of bond premium (discount)	$ –	$ 3,390	$ 2,645	$ 8,572

See notes to basic financial statements

		Nonmajor Fund		Governmental Activities –
	Fiber Optic	Solid Waste	Total	Internal Service
	$ 131,598	$ 1,212,660	$ 16,551,186	$ –
	–	–	–	1,480,076
	(101,425)	(1,000,156)	(10,062,854)	(1,375,737)
	(2,417)	(69,881)	(2,006,498)	(150,919)
	–	–	(244,007)	–
	27,756	142,623	4,237,827	(46,580)
	–	32,167	61,976	168,183
	13,886	–	13,886	124,250
	–	–	(138,136)	–
	–	–	–	59,309
	–	(60,000)	(841,130)	–
	13,886	(27,833)	(903,404)	351,742
	–	–	(1,715,631)	–
	–	–	–	32,631
	–	–	3,683,681	–
	–	(50,400)	(930,000)	–
	–	(8,091)	(333,243)	–
	–	(58,491)	704,807	32,631
	(41,642)	12,153	151,229	26,013
	–	68,452	4,190,459	363,806
	–	1,049,941	10,883,451	2,399,780
	$ –	$ 1,118,393	$ 15,073,910	$ 2,763,586
	$ –	$ 1,118,393	$ 14,880,410	$ 2,763,586
	–	–	193,500	–
	$ –	$ 1,118,393	$ 15,073,910	$ 2,763,586
	$ (39,890)	$ 150,598	$ 3,176,980	$ (140,873)
	44,439	–	608,097	134,340
	–	–	4,960	–
	1,395	77,928	297,823	–
	–	(796)	(3,760)	–
	–	–	(25,879)	–
	–	–	(2,280)	(4,800)
	–	490	172,080	–
	32,802	(55,758)	177,472	(34,336)
	16	1,013	11,613	6,328
	–	–	250	–
	–	(4,517)	11,922	37,525
	(11,006)	–	(11,006)	(44,764)
	–	188	6,100	–
	–	(18,416)	(273,360)	–
	–	–	11,611	–
	–	(8,107)	75,204	–
	$ 27,756	$ 142,623	$ 4,237,827	$ (46,580)
	$ –	$ 1,016	$ 15,623	$ –

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Index to Notes

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Reporting Entity

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

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

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

C. Service Area

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

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

E. Fund Financial Statement Presentation

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

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

Description of Funds

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following nonmajor enterprise fund:

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

Additionally, the City reports the following fund types:

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

F. Cash and Investments

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

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

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

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

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

G. Receivables

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

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, 2018 totaled $3,271.

K. Inventories

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

L. Prepaid Items

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets

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

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

The estimated useful lives are as follows:

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

N. Compensated Absences

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

O. Long-Term Obligations

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or 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, differences between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

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

Q. Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA, except that the PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

R. Budgets and Budgetary Accounting

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

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

2. Public hearings are conducted to obtain taxpayer comments.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

S. Assets Held for Resale

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

T. Statement of Cash Flows

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

U. Net Position and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Fund Balance Classifications and Flow Assumptions

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

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

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

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

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

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

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

W. Restricted Assets

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

X. Risk Management

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2017	$ –	$ 492,153	$ 492,153	$ –
2018	$ –	$ 505,889	$ 505,889	$ –

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.

Z. Change in Accounting Principle

During the year ended December 31, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement established standards for employer recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expense for OPEB. Certain amounts necessary to fully restate fiscal year 2017 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this statement in the current year resulted in the restatement of net position as of December 31, 2017. The details of the restatement are as follows:

	Governmental Activities	Business-Type Activities	Enterprise Funds
Net position – beginning, as previously reported	$ 26,298,130	$ 12,489,896	$ 12,503,293
Change in accounting principle			
Net OPEB obligation, under previous reporting standards	62,488	29,181	29,181
Total OPEB liability, under current reporting standards	(371,101)	(176,422)	(176,422)
Deferred outflows of resources, under current reporting standards	25,579	12,205	12,205
Total change in accounting principle	(283,034)	(135,036)	(135,036)
Net position – beginning, restated	$ 26,015,096	$ 12,354,860	$ 12,368,257

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	7,950,232
Investments		27,037,836
Cash on hand		600
Total	$	34,988,668

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

Statement of Net Position		
Primary government		
Cash and investments	$	32,284,612
Restricted assets – temporarily restricted		
Cash and investments for debt service		2,617,015
Component unit		
Cash and investments		87,041
Total	$	34,988,668

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 $7,950,232, while the balance on the bank records was $8,076,721. At December 31, 2018, 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 Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years: Less Than 1	1 to 5	5 to 10	Total
U.S. treasuries	N/R	N/A	Level 1	$ 2,423,515	$ –	$ –	$ 2,423,515
U.S. agencies	AA	S&P	Level 2	–	3,882,590	–	3,882,590
Municipal securities	AAA	S&P	Level 2	498,150	221,947	–	720,097
Municipal securities	AA	S&P	Level 2	–	1,290,248	–	1,290,248
Municipal securities	AA	Moody's	Level 2	–	2,440,547	–	2,440,547
Negotiable certificates of deposit	N/R	N/A	Level 2	4,839,449	10,130,506	216,446	15,186,401
				$ 7,761,114	$ 17,965,838	$ 216,446	25,943,398
Investment pools/mutual funds							
Minnesota Municipal Money Market Fund	N/R	N/A	N/A	N/A	N/A	N/A	555,118
Wells Fargo Invesco Government Money Market	AAA	S&P	Level 1	N/A	N/A	N/A	539,320
Total investments							$ 27,037,836

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. At year-end, the City's investment portfolio includes the Federal Farm Credit Bank at 7.2 percent and Independent School District Spring Lake Park, Minnesota (municipal bonds) at 5.1 percent.

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

NOTE 3 – INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

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

	Due To Other Funds		
	Governmental	Proprietary	
Due From Other Funds	Nonmajor	Internal Service	Total
Governmental			
Street Improvement	$ 521,563	$ –	$ 521,563
Nonmajor	48,322	–	48,322
Proprietary			
Electric	–	274,553	274,553
Total	$ 569,885	$ 274,553	$ 844,438

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

B. Advances To and Advances From Other Funds

The Surface Water and Waste Water Enterprise Funds have each advanced $1,223,421 to the Fiber Optic Enterprise Fund for cash flow purposes. As of December 31, 2018, there are no formal terms for the repayment of the advances.

NOTE 3 – INTERFUND TRANSACTIONS (CONTINUED)

C. Interfund Transfers

Interfund transfers for the year were as follows:

	Transfers In				
	Governmental			Proprietary	
Transfers Out	General	Capital Projects – Street Improvement	Nonmajor	Internal Service	Total
Governmental					
General	$ –	$ 59,309	$ 100,000	$ 59,309	$ 218,618
Nonmajor	20,000	–	136,600	–	156,600
Proprietary					
Electric	351,130	–	–	–	351,130
Water	205,000	–	–	–	205,000
Surface Water	80,000	–	–	–	80,000
Waste Water	145,000	–	–	–	145,000
Solid Waste	60,000	–	–	–	60,000
Total	$ 861,130	$ 59,309	$ 236,600	$ 59,309	$ 1,216,348

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

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated					
Land	$ 3,454,393	$ –	$ –	$ –	$ 3,454,393
Construction in progress	3,953,445	1,446,034	–	(3,742,399)	1,657,080
Total capital assets, not being depreciated	7,407,838	1,446,034	–	(3,742,399)	5,111,473
Capital assets, depreciated					
Buildings and structures	19,585,815	–	–	1,401,928	20,987,743
Furniture and equipment	4,631,656	–	(91,431)	–	4,540,225
Infrastructure	17,633,984	–	–	2,340,471	19,974,455
Total capital assets, depreciated	41,851,455	–	(91,431)	3,742,399	45,502,423
Less accumulated depreciation on					
Buildings and structures	6,075,806	524,658	–	–	6,600,464
Furniture and equipment	2,983,549	190,722	(91,431)	–	3,082,840
Infrastructure	8,744,900	556,147	–	–	9,301,047
Total accumulated depreciation	17,804,255	1,271,527	(91,431)	–	18,984,351
Total capital assets, depreciated, net	24,047,200	(1,271,527)	–	3,742,399	26,518,072
Net capital assets	$ 31,455,038	$ 174,507	$ –	$ –	$ 31,629,545

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not being depreciated					
Land	$ 154,948	$ –	$ –	$ –	$ 154,948
Construction in progress	3,402,591	1,227,823	–	(3,425,390)	1,205,024
Total capital assets, not being depreciated	3,557,539	1,227,823	–	(3,425,390)	1,359,972
Capital assets, depreciated					
Buildings and structures	3,953,897	–	–	1,086,933	5,040,830
Furniture and equipment	2,537,820	487,808	–	–	3,025,628
Infrastructure	17,378,867	–	–	2,338,457	19,717,324
Total capital assets, depreciated	23,870,584	487,808	–	3,425,390	27,783,782
Less accumulated depreciation on					
Buildings and structures	3,323,527	46,747	–	–	3,370,274
Furniture and equipment	1,923,972	96,722	–	–	2,020,694
Infrastructure	8,849,963	464,628	–	–	9,314,591
Total accumulated depreciation	14,097,462	608,097	–	–	14,705,559
Total capital assets, depreciated, net	9,773,122	(120,289)	–	3,425,390	13,078,223
Net capital assets	$ 13,330,661	$ 1,107,534	$ –	$ –	$ 14,438,195

C. Depreciation Expense by Function

Depreciation expense was charged to the following functions:

Governmental activities	
General government	$ 295,590
Public safety	21,033
Public works	734,229
Parks and recreation	86,335
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	134,340
Total depreciation expense – governmental activities	$ 1,271,527
Business-type activities	
Electric	$ 85,306
Water	194,217
Surface water	127,752
Waste water	156,383
Fiber optic	44,439
Total depreciation expense – business-type activities	$ 608,097

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation bonds					
Tax Abatement Bonds of 2004A	$ 800,000	2.200–4.600%	2004	2020	$ 140,000
Capital Improvement Bonds of 2008A	$ 5,000,000	3.500–4.700%	2008	2025	2,750,000
Municipal Building Refunding Bonds of 2012A	$ 3,760,000	0.450–1.950%	2012	2023	1,950,000
Special Assessment Bonds of 2014A	$ 2,360,000	2.000–3.000%	2014	2030	1,815,000
Tax Increment Refunding Bonds of 2015A	$ 1,595,000	2.000–3.000%	2015	2032	1,295,000
Improvement Bonds of 2016A	$ 2,640,000	2.000–2.100%	2016	2032	2,470,000
Tax Abatement Bonds of 2016A	$ 1,240,000	2.000–2.500%	2016	2037	1,190,000
Capital Improvement Refunding Bonds of 2016B	$ 2,430,000	2.000%	2016	2025	2,430,000
Improvement Bonds of 2017A	$ 1,051,380	1.650–3.000%	2017	2033	1,051,380
Improvement Bonds of 2018A	$ 3,475,000	3.000–5.000%	2018	2034	3,475,000
Premium					512,167
Total OPEB liability					383,886
Net pension liability					3,002,994
Compensated absences					622,796
Total governmental activities					$ 23,088,223
Business-type activities					
Electric Utility Revenue Bonds of 2009C	$ 1,935,000	2.750–6.000%	2009	2025	$ 1,015,000
General obligation bonds					
Utility Revenue Bonds of 2014A	$ 2,560,000	2.000–3.000%	2014	2030	2,105,000
Utility Revenue Refunding Bonds of 2015A	$ 4,650,000	2.000–3.000%	2015	2027	3,780,000
Utility Revenue Bonds of 2016A	$ 3,605,000	2.000–2.100%	2016	2032	3,395,000
Utility Revenue Bonds of 2017A	$ 438,620	1.650–3.000%	2017	2033	438,620
Utility Revenue Bonds of 2018A	$ 3,465,000	3.000–5.000%	2018	2034	3,465,000
Premium					409,430
Total OPEB liability					182,522
Net pension liability					1,049,750
Compensated absences					226,709
Total business-type activities					$ 16,067,031
Total government-wide activities					$ 39,155,254

B. Changes in Long-Term Debt

	Beginning Balance	Change in Accounting Principle *	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities						
G.O. tax increment bonds	$ 1,395,000	$ –	$ –	$ 100,000	$ 1,295,000	$ 100,000
General obligation bonds	14,961,380	–	3,475,000	1,165,000	17,271,380	3,658,552
Premium	312,858	–	226,760	27,451	512,167	–
Total bonds	16,669,238	–	3,701,760	1,292,451	19,078,547	3,758,552
Total OPEB liability	62,488	308,613	38,365	25,580	383,886	–
Net pension liability	3,676,464	–	363,216	1,036,686	3,002,994	–
Compensated absences	581,609	–	300,297	259,110	622,796	259,110
Total governmental activities	20,989,799	308,613	4,403,638	2,613,827	23,088,223	4,017,662
Business-type activities						
Utility revenue bonds	11,663,620	–	3,465,000	930,000	14,198,620	1,061,447
Premium	206,372	–	218,681	15,623	409,430	–
Total bonds	11,869,992	–	3,683,681	945,623	14,608,050	1,061,447
Total OPEB liability	29,181	147,241	18,304	12,204	182,522	–
Net pension liability	1,323,110	–	117,802	391,162	1,049,750	–
Compensated absences	215,098	–	156,766	145,155	226,709	145,155
Total business-type activities	13,437,381	147,241	3,976,553	1,494,144	16,067,031	1,206,602
Total government-wide	$ 34,427,180	$ 455,854	$ 8,380,191	$ 4,107,971	$ 39,155,254	$ 5,224,264

* The amounts in this column reflect only a portion of the change in accounting principle described earlier in these notes.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

	Governmental Activities				Business-Type Activities	
Year Ending	Tax Increment		General Obligation		Utility Revenue	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 100,000	$ 30,013	$ 3,658,552	$ 406,665	$ 1,061,447	$ 376,361
2020	110,000	27,913	1,430,528	337,155	1,199,473	365,530
2021	100,000	25,813	1,437,426	303,022	1,287,574	331,007
2022	100,000	23,813	1,475,276	270,162	1,189,724	293,700
2023	105,000	21,631	1,495,159	235,168	1,209,841	257,502
2024–2028	595,000	67,563	4,208,925	750,812	5,096,075	753,601
2029–2033	185,000	11,325	2,995,514	264,264	2,859,486	209,558
2034–2037	–	–	570,000	19,125	295,000	409,043
Total	$ 1,295,000	$ 208,071	$ 17,271,380	$ 2,586,373	$ 14,198,620	$ 2,996,302

D. Descriptions of Long-Term Debt

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

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

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

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

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

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The City participates in two state-wide, cost-sharing, multi-employer defined benefit pension plans administered by the PERA and a single-employer plan administered by the fire relief association. The following is a summary of the net pension asset, net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2018:

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	$ –	$ 2,391,010	$ 435,051	$ 735,391	$ 237,320
PERA – PEPFF	–	1,661,734	2,354,850	3,424,145	165,285
Fire Relief	311,215	–	123,516	111,846	60,273
Total – all pensions	$ 311,215	$ 4,052,744	$ 2,913,417	$ 4,271,382	$ 462,878

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

E. Refunding Bond Activity

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

F. Arbitrage Rebate

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the opinion of management, any obligation would be immaterial.

G. Revenue Pledged

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

		Revenue Pledged				Current Year	
Debt Issue	Use of Proceeds	Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Tax Increment Refunding Bonds of 2015A	Street and site improvements	Tax increment financing	100%	2015–2032	$ 1,503,069	$ 132,013	$ 254,099
Electric Utility Revenue Bonds of 2009C	Utility improvements	Utility charges	100%	2009–2025	$ 1,232,379	$ 191,193	$ 10,148,273
Utility Revenue Bonds of 2014A	Utility improvements	Utility charges	100%	2014–2030	$ 2,457,769	$ 208,138	$ 4,837,909
Utility Revenue Refunding Bonds of 2015A	Utility improvements	Utility charges	100%	2015–2027	$ 4,139,156	$ 521,238	$ 5,973,437
Utility Revenue Bonds of 2016A	Utility improvements	Utility charges	100%	2016–2032	$ 3,896,750	$ 280,410	$ 4,837,909
Utility Revenue Bonds of 2017A	Utility improvements	Utility charges	100%	2017–2033	$ 473,254	$ –	$ 3,014,493
Utility Revenue Bonds of 2018A	Utility improvements	Utility charges	100%	2018–2034	$ 4,995,614	$ –	$ 4,837,909

H. Bond Ratings

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (PEPFF), originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the GERF is at least 90.0 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90.0 percent funded, or has fallen below 80.0 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after 10 years of credited service. Benefits for the PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. PEPFF benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90.0 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80.0 percent for one year or 85.0 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2018 were $218,577. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 16.20 percent of pay for members. The City's contributions to the PEPFF for the year ended December 31, 2018 were $268,898. The City's contributions were equal to the required contributions as set by state statutes.

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

D. Pension Costs

1. GERF Pension Costs

At December 31, 2018, the City reported a liability of $2,391,010 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0431 percent at the end of the measurement period and 0.0449 percent for the beginning of the period.

The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	$	2,391,010
State's proportionate share of the net pension liability associated with the City	$	78,405

For the year ended December 31, 2018, the City recognized pension expense of $219,036 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $18,284 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

At December 31, 2018, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 65,812	$ 75,075
Changes in actuarial assumptions	245,890	276,335
Differences between projected and actual investment earnings	–	236,901
Changes in proportion	14,252	147,080
Contributions paid to the PERA subsequent to the measurement date	109,097	–
Total	$ 435,051	$ 735,391

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

Deferred outflows of resources reported $109,097 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. 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
2019	$ 54,355
2020	$ (186,273)
2021	$ (227,616)
2022	$ (49,903)

2. PEPFF Pension Costs

At December 31, 2018, the City reported a liability of $1,661,734 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.1559 percent at the end of the measurement period and 0.1580 percent for the beginning of the period.

For the year ended December 31, 2018, the City recognized pension expense of $151,254 for its proportionate share of the PEPFF's pension expense. The City also recognized $14,031 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2018, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 67,500	$ 422,879
Changes in actuarial assumptions	2,146,785	2,478,492
Differences between projected and actual investment earnings	–	338,127
Changes in proportion	5,681	184,647
Contributions paid to the PERA subsequent to the measurement date	134,884	–
Total	$ 2,354,850	$ 3,424,145

Deferred outflows of resources reported $134,884 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. 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
2019	$ (76,231)
2020	$ (155,914)
2021	$ (257,485)
2022	$ (704,345)
2023	$ (10,204)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent per year for the PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

1. GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement 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.

2. PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by state statutes, the assumed post-retirement benefit increase was changed from 1.00 percent per year through 2064, and 2.50 percent per year thereafter, to 1.00 percent for all years with no trigger.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds	20	0.75 %
Alternative assets	25	5.90 %
Cash	2	– %
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the GERF and the PEPFF were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
The City’s proportionate share of the GERF net pension liability	$ 3,885,699	$ 2,391,010	$ 1,157,189
The City’s proportionate share of the PEPFF net pension liability	$ 3,562,861	$ 1,661,734	$ 89,580

H. 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 PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the North St. Paul Fire Department (the Department) are covered by a defined benefit plan administered by the North St. Paul Fire Department Relief Association (the Association). As of December 31, 2017, the plan covered 38 active firefighters and 5 vested terminated firefighters whose pension benefits are deferred. The plan is a single-employer retirement plan and is established and administered in accordance with Minnesota Statutes, Chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota Statutes, Chapters 424 and 424A, authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). Required employer contributions are calculated annually based on statutory provisions. The City made a voluntary contribution to the plan for the year ended December 31, 2018 totaling $30,804. The City's contributions were equal to the required contributions as set by state statutes. Furthermore, firefighters have no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2018, the City reported a net pension asset of $311,215 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2016.

For the year ended December 31, 2018, the City recognized pension expense of $60,273. The City also recognized $59,121 as revenue for the state of Minnesota's on-behalf contributions to the Department.

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

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance – January 1, 2018	$ 1,123,628	$ 1,287,303	$ (163,675)
Changes for the year			
Service cost	53,518	–	53,518
Interest	76,514	–	76,514
Changes of assumptions	(11,126)	–	(11,126)
Contributions (state and local)	–	93,625	(93,625)
Contributions (donations and other income)	–	2,259	(2,259)
Net investment income	–	180,062	(180,062)
Administrative costs	–	(9,500)	9,500
Total net changes	118,906	266,446	(147,540)
Ending balance – December 31, 2018	$ 1,242,534	$ 1,553,749	$ (311,215)

At December 31, 2018, 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	$ 32,063	$ –
Changes in actuarial assumptions	–	27,181
Differences between projected and actual investment earnings	–	24,016
City contributions subsequent to the measurement date	30,804	–
State aid to the City subsequent to the measurement date	60,649	60,649
Total	$ 123,516	$ 111,846

Deferred outflows of resources totaling $91,453 related to pensions resulting from city contributions and state aid received subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Deferred inflows of resources totaling $60,649 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2019	$ 7,112
2020	$ 6,605
2021	$ (17,533)
2022	$ (18,848)
2023	$ 338
Thereafter	$ 3,192

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

E. Actuarial Assumptions

The total pension liability at December 31, 2017 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 100 percent service pension at age 50 with 20 years of service, early vested retirement at age 50 with 10 years of service reduced by 4 percent for each year of service less than 20 years and eligibility for deferred service pension payable at age 50 with 20 years of service	
Inflation rate	2.75% per year
Cost of living increases	zero percent per year
Investment rate of return	6.75%
20-year municipal bond yield	3.31%

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

The 6.75 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	36.13 %	5.39 %	8.14 %
International equity	30.44	5.20	7.95
Fixed income	23.80	1.98	4.73
Real estate and alternatives	0.44	4.25	7.00
Cash and equivalents	9.19	0.79	3.54
Total	100.00 %		6.75

F. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. Pension Liability (Asset) Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding 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 (5.75%)	Current (6.75%)	1% Increase (7.75%)
Defined benefit plan	$ (265,573)	$ (311,215)	$ (353,833)

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 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment benefits to certain eligible employees through the City's OPEB plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. 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 $37,868.

D. Membership

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

Retirees and beneficiaries receiving benefits	8
Active plan members	54
Total members	62

E. Total OPEB Liability of the City

The City's total OPEB liability of $566,408 as of year-end was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, 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	3.31%
20-year municipal bond yield	3.31%
Inflation rate	2.75%
Medical trend rate	6.90% grading to 4.40% over 56 years

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

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017, and other adjustments.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance – January 1, 2018	$ 547,523
Changes for the year	
Service cost	19,631
Interest	20,889
Changes of assumptions	16,149
Benefit payments	(37,784)
Total net changes	18,885
Ending balance – December 31, 2018	$ 566,408

Assumption changes since the prior measurement date include the following:

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

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

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.31%	3.31%	4.31%
Total OPEB liability	$ 600,652	$ 566,408	$ 534,729

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 Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.90% decreasing to 3.40% over 56 years	6.90% decreasing to 4.40% over 56 years	7.90% decreasing to 5.40% over 56 years
Total OPEB liability	$ 530,762	$ 566,408	$ 606,321

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 $56,669. 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	$ 37,868	$ –

A total of $37,868 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, 2019.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Equity

The following funds have a deficit fund equity at December 31, 2018:

		Amount
Governmental		
Nonmajor funds		
Special revenue funds		
Reflex Medical Tax Increment	$	898
Capital projects funds		
Casey Lake Project	$	47,725
Proprietary		
Enterprise fund		
Fiber Optic	$	872,387
Internal service fund		
City Mechanic	$	184,177
Building Maintenance	$	254,216

The deficit in the Reflex Medical Tax Increment Special Revenue Fund will be reduced and eliminated as tax increment funds are received as a result of development.

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

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

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

The deficit in the Building Maintenance Fund will be eliminated with future charges for services.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2018, actual expenditures exceeded budgeted expenditures in the following funds:

		Amount
Primary Government		
General Fund	$	138,981
Discretely Presented Component Unit		
Economic Development Authority	$	5,962

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

NOTE 10 – FUND BALANCES

A. Classifications

At December 31, 2018, the City had the following governmental fund balances:

	General Fund	G.O. Capital Improvement Plan Bonds of 2008A/ G.O. Capital Improvement Plan Refunding Bonds of 2016B	Street Improvement	Nonmajor	Total
Nonspendable					
Prepaid items	$ 24,135	$ –	$ –	$ –	$ 24,135
Restricted					
Debt service	–	3,117,342	–	2,469,388	5,586,730
Street improvements	–	–	2,574,497	–	2,574,497
Housing Redevelopment Authority	–	–	–	1,062,282	1,062,282
Tax increment	–	–	–	337,866	337,866
Police forfeiture	–	–	–	99,865	99,865
Total restricted	–	3,117,342	2,574,497	3,969,401	9,661,240
Committed					
Silver Lake Beach	–	–	–	25,431	25,431
LGA contingency	–	–	–	1,805,182	1,805,182
Street maintenance	–	–	–	1,944,302	1,944,302
Total committed	–	–	–	3,774,915	3,774,915
Assigned					
Housing improvements	–	–	–	178,955	178,955
Downtown beautification	–	–	–	1,185	1,185
Community events	19,985	–	–	–	19,985
Street improvements	–	–	991,287	–	991,287
Permanent improvement revolving	–	–	–	474,928	474,928
Park improvements	–	–	–	285,433	285,433
Total assigned	19,985	–	991,287	940,501	1,951,773
Unassigned	1,788,706	–	–	(48,623)	1,740,083
Total	$ 1,832,826	$ 3,117,342	$ 3,565,784	$ 8,636,194	$ 17,152,146

B. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy that limits the amount of unassigned fund balance for the General Fund. The policy establishes the City will strive to maintain a General Fund balance of 25 percent of the subsequent year's General Fund budgeted expenditures. At December 31, 2018, the fund balance of the General Fund meets this policy.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven other municipalities that provide distribution of electric services, created the Minnesota Municipal Power Agency (MMPA). The MMPA began operations on July 1, 1995. The MMPA purchases power that is purchased and distributed by the eight municipalities that operate electric distribution systems. The MMPA's Board of Directors is comprised of one member from each participating entity. Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's purchases of power from the MMPA for the year ended December 31, 2018 were $5,934,267. This agreement became effective on July 1, 1995 and shall remain in effect through October 31, 2040, and if it is not then terminated by at least five years' prior written notice given by either party to the other, it shall continue in full force and effect until so terminated.

NOTE 12 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, will enter into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. These agreements may in substance be a tax abatement but will depend on their individual circumstances. The City currently has five agreements that would be considered a tax abatement under GASB Statement No. 77.

In 2006, the City entered into a development agreement with Gervais Court Properties, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The City will make annual installment payments to reimburse the landowner and developer for site acquisition and improvement costs through September 1, 2023. The outstanding principal balance as of December 31, 2018 for this agreement was $135,000 and the City made payments totaling $27,000 in the current year.

In 2009, the City entered into a development agreement with Flex Holding, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. In 2013, the City entered into a second development agreement with Flex Holding, LLC. For both of these agreements, the City used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2022. The outstanding principal balance as of December 31, 2018 for the first agreement was $85,022 and the City rebated $32,137 in the current year. The outstanding principal balance on the second agreement was $125,000 and the City did not have any rebate in the current year.

In 2013, the City entered into a development agreement with Helen Street Senior Housing, LLC to assist the developer with the financing of certain costs of a project constructed within the development district. For this agreement, the City used an economic development vehicle known as tax increment financing whereby tax increment revenue is generated on the incremental increase in value above a base value established on the date that the tax increment district is created. The City will abate 90 percent of the incremental taxes received through execution of a tax increment revenue note to be retired in 2032. The outstanding principal balance as of December 31, 2018 for this agreement was $2,563,518 and the City rebated $216,474 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 note will be issued in the maximum aggregate principal amount of $3,050,000. The City did not have any rebate in the current year.

NOTE 12 – 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 13 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

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

B. Legal Claims

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

C. Tax Increment Districts

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

D. Construction Contracts

The City has several outstanding contracts at year-end. A liability for work completed has been recorded as contracts payable. The City's commitment for uncompleted work on these contracts at December 31, 2018 is $987,613.

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, 2018

City financial statement year ended December 31,	2015	2016	2017	2018
Measurement period – December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	$ 44,596	$ 49,217	$ 59,100	$ 53,518
Interest	57,027	61,325	68,098	76,514
Differences between expected and actual experience	–	–	37,947	–
Changes of assumptions	–	(9,781)	(11,354)	(11,126)
Changes of benefit terms	55,211	89,727	30,905	–
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)	–
Net change in total pension liability	59,834	107,816	1,613	118,906
Total pension liability – beginning of year	954,365	1,014,199	1,122,015	1,123,628
Total pension liability – end of year	1,014,199	1,122,015	1,123,628	1,242,534
Plan fiduciary net position				
Contributions – employer	39,982	21,000	22,000	34,504
Contributions – nonemployer (state)	55,788	59,922	60,125	59,121
Projected investment earnings	77,887	28,294	21,230	27,270
Asset (gain)/loss	(2,543)	(66,762)	52,391	152,792
Benefit payments, including refunds of member contributions	(97,000)	(82,672)	(183,083)	–
Administrative expenses	(8,700)	(8,950)	(9,350)	(9,500)
Other	–	2,800	1,848	2,259
Net change in plan fiduciary net position	65,414	(46,368)	(34,839)	266,446
Plan fiduciary net position – beginning of year	1,303,096	1,368,510	1,322,142	1,287,303
Plan fiduciary net position – end of year	1,368,510	1,322,142	1,287,303	1,553,749
Net pension liability (asset)	$ (354,311)	$ (200,127)	$ (163,675)	$ (311,215)
Fiduciary net position as a percentage of the total pension liability	134.94%	117.84%	114.57%	125.05%

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

North St. Paul Fire Department Relief Association
Schedule of City Contributions and Nonemployer Contributing Entities
December 31, 2018

	City Contributions			Nonemployer Contribution
Year Ended December 31,	Statutorily Determined Contribution	Actual Contribution	Contribution Excess	State 2% Fire Aid
2014	$ –	$ 39,982	$ 39,982	$ 55,788
2015	–	21,000	21,000	59,222
2016	–	22,000	22,000	60,125
2017	–	34,504	34,504	59,121
2018	–	30,804	30,804	60,649

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

CITY OF NORTH ST. PAUL

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2018

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0453%	$ 2,347,682	$ –	$ 2,347,682	$ 2,663,600	88.14%	78.19%
12/31/2016	06/30/2016	0.0464%	$ 3,767,450	$ 49,198	$ 3,816,648	$ 2,879,758	130.83%	68.90%
12/31/2017	06/30/2017	0.0449%	$ 2,866,385	$ 36,082	$ 2,902,467	$ 2,889,113	99.21%	75.90%
12/31/2018	06/30/2018	0.0431%	$ 2,391,010	$ 78,405	$ 2,469,415	$ 2,901,027	82.42%	79.50%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2018

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 209,393	$ 209,393	$ –	$ 2,791,911	7.50%
12/31/2016	$ 217,300	$ 217,300	$ –	$ 2,890,723	7.52%
12/31/2017	$ 215,196	$ 215,196	$ –	$ 2,869,280	7.50%
12/31/2018	$ 218,577	$ 218,577	$ –	$ 2,928,097	7.46%

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

PERA – Public Employees Police and Fire Fund
Schedule of City's Proportionate Share of Net Pension Liability
Year Ended December 31, 2018

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.1610%	$ 1,829,337	$ 1,464,630	124.90%	86.60%
12/31/2016	06/30/2016	0.1620%	$ 6,501,343	$ 1,560,254	416.68%	63.90%
12/31/2017	06/30/2017	0.1580%	$ 2,133,189	$ 1,620,507	131.64%	85.40%
12/31/2018	06/30/2018	0.1559%	$ 1,661,734	$ 1,643,072	101.14%	88.80%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2018

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 236,884	$ 236,884	$ –	$ 1,462,066	16.20%
12/31/2016	$ 263,721	$ 263,721	$ –	$ 1,627,910	16.20%
12/31/2017	$ 263,983	$ 263,983	$ –	$ 1,629,522	16.20%
12/31/2018	$ 268,898	$ 268,898	$ –	$ 1,660,140	16.20%

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

CITY OF NORTH ST. PAUL

Other Post-Employment Benefits Plan
Schedule of Changes in the City's Total
OPEB Liability and Related Ratios
Year Ended December 31, 2018

		2018
Total OPEB liability		
Service cost	$	19,631
Interest		20,889
Changes of assumptions		16,149
Benefit payments		(37,784)
Net change in total OPEB liability		18,885
Total OPEB liability – beginning of year		547,523
Total OPEB liability – end of year	$	566,408
Covered payroll	$	4,088,418
Total OPEB liability as a percentage of covered payroll		13.9%

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

NORTH ST. PAUL FIRE DEPARTMENT RELIEF ASSOCIATION

2018 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2017 CHANGES

CHANGES IN PLAN PROVISIONS:

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

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2016 CHANGES

CHANGES IN PLAN PROVISIONS:

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

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

2015 CHANGES

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

2018 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES

CHANGES IN PLAN PROVISIONS:

- The state's special funding contribution increased from $6 million to $16 million.

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.

2016 CHANGES

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 was changed from 7.90 percent to 7.50 percent.

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

2015 CHANGES

CHANGES IN PLAN PROVISIONS:

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

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2018 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by state statutes, the assumed post-retirement benefit increase was changed from 1.00 percent per year through 2064, and 2.50 percent per year thereafter, to 1.00 percent for all years with no trigger.

2017 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The 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 changed from 5.60 percent to 7.50 percent.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2016 CHANGES

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

2015 CHANGES

CHANGES IN PLAN PROVISIONS:

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

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF NORTH ST. PAUL

Nonmajor Governmental Funds
Combining Balance Sheet
as of December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	$ 4,391,284	$ 2,452,253	$ 713,389	$ 7,556,926
Receivables				
Interest	11,826	4,573	2,050	18,449
Accounts	1,460	–	50	1,510
Taxes	132,550	3,537	–	136,087
Special assessments	–	1,210,870	52,621	1,263,491
Due from other funds	898	–	47,424	48,322
Assets held for resale	745,772	–	700,653	1,446,425
Total assets	$ 5,283,790	$ 3,671,233	$ 1,516,187	$ 10,471,210
Liabilities				
Accounts and contracts payable	$ 2,601	$ –	$ 301	$ 2,902
Accrued salaries and employee benefits payable	1,230	–	–	1,230
Due to other funds	898	–	568,987	569,885
Due to other governments	3	–	135	138
Unearned revenue	–	–	10,999	10,999
Total liabilities	4,732	–	580,422	585,154
Deferred inflows of resources				
Unavailable revenue – property taxes	3,843	1,792	–	5,635
Unavailable revenue – special assessments	–	1,200,053	44,174	1,244,227
Total deferred inflows of resources	3,843	1,201,845	44,174	1,249,862
Fund balances (deficits)				
Restricted	1,500,013	2,469,388	–	3,969,401
Committed	3,774,915	–	–	3,774,915
Assigned	1,185	–	939,316	940,501
Unassigned	(898)	–	(47,725)	(48,623)
Total fund balances	5,275,215	2,469,388	891,591	8,636,194
Total liabilities, deferred inflows of resources, and fund balances	$ 5,283,790	$ 3,671,233	$ 1,516,187	$ 10,471,210

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Taxes	$ 555,647	$ 1,118,356	$ –	$ 1,674,003
Special assessments	–	422,744	22,590	445,334
Intergovernmental	537,699	–	100,000	637,699
Investment earnings	46,867	16,602	7,544	71,013
Other	91,784	–	48,576	140,360
Total revenue	1,231,997	1,557,702	178,710	2,968,409
Expenditures				
Current				
General government	92,730	–	–	92,730
Public safety	50	–	–	50
Economic development	450,164	–	–	450,164
Capital outlay	–	–	165,619	165,619
Debt service				
Principal	–	940,000	–	940,000
Interest and fiscal charges	–	253,394	–	253,394
Total expenditures	542,944	1,193,394	165,619	1,901,957
Excess of revenues over expenditures	689,053	364,308	13,091	1,066,452
Other financing sources (uses)				
Transfers in	100,000	80,000	56,600	236,600
Transfers out	(91,600)	–	(65,000)	(156,600)
Total other financing sources (uses)	8,400	80,000	(8,400)	80,000
Net change in fund balances	697,453	444,308	4,691	1,146,452
Fund balances				
Beginning of year	4,577,762	2,025,080	886,900	7,489,742
End of year	$ 5,275,215	$ 2,469,388	$ 891,591	$ 8,636,194

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NONMAJOR SPECIAL REVENUE FUNDS

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

Nonmajor special revenue funds presently established are as follows:

- **Housing Redevelopment Authority Fund** – Administers the resources for the rehabilitation of various blighted properties within the City.
- **Police Forfeiture Fund** – Administers the resources received through court ordered forfeitures.
- **Downtown Beautification Fund** – Administers the resources for the downtown beautification program.
- **Silver Lake Beach Fund** – Administers the resources received and expended separately for Silver Lake Beach.
- **Reflex Medical Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **Charles Street Tax Increment Fund** – Administers the resources for the development of this tax increment district.
- **Helen Street Tax Increment Fund –** Administers the resources for the development of this tax increment district.
- **Local Government Aid Fund** – Administers Local Government Aid (LGA) resources for one-time projects and/or capital expenditures that reinvestment in the community.
- **Street Maintenance Fund** – Administers LGA resources to be used for street maintenance projects associated with street upgrades and preservation.

CITY OF NORTH ST. PAUL

Nonmajor Special Revenue Funds
Combining Balance Sheet
as of December 31, 2018

	Housing Redevelopment Authority	Police Forfeiture	Downtown Beautification	Silver Lake Beach
Assets				
Cash and investments	$ 315,165	$ 99,597	$ 1,182	$ 25,363
Receivables				
Interest	849	268	3	68
Accounts	1,460	–	–	–
Taxes	6,713	–	–	–
Due from other funds	–	–	–	–
Assets held for resale	745,772	–	–	–
Total assets	$ 1,069,959	$ 99,865	$ 1,185	$ 25,431
Liabilities				
Accounts and contracts payable	$ 2,601	$ –	$ –	$ –
Accrued salaries and employee benefits payable	1,230	–	–	–
Due to other funds	–	–	–	–
Due to other governments	3	–	–	–
Total liabilities	3,834	–	–	–
Deferred inflows of resources				
Unavailable revenue – property taxes	3,843	–	–	–
Fund balances (deficits)				
Restricted for Housing Redevelopment Authority	1,062,282	–	–	–
Restricted for tax increment	–	–	–	–
Restricted for police forfeiture	–	99,865	–	–
Committed for Silver Lake Beach	–	–	–	25,431
Committed for LGA contingency	–	–	–	–
Committed for street maintenance	–	–	–	–
Assigned for downtown beautification	–	–	1,185	–
Unassigned	–	–	–	–
Total fund balances (deficits)	1,062,282	99,865	1,185	25,431
Total liabilities, deferred inflows of resources, and fund balances	$ 1,069,959	$ 99,865	$ 1,185	$ 25,431

Reflex Medical Tax Increment	Charles Street Tax Increment	Helen Street Tax Increment	Local Government Aid	Street Maintenance	Total
$ –	$ 94,691	$ 116,768	$ 1,799,443	$ 1,939,075	$ 4,391,284
–	255	315	4,841	5,227	11,826
–	–	–	–	–	1,460
–	1,704	124,133	–	–	132,550
–	–	–	898	–	898
–	–	–	–	–	745,772
$ –	$ 96,650	$ 241,216	$ 1,805,182	$ 1,944,302	$ 5,283,790
$ –	$ –	$ –	$ –	$ –	$ 2,601
–	–	–	–	–	1,230
898	–	–	–	–	898
–	–	–	–	–	3
898	–	–	–	–	4,732
–	–	–	–	–	3,843
–	–	–	–	–	1,062,282
–	96,650	241,216	–	–	337,866
–	–	–	–	–	99,865
–	–	–	–	–	25,431
–	–	–	1,805,182	–	1,805,182
–	–	–	–	1,944,302	1,944,302
–	–	–	–	–	1,185
(898)	–	–	–	–	(898)
(898)	96,650	241,216	1,805,182	1,944,302	5,275,215
$ –	$ 96,650	$ 241,216	$ 1,805,182	$ 1,944,302	$ 5,283,790

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2018

	Housing Redevelopment Authority	Police Forfeiture	Downtown Beautification	Silver Lake Beach
Revenues				
Taxes	$ 149,556	$ –	$ –	$ –
Intergovernmental	–	–	–	–
Investment earnings	1,866	1,082	12	294
Other	84,874	–	–	6,910
Total revenues	236,296	1,082	12	7,204
Expenditures				
Current				
General government	–	–	–	–
Public safety	–	50	–	–
Economic development	194,590	–	–	–
Total expenditures	194,590	50	–	–
Excess of revenues over expenditures	41,706	1,032	12	7,204
Other financing sources (uses)				
Transfers in	–	–	–	–
Transfers out	(76,600)	–	–	–
Total other financing sources (uses)	(76,600)	–	–	–
Net change in fund balances	(34,894)	1,032	12	7,204
Fund balances (deficits)				
Beginning of year	1,097,176	98,833	1,173	18,227
End of year	$ 1,062,282	$ 99,865	$ 1,185	$ 25,431

Reflex Medical Tax Increment	Charles Street Tax Increment	Helen Street Tax Increment	Local Government Aid	Street Maintenance	Total
$ 38,484	$ 119,341	$ 248,266	$ –	$ –	$ 555,647
–	–	–	226,000	311,699	537,699
–	791	1,750	19,430	21,642	46,867
–	–	–	–	–	91,784
38,484	120,132	250,016	245,430	333,341	1,231,997
–	–	–	92,730	–	92,730
–	–	–	–	–	50
33,720	28,847	193,007	–	–	450,164
33,720	28,847	193,007	92,730	–	542,944
4,764	91,285	57,009	152,700	333,341	689,053
–	–	–	–	100,000	100,000
–	–	–	(15,000)	–	(91,600)
–	–	–	(15,000)	100,000	8,400
4,764	91,285	57,009	137,700	433,341	697,453
(5,662)	5,365	184,207	1,667,482	1,510,961	4,577,762
$ (898)	$ 96,650	$ 241,216	$ 1,805,182	$ 1,944,302	$ 5,275,215

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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, 2018

	G.O. Tax Abatement Bonds of 2004A	G.O. Building Refunding Bonds of 2012A	G.O. Bonds of 2014A	Penn Place TIF G.O. Refunding Bonds of 2015A
Assets				
Cash and investments	$ 118,622	$ 816,173	$ 390,295	$ 151,161
Receivables				
Interest	320	2,200	1,052	–
Taxes	–	–	–	3,537
Special assessments	–	–	266,658	–
Total assets	$ 118,942	$ 818,373	$ 658,005	$ 154,698
Deferred inflows of resources				
Unavailable revenue – property taxes	$ –	$ –	$ –	$ 1,792
Unavailable revenue – special assessments	–	–	265,384	–
Total deferred inflows of resources	–	–	265,384	1,792
Fund balances				
Restricted for debt service	118,942	818,373	392,621	152,906
Total deferred inflows of resources and fund balances	$ 118,942	$ 818,373	$ 658,005	$ 154,698

Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A	G.O. Bonds of 2017A	G.O. Bonds of 2018A	Total
$ 71,147	$ 306,730	$ 106,636	$ 226,528	$ 264,961	$ 2,452,253
–	–	287	–	714	4,573
–	–	–	–	–	3,537
–	373,555	–	244,951	325,706	1,210,870
$ 71,147	$ 680,285	$ 106,923	$ 471,479	$ 591,381	$ 3,671,233
$ –	$ –	$ –	$ –	$ –	$ 1,792
–	370,666	–	238,297	325,706	1,200,053
–	370,666	–	238,297	325,706	1,201,845
71,147	309,619	106,923	233,182	265,675	2,469,388
$ 71,147	$ 680,285	$ 106,923	$ 471,479	$ 591,381	$ 3,671,233

CITY OF NORTH ST. PAUL

Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2018

	G.O. Tax Abatement Bonds of 2004A	G.O. Building Refunding Bonds of 2012A	G.O. Bonds of 2014A	Penn Place TIF G.O. Refunding Bonds of 2015A
Revenues				
Taxes	$ 80,262	$ 427,067	$ 165,103	$ 134,758
Special assessments	–	–	56,874	–
Investment earnings	1,023	7,409	3,506	–
Total revenues	81,285	434,476	225,483	134,758
Expenditures				
Debt service				
Principal retirement	65,000	375,000	180,000	65,000
Interest and fiscal fees	8,881	34,789	45,648	20,372
Total expenditures	73,881	409,789	225,648	85,372
Excess (deficiency) of revenues over expenditures	7,404	24,687	(165)	49,386
Other financing sources				
Transfers in	–	–	–	–
Net change in fund balances	7,404	24,687	(165)	49,386
Fund balances				
Beginning of year	111,538	793,686	392,786	103,520
End of year	$ 118,942	$ 818,373	$ 392,621	$ 152,906

Charles Street TIF G.O. Refunding Bonds of 2015A	G.O. Bonds of 2016A	G.O. Abatement Bonds of 2016A	G.O. Bonds of 2017A	G.O. Bonds of 2018A	Total
$ 85,628	$ 159,075	$ –	$ 66,463	$ –	$ 1,118,356
–	47,806	–	54,436	263,628	422,744
–	–	2,191	–	2,473	16,602
85,628	206,881	2,191	120,899	266,101	1,557,702
35,000	170,000	50,000	–	–	940,000
15,511	51,914	26,281	49,572	426	253,394
50,511	221,914	76,281	49,572	426	1,193,394
35,117	(15,033)	(74,090)	71,327	265,675	364,308
–	–	80,000	–	–	80,000
35,117	(15,033)	5,910	71,327	265,675	444,308
36,030	324,652	101,013	161,855	–	2,025,080
$ 71,147	$ 309,619	$ 106,923	$ 233,182	$ 265,675	$ 2,469,388

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NONMAJOR CAPITAL PROJECTS FUNDS

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

Nonmajor capital projects funds presently established are as follows:

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

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Balance Sheet
as of December 31, 2018

	Park	Park Dedication	Housing Improvement	Permanent Improvement Revolving
Assets				
Cash and investments	$ 219,413	$ 23,165	$ –	$ 470,811
Receivables				
Interest	719	62	–	1,269
Accounts	50	–	–	–
Special assessments	–	–	–	52,621
Due from other funds	47,424	–	–	–
Assets held for resale	–	–	700,653	–
Total assets	$ 267,606	$ 23,227	$ 700,653	$ 524,701
Liabilities				
Accounts and contracts payable	$ –	$ –	$ –	$ –
Due to other funds	–	–	521,563	–
Due to other governments	–	–	135	–
Unearned revenue	5,400	–	–	5,599
Total liabilities	5,400	–	521,698	5,599
Deferred inflows of resources				
Unavailable revenue – special assessments	–	–	–	44,174
Fund balances				
Assigned for housing improvements	–	–	178,955	–
Assigned for permanent improvement revolving	–	–	–	474,928
Assigned for park improvements	262,206	23,227	–	–
Unassigned	–	–	–	–
Total fund balances	262,206	23,227	178,955	474,928
Total liabilities, deferred inflows of resources, and fund balances	$ 267,606	$ 23,227	$ 700,653	$ 524,701

Casey Lake Project	Total
$ –	$ 713,389
–	2,050
–	50
–	52,621
–	47,424
–	700,653
$ –	$ 1,516,187
$ 301	$ 301
47,424	568,987
–	135
–	10,999
47,725	580,422
–	44,174
–	178,955
–	474,928
–	285,433
(47,725)	(47,725)
(47,725)	891,591
$ –	$ 1,516,187

CITY OF NORTH ST. PAUL

Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2018

	Park	Park Dedication	Housing Improvement	Permanent Improvement Revolving
Revenues				
Special assessment	$ –	$ –	$ –	$ 22,590
Intergovernmental	100,000	–	–	–
Investment earnings (charges)	2,966	257	–	5,142
Other				
Donations	9,682	–	–	–
Miscellaneous	30,565	8,329	–	–
Total revenues	143,213	8,586	–	27,732
Expenditures				
Capital outlay	61,841	–	58,166	–
Excess (deficiency) of revenues over expenditures	81,372	8,586	(58,166)	27,732
Other financing sources (uses)				
Transfers in	–	–	56,600	–
Transfers out	(65,000)	–	–	–
Total other financing sources (uses)	(65,000)	–	56,600	–
Net change in fund balances	16,372	8,586	(1,566)	27,732
Fund balances (deficits)				
Beginning of year	245,834	14,641	180,521	447,196
End of year	$ 262,206	$ 23,227	$ 178,955	$ 474,928

	Casey Lake Project	Total
	$ –	$ 22,590
	–	100,000
	(821)	7,544
	–	9,682
	–	38,894
	(821)	178,710
	45,612	165,619
	(46,433)	13,091
	–	56,600
	–	(65,000)
	–	(8,400)
	(46,433)	4,691
	(1,292)	886,900
	$ (47,725)	$ 891,591

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GENERAL FUND

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

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General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes				
Property taxes				
Current	$ 3,320,641	$ 3,304,682	$ (15,959)	$ 3,024,755
Delinquent	–	26,221	26,221	31,293
Electric franchise	343,200	244,007	(99,193)	368,484
Gas franchise	90,000	102,973	12,973	90,270
Cable franchise	73,000	84,489	11,489	72,424
Total taxes	3,826,841	3,762,372	(64,469)	3,587,226
Special assessments	–	1,396	1,396	1,009
Licenses and permits				
Liquor and beer licenses	42,250	44,558	2,308	42,050
Cigarette licenses	2,000	1,200	(800)	2,700
Contractor licenses	11,000	13,200	2,200	15,730
Garbage haulers licenses	5,000	3,300	(1,700)	3,520
Miscellaneous licenses	12,000	17,876	5,876	10,583
Building permits	90,000	171,721	81,721	132,280
Electrical inspections	13,000	16,803	3,803	15,519
Heating and air conditioning permits	22,000	28,739	6,739	18,013
Plumbing permits	9,000	9,681	681	13,594
Animal licenses	3,000	5,722	2,722	7,649
Rental inspection	40,000	34,620	(5,380)	39,577
Miscellaneous permits	500	8,028	7,528	1,501
Total licenses and permits	249,750	355,448	105,698	302,716
Intergovernmental				
Local Government Aid	1,290,351	1,290,351	–	1,289,749
State aid police	120,000	139,202	19,202	141,355
State aid fire	62,000	64,764	2,764	60,121
PERA aid	12,251	12,251	–	12,251
Liaison officer	65,000	68,500	3,500	65,000
Other grants	15,000	89,778	74,778	79,441
Total intergovernmental	1,564,602	1,664,846	100,244	1,647,917

(continued)

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues (continued)				
Charges for services				
Administration charges	20,000	14,996	(5,004)	17,709
Searches	4,000	5,100	1,100	3,900
Snow removal	12,500	15,422	2,922	10,510
Recreation	15,000	21,293	6,293	24,890
Community center				
Rentals	84,410	100,000	15,590	150,000
Total charges for services	135,910	156,811	20,901	207,009
Fines and forfeits	34,000	38,536	4,536	37,032
Investment earnings	15,000	17,553	2,553	9,325
Other				
Antenna income	220,965	217,687	(3,278)	206,243
Donations	–	8,785	8,785	500
Sales of property	–	762	762	1,084
Miscellaneous	10,000	53,633	43,633	91,865
Total other	230,965	280,867	49,902	299,692
Total revenues	6,057,068	6,277,829	220,761	6,091,926
Expenditures				
Current				
General government				
City Council				
Personal services	32,903	32,418	(485)	32,041
Materials and supplies	–	109	109	86
Contractual services	76,267	85,091	8,824	71,931
Capital outlay	–	6,110	6,110	6,632
Other	–	70	70	703
Total City Council	109,170	123,798	14,628	111,393
Administration				
Personal services	348,911	358,526	9,615	378,403
Materials and supplies	2,000	621	(1,379)	763
Contractual services	108,001	138,563	30,562	90,539
Capital outlay	–	1,222	1,222	318
Total administration	458,912	498,932	40,020	470,023

(continued)

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
General government (continued)				
Finance				
Personal services	302,394	304,397	2,003	289,506
Materials and supplies	1,800	1,432	(368)	1,150
Contractual services	47,979	27,463	(20,516)	26,384
Total finance	352,173	333,292	(18,881)	317,040
Elections				
Personal services	–	1,767	1,767	–
Contractual services	24,875	25,883	1,008	40,528
Total elections	24,875	27,650	2,775	40,528
Central services				
Personal services	–	–	–	66,954
Materials and supplies	–	–	–	34,809
Contractual services	–	–	–	459,481
Capital outlay	–	–	–	12,173
Total central services	–	–	–	573,417
Legal services				
Contractual services	–	–	–	212,843
Community events				
Materials and supplies	–	425	425	424
Contractual services	–	24,500	24,500	23,927
Total community events	–	24,925	24,925	24,351
Community services				
Personal services	182,307	169,436	(12,871)	151,122
Materials and supplies	2,500	4,363	1,863	2,996
Contractual services	84,270	160,248	75,978	107,613
Capital outlay	–	398	398	–
Other	–	–	–	1,887
Total community services	269,077	334,445	65,368	263,618
Total general government	1,214,207	1,343,042	128,835	2,013,213

(continued)

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Public safety				
Police protection				
Personal services	2,197,478	2,183,961	(13,517)	2,125,197
Materials and supplies	100,533	71,968	(28,565)	66,850
Contractual services	514,804	464,096	(50,708)	376,508
Capital outlay	9,000	4,921	(4,079)	12,989
Total police protection	2,821,815	2,724,946	(96,869)	2,581,544
Fire				
Personal services	608,907	656,148	47,241	639,232
Materials and supplies	58,620	34,997	(23,623)	39,491
Contractual services	319,836	325,587	5,751	188,553
Capital outlay	–	31,885	31,885	–
Total fire	987,363	1,048,617	61,254	867,276
Inspections				
Personal services	118,026	92,848	(25,178)	115,076
Materials and supplies	250	146	(104)	439
Contractual services	19,627	73,242	53,615	18,161
Total inspections	137,903	166,236	28,333	133,676
Total public safety	3,947,081	3,939,799	(7,282)	3,582,496
Public works				
Street maintenance				
Personal services	364,806	362,861	(1,945)	314,888
Materials and supplies	145,577	129,463	(16,114)	117,622
Contractual services	352,544	356,209	3,665	273,752
Total street maintenance	862,927	848,533	(14,394)	706,262
Urban forestry				
Personal services	99,406	110,618	11,212	97,451
Materials and supplies	10,250	10,673	423	9,472
Contractual services	45,271	39,666	(5,605)	53,501
Capital outlay	20,000	11,955	(8,045)	18,288
Total urban forestry	174,927	172,912	(2,015)	178,712
Total public works	1,037,854	1,021,445	(16,409)	884,974

(continued)

CITY OF NORTH ST. PAUL

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Parks and recreation				
Parks maintenance				
Personal services	159,609	165,363	5,754	167,314
Materials and supplies	57,728	55,507	(2,221)	51,821
Contractual services	122,350	174,012	51,662	109,489
Capital outlay	50,000	59,750	9,750	45,396
Total parks maintenance	389,687	454,632	64,945	374,020
Recreation				
Personal services	71,078	51,865	(19,213)	–
Materials and supplies	6,700	3,056	(3,644)	–
Contractual services	26,776	13,419	(13,357)	–
Total recreation	104,554	68,340	(36,214)	–
Total parks and recreation	494,241	522,972	28,731	374,020
Other				
Insurance	12,900	18,006	5,106	–
Total expenditures	6,706,283	6,845,264	138,981	6,854,703
Excess (deficiency) of revenues over expenditures	(649,215)	(567,435)	81,780	(762,777)
Other financing sources (uses)				
Transfers in	776,800	861,130	84,330	1,066,800
Transfers out	(116,500)	(218,618)	(102,118)	(308,148)
Total other financing sources (uses)	660,300	642,512	(17,788)	758,652
Net change in fund balances	11,085	75,077	63,992	(4,125)
Fund balance				
Beginning of year	1,757,749	1,757,749	–	1,761,874
End of year	$ 1,768,834	$ 1,832,826	$ 63,992	$ 1,757,749

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HOUSING REDEVELOPMENT AUTHORITY FUND

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

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Housing Redevelopment Authority
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Over (Under) Budget	Actual
Revenues				
Taxes	$ 152,040	$ 149,556	$ (2,484)	$ 143,319
Investment earnings	–	1,866	1,866	6,312
Other	299,900	84,874	(215,026)	69,625
Total revenues	451,940	236,296	(215,644)	219,256
Expenditures				
Current				
Economic development	431,940	194,590	(237,350)	136,933
Excess of revenues over expenditures	20,000	41,706	21,706	82,323
Other financing sources (uses)				
Transfers out	(20,000)	(76,600)	(56,600)	(20,000)
Net change in fund balances	–	(34,894)	(34,894)	62,323
Fund balance				
Beginning of year	1,097,176	1,097,176	–	1,034,853
End of year	$ 1,097,176	$ 1,062,282	$ (34,894)	$ 1,097,176

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INTERNAL SERVICE FUNDS

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

Internal Service Funds
Combining Statement of Net Position
as of December 31, 2018

	Equipment	City Mechanic	Benefits and Insurance	Building Maintenance	Total
Assets					
Current assets					
Cash and investments	$ 2,709,165	$ –	$ 54,421	$ –	$ 2,763,586
Receivables					
Interest	6,662	–	135	–	6,797
Prepaid items	–	–	–	4,800	4,800
Total current assets	2,715,827	–	54,556	4,800	2,775,183
Noncurrent assets					
Capital assets					
Furniture and equipment	2,634,211	–	–	–	2,634,211
Less accumulated depreciation	(1,778,918)	–	–	–	(1,778,918)
Total capital assets	855,293	–	–	–	855,293
Total assets	$ 3,571,120	$ –	$ 54,556	$ 4,800	$ 3,630,476
Current liabilities					
Accounts and contracts payable	$ –	$ 5,172	$ 4,459	$ 117,146	$ 126,777
Accrued salaries and employee benefits payable	–	3,207	–	5,590	8,797
Due to other funds	–	175,798	–	98,755	274,553
Due to other governments	–	–	–	37,525	37,525
Total current liabilities	–	184,177	4,459	259,016	447,652
Net position					
Investment in capital assets	855,293	–	–	–	855,293
Unrestricted	2,715,827	(184,177)	50,097	(254,216)	2,327,531
Total net position	3,571,120	(184,177)	50,097	(254,216)	3,182,824
Total liabilities and net position	$ 3,571,120	$ –	$ 54,556	$ 4,800	$ 3,630,476

CITY OF NORTH ST. PAUL

Internal Service Funds
Combining Statement of Revenues,
Expenses, and Changes in Net Position
Year Ended December 31, 2018

	Equipment	City Mechanic	Benefits and Insurance	Building Maintenance	Total
Operating revenues					
Charges for services	$ 530,668	$ 193,690	$ 499,394	$ 301,088	$ 1,524,840
Operating expenses					
Personal services	–	92,814	–	64,433	157,247
Professional services	–	122,293	–	418,137	540,430
Materials and supplies	254,246	2,974	–	70,587	327,807
Insurance	–	–	505,889	–	505,889
Total operating expenses	254,246	218,081	505,889	553,157	1,531,373
Operating income (loss) before depreciation	276,422	(24,391)	(6,495)	(252,069)	(6,533)
Depreciation	134,340	–	–	–	134,340
Operating income (loss)	142,082	(24,391)	(6,495)	(252,069)	(140,873)
Nonoperating revenues					
Intergovernmental	168,183	–	–	–	168,183
Investment earnings (charges)	27,709	–	780	(2,147)	26,342
Gain on disposal of capital assets	32,631	–	–	–	32,631
Total nonoperating revenues	228,523	–	780	(2,147)	227,156
Income (loss) before transfers	370,605	(24,391)	(5,715)	(254,216)	86,283
Transfers in	59,309	–	–	–	59,309
Change in net position	429,914	(24,391)	(5,715)	(254,216)	145,592
Net position					
Beginning of year	3,141,206	(159,786)	55,812	–	3,037,232
End of year	$ 3,571,120	$ (184,177)	$ 50,097	$ (254,216)	$ 3,182,824

Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 2018

	Equipment	City Mechanic	Benefits and Insurance	Building Maintenance	Total
Cash flows from operating activities					
Cash receipts on interfund services provided	$ 530,668	$ 193,690	$ 454,630	$ 301,088	$ 1,480,076
Cash paid to suppliers	(406,545)	(127,109)	(503,230)	(338,853)	(1,375,737)
Cash payments to employees for services	–	(92,076)	–	(58,843)	(150,919)
Net cash flows from operating activities	124,123	(25,495)	(48,600)	(96,608)	(46,580)
Cash flows from noncapital-related financing activities					
Grants received	168,183	–	–	–	168,183
Cash received from other funds	–	25,495	–	98,755	124,250
Transfers in	59,309	–	–	–	59,309
Net cash flows from noncapital-related financing activities	227,492	25,495	–	98,755	351,742
Cash flows from capital and related financing activities					
Proceeds from the disposal of capital assets	32,631	–	–	–	32,631
Cash flows from investing activities					
Interest received (paid) on investments	27,269	–	891	(2,147)	26,013
Net change in cash and cash equivalents	411,515	–	(47,709)	–	363,806
Cash and cash equivalents					
Beginning of year	2,297,650	–	102,130	–	2,399,780
End of year	$ 2,709,165	$ –	$ 54,421	$ –	$ 2,763,586
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ 142,082	$ (24,391)	$ (6,495)	$ (252,069)	$ (140,873)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	134,340	–	–	–	134,340
Change in assets and liabilities					
Prepaid items	–	–	–	(4,800)	(4,800)
Accounts and contracts payable	(152,299)	(1,842)	2,659	117,146	(34,336)
Accrued salaries and employee benefits	–	738	–	5,590	6,328
Due to other governments	–	–	–	37,525	37,525
Unearned revenue	–	–	(44,764)	–	(44,764)
Total adjustments	(17,959)	(1,104)	(42,105)	155,461	94,293
Net cash flows from operating activities	$ 124,123	$ (25,495)	$ (48,600)	$ (96,608)	$ (46,580)

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

Economic Development Authority
(Discretely Presented Component Unit)
Balance Sheet
as of December 31, 2018

Assets		
Cash and investments	$	87,041
Prepaid items		694
Assets held for resale		49,248
Total assets	$	136,983
Liabilities		
Accrued salaries and employee benefits payable	$	2,252
Fund balances		
Nonspendable for prepaid items		694
Restricted for Economic Development Authority		134,037
Total fund balances		134,731
Total liabilities and fund balances	$	136,983

CITY OF NORTH ST. PAUL

Economic Development Authority
(Discretely Presented Component Unit)
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2018

	Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes	$ 148,999	$ 148,999	$ –
Miscellaneous	–	4,884	4,884
Total revenues	148,999	153,883	4,884
Expenditures			
Current			
Economic development	148,999	154,961	5,962
Net change in fund balances	–	(1,078)	(1,078)
Fund balances			
Beginning of year	135,809	135,809	–
End of year	$ 135,809	$ 134,731	$ (1,078)

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STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION

(UNAUDITED)

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

The contents of the statistical section include:

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

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

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

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

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

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

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	$ 15,259,253	$ 19,902,525	$ 19,858,975	$ 19,540,662
Restricted	1,534,591	1,323,286	2,048,297	2,123,059
Unrestricted	985,755	1,780,263	1,984,776	1,758,884
Total governmental activities net position	$ 17,779,599	$ 23,006,074	$ 23,892,048	$ 23,422,605
Business-type activities				
Net investment in capital assets	$ 7,224,890	$ 7,017,330	$ 6,511,318	$ 7,203,491
Unrestricted	5,744,457	2,253,411	2,425,788	2,904,372
Total business-type activities net position	$ 12,969,347	$ 9,270,741	$ 8,937,106	$ 10,107,863
Primary government				
Net investment in capital assets	$ 22,484,143	$ 26,919,855	$ 26,370,293	$ 26,744,153
Restricted	1,534,591	1,323,286	2,048,297	2,123,059
Unrestricted	6,730,212	4,033,674	4,410,564	4,663,256
Total primary government net position	$ 30,748,946	$ 32,276,815	$ 32,829,154	$ 33,530,468

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

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

2013	2014	2015	2016	2017	2018
$ 19,051,478	$ 18,499,040	$ 18,732,114	$ 18,613,487	$ 19,304,556	$ 18,936,454
2,685,809	3,083,209	3,734,922	4,343,924	5,086,728	5,905,069
2,211,236	3,473,659	1,113,925	1,535,730	1,906,846	3,798,923
$ 23,948,523	$ 25,055,908	$ 23,580,961	$ 24,493,141	$ 26,298,130	$ 28,640,446
$ 7,158,035	$ 5,050,697	$ 5,230,857	$ 5,361,800	$ 5,125,174	$ 5,118,537
4,250,023	4,560,899	3,946,517	4,870,810	7,364,722	9,430,795
$ 11,408,058	$ 9,611,596	$ 9,177,374	$ 10,232,610	$ 12,489,896	$ 14,549,332
$ 26,209,513	$ 23,549,737	$ 23,962,971	$ 23,975,287	$ 24,429,730	$ 24,054,991
2,685,809	3,083,209	3,734,922	4,343,924	5,086,728	5,905,069
6,461,259	8,034,558	5,060,442	6,406,540	9,271,568	13,229,718
$ 35,356,581	$ 34,667,504	$ 32,758,335	$ 34,725,751	$ 38,788,026	$ 43,189,778

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
General government	$ 990,068	$ 872,406	$ 889,925	$ 936,804
Public safety	3,066,774	3,140,467	3,123,608	3,159,955
Public works	1,520,544	1,311,529	1,839,882	2,325,063
Parks and recreation	853,083	765,969	629,378	632,045
Economic development	509,880	199,905	1,090,876	265,550
Interest and fiscal charges	550,797	543,946	486,550	567,513
Total governmental activities expenses	7,491,146	6,834,222	8,060,219	7,886,930
Business-type activities				
Electric	7,306,853	7,944,059	8,026,117	8,001,969
Water	1,101,401	1,105,838	1,181,656	1,035,281
Surface water	298,766	226,884	257,538	491,557
Waste water	1,518,414	1,472,506	1,314,816	1,386,220
Fiber optic	203,477	234,136	271,090	217,054
Solid waste	799,768	845,021	871,207	911,130
Total business-type activities expenses	11,228,679	11,828,444	11,922,424	12,043,211
Total primary government expenses	$18,719,825	$18,662,666	$19,982,643	$19,930,141
Program revenues				
Governmental activities				
Charges for services				
General government	$ 190,908	$ 237,152	$ 233,619	$ 255,715
Public safety	191,838	168,399	198,676	171,251
Public works	223,774	204,326	145,128	118,711
Parks and recreation	221,144	205,114	125,702	87,787
Operating grants and contributions	697,197	598,893	672,154	318,614
Capital grants and contributions	30,505	207,138	199,193	170,821
Total governmental activities program revenues	1,555,366	1,621,022	1,574,472	1,122,899
Business-type activities				
Charges for services				
Electric	7,579,067	8,427,393	8,727,126	8,764,946
Water	1,052,812	1,015,249	1,071,303	1,384,986
Surface water	497,628	568,024	579,930	576,499
Waste water	1,246,144	1,325,014	1,372,504	1,493,831
Fiber optic	63,937	74,238	120,715	117,651
Solid waste	921,463	979,508	962,084	984,013
Operating grants and contributions	–	–	68,032	66,950
Total business-type activities program revenues	11,361,051	12,389,426	12,901,694	13,388,876
Total primary government program revenues	$12,916,417	$14,010,448	$14,476,166	$14,511,775

2013	2014	2015	2016	2017	2018
$ 1,264,749	$ 1,048,772	$ 2,548,971	$ 2,635,566	$ 2,500,256	$ 1,852,924
3,434,875	3,143,696	2,706,191	4,237,119	3,802,714	4,006,547
1,933,101	2,466,394	1,655,722	1,576,435	1,512,014	1,790,048
520,989	385,973	457,126	544,721	439,167	636,499
169,026	394,293	109,130	184,357	472,262	508,783
342,214	346,375	356,642	412,714	409,252	415,264
7,664,954	7,785,503	7,833,782	9,590,912	9,135,665	9,210,065
7,720,874	8,723,726	8,447,378	8,443,299	8,329,029	8,960,653
1,253,111	1,139,639	1,168,913	1,110,248	752,207	938,780
483,987	394,302	401,214	428,295	538,861	642,322
1,282,431	1,260,549	1,480,667	1,620,631	1,484,530	1,744,588
173,268	226,918	130,473	167,886	154,236	181,099
949,179	863,961	1,186,419	835,013	987,790	991,685
11,862,850	12,609,095	12,815,064	12,605,372	12,246,653	13,459,127
$19,527,804	$20,394,598	$20,648,846	$22,196,284	$21,382,318	$22,669,192
$ 362,839	$ 305,751	$ 287,497	$ 298,971	$ 371,906	$ 340,303
149,689	124,973	127,217	107,199	119,264	124,392
147,646	230,044	143,158	182,465	257,790	298,035
274,041	172,060	199,228	193,670	228,307	169,999
733,851	431,658	407,347	445,180	490,623	615,246
57,958	730,920	128,637	701,665	720,308	1,292,586
1,726,024	1,995,406	1,293,084	1,929,150	2,188,198	2,840,561
8,875,437	9,000,195	9,090,354	9,226,380	9,534,315	10,149,233
1,408,464	1,431,055	1,601,572	1,676,387	1,787,727	1,823,416
575,374	581,341	613,555	669,380	727,237	820,017
1,555,043	1,653,655	1,832,948	2,060,406	2,105,749	2,198,476
118,059	104,472	108,615	145,673	148,684	141,209
1,056,099	1,100,932	1,128,070	1,084,284	1,099,506	1,135,528
84,609	109,690	80,666	178,469	48,752	61,976
13,673,085	13,981,340	14,455,780	15,040,979	15,451,970	16,329,855
$15,399,109	$15,976,746	$15,748,864	$16,970,129	$17,640,168	$19,170,416

(continued)

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2009	2010	2011	2012
Net (expense) revenue				
Governmental activities	$ (5,935,780)	$ (5,213,200)	$ (6,485,747)	$ (6,764,031)
Business-type activities	132,372	560,982	979,270	1,345,665
Total primary government net expense	$ (5,803,408)	$ (4,652,218)	$ (5,506,477)	$ (5,418,366)
General revenues and other changes in net position				
Governmental activities				
Property taxes	$ 3,360,145	$ 3,713,970	$ 3,705,019	$ 3,771,018
Franchise taxes	407,523	393,444	400,851	411,996
Unrestricted grants and contributions	2,115,148	1,929,029	1,922,347	1,874,103
Other general revenues	72,132	104,763	14,547	207,959
Investment earnings (charges)	79,757	16,751	9,093	(19,198)
Transfers	67,450	4,281,718	1,319,864	152,877
Total governmental activities	6,102,155	10,439,675	7,371,721	6,398,755
Business-type activities				
Investment earnings	50,973	22,130	6,959	(22,031)
Transfers	(67,450)	(4,281,718)	(1,319,864)	(152,877)
Total business-type activities	(16,477)	(4,259,588)	(1,312,905)	(174,908)
Total primary government	$ 6,085,678	$ 6,180,087	$ 6,058,816	$ 6,223,847
Change in net position				
Governmental activities	$ 166,375	$ 5,226,475	$ 885,974	$ (365,276)
Business-type activities	115,895	(3,698,606)	(333,635)	1,170,757
Total primary government	$ 282,270	$ 1,527,869	$ 552,339	$ 805,481

2013	2014	2015	2016	2017	2018
$ (5,938,930)	$ (5,790,097)	$ (6,540,698)	$ (7,661,762)	$ (6,947,467)	$ (6,369,504)
1,810,235	1,372,245	1,640,716	2,435,607	3,205,317	2,870,728
$ (4,128,695)	$ (4,417,852)	$ (4,899,982)	$ (5,226,155)	$ (3,742,150)	$ (3,498,776)
$ 3,706,365	$ 3,838,375	$ 3,885,640	$ 4,546,034	$ 5,111,242	$ 5,496,782
435,582	522,358	563,829	544,367	531,178	431,469
1,882,736	1,900,433	1,828,503	1,919,280	1,812,458	1,838,514
29,041	52,840	4,606	38,802	126,853	212,024
(41,785)	97,640	88,086	76,459	123,925	174,935
453,175	970,000	1,205,589	1,449,000	1,046,800	841,130
6,465,114	7,381,646	7,576,253	8,573,942	8,752,456	8,994,854
(57,131)	83,333	96,825	68,629	98,769	164,874
(453,175)	(970,000)	(1,205,589)	(1,449,000)	(1,046,800)	(841,130)
(510,306)	(886,667)	(1,108,764)	(1,380,371)	(948,031)	(676,256)
$ 5,954,808	$ 6,494,979	$ 6,467,489	$ 7,193,571	$ 7,804,425	$ 8,318,598
$ 526,184	$ 1,591,549	$ 1,035,555	$ 912,180	$ 1,804,989	$ 2,625,350
1,299,929	485,578	531,952	1,055,236	2,257,286	2,194,472
$ 1,826,113	$ 2,077,127	$ 1,567,507	$ 1,967,416	$ 4,062,275	$ 4,819,822

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CITY OF NORTH ST. PAUL

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

Fiscal Year	Property Tax	Franchise Tax	Total
2009	$ 3,360,145	$ 407,523	$ 3,767,668
2010	3,713,970	393,444	4,107,414
2011	3,705,019	400,851	4,105,870
2012	3,771,018	411,996	4,183,014
2013	3,706,365	435,582	4,141,947
2014	3,838,375	522,358	4,360,733
2015	3,885,640	563,829	4,449,469
2016	4,546,034	544,367	5,090,401
2017	5,111,242	531,178	5,642,420
2018	5,496,782	431,469	5,928,251

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Reserved	$ –	$ –	$ –	$ –
Unreserved	1,427,926	1,372,835	–	–
Nonspendable	–	–	–	718
Restricted	–	–	12,099	–
Assigned	–	–	193,718	443,914
Unassigned	–	–	1,323,990	1,420,191
Total General Fund	$ 1,427,926	$ 1,372,835	$ 1,529,807	$ 1,864,823
All other governmental funds				
Reserved	$ 1,795,822	$ 1,857,568	$ –	$ –
Unreserved, reported in				
Special revenue funds	(493,577)	(681,756)	–	–
Capital projects funds	(41,424)	(84,244)	–	–
Debt service funds	1,052,902	1,492,573	–	–
Nonspendable	–	–	–	–
Restricted	–	–	2,167,904	6,085,749
Committed	–	–	9,714	9,672
Assigned	–	–	1,083,644	774,040
Unassigned, reported in				
Other governmental funds	–	–	(223,823)	(159,717)
Total all other governmental funds	$ 2,313,723	$ 2,584,141	$ 3,037,439	$ 6,709,744
Total all governmental funds				
Reserved	$ 1,795,822	$ 1,857,568	$ –	$ –
Unreserved, reported in				
General Fund	1,427,926	1,372,835	–	–
Special revenue funds	(493,577)	(681,756)	–	–
Capital projects funds	(41,424)	(84,244)	–	–
Debt service funds	1,052,902	1,492,573	–	–
Nonspendable	–	–	–	718
Restricted	–	–	2,180,003	6,085,749
Committed	–	–	9,714	9,672
Assigned	–	–	1,277,362	1,217,954
Unassigned, reported in				
General Fund	–	–	1,323,990	1,420,191
Other governmental funds	–	–	(223,823)	(159,717)
Total all governmental funds	$ 3,741,649	$ 3,956,976	$ 4,567,246	$ 8,574,567

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

2013	2014	2015	2016	2017	2018
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
12,521	2,910	1,800	23,492	26,016	24,135
–	–	–	–	–	–
943,890	–	31,455	25,230	23,261	19,985
1,278,326	1,682,876	1,725,949	1,713,152	1,708,472	1,788,706
$ 2,234,737	$ 1,685,786	$ 1,759,204	$ 1,761,874	$ 1,757,749	$ 1,832,826
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
3	–	–	–	–	–
2,805,663	3,577,232	3,089,182	6,554,769	7,114,605	9,661,240
17,068	1,470,423	2,042,917	2,369,282	3,196,670	3,774,915
708,899	572,634	607,146	1,166,478	996,304	1,931,788
(122,942)	(126,182)	(103,906)	(113,371)	(6,954)	(48,623)
$ 3,408,691	$ 5,494,107	$ 5,635,339	$ 9,977,158	$ 11,300,625	$ 15,319,320
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
12,524	2,910	1,800	23,492	26,016	24,135
2,805,663	3,577,232	3,089,182	6,554,769	7,114,605	9,661,240
17,068	1,470,423	2,042,917	2,369,282	3,196,670	3,774,915
1,652,789	572,634	638,601	1,191,708	1,019,565	1,951,773
1,278,326	1,682,876	1,725,949	1,713,152	1,708,472	1,788,706
(122,942)	(126,182)	(103,906)	(113,371)	(6,954)	(48,623)
$ 5,643,428	$ 7,179,893	$ 7,394,543	$ 11,739,032	$ 13,058,374	$ 17,152,146

CITY OF NORTH ST. PAUL

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes	$ 3,775,637	$ 4,108,880	$ 4,105,870	$ 4,327,852
Special assessments	105,492	72,831	94,037	74,796
Licenses and permits	293,349	269,470	194,472	197,529
Intergovernmental	2,621,178	2,596,912	2,749,174	2,300,123
Charges for services	239,960	215,627	148,213	117,652
Fines and forfeits	117,674	108,117	137,393	106,206
Investment earnings (charges)	73,232	12,502	6,482	(14,109)
Other	449,248	318,429	219,354	408,655
Total revenues	7,675,770	7,702,768	7,654,995	7,518,704
Expenditures				
Current				
General government	599,459	635,641	665,578	680,556
Public safety	2,646,540	2,786,494	2,788,505	2,819,415
Public works	993,759	988,204	989,558	1,085,088
Parks and recreation	761,815	633,739	564,772	533,239
Other	35,000	37,445	36,389	42,273
Economic development	36,668	81,255	1,059,468	225,949
Capital outlay	4,291,673	1,090,805	894,765	626,575
Debt service				
Principal	539,644	571,876	674,231	655,000
Interest	496,439	522,866	498,235	546,186
Total expenditures	10,400,997	7,348,325	8,171,501	7,214,281
Excess of revenues over (under) expenditures	(2,725,227)	354,443	(516,506)	304,423
Other financing sources (uses)				
Bonds issued	–	–	–	–
Refunding bonds issued	–	–	–	3,760,000
Premium (discount) on bonds issued	–	–	–	–
Payments to refunded bond escrow agent	(1,125,000)	–	–	–
Transfers in	568,521	589,215	1,805,548	340,744
Transfers out	(1,002,143)	(728,331)	(678,772)	(293,679)
Total other financing sources (uses)	(1,558,622)	(139,116)	1,126,776	3,807,065
Net change in fund balances	$ (4,283,849)	$ 215,327	$ 610,270	$ 4,111,488
Debt service as a percentage of noncapital expenditures	15.3%	17.3%	15.8%	16.9%

2013	2014	2015	2016	2017	2018
$ 4,204,967	$ 4,366,055	$ 4,453,106	$ 5,083,188	$ 5,643,488	$ 5,923,559
32,978	260,366	125,435	303,753	313,972	557,833
215,313	293,691	241,532	275,704	302,716	355,448
2,643,668	2,298,181	2,219,522	2,358,025	2,646,164	2,673,823
298,480	198,806	214,366	188,516	207,009	156,811
84,592	61,758	50,850	34,824	37,032	38,536
(29,281)	78,708	63,514	65,760	100,440	148,593
361,919	379,683	257,538	329,038	415,313	497,783
7,812,636	7,937,248	7,625,863	8,638,808	9,666,134	10,352,386
1,056,706	828,533	2,093,492	2,107,655	2,142,817	1,435,772
3,330,340	3,235,138	3,136,479	3,453,098	3,582,576	3,939,849
1,272,887	1,498,650	792,389	902,417	884,974	1,021,445
413,634	357,404	568,318	351,891	374,020	522,972
35,000	35,000	–	–	–	18,006
166,860	363,347	81,715	172,600	442,989	450,164
165,764	2,238,418	1,036,298	3,677,596	1,507,700	1,654,658
670,000	760,000	775,000	1,010,000	1,020,000	1,265,000
430,759	328,208	386,549	366,628	434,638	434,329
7,541,950	9,644,698	8,870,240	12,041,885	10,389,714	10,742,195
270,686	(1,707,450)	(1,244,377)	(3,403,077)	(723,580)	(389,809)
–	2,360,000	–	3,880,000	1,051,380	3,475,000
–	–	1,595,000	2,430,000	–	–
–	71,655	36,316	208,277	40,155	226,760
(3,655,000)	–	(1,575,000)	–	–	–
521,355	2,433,320	1,681,475	2,143,316	1,387,155	1,157,039
(68,180)	(1,620,794)	(278,764)	(914,027)	(435,768)	(375,218)
(3,201,825)	3,244,181	1,459,027	7,747,566	2,042,922	4,483,581
$ (2,931,139)	$ 1,536,731	$ 214,650	$ 4,344,489	$ 1,319,342	$ 4,093,772
14.8%	14.2%	15.1%	16.0%	16.1%	18.3%

CITY OF NORTH ST. PAUL

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

Fiscal Year	Property Tax	Electric Franchise	Gas Franchise	Cable Franchise	Total
2009	$ 3,368,114	$ 238,606	$ 121,373	$ 47,544	$ 3,775,637
2010	3,715,436	242,393	103,481	47,570	4,108,880
2011	3,705,019	248,025	108,494	44,332	4,105,870
2012	3,915,856	279,158	86,178	46,660	4,327,852
2013	3,769,385	283,302	107,017	45,263	4,204,967
2014	3,843,697	344,743	132,899	44,716	4,366,055
2015	3,889,277	375,224	109,676	78,929	4,453,106
2016	4,538,821	346,059	83,298	115,010	5,083,188
2017	5,112,310	368,484	90,270	72,424	5,643,488
2018	5,492,090	244,007	102,973	84,489	5,923,559

CITY OF NORTH ST. PAUL

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

	Tax Capacity (1)				
	Real Property				
Fiscal Year	Residential Property	Commercial Property	Personal Property	Less Tax Exempt Real Property	Fiscal Disparities Distribution
2009	$ 8,683,978	$ 1,876,639	$ 63,615	$ (1,167,204)	$ 1,833,751
2010	8,193,815	2,010,328	77,226	(1,032,722)	2,118,903
2011	7,625,673	1,958,071	86,212	(1,092,613)	2,242,221
2012	7,032,781	1,806,985	83,858	(1,060,962)	2,271,311
2013	5,388,769	1,624,210	91,614	(846,062)	1,978,627
2014	5,245,026	1,591,017	93,742	(805,980)	2,017,025
2015	5,690,060	1,591,017	98,878	(751,660)	2,267,716
2016	6,217,732	1,572,193	100,787	(924,565)	2,298,449
2017	6,718,235	1,582,800	111,924	(969,996)	2,419,838
2018	7,065,334	1,720,882	108,396	(1,028,487)	2,559,341

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

Source: Ramsey County

Total Tax Capacity Value	Total Direct Tax Rate	Total Estimated Market Value	Tax Capacity Value as a Percentage of Market Value
$ 11,290,779	22.125 %	$ 961,328,900	1.2 %
11,367,550	27.603	921,154,500	1.2
10,819,564	29.022	862,978,100	1.3
10,133,973	33.380	795,535,900	1.3
8,237,158	36.719	703,251,000	1.2
8,140,830	36.185	688,371,700	1.2
8,896,011	35.169	730,216,600	1.2
9,264,596	38.707	777,362,600	1.2
9,862,801	41.866	821,838,000	1.2
10,425,466	42.465	861,724,000	1.2

CITY OF NORTH ST. PAUL

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates (1)			Overlapping			Total Direct and
Fiscal Year	General Levy	Debt Levy	City Total	County	School District	Special District	Overlapping Rates
2009	21.493 %	0.632 %	22.125 %	46.546 %	24.816 %	9.316 %	102.803 %
2010	22.183	5.420	27.603	50.248	25.359	11.117	114.327
2011	23.420	5.602	29.022	54.678	27.785	11.598	123.083
2012	26.378	7.002	33.380	61.316	28.337	12.283	135.316
2013	26.060	10.659	36.719	65.240	32.552	13.597	148.108
2014	25.681	10.504	36.185	63.735	37.643	13.610	151.173
2015	27.012	8.157	35.169	58.922	35.864	13.871	143.826
2016	27.095	11.612	38.707	58.885	35.569	12.638	145.799
2017	31.162	10.704	41.866	55.850	33.582	12.029	143.327
2018	31.726	10.739	42.465	53.962	30.089	12.270	138.786

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

Source: Ramsey County

CITY OF NORTH ST. PAUL

Principal Property Taxpayers
Current Year and Nine Years Ago

	2018			2009		
Taxpayer	Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Cedarview Commons	$ 15,000,000	1	1.74 %	$ 10,926,200	3	1.19 %
Helen Street Senior Housing, LLC	14,967,300	2	1.74	–	–	–
Target Stores, Inc.	10,146,000	3	1.18	12,500,000	2	1.36
Franklin Apartments	10,125,600	4	1.18	7,230,600	4	0.78
Berwald Investment Company	9,611,000	5	1.12	13,325,800	1	1.45
Parkside Apartments – LHB Properties, LLC	8,434,100	6	0.98	5,750,000	6	0.62
Cottages of North St. Paul	8,119,200	7	0.94	5,700,000	7	0.62
Bigos Regency Park, LLC	6,562,900	8	0.76	–	–	–
Baypointe Investment Partnership, LLC	6,118,400	9	0.71	–	–	–
NSP Burke LLC	5,353,200	10	0.62	–	–	–
Anchor Block	–	–	–	6,446,100	5	0.70
Regency Park Apartments	–	–	–	5,355,000	8	0.58
McKnight Plaza	–	–	–	4,800,000	9	0.52
Silas Point Apartments	–	–	–	4,429,000	10	0.48
Total	$ 94,437,700		10.96 %	$ 76,462,700		7.95 %

Source: Ramsey County Department of Property Taxation

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CITY OF NORTH ST. PAUL

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy (2)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 2,848,145	$ 2,804,323	98.5 %	$ 43,822	$ 2,848,145	100.0 %
2010	3,183,232	3,119,313	98.0	63,919	3,183,232	100.0
2011	3,221,550	3,177,876	98.6	43,674	3,221,550	100.0
2012	3,378,239	3,331,434	98.6	46,805	3,378,239	100.0
2013	3,373,711	3,342,142	99.1	30,428	3,372,570	100.0
2014	3,658,474	3,622,632	99.0	31,705	3,654,337	99.9
2015	3,876,496	3,842,585	99.1	30,840	3,873,425	99.9
2016	4,186,996	4,148,345	99.1	30,471	4,178,816	99.8
2017	4,768,855	4,728,652	99.2	27,992	4,756,644	99.7
2018	5,144,397	5,093,568	99.0	–	5,093,568	99.0

(1) Includes fiscal disparity revenues.

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

CITY OF NORTH ST. PAUL

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Tax Increment Bonds	Tax Abatement Bonds	Capital Improvement Bonds	Capital Leases	Premiums	Total
2009	$ 4,735,000	$ 75,000	$ 2,090,000	$ 660,000	$ 5,000,000	$ 86,107	$ –	$ 12,646,107
2010	4,480,000	–	1,930,000	620,000	5,000,000	44,231	–	12,074,231
2011	4,215,000	–	1,865,000	565,000	4,755,000	–	–	11,400,000
2012	7,700,000	–	1,795,000	510,000	4,500,000	–	–	14,505,000
2013	3,760,000	–	1,725,000	455,000	4,240,000	–	–	10,180,000
2014	3,410,000	2,360,000	1,650,000	395,000	3,965,000	–	66,878	11,846,878
2015	3,055,000	2,360,000	1,595,000	335,000	3,680,000	–	96,281	11,121,281
2016	2,695,000	4,815,000	1,490,000	1,510,000	5,815,000	–	297,645	16,622,645
2017	2,325,000	5,686,380	1,395,000	1,445,000	5,505,000	–	312,858	16,669,238
2018	1,950,000	8,811,380	1,295,000	1,330,000	5,180,000	–	512,167	19,078,547

* Information not available for the 2018 year.

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

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

Business-Type Activities				Total Primary	Percentage of Personal	
Revenue Bonds	Capital Loans	Premiums	Total	Government	Income (1)	Per Capita (1)
$ 9,065,000	$ 1,404,575	$ –	$ 10,469,575	$ 23,115,682	5.55 %	$ 1,993
8,740,000	1,214,163	–	9,954,163	22,028,394	5.17	1,904
8,295,000	1,015,037	–	9,310,037	20,710,037	4.85	1,807
7,825,000	806,798	–	8,631,798	23,136,798	5.33	2,015
7,350,000	589,029	–	7,939,029	18,119,029	4.09	1,560
9,410,000	361,294	–	9,771,294	21,618,172	4.64	1,809
11,435,000	123,136	117,264	11,675,400	22,796,681	4.67	1,899
14,360,000	–	205,469	14,565,469	31,188,114	9.24	2,577
11,663,620	–	206,372	11,869,992	28,539,230	7.93	2,365
14,198,620	–	409,430	14,608,050	33,686,597	*	2,784

CITY OF NORTH ST. PAUL

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Premiums/ (Discounts)	Less Amounts Available in Debt Service Funds (3)	Total	Percentage of Estimated Market Value of Property (1)	Per Capita (2)
2009	$ 9,735,000	$ –	$ 627,315	$ 9,107,685	0.95 %	$ 785
2010	9,480,000	–	920,758	8,559,242	0.93	740
2011	8,970,000	–	974,639	7,995,361	0.93	698
2012	12,200,000	–	4,709,853	7,490,147	0.94	652
2013	8,000,000	–	1,074,211	6,925,789	0.98	596
2014	7,375,000	–	1,253,419	6,121,581	0.89	512
2015	6,735,000	–	1,312,400	5,422,600	0.74	452
2016	8,510,000	110,519	3,875,411	4,745,108	0.61	392
2017	7,830,000	98,239	3,902,113	4,026,126	0.49	334
2018	7,130,000	85,960	3,935,715	3,280,245	0.38	271

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

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

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

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

Direct and Overlapping Governmental Activities Debt
as of December 31, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Direct debt			
City of North St. Paul	$ 19,078,547	100.0 %	$ 19,078,547
Overlapping debt			
Independent School District No. 622	159,000,000	15.7	24,958,230
Ramsey County	153,827,000	3.5	5,311,646
Ramsey County Library	28,830,000	0.8	239,577
Metropolitan Council	1,549,087,966	1.5	22,678,648
Total overlapping debt			53,188,101
Total direct and overlapping debt			$ 72,266,648

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

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

Source: Ramsey County

CITY OF NORTH ST. PAUL

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	$ 28,839,867	$ 27,634,635	$ 25,889,343	$ 23,866,077
Total net debt applicable to the limit	9,107,685	8,559,242	7,995,361	7,490,147
Legal debt margin	$ 19,732,182	$ 19,075,393	$ 17,893,982	$ 16,375,930
Total net debt applicable to the limit as a percentage of debt limit	31.58%	30.97%	30.88%	31.38%

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

2013	2014	2015	2016	2017	2018
$ 20,097,530	$ 20,651,151	$ 21,906,498	$ 23,320,878	$ 24,655,140	$ 25,851,720
6,925,789	6,121,581	5,422,600	4,634,589	3,927,887	3,194,285
$ 13,171,741	$ 14,529,570	$ 16,483,898	$ 18,686,289	$ 20,727,253	$ 22,657,435
34.46%	29.64%	24.75%	19.87%	15.93%	12.36%

Legal Debt Margin Calculation for Fiscal Year 2018	
Market value	$ 861,724,000
Debt limit (3 percent of market value)	25,851,720
Debt applicable to the limit	
General obligation bonds	7,130,000
Less amount set aside for repayment of general obligation debt	(3,935,715)
Total net debt applicable to the limit	3,194,285
Legal debt margin	$ 22,657,435

CITY OF NORTH ST. PAUL

Pledged Revenue Coverage
Last Ten Fiscal Years

	Revenue Bonds					
	Operating	Less Operating	Net Available	Debt Service		
Fiscal Year	Revenues	Expenses	Revenue	Principal	Interest	Coverage
2009	$ 11,297,114	$ 9,998,013	$ 1,299,101	$ 340,000	$ 230,447	2.28
2010	12,315,188	10,451,097	1,864,091	325,000	376,484	2.66
2011	12,780,979	10,538,859	2,242,120	445,000	363,126	2.77
2012	13,271,225	10,738,422	2,532,803	470,000	349,675	3.09
2013	13,555,026	10,671,672	2,883,354	475,000	334,487	3.56
2014	13,760,220	11,598,333	2,161,887	500,000	351,253	2.54
2015	14,260,639	11,932,652	2,327,987	505,000	369,682	2.66
2016	14,706,437	11,604,993	3,101,444	680,000	425,394	2.81
2017	15,254,109	11,398,378	3,855,731	680,000	295,905	3.95
2018	16,121,710	12,341,182	3,780,528	930,000	352,495	2.95

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

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

CITY OF NORTH ST. PAUL

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (4)
2009	11,600	$ 416,208,000	$ 35,880	33.7	11,365	7.2 %
2010	11,569	425,924,304	36,816	33.7	11,072	6.8
2011	11,460	427,274,640	37,284	33.7	10,979	5.6
2012	11,485	434,178,940	37,804	33.7	10,885	5.2
2013	11,618	442,831,688	38,116	33.7	10,912	4.2
2014	11,951	466,089,000	39,000	33.7	10,727	3.2
2015	12,006	488,211,984	40,664	38.5	10,715	3.1
2016	12,104	337,520,040	27,885	38.5	10,669	3.5
2017	12,069	359,994,132	29,828	38.2	10,480	2.8
2018	12,099	*	*	38.2	10,611	2.7

* Information not available for the 2018 year.

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

CITY OF NORTH ST. PAUL

Principal Employers
Current Year and Nine Years Ago

Employer	2018 Employees	2018 Rank	2009 Employees	2009 Rank
Independent School District No. 622	1,550	1	1,514	1
Target Stores, Inc.	172	2	225	2
Berwald Roofing	155	3	150	3
Metropolitan Area Agency on Aging	96	4	–	–
REM Ramsey	80	5	–	–
T.A. Schifsky	70	6	40	10
Rust-Oleum	65	7	–	–
City of North St. Paul	63	8	61	7
Lillie Suburban Newspapers	60	9	85	4
Ideal Credit Union	52	10	–	–
Aetrium	–	–	80	5
Postal Employees Credit Union	–	–	75	6
Anchor Block	–	–	50	8
Custom Millwork	–	–	42	9
Total	2,363		2,322	

Note: The percentage of total city employment is unavailable.

Source: Springsted Bond Consultants

CITY OF NORTH ST. PAUL

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	5	6	5	5	7	13	13	13	14	15
Public safety										
Police										
Officers	17	18	19	19	15	15	18	17	18	17
Civilians	3	2	2	2	2	3	3	4	4	4
Fire										
Firefighters and officers	3	3	3	3	3	3	4	4	4	4
Highways and streets										
Engineering	2	2	2	2	2	1	–	–	–	–
Maintenance	8	8	7	7	8	3	4	4	4	4
Parks and recreation	3	1	1	1	1	4	4	4	4	4
Water	6	6	3	3	5	3	3	3	3	3
Electric	14	14	12	12	9	11	12	12	13	12
Total	61	60	54	54	52	55	61	61	64	63

Source: Various government departments

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Function				
Police				
Parking violations	1,022	973	1,043	949
Traffic violations	2,581	2,356	2,715	1,710
Fire				
Number of calls answered	907	920	947	1,103
Rental inspections	16	308	203	219
Code compliance cases	194	336	337	269
Commercial inspections	1	5	14	2
Highways and streets				
Street resurfacing (miles)	11.2	–	–	–
Potholes repaired	3,200	3,000	3,300	–
Tons of asphalt used (1)	–	–	–	85.5
Parks and recreation				
Community center admissions	85,000	80,000	80,000	80,000
Water				
New connections	6	2	3	8
Water main breaks	6	5	6	8
Average daily consumption (thousands of gallons)	1,167	1,015	1,009	1,235

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

Source: Various government departments

2013	2014	2015	2016	2017	2018
798	629	838	740	1,054	937
1,446	839	902	596	690	560
1,055	999	1,071	1,243	1,319	1,318
81	189	169	243	382	297
176	177	612	700	447	468
6	–	1	21	145	31
–	1.8	0.5	1.6	1.9	0.3
–	–	–	–	–	–
231.3	431.1	468.0	579.7	616.0	729.8
–	–	–	–	–	–
11	4	12	21	9	4
20	8	4	8	6	12
1,066	909	900	972	973	1,104

CITY OF NORTH ST. PAUL

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Function				
Public safety				
Police				
Stations	1	1	1	1
Patrol units	8	8	8	8
Fire stations	1	1	1	1
Highways and streets				
Streets (miles)	45	45	45	45
Streetlights/security lights	621	625	625	625
Traffic signals	1	1	1	1
Parks and recreation				
Parks acreage	140	140	140	140
Parks	13	13	13	13
Swimming beach	1	1	1	1
Tennis courts	9	9	9	9
Community centers	1	1	1	1
Water				
Water mains (miles)	44	44	44	44
Fire hydrants	605	609	609	609
Gallons sold per year				
(thousands of gallons)	426,059	370,625	368,335	393,821
Sewer				
Sanitary sewers (miles)	43	43	43	43
Storm sewers (miles)	21	21	21	21
Electric				
Number of distribution stations	1	1	1	1
Miles of service lines	68	68	68	68

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

Source: Various government departments

2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
10	10	10	10	10	10
1	1	1	1	1	1
45	45	45	45	45	45
626	630	630	630	630	630
1	1	1	1	1	1
140	140	140	140	140	140
13	13	13	13	13	13
1	1	1	1	1	1
9	9	9	9	9	9
–	–	–	–	–	–
44	44	44	44	44	44
609	609	609	609	609	609
389,142	330,467	328,624	273,021	362,558	403,082
43	43	43	43	43	43
21	21	21	21	21	21
1	1	1	1	1	1
69	70	70	70	70	71

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Management Report

for

City of North St. Paul, Minnesota

December 31, 2018

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2018. We have organized this report into the following sections:

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

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

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

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

Minneapolis, Minnesota
April 24, 2019

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2018:

- We have issued an unmodified opinion on the City's basic financial statements. Our report included a paragraph emphasizing the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended December 31, 2018. Our opinion was not modified with respect to this matter.

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

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

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

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

    1. Fire Relief Payment
    2. Solid Waste Management Billing

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the City's financial statements for the year ended December 31, 2018, we performed procedures to follow-up on the findings and recommendations that resulted from our prior year audit. We reported the following finding that was corrected by the City in the current year:

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

AUDIT COMMENTS

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

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

- **Individual Fund Deficits** – As reported in the City's Comprehensive Annual Financial Report as of December 31, 2018, the City has one special revenue fund that has a deficit fund equity totaling $898, one capital projects fund deficit totaling $47,725, one enterprise fund deficit totaling $872,387, and two internal service fund deficits totaling $438,393. There are several reasons that may cause individual funds to end a given period in a deficit position. For instance, the timing of related funding resources (future levy authority) may lag behind related expenditures made. While we understand that the City approves all disbursements and reviews the cash and equity positions of all funds, we recommend that the City match the timing of related resources with related expenditures as much as possible to limit the deficit balances at any given moment.

- **Fiber Optic Fund** – The Fiber Optic Fund has generated a significant deficit unrestricted net position balance, due to cash borrowings from the Surface Water and Waste Water Funds used to finance required debt payments and capital asset purchases. As of December 31, 2018, the Fiber Optic Fund's unrestricted component of net position has a deficit of $2,646,262. 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.

- **Payroll** – Internal controls, processes, and procedures are never perfected and need to be continually reviewed to make sure transaction cycles are performing properly and efficiently. During our inquiries and testing, we noted that certain employee's timesheets were not approved by their direct supervisor. Internal controls should incorporate a monitoring element to ensure records are complete, as well as accurate. We recommend the City review its policies and procedures over payroll reporting to verify proper approvals exist. With the recent change in management and leadership, we also believe it is a good time for the City to review policies and procedures with staff to ensure a consistent understanding exists and that controls are effectively functioning for their designed purpose.

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, 2018; however, the City implemented the following governmental accounting standards during the fiscal year:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which established new accounting and financial reporting requirements for governments whose employees are provided with other post-employment benefits (OPEB).

- GASB Statement No. 85, *Omnibus 2017,* which addressed issues that have been identified during implementation and application of certain GASB statements.

- GASB Statement No. 86, *Certain Debt Extinguishment Issues,* which improves consistency in accounting and financial reporting for in-substance defeasances of debt.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

- **Total Other Post-Employment Benefit (OPEB) and Net Pension Liabilities** – The City has recorded liabilities and activity for OPEB and pension benefits. These obligations are calculated using actuarial methodologies described in the GASB Nos. 68 and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

- **Depreciation** – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.

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

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

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

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated April 24, 2019.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis and the pension and OPEB-related required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements, which 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

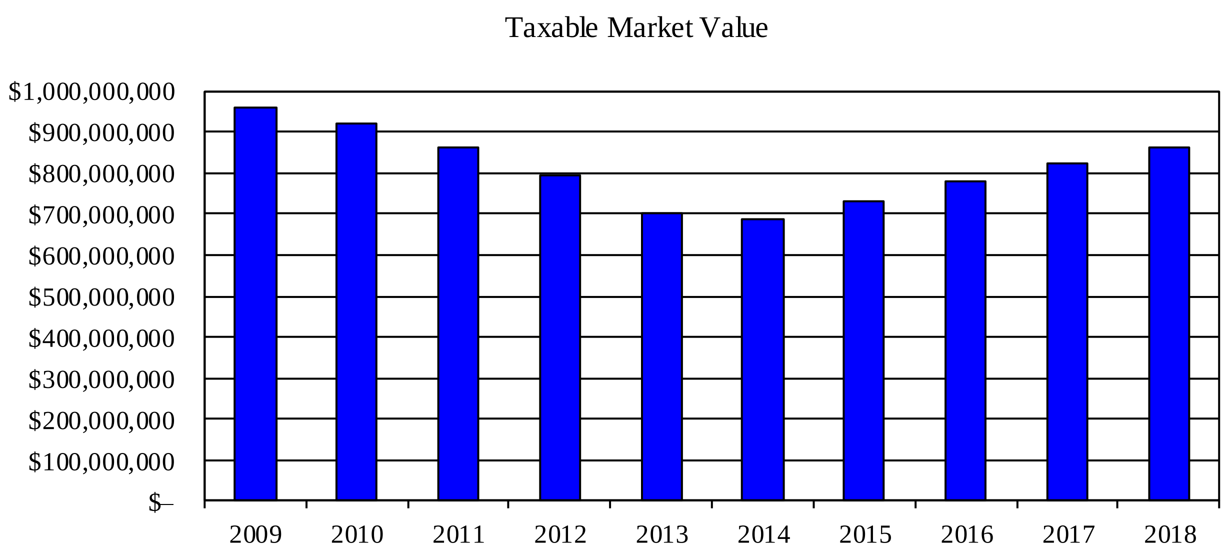
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its 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.

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2017 fiscal year, local ad valorem property tax levies provided 41.1 percent of the total governmental fund revenues for cities over 2,500 in population, and 37.4 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2018 increased 6.2 percent from the prior year, and total certified levies payable in 2019 are projected to increase by 5.6 percent.

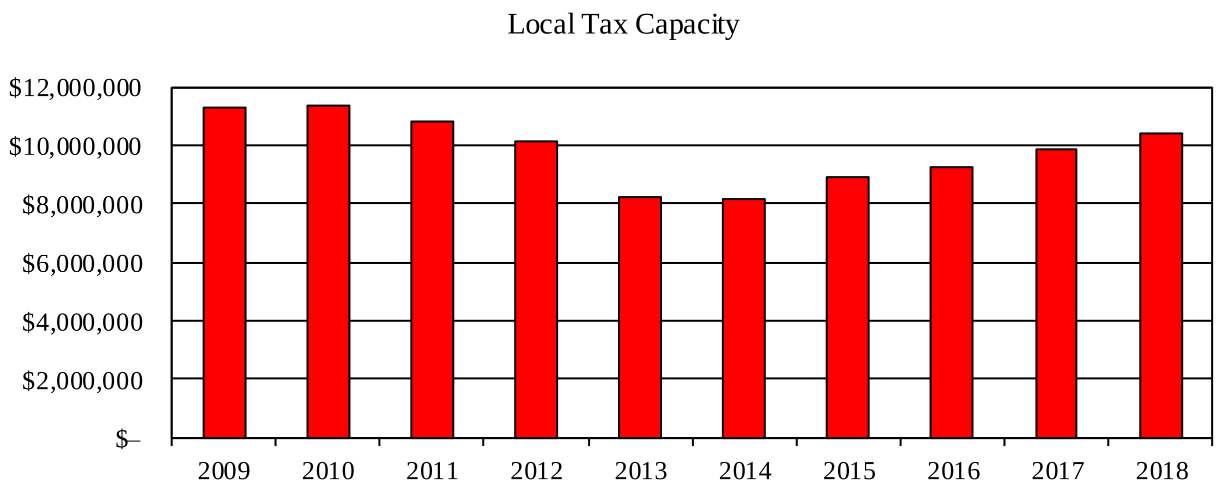
The total market value of property in Minnesota cities increased about 5.6 percent for the 2017 levy year (state-wide market value information for the 2018 levy year was not available at the time this report was issued). The market values used for levying property taxes are based on the previous fiscal year (e.g., market values for taxes levied in 2018 were based on assessed values as of January 1, 2017), so the trend of change in these market values lags somewhat behind the housing market and economy in general.

The City's taxable market value increased 5.7 percent for taxes payable in 2017 and 4.9 percent for taxes payable in 2018. 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 6.5 percent for 2017 and 5.7 percent for 2018.

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



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

Rates Expressed as a Percentage of Net Tax Capacity

	City of North St. Paul		
	2016	2017	2018
Average tax rate			
City	38.7	41.9	42.5
County	58.9	55.9	53.9
School	35.6	33.6	30.1
Special taxing	12.6	12.0	12.3
Total	145.8	143.4	138.8

The total average tax rate decreased from the prior year. An increase in the City and special taxing authority portions were offset by decreases in the county and school rates.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2018, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31, 2018	Fund Balance as of December 31, 2017	Increase (Decrease)
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 24,135	$ 26,016	$ (1,881)
Restricted	9,661,240	7,114,605	2,546,635
Committed	3,774,915	3,196,670	578,245
Assigned	1,951,773	1,019,565	932,208
Unassigned	1,740,083	1,701,518	38,565
Total governmental funds	$ 17,152,146	$ 13,058,374	$ 4,093,772
Total by fund			
General	$ 1,832,826	$ 1,757,749	$ 75,077
G.O. Capital Improvement Plan Bonds of 2008A/G.O. Capital Improvement Plan Refunding Bonds of 2016B	3,117,342	3,108,427	8,915
Street Improvement	3,565,784	702,456	2,863,328
Nonmajor	8,636,194	7,489,742	1,146,452
Total governmental funds	$ 17,152,146	$ 13,058,374	$ 4,093,772

In total, the fund balances of the City's governmental funds increased by $4,093,772 during the year ended December 31, 2018. The increase is due largely to the increase in restricted funds in the Street Improvement Capital Projects Fund. This increase was the result of bond proceeds exceeding current year spending on street projects. The increase in assigned funds for street improvements contributed to the remaining change in fund balance in the current year.

GOVERNMENTAL FUND REVENUES

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

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

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

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

	State-Wide			City of North St. Paul		
Year	December 31, 2017			2016	2017	2018
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,104	12,069	12,099
Property taxes	$ 474	$ 451	$ 475	$ 343	$ 387	$ 414
Tax increments	26	27	38	32	37	40
Franchise and other taxes	38	43	48	45	44	36
Special assessments	57	48	59	25	26	46
Licenses and permits	39	34	49	23	25	29
Intergovernmental revenues	322	276	147	195	219	221
Charges for services	108	103	103	16	17	13
Other	68	53	48	35	46	57
Total revenue	$ 1,132	$ 1,035	$ 967	$ 714	$ 801	$ 856

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

The City generated $10,352,386 of total revenue in its governmental funds in 2018, an increase of $686,252 (7.1 percent) from the prior year. The City's per capita governmental funds revenue for 2018 was $856, an increase of $55, from the prior year, including the effect of a change in estimated population. The largest changes occurred with increases in property taxes and special assessment revenues. The increase in property taxes was mainly due to the increased general property tax levy. Special assessment revenue increased with the collection of about $358,000 in prepayments for street improvement projects in the current year, compared to about $141,000 in the prior year.

GOVERNMENTAL FUND EXPENDITURES

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

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

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

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

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

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

	State-Wide			City of North St. Paul		
Year	December 31, 2017			2016	2017	2018
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,104	12,069	12,099
Current						
General government	$ 147	$ 120	$ 101	$ 174	$ 178	$ 119
Public safety	270	259	287	285	297	326
Streets and highways	128	127	101	75	73	84
Parks and recreation	96	112	99	29	31	43
All other	76	64	77	14	37	39
	717	682	665	577	616	611
Capital outlay and construction	403	319	263	304	125	137
Debt service						
Principal	228	147	121	83	85	105
Interest and fiscal	44	35	32	30	36	36
	272	182	153	113	121	141
Total expenditures	$ 1,392	$ 1,183	$ 1,081	$ 994	$ 862	$ 889

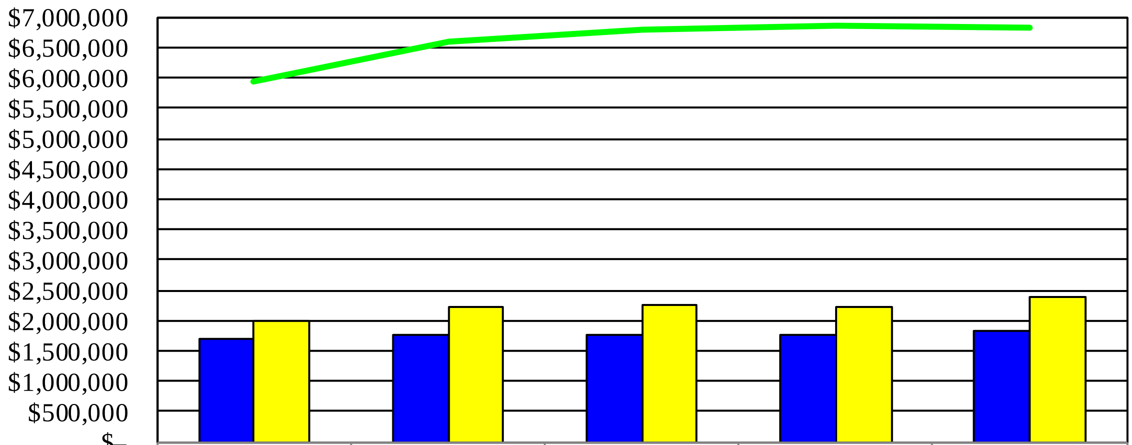
As the above table reflects, the City's expenditures per capita have also been below the state-wide averages in recent years. A significant reason for this difference is in capital outlay and debt service, which is reasonable for a city that is not in the middle of a major development or redevelopment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

Total expenditures in the City's governmental funds for 2018 were $10,742,195, an increase of $352,481 (3.4 percent). The City's per capita governmental funds total expenditures increased $27, or 3.1 percent. This increase was mainly in debt service costs as a result of scheduled bond payments. During 2018, the City reclassified certain expenditure presentations within the General Fund, contributing to the functional changes presented in the table above.

GENERAL FUND

The City's General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and parks and recreation. The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual expenditures to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position
Years Ended December 31,



	2014	2015	2016	2017	2018
Fund Balance	$1,685,786	$1,759,204	$1,761,874	$1,757,749	$1,832,826
Cash (Net)	$1,996,062	$2,208,507	$2,261,283	$2,224,485	$2,378,154
Expenditures	$5,945,113	$6,585,504	$6,814,126	$6,854,703	$6,845,264

The City's General Fund cash and investment balance (net of borrowing) at December 31, 2018 was $2,378,154, an increase of $153,669 from the previous year. Total fund balance at December 31, 2018 was $1,832,826, an increase of $75,077 from the prior year. The unassigned portion of this fund balance level represents approximately 25 percent of the City's 2019 budgeted General Fund expenditure levels.

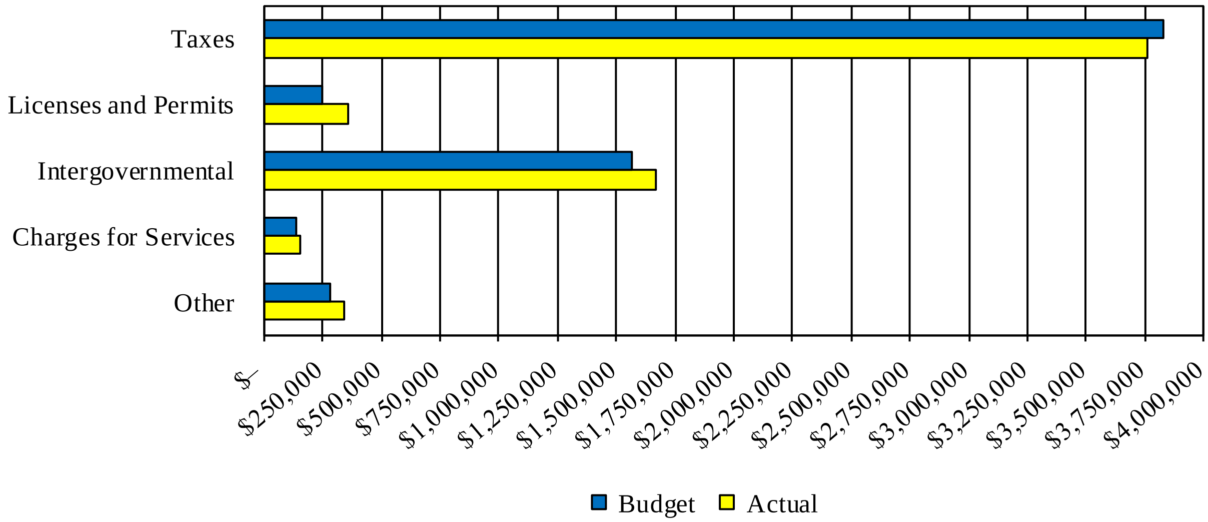
The level of General Fund balance is greatly attributed to the City's fund balance policies as well as the general budgeting policies. These policies have allowed the City to provide funding for the General Fund operations as well as equipment replacement and street improvement programs without disrupting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

As the graph illustrates, the City has generally been able to maintain stable cash and fund balance levels as the volume of financial activity has fluctuated. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City's bond rating and resulting interest costs. Maintaining an adequate fund balance has become increasingly important given the fluctuations in state funding for cities in recent years.

Current city policy allows fund balance in the General Fund to grow to 25 percent of the subsequent year's budgeted expenditures, while the State Auditor recommends that cities maintain an unrestricted fund balance that is between 35 percent and 50 percent of total current expenditures. The City should review the level of fund balance on an ongoing basis to determine the optimal level for efficient operations.

The following graph reflects the City's General Fund revenue sources compared to budget for 2018:

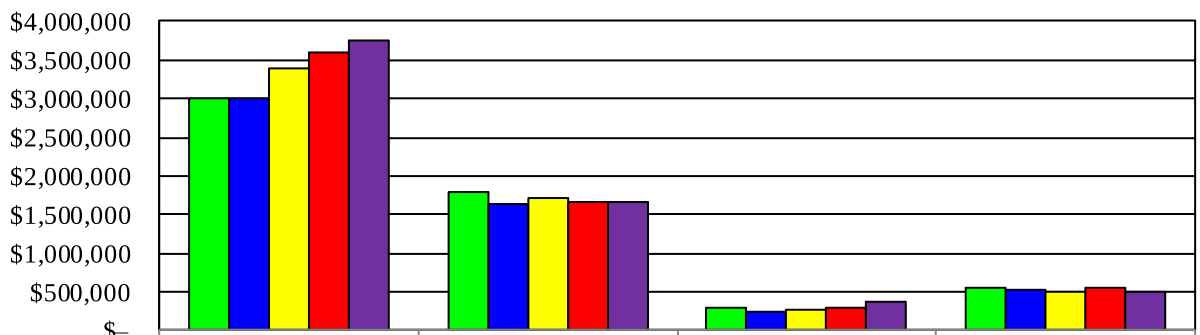
General Fund Revenue



Total General Fund revenues for 2018 were $6,277,829, an increase of $185,903 from the previous year, and were $220,761 (3.6 percent) over budget. Revenues were more than projected in each category as presented above, except for the tax revenue category. The largest variances were in licenses and permits and intergovernmental, which were $105,698 and $100,244, respectively, above anticipated levels due in part to conservative budgeting.

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

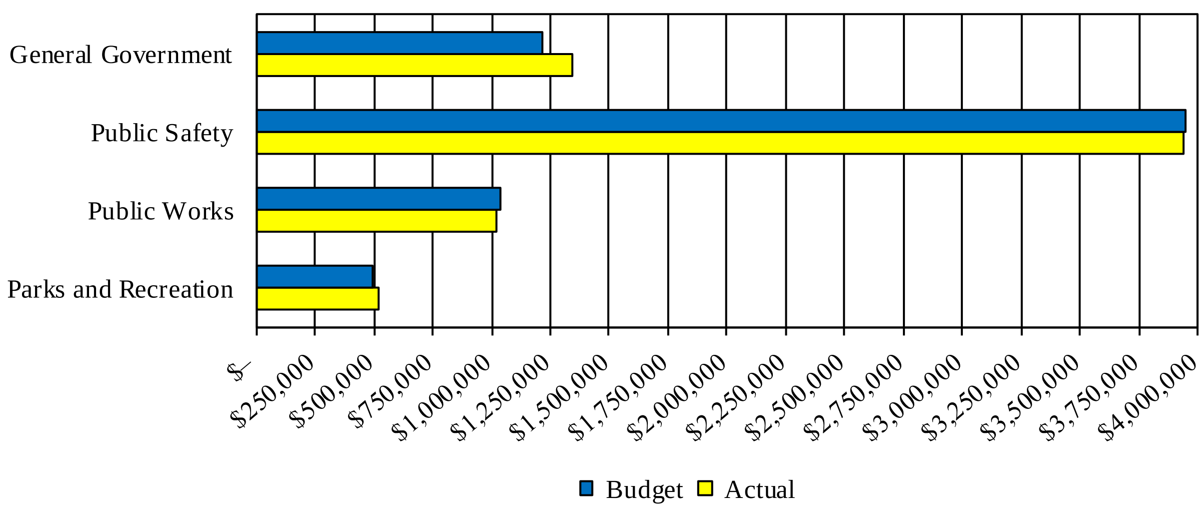
General Fund Revenue by Source
Years Ended December 31,



	Taxes	Intergovernmental	Licenses and Permits	All Other
2014	$3,016,970	$1,792,686	$293,691	$551,647
2015	$3,001,290	$1,646,938	$241,532	$526,782
2016	$3,403,580	$1,710,429	$275,704	$487,624
2017	$3,587,226	$1,647,917	$302,716	$554,067
2018	$3,762,372	$1,664,846	$355,448	$495,163

The General Fund is primarily financed by property and other taxes, along with local government aid, to operate activities in this fund. The largest change occurred in tax sources, which increased by $175,146 from the prior year as a result of an increase in the general property tax levy approved by the City Council for 2018.

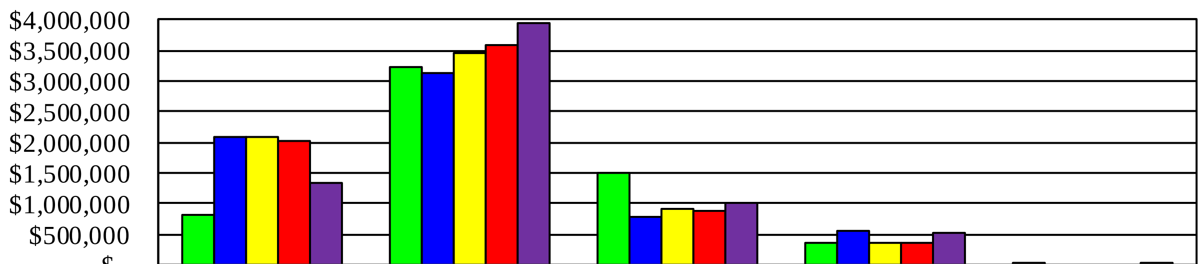
The following graph reflects the City's General Fund expenditures compared to budget for 2018:



Total General Fund expenditures for 2018 were $6,845,264, a decrease of $9,439, or 0.1 percent, from the previous year, and $138,981, or 2.1 percent, over budget. The largest variance occurred in the general government function, which was over budget by $128,835, mainly in the community services and administration departments.

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

General Fund Expenditures by Function
Years Ended December 31,



	General Government	Public Safety	Public Works	Parks and Recreation	Other
2014	$828,533	$3,230,288	$1,498,650	$352,642	$35,000
2015	$2,091,457	$3,136,479	$792,389	$565,179	$–
2016	$2,106,720	$3,453,098	$902,417	$351,891	$–
2017	$2,013,213	$3,582,496	$884,974	$374,020	$–
2018	$1,343,042	$3,939,799	$1,021,445	$522,972	$18,006

Typical to other cities we audit, public safety costs comprise the largest portion of General Fund spending. As previously discussed, the City reclassified certain expenditure presentations within the General Fund, contributing to the functional changes presented in the graph above.

ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which include the Electric, Water, Surface Water, Waste Water, Fiber Optic, and Solid Waste Funds.

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

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2018, presented both by classification and by fund:

Enterprise Funds Change in Financial Position

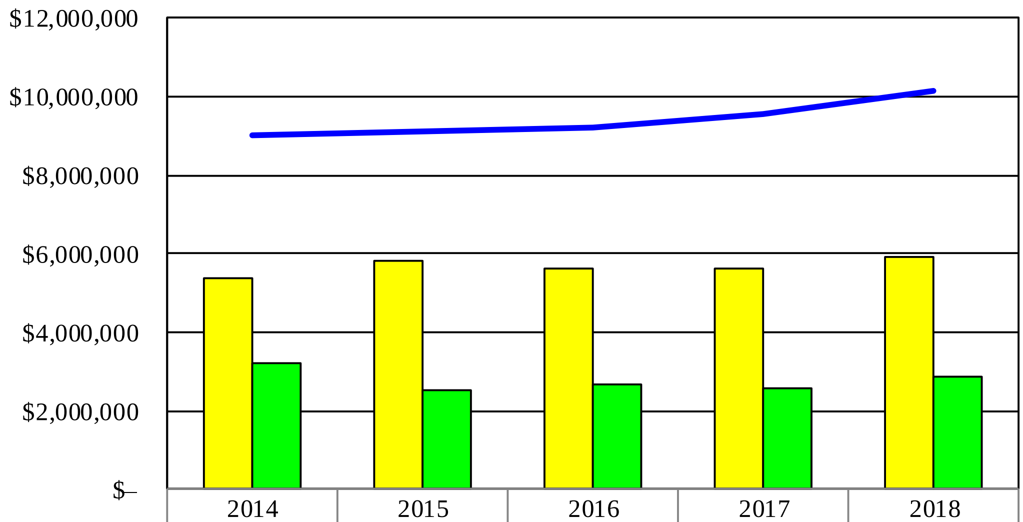
	Net Position as of December 31, 2018	Net Position as of December 31, 2017	Increase (Decrease)
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 5,118,537	$ 5,125,174	$ (6,637)
Unrestricted	9,464,885	7,378,119	2,086,766
Total enterprise funds	$ 14,583,422	$ 12,503,293	$ 2,080,129
Total by fund			
Electric	$ 5,973,206	$ 5,101,257	$ 871,949
Water	4,166,606	3,450,075	716,531
Surface Water	2,342,439	2,213,845	128,594
Waste Water	2,183,171	1,862,732	320,439
Fiber Optic	(872,387)	(790,855)	(81,532)
Solid Waste	790,387	666,239	124,148
Total enterprise funds	$ 14,583,422	$ 12,503,293	$ 2,080,129

In total, the net position of the City's enterprise funds increased by $2,080,129 during the year ended December 31, 2018. The change in accounting principle, as previously mentioned, reduced net position by $135,036 while current year operating results increased net position by $2,215,165.

ELECTRIC FUND

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

Electric Fund Operations
Years Ended December 31,



	2014	2015	2016	2017	2018
Purchased Utilities	$5,383,056	$5,800,842	$5,612,907	$5,598,551	$5,934,267
Other Operating Expenses	$3,187,473	$2,513,005	$2,676,080	$2,575,595	$2,847,699
Net Sales	$9,000,195	$9,089,050	$9,215,980	$9,533,890	$10,148,273

	2014	2015	2016	2017	2018
Total operating revenue	$ 9,000,195	$ 9,089,050	$ 9,215,980	$ 9,533,890	$ 10,148,273
Purchased utilities	5,383,056	5,800,842	5,612,907	5,598,551	5,934,267
Gross profit	3,617,139	3,288,208	3,603,073	3,935,339	4,214,006
Other operating expenses	(3,187,473)	(2,513,005)	(2,676,080)	(2,575,595)	(2,847,699)
Depreciation	(56,960)	(65,916)	(71,606)	(73,602)	(85,306)
Interest expense	(81,524)	(76,546)	(74,761)	(66,894)	(64,256)
Other income (loss)	75,482	73,904	69,321	75,077	97,891
Income (loss) before transfers	366,664	706,645	849,947	1,294,325	1,314,636
Net transfers in (out)	(600,000)	(1,146,021)	(959,000)	(556,800)	(351,130)
Change in net position	$ (233,336)	$ (439,376)	$ (109,053)	$ 737,525	$ 963,506
Income (loss) before transfers as a percentage of net sales	4.1 %	7.8 %	9.2 %	13.6 %	13.0 %

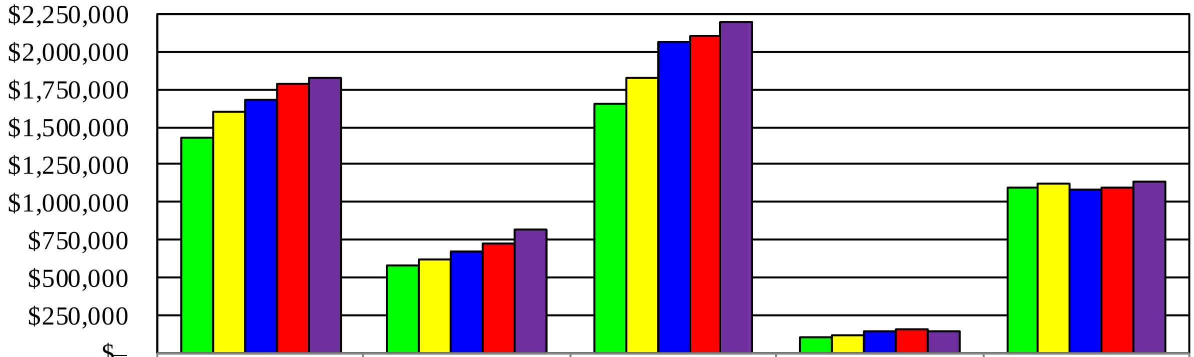
Gross profit results for the City's Electric Fund increased by $278,667 from the prior year. This increase was mainly due to increased rates in the current year as approved by the City Council.

The Electric Fund ended fiscal 2018 with a total net position of $5,973,206, of which $4,610,768 was unrestricted, with the remaining balance being classified as net investment in capital assets. At December 31, 2018, unrestricted cash and investments totaled $5,671,309.

OTHER ENTERPRISE UTILITY FUNDS

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

Utility Revenue
Years Ended December 31,



	Water	Surface Water	Waste Water	Fiber Optic	Solid Waste
2014	$1,429,871	$581,341	$1,653,655	$104,472	$1,095,158
2015	$1,597,494	$613,504	$1,832,616	$108,615	$1,127,975
2016	$1,676,387	$669,380	$2,060,406	$145,673	$1,084,284
2017	$1,787,727	$727,237	$2,105,749	$148,684	$1,099,506
2018	$1,823,416	$820,017	$2,194,476	$141,209	$1,135,528

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

With the exception of the Fiber Optic Fund, these enterprise utility funds have typically experienced positive operating results. The positive operating results of these funds are important because the revenue is being used to pay debt service on the City's Utility Revenue Bonds of 2009C, 2014A, 2015A, 2016A, 2017A, and 2018A.

WATER FUND

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

	2014	2015	2016	2017	2018
Operating revenue	$ 1,429,871	$ 1,597,494	$ 1,676,387	$ 1,787,727	$ 1,823,416
Operating expenses	(905,104)	(934,400)	(825,720)	(532,654)	(642,292)
Depreciation	(160,457)	(162,240)	(162,915)	(167,070)	(194,217)
Operating income	364,310	500,854	687,752	1,088,003	986,907
Nonoperating revenue (expenses)	(73,485)	(80,462)	(111,442)	(42,463)	(50,743)
Income before transfers	290,825	420,392	576,310	1,045,540	936,164
Net transfers in (out)	(185,000)	(142,201)	(205,000)	(205,000)	(205,000)
Change in net position	$ 105,825	$ 278,191	$ 371,310	$ 840,540	$ 731,164
Income before transfers as a percentage of operating revenue	20.3 %	26.3 %	34.4 %	58.5 %	51.3 %

The Water Fund ended 2018 with a net position of $4,166,606, an increase of $716,531 from the prior year. Of this, $1,117,542 represents the net investment in capital assets, while $3,049,064 is considered unrestricted.

Operating revenue increased $35,689 from the previous year, or about 2.0 percent. Increased rates resulted in this overall increase in operating revenue. Operating expenses increased $109,638, or about 20.6 percent, from the prior year primarily in professional services. Professional services were up with more building maintenance, utilities, and water main repairs.

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

SURFACE WATER FUND

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

	2014	2015	2016	2017	2018
Operating revenue	$ 581,341	$ 613,504	$ 669,380	$ 727,237	$ 820,017
Operating expenses	(271,762)	(246,858)	(301,498)	(413,569)	(457,275)
Depreciation	(79,073)	(99,533)	(99,533)	(106,553)	(127,752)
Operating income	230,506	267,113	268,349	207,115	234,990
Nonoperating revenue (expense)	(16,802)	(33,472)	(23,831)	(11,740)	(14,690)
Income before transfers	213,704	233,641	244,518	195,375	220,300
Net transfers in (out)	(40,000)	164,599	(80,000)	(80,000)	(80,000)
Change in net position	$ 173,704	$ 398,240	$ 164,518	$ 115,375	$ 140,300
Income before transfers as a percentage of operating revenue	36.8 %	38.1 %	36.5 %	26.9 %	26.9 %

The Surface Water Fund ended 2018 with a net position of $2,342,439, an increase of $128,594 from the prior year. Of this, $615,945 represents the net investment in capital assets, while $1,726,494 is considered unrestricted.

Operating revenues increased $92,780 from the previous year, or about 12.8 percent, due to the increased rates. Operating expenses increased $43,706, or about 10.6 percent, from the previous year primarily in professional services, due to the new rate study conducted in the current year.

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

WASTE WATER FUND

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

	2014	2015	2016	2017	2018
Operating revenue	$ 1,653,655	$ 1,832,616	$ 2,060,406	$ 2,105,749	$ 2,194,476
Operating expenses	(1,011,362)	(1,270,007)	(1,362,513)	(1,298,095)	(1,474,719)
Depreciation	(148,457)	(113,889)	(106,296)	(108,295)	(156,383)
Operating income	493,836	448,720	591,597	699,359	563,374
Nonoperating revenue (expenses)	(80,637)	(99,808)	(32,810)	(89,755)	(84,975)
Income before transfers	413,199	348,912	558,787	609,604	478,399
Net transfers in (out)	(125,000)	(61,966)	(145,000)	(145,000)	(145,000)
Change in net position	$ 288,199	$ 286,946	$ 413,787	$ 464,604	$ 333,399
Income before transfers as a percentage of operating revenue	25.0 %	19.0 %	27.1 %	29.0 %	21.8 %

The Waste Water Fund ended 2018 with a net position of $2,183,171, an increase of $320,439 from the prior year. Of this, $248,737 represents the net investment in capital assets, while the unrestricted portion has a balance of $1,934,434.

Operating revenue increased $88,727 from the previous year, or about 4.2 percent, largely due to the increase in rates applied in fiscal 2018. Operating expenses increased $176,624, or about 13.6 percent, due to increased spending in professional services related to engineering and legal services and due to increased charges to the Metropolitan Council of Environmental Services.

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

FIBER OPTIC FUND

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

	2014	2015	2016	2017	2018
Operating revenue	$ 104,472	$ 108,615	$ 145,673	$ 148,684	$ 141,209
Operating expenses	(157,661)	(73,756)	(121,364)	(109,781)	(136,660)
Depreciation	(46,558)	(44,440)	(44,440)	(44,440)	(44,439)
Operating income (loss)	(99,747)	(9,581)	(20,131)	(5,537)	(39,890)
Nonoperating revenue (expenses)	(22,699)	(5,293)	(24,000)	(36,221)	(41,642)
Change in net position	(122,446)	(14,874)	(44,131)	(41,758)	(81,532)
Net position					
Beginning of year	(567,646)	(690,092)	(704,966)	(749,097)	(790,855)
End of year	$ (690,092)	$ (704,966)	$ (749,097)	$ (790,855)	$ (872,387)
Net position					
Net investment in capital assets	$ 1,590,340	$ 1,784,058	$ 1,862,754	$ 1,818,314	$ 1,773,875
Unrestricted	(2,280,432)	(2,489,024)	(2,611,851)	(2,609,169)	(2,646,262)
Total net position	$ (690,092)	$ (704,966)	$ (749,097)	$ (790,855)	$ (872,387)

The Fiber Optic Fund ended 2018 with a net position deficit of $872,387, down $81,532 from the prior year. Of this, $1,773,875 represents the net investment in capital assets, while the unrestricted portion has a deficit balance of $2,646,262.

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

SOLID WASTE FUND

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

	2014	2015	2016	2017	2018
Operating revenue	$ 1,095,158	$ 1,127,975	$ 1,084,284	$ 1,099,506	$ 1,135,528
Operating expenses	(839,576)	(1,167,540)	(826,275)	(979,914)	(984,930)
Operating income	255,582	(39,565)	258,009	119,592	150,598
Nonoperating revenue (expenses)	25,694	23,069	27,545	28,887	37,730
Income (loss) before transfers	281,276	(16,496)	285,554	148,479	188,328
Net transfers in (out)	(20,000)	(20,000)	(20,000)	(60,000)	(60,000)
Change in net position	$ 261,276	$ (36,496)	$ 265,554	$ 88,479	$ 128,328
Income (loss) before transfers as a percentage of operating revenue	25.7 %	(1.5) %	26.3 %	13.5 %	16.6 %

The Solid Waste Fund ended 2018 with a net position of $790,387, an increase of $124,148 from the prior year, all of which is reported as unrestricted net position.

Operating revenue increased $36,022 from the previous year, or about 3.3 percent, due to the increased rates. Operating expenses increased $5,016, or about 0.5 percent.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

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

The following table presents the components of the City's net position as of December 31, 2018 and 2017 for governmental activities, business-type activities (utility fund operations), and the Economic Development Authority (EDA) component unit:

	As of December 31,		Increase
	2018	2017	(Decrease)
Net position			
Primary government			
Governmental activities			
Net investment in capital assets	$ 18,936,454	$ 19,304,556	$ (368,102)
Restricted	5,905,069	5,086,728	818,341
Unrestricted	3,798,923	1,906,846	1,892,077
Total governmental activities	28,640,446	26,298,130	2,342,316
Business-type activities			
Net investment in capital assets	5,118,537	5,125,174	(6,637)
Unrestricted	9,430,795	7,364,722	2,066,073
Total business-type activities	14,549,332	12,489,896	2,059,436
Total primary government	43,189,778	38,788,026	4,401,752
Component unit			
Economic Development Authority			
Restricted	134,731	135,809	(1,078)
Total net position	$ 43,324,509	$ 38,923,835	$ 4,400,674

The City (including the EDA) ended 2018 with a combined total net position of $43,324,509, an increase of $4,400,674 from the prior year. At the end of the current fiscal year, the City is able to present positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

As discussed earlier, the City recorded a change in accounting principle for reporting OPEB that reduced beginning unrestricted net position by $418,070.

STATEMENT OF ACTIVITIES

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

The following table presents the change in the net position of the City and the EDA for the years ended December 31, 2018 and 2017:

	2018			2017
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Primary government				
Governmental activities				
General government	$ 1,852,924	$ 340,303	$ (1,512,621)	$ (2,128,350)
Public safety	4,006,547	639,862	(3,366,685)	(3,362,158)
Public works	1,790,048	1,690,397	(99,651)	(428,339)
Parks and recreation	636,499	169,999	(466,500)	(148,106)
Economic development	508,783	–	(508,783)	(471,262)
Interest and fiscal charges	415,264	–	(415,264)	(409,252)
Business-type activities				
Electric	8,960,653	10,176,106	1,215,453	1,227,617
Water	938,780	1,824,511	885,731	1,035,579
Surface water	642,322	820,900	178,578	188,426
Waste water	1,744,588	2,199,434	454,846	621,272
Fiber optic	181,099	141,209	(39,890)	(5,552)
Solid waste	991,685	1,167,695	176,010	137,975
Total primary government	22,669,192	19,170,416	(3,498,776)	(3,742,150)
Component unit				
Economic Development Authority	154,961	–	(154,961)	(81,890)
Total net (expense) revenue	$ 22,824,153	$ 19,170,416	(3,653,737)	(3,824,040)
General revenues				
Property and franchise taxes			6,077,250	5,783,355
Grants and contributions not restricted to specific programs			1,838,514	1,812,458
Other general revenues			184,277	94,949
Investment earnings			339,809	222,694
Gain on sale of assets			32,631	35,774
Total general revenues			8,472,481	7,949,230
Change in net position			$ 4,818,744	$ 4,125,190

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. It also shows that, for the most part, the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

LEGISLATIVE UPDATES

The 2018 legislative session, falling in the second half of the state's fiscal biennium, was a short session in which only two major finance-related bills were passed, omnibus bonding bills related to bonding, and pensions. The following is a brief summary of specific legislative changes from the 2018 session or previous legislative sessions potentially impacting Minnesota cities.

Omnibus Bonding Bill – The omnibus bonding bill authorized financing for over $1.5 billion in capital improvements. Included in the approved funding was $542 million for various transportation infrastructure, $99 million for local city-related economic development projects, and appropriations for a number of different utility (water, sewer, wastewater, etc.) infrastructure improvement programs.

Wastewater Investment Protection – Effective retroactively back to August 1, 2017, when a city builds a new wastewater treatment facility or upgrades one to meet current standards that exceed its previous performance, the investment in that facility would be considered adequate for a period of 16 years before a city could be required to upgrade the facility again to meet updated state wastewater facility standards.

Competitive Bidding Threshold – Effective for contracts awarded on or after August 1, 2018, the dollar threshold at which Minnesota Statutes require the use of a sealed bidding process was raised from $100,000 to $175,000. This extends the dollar range for which contracts may be awarded using direct negotiation (obtaining two quotations) to contracts between $25,000 and $175,000. By reference, this change also increased the dollar threshold at which public contractors' performance and payment bonds are required for contracts over $175,000.

Water Tank Maintenance Contracts – Effective for contracts awarded on or after September 1, 2018, multi-year service contracts for water tank maintenance work that were previously allowed to be awarded through direct negotiation, are required to be awarded through a sealed bid or best value bid procurement process when the total cost of the contract for the services and supplies is expected to exceed the competitive bid threshold of $175,000.

Minnesota Licensing and Registration System (MNLARS) – The Legislature established the MNLARS steering committee, and a one-time appropriation of $9.65 million was approved for fiscal year 2018 to fund costs related to the continued development, improvement, operation, and deployment of the MNLARS. However, a bill to provide an additional proposed appropriation of $9 million to partially compensate deputy registrars throughout the state for financial losses related to the flawed rollout of the MNLARS was vetoed by the Governor.

Pension Benefit Reforms – The 2018 pension bill included a number of reforms to the various defined benefit pension plans across the state, including the plans administered by the Public Employees Retirement Association (PERA).

- Reforms impacting the PERA General Employees Retirement Fund (GERF) plan included:

    - Post-retirement cost of living adjustments (COLAs) will be equal to 50.0 percent of the annual increase for Social Security, but not less than 0.5 percent, and not more than 1.5 percent.
    - For early retirees that retire on or after January 1, 2024, COLAs are deferred until the retiree reaches the normal retirement age.
    - Phases in actuarial reduction factors over five year on early retirement benefits payable beginning July 1, 2019.
    - The rate of interest paid on refunds of employee contributions to former public employees was reduced from an annual rate of 4.0 percent to 3.0 percent.

- Reforms impacting the PERA Public Employees Police and Fire Fund (PEPFF) plan included:
    - Post-retirement COLAs were permanently set at 1.00 percent.
    - Employer contribution rates increase from the current 16.20 percent of covered salaries to 16.95 percent beginning January 1, 2019, and 17.70 percent beginning January 1, 2020.
    - Employee contribution rates increase from the current 10.80 percent of covered salaries to 11.30 percent beginning January 1, 2019, and 11.80 percent beginning January 1, 2020.
    - To reduce the need for additional contribution increases, the state will contribute an additional $4.5 million to the plan annually for fiscal years 2019 and 2020, increasing to $9.0 million annually thereafter through fiscal 2048, or until the plan is fully funded.
    - The rate of interest paid on refunds of employee contributions to former public employees was reduced from an annual rate of 4.00 percent to 3.00 percent.

- Reforms impacting the volunteer firefighter relief associations plan included:
    - Added a requirement that the fire chief annually certify each firefighter's service credit to the relief association and the related municipality effective January 1, 2019.

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

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

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

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

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

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

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

GASB STATEMENT NO. 84, *FIDUCIARY ACTIVITIES*

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

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

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

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

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

GASB STATEMENT NO. 87, *LEASES*

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

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

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

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

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The requirements of this statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interest—an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

It specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. It further specifies that such investments should generally be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund, in which case the majority equity interest should be measured at fair value.

All other holdings of a majority equity interest in a legally separate organization that do not meet the definition of an investment result in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit, and should report an asset related to the majority equity interest using the equity method.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to reporting a majority equity interest in a component unit and reporting a component unit if the government acquires a 100 percent equity interest, which should be applied prospectively.

Uniform Guidance, Micro-Purchase Threshold

Under the Uniform Guidance for federal programs, a micro-purchase is one for goods or services that, due to its relatively low value, does not require the government to abide by many of its ordinary competitive procedures, including small business set-asides. Because the contract is theoretically such a low amount, the contracting officer can pick virtually whatever company and product he or she wants to satisfy the procurement, so long as the price is reasonable. The standard micro-purchase threshold has been amended to increase the threshold to $10,000, effective June 20, 2018. Entities are not required to increase the micro-purchase and simplified acquisition thresholds but, if they wish to do so, they must update their procurement policies and procedures to reflect the change in thresholds. They cannot retroactively make these changes effective prior to June 20, 2018.

CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended
December 31, 2018

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CITY OF NORTH ST. PAUL
RAMSEY COUNTY, MINNESOTA

Special Purpose Audit Reports
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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, 2018, 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, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
April 24, 2019

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of North St. Paul, Minnesota (the City) as of and for the year ended December 31, 2018, 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, 2019.

MINNESOTA LEGAL COMPLIANCE

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the Schedule of Findings and Responses as items 2018-001 and 2018-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

CITY'S RESPONSES TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
April 24, 2019

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2018-001 FIRE RELIEF PAYMENT

Criteria – Minnesota Statutes §69.031 and §423A.022.

Condition – Minnesota Statutes require the City to transmit the fire state aid and firefighter retirement supplemental state aid received from the Commissioner of Management and Budget to the fire relief association within 30 days of receipt by the City. The City was not in compliance with these statutes.

Context – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – The City did not transmit the fire state aid and firefighter retirement supplemental state aid to the fire relief association within 30 days of receipt by the City as required by Minnesota Statutes.

Recommendation – We recommend that the City review its policies and procedures to ensure future compliance with this statute.

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

2018-002 SOLID WASTE MANAGEMENT BILLING

Criteria – Minnesota Statutes § 297H.07.

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

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

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

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

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

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

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