

Regular Board Meeting

April 23, 2019 - 2:00 p.m.

380 St. Peter Street, Suite 850 | Saint Paul, MN 55102

Minutes

Approval of Minutes from the March 26, 2019 Regular Board Meeting

Conflicts of Interest

Conflicts with any Items on the Agenda

New Business

Administrative Committee

1. Acceptance of 2018 Audit

General Matters

1. Credit Committee Expansion Recommendation
2. Such Other Business That May Come Before the Board

Closed Meeting

1. Performance Evaluation of SPPA President

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR BOARD MEETING
MARCH 26, 2019**

The regular meeting of the Port Authority Board was held on March 26, 2019, at 2:01 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Board Members were present:

John Bennett

Paul Williams

Nneka Constantino

Don Mullin

John Marshall

Also present were the following:

Lee Krueger

Todd Hurley

Andrea Novak

Ann Kosel

Sarah Savela

Deb Forbes

Kathryn Sarnecki

David Johnson

Ava Langston-Kenney

Michael Linder

Andrea Novak

Dana Krueger

Eric Larson, General Counsel, City of Saint Paul

Kiki Sonnen

Emma Nelson, Star Tribune

Deb MacKay, Faegre Baker Daniels

APPROVAL OF MINUTES

Commissioner Mullin made a motion to approve the minutes of the February 26, 2019 Board meeting. The motion was seconded by Commissioner Marshall, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

There were no conflicts of interest with any items on the agenda.

NEW BUSINESS

CREDIT COMMITTEE

RESOLUTION NO. 4648

AWARD OF CONTRACT FOR CONSTRUCTION OF FENDER REPLACEMENT AT BARGE TERMINAL 1

Motion was made by Commissioner Williams to approve Resolution No.4648 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

RESOLUTION NO. 4649
2018 LEGISLATIVE BONDING BILL SPECIAL APPROPRIATION GRANT
FOR EXPANSION OF THE MINNESOTA MUSEUM OF AMERICAN ART

Motion was made by Commissioner Williams to approve Resolution No. 4649 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

RESOLUTION NO. 4650
MINNESOTA MUSEUM OF AMERICAN ART GROUND LEASE AND LEASE/USE AGREEMENT

Motion was made by Commissioner Williams to approve Resolution No. 4650 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a vote and carried unanimously.

GENERAL MATTERS

There being no further business, the meeting was adjourned at 2:08 p.m.

By _____

Its _____

/amk

PORT AUTHORITY OF THE CITY OF SAINT PAUL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	8
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	9
STATEMENT OF FIDUCIARY NET POSITION	10
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	10
NOTES TO BASIC FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)	36
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS - OPEB	37
PERA SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	38
PERA SCHEDULE OF THE PORT AUTHORITY'S CONTRIBUTIONS	39

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the the business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (Port Authority), as of and for the year ended December 31, 2018, and the related notes to basic financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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 entity'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 entity'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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Port Authority of the City of Saint Paul as of December 31, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended December 31, 2018, the Port Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard the disclosures related to other postemployment benefits have changed from the prior year, but there was no significant financial impact to the Port Authority.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits, schedules of the Port Authority's proportionate share of the net pension liability, and schedules of the Port Authority's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019, on our consideration of the Port Authority of the City of Saint Paul's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 result of that testing, and not to provide an opinion on the effectiveness of the Port Authority of the City of Saint Paul'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 Port Authority of the City of Saint Paul's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 16, 2019

REQUIRED SUPPLEMENTARY INFORMATION

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The management of the Port Authority of the City of Saint Paul (the Port Authority) provides this narrative overview and analysis of the Port Authority's financial activities for the fiscal year ended December 31, 2018. We encourage readers to consider this information in conjunction with the complete financial statements presented herein. All amounts, unless otherwise indicated, are presented in thousands of dollars.

The Port Authority's annual report consists of three basic financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements focus on the financial condition of the Port Authority, the results of operations, and cash flows of the Port Authority as a whole.

STATEMENT OF NET POSITION

	2018	2017
Current and Other Assets	\$ 151,044	\$ 145,428
Capital Assets	17,965	33,361
Total Assets	169,009	178,789
Deferred Outflows of Resources	577	689
Long-Term Liabilities	96,644	92,536
Other Liabilities	17,154	33,290
Total Liabilities	113,798	125,826
Deferred Inflows of Resources	386	382
Net Position:		
Net Investment in Capital Assets	8,451	8,786
Restricted, Debt Service	3,615	3,711
Restricted, Capital Maintenance on Owned Facilities	463	337
Restricted, Enabling Legislation	42,886	40,436
Total Net Position	\$ 55,415	\$ 53,270

FINANCIAL HIGHLIGHTS

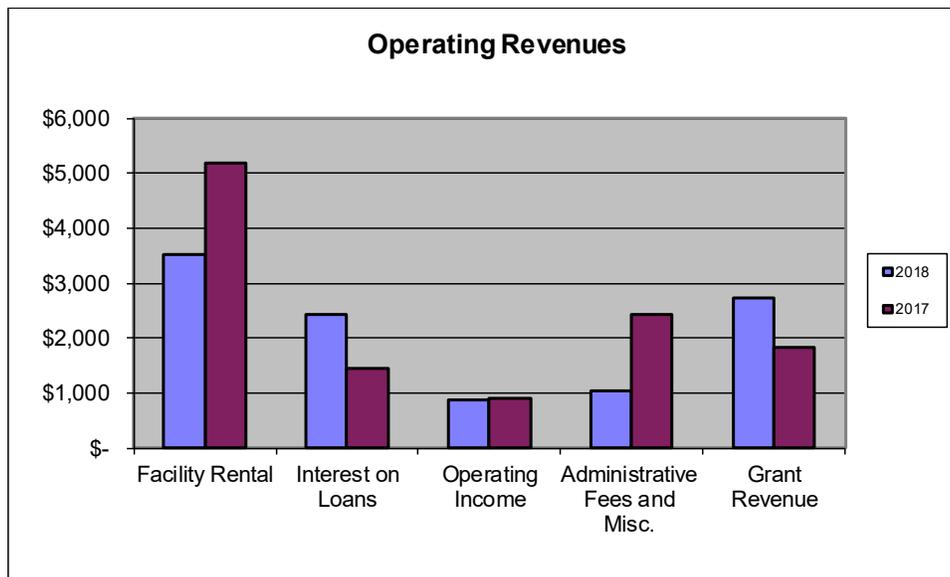
- Total assets were \$169 million or 5.46% less than in 2017. Current and Other Assets decreased \$5.6 million or 3.9% mainly from the following changes: 1) loans receivable increased by approximately \$8.3 million mainly due to increases in special assessments associated with energy saving projects which were offset by third party loans payable; 2) decreases in property taxes receivable of \$4.2 million mainly associated with collections in tax increment financing districts; 3) loan repayments on energy related grants as well as repayments on loans and advances to tax increment financing districts resulted in increases in cash and investments of \$3.8 million; and 4) minor changes in most of the other assets. Capital Assets decreased \$15.4 million, mainly from transferring the Public Safety Facility to the City of Saint Paul in 2018 after the certificate of occupancy was issued which was offset partially by current year depreciation of \$0.9 million. The Public Safety Facility was financed by a construction loan and was removed as part of the transfer.
- Deferred Outflows decreased \$113 thousand over the prior year as a result of a decrease in pension related costs associated with the Port Authority's share of pension costs associated with the Minnesota Public Employee Retirement System.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

- Total liabilities decreased \$12 million for a 9.6% decrease over 2017. Debt associated with special assessments for third-party energy saving projects and funded by outside parties increased by \$11.6 million over the debt associated with the construction of a Public Safety Training Facility for the City of Saint Paul decreased by \$14.1 million and other debt decreased by \$6.1 million. Retainage on construction projects decreased \$500 thousand and deposits from tenants and customers decreased \$1.8 million. In addition, an irrevocable trust was established for retiree health insurance which further reduced the liabilities by \$600 thousand. There were minor changes in most other liabilities.

Operating Revenues: Operating revenues decreased \$1.2 million or 10.1% to \$10.6 million in 2018 from \$11.8 million in 2017. Facilities and Other Rentals had a decrease of \$1.6 million; most of the decrease was from tenant contributions towards enhancements to the shipping terminals in 2017 which was partially offset with small increases in rates on most leases as well as increases in volume related fees at the sites. Administrative Fees also saw a decrease of approximately \$1.4 million, or a 57% decrease from 2017; the majority of the decrease resulted from an environmental insurance settlement received in 2017. Interest on loans increased by around \$981 thousand as a result of more energy saving loan activity. Grants increased \$893 thousand as a result of increased remediation work funded by grants from outside sources. Operating Income had small adjustments from the prior year. The following schedule presents a summary of the revenues for the years ended December 31, 2018 and 2017, and the percentages of increase or decrease in relation to the prior year's revenues.

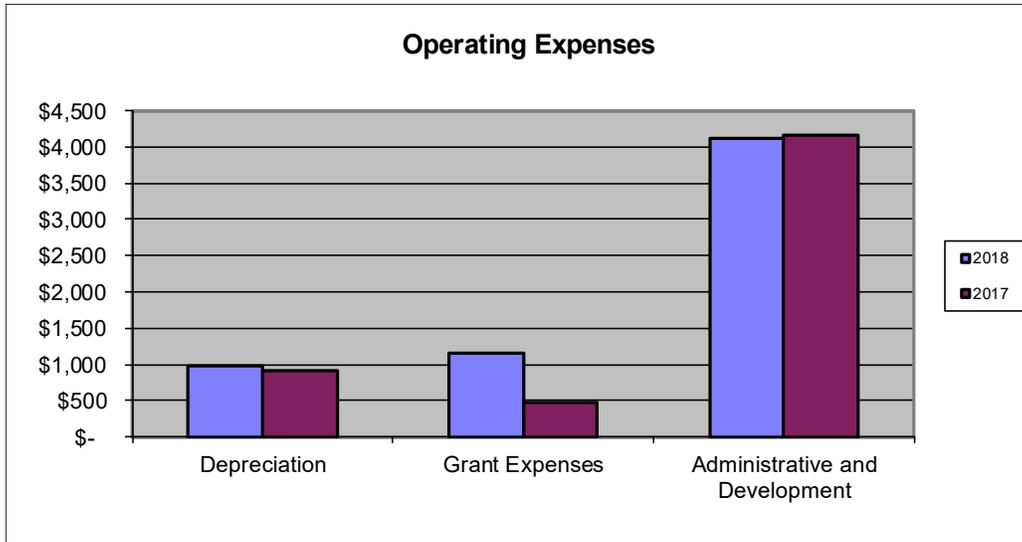
	2018	Percentage of Total	2017	Percentage of Total	Increase (Decrease) from 2017	Percentage Change
Operating Revenues						
Facility Rental	\$ 3,533	33.3 %	\$ 5,181	43.9 %	\$ (1,648)	(31.8)%
Interest on Loans	2,423	22.8	1,442	12.2	981	68.0
Operating Income	872	8.2	900	7.6	(28)	(3.1)
Administrative Fees and Misc.	1,054	9.9	2,448	20.7	(1,394)	(56.9)
Grant Revenue	2,738	25.8	1,846	15.6	892	48.3
Total Operating Revenues	<u>\$ 10,620</u>	<u>100.0 %</u>	<u>\$ 11,817</u>	<u>100.0 %</u>	<u>\$ (1,197)</u>	<u>(10.1)%</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Operating Expenses: Operating expenses increased 10.1% to \$8.8 million in 2018 from \$8 million in 2017. Depreciation is mainly related to the Energy Park Utility distribution system and comparable to the prior year. As noted above, grant revenues increased \$893 thousand in the current year associated with increased remediation efforts, resulting in overall grant expenses increasing as well. Administrative and Development costs remained consistent with the prior year. Revenues pledged to others relates to leased property revenues which are pledged to and passed on to third parties; while the majority of the main lease rate increase annually, a portion of this revenue is based upon volume. In 2018 these revenues increased by around \$100 thousand or a 4.1% increase from 2017. The following schedule presents a summary of expenses for the years ended December 31, 2018 and 2017, and the percentage change in relation to the prior year's expenses.

	2018	Percentage of Total	2017	Percentage of Total	Increase (Decrease) from 2017	Percentage Change
Operating Expenses:						
Depreciation	\$ 979	11.1 %	\$ 905	11.3 %	\$ 74	8.2 %
Grant Expenses	1,146	13.0	479	6.0	667	139.2
Administrative and Development	4,127	46.9	4,158	52.0	(31)	(0.7)
Revenues Pledged to Others	2,555	29.0	2,455	30.7	100	4.1
Total	<u>\$ 8,807</u>	<u>100.0 %</u>	<u>\$ 7,997</u>	<u>100.0 %</u>	<u>\$ 810</u>	<u>10.1 %</u>



**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Debt Administration: As of December 31, 2018, the Port Authority has various debt issues outstanding. These issues include \$31.4 million in general obligation bonds, \$16.1 million in taxable revenue bonds, \$2.5 million in other development bonds, \$9.6 million in limited liability bonds and \$43.8 million in promissory notes and loans which is a net decrease of \$8.6 million from 2017. While there was an \$11.6 million increase in notes and loans payable to third parties associated with energy loans, scheduled debt and other payments more than offset this increase. The Port Authority's debt is either not rated or, in the case of general obligation debt, is assigned the City of Saint Paul's rating, which is rated AAA by Standard and Poor's Rating Service and Fitch Ratings. The majority of the other bonds, notes and loans were used for energy savings projects, of which most are secured by special assessments on the related projects and are fully offset with loans receivable. See Note 5 for additional information regarding the Port Authority's outstanding debt.

OTHER INFORMATION

Employees: The Port Authority had 19 and 18.5 regular fulltime employees as of December 31, 2018 and 2017, respectively.

General Business of the Port Authority: The Port Authority develops industrial business centers, and recycles brownfields to assist in creating tomorrow's jobs. This can result in the Port Authority owning land, buildings and improvements. The Port Authority also owns and operates barge terminals and related storage facilities. All of these facilities are located in Saint Paul, Minnesota. The Port Authority contributes to the East Metro's growth and prosperity by providing businesses with cleaner land on which to expand, space on the Mississippi River to receive and ship commodities efficiently, and loans for real estate, equipment purchases, and energy savings. Energy saving loans are financed with funds from grants or third party funds and can be used for projects throughout the state.

Recycling Brownfields: The Port Authority has remediated numerous sites which are then sold to entities that agree to various development criteria for the site. While the majority of the sites have been sold and developed, the Port continues to market space in two of its redeveloped business centers – the 61-acre Beacon Bluff Business Center on Saint Paul's East side and the River Bend Business Center at Shepard Road and Randolph Street.

Requests for Information: This financial report is designed to provide a general overview of the Port Authority's finances for all those with an interest in the Port Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Port Authority of the City of Saint Paul, Todd Hurley, Chief Financial and Operating Officer, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102-1313.

BASIC FINANCIAL STATEMENTS

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
(IN THOUSANDS)

	Primary Government	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 735	\$ 515
Restricted Cash and Cash Equivalents	20,823	1,249
Accounts Receivable	812	87
Due from Component Unit	226	-
Accrued Interest Receivable	21	27
Loans Receivable from Port Authority	-	1,746
Fuel Inventory	26	-
Prepaid Expenses	151	141
Restricted Investments	12,060	-
Investments	-	7,212
Other Assets	116,190	-
Net OPEB Asset	13	-
Capital Assets:		
Land and Construction in Progress	2,045	5,980
Other Capital Assets, Net of Depreciation	15,920	12,005
Total Assets	169,022	28,962
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pensions	222	-
Deferred Outflows of Resources - Loss on Debt Refunding	355	-
Total Deferred Outflows of Resources	577	-
LIABILITIES		
Accounts Payable, Accrued Expenses, and Unearned Revenue	814	-
Accrued Interest Payable	1,093	432
Due to Port Authority	-	226
Other Accrued Liabilities	7,062	2,768
Long-Term Liabilities Due Within One Year	8,185	58,842
Long-Term Liabilities	95,451	3,605
Net Pension Liability	1,193	-
Total Liabilities	113,798	65,873
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pensions	386	-
NET POSITION		
Net Investment in Capital Assets	8,451	5,942
Restricted for:		
Debt Service	3,615	-
Capital Maintenance on Owned Facilities	463	-
Enabling Legislation	42,886	-
Equity On Ice	-	87
Unrestricted	-	(42,940)
Total Net Position	\$ 55,415	\$ (36,911)

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

	Primary Government	Component Unit
OPERATING REVENUES		
Revenue Bond Facilities and Loan:		
Facility and Other Rentals	\$ 3,533	\$ -
Interest on Loans	2,423	-
Operating Income on Owned Facilities	872	1,667
Administrative and Other Fees	1,054	171
Grant Revenues	2,738	105
Total Operating Revenues	10,620	1,943
OPERATING EXPENSES		
Administrative and Development	4,127	417
Operations of Owned Facilities	-	2,123
Revenues Pledged to Others	2,555	-
Depreciation	979	539
Grant Expenses	1,146	1,000
Total Operating Expenses	8,807	4,079
OPERATING INCOME (LOSS)	1,813	(2,136)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	334	187
Equity Earnings on Joint Ventures	-	699
Debt Service Levies	9,423	-
Interest Expense on Revenue Bonds and Notes Payable	(3,753)	(4,904)
Provision for Uncollectable Accounts	-	(155)
Income from Operating Leases	-	127
Fiscal and Development Fees	(5,672)	-
Miscellaneous Income	-	12
Total Nonoperating Revenues (Expenses)	332	(4,034)
CHANGE IN NET POSITION	2,145	(6,170)
Net Position - Beginning of Year	53,270	(30,741)
NET POSITION - END OF YEAR	\$ 55,415	\$ (36,911)

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 4,405
Grant Receipts	2,712
Other Operating Receipts	5,690
Payments for Administrative and Development Expenses	(8,428)
Payments to Employees	1,781
Grant Expenses and Other Payments for Operations	(1,146)
Net Cash Provided by Operating Activities	<u>5,014</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Proceeds for Issuance of Debt	225
Principal Paid on Debt	(5,556)
Interest and Paying Agent Fees on Bonds	(5,331)
Receipts from Debt Service Levies	13,631
Net Cash Provided by Noncapital Financial Activities	<u>2,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(628)
Principal Paid on Capital Debt	(2,847)
Interest and Agency Fees Paid on Capital Debt	(2,010)
Net Cash Used by Capital and Related Financing Activities	<u>(4,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	335
Purchase of Investments	(2,417)
Proceeds from the Sale of Investments	91
Net Cash Used by Investing Activities	<u>(1,991)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	1,477
Cash and Cash Equivalents - January 1	<u>20,081</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 21,558</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 1,813
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	979
Changes in Assets and Liabilities:	
Decrease in Receivables	402
Decrease in Prepaids	24
Decrease in Inventory	28
Decrease in Loans Receivable	2,708
Decrease in Other Assets	1,812
Increase in Net OPEB Asset	(13)
Decrease in Deferred Outflows	113
Decrease in Payables	(1,038)
Decrease in Other Liabilities	(1,818)
Increase in Deferred Inflows	4
Net Cash Provided by Operating Activities	<u><u>\$ 5,014</u></u>

See accompanying Notes to Basic Financial Statements.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
STATEMENT OF FIDUCIARY NET POSTION
DECEMBER 31, 2018
(IN THOUSANDS)**

	OPEB Irrevocable Trust
ASSETS	
Restricted Investments	\$ 597
NET POSITION	
Restricted for OPEB	\$ 597

**STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)**

	OPEB Irrevocable Trust
ADDITIONS	
Contributions	\$ 634
Earnings on Investments	(3)
Total Additions	631
NET INCREASE IN NET POSITION	597
Net Position - Beginning of Year	-
NET POSITION - END OF YEAR	\$ 597

See accompanying Notes to Basic Financial Statements.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority) is a body corporate of the State of Minnesota and a redevelopment agency within the meaning of Minnesota statutes. The Port Authority is an enterprise fund and accounts for operations similar to private business enterprises, where the intent is that the costs to provide services on a continuing basis be financed or recovered primarily through user charges. The Port Authority's purpose is to increase the volume of commerce and employment in the City of Saint Paul (the City) and the East Metro Area of the Twin Cities through the creation of development districts and the acquisition and construction of industrial, commercial, and other revenue-producing projects. The Port Authority finances this development in order to expand the tax base and create job opportunities.

Financial Reporting Entity

The powers of the Port Authority are vested in the seven-member board of commissioners, the members of which are nominated by the Mayor and confirmed by the City Council of the City of Saint Paul. Once appointed, the board of commissioners exercises all oversight responsibilities, including, but not limited to, matters of personnel, management, finance, and budget. The accompanying financial statements present the Port Authority and its component unit, an entity for which the Port Authority is considered to be financially accountable. The discretely presented component unit, described below, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separated from the Port Authority.

Certain Port Authority bond issues have been backed by the full faith and credit of the City. This general obligation pledge has allowed the Port Authority to obtain lower borrowing costs for the purpose of financing redevelopment projects. Governmental Accounting Standards Board (GASB) Codification 2100 states that a primary government that appoints a voting majority of an organization's officials and is obligated in some manner for the debt of that organization is financially accountable for that organization. Based on this criterion, the Port Authority is considered a discretely presented component unit of the City and is included in its basic financial statements.

Discretely Presented Component Unit

Capital City Properties (CCP) is a Minnesota nonprofit corporation established in 1991 for the purpose of performing the functions and carrying out certain public purposes of the Port Authority. All of the members of the board of directors of CCP are either commissioners or staff of the Port Authority. CCP leases the Capital City Plaza Parking Garage St. Paul, as well as participates in various joint ventures. CCP separately issues its own financial statements which may be obtained by writing to CCP at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102-1313.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Measurement Focus and Basis of Accounting

The Port Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The Port Authority utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The Port Authority excludes from its basic financial statements all debt considered conduit debt as well as the related assets and operations. The Port Authority defines conduit debt as "no-commitment" debt for which the Port Authority has no further obligation, as defined by governmental accounting standards generally accepted in the United States of America. See Note 11 for further information related to no-commitment debt.

In 2018, the Port Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of this standard did not have a significant impact on the financial statements of the Port Authority.

Use of Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include demand deposit and savings accounts, money market funds, and commercial paper with original maturities of three months or less. Some cash of the discretely presented component unit is deposited with the Port Authority's deposits and invested on a short-term basis in checking, savings, and money market accounts. Interest income earned as a result of the pooling is distributed based on the investment fund balances for the proprietary funds. All of the Port Authority's cash and cash equivalents are restricted by bond indentures and/or board resolutions.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Restricted Investments

Restricted investments are reported at fair market value, with the unrealized gains and losses reported as a component of investment income, except for debt securities that have a remaining maturity at the time of purchase of one year or less, which are reported at amortized cost. All investments and earnings attributable to these restricted funds are accounted for directly by the Port Authority and are restricted in accordance with the provisions of bond indentures and a board resolution for operations and payments of debt service on the bonds. The funds and accounts the Port Authority is required to maintain are as follows:

- **Operations:** Pursuant to Board of Commissioners Resolution Number 3300 dated February 19, 1991, the Port Authority established an operating reserve account to enable the Port Authority to continue to carry out the covenants made with holders of bonds issued pursuant to certain bond financing programs. The reserve account is reviewed periodically, to determine whether the reserve is adequate.
- **Development programs:** Amounts have been restricted for the project-specific purposes.

Unamortized Bond Discounts and Premiums

Unamortized bond discounts and premiums are amortized over the life of the related debt.

Other Assets

Other assets consist of reimbursable project costs, future tax levies receivable, levied taxes receivable, and loans receivable (see Note 3).

Reimbursable project costs represent costs incurred by the Port Authority for specific projects that will be repaid in the future through various funding sources (tax increment financing, bond proceeds, state or federal grants, etc.). The Port Authority assesses the collectability of these costs on a project-by-project basis and reserves an amount as uncollectible based on known factors related to future funding sources and the estimated timing of collection.

The Port Authority records a receivable for future tax levies related to various bonds that are issued to finance projects. The bonds issued establish an irrevocable levy which creates a legally enforceable claim for repayment of the outstanding bond proceeds.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018
 (ALL AMOUNTS IN THOUSANDS)**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

Capital Assets

Properties and facilities are recorded at cost, including capitalized interest. Rental income is recorded for all properties and facilities under operating leases. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

	Years
Land Improvements – Including Steam Utility System	10 - 40
Furniture, Fixtures, and Equipment	3 - 5

Impairment of Capital Assets

The Port Authority reviews its capital assets for recoverability whenever events or changes in circumstances suggest that the service utility of a capital asset may have significantly or unexpectedly declined, indicating that an impairment of its capital assets has occurred. If impairment has occurred, the estimated impairment is based on the diminished service utility of the capital asset. To date, management has determined that no impairment of long-lived assets exists.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port Authority's irrevocable OPEB trust and additions to/deductions from Port Authority's irrevocable OPEB trust' fiduciary net position have been determined on the same basis as they are reported by the Port Authority's irrevocable OPEB trust. For this purpose, Port Authority recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the financial position and operations. Certain comparative information has been reclassified to conform to the current year presentation.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota state statutes, the Port Authority maintains deposits at financial institutions authorized by the board of commissioners. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk - Deposits – In the case of deposits, custodial risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the Port Authority's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Investments

The Port Authority may also invest idle funds as authorized by Minnesota Statutes as follows:

- 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 and with the highest credit rating, is 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
- Obligations of a school district with an original maturity not exceeding 13 months which is (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minn. Stat. § 126C.55.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The Port Authority held the following investments as of December 31, 2018:

Investment Type	Fair Value
U.S. Treasury Notes	\$ 4,745
Federal Home Loan Mortgage Corp. (Freddie Mac)	581
Federal National Mortgage Assoc. (Fannie Mae)	851
Government National Mortgage Assoc. (Ginnie Mae)	7
Federal Home Loan Bank	654
State and Local Obligations: Municipal Bonds	204
Total Investments at Fair Value	\$ 7,042

Investment Type	Amortized Cost
4M - External Investment Pools	\$ 5,018

The Port Authority OPEB Irrevocable Trust Fund held the following investments as of December 31, 2018:

Investment Type	Fair Value
MN SBI Non-Retirement Bond Fund	\$ 397
MN SBI Non-Retirement Equity Fund	49
Total Investments at Fair Value	\$ 446

Investment Type	Amortized Cost
MN SBI Non-Retirement Money Market Fund	\$ 151

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk – As a means of managing its exposure to fair value losses arising from increasing interest rates, it is the Port Authority’s practice to match maturities to its liquidity needs. The Port Authority establishes benchmarks that reflect its expected cash flow needs and minimize interest rates that are materially longer or shorter than those established by the benchmarks chosen. Maximum duration of the portfolio is 120% of the benchmark duration.

The Port Authority’s schedule of the average maturities by investment type as of December 31, 2018 is as follows:

Investment Type	Investment Maturities (In Years)					Total
	Less than 1	1-5	6-10	More Than 10	No Maturity	
U.S. Treasury Notes	\$ 682	\$ 3,213	\$ 850	\$ -	\$ -	4,745
Government-Sponsored Enterprises:						
Federal Home Loan Mortgage Corp (Freddie Mac)	539	31	-	11	-	581
Federal National Mortgage Assoc. (Fannie Mae)	400	23	396	32	-	851
Government National Mortgage Assoc. (Ginnie Mae)	-	7	-	-	-	7
Federal Home Loan Bank	654	-	-	-	-	654
State & Local Obligations: Municipal Bonds	54	150	-	-	-	204
4M - External Investment Pools	-	-	-	-	5,018	5,018
Total	\$ 2,329	\$ 3,424	\$ 1,246	\$ 43	\$ 5,018	\$ 12,060

The Port Authority OPEB Irrevocable Trust Fund’s schedule of the average maturities by investment type as of December 31, 2018 is as follows:

Investment Type	Investment Maturities (In Years) No Maturity
MN SBI Non-Retirement Bond Fund	\$ 397
MN SBI Non-Retirement Equity Fund	49
MN SBI Non-Retirement Money Market Fund	151
Total	\$ 597

Credit Risk – As a means of managing its exposure that an issuer of a debt security will not fulfill its obligation, it is the Port Authority’s practice to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is the Port Authority’s policy that securities must carry an A- or higher long-term rating by one rating agency or the highest quality short-term rating (without regard to modifiers) by two of the following rating agencies: Standard & Poors, Fitch, or Moody’s.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The Port Authority's investments at December 31, 2018 carried the following ratings:

Investment Type	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				Total
	AAA/Aaa	AA/Aa	A	Not Rated	
U.S. Treasury Notes	\$ 4,745	\$ -	\$ -	\$ -	\$ 4,745
Government-Sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	-	522	-	59	581
Federal National Mortgage Assoc. (Fannie Mae)	-	615	-	236	851
Government National Mortgage Assoc. (Ginnie Mae)	-	-	-	7	7
Federal Home Loan Bank	-	654	-	-	654
State & Local Obligations: Municipal Bonds	-	125	79	-	204
4M - External Investment Pools	-	-	-	5,018	5,018
Total	<u>\$ 4,745</u>	<u>\$ 1,916</u>	<u>\$ 79</u>	<u>\$ 5,320</u>	<u>\$ 12,060</u>

The Port Authority OPEB Irrevocable Trust Fund's investments at December 31, 2018 carried the following ratings:

Investment Type	Credit Risk Not Rated
MN SBI Non-Retirement Bond Fund	\$ 397
MN SBI Non-Retirement Equity Fund	49
MN SBI Non-Retirement Money Market Fund	151
Total	<u>\$ 597</u>

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Port Authority will not be able to recover the value of its investments that are in the possession of another party. The Port Authority requires all securities purchased to be made in such a manner so that the securities are registered in the Port Authority's name or are in the possession of the Port Authority or a third-party custodian in the Port Authority's name.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk – The Port Authority diversifies its portfolio in order to minimize the impact of losses from any one individual issuer. It is the Port Authority’s policy to limit the amount invested in any one issuer at the time of the purchase, excluding securities of the U.S. Government and government sponsored enterprise securities. There were no violations of the policy during the year.

At December 31, 2018 more than 5% of the Port Authority’s investments are in the following issuers:

Investment Issuer:	Percent of Total <u>Investments</u>
Federal National Mortgage Assoc. (Fannie Mae)	7.06%
Federal Home Loan Bank	5.42%

At December 31, 2018, the Port Authority OPEB Irrevocable Trust Fund had not invested more than 5% of its Fund’s investments any particular issuer.

Fair Value Measurements

The Port Authority uses fair value measurements to record fair value adjustments to certain asset and liabilities and to determine fair value disclosures.

The Port Authority follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Port Authority has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the Port Authority measured at fair value on a recurring basis are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 4,745	\$ -	\$ -	\$ 4,745
Government-sponsored Enterprises:				
Federal Home Loan Mortgage Corp (Freddie Mac)	581	-	-	581
Federal National Mortgage Assoc. (Fannie Mae)	851	-	-	851
Government National Mortgage Assoc. (Ginnie Mae)	7	-	-	7
Federal Home Loan Bank	654	-	-	654
State & Local Obligations: Municipal Bonds	-	204	-	204
Total Investments Measured at Fair Value	<u>\$ 6,838</u>	<u>\$ 204</u>	<u>\$ -</u>	<u>\$ 7,042</u>

Assets of the Port Authority OPEB Irrevocable Trust Fund measured at fair value on a recurring basis are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
MN SBI Non-Retirement Bond Fund	\$ 397	\$ -	\$ -	\$ 397
MN SBI Non-Retirement Equity Fund	49	-	-	49
Total Investments Measured at Fair Value	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>

NOTE 3 OTHER ASSETS

Other assets consist of the following at December 31, 2018:

Reimbursable Project Costs	\$ 8,929
Future Tax Levies	51,646
Loans Receivable	62,195
Allowance for Uncollectible Amounts	(6,580)
Total	<u>\$ 116,190</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements, and balances for the year ended December 31, 2018 were as follows:

	Balance at Beginning of Year	Increases	Decreases	Reclassifications	Balance at End of Year
Business-Type Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,045	\$ -	\$ -	\$ -	\$ 2,045
Construction in Progress	14,573	275	14,848	-	-
Total Capital Assets, Not Being Depreciated	<u>16,618</u>	<u>275</u>	<u>14,848</u>	<u>-</u>	<u>2,045</u>
Capital Assets, Being Depreciated:					
Land Improvements	44,868	332	197	-	45,003
Furniture and Equipment	2,587	22	-	-	2,609
Total Capital Assets, Being Depreciated	<u>47,455</u>	<u>354</u>	<u>197</u>	<u>-</u>	<u>47,612</u>
Accumulated Depreciation for:					
Land Improvements	28,487	875	-	3	29,365
Furniture and Equipment	2,225	104	-	(3)	2,326
Total Accumulated Depreciation	<u>30,712</u>	<u>979</u>	<u>-</u>	<u>-</u>	<u>31,691</u>
Total Capital Assets, Being Depreciated, Net	<u>16,743</u>	<u>(625)</u>	<u>197</u>	<u>-</u>	<u>15,921</u>
Business-Type Activities Capital Assets, Net	<u>\$ 33,361</u>	<u>\$ (350)</u>	<u>\$ 15,045</u>	<u>\$ -</u>	<u>\$ 17,966</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 5 REVENUE BONDS AND NOTES PAYABLE

Unless otherwise noted below, all obligations are in the name of the Port Authority of the City of Saint Paul with interest due semi-annually and principal due in varying installments. At December 31, 2018, revenue bonds and notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
General Obligation Debt:	
3.0% to 5.375% Bonds, Series 2009-15, with principal due through 2027, for the Beacon Bluff project.	\$ 3,700
4.10% to 4.20% Bonds, Series 2009-16, with principal due through 2030, for the Beacon Bluff project.	2,055
2.0% to 3.75% Tax Exempt Tax Increment Revenue Refunding Bonds, Series 2010-2, with principal due through 2027 for the Williams Hill Project, primarily paid with tax increment but further collateralized with a general obligation pledge.	2,290
2.0% to 3.625% Taxable Bonds, Series 2013-1, with principal due through 2038 for financing the acquisition, remediation and improvement of blighted and marginal land for redevelopment.	6,820
2.0% to 3.0% Refunding Bonds, Series 2014-1, with principal due through 2024, backed by the full faith and credit of the City of Saint Paul.	5,345
1.0% to 2.9%, Taxable General Obligation Bonds, Series 2016-2, with principal due through 2029, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	5,535
2.0% to 4.0%, Tax Exempt General Obligation Refunding Bonds, Series 2016-3, with principal due through 2029, backed by the full faith and credit of the City of Saint Paul.	5,115
2.0%, Taxable General Obligation Bonds, Series 2016-4, with principal due through 2020, for financing the acquisition, remediation, and improvement of blighted and marginal land for redevelopment, backed by the full faith and credit of the City of Saint Paul.	565
Revenue Bonds:	
\$1,905,000 of 5.45% and \$5,595,000 of 5.70% Tax Exempt Revenue Bonds Series 2012-3, with principal due through 2036, for the Energy Park Utility Company Project.	7,500
5.00% Taxable Revenue Bonds Series 2012-4, with principal due through 2022, for the Energy Park Utility Company Project.	660
4.02% Taxable Revenue Bonds Series 2013-6, with principal due through 2039, for the financing of a new multi-purpose regional ballpark.	7,910
Bonds Collateralized by Tax Increment Financing:	
4.25% Tax Exempt Tax Increment Revenue Bonds, Series 2017-6, with principal due through 2027, for the Riverbend project.	1,570
6.25% Limited Taxable Tax Increment Revenue Notes, Series 2011-2, with principal due in 2021, for Energy Lane.	911
Limited Bonds Collateralized by Future Tax Levies:	
5.0% Tax-Exempt Limited Tax-Supported Refunding Bonds, Series 2017-1, with principal due through 2037.	8,485
1.35% to 2.375% Taxable Limited Tax-Supported Bonds, Series 2017-2, with principal due through 2021.	1,070
Other Debt:	
Other Notes and Loans Payable	42,894
	<u>102,425</u>
Plus: Unamortized Bond Premium	1,211
Less: Current Maturities	<u>(8,185)</u>
	<u>\$ 95,451</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 5 REVENUE BONDS AND NOTES PAYABLE (CONTINUED)

The Port Authority's lending and development programs are primarily financed by the issuance of various forms of revenue bonds or notes, which are collateralized based upon the circumstances under which the bonds were issued.

The Port Authority's revenue bond and note agreements include various restrictions and covenants.

Scheduled maturities of long-term obligations for the years ending December 31 are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 8,185	\$ 3,893	\$ 12,078
2020	9,193	3,589	12,782
2021	7,726	3,289	11,015
2022	8,169	2,992	11,161
2023	7,929	3,323	11,252
2024-2028	36,174	8,839	45,013
2029-2033	13,319	3,912	17,231
2034-2038	11,185	1,151	12,336
2039	545	13	558
Total	<u>\$ 102,425</u>	<u>\$ 31,001</u>	<u>\$ 133,426</u>

Long-term liability activity for the year ended December 31, 2018 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 33,885	\$ -	\$ 2,460	\$ 31,425	\$ 2,855
Taxable Revenue Bonds	16,410	-	340	16,070	375
Development Revenue Bonds	3,079	-	598	2,481	284
Limited Tax Supported Bonds	9,840	-	285	9,555	350
Bond Premiums	1,386	-	175	1,211	-
Total Bonds Payable	<u>64,600</u>	<u>-</u>	<u>3,858</u>	<u>60,742</u>	<u>3,864</u>
Notes and Loans Payable	47,565	11,637	16,308	42,894	4,322
Total Long-Term Liabilities	<u>\$ 112,165</u>	<u>\$ 11,637</u>	<u>\$ 20,166</u>	<u>\$ 103,636</u>	<u>\$ 8,186</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 6 RELATED PARTY TRANSACTIONS

As discussed in Note 1, CCP's corporate purpose is to perform functions and carry out certain public purposes of the Port Authority. In conjunction with this purpose, CCP makes periodic grants to the Port Authority. During 2018, these grants totaled \$1,000.

In 2013, the Port Authority's Energy Park Utility Company (EPUC) entered into a loan agreement payable to CCP in the amount of \$650. The terms of the loan include annual principal payments extending through 2021. EPUC also entered into an operating lease agreement with CCP which took effect in 2014 and through which EPUC will lease chiller equipment from CCP. The lease includes monthly payments of \$11 which extend through June 2026.

In 2011, the Port Authority refinanced its series 2003-1 Taxable Tax Increment Revenue Note. CCP purchased the series 2011-2 Taxable Tax Increment Revenue Refunding Note of \$1,740 with a final maturity in 2031. Under the terms of the note, annual payment will be made from available tax increment from the Energy Lane Business Center Tax Increment Financing District. In 2018, principal and interest payments were \$37 and \$90, respectively, resulting in an outstanding balance of \$911 at December 31, 2018.

NOTE 7 DEFINED BENEFIT PENSION PLANS

All employees hired after June 30, 2003, as well as certain other employees, are participants in the General Employees Retirement Fund (GERF), which is a cost sharing, multiple employer retirement plan. The following are descriptions and disclosures related to this plan.

A. Plan Description

The Port Authority participates in the following defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees' Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the Port Authority are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2018. In calendar year 2018, the Port Authority was required to contribute 7.5% for Coordinated Plan members. The Port Authority's contributions to the GERP for the year ended December 31, 2018 were \$115. The Port Authority's contributions were equal to the required contributions as set by state statute.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the Port Authority reported a liability of \$1,193 for its proportionate share of the GERF's net pension liability. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Port Authority totaled \$39. 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 Port Authority's proportion of the net pension liability was based on the Port Authority's contributions received by 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 PERA's participating employers. At June 30, 2018, the Port Authority's proportion was 0.0215%, which was an increase of 0.0003% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Port Authority recognized pension expense of \$62 for its proportionate share of GERF's pension expense.

At December 31, 2018, the Port Authority reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 32	\$ 35
Changes in Actuarial Assumptions	114	134
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	122
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	14	95
Port Authority Contributions Subsequent to the Measurement Date	62	-
Total	<u>\$ 222</u>	<u>\$ 386</u>

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

GERF Pension Costs (Continued)

A total of \$62 reported as deferred outflows of resources related to pensions resulting from Port Authority contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Pension Expenses Amount</u>
2019	\$ (12)
2020	(97)
2021	(92)
2022	(25)
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018 for the General Employees Fund:

- The mortality projection scale was changed from MP-2015 to MP-2017
- The assumed benefit increase was changed from 1.00% per year through 2044 and 250% per year thereafter to 1.25%

The State Board of Investment, which manages the investments of 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10%
International Equity	19	5.30%
Bonds	20	0.75%
Alternative Assets	20	5.90%
Cash	2	0.00%
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the Port Authority'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 Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
Port Authority's Proportionate Share of the GERF Net Pension Liability	\$ 1,938	\$ 1,193	\$ 577

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Single Employer Retiree Healthcare Benefit Program

Plan Description: The Port Authority employees hired prior to January 1, 2002, and retiring after 20 or more years of service are eligible for up to \$300 per month toward the cost of health insurance. Employees who retired prior to 1996 are reimbursed for 100% of the cost of health insurance for themselves and their spouse. At December 31, 2018, there were eleven beneficiaries receiving benefits. In addition, there are five current employees that may become eligible for benefits in the future.

Effective September 1, 2018, the Port Authority contributed \$600,000 to an irrevocable trust to establish an OPEB Irrevocable Trust Fund pursuant to Minnesota Statute Section 471.6175 with the Minnesota Public Employees Retirement Association serving as the administrator. The plan does not issue a stand-alone financial report.

Contributions and Funding Policy: Retiree health care benefits are currently funded based on the benefit disclosed above on a pay-as-you-go basis. The board of commissioners may change the funding policy at any time.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

Net OPEB Liability: As the Port Authority had fewer than 100 employees as of December 31, 2018, the Port Authority's net OPEB liability was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by through the use of the alternative measurement method as of that date.

Actuarial Assumptions: The total OPEB liability in the December 31, 2018 alternative measurement method valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified. The Port Authority has estimated the liability associated with this benefit using an alternative valuation method that takes into account the existing age of the individuals, their years of service and life expectancy, probability of receiving a benefit, a health care cost trend factor of 6.3%, 3.0% rate of inflation, and a 5.0% discount rate.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available).

Best estimates of rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
MN State Board of Investment Non-Retirement Bond Fund	50.00 %	5.25 %
MN State Board of Investment Non-Retirement Equity Fund	25.00	8.00
MN State Board of Investment Non-Retirement Money Market Fund	25.00	1.25
Total	<u>100.00 %</u>	5.00

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Changes in the Net OPEB Liability: The following table summarized the changes in the plan's total OPEB liability, plan fiduciary net position, and the related net OPEB liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2017	\$ 601	\$ -	\$ 601
Changes for the Year:			
Service Cost	17	-	17
Contributions-Employer	-	634	(634)
Net Investment income	-	(3)	3
Benefit Payments	(34)	(34)	-
Net Changes	(17)	597	(614)
Balances at December 31, 2018	<u>\$ 584</u>	<u>\$ 597</u>	<u>\$ (13)</u>

The following significant plan and assumption changes occurred in 2018:

- Effective September 1, 2018 the Port Authority contributed \$600,000 to an irrevocable trust to establish an OPEB Irrevocable Trust Fund.
- The Port Authority updated its discount rate from 3.0% in 2017 to 5.0% in 2018 to approximate the long-term expected real rate of return of the irrevocable OPEB trust's target investment portfolio allocation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current discount rate:

	1% Decrease (4.0%)	Discount Rate (5.0%)	1% Increase (6.0%)
Net OPEB Liability (Asset)	\$ 35	\$ (13)	\$ (54)

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.3%) or 1-percentage-point higher (7.3%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.3%)	Current Trend Rates (6.3%)	1% Increase (7.3%)
Net OPEB Liability (Asset)	\$ (13)	\$ (13)	\$ (13)

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Single Employer Retiree Healthcare Benefit Program (Continued)

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available on the statement of fiduciary net position and the statement of changes in fiduciary net position, as listed in the table of contents of these financial statements.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2018, the Port Authority recognized a reduction in OPEB expense of \$13,758. At December 31, 2018, the Port Authority reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 9 OTHER PENSION BENEFITS PAYABLE

The Port Authority sponsors a Section 414(d) employee benefit plan covering all full-time employees who were hired prior to June 30, 2003, and did not elect to participate in the GERP. Employee participation in the plan is mandatory, and employees are required to contribute 6.50% of their salary. The Port Authority provides a contribution of 7.50%. Total contributions for the years ended December 31, 2018, 2017, and 2016 were approximately \$37, \$37, and \$35, respectively. The Port Authority does not have significant administrative responsibilities over the plan and, therefore, it is not reported within the financial statements.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Grants: The Port Authority receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Such audits could result in a liability to the Port Authority.

Tax Increment Financing: The Port Authority receives incremental property tax revenue generated by some or all of the value of certain development sites. These funds are used to repay existing tax increment bonds as well as related administrative and economic development activities. The terms of each financing plan are unique for each project as are the tax increment revenues derived from the project. The adequacy of tax increment revenues to meet debt service requirements is dependent upon a number of variables, the outcome of which cannot be predicted with certainty.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management: The Port Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and general liability, for which the Port Authority carries insurance and also requires lessees, payers under loans receivable, or property managers (in the case of real estate owned and operated) to carry commercial insurance. The Port Authority has not reduced insurance coverage requirements in the past year, and no claims have been paid by the Port Authority in any of the three preceding years.

Capital Assets: The Port Authority has pledged the revenues from certain of its assets, generally those in its barge terminals, to a bond program; the ongoing lease payments associated with these leases are recorded in the financial statements as revenue with an offsetting expense for the payment to the revenue bond program. In addition, if the Authority sells any of these pledged assets before September 1, 2032, the net proceeds from the sale is also pledged to the revenue bond program. No such sales are currently contemplated and therefore no liability is recorded.

Other Contingencies: In the normal course of its business, the Port Authority is subject to contingencies relating to the performance and completion of contracts, environmental matters, and claims of others. In the opinion of management and internal legal counsel, the ultimate settlement of known claims or disputes will not adversely affect the financial position or results of operations of the Port Authority.

NOTE 11 NO-COMMITMENT DEBT

The Port Authority has issued certain limited-obligation revenue bonds from the following financing sources:

Authority Resolution No. 876: The Common Revenue Bond Fund (Resolution 876) of the Port Authority of the City of Saint Paul (the 876 Bond Fund) includes balances and transactions relating to projects financed by bonds issued under Resolution 876. All debt service on revenue bonds issued under Resolution 876 is payable solely and exclusively from amounts specifically pledged, including amounts to be received under leases or loan agreements and account earnings.

These debt obligations are collateralized by all of the 876 Bond Fund assets and the related proceeds from operations and sale of 876 Bond Fund facilities. The 876 Bond Fund is managed by the Port Authority; however, these obligations are not secured by the credit of the Port Authority.

The 876 Bond Fund did not have adequate cash to pay the full principal amount due on December 1, 2004. Since then it has not made full debt service payments and it is unlikely full principal and interest payments will be made in the future.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 11 NO-COMMITMENT DEBT (CONTINUED)

The Port Authority and a group of bond holders entered into a mediated settlement which clarified various issues related to the 876 bonds, the pledged revenues and the maturity date of the bonds. The settlement was approved by the Ramsey County District Court in late 2011. As part of the Settlement, US Bank was appointed to act as the Trustee.

Conduit Financings: Conduit Financings represent bonds issued for project financings which are collateralized by the related amounts to be received under leases, loan agreements and property taxes.

None of the debt obligations issued from the above financing sources are secured by the credit of the Port Authority. The Port Authority is not obligated in any manner for repayment of this debt and, accordingly, it is not reported as liabilities in the accompanying financial statements. The aggregate amount of outstanding debt for the 876 Bond Fund and Conduit Financing obligations debt issues was \$240,239 at December 31, 2018.

NOTE 12 TAX ABATEMENTS

The Port Authority has entered into various agreements under Minnesota Statutes Section 469.174, Subdivision 10, and Section 469.175, which allow for certain entities to develop tax increment financing plans. As part of developing tax increment financing (TIF) plans, the Port Authority identifies TIF districts for the purpose of financing redevelopment, housing, or economic development through the use of tax increment generated from the captured net tax capacity in the TIF district. The Port Authority has the following types of TIF districts:

Redevelopment Districts – These districts must, per state statute, be parcels with 70% of the area occupied by buildings, streets, utilities, parking lots, or other similar structures with more than 50% of those structures being substandard and requiring substantial renovation or clearance or be properties consisting of vacant, unused, underused, or inappropriately used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way.

Economic Development Districts – These districts must, per state statute, be areas which consist of projects which the Port Authority finds to be in the public interest because it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, result in increased employment in the state, or result in preservation and enhancement of the tax base of the state.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

NOTE 12 TAX ABATEMENTS (CONTINUED)

Hazardous Substance Subdistricts – These subdistricts are created, per state statute, within a TIF district and are made up of any parcels within the TIF district that are designated hazardous substance sites or are contiguous to the hazardous substance sites. Development or redevelopment of these sites would not reasonably be expected to occur solely through private investment and tax increment otherwise available.

As part of the tax increment financing plans, the Port Authority enters into agreements with developers and other entities for Taxable Tax Increment Revenue Notes, or Pay-As-You-Go TIF Notes. Under these agreements, the Port Authority pledges a certain percentage of future tax increment revenue received from the TIF district in return for agreed upon improvements or development activities to be performed within the TIF district by the other entity. Each Pay-As-You-Go TIF Note contains a principal amount and the Notes terminate at the earlier of the date on which the entire principal has been paid in full or a termination date included in the agreement. Once the termination date is reached, the Port Authority has no more liability to make payments on the Note, regardless of whether or not the principal had been paid in full.

During fiscal year 2018, the Port Authority had five such Pay-As-You-Go TIF Notes in place and made payments totaling \$144 from tax increments received from the TIF Districts. The four agreements call for between 25% and 95% of the tax increments collected to be returned to the developer and have termination dates ranging from 2024 to 2044.

REQUIRED SUPPLEMENTARY INFORMATION

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET)
YEAR ENDED DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

	2018
Total OPEB Liability	
Service Cost	\$ 18
Benefit Payments	(34)
Net Change in Total OPEB Liability	(16)
Total OPEB Liability - Beginning	601
Total OPEB Liability - Ending (a)	\$ 584
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 634
Net Investment Income	(3)
Net Change in Plan Fiduciary Net Position	631
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	\$ 631
 Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (47)
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.07%
 Covered-Employee Payroll	\$ 1,934
 Net OPEB Liability as a Percentage of Covered-Employee Payroll	(2.44)%

The Port Authority of the City of Saint Paul implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS - OPEB
DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2018	-0.88%

The Port Authority of the City of Saint Paul implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)**

	Measurement Date				
	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Port Authority's Proportion of the Net Pension Liability	0.0215%	0.0212%	0.0237%	0.0251%	0.0267%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 1,193	\$ 1,353	\$ 1,924	\$ 1,301	\$ 1,254
State's Proportionate Share of the Net Pension Liability Associated with the Port Authority	39	17	-	-	-
Total	<u>\$ 1,232</u>	<u>\$ 1,370</u>	<u>\$ 1,924</u>	<u>\$ 1,301</u>	<u>\$ 1,254</u>
Port Authority's Covered Payroll	\$ 1,365	\$ 1,365	\$ 1,472	\$ 1,476	\$ 1,382
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	87.40%	99.12%	130.71%	88.14%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.20%	78.70%

The above table will be expanded to 10 years of information as the information becomes available.

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
PERA SCHEDULE OF THE PORT AUTHORITY'S CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2018
(ALL AMOUNTS IN THOUSANDS)**

GERF Schedule of Port Authority Contributions

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 115	\$ 105	\$ 103	\$ 114	\$ 105
Contributions in Relation to the Statutorily Required Contribution	(115)	(105)	(103)	(114)	(105)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Port Authority's Covered Payroll	1,529	1,401	1,374	1,522	1,443
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.25%

The above table will be expanded to 10 years of information as the information becomes available.

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

In planning and performing our audit of the financial statements of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Port Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

However, during our audit we became aware of matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated REPORT DATE, on the Port Authority's internal control. This letter does not affect our communication dated REPORT DATE.

IT Assessment Recommendations

During the 2015 audit CLA conducted various IT procedures and assessments and, as a result, provided several recommendations as opportunities for the Port Authority to further strengthen its internal controls over information technology. During the 2016 and 2017 audits it was noted that most of those recommendations had been fully implemented, however, the Port Authority did identify two items, related to disabling local administrator privileges and USB drives on workstations, as not necessary and lower risk. We just wanted to further remind management of these suggestions as additional best practices for IT security that have not yet been put into place.

Capital Asset Inventory

During our review over the Port Authority's capital assets it was noted that periodic physical counts of assets are not conducted to ensure that all items in the capital asset records are still in use. The Port Authority has \$2.6 million in capitalized equipment and we recommend that a periodic physical count is conducted to ensure all are properly included.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Port Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of commissioners, and others within the Port Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

DRAFT

**ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	3
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	4
STATEMENTS OF CASH FLOWS	5
NOTES TO BASIC FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Energy Park Utility Company (the Company), a Unit of the Port Authority of the City of Saint Paul (the Port Authority), as of and for the years ended December 31, 2018 and 2017, and the related notes to basic financial statements, which collectively comprise the Company'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Energy Park Utility Company, a Unit of the Port Authority of the City of Saint Paul as of December 31, 2018 and 2017, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omitted Management's Discussion and Analysis

The Company has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Company are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the Port Authority that is attributable to the transactions of Energy Park Utility Company. They do not purport to, and do not, present fairly the financial position of the Port Authority as of December 31, 2018 and 2017, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 16, 2019

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ (138,427)	\$ 57,077
Restricted Cash and Cash Equivalents	1,658,254	1,525,295
Accounts Receivable	329,456	435,240
Prepays	29,999	25,919
Inventory	25,947	54,274
Total Current Assets	1,905,229	2,097,805
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	9,604,539	9,946,332
Total Assets	11,509,768	12,044,137
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	227,720	380,124
Accrued Interest Payable	189,891	192,078
Deposits Payable	-	197,346
Other Current Payables	84,217	75,073
Current Maturities on Long-Term Debt	218,946	150,389
Total Current Liabilities	720,774	995,010
LONG-TERM LIABILITIES		
Long-Term Debt (Less: Current Maturities)	8,593,417	8,594,479
Total Liabilities	9,314,191	9,589,489
NET POSITION		
Net Investment in Capital Assets	1,742,176	2,151,464
Restricted for:		
Capital Maintenance	462,843	337,207
Debt Service	245,409	238,086
Unrestricted	(254,851)	(272,109)
Total Net Position	\$ 2,195,577	\$ 2,454,648

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for Services	\$ 2,999,921	\$ 2,913,063
OPERATING EXPENSES		
Operating Costs	1,970,779	1,864,616
Management Fees	106,585	95,621
Administrative Fees	54,893	54,307
Audit	14,400	14,200
Depreciation	476,395	480,404
Total Operating Expenses	<u>2,623,052</u>	<u>2,509,148</u>
OPERATING INCOME	376,869	403,915
NONOPERATING REVENUES (EXPENSES)		
Investment Income	13,346	4,257
Interest Expense	(479,286)	(484,119)
Other Fees	(170,000)	(200,000)
Total Nonoperating Expenses	<u>(635,940)</u>	<u>(679,862)</u>
CHANGE IN NET POSITION	(259,071)	(275,947)
Net Position - Beginning of Year	<u>2,454,648</u>	<u>2,730,595</u>
NET POSITION - END OF YEAR	<u>\$ 2,195,577</u>	<u>\$ 2,454,648</u>

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,105,705	\$ 2,839,265
Payments for Operations	(2,265,670)	(1,959,314)
Net Cash Provided by Operating Activities	840,035	879,951
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(331,948)	(81,612)
Principal Paid on Revenue Bonds	119,684	(80,000)
Principal Paid on Notes Payable	(52,189)	(43,602)
Other Debt Related Costs	-	(1,000)
Net Cash Used by Capital and Related Financing Activities	(264,453)	(206,214)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid	(481,473)	(485,786)
Fees Paid to Port Authority	(170,000)	(200,000)
Net Cash Used by Noncapital and Related Financing Activities	(651,473)	(685,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	13,346	4,257
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,545)	(7,792)
Cash and Cash Equivalents - Beginning of Year	1,582,372	1,590,164
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,519,827	\$ 1,582,372
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 376,869	\$ 403,915
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	476,395	480,404
Change in Operating Assets and Liabilities:		
Accounts Receivable	105,784	(73,798)
Inventory	28,327	3,079
Accounts Payable	(152,404)	58,623
Other Current Liabilities	9,144	6,728
Net Cash Provided by Operating Activities	\$ 840,035	\$ 878,951

See accompanying Notes to Basic Financial Statements.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Unit

Energy Park Utility Company (the Company) is a unit of the Port Authority of the City of Saint Paul (The Port Authority) and is governed by the Commissioners of the Authority. The Company provides heating and cooling services through the operation of a hot and chilled-water system to businesses and residences located in Energy Park, an industrial and residential development district located in Saint Paul, Minnesota.

Financial Reporting Entity

The financial statements of the Company are intended to present the financial position, and the changes in the financial position and cash flows, of only the Company that is attributable to the transactions of the unit. They do not purport to, and do not, present fairly the financial position of the Port Authority of the City of Saint Paul, as of December 31, 2018 and 2017, or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Measurement Focus and Basis of Accounting

The accrual basis of accounting is used by the Company. Under this method, revenues are recorded when earned and expenses are recorded when the related fund liability is incurred.

The Company distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the Company are charges to customers for sales and services. The operating expenses of the Company include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, and then unrestricted resources as they are needed.

Accounts Receivable

Accounts receivables are due from utility customers that are charged for access to the heating and cooling system as well as the variable costs associated with providing heating and cooling through long-term contracts. At December 31, 2018 and 2017, there is no allowance for doubtful accounts reflected in the financial statements. Accounts receivable are uncollateralized.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investment Reserve

The restricted investment reserve consists of deposits and investments held by the Port Authority and the Bond Trustee which are reported at fair value. The Port Authority is required to maintain a restricted investment reserve funded with an upfront fee and monthly additions of specified revenues, as defined, for future repairs and plant expansion. The balance was depleted to complete upgrades to the system and is being replenished from future specified revenues related to the new franchise agreement and long-term customer service agreements.

Capital Assets

Capital assets consist of land and a heating and cooling system, which are stated at cost. The heating and cooling system improvements are depreciated on a straight-line basis over the useful life of the asset of 25 years. The 25-year life is based on the life of the Hot and Chilled Water Service Agreements. Equipment related to the heating and cooling system is depreciated on a straight-line basis over the useful life of the asset of seven years. Depreciation expense was \$476,395 and \$480,404 in 2018 and 2017, respectively.

Franchise Fees

The Company collects and remits to the City of Saint Paul a franchise fee of the greatest of 6.8% of revenues or \$159,000. The Company is not required to collect or remit franchise fees for six months of each year for sales to residential customers, defined in the franchise agreement. Franchise fees collected for the City of Saint Paul were approximately \$191,662 and \$186,000 in 2018 and 2017, respectively. Franchise fees are collected on behalf of the City of Saint Paul are not included as revenue or expenses in the statement of revenues, expenses, and changes in net position.

Fees Paid to the Port Authority

The Company made payments to the Port Authority for an annual fee as required by the franchise ordinance and may be increased annually based upon changes in the consumer price index for all urban consumers in the Minneapolis/St. Paul area for the latest 12-month period. The amount consists of a fixed reimbursement as well as administrative service charges and other miscellaneous fees. The fixed reimbursement was \$170,000 in 2018 and \$200,000 in 2017. The administrative service charges were \$54,893 and \$54,307 in 2018 and 2017, respectively, for a total payment to the Port Authority of \$224,893 and \$254,307 in 2018 and 2017, respectively.

Use of Accounting Estimates

The preparation of financial schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial schedules, and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the differences between assets and liabilities in the financial statements. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by any outstanding balance of long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Company's policy (as a Unit of the Port Authority of Saint Paul) to use restricted first, then unrestricted net position.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The Port Authority maintains a cash and investment pool that is available for use by all funds including the Company. The Company's portion of this pool is displayed in the statements of net position as "Cash" and "Investments". In accordance with applicable Minnesota state statutes, the Port Authority maintains deposits at financial institutions authorized by the board of commissioners. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's deposit policy does not provide additional restrictions beyond Minnesota State Statutes. At year-end, the carrying amount of the Port Authority's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Port Authority may also invest idle funds as authorized by Minnesota Statutes as follows:

- 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 and which receive the highest credit rating, are rated in one of the two highest rating categories by a nationally recognized 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
- Obligations of a school district with an original maturity not exceeding 13 months which is (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to Minn. Stat. § 126C.55.
- 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, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

Interest Rate Risk – As a means of managing its exposure to fair value losses arising from increasing interest rates, it is Port Authority practice to match maturities to its liquidity needs. Additionally, whenever possible, the investment with the shortest duration will be selected when choosing between equal alternatives.

Credit Risk – As a means of managing its exposure to an issuer of a debt security that will not fulfill its obligation, the trustee has been instructed by Port Authority to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is also Port Authority policy to diversify the investment portfolio, in order to minimize the impact of losses from any one individual issuer, and to pre-qualify the allowable financial institutions and commercial paper issuers.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Port Authority will not be able to recover the value of its investments that are in the possession of another party. The Port Authority policy for managing custodial credit risk is to follow Minnesota statutes. All securities are held by an independent third-party custodian selected by Port Authority as evidenced by safekeeping receipts in the Port Authority's name.

Concentration of Credit Risk – The Port Authority investment policy states that the maximum allowable exposure to any one issuer shall not exceed 5% of the total portfolio at the time of purchase, excluding securities of the U.S. Government/Federal and government sponsored enterprise securities.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the years ended December 31 was as follows:

	December 31, 2018			Balance at End of Year
	Balance at Beginning of Year	Additions / Other	Deductions	
Capital Assets Not Being Depreciated:				
Land	\$ 176,961	\$ -	\$ -	\$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	18,093,330	331,948	(197,346)	18,227,932
Less:				
Accumulated Depreciation	<u>(8,323,959)</u>	<u>(476,395)</u>	-	<u>(8,800,354)</u>
Total Capital Assets Being Depreciated, Net	<u>9,769,371</u>	<u>(144,447)</u>	<u>(197,346)</u>	<u>9,427,578</u>
Net Capital Assets	<u>\$ 9,946,332</u>	<u>\$ (144,447)</u>	<u>\$ (197,346)</u>	<u>\$ 9,604,539</u>
	December 31, 2017			
	Balance at Beginning of Year	Additions / Other	Deductions	Balance at End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 176,961	\$ -	\$ -	\$ 176,961
Capital Assets Being Depreciated:				
Heating and Cooling System	18,011,718	81,612	-	18,093,330
Less:				
Accumulated Depreciation	<u>(7,843,555)</u>	<u>(480,404)</u>	-	<u>(8,323,959)</u>
Total Capital Assets Being Depreciated, Net	<u>10,168,163</u>	<u>(398,792)</u>	-	<u>9,769,371</u>
Net Capital Assets	<u>\$ 10,345,124</u>	<u>\$ (398,792)</u>	<u>\$ -</u>	<u>\$ 9,946,332</u>

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruption; error or omissions; employee's injuries and illnesses; or natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of December 31:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Port Authority of the City of Saint Paul Revenue Bonds, Energy Park Utility Company Project Series 2012-3 with maturities from 2022 through 2036 with Interest of 5.45% to 5.7% due semi-annually from February 1, 2013 through maturity.	\$ 7,500,000	\$ 7,500,000
Port Authority of the City of Saint Paul Taxable Revenue Bonds, Energy Park Utility Company Project Series 2012-4 with principal payments due August 1, 2014 through 2022 with Interest of 5.0% due semi-annually from February 1, 2013 through maturity.	660,000	765,000
Note Payable due to Capital City Properties, with principal payments due August 1, 2014 through 2021 with Interest of 4.0% due semi-annually from February 1, 2014 through maturity.	434,479	479,868
Loan Payable due to the St. Paul Port Authority, with principal and interest payments due monthly through 2023 and an annual interest rate of 4.0%.	217,884	-
Total	<u>8,812,363</u>	<u>8,744,868</u>
Less: Current Maturities	<u>218,946</u>	<u>150,389</u>
Long-Term Debt	<u>\$ 8,593,417</u>	<u>\$ 8,594,479</u>

The Series 2012-3 Bonds and the Series 2012-4 Bonds referred to collectively as the "Series 2012 Bonds" were issued to finance an upgrade from a two pipe to a four-pipe system (the Project). In addition, the bonds provided funding for reserve and capital maintenance accounts. The Series 2012 Bonds are payable solely from the Pledged Revenues, which consist of essentially all Company customer charges for services.

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Capital City Properties (CCP) is a component unit of the Port Authority of the City of Saint Paul. The note payable to CCP was issued to provide funds to enable EPUC to complete the upgrade to a four-pipe system.

Scheduled maturities and interest payments on long-term obligations for the years ending December 31 are as follows:

Year Ending December 31,	Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 130,000	\$ 455,738	\$ 88,946	\$ 25,109	\$ 218,946	\$ 480,847
2020	155,000	449,238	92,541	21,515	247,541	470,753
2021	175,000	441,488	96,362	17,693	271,362	459,181
2022	290,000	432,738	333,895	13,755	623,895	446,493
2023	220,000	417,833	40,619	749	260,619	418,582
2024-2028	1,595,000	1,874,705	-	-	1,595,000	1,874,705
2029-2033	2,635,000	1,322,685	-	-	2,635,000	1,322,685
2034-2038	2,960,000	384,750	-	-	2,960,000	384,750
Total	<u>\$ 8,160,000</u>	<u>\$ 5,779,173</u>	<u>\$ 652,363</u>	<u>\$ 78,821</u>	<u>\$ 8,812,363</u>	<u>\$ 5,857,994</u>

Long-term liability activity for the years ended December 31 is presented below.

	December 31, 2018			Balance at End of Year
	Balance at Beginning of Year	Additions	Retirements	
Bonds Payable:				
Tax-Exempt Revenue				
Bonds Series 2012-3	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000
Taxable Revenue Bonds				
Series 2012-4	765,000	-	(105,000)	660,000
Notes and Loans Payable	479,868	224,684	(52,189)	652,363
Total Long-Term Liabilities	<u>\$ 8,744,868</u>	<u>\$ 224,684</u>	<u>\$ (157,189)</u>	<u>\$ 8,812,363</u>

	December 31, 2017			Balance at End of Year
	Balance at Beginning of Year	Additions	Retirements	
Bonds Payable:				
Tax-Exempt Revenue				
Bonds Series 2012-3	\$ 7,500,000	\$ -	\$ -	\$ 7,500,000
Taxable Revenue Bonds				
Series 2012-4	845,000	-	(80,000)	765,000
Notes and Loans Payable	523,470	-	(43,602)	479,868
Total Long-Term Liabilities	<u>\$ 8,868,470</u>	<u>\$ -</u>	<u>\$ (123,602)</u>	<u>\$ 8,744,868</u>

ENERGY PARK UTILITY COMPANY
(A UNIT OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Port Authority has contracted with Ever-Green Energy Company LLC (the Ever-Green) pursuant to a management agreement which expires in 2020 for administrative and oversight services necessary for the operation of the System. Ever-Green was paid \$106,585 and \$95,621 in 2018 and 2017, respectively, to manage the System. In addition, Evergreen was reimbursed \$1,989,897 and \$1,863,616 for operating costs of the System.

The Company entered into an operating lease in 2013 for chiller equipment which the Company will lease from CCP. The lease agreement, dated October 22, 2013, includes lease terms with 144 monthly payments of \$10,550 which commenced on July 1, 2014, and run through June 30, 2026.



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Board of Commissioners and Management
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

In planning and performing our audit of the financial statements of the governmental activities of the Energy Park Utility Company as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Energy Park Utility Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Energy Park Utility Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Energy Park Utility Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Energy Park Utility Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

This communication is intended solely for the information and use of management, the board of commissioners, and others within Energy Park Utility Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8



**INDEPENDENT AUDITORS' 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**

Board of Commissioners
Port Authority of the City of Saint Paul
Saint 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 business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul (a component unit of the City of Saint Paul, Minnesota) (the Port Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated REPORT DATE. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the testing of internal control over financial reporting or compliance and other matters reported on for the discretely presented component unit, which were issued in a separate report dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Authority'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 Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority'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 result of that testing, and not to provide an opinion on the effectiveness of the Port Authority'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 Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Port Authority of the City of Saint Paul's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Port Authority of the City of Saint Paul's major federal programs for the year ended December 31, 2018. The Port Authority of the City of Saint Paul's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Port Authority of the City of Saint Paul's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority of the City of Saint Paul's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port Authority of the City of Saint Paul's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port Authority of the City of Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Port Authority of the City of Saint Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority of the City of Saint Paul's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority of the City of Saint Paul's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Port Authority of the City of Saint Paul as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port Authority of the City of Saint Paul’s basic financial statements. We issued our report thereon dated REPORT DATE, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
REPORT DATE

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/ Grant Name	Pass-through Grantor	Federal CFDA Number	Federal Expenditures
U.S. Department of Energy: ARRA - State Energy Program	MN Dept. of Commerce	81.041	\$ 2,863,000
U.S. Environmental Protection Agency: Brownfields Assessment and Cleanup Cooperative Agreements:	Direct	66.818	170,173
U.S. Department of Homeland Security FEMA Disaster Grants - Public Assistance	MN Department of Public Safety	97.036	<u>184,204</u>
			<u>\$ 3,217,377</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Port Authority of the City of Saint Paul (the Port Authority) under programs of the federal government for the year ended December 31, 2018. The information presented in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port Authority of the City of Saint Paul, it is not intended to and does not present the financial position, change in net position, or cash flows of the Port Authority of the City of Saint Paul.

NOTE B SUMMARY OF SIGNIIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Port Authority of the City of Saint Paul does not charge indirect costs to its federal programs and therefore does not utilize the de minimus indirect cost rate allowed under the Uniform Guidance.

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

NOTE C STATE ENERGY PROGRAM

The amount reported on the financial statements for the ARRA-State Energy Program (81.041) for the Port Authority is the administrative and collection costs. Below is a summary of the loan activity during fiscal year 2018.

	State Energy Program
Loans Receivable Beginning	<u>\$ 13,803,585</u>
New Loans Issued	2,863,000
Loan Repayments	<u>(4,808,532)</u>
Loans Receivable Ending	<u><u>\$ 11,858,053</u></u>

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x _____ no

Identification of Major Federal Programs

Program	CFDA #
U.S. Department of Energy: ARRA - State Energy Program	81.041

- Dollar threshold used to distinguish between Type A and Type B programs: \$ \$750,000
- Auditee qualified as low-risk auditee? _____ x _____ yes _____ no

**THE PORT AUTHORITY OF THE CITY OF SAINT PAUL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Findings

There were no matters required to be reported in the prior year.

Credit Committee Expansion Recommendation

The goal is to add two credit committee members at the July 2019 Board Meeting. New committee members will not be added to the Port Authorities' Board of Commissioners.

Credit Committee Member Requirements

1. Currently reside or work in the city of Saint Paul.
2. Committed to the long-term economic vitality of the city of Saint Paul and the Saint Paul Port Authority.
3. Familiar with the work of the Saint Paul Port Authority.
4. Experience working in the financial sector, with a solid understanding of credit underwriting processes and procedures.
5. Willingness to serve up to three consecutive one-year terms.

Credit Committee Job Description

1. Attend Credit Committee meetings at the Saint Paul Port Authority office, scheduled on the third Tuesday of each month at 2:00 p.m. *The expectation is that committee members attend all meetings or provide at least one week's notice if unable to fulfill their obligation for any given meeting.*
2. Non-board committee members will receive the same stipend as board members for meetings attended.
3. Non-board committee members will follow the same roles and responsibilities established for the current Credit Committee.

Recruitment Process

To attract a diverse candidate pool, Saint Paul Port Authority commissioners and staff members are encouraged to make recommendations to Lee Krueger, president, Saint Paul Port Authority by May 31, 2019. We encourage the recommendation of both individuals and organizations that may lead us to a diverse network of qualified candidates. Saint Paul Port Authority staff will follow up on referrals and encourage candidates to apply.

To apply, potential committee members are invited to forward a cover letter and resume to Ann Kosel (amk@sppa.com). All applications will be due by June 15, 2019. The goal is to secure 6-10 qualified applications. Lee Krueger will select three to four candidates to be interviewed.

Interviews will be conducted in late June and early July at the Saint Paul Port Authority offices. Two staff members and one or two credit committee members will interview candidates.

Interviewers will be responsible for selecting two credit committee members. The appointment of each Credit Committee member will be confirmed by the Credit Committee and shared with the Board of Commissioners at the respective July 2019 meetings.

Onboarding Process

Prior to the August 2019 Credit Committee meeting, new Credit Committee members will attend a joint onboarding session at the Saint Paul Port Authority office. During this session, each member of the SPPA senior leadership team will share a high-level overview of their departments' responsibilities, with added emphasis on areas impacted by the Credit Committee. Staff members responsible for MinnPACE and TrillionBTU programs will also be involved.