

CITY OF SPRING LAKE PARK

FINANCIAL STATEMENTS

DECEMBER 31, 2021



**CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2021**

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CITY OF SPRING LAKE PARK

INTRODUCTORY SECTION

DECEMBER 31, 2021

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**CITY OF SPRING LAKE PARK
ELECTED AND APPOINTED OFFICIALS
December 31, 2021**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council:

Mayor	Robert Nelson	December 31, 2022
Council Member	Brad Delfs	December 31, 2022
Council Member	Lisa Dircks	December 31, 2024
Council Member	Barbara Goodboe-Bisschoff	December 31, 2024
Council Member	Ken Wendling	December 31, 2022

APPOINTED OFFICIALS

City Administrator, Clerk-Treasurer	Daniel R. Buchholtz	Continuous
Accountant	Melissa Barker	Continuous

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CITY OF SPRING LAKE PARK

FINANCIAL SECTION

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Spring Lake Park

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Spring Lake Park, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise City of Spring Lake Park's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Spring Lake Park's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Spring Lake Park's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare basic the financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 on our consideration of City of Spring Lake Park, 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 results of that testing, and not to provide an opinion on the effectiveness of 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 City of Spring Lake Park, internal control over financial reporting and compliance.

Smith, Schepf and Associates, Ltd.

Minneapolis, Minnesota
June 29, 2022

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CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Spring Lake Park, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Spring Lake Park for the fiscal year ended December 31, 2021, with comparative data for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Spring Lake Park exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,942,747 (*net position*). Of this amount, \$9,141,203 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$382,912. The increase is mainly attributed to grants and contributions not restricted to specific programs as well as operating grants and contributions in the City's governmental activities.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,991,288, an increase of \$498,217 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$2,531,584, or 58.6% of total general fund expenditures.
- The City's total noncurrent liabilities decreased by \$1,985,458 due primarily to scheduled debt payments, a refunded bond and a decrease in the City's net pension liability due to investment performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Spring Lake Park's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, providing information for the City as a whole, 2) fund financial statements, providing detailed information for the City's significant funds, and 3) notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Spring Lake Park's finances, in a manner similar to a private-sector business.

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

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Both of the government-wide financial statements distinguish functions of the City of Spring Lake Park that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Spring Lake Park include general government, public safety, public works, recreation and parks and development. The business-type activities of the City of Spring Lake Park include the utility fund.

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Spring Lake Park maintains forty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, developer's escrow fund, the revolving fund, renewal and replacement fund, and the 2021A G.O. improvement refunding bonds fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Spring Lake Park adopts an annual budget for its general fund. Budgetary comparison statements have been provided for this fund (pages 24-27) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds. The City of Spring Lake Park maintains one type of proprietary fund - enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Spring Lake Park uses enterprise funds to account for its utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility funds, which are considered to be major funds of the City of Spring Lake Park.

The proprietary fund financial statements can be found on pages 28-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-78 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 81-102 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Lake Park, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,942,747 at the close of the most recent fiscal year.

**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The largest portion of the City of Spring Lake Park's net position, \$13,084,150 (52%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Spring Lake Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Spring Lake Park's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Spring Lake Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 12,150,246	\$ 11,706,852	\$ 3,122,407	\$ 3,693,372	\$ 15,272,653	\$ 15,400,224
Capital assets	9,809,696	10,877,085	5,985,643	5,898,938	15,795,339	16,776,023
Total assets	<u>21,959,942</u>	<u>22,583,937</u>	<u>9,108,050</u>	<u>9,592,310</u>	<u>31,067,992</u>	<u>32,176,247</u>
Deferred outflows of resources	1,676,111	686,019	107,642	15,692	1,783,753	701,711
Long-term liabilities outstanding	3,882,422	5,576,503	656,627	948,004	4,539,049	6,524,507
Other liabilities	720,834	330,203	58,844	348,208	779,678	678,411
Total liabilities	<u>4,603,256</u>	<u>5,906,706</u>	<u>715,471</u>	<u>1,296,212</u>	<u>5,318,727</u>	<u>7,202,918</u>
Deferred inflows of resources	2,434,059	1,076,530	156,212	38,675	2,590,271	1,115,205
Net position:						
Net investment in capital assets	7,581,507	7,819,564	5,502,643	5,184,938	13,084,150	13,004,502
Restricted	2,717,394	2,774,059			2,717,394	2,774,059
Unrestricted	6,299,837	5,693,097	2,841,366	3,088,177	9,141,203	8,781,274
Total net position	<u>\$ 16,598,738</u>	<u>\$ 16,286,720</u>	<u>\$ 8,344,009</u>	<u>\$ 8,273,115</u>	<u>\$ 24,942,747</u>	<u>\$ 24,559,835</u>

An additional portion of the City of Spring Lake Park's net position at December 31, 2021 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$9,141,203) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities. Governmental activities account for 67% of the City of Spring Lake Park's net position as of December 31, 2021. The total increase in net position for governmental activities was \$312,018, accounting for 81% of the increase in the net position of the City of Spring Lake Park for the year ended December 31, 2021. The key elements for this increase were significant grants and contributions not restricted to specific programs and operating grants and contributions received by the City.

Business-type activities. Business-type activities increased the City of Spring Lake Park's net position by \$70,894 due primarily to lease revenues recognized in the utility funds.

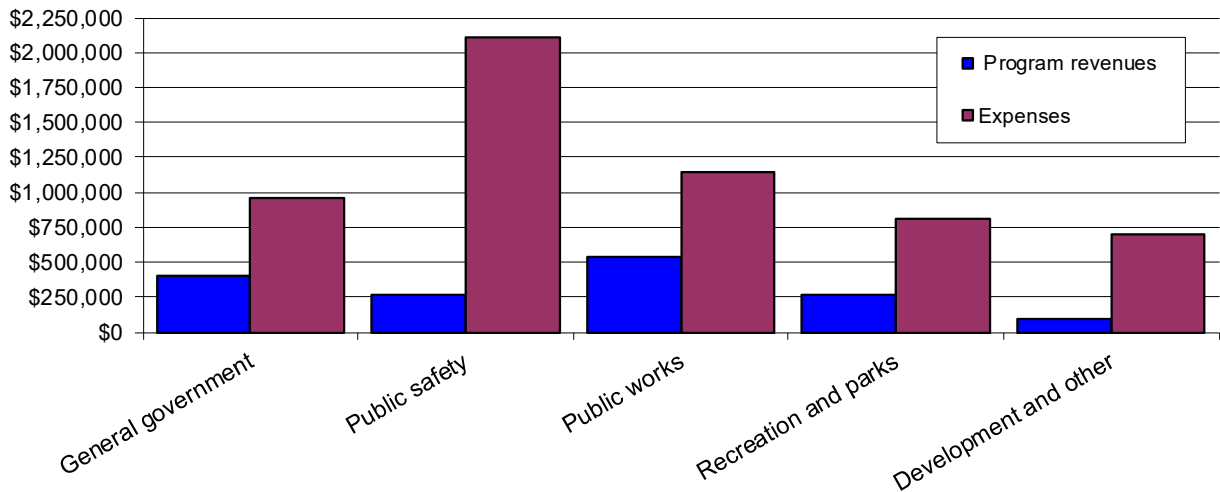
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 806,301	\$ 959,293	\$ 1,814,022	\$ 1,685,631	\$ 2,620,323	\$ 2,644,924
Operating grants and contributions	426,024	753,632			426,024	753,632
Capital grants and contributions	328,373	335,794			328,373	335,794
General revenues:						
Property taxes	3,862,067	3,898,537			3,862,067	3,898,537
Other	556,036	1,754,623	139,846	604,847	695,882	2,359,470
Total revenues	<u>5,978,801</u>	<u>7,701,879</u>	<u>1,953,868</u>	<u>2,290,478</u>	<u>7,932,669</u>	<u>9,992,357</u>
Expenses:						
General government	955,708	1,366,876			955,708	1,366,876
Public safety	2,105,077	2,019,971			2,105,077	2,019,971
Public works	1,146,161	1,300,004			1,146,161	1,300,004
Recreation and parks	805,154	742,799			805,154	742,799
Development and other	694,075	396,790			694,075	396,790
Interest on long-term debt	49,024	85,973			49,024	85,973
Utility			1,794,558	1,871,035	1,794,558	1,871,035
Total expenses	<u>5,755,199</u>	<u>5,912,413</u>	<u>1,794,558</u>	<u>1,871,035</u>	<u>7,549,757</u>	<u>7,783,448</u>
Change in net position before transfers	223,602	1,789,466	159,310	419,443	382,912	2,208,909
Transfers	<u>88,416</u>	<u>87,292</u>	<u>(88,416)</u>	<u>(87,292)</u>		
Change in net position after transfers	312,018	1,876,758	70,894	332,151	382,912	2,208,909
NET POSITION - BEGINNING OF YEAR	<u>16,286,720</u>	<u>14,409,962</u>	<u>8,273,115</u>	<u>7,940,964</u>	<u>24,559,835</u>	<u>22,350,926</u>
NET POSITION - END OF YEAR	<u>\$ 16,598,738</u>	<u>\$ 16,286,720</u>	<u>\$ 8,344,009</u>	<u>\$ 8,273,115</u>	<u>\$ 24,942,747</u>	<u>\$ 24,559,835</u>

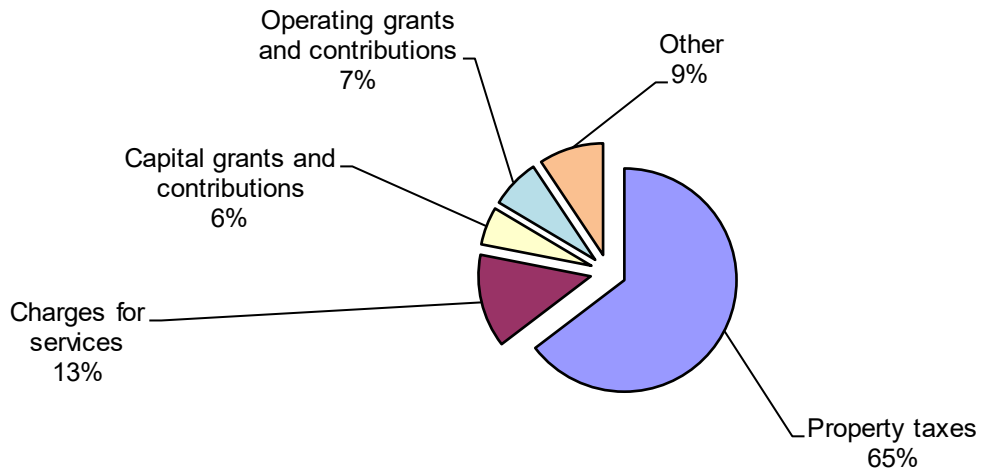
CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses for the year ended December 31, 2021. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



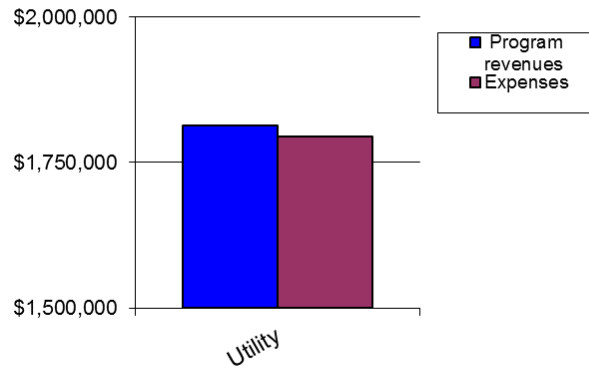
Revenues by Source - Governmental Activities



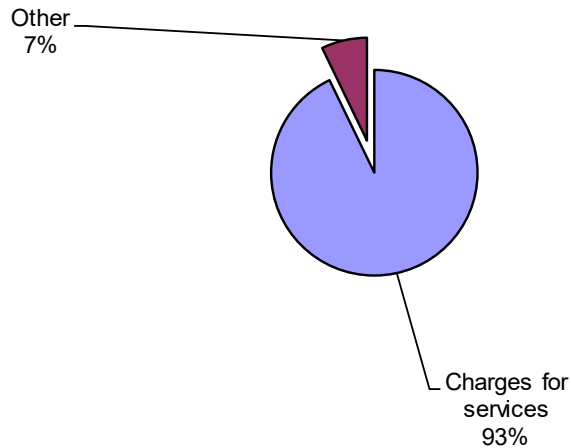
CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

The following graphs relate the business-type activity's program revenues with its expenses for the year ended December 31, 2021. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,991,288, an increase of \$498,217 in comparison with the prior year. Approximately 77% of this total fund balance, or \$8,480,776, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance, \$2,510,512, is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments or has been expensed for prepaid items.

The general fund is the chief operating fund of City of Spring Lake Park. At the end of the current year, fund balance of the general fund was \$2,531,584. As a measure of liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 59% of total current year general fund expenditures. The general fund's total fund balance decreased by \$8,218 during the current year due primarily to transfers to other funds.

The developer's escrow fund balance did not change during the year as there was no revenue or expenditures in the fund during 2021.

The revolving fund increased its fund balance by \$187,225 due primarily to intergovernmental revenues in excess of expenditures allocated to this fund.

The renewal and replacement fund decreased its fund balance by \$40,744 due to transfers to other funds and investment losses allocated to this fund.

The 2021A G.O. improvement refunding bonds fund increased its fund balance by \$756,142 due to transfers from other funds.

The special revenue funds (other than the developer's escrow fund described as a major fund previously) increased their overall fund balances by \$133,288 due primarily to the sale of property.

The debt service funds (other than the 2021A G.O. improvement refunding bonds fund as described as a major fund above) decreased their collective fund balance by \$954,798 due primarily to transfers to other funds.

**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The capital projects funds (other than the revolving fund and renewal and replacement fund described as major funds previously) increased their collective fund balance by \$425,322 due primarily to sale of property and transfers allocated to the capital projects funds.

Proprietary funds. The City of Spring Lake Park's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for utility operations at the end of the year amounted to \$2,841,366. The utility fund increased its net position by \$70,894, for the year ended December 31, 2021. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Spring Lake Park's business-type activities.

General Fund Budgetary Highlights

The City's General Fund budget was amended during the year. The original and revised budgets called for a \$49,437 overall increase in General Fund balance. The actual net change to the General Fund balance was a decrease of \$8,218. Revenues exceeded budget by \$65,075 for the year ended December 31, 2021 due primarily to increased permits, charges for services and insurance dividends received over expectations. Total expenditures were less than budget by \$77,546 for the year. One department had expenditures in excess of budget: other expenditures exceeded budget by \$118,980. These over expenditures were primarily related to severance and related payments to retirees for which the City did not budget. Net transfers to other funds exceeded budget by \$200,276 due to excess funds available to be transferred.

Capital Asset and Debt Administration

Capital assets. The City of Spring Lake Park's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounted to \$15,795,339 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. Total capital assets decreased by \$980,684, or approximately 6%, for the year ended December 31, 2021, due to current year depreciation expense in excess of asset additions (net of construction in progress recorded in prior periods).

City of Spring Lake Park's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 334,950	\$ 604,950	\$ 21,309	\$ 489,541	\$ 334,950	\$ 604,950
Construction in progress		777,040			21,309	1,266,581
Buildings and improvements	1,006,773	1,116,608	1,797,324	2,018,905	2,804,097	3,135,513
Machinery and equipment	767,447	1,038,885	87,166	121,459	854,613	1,160,344
Infrastructure	7,700,526	7,339,602	4,079,844	3,269,033	11,780,370	10,608,635
Total	\$ 9,809,696	\$ 10,877,085	\$ 5,985,643	\$ 5,898,938	\$ 15,795,339	\$ 16,776,023

**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information on the City of Spring Lake Park's capital assets can be found in Note 3C beginning on page 52 of this report.

Long-term debt. At the end of the current fiscal year, the City of Spring Lake Park had \$2,675,679 in bonds, certificates, and notes payable outstanding. The entire amount outstanding comprises debt backed by the full faith and credit of the government.

City of Spring Lake Park's Outstanding Debt
General Obligation Bonds, Certificates and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds and notes payable	\$ 1,533,053	\$ 1,986,799	\$ 483,000	\$ 714,000	\$ 2,016,053	\$ 2,700,799
General obligation certificates	659,626	1,057,901			659,626	1,057,901
Total	\$ 2,192,679	\$ 3,044,700	\$ 483,000	\$ 714,000	\$ 2,675,679	\$ 3,758,700

The City of Spring Lake Park's total bonds, certificates and notes payable decreased by \$1,083,021 during the current fiscal year. The decrease was due to scheduled debt payments and a refunded bond.

The City of Spring Lake Park maintains an AA bond rating from S&P for general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota City may issue up to 3% of its market value of taxable property. Net debt is payable solely from ad valorem taxes. The City is currently well within this limit.

Economic Factors and Next Year's Budgets and Rates

The City is in the process of developing its 2023 budget. A combination of a tight labor market, higher prices, and increasing interest rates will make forecasting revenues and expenditures difficult. The State of Minnesota's strong financial position means that the State-Local fiscal partnership will likely continue into the next biennium.

The City's debt position is extremely positive. Two long term bond issues (2003 G.O. Water Revenue Note and the 2013B G.O. Capital Improvement Plan Bond) will be paid off in 2023, freeing up resources for capital improvement projects throughout the City.

**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Major activities contemplated in future years include:

- Slip-lining project for sanitary sewer in an effort to renew the City's sanitary sewer system
- Seal coat project to maintain the City's investment in its street infrastructure
- Renovate the park building at Able Park
- Continue design on a renovation of the City Hall/Community Center facility

Requests for Information

This financial report is designed to provide a general overview of the City of Spring Lake Park's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Spring Lake Park, 1301 - 81st Avenue NE, Spring Lake Park, Minnesota 55432.

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CITY OF SPRING LAKE PARK
GOVERNMENT-WIDE FINANCIAL STATEMENTS
December 31, 2021

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CITY OF SPRING LAKE PARK
STATEMENT OF NET POSITION
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,471,566	\$ 2,792,001	\$ 14,263,567
Receivables	476,782	332,677	809,459
Intergovernmental receivables	199,083		199,083
Internal balances	2,271	(2,271)	
Prepaid items and other	544		544
Capital assets:			
Nondepreciable	334,950	21,309	356,259
Depreciable, net	9,474,746	5,964,334	15,439,080
Total Assets	21,959,942	9,108,050	31,067,992
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	1,676,111	107,642	1,783,753
LIABILITIES			
Accounts payable	69,157	41,456	110,613
Accrued payroll and related taxes	29,511	4,881	34,392
Accrued interest	10,180	4,539	14,719
Unearned revenue	385,009	3,000	388,009
Deposits and other liabilities	226,977	4,968	231,945
Noncurrent liabilities:			
Due within one year	1,068,275	266,160	1,334,435
Due in more than one year	1,471,513	265,345	1,736,858
Net pension liability	1,342,634	125,122	1,467,756
Total Liabilities	4,603,256	715,471	5,318,727
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	2,434,059	156,212	2,590,271
NET POSITION			
Net investment in capital assets	7,581,507	5,502,643	13,084,150
Restricted	2,717,394		2,717,394
Unrestricted	6,299,837	2,841,366	9,141,203
Total Net Position	\$ 16,598,738	\$ 8,344,009	\$ 24,942,747

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 955,708	\$ 353,624	\$ 35,549	\$ 7,686
Public safety	2,105,077	144,763	122,800	
Public works	1,146,161	145,978	72,390	320,687
Recreation and parks	805,154	142,060	126,471	
Development and other	694,075	19,876	68,814	
Interest on long-term debt	49,024			
Total governmental activities	<u>5,755,199</u>	<u>806,301</u>	<u>426,024</u>	<u>328,373</u>
Business-Type activities:				
Utility	<u>1,794,558</u>	<u>1,814,022</u>		
Total business-type activities	<u>1,794,558</u>	<u>1,814,022</u>		
Total	<u>\$ 7,549,757</u>	<u>\$ 2,620,323</u>	<u>\$ 426,024</u>	<u>\$ 328,373</u>

General revenues:

- General property taxes
- Grants and contributions not restricted to specific programs
- Lease revenue
- Investment (loss)
- Miscellaneous
- Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (558,849)		\$ (558,849)
(1,837,514)		(1,837,514)
(607,106)		(607,106)
(536,623)		(536,623)
(605,385)		(605,385)
(49,024)		(49,024)
<u>(4,194,501)</u>		<u>(4,194,501)</u>
	\$ 19,464	19,464
	19,464	19,464
<u>(4,194,501)</u>	<u>19,464</u>	<u>(4,175,037)</u>
3,862,067		3,862,067
555,646		555,646
75,057	152,772	227,829
(84,035)	(23,716)	(107,751)
9,368	10,790	20,158
88,416	(88,416)	
<u>4,506,519</u>	<u>51,430</u>	<u>4,557,949</u>
312,018	70,894	382,912
<u>16,286,720</u>	<u>8,273,115</u>	<u>24,559,835</u>
<u>\$ 16,598,738</u>	<u>\$ 8,344,009</u>	<u>\$ 24,942,747</u>

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CITY OF SPRING LAKE PARK
FUND FINANCIAL STATEMENTS
December 31, 2021

CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Special Revenue Fund	Capital Project Funds	
		Developer's Escrow	Revolving Fund	Renewal and Replacement
ASSETS				
Cash and investments	\$ 2,868,702	\$ 221,413	\$ 1,385,361	\$ 1,850,217
Accounts receivable	30,065			
Taxes receivable	112,998			
Special assessments receivable	2,862		3,521	
Due from other funds	4,641			
Due from other governmental units	66,446		182	
Accrued interest receivable	20,961			
Prepaid expenditures	49			
TOTAL ASSETS	\$ 3,106,724	\$ 221,413	\$ 1,389,064	\$ 1,850,217
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 52,396	\$ 36	\$	\$
Accrued payroll and taxes	28,822			
Deposits and other liabilities		221,377		
Due to other funds				
Unearned revenue	378,062			
Total Liabilities	459,280	221,413		
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	112,998			
Special assessments	2,862		3,521	
Total Deferred Inflows of Resources	115,860		3,521	
FUND BALANCE (DEFICIT)				
Nonspendable	49			
Restricted				
Assigned	2,531,535		1,385,543	1,850,217
Unassigned				
Total Fund Balance (Deficit)	2,531,584		1,385,543	1,850,217
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,106,724	\$ 221,413	\$ 1,389,064	\$ 1,850,217

See Notes to Financial Statements

Debt Service Fund 2021A G.O. Improvement Refunding Bonds	Other Governmental Funds	Total
\$ 748,611	\$ 4,397,262	\$ 11,471,566
	98,949	129,014
		112,998
207,426		213,809
	2,271	6,912
7,531	3,427	77,586
		20,961
	495	544
<u>\$ 963,568</u>	<u>\$ 4,502,404</u>	<u>\$ 12,033,390</u>

\$	\$ 16,725	\$ 69,157
	689	29,511
	5,600	226,977
	4,641	4,641
	6,947	385,009
	34,602	715,295

		112,998
207,426		213,809
<u>207,426</u>		<u>326,807</u>

	495	544
756,142	1,753,826	2,509,968
	2,718,122	8,485,417
	(4,641)	(4,641)
<u>756,142</u>	<u>4,467,802</u>	<u>10,991,288</u>

<u>\$ 963,568</u>	<u>\$ 4,502,404</u>	<u>\$ 12,033,390</u>
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**CITY OF SPRING LAKE PARK
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS**

December 31, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 18-19)	\$ 10,991,288
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental funds - capital assets	\$ 28,162,958	
Accumulated depreciation	<u>(18,353,262)</u>	
		9,809,696

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:

Delinquent property taxes	\$ 112,998	
Special assessments	<u>213,809</u>	
		326,807

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable (net of receivable for amounts to be paid by other governmental entities)	\$ (2,071,182)	
Net pension liability, deferred outflows and inflows from pension activity	(2,100,582)	
Compensated absences	(311,599)	
Accrued interest	(10,180)	
Net unamortized bond premiums	<u>(35,510)</u>	
		<u>(4,529,053)</u>

Net position of governmental activities (page 15)	<u><u>\$ 16,598,738</u></u>
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**CITY OF SPRING LAKE PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021**

	General Fund	Special Revenue Fund	Capital Project Funds	
		Developer's Escrow	Revolving Fund	Renewal and Replacement
REVENUES				
Property taxes	\$ 3,393,626	\$	\$	\$
Special assessments			15,619	
Licenses and permits	181,082			
Intergovernmental revenues	654,724		216,023	
Charges for services	189,417			
Fines and forfeitures	56,044			
Investment (loss)	(21,588)			(14,478)
Other revenues	97,859			50
TOTAL REVENUES	4,551,164		231,642	(14,428)
EXPENDITURES				
Current				
General government	777,565			
Public safety	2,343,431			
Public works	256,651		44,417	
Recreation and parks	638,116			
Development and other	234,480			
Capital Outlay				
General government				
Public safety	68,684			
Public works				1,316
Recreation and parks				
Development and other				
Debt Service				
Principal				
Interest and other				
TOTAL EXPENDITURES	4,318,927		44,417	1,316
Excess (deficiency) of revenues over (under) expenditures	232,237		187,225	(15,744)
OTHER FINANCING SOURCES (USES)				
Issuance of debt				
Payment on refunded bonds				
Net premium on issuance of debt				
Transfers from other funds	235,667			
Transfers to other funds	(476,122)			(25,000)
Sale of capital assets				
Total other financing sources (uses)	(240,455)			(25,000)
Net change in fund balances	(8,218)		187,225	(40,744)
FUND BALANCES (DEFICIT), Beginning	2,539,802		1,198,318	1,890,961
FUND BALANCES (DEFICIT), Ending	\$ 2,531,584	\$	\$ 1,385,543	\$ 1,850,217

See Notes to Financial Statements

Debt Service Fund 2021A G.O. Improvement Refunding Bonds	Other Governmental Funds	Total
\$ 81,971	\$ 410,482	\$ 3,886,079
72,246		87,865
		181,082
	147,109	1,017,856
	389,050	578,467
	8,100	64,144
	(45,057)	(81,123)
	603,619	701,528
<u>154,217</u>	<u>1,513,303</u>	<u>6,435,898</u>
	54,729	832,294
	14,808	2,358,239
	282,676	583,744
	127,337	765,453
	453,580	688,060
	24,176	24,176
	2,654	71,338
	29,152	30,468
	9,823	9,823
	9,599	9,599
300,000	522,021	822,021
42,951	38,158	81,109
<u>342,951</u>	<u>1,568,713</u>	<u>6,276,324</u>
<u>(188,734)</u>	<u>(55,410)</u>	<u>159,574</u>
1,455,000		1,455,000
(1,485,000)		(1,485,000)
46,330		46,330
928,546	424,371	1,588,584
	(999,046)	(1,500,168)
	233,897	233,897
<u>944,876</u>	<u>(340,778)</u>	<u>338,643</u>
756,142	(396,188)	498,217
	4,863,990	10,493,071
<u>\$ 756,142</u>	<u>\$ 4,467,802</u>	<u>\$ 10,991,288</u>

See Notes to Financial Statements

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CITY OF SPRING LAKE PARK
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (pages 21-22)	\$	498,217
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Governmental funds report capital outlay as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	\$	166,983
Depreciation expense		<u>(964,372)</u>
		(797,389)

The net effect of various miscellaneous transactions involving capital capital assets (i.e., sales, trade-ins and donations) is to decrease net position		(270,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable revenue, end of year	\$	326,807
Unavailable revenue, beginning of year		<u>(559,428)</u>
		(232,621)

In the statement of activities, certain operating expenses - net pension liability and compensated absences - are measured by the amounts earned during the year. In the government funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid)

Net pension liability	\$	409,519
Compensated absences		<u>87,793</u>
		497,312

Bond, contract and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Principal retirement on long-term debt	\$	2,307,021
Issuance of long-term debt		(1,455,000)
Shared debt principal payments received from other governments		(218,365)
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>(17,157)</u>
		<u>616,499</u>

Change in net position of governmental activities (pages 16-17)	\$	<u><u>312,018</u></u>
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See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Year Ended December 31, 2021

	Budgeted Amounts		2021	Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
REVENUES				
General property taxes	\$ 3,366,932	\$ 3,366,932	\$ 3,393,626	\$ 26,694
Licenses and Permits				
Licenses	50,062	50,062	54,439	4,377
Permits	108,500	108,500	126,643	18,143
Total Licenses and Permits	158,562	158,562	181,082	22,520
Intergovernmental				
Police aids	103,000	103,000	108,676	5,676
Other aids	546,048	546,048	546,048	
Total Intergovernmental	649,048	649,048	654,724	5,676
Charges for Services				
General government	84,763	84,763	94,889	10,126
Public safety	2,000	2,000	4,161	2,161
Housing registration	72,000	72,000	90,367	18,367
Total Charges for Services	158,763	158,763	189,417	30,654
Fines and forfeits	43,500	43,500	56,044	12,544
Investment earnings (loss)	15,000	15,000	(21,588)	(36,588)
Miscellaneous Revenue				
Liaison officer	84,584	84,584	75,563	(9,021)
Insurance dividends	3,500	3,500	18,579	15,079
Reimbursements and other	6,200	6,200	3,717	(2,483)
Total Miscellaneous Revenue	94,284	94,284	97,859	3,575
TOTAL REVENUES	4,486,089	4,486,089	4,551,164	65,075
EXPENDITURES				
General Government				
Mayor and Council				
Personnel services	40,793	40,793	34,663	6,130
Supplies and services	2,350	2,350	2,095	255
Other charges	27,597	27,597	18,475	9,122
Total Mayor and Council	\$ 70,740	\$ 70,740	\$ 55,233	\$ 15,507

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**
For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 400,412	\$ 381,049	\$ 346,294	\$ 34,755
Supplies	7,906	7,906	8,482	(576)
Contracted services	5,900	5,900	6,379	(479)
Other services and charges	20,900	20,900	21,456	(556)
Total Administration	435,118	415,755	382,611	33,144
Election				
Other services and charges			1,505	(1,505)
Total Election			1,505	(1,505)
Assessing				
Contracted services	37,040	37,040	37,615	(575)
Accounting and Auditing				
Contracted services	11,300	11,300	11,425	(125)
Information Technology				
Contracted services	61,305	61,305	65,226	(3,921)
Legal				
Contracted services	122,500	122,500	103,123	19,377
Engineering				
Contracted services	7,500	7,500	2,717	4,783
Planning and Zoning				
Supplies and other charges	1,025	1,025	3,590	(2,565)
Government Buildings				
Personnel services	23,453	23,453	22,979	474
Supplies	20,250	20,250	21,420	(1,170)
Contracted services	49,765	49,765	51,247	(1,482)
Other charges	23,415	23,415	18,874	4,541
Total Government Buildings	116,883	116,883	114,520	2,363
Total General Government	\$ 863,411	\$ 844,048	\$ 777,565	\$ 66,483

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**
For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Public Safety				
Police Protection				
Personnel services	\$ 1,764,988	\$ 1,764,988	\$ 1,758,170	\$ 6,818
Supplies	45,782	45,782	35,911	9,871
Contracted services	49,327	49,327	54,110	(4,783)
Other charges	76,165	76,165	57,359	18,806
Capital outlay	37,471	37,471	64,604	(27,133)
Total Police Protection	<u>1,973,733</u>	<u>1,973,733</u>	<u>1,970,154</u>	<u>3,579</u>
Fire Protection				
Contracted services	246,252	246,252	246,252	
Capital outlay	45,458	45,458	4,080	41,378
Total Fire Protection	<u>291,710</u>	<u>291,710</u>	<u>250,332</u>	<u>41,378</u>
Code Enforcement				
Personnel services	175,903	197,516	184,702	12,814
Supplies	4,600	4,600	2,289	2,311
Contracted services	4,300	4,300	588	3,712
Other charges	6,600	6,600	4,050	2,550
Total Code Enforcement	<u>191,403</u>	<u>213,016</u>	<u>191,629</u>	<u>21,387</u>
Total Public Safety	<u>2,456,846</u>	<u>2,478,459</u>	<u>2,412,115</u>	<u>66,344</u>
Public Works				
Street Maintenance				
Personnel services	227,486	227,486	201,939	25,547
Supplies	43,700	43,700	53,396	(9,696)
Contracted services	1,410	1,410	216	1,194
Other charges	1,020	1,020	1,100	(80)
Total Street Maintenance	<u>273,616</u>	<u>273,616</u>	<u>256,651</u>	<u>16,965</u>
Total Public Works	<u>\$ 273,616</u>	<u>\$ 273,616</u>	<u>\$ 256,651</u>	<u>\$ 16,965</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**
For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation and Parks				
Recreation				
Personnel services	\$ 311,909	\$ 311,909	\$ 287,996	\$ 23,913
Supplies	14,582	14,582	16,512	(1,930)
Contracted services	14,677	14,677	15,300	(623)
Other charges	2,330	2,330	1,365	965
Total Recreation	<u>343,498</u>	<u>343,498</u>	<u>321,173</u>	<u>22,325</u>
Parks and Forestry				
Personnel services	271,107	268,857	257,670	11,187
Supplies	47,850	47,850	42,759	5,091
Contracted services	8,900	8,900	8,329	571
Other charges	15,745	15,745	8,185	7,560
Total Parks and Forestry	<u>343,602</u>	<u>341,352</u>	<u>316,943</u>	<u>24,409</u>
Total Recreation and Parks	<u>687,100</u>	<u>684,850</u>	<u>638,116</u>	<u>46,734</u>
Other				
Personnel services	9,900	9,900	711	9,189
Other charges	100,000	100,000	76,463	23,537
Permit surcharges	5,600	5,600		5,600
Severance payments			157,306	(157,306)
Total Other	<u>115,500</u>	<u>115,500</u>	<u>234,480</u>	<u>(118,980)</u>
Total Expenditures	<u>4,396,473</u>	<u>4,396,473</u>	<u>4,318,927</u>	<u>77,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,616</u>	<u>89,616</u>	<u>232,237</u>	<u>142,621</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	145,666	145,666	235,667	90,001
Transfers to other funds	<u>(185,845)</u>	<u>(185,845)</u>	<u>(476,122)</u>	<u>(290,277)</u>
Total Other Financing Sources (Uses)	<u>(40,179)</u>	<u>(40,179)</u>	<u>(240,455)</u>	<u>(200,276)</u>
NET CHANGE IN FUND BALANCE	49,437	49,437	(8,218)	(57,655)
FUND BALANCE, January 1	<u>2,539,802</u>	<u>2,539,802</u>	<u>2,539,802</u>	
FUND BALANCE, December 31	<u>\$ 2,589,239</u>	<u>\$ 2,589,239</u>	<u>\$ 2,531,584</u>	<u>\$ (57,655)</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position
 December 31, 2021**

	Utility Fund
ASSETS	
Current Assets	
Cash and investments	\$ 701,464
Accounts receivable	332,677
Due from other funds	3,088
Total Current Assets	1,037,229
Noncurrent Assets	
Property and Equipment	
Construction in progress	21,309
Buildings and improvements	6,452,464
Infrastructure	6,641,960
Machinery and equipment	789,028
Total Property and Equipment	13,904,761
Less: Accumulated depreciation	7,919,118
Net Property and Equipment	5,985,643
Reserved Assets	
Cash and investments	2,090,537
Total Noncurrent Assets	8,076,180
TOTAL ASSETS	9,113,409
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activity	107,642

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position (Continued)
 December 31, 2021**

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 41,456
Accrued payroll and taxes	4,881
Accrued interest	4,539
Unearned revenue	3,000
Other accrued liabilities	4,968
Due to other funds	5,359
Current portion of compensated absences	28,160
Current portion of note payable and capital lease	238,000
Total Current Liabilities	330,363
Long-term Liabilities	
Compensated absences payable	20,345
Net pension liability	125,122
Note payable	245,000
Total Long-term Liabilities	390,467
Total Liabilities	720,830
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension activity	156,212
Net Position	
Net investment in capital assets	5,502,643
Unrestricted	2,841,366
Total Net Position	\$ 8,344,009

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**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2021**

	<u>Utility Fund</u>
Operating Revenue	
Charges for services	<u>\$ 1,814,022</u>
Operating Expenses	
Personnel services	327,313
Supplies	144,664
Contracted services and other	194,986
Treatment charges	580,123
Depreciation	478,054
Other charges	51,461
Total Operating Expenses	<u>1,776,601</u>
Operating Income	<u>37,421</u>
Other Revenue (Expense)	
Lease revenue	152,772
Commissions and other revenue	4,994
Gain on sale of assets	5,796
Investment (loss)	(23,716)
Interest and other expense	(17,957)
Total Other Revenue (Expense)	<u>121,889</u>
Income Before Transfers	159,310
Net transfers to other funds	<u>(88,416)</u>
Change in net position	70,894
NET POSITION, BEGINNING OF YEAR	<u>8,273,115</u>
NET POSITION, END OF YEAR	<u><u>\$ 8,344,009</u></u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended December 31, 2021**

	Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 1,992,705
Cash paid to suppliers	(1,253,301)
Cash paid to employees	(367,230)
Net Cash Provided By Operating Activities	372,174
Cash Flows From Investing Activities	
Investment (loss)	(23,716)
Cash Flows from Noncapital Financing Activities	
Net transfers to other funds	(88,416)
Cash Flows from Capital and Related Financing Activities	
Proceeds from the sale of capital assets	5,796
Acquisition of capital assets	(564,759)
Principal paid on long-term debt	(231,000)
Interest paid on long-term debt	(20,127)
Net Cash (Used In) Capital and Related Financing Activities	(810,090)
Net (Decrease) in Cash and Cash Equivalents	(550,048)
Cash and Cash Equivalents, January 1	3,342,049
Cash and Cash Equivalents, December 31	\$ 2,792,001
Classified as:	
Cash and investments - current assets	\$ 701,464
Cash and investments - reserved assets	2,090,537
Total Cash and Cash Equivalents, December 31	\$ 2,792,001

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows (Continued)
 For the Year Ended December 31, 2021**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
 BY OPERATING ACTIVITIES**

Operating income	\$	37,421
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		478,054
Change in net pension liability		(34,979)
Lease and other revenues		157,766
(Increase) decrease in:		
Accounts receivable		21,146
Due from other funds		331
Increase (decrease) in:		
Accounts payable		(282,067)
Accrued payroll and taxes		(5,127)
Due to other funds		(560)
Estimated liability for compensated absences		189
Net Cash Provided By Operating Activities	<u>\$</u>	<u>372,174</u>

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CITY OF SPRING LAKE PARK
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the City of Spring Lake Park (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting principles are described below.

A. Reporting Entity

The City operates according to applicable laws and statutes under the council-administrator plan (Statutory Plan A) as defined by Minnesota statutes. A Council composed of an elected mayor and four other elected members directs the government of the City. The Council exercises legislative authority and determines all matters of policy and is responsible for directing the activities of the City. The Council appoints the City Administrator and other personnel who are responsible for the proper administration of all affairs relating to the City.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Spring Lake Park (the primary government) and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the potential component unit's board, is able to impose its will on the potential unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. The component unit described below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

Spring Lake Park - Blaine - Mounds View Fire Department

The City has joined with the cities of Blaine and Mounds View to cooperatively provide fire protection services to their residents. This is provided by the Spring Lake Park - Blaine - Mounds View Fire Department (the Fire Department), a private nonprofit Internal Revenue Code Section 501(c)(3) organization. The service territory is generally comprised of the cities of Spring Lake Park, Blaine and Mounds View.

The three cities agreed upon several significant provisions in their agreement dated December 11, 1990:

1. The Fire Department is governed by its own Board of Directors. Directors are appointed by each city and from the Fire Department.
2. Operation, maintenance and debt service costs are shared based upon a formula. One half of the formula is the relative assessed value of each city. The other half is the three-year average of fire calls within each city. The City's share of the formula was 8.50% in 2021.
3. The city of Blaine issued \$8,050,000 G.O. Capital Improvement Bonds, Series 2005A, on December 1, 2005 to construct a new fire station and training facility and acquire two additional fire trucks. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance. These bonds were refunded in 2016 (see 4. below).
4. In 2013, the city of Blaine issued crossover refunding bonds to refund (in 2016) the 2005A G.O. Capital Improvement Bonds. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance.
5. In 2017, the City of Spring Lake Park issued \$1,090,000 G.O. Equipment Certificates of Indebtedness, Series 2017A to purchase a new fire truck and additional fire vehicles and equipment. The City of Spring Lake Park has recorded the full amount of debt and an intergovernmental receivable for the share of debt related to Blaine and Mounds View.
6. In 2018, the City of Blaine issued \$1,145,000 G.O. Equipment Certificates of Indebtedness, Series 2018A, to purchase new fire vehicles and equipment. The City of Spring Lake Park has recorded their principal share of debt and capitalized their share of fire vehicles and equipment.
7. Each city has a non-measurable equity interest in the property that is held by the fire department.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations (Continued)

Spring Lake Park - Blaine - Mounds View Fire Department (Continued)

The City's share of operating costs were \$246,252, capital costs were \$4,080 and debt service costs were \$303,514 during 2021. The operating and capital costs were recorded as expenditures in the General Fund. The debt service costs were recorded as expenditures in the 2013A G.O. Capital Improvement Bond, 2017A G.O. Equipment Certificates and 2018A Blaine Fire debt service funds.

Because the City is not financially accountable for the Fire Department (the Fire Department is able to fund itself independently of the City) it is excluded from the reporting entity of the City.

A related entity, the Spring Lake Park Firemen's Relief Association (the Association), is a nonprofit organization organized to provide pension and other benefits to its members in accordance with Minnesota statutes. Because the City is not financially accountable for the Association (the Association is able to fund itself independently of the City) it is also excluded from the reporting entity of the City. The Fire Department and the Association issue financial reports which are available at City offices or at the Fire Department, 1710 Highway 10, Spring Lake Park, Minnesota, 55432.

North Metro Telecommunications Commission

In 2016, the City joined with the cities of Blaine, Centerville, Circle Pines, Ham Lake, Lexington and Lino Lakes to cooperatively purchase telecommunications equipment to provide cable communication services to their residents. The City of Spring Lake Park has recorded its share of the debt related to the 2016A G.O. Improvement Note issued by the city of Circle Pines. The 2016A North Metro Telecommunications debt service fund received \$13,100 in franchise fees that were used for debt service payments during the year ended December 31, 2021.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *developer's escrow fund* is an accumulation of resources and costs associated with development throughout the City.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *revolving fund* was created to finance improvement projects. The fund is financed with the remaining funds left in capital project funds once the project is considered completed and special assessments.

The *renewal and replacement fund* was created to finance capital improvement projects in the City. The fund was initially financed with the remaining funds left in the liquor fund upon closing of the fund.

The *2021A G.O. improvement refunding bonds fund* is an accumulation of resources (special assessments and property taxes) for the payments of principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The *utility fund* accounts for the operation of the City owned utility (water and sewer) system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Cash and investments (including cash equivalents)

Cash balances from all City funds, except certain designated funds, are pooled and invested to the extent available in various securities as authorized by Minnesota statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of the average cash balance participation of each fund throughout the year.

Investments are stated at fair value, based upon quoted market prices at the reporting date. Cash and cash equivalents for purposes of the basic financial statements includes amounts in demand deposits as well as all investments held by the City.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Receivables and payables (continued)

Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax levies are set by the City Council in December of each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, July and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The net amount of delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred, generally over ten-year periods, with interest charges ranging from 3.5% to 5.5%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The net amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

3. Tax increment district

Tax increment revenues received are recorded in the Debt Service Fund to service note principal and interest payments.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as incurred.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Land Improvements	10 - 20
Buildings and Improvements	15 - 40
Infrastructure	25 - 35
Distribution and Collection System	15 - 80
Furniture, Fixtures and Equipment	3 - 10

The City reviews its property, plant and equipment for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event of change in circumstances is outside the normal cycle of the capital assets.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

5. Compensated absences benefits

The City's policy is to permit employees to accumulate unused vacation and compensatory time benefits. City employees are entitled to vacation pay based upon length of employment. In addition, the City has established a severance pay policy for nonunion employees. This policy provides for severance payments upon termination of employment based on accumulated personal leave accrued, subject to certain conditions and specified maximums. Severance pay policy for union employees is governed by individual union contracts.

Vested benefits for City employees attributable to governmental funds are recorded as expenditures in these funds as benefits are paid to employees. The liability and corresponding expense is recorded in the government-wide financials statements as these benefits accrue. The liability and corresponding expense associated with proprietary funds is recorded in the applicable proprietary fund as benefits accrue.

6. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

7. 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.

8. Fund equity

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – amounts are restricted by external creditors, grantors, contributors, laws or regulations of other governments.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

8. Fund equity (continued)

Committed – includes fund balance amounts that are committed by resolution, which is the City's highest level of decision-making authority, for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action (resolution).

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Council has the power to assign fund balances or to designate an official who may assign fund balances. The City Administrator has been designated by the Council to assign fund balances.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City considers restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts when expenditures are made.

9. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

10. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types of deferred inflows. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position.

E. Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash, investments and accounts and loans receivable. Credit risk associated with cash and investments is discussed in Note 3. The City's accounts and loans receivable are concentrated geographically, and for the most part, amounts are due from individuals residing in and businesses located in the City of Spring Lake Park.

F. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

G. Conduit Debt Obligations

The City issued lease revenue bonds during 2017 to provide funding to a private sector entity for a project deemed to be in the public interest. The City issued bonds during 2019 to provide funding to another private sector entity for a project deemed to be in public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2021, the outstanding principal amount of these bonds was \$56,995,444.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

H. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 29, 2022, the date the financial statements were available to be issued.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund. An annual budget is not adopted for the Developer's Escrow special revenue fund, which adopts a project length budget. Formal budgetary integration is employed as a management control device during the year for the General Fund. The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
 2. The preliminary budget is submitted to the City Council in August for its review and/or modification.
 3. City administration presents the proposed budget to the City Council which in turn holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the department level for the General Fund.
 4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the department level. Administration cannot legally amend or transfer appropriations between departments without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Information (Continued)

5. Budgeted amounts are as originally adopted, or as amended by the City Council. The budget cannot be amended without approval by the City Council.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which were not the same for the year ended December 31, 2021).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2021, the following General Fund department had expenditures exceeding the latest amended budget:

	<u>2021 Budgeted Expenditures</u>	<u>2021 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
Other	\$ 115,500	\$ 234,480	\$ 118,980

The above listed over expenditures were approved by the City Council.

C. Fund Balance Deficits

As of December 31, 2021, the following fund had a deficit fund balance:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
2013A G.O. Capital Improvement Fire Bond Debt Service	\$ 4,641

The fund balance deficit will be eliminated by future revenue and financing sources.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds

A. Deposits and Investments

In accordance with applicable Minnesota statutes, the City maintains deposits at depository banks authorized by the City Council. 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 surety bonds. Authorized collateral includes certain state or local government obligations and legal investments described in the investment policy section. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the institution furnishing the collateral.

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2021.

Investment Policy

The City maintains a formal investment policy that limits its investment choices as a means of managing its exposure to credit risk. The City's investment policy does not address, however, limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

- (h) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies and with a credit quality in one of the top two highest categories.

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2021 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 8,878,689	\$ 8,878,689	\$	\$
U.S. Government Securities	1,251,956		1,251,956	
Total	\$ 10,130,645	\$ 8,878,689	\$ 1,251,956	\$

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation.

The following is a summary of the City of Spring Lake Park's cash and investment portfolio including the range of maturities and investment ratings by type of investment:

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 4,133,012
Certificates of Deposit	8/30	N/A	8,878,689
U.S. Government Securities	10/26	AAA	1,251,956
Total cash and investments			\$ 14,263,657

N/A Not applicable or not available

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to penalty equal to seven days interest on the amount withdrawn.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investments are rated by various credit rating agencies, where applicable, to indicate the associated credit risk. Investment ratings by investment type (as applicable) are included in the preceding summary of investments.

The City does not have a formal policy related to the credit risk of its investments, but continues to buy safe and liquid assets that are allowable under Minnesota Statutes.

Concentration of Credit Risk

The City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The City's investment policies do not limit the concentration of investments. Investments in any one issuer that represented 5% or more of total investments as of December 31, 2021 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$4,257,387

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2021, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

B. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2021 were as follows:

<u>Fund Type</u>	<u>Anoka County</u>	<u>Ramsey County</u>
General Fund	\$ 65,886	\$ 560
Capital Projects	182	
Debt Service	10,914	44
	<u>\$ 76,982</u>	<u>\$ 604</u>

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 604,950	\$	\$ 270,000	\$ 334,950
Construction in progress	777,040		777,040	
Total capital assets, not being depreciated	<u>1,381,990</u>		<u>1,047,040</u>	<u>334,950</u>
Capital assets, being depreciated:				
Buildings and improvements	3,399,492			3,399,492
Machinery and equipment	3,957,444	92,994	55,159	3,995,279
Infrastructure	19,582,208	851,029		20,433,237
Total capital assets, being depreciated	<u>26,939,144</u>	<u>944,023</u>	<u>55,159</u>	<u>27,828,008</u>
Less accumulated depreciation for:				
Buildings and improvements	2,282,884	109,835		2,392,719
Machinery and equipment	2,918,559	364,432	55,159	3,227,832
Infrastructure	12,242,606	490,105		12,732,711
Total accumulated depreciation	<u>17,444,049</u>	<u>964,372</u>	<u>55,159</u>	<u>18,353,262</u>
Total capital assets, being depreciated, net	<u>9,495,095</u>	<u>(20,349)</u>		<u>9,474,746</u>
Governmental activities capital assets, net	<u>\$ 10,877,085</u>	<u>\$ (20,349)</u>	<u>\$ 1,047,040</u>	<u>\$ 9,809,696</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 489,541	\$ 21,309	\$ 489,541	\$ 21,309
Total capital assets, not being depreciated	489,541	21,309	489,541	21,309
Capital assets, being depreciated:				
Buildings and improvements	6,489,800		37,336	6,452,464
Machinery and equipment	808,197		19,169	789,028
Infrastructure	5,608,969	1,032,991		6,641,960
Total capital assets, being depreciated	12,906,966	1,032,991	56,505	13,883,452
Less accumulated depreciation for:				
Buildings and improvements	4,470,895	221,581	37,336	4,655,140
Machinery and equipment	686,738	34,293	19,169	701,862
Infrastructure	2,339,936	222,180		2,562,116
Total accumulated depreciation	7,497,569	478,054	56,505	7,919,118
Total capital assets, being depreciated, net	5,409,397	554,937		5,964,334
Business-type activities capital assets, net	\$ 5,898,938	\$ 576,246	\$ 489,541	\$ 5,985,643

Depreciation expense for the year ended December 31, 2021 was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 162,478
Public safety	117,946
Public works	617,278
Recreation and parks	66,670
Total	\$ 964,372
 Business-Type Activities	
Utility	\$ 478,054

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt

The City issues general obligation bonds and equipment certificates to provide funds for economic development and for the acquisition and construction of major capital assets including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for business-type activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds and certificates are direct obligations and pledge the full faith and credit of the City. General obligation improvement and refunding bonds are expected to be repaid, in part, from assessments to the benefited properties.

A summary of long-term debt outstanding at December 31, 2021 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/21</u>
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	2.00%	2025	\$ 184,951
2013B Capital Improvement Bonds	12/18/2013	3.00%	2023	155,000
2021A Improvement Refunding Bonds	2/17/2021	2.00%	2025	1,155,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	455,000
2018A Equipment Certificates	1/4/2018	1.90%	2022	165,000
2018A Improvement Certificates	6/7/2018	3.00% - 4.00%	2023	39,626
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	483,000
2016A Improvement Notes	4/14/2016	2.00%	2025	38,102
Other Liabilities:				
Net unamortized premium on bonds				35,510
Compensated Absences				<u>360,104</u>
Total Long-Term Debt				<u>\$ 3,071,293</u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2021, the City had not utilized approximately \$19,000,000 of its net legal debt margin.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 226,601	\$	\$ 41,650	\$ 184,951	\$ 42,500
2013B Capital Improvement Bonds	225,000		70,000	155,000	75,000
2014A Capital Improvements Bonds	1,485,000		1,485,000		
2021A Capital Improvement Bonds		1,455,000	300,000	1,155,000	295,000
General obligation certificates:					
2017A Equipment Certificates	675,000		220,000	455,000	225,000
2018A Equipment Certificates	325,000		160,000	165,000	165,000
2018A Improvement Certificates	57,901		18,275	39,626	19,125
General obligation note payable:					
2016A Improvement Notes	50,198		12,096	38,102	12,398
Other Liabilities:					
Compensated Absences	399,392	212,459	300,252	311,599	234,252
Unamortized premium	36,029	62,335	47,506	50,858	
Less: unamortized (discount)	<u>(23,208)</u>	<u>(16,005)</u>	<u>(23,865)</u>	<u>(15,348)</u>	
Governmental Activities					
Long-Term Liabilities	<u>3,456,913</u>	<u>1,713,789</u>	<u>2,630,914</u>	<u>2,539,788</u>	<u>1,068,275</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	714,000		231,000	483,000	238,000
Other Liabilities:					
Compensated Absences	<u>48,316</u>	<u>28,239</u>	<u>28,050</u>	<u>48,505</u>	<u>28,160</u>
Business-Type Activities					
Long-Term Liabilities	<u>762,316</u>	<u>28,239</u>	<u>259,050</u>	<u>531,505</u>	<u>266,160</u>
Total	<u>\$ 4,219,229</u>	<u>\$ 1,742,028</u>	<u>\$ 2,889,964</u>	<u>\$ 3,071,293</u>	<u>\$ 1,334,435</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (Continued)

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2021 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2022	\$ 412,500	\$ 31,703	\$ 409,125	\$ 14,766
2023	418,775	22,711	250,501	4,232
2024	334,625	13,548		
2025	329,051	7,323		
Totals	<u>\$1,494,951</u>	<u>\$ 75,285</u>	<u>\$ 659,626</u>	<u>\$ 18,998</u>

Year	General Obligation Notes Payable	
	Principal	Interest
2022	\$ 250,398	\$ 14,378
2023	257,701	7,420
2024	13,003	260
2025		
Totals	<u>\$ 521,102</u>	<u>\$ 22,058</u>

In 2021, the City issued \$1,455,000 of General Obligation Refunding Bonds, Series 2021A. The bonds were issued to refund the General Obligation Bonds, Series 2014A. The refunding resulted in an effective interest rate savings of 0.451%, including issuance costs and a cash flow savings of \$53,301. The economic gain is \$54,175, or approximately \$11,000 per year for the remaining four years the 2021A Bonds will be outstanding.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

E. Tax Increment District

The City of Spring Lake Park enters into property tax abatement agreements through the use of tax increment financing districts with local businesses under various Minnesota Statutes. Under these statutes, the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.001 to 469.047 and 469.174 to 469.179 (The Tax Increment Act) to create these districts.

The City of Spring Lake Park is the administering authority for the City of Spring Lake Park Tax Increment Financing District, No. 6-1. The district is housing development type and authorized under Minnesota law chapter 469.174 to 469.179 (The Tax Increment Act). District No. 6-1 was certified in 2017 and will continue until December 31, 2040.

Information regarding District No. 6-1 as of December 31, 2021 is as follows:

Original net tax capacity	\$	11,313
Current net tax capacity		211,615
Capture net tax capacity:		
Retained by authority		200,302

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2021:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 4,641	\$
Non-Major Governmental Funds:		
Special Revenue		
Recycling	1,705	
Street Lighting	566	
Debt Service		
2013A GO Capital Improvement Fire Bond		4,641
Subtotal	2,271	4,641
Total Governmental Funds	6,912	4,641
Proprietary Funds:		
Utility	3,088	5,359
Subtotal	3,088	5,359
Total All Funds	\$ 10,000	\$ 10,000

Interfund receivables and payables are the result of expenditures of funds prior to the collection of special assessments, property taxes and other revenues. All interfund balances will be repaid as the revenues are collected by the individual funds or by transfers from other funds.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; or 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Interfund transfers during the year ended December 31, 2021 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 235,667	\$ 476,122
Renewal and Replacement		25,000
Subtotal	<u>235,667</u>	<u>501,122</u>
Non-Major Governmental Funds:		
Special Revenue		
Emergency Management	3,157	
Police Reserves	3,000	
Forestry	2,000	
Animal Control	1,000	
Recreation Fund		62,500
Tower Days	15,000	
Recycling Fund		5,000
Comprehensive Plan Update	5,000	
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	78,250	
2014A GO Improvement Bonds		928,546
2017A GO Equipment Certificates	20,285	
2018A Blaine Fire Debt Service	21,092	
2021A GO Improvement Refunding Bonds	928,546	
Tax Increment Financing - Legends of SLP		3,000

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
Storm Water	25,000	
Building Maintenance	111,688	
Park equipment and improvement	10,000	
Capital Replacement	25,000	
Street Sealcoating	42,000	
Public Safety Replacement	11,899	
Subtotal	<u>1,352,917</u>	<u>999,046</u>
Total Governmental Funds	1,588,584	1,500,168
Proprietary Funds:		
Utility		<u>88,416</u>
Total All Funds	<u>\$ 1,588,584</u>	<u>\$ 1,588,584</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2021:

	General Fund	Developer's Escrow	Revolving Fund	Renewal and Replacement	2021 A.G.O. Improvement Refunding Bonds	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid items	\$ 49	\$	\$	\$	\$	\$ 495	\$ 544
Restricted							
Police activities						11,570	11,570
Debt service					756,142	562,859	1,319,001
Street improvements						197,916	197,916
Park acquisition						905,191	905,191
Community development						76,290	76,290
Total Restricted					756,142	1,753,826	2,509,968
Assigned							
Working capital reserve	2,122,747						2,122,747
Compensated absences	311,599						311,599
Elections	97,189						97,189
Recreation programs						283,664	283,664
Recycling						80,796	80,796
Street lighting						91,751	91,751
Cable activities						23,690	23,690
Public safety supplies						16,098	16,098
HRA reserve						1,038,567	1,038,567
Street improvement			1,385,543	1,850,217			3,235,760
Street sealcoating						83,941	83,941
Storm water runoff program						91,192	91,192
Capital replacement						671,377	671,377
Building maintenance						247,933	247,933
Park acquisition						45,664	45,664
Other activities						43,449	43,449
Total Assigned	2,531,535		1,385,543	1,850,217		2,718,122	8,485,417
Unassigned						(4,641)	(4,641)
Total Fund Balance	\$ 2,531,584	\$	\$ 1,385,543	\$ 1,850,217	\$ 756,142	\$ 4,467,802	\$ 10,991,288

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Equity (Continued)

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2021 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 1,319,001	\$
Special Revenue Funds:				
Police activities		11,570		
Community development	26,521	49,769		
Capital Project Funds:				
Street improvements		197,916		
Park acquisition	905,191			
Total Restricted Funds	<u>\$ 931,712</u>	<u>\$ 259,255</u>	<u>\$ 1,319,001</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,526,427	\$
Police activities		11,570		
Community development	26,521	49,769		
Street improvements		197,916		
Park acquisition	905,191			
Total Restricted Net Position	<u>\$ 931,712</u>	<u>\$ 259,255</u>	<u>\$ 1,526,427</u>	<u>\$</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota Cities. All Cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchases commercial insurance for property values in excess of the LMCIT policy limits and all other risks of loss. Settled claims have not exceeded the LMCIT or commercial coverage in any of the past three fiscal years.

Worker's compensation insurance is also purchased through the LMCIT. The worker compensation program is a retrospectively rated contract with premiums or required contributions based primarily on the experience rates of the participating cities. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

B. Commitments and Contingencies

Insurance:

The City has outstanding claims subject to its insurance deductible. Although the outcome of these actions is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

General Litigation:

Management is not aware of any existing or pending lawsuits, claims or other actions in which the City is a defendant. It is the opinion of management that any such claims would be covered by the liability insurance of the City and that potential claims against the City would not materially affect the financial statements.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

C. Pension Plans

1. Public Employees Retirement Association (PERA) - Defined Benefit

A. Plan Description

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

1. General Employees Retirement Plan - All full-time and certain part-time employees of the City of Spring Lake Park are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.
2. Public Employees Police and Fire Plan - The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

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. 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.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

B. Benefits Provided (continued)

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

B. Benefits Provided (continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$97,494. The City's contributions were equal to the required contributions as set by state statute.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

C. Contributions (continued)

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$188,326. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$790,033 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 City totaled \$24,044.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0185 percent at the end of the measurement period and .0184 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 790,033
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>24,044</u>
Total	<u>\$ 814,077</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2021, the City recognized pension (benefit) of (\$180,841) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,940 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,247	\$ 24,163
Changes in actuarial assumptions	482,378	17,862
Net collective difference between projected and actual investment earnings		689,349
Changes in proportion	4,497	83,063
Contributions paid to PERA subsequent to the measurement date	<u>48,350</u>	
Total	<u>\$ 540,472</u>	<u>\$ 814,437</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$48,350 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (98,444)
2023	(32,453)
2024	(4,801)
2025	(186,617)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$677,723 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0878 percent at the end of the measurement period and .0912 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension (benefit) of (\$255,755) for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$5,552 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$7,902 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 132,012	\$
Changes in actuarial assumptions	996,075	390,467
Net collective difference between projected and actual investment earnings		1,290,749
Changes in proportion	18,238	94,618
Contributions paid to PERA subsequent to the measurement date	<u>96,956</u>	
Total	<u>\$ 1,243,281</u>	<u>\$ 1,775,834</u>

The \$96,956 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (507,392)
2023	(91,242)
2024	(92,473)
2025	(148,995)
2026	210,593

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

Total Pension Expense (Benefit)

The total pension (benefit) for all plans (General Employees Fund and Police and Fire Fund) recognized by the City for the year ended December 31, 2021 was (\$436,596).

E. Long-Term Expected Return on Investment

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

F. Actuarial Methods and Assumptions (Continued)

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	Sensitivity of Net Pension Liability at Different Discount Rates			
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 1,611,264	5.50%	\$ 2,151,656
Current Discount Rate	6.50%	\$ 790,033	6.50%	\$ 677,723
1% Higher	7.50%	\$ 116,163	7.50%	\$ (530,537)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

1. Public Employees Retirement Association (PERA) - Defined Benefit (Continued)

I. Pension Plan Fiduciary Net Position

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

2. Public Employees Retirement Association (PERA) - Defined Contribution

Four council members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of council members are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer.

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2021 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 1,267	\$ 1,267	5%	5%	5%

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

E. Other Postemployment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 75, *Accounting and Financial Reporting by for Postemployment Benefits Other than Pensions*. Management determined the OPEB liability at December 31, 2021 is not material and therefore is not recorded in these financial statements.

F. Joint Powers Agreements

As previously noted, the City of Spring Lake Park participates with the cities of Blaine and Mounds View through a joint powers agreement to cooperatively support the Spring Lake Park Fire Department, Inc. (the Department). The Department is independent of the cities and operates as a separate entity. Under terms of the agreement, the equipment, property and other assets of the Department are owned jointly by the three cities. Each city enters into a contract for services with the Department for fire protection services. Cost of services for each City is determined based on a formula prescribed in the agreement. Based on the agreement, in the event the Department sustains operating deficits, the cities will contribute additional funds to the Department in proportion to the formula described above. Operating budgets of the Department are approved annually by the cities.

Payments to the Department by the City of Spring Lake Park in 2021 totaled \$250,332, including a provision for capital expenditures. This total was approximately 8% of contracted revenues from member cities reported by the Department. As described in Note 1, the City is also responsible for its share of debt service payments related to bonds issued on behalf of the Department for building improvements and equipment acquisitions.

In addition, the City is a member of the Anoka County Joint Law Enforcement Council (JLEC), an organization of Anoka County and certain cities located within the County formed to cooperate in their law enforcement efforts. The City participates with the JLEC on a cost-sharing basis with the development and maintenance of an integrated central records communication system. Costs related to the City's participation in the JLEC were \$15,132 for the year ended December 31, 2021.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

F. Joint Powers Agreements (Continued)

In 1983, the City adopted an ordinance establishing a franchise for a cable communications system. City and neighboring municipalities formed the North Metro Telecommunications Commission (the "Commission"). The purpose of this organization is to monitor the operations and activities of cable communications of the member municipalities. The Commission also provides coordination, administration and enforcement of the franchises for the cable communication system.

The City receives a portion of the franchise fees, which are reported in the North Central Suburban Cable Fund. These revenues are committed for cable television related expenditures. Financial statements for the Commission can be obtained by writing to: North Metro Telecommunications Commission, 12520 Polk Street NE, Blaine, Minnesota 55434.

CITY OF SPRING LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of City Contributions
PERA General Employees Retirement Fund
December 31, 2021

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 106,316	\$ 106,316	\$	\$ 1,468,400	7.2%
2015	109,297	109,297		1,442,177	7.6%
2016	112,202	112,202		1,496,472	7.5%
2017	114,728	114,728		1,529,713	7.5%
2018	110,008	110,008		1,466,764	7.5%
2019	102,065	102,065		1,360,859	7.5%
2020	103,623	103,623		1,381,644	7.5%
2021	97,494	97,494		1,299,915	7.5%
2022					
2023					

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2021

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 135,648	\$ 135,648	\$	\$ 886,585	15.30%
2015	147,786	147,786		912,261	16.20%
2016	151,121	151,121		932,841	16.20%
2017	153,641	153,641		948,402	16.20%
2018	161,819	161,819		998,882	16.20%
2019	174,175	174,175		1,027,581	16.95%
2020	186,745	186,745		1,055,054	17.70%
2021	188,326	188,326		1,063,991	17.70%
2022					
2023					

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
December 31, 2021

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (b)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) and the State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0275%	\$ 1,291,812	\$	\$ 1,291,812	\$ 1,468,400	88.0%	78.7%
2015	0.0247%	1,280,082		1,280,082	1,442,177	88.8%	78.2%
2016	0.0239%	1,940,561	25,332	1,965,893	1,496,472	131.4%	68.9%
2017	0.0234%	1,493,841	18,793	1,512,634	1,529,713	98.9%	75.9%
2018	0.0228%	1,264,851	41,581	1,306,432	1,534,400	85.1%	79.5%
2019	0.0200%	1,105,755	34,332	1,140,087	1,413,001	80.7%	80.2%
2020	0.0184%	1,103,164	33,897	1,137,061	1,309,040	86.9%	79.1%
2021	0.0185%	790,033	24,044	814,077	1,329,628	61.2%	87.0%
2022							
2023							

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2021

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1040%	\$ 1,123,243		\$	886,585	126.7%	87.1%
2015	0.0960%	1,090,785			912,261	119.6%	86.6%
2016	0.0960%	3,852,647			932,841	413.0%	63.9%
2017	0.0920%	1,242,109			948,402	131.0%	85.4%
2018	0.0925%	985,955			975,104	101.1%	88.8%
2019	0.0955%	1,016,694			1,007,413	100.9%	89.3%
2020	0.0912%	1,202,114	28,305	1,230,419	1,029,857	119.5%	87.2%
2021	0.0878%	677,723	30,486	708,209	1,038,145	68.2%	93.7%
2022							
2023							

Note: These schedules are intended to provide information for ten years. The City will include that information as it becomes available.

CITY OF SPRING LAKE PARK
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES

December 31, 2021

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**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2021

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and investments	\$ 1,605,232	\$ 559,432	\$ 2,232,598	\$ 4,397,262
Accounts receivable	78,192		20,757	98,949
Due from other funds	2,271			2,271
Due from other governmental units		3,427		3,427
Prepaid expenditures	495			495
TOTAL ASSETS	\$ 1,686,190	\$ 562,859	\$ 2,253,355	\$ 4,502,404
LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 15,808	\$	\$ 917	\$ 16,725
Accrued payroll and taxes	689			689
Deposits payable	5,600			5,600
Due to other funds		4,641		4,641
Unearned revenue	6,947			6,947
Total Liabilities	29,044	4,641	917	34,602
FUND BALANCE (DEFICIT)				
Nonspendable	495			495
Restricted	87,860	562,859	1,103,107	1,753,826
Assigned	1,568,791		1,149,331	2,718,122
Unassigned		(4,641)		(4,641)
Total Fund Balance (Deficit)	1,657,146	558,218	2,252,438	4,467,802
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,686,190	\$ 562,859	\$ 2,253,355	\$ 4,502,404

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CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property and franchise taxes	\$ 12,479	\$ 398,003	\$	\$ 410,482
Intergovernmental revenues	66,670		80,439	147,109
Charges for services	288,580	13,100	87,370	389,050
Fines and forfeitures	8,100			8,100
Investment (loss)	(11,864)	(7,299)	(25,894)	(45,057)
Other revenues	123,703	218,365	261,551	603,619
TOTAL REVENUES	487,668	622,169	403,466	1,513,303
EXPENDITURES				
Current				
General government	54,729			54,729
Public safety	14,808			14,808
Public works	36,051		246,625	282,676
Recreation and parks	94,649		32,688	127,337
Development and other	198,711	254,869		453,580
Capital Outlay				
General government	17,812		6,364	24,176
Public safety	1,178		1,476	2,654
Public works			29,152	29,152
Recreation and parks			9,823	9,823
Development and other	9,599			9,599
Debt Service				
Principal		522,021		522,021
Interest and other		38,158		38,158
TOTAL EXPENDITURES	427,537	815,048	326,128	1,568,713
Excess (deficiency) of revenues over (under) expenditures	60,131	(192,879)	77,338	(55,410)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	29,157	169,627	225,587	424,371
Transfers to other funds	(67,500)	(931,546)		(999,046)
Sale of capital assets	111,500		122,397	233,897
Total other financing sources (uses)	73,157	(761,919)	347,984	(340,778)
Net change in fund balances	133,288	(954,798)	425,322	(396,188)
FUND BALANCES (DEFICIT), Beginning	1,523,858	1,513,016	1,827,116	4,863,990
FUND BALANCES (DEFICIT), Ending	\$ 1,657,146	\$ 558,218	\$ 2,252,438	\$ 4,467,802

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

December 31, 2021

	Recycling	Street Lighting	Cable
ASSETS			
Cash and investments	\$ 30,622	\$ 84,986	\$ 11,430
Accounts receivable	56,800	8,907	12,479
Prepaid expenditures			
Due from other funds	1,705	566	
TOTAL ASSETS	\$ 89,127	\$ 94,459	\$ 23,909
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 7,861	\$ 2,708	\$
Accrued payroll and taxes	470		219
Deposits and other liabilities			
Unearned revenue			
Total Liabilities	8,331	2,708	219
FUND BALANCE			
Nonspendable			
Restricted			
Assigned	80,796	91,751	23,690
Total Fund Balance	80,796	91,751	23,690
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 89,127	\$ 94,459	\$ 23,909

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$ 19,165	\$ 11,570	\$ 292,769 6 495	\$ 1,044,167
<u>\$ 19,165</u>	<u>\$ 11,570</u>	<u>\$ 293,270</u>	<u>\$ 1,044,167</u>
\$ 3,067	\$	\$ 2,164	\$
			5,600
		6,947	
<u>3,067</u>		<u>9,111</u>	<u>5,600</u>
		495	
16,098	11,570	283,664	1,038,567
<u>16,098</u>	<u>11,570</u>	<u>284,159</u>	<u>1,038,567</u>
<u>\$ 19,165</u>	<u>\$ 11,570</u>	<u>\$ 293,270</u>	<u>\$ 1,044,167</u>

(Continued)

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2021**

	Tower Days	Traffic Education	Emergency Management
ASSETS			
Cash and investments	\$ 26,521	\$ 49,769	\$ 13,853
Accounts receivable			
Prepaid expenditures			
Due from other funds			
TOTAL ASSETS	\$ 26,521	\$ 49,769	\$ 13,853
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$ 8
Accrued payroll and taxes			
Deposits and other liabilities			
Unearned revenue			
Total Liabilities			8
FUND BALANCE			
Nonspendable			
Restricted	26,521	49,769	
Assigned			13,845
Total Fund Balance	26,521	49,769	13,845
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 26,521	\$ 49,769	\$ 13,853

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$ 6,265	\$ 10,610	\$ 3,505	\$ 1,605,232
			78,192
			495
			<u>2,271</u>
<u>\$ 6,265</u>	<u>\$ 10,610</u>	<u>\$ 3,505</u>	<u>\$ 1,686,190</u>
\$	\$	\$	\$ 15,808
			689
			5,600
			<u>6,947</u>
			<u>29,044</u>
			495
			87,860
<u>6,265</u>	<u>10,610</u>	<u>3,505</u>	<u>1,568,791</u>
<u>6,265</u>	<u>10,610</u>	<u>3,505</u>	<u>1,657,146</u>
<u>\$ 6,265</u>	<u>\$ 10,610</u>	<u>\$ 3,505</u>	<u>\$ 1,686,190</u>

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2021

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
REVENUES			
Franchise taxes	\$	\$	\$ 12,479
Intergovernmental revenue	66,670		
Charges for services	131,376	38,736	
Fines and forfeitures			
Investment (loss)	(212)	(499)	(111)
Other revenues	1,355	35,549	
	<u>199,189</u>	<u>73,786</u>	<u>12,368</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government			16,529
Public safety			
Public works		36,051	
Recreation and parks			
Development and other	181,263		
Capital Outlay			
General government			
Public safety			
Development and other	9,599		
	<u>190,862</u>	<u>36,051</u>	<u>16,529</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over (under) expenditures	<u>8,327</u>	<u>37,735</u>	<u>(4,161)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds	(5,000)		
Sale of capital assets			
	<u>(5,000)</u>		
Total other financing sources (uses)			
Net change in fund balances	3,327	37,735	(4,161)
FUND BALANCES, Beginning	<u>77,469</u>	<u>54,016</u>	<u>27,851</u>
FUND BALANCES, Ending	<u>\$ 80,796</u>	<u>\$ 91,751</u>	<u>\$ 23,690</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$	\$	\$	\$
		118,468	
8,100			
(162)	(79)	(2,432)	(7,599)
			<u>75,057</u>
<u>7,938</u>	<u>(79)</u>	<u>116,036</u>	<u>67,458</u>
			38,200
13,514	93		
		93,449	
			17,812
1,178			
<u>14,692</u>	<u>93</u>	<u>93,449</u>	<u>56,012</u>
<u>(6,754)</u>	<u>(172)</u>	<u>22,587</u>	<u>11,446</u>
	3,000		
		(62,500)	
			<u>111,500</u>
	3,000	(62,500)	<u>111,500</u>
(6,754)	2,828	(39,913)	122,946
<u>22,852</u>	<u>8,742</u>	<u>324,072</u>	<u>915,621</u>
<u>\$ 16,098</u>	<u>\$ 11,570</u>	<u>\$ 284,159</u>	<u>\$ 1,038,567</u>

(Continued)

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2021

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
REVENUES			
Franchise taxes	\$	\$	\$
Intergovernmental revenue			
Charges for services			
Fines and forfeitures			
Investment (loss)	(170)	(387)	(101)
Other revenues	11,742		
	<u>11,572</u>	<u>(387)</u>	<u>(101)</u>
TOTAL REVENUES			
	<u>11,572</u>	<u>(387)</u>	<u>(101)</u>
EXPENDITURES			
Current			
General government			
Public safety			1,201
Public works			
Recreation and parks			
Development and other	17,448		
Capital Outlay			
General government			
Public safety			
Development and other			
	<u>17,448</u>	<u>1,201</u>	<u>1,201</u>
TOTAL EXPENDITURES			
	<u>17,448</u>	<u>1,201</u>	<u>1,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,876)</u>	<u>(387)</u>	<u>(1,302)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	15,000		3,157
Transfers to other funds			
Sale of capital assets			
	<u>15,000</u>	<u>3,157</u>	<u>3,157</u>
Total other financing sources (uses)	<u>15,000</u>	<u>3,157</u>	<u>3,157</u>
Net change in fund balances	9,124	(387)	1,855
FUND BALANCES, Beginning	<u>17,397</u>	<u>50,156</u>	<u>11,990</u>
FUND BALANCES, Ending	<u>\$ 26,521</u>	<u>\$ 49,769</u>	<u>\$ 13,845</u>

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$	\$	\$	\$ 12,479
			66,670
			288,580
			8,100
(44)	(43)	(25)	(11,864)
			123,703
<u>(44)</u>	<u>(43)</u>	<u>(25)</u>	<u>487,668</u>
			54,729
			14,808
			36,051
		1,200	94,649
			198,711
			17,812
			1,178
			9,599
		<u>1,200</u>	<u>427,537</u>
<u>(44)</u>	<u>(43)</u>	<u>(1,225)</u>	<u>60,131</u>
1,000	5,000	2,000	29,157
			(67,500)
			111,500
<u>1,000</u>	<u>5,000</u>	<u>2,000</u>	<u>73,157</u>
956	4,957	775	133,288
<u>5,309</u>	<u>5,653</u>	<u>2,730</u>	<u>1,523,858</u>
<u>\$ 6,265</u>	<u>\$ 10,610</u>	<u>\$ 3,505</u>	<u>\$ 1,657,146</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS**

December 31, 2021

	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications	2013B G.O. Capital Improvement Bonds
ASSETS			
Cash and investments	\$	\$ 319	\$ 81,355
Due from other governmental units			
TOTAL ASSETS	\$	\$ 319	\$ 81,355
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ 4,641	\$	\$
FUND BALANCE (DEFICIT)			
Restricted		319	81,355
Unassigned	(4,641)		
Total Fund Balance (Deficit)	(4,641)	319	81,355
TOTAL LIABILITIES AND FUND BALANCE	\$	\$ 319	\$ 81,355

Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	2014A G.O. Improvement Bonds	Total
\$ 124,467	\$ 279,357	\$ 61,172	\$ 12,762 3,427	\$	\$ 559,432 3,427
\$ 124,467	\$ 279,357	\$ 61,172	\$ 16,189	\$	\$ 562,859
\$	\$	\$	\$	\$	\$ 4,641
124,467	279,357	61,172	16,189		562,859 (4,641)
124,467	279,357	61,172	16,189		558,218
\$ 124,467	\$ 279,357	\$ 61,172	\$ 16,189	\$	\$ 562,859

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended December 31, 2021

	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications	2013B G.O. Capital Improvement Bonds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$	\$	\$
Charges for services		13,100	
Investment (loss)		(3)	
Other revenue			
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES		13,097	
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current			
Development and other			
Debt Service			
Principal	41,650	12,096	70,000
Interest and other charges	4,369	1,004	6,895
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	46,019	13,100	76,895
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	(46,019)	(3)	(76,895)
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES			
Transfers from other funds	50,000		78,250
Transfers to other funds			
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	50,000		78,250
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	3,981	(3)	1,355
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES (DEFICIT), Beginning	(8,622)	322	80,000
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES (DEFICIT), Ending	\$ (4,641)	\$ 319	\$ 81,355
	<u> </u>	<u> </u>	<u> </u>

Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	2014A G.O. Improvement Bonds	Total
\$ 238,927	\$	\$	\$ 159,076	\$	\$ 398,003
(952)	(2,163)	(474)	(126)	(3,581)	(7,299)
	218,365				218,365
<u>237,975</u>	<u>216,202</u>	<u>(474)</u>	<u>158,950</u>	<u>(3,581)</u>	<u>622,169</u>
254,869					254,869
	220,000	18,275	160,000		522,021
	16,950	2,270	6,670		38,158
<u>254,869</u>	<u>236,950</u>	<u>20,545</u>	<u>166,670</u>		<u>815,048</u>
(16,894)	(20,748)	(21,019)	(7,720)	(3,581)	(192,879)
	20,285	21,092			169,627
(3,000)				(928,546)	(931,546)
<u>(3,000)</u>	<u>20,285</u>	<u>21,092</u>		<u>(928,546)</u>	<u>(761,919)</u>
(19,894)	(463)	73	(7,720)	(932,127)	(954,798)
<u>144,361</u>	<u>279,820</u>	<u>61,099</u>	<u>23,909</u>	<u>932,127</u>	<u>1,513,016</u>
<u>\$ 124,467</u>	<u>\$ 279,357</u>	<u>\$ 61,172</u>	<u>\$ 16,189</u>	<u>\$</u>	<u>\$ 558,218</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS**
December 31, 2021

	<u>State Aid Street Fund</u>	<u>Street Sealcoating</u>	<u>Storm Water</u>	<u>Capital Replacement</u>
ASSETS				
Cash and investments	\$ 197,983	\$ 63,184	\$ 91,192	\$ 447,963
Accounts receivable		<u>20,757</u>		
TOTAL ASSETS	<u>\$ 197,983</u>	<u>\$ 83,941</u>	<u>\$ 91,192</u>	<u>\$ 447,963</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	<u>\$ 67</u>	<u>\$</u>	<u>\$</u>	<u>\$ 850</u>
FUND BALANCE				
Restricted	197,916			
Assigned		<u>83,941</u>	<u>91,192</u>	<u>447,113</u>
Total Fund Balance	<u>197,916</u>	<u>83,941</u>	<u>91,192</u>	<u>447,113</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 197,983</u>	<u>\$ 83,941</u>	<u>\$ 91,192</u>	<u>\$ 447,963</u>

<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 2,009	\$ 247,933	\$ 68,892
<u>\$ 2,009</u>	<u>\$ 247,933</u>	<u>\$ 68,892</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2,009</u>	<u>247,933</u>	<u>68,892</u>
<u>2,009</u>	<u>247,933</u>	<u>68,892</u>
<u>\$ 2,009</u>	<u>\$ 247,933</u>	<u>\$ 68,892</u>

(Continued)

**CITY OF SPRING LAKE PARK
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2021**

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
ASSETS			
Cash and investments	\$ 9,052	\$ 872,407	\$ 23,732
Accounts receivable			
TOTAL ASSETS	\$ 9,052	\$ 872,407	\$ 23,732
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$
FUND BALANCE			
Restricted	9,052	872,407	23,732
Assigned			
Total Fund Balance	9,052	872,407	23,732
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,052	\$ 872,407	\$ 23,732

Small Equipment	Park Equipment and Improvement	2018A G.O. Equipment Certificates	2017A G.O. Equipment Certificates	Total
\$ 18,562	\$ 27,102	\$ 155,372	\$ 7,215	\$ 2,232,598 20,757
<u>\$ 18,562</u>	<u>\$ 27,102</u>	<u>\$ 155,372</u>	<u>\$ 7,215</u>	<u>\$ 2,253,355</u>
\$	\$	\$	\$	\$ 917
18,562	27,102	155,372	7,215	1,103,107 1,149,331
<u>18,562</u>	<u>27,102</u>	<u>155,372</u>	<u>7,215</u>	<u>2,252,438</u>
<u>\$ 18,562</u>	<u>\$ 27,102</u>	<u>\$ 155,372</u>	<u>\$ 7,215</u>	<u>\$ 2,253,355</u>

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2021

	State Aid Street Fund	Street Sealcoating	Storm Water	Capital Replacement
REVENUES				
Intergovernmental revenues	\$ 72,390	\$	\$	\$
Charges for services		81,663		
Investment (loss)	(1,422)	(11,160)	(504)	(3,331)
Other revenues			133,573	
TOTAL REVENUES	<u>70,968</u>	<u>70,503</u>	<u>133,069</u>	<u>(3,331)</u>
EXPENDITURES				
Current				
Public works	42,533	91,096	106,586	4,525
Recreation and parks				
Capital Outlay				
General Government				6,364
Public safety				1,476
Public works				
Recreation and parks				
TOTAL EXPENDITURES	<u>42,533</u>	<u>91,096</u>	<u>106,586</u>	<u>12,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,435</u>	<u>(20,593)</u>	<u>26,483</u>	<u>(15,696)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds		42,000	25,000	25,000
Sale of capital assets				
Total other financing sources (uses)		<u>42,000</u>	<u>25,000</u>	<u>25,000</u>
Net change in fund balances	28,435	21,407	51,483	9,304
FUND BALANCES, Beginning	<u>169,481</u>	<u>62,534</u>	<u>39,709</u>	<u>437,809</u>
FUND BALANCES, Ending	<u>\$ 197,916</u>	<u>\$ 83,941</u>	<u>\$ 91,192</u>	<u>\$ 447,113</u>

<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$
(15)	(1,111)	(489)
<u>(15)</u>	<u>(1,111)</u>	<u>(489)</u>
	1,885	
	<u>1,885</u>	
<u>(15)</u>	<u>(2,996)</u>	<u>(489)</u>
	111,688	11,899
	<u>111,688</u>	<u>11,899</u>
(15)	108,692	11,410
<u>2,024</u>	<u>139,241</u>	<u>57,482</u>
<u>\$ 2,009</u>	<u>\$ 247,933</u>	<u>\$ 68,892</u>

(Continued)

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2021

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement	Small Equipment
REVENUES				
Intergovernmental revenues	\$ 8,049	\$	\$	\$
Charges for services	1,082	4,400		225
Investment (loss)	(80)	(5,971)	(184)	(132)
Other revenues	280	113,820		5,276
TOTAL REVENUES	<u>9,331</u>	<u>112,249</u>	<u>(184)</u>	<u>5,369</u>
EXPENDITURES				
Current				
Public works				
Recreation and parks	916	23,859		2,341
Capital Outlay				
General Government				
Public safety				
Public works				
Recreation and parks	9,823			
TOTAL EXPENDITURES	<u>10,739</u>	<u>23,859</u>		<u>2,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,408)</u>	<u>88,390</u>	<u>(184)</u>	<u>3,028</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Sale of capital assets		113,335		
Total other financing sources (uses)		<u>113,335</u>		
Net change in fund balances	(1,408)	201,725	(184)	3,028
FUND BALANCES, Beginning	<u>10,460</u>	<u>670,682</u>	<u>23,916</u>	<u>15,534</u>
FUND BALANCES, Ending	<u>\$ 9,052</u>	<u>\$ 872,407</u>	<u>\$ 23,732</u>	<u>\$ 18,562</u>

Park Equipment and Improvement	2018A G.O. Equipment Certificates	2017A G.O. Equipment Certificates	Total
\$	\$	\$	\$ 80,439
			87,370
(169)	(1,270)	(56)	(25,894)
<u>4,602</u>	<u>4,000</u>		<u>261,551</u>
<u>4,433</u>	<u>2,730</u>	<u>(56)</u>	<u>403,466</u>
			246,625
5,572			32,688
			6,364
			1,476
	29,152		29,152
			9,823
<u>5,572</u>	<u>29,152</u>		<u>326,128</u>
<u>(1,139)</u>	<u>(26,422)</u>	<u>(56)</u>	<u>77,338</u>
10,000			225,587
	9,062		122,397
<u>10,000</u>	<u>9,062</u>		<u>347,984</u>
8,861	(17,360)	(56)	425,322
<u>18,241</u>	<u>172,732</u>	<u>7,271</u>	<u>1,827,116</u>
<u>\$ 27,102</u>	<u>\$ 155,372</u>	<u>\$ 7,215</u>	<u>\$ 2,252,438</u>

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CITY OF SPRING LAKE PARK

OTHER REPORT SECTION

December 31, 2021

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

To the Honorable Mayor and
Members of the City Council
City of Spring Lake Park, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Spring Lake Park (the City) as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City of Spring Lake Park's basic financial statements and have issued our report thereon dated June 29, 2022.

Internal Control over Financial Reporting

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

A deficiency in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

To the Honorable Mayor and
Members of the City Council
City of Spring Lake Park

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Spring Lake Park failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above reference provisions, insofar as they relate to accounting matters.

City's Response to Findings

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

Purpose of this Report

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

Smith, Schepke and Associates, Ltd.

Minneapolis, Minnesota
June 29, 2022

**CITY OF SPRING LAKE PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

**2013-001
2014-001
2015-001
2016-001
2017-001
2018-001
2019-001
2020-001**

Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. An important element of internal accounting controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.

CITY OF SPRING LAKE PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2013-002
2014-002
2015-002
2016-002
2017-002
2018-002
2019-002
2020-002

Material Audit Adjustments

Condition: The City's unaudited trial balance contained material misstatements.

Criteria: The City is required to report accurate financial information.

Effect: The material misstatements in the unaudited trial balance resulted in the need to record adjustments during the audit.

Cause: There is limited number of administrative staff and it would not be practical for the City to devote resources required to overcome this limitation.

Recommendation: We recommend management develop an accounting policy and procedures manual to assist with ensuring that all transactions are recorded consistently and that the information necessary to prepare an accurate unaudited trial balance is gathered in an organized and efficient manner and provided to the accountant.

**CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2021-001 Material Audit Adjustments

Condition: The City's unaudited trial balance contained material misstatements.

Criteria: The City is required to report accurate financial information.

Effect: The material misstatement in the unaudited trial balance resulted in the need to record adjustments during the audit.

Cause: There is a limited number of administrative staff and it would not be practical for the City to devote resources required to overcome this limitation.

Recommendation: We recommend management develop an accounting policy and procedures manual to assist with ensuring that all transactions are recorded consistently and that the information necessary to prepare an accurate unaudited trial balance is gathered in an organized and efficient manner and provided to the accountant.



CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2021.

The findings from the schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2021-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

City management and accounting personnel review the drafted financial statements and notes. The City does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the City will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy prior to issuance of the statements.

Official Responsible for Ensuring CAP:

Daniel Buchholtz, City Administrator/Clerk-Treasurer, is the official responsible for ensuring the planned response.

Planned Completion Date for CAP:

Not applicable as the City is willing to accept this risk and will continue to evaluate the recommendation.

Plan to Monitor Completion of CAP:

Not applicable as the City is willing to accept the risk and will continue to evaluate the recommendation.

