

**CITY OF SPRING LAKE PARK  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019**



**CITY OF SPRING LAKE PARK  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2019**

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**CITY OF SPRING LAKE PARK**  
**INTRODUCTORY SECTION**  
**DECEMBER 31, 2019**

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**CITY OF SPRING LAKE PARK  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2019**

POSITION	NAME	TERM EXPIRES
<b>ELECTED OFFICIALS</b>		
City Council:		
Mayor	Robert Nelson	December 31, 2020
Council Member	Brad Delfs	December 31, 2022
Council Member	Lisa Dircks	December 31, 2020
Council Member	Barbara Goodboe-Bisschoff	December 31, 2020
Council Member	Ken Wendling	December 31, 2022
<b>APPOINTED OFFICIALS</b>		
City Administrator, Clerk-Treasurer	Daniel R. Buchholtz	Continuous
Accountant	Peggy Anderson	Continuous

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**CITY OF SPRING LAKE PARK**  
**FINANCIAL SECTION**  
**DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spring Lake Park, Minnesota'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 the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 August 10, 2020 on our consideration of the City of Spring Lake Park, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Spring Lake Park, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spring Lake Park's internal control over financial reporting and compliance.

*Smith, Schaffn and Associates, Ltd.*

Minneapolis, Minnesota  
August 10, 2020

## 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, 2019, with comparative data for the fiscal year ended December 31, 2018.

### 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 \$22,350,926 (*net position*). Of this amount, \$7,898,809 (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 \$449,650. The increase is attributed to governmental activities due primarily to transfers from business-type activities and investment earnings.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$9,084,928, a decrease of \$119,166 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$2,080,669, or 49.9% of total general fund expenditures.
- The City's total noncurrent liabilities decreased by \$1,188,790 due primarily to scheduled debt payments.

### 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 and liquor funds.

The government-wide financial statements can be found on pages 14-16 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-one 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, 2017A G.O. equipment certificates fund, and the 2014A G.O. improvement 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 23-26) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-22 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 and liquor operations. In 2018, the City sold the liquor store land and building and ceased liquor 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 and liquor funds, both of which are considered to be major funds of the City of Spring Lake Park.

The proprietary fund financial statements can be found on pages 27-31 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 32-74 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 77-98 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 \$22,350,926 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, \$12,390,452 (55%) 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 10,613,711	\$ 10,968,287	\$ 3,370,476	\$ 3,808,033	\$ 13,984,187	\$ 14,776,320
Capital assets	11,328,877	11,335,498	5,866,084	5,783,519	17,194,961	17,119,017
Total assets	<u>21,942,588</u>	<u>22,303,785</u>	<u>9,236,560</u>	<u>9,591,552</u>	<u>31,179,148</u>	<u>31,895,337</u>
Deferred outflows of resources	1,075,080	127,075	18,770	8,911	1,093,850	135,986
Long-term liabilities outstanding	6,176,861	7,119,701	1,172,559	1,418,509	7,349,420	8,538,210
Other liabilities	577,498	509,445	72,622	167,003	650,120	676,448
Total liabilities	<u>6,754,359</u>	<u>7,629,146</u>	<u>1,245,181</u>	<u>1,585,512</u>	<u>7,999,540</u>	<u>9,214,658</u>
Deferred inflows of resources	1,853,347	880,271	69,185	35,118	1,922,532	915,389
Net position:						
Net investment in capital assets	7,463,368	6,673,721	4,927,084	4,625,519	12,390,452	11,299,240
Restricted	2,061,665	2,332,766			2,061,665	2,332,766
Unrestricted	4,884,929	4,914,956	3,013,880	3,354,314	7,898,809	8,269,270
Total net position	<u>\$ 14,409,962</u>	<u>\$ 13,921,443</u>	<u>\$ 7,940,964</u>	<u>\$ 7,979,833</u>	<u>\$ 22,350,926</u>	<u>\$ 21,901,276</u>

An additional portion of the City of Spring Lake Park's net position at December 31, 2019 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,898,809) 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 64% of the City of Spring Lake Park's net position as of December 31, 2019. The total increase in net position for governmental activities was \$488,519, accounting for all of the increase in the net position of the City of Spring Lake Park for the year ended December 31, 2019. The key elements for this increase were an increase in the property tax levy and investment earnings.

**Business-type activities.** Business-type activities decreased the City of Spring Lake Park's net position by \$38,869 due to transfers to governmental funds.

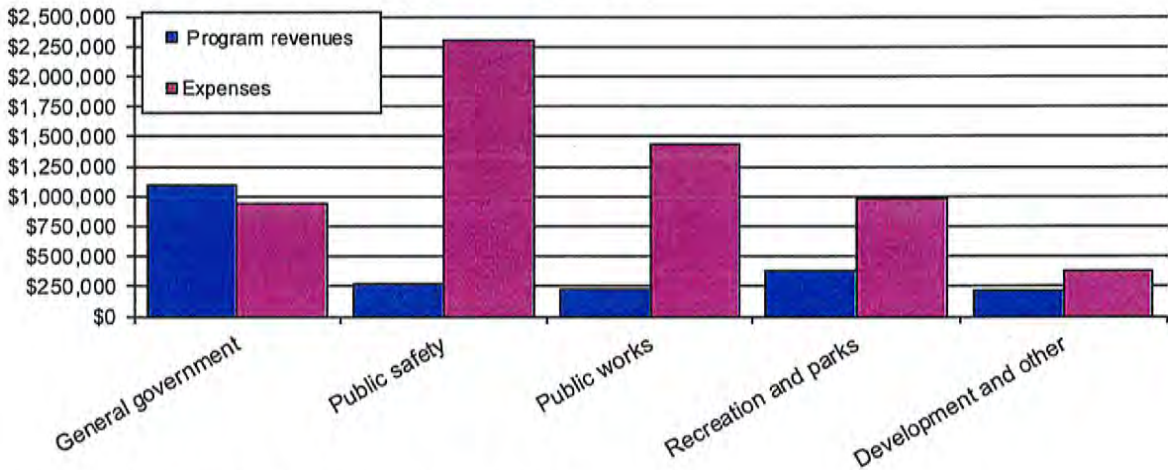
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,346,030	\$ 1,351,799	\$ 1,599,138	\$ 1,680,665	\$ 2,945,168	\$ 3,032,464
Operating grants and contributions	281,163	255,583			281,163	255,583
Capital grants and contributions	544,045	77,959			544,045	77,959
General revenues:						
Property taxes	3,467,392	3,293,886			3,467,392	3,293,886
Gain on sale of liquor store land				792,978		
Other	910,766	611,278	380,047	348,160	1,290,813	959,438
Total revenues	<u>6,549,396</u>	<u>5,590,505</u>	<u>1,979,185</u>	<u>2,821,803</u>	<u>8,528,581</u>	<u>8,412,308</u>
Expenses:						
General government	945,647	981,309			945,647	981,309
Public safety	2,298,653	2,255,694			2,298,653	2,255,694
Public works	1,436,306	1,220,832			1,436,306	1,220,832
Recreation and parks	980,797	1,008,084			980,797	1,008,084
Development and other	372,028	255,839			372,028	255,839
Interest on long-term debt	114,388	116,692			114,388	116,692
Utility			1,931,112	1,966,440	1,931,112	1,966,440
Liquor				202,706		202,706
Total expenses	<u>6,147,819</u>	<u>5,838,450</u>	<u>1,931,112</u>	<u>2,169,146</u>	<u>8,078,931</u>	<u>8,007,596</u>
Change in net position before transfers	401,577	(247,945)	48,073	652,657	449,650	404,712
Transfers	86,942	1,999,928	(86,942)	(1,999,928)		
Change in net position after transfers	488,519	1,751,983	(38,869)	(1,347,271)	449,650	404,712
NET POSITION - BEGINNING OF YEAR	<u>13,921,443</u>	<u>12,169,460</u>	<u>7,979,833</u>	<u>9,327,104</u>	<u>21,901,276</u>	<u>21,496,564</u>
NET POSITION - END OF YEAR	<u>\$ 14,409,962</u>	<u>\$ 13,921,443</u>	<u>\$ 7,940,964</u>	<u>\$ 7,979,833</u>	<u>\$ 22,350,926</u>	<u>\$ 21,901,276</u>

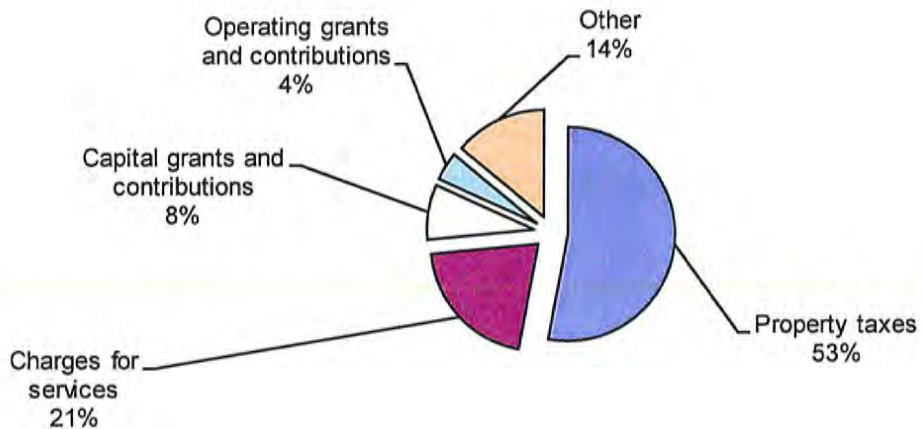
## CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures for the year ended December 31, 2019. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues - Governmental Activities**



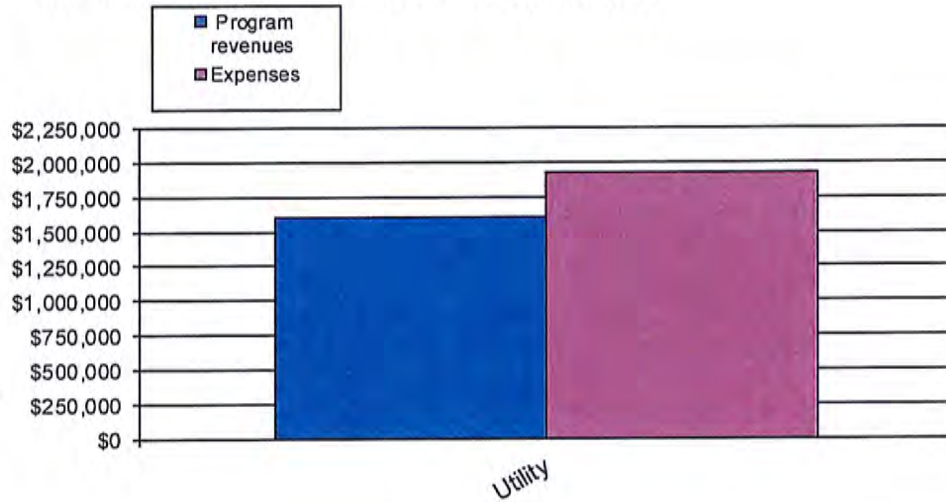
**Revenues by Source - Governmental Activities**



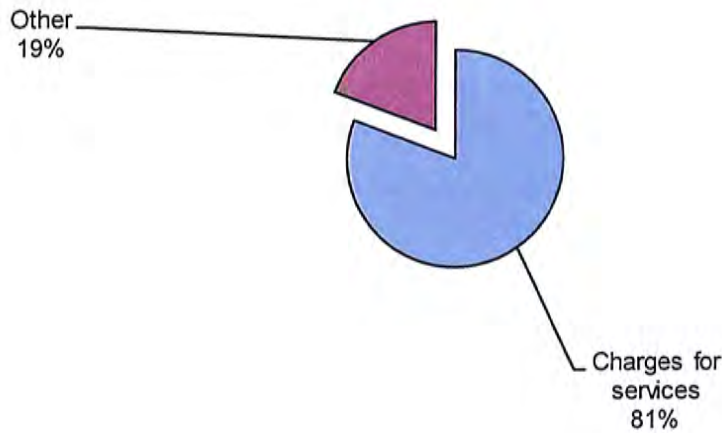
**CITY OF SPRING LAKE PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures for the year ended December 31, 2019. 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 \$9,084,928, a decrease of \$119,166 in comparison with the prior year. Approximately 81% of this total fund balance, or \$7,356,200, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$1,728,728 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 \$2,080,669. As a measure of liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 50% of total current year general fund expenditures. The general fund's total fund balance increased by \$93,405 during the current year due primarily to increased collection of property taxes and current investment earnings.

The developer's escrow fund increased its fund balance by \$8,702 due to current investment earnings allocated to the fund.

The revolving fund decreased its fund balance by \$55,471 due primarily to expenditures and capital outlay in excess of revenues allocated to this fund as well as transfers to other funds.

The renewal and replacement fund increased its fund balance by \$5,633 due to investment earnings allocated to the fund in excess of transfers to other funds.

The 2017A G.O. equipment certificates fund increased its fund balance by \$393 due to current investment earnings allocated to the fund.

The 2014A G.O. improvement bonds fund decreased its fund balance by \$142,937 due to debt service payments in excess of property taxes, special assessments and investment earnings revenue allocated to the fund.

The special revenue funds (other than the developer's escrow fund described as major fund previously) increased their overall fund balances by \$129,602 due primarily to charges for services and other revenues in excess of current year recreation, development and other expenses.

The debt service funds (other than the 2014A G.O. improvement bonds fund as described as a major fund above) increased their collective fund balance by \$42,570 due primarily to transfers from other funds.

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

The capital projects funds (other than the revolving fund, renewal and replacement fund, and 2017A G.O. equipment certificates fund described as major funds previously) decreased their collective fund balance by \$201,063 due primarily to current and capital outlay expenditures for public works in excess of revenues 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 \$3,013,880. The utility fund decreased its net position by \$38,869, for the year ended December 31, 2019. 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 budget (both the original and final budgets) called for no change in General Fund balance. The actual net change to the General Fund balance was an increase of \$93,405. Revenues exceeded budget by \$253,879 for the year ended December 31, 2019 due primarily to increased licenses and permits revenue, charges for services revenue and investment earnings. Total expenditures were less than budget by \$4,996 for the year. One department had expenditures in excess of budget: severance expenditures exceeded budget by \$98,706. These over expenditures were related to severance payments for which the City did not budget due to the uncertainty as to when they would be paid.

**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, 2019, amounted to \$17,194,961 (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 increased by \$75,944, or less than 1%, for the year ended December 31, 2019, due to current year asset acquisitions for the year ended December 31, 2019 being higher than depreciation expense.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,131,681	\$ 604,950	\$	\$	\$ 1,131,681	\$ 604,950
Construction in progress		19,992		274,113		294,105
Buildings and improvements	1,176,399	1,249,425	2,240,486	2,485,280	3,416,885	3,734,705
Machinery and equipment	1,201,244	1,141,509	156,596	127,299	1,357,840	1,268,808
Infrastructure	7,819,553	8,319,622	3,469,002	2,896,827	11,288,555	11,216,449
<b>Total</b>	<b>\$ 11,328,877</b>	<b>\$ 11,335,498</b>	<b>\$ 5,866,084</b>	<b>\$ 5,783,519</b>	<b>\$ 17,194,961</b>	<b>\$ 17,119,017</b>

**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 50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Spring Lake Park had \$4,790,342 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds and notes payable	\$ 2,407,117	\$ 2,826,483	\$ 939,000	\$ 1,158,000	\$ 3,346,117	\$ 3,984,483
General obligation certificates	1,444,225	1,819,813			1,444,225	1,819,813
<b>Total</b>	<b>\$ 3,851,342</b>	<b>\$ 4,646,296</b>	<b>\$ 939,000</b>	<b>\$ 1,158,000</b>	<b>\$ 4,790,342</b>	<b>\$ 5,804,296</b>

The City of Spring Lake Park's total bonds, certificates and notes payable decreased by \$1,013,954 during the current fiscal year. The decrease was due to scheduled debt payments.

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 Council has prepared a balanced budget for the General Fund for 2020. With an improving economy, the City is seeing vacant properties being purchased, new businesses coming into the City, and increasing building permit revenue. The City's property tax base continues to see improvements from the lows of the Great Recession. Local Government Aid remains an important funding source for the City's capital improvement plan and debt service funds, thereby reducing the City's property tax levy. The City is monitoring the effect of the COVID-19 pandemic on the broader economy of the City, State, and Nation and specifically on revenues and expenditures of the City.

The economy of the area is anticipated to remain stable. Inflationary trends in the region compare favorably to the national indices.



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

Major activities contemplated in 2020 are:

- Slip-lining project for sanitary sewer in an effort to renew the City's sanitary sewer system.
- Seal-coat project in an effort to maintain the City's investment in its street network.
- Acquisition of capital assets with the proceeds from equipment certificates issued in 2018.
- Complete Comprehensive Plan 2040 update.
- Rehabilitate Arthur Street Water Treatment Plant to repair damage caused by a chlorine gas leak in 2019.
- Respond to the COVID-19 pandemic
- Complete Garfield Pond stormwater project, which will consist of expanding the capacity of the pond, implementing storm water management best practices, and constructing an overflow pipe between the pond and Spring Lake to minimize flooding.
- Work to market City-owned property at 525 Osborne Road for commercial development.

### **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, 2019**

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**CITY OF SPRING LAKE PARK**  
**STATEMENT OF NET POSITION**  
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,328,048	\$ 3,007,269	\$ 12,335,317
Receivables	571,672	366,443	938,115
Intergovernmental receivables	684,581		684,581
Internal fund balances	3,236	(3,236)	
Inventory			
Prepaid items and other	26,174		26,174
Capital assets:			
Nondepreciable	1,131,681		1,131,681
Depreciable, net	10,197,196	5,866,084	16,063,280
Total Assets	21,942,588	9,236,560	31,179,148
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension activity	1,075,080	18,770	1,093,850
<b>LIABILITIES</b>			
Accounts payable	227,920	49,779	277,699
Accrued payroll and related taxes	38,286	6,052	44,338
Accrued interest	19,850	8,823	28,673
Unearned revenue	74,645	3,000	77,645
Deposits and other liabilities	216,797	4,968	221,765
Noncurrent liabilities:			
Due within one year	1,030,895	251,160	1,282,055
Due in more than one year	3,209,682	735,234	3,944,916
Net pension liability	1,936,284	186,165	2,122,449
Total Liabilities	6,754,359	1,245,181	7,999,540
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	1,853,347	69,185	1,922,532
<b>NET POSITION</b>			
Net investment in capital assets	7,463,368	4,927,084	12,390,452
Restricted	2,061,665		2,061,665
Unrestricted	4,884,929	3,013,880	7,898,809
Total Net Position	\$ 14,409,962	\$ 7,940,964	\$ 22,350,926

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 945,647	\$ 562,600	\$	\$ 526,731
Public safety	2,298,653	145,209	118,566	
Public works	1,436,306	133,521	70,829	17,314
Recreation and parks	980,797	363,893	13,995	
Development and other	372,028	140,807	77,773	
Interest on long-term debt	114,388			
<b>Total governmental activities</b>	<b>6,147,819</b>	<b>1,346,030</b>	<b>281,163</b>	<b>544,045</b>
<b>Business-Type activities:</b>				
Utility	1,931,112	1,599,138		
<b>Total business-type activities</b>	<b>1,931,112</b>	<b>1,599,138</b>		
<b>Total</b>	<b>\$ 8,078,931</b>	<b>\$ 2,945,168</b>	<b>\$ 281,163</b>	<b>\$ 544,045</b>

General revenues:

General property taxes

Grants and contributions not restricted to specific programs

Lease revenue

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ 143,684		\$ 143,684
(2,034,878)		(2,034,878)
(1,214,642)		(1,214,642)
(602,909)		(602,909)
(153,448)		(153,448)
(114,388)		(114,388)
<u>(3,976,581)</u>		<u>(3,976,581)</u>
	\$ (331,974)	(331,974)
	<u>(331,974)</u>	<u>(331,974)</u>
<u>(3,976,581)</u>	<u>(331,974)</u>	<u>(4,308,555)</u>
3,467,392		3,467,392
402,490		402,490
60,785	147,671	208,456
385,664	127,305	512,969
61,827	105,071	166,898
86,942	(86,942)	
<u>4,465,100</u>	<u>293,105</u>	<u>4,758,205</u>
488,519	(38,869)	449,650
<u>13,921,443</u>	<u>7,979,833</u>	<u>21,901,276</u>
<u>\$ 14,409,962</u>	<u>\$ 7,940,964</u>	<u>\$ 22,350,926</u>

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**CITY OF SPRING LAKE PARK  
FUND FINANCIAL STATEMENTS  
December 31, 2019**

**CITY OF SPRING LAKE PARK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019**

	General Fund	Special Revenue Fund	Capital Project Funds		
		Developer's Escrow	Revolving Fund	Renewal and Replacement	2017A G.O. Equipment Certificates
<b>ASSETS</b>					
Cash and investments	\$ 1,771,716	\$ 224,391	\$ 1,212,361	\$ 2,097,152	\$ 7,066
Accounts receivable	12,803				
Taxes receivable	51,043				
Special assessments receivable	2,352		34,853		
Due from other funds	331,274		13,613		
Due from other governmental units	29,659		525		
Accrued interest receivable	46,602				
Prepaid expenditures	4,328				
<b>TOTAL ASSETS</b>	<b>\$ 2,249,777</b>	<b>\$ 224,391</b>	<b>\$ 1,261,352</b>	<b>\$ 2,097,152</b>	<b>\$ 7,066</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 63,450	\$ 12,551	\$ 15,050	\$	\$
Accrued payroll and taxes	38,650				
Deposits and other liabilities		210,833			
Due to other funds	13,613		251,015		
Unearned revenue					
<b>Total liabilities</b>	<b>115,713</b>	<b>223,384</b>	<b>266,065</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Property taxes	51,043				
Special assessments	2,352		34,853		
<b>Total deferred inflows of resources</b>	<b>53,395</b>		<b>34,853</b>		
<b>FUND BALANCE (DEFICIT)</b>					
Nonspendable	4,328				
Restricted					
Assigned	2,076,341	1,007	960,434	2,097,152	7,066
Unassigned					
<b>Total Fund Balance (Deficit)</b>	<b>2,080,669</b>	<b>1,007</b>	<b>960,434</b>	<b>2,097,152</b>	<b>7,066</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,249,777</b>	<b>\$ 224,391</b>	<b>\$ 1,261,352</b>	<b>\$ 2,097,152</b>	<b>\$ 7,066</b>

**See Notes to Financial Statements**



Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 703,264	\$ 3,312,098	\$ 9,328,048
	102,113	114,916
		51,043
321,906		359,111
	3,236	348,123
2,451	90,965	123,600
		46,602
	21,846	26,174
<u>\$ 1,027,621</u>	<u>\$ 3,530,258</u>	<u>\$ 10,397,617</u>

\$	\$ 136,869	\$ 227,920
		38,650
	5,600	216,433
	80,259	344,887
	74,645	74,645
	<u>297,373</u>	<u>902,535</u>

		51,043
321,906		359,111
<u>321,906</u>		<u>410,154</u>

	21,846	26,174
705,715	996,839	1,702,554
	2,235,518	7,377,518
	(21,318)	(21,318)
<u>705,715</u>	<u>3,232,885</u>	<u>9,084,928</u>

<u>\$ 1,027,621</u>	<u>\$ 3,530,258</u>	<u>\$ 10,397,617</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, 2019

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

Total governmental fund balances (pages 17-18)	\$	9,084,928
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$	27,846,891
Accumulated depreciation		<u>(16,518,014)</u>
		11,328,877
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$	51,043
Special assessments		<u>359,111</u>
		410,154
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)	\$	(3,290,361)
Net pension liability, deferred outflows and inflows from pension activity		(2,714,551)
Compensated absences		(375,068)
Accrued interest		(19,850)
Net unamortized bond premiums		<u>(14,167)</u>
		<u>(6,413,997)</u>
Net position of governmental activities (page 14)	\$	<u>14,409,962</u>

**CITY OF SPRING LAKE PARK**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2019

	General Fund	Special Revenue Fund	Capital Project Funds		
		Developer's Escrow	Revolving Fund	Renewal and Replacement	2017A G.O. Equipment Certificates
<b>REVENUES</b>					
Property taxes	\$ 3,171,297	\$	\$ 76	\$	\$
Special assessments			23,094		
Licenses and permits	263,598				
Intergovernmental revenues	514,181				
Charges for services	227,124				
Fines and forfeitures	50,570				
Investment income (loss)	82,607	8,702	48,874	85,801	393
Other revenues	104,517		10,000	53	
<b>TOTAL REVENUES</b>	<b>4,413,894</b>	<b>8,702</b>	<b>82,044</b>	<b>85,854</b>	<b>393</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	815,273				
Public safety	2,237,153				
Public works	255,832		72,868	5,221	
Recreation and parks	646,020				
Development and other	158,777				
<b>Capital Outlay</b>					
General government					
Public safety	58,115				
Public works			45,647		
Recreation and parks					
<b>Debt Service</b>					
Principal					
Interest and other					
<b>TOTAL EXPENDITURES</b>	<b>4,171,170</b>		<b>118,515</b>	<b>5,221</b>	
Excess (deficiency) of revenues over (under) expenditures	242,724	8,702	(36,471)	80,633	393
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	349,172				
Transfers to other funds	(498,491)		(19,000)	(75,000)	
Gain on sale of assets					
Total other financing sources (uses)	(149,319)		(19,000)	(75,000)	
Net change in fund balances	93,405	8,702	(55,471)	5,633	393
<b>FUND BALANCES (DEFICIT), Beginning</b>	<b>1,987,264</b>	<b>(7,695)</b>	<b>1,015,905</b>	<b>2,091,519</b>	<b>6,673</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ 2,080,669</b>	<b>\$ 1,007</b>	<b>\$ 960,434</b>	<b>\$ 2,097,152</b>	<b>\$ 7,066</b>

See Notes to Financial Statements

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 89,688	\$ 197,326	\$ 3,458,387
82,054		105,148
		263,596
	129,015	643,196
	633,309	860,433
	2,805	53,375
30,659	128,628	385,664
	394,137	508,707
<u>202,401</u>	<u>1,485,220</u>	<u>6,278,508</u>
	80,588	895,861
	6,505	2,243,658
	364,418	698,339
	287,305	933,325
	213,597	372,374
	546	546
	6,014	64,129
	253,043	298,690
	91,927	91,927
300,000	494,954	794,954
45,338	63,370	108,708
<u>345,338</u>	<u>1,862,267</u>	<u>6,502,511</u>
<u>(142,937)</u>	<u>(377,047)</u>	<u>(224,003)</u>
	458,006	807,178
	(127,745)	(720,236)
	17,895	17,895
	348,156	104,837
<u>(142,937)</u>	<u>(28,891)</u>	<u>(119,166)</u>
<u>848,652</u>	<u>3,261,776</u>	<u>9,204,094</u>
<u>\$ 705,715</u>	<u>\$ 3,232,885</u>	<u>\$ 9,084,928</u>

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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, 2019

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	(119,166)
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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	\$	905,461	
Depreciation expense		(908,812)	(3,351)

The net effect of various miscellaneous transactions involving capital capital assets (i.e., sales, trade-ins and donations) is to decrease net position			(3,270)
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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	\$	410,154	
Unavailable revenue, beginning of year		(488,983)	(78,829)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences, end of year	\$	(375,068)	
Compensated absences, beginning of year		421,586	46,518

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	\$	794,954	
City's share of long-term debt issuance			
Shared debt principal payments received from other governments		(217,640)	
Change in net pension liability		74,983	
Change in accrued interest, bond premiums, bond discounts and deferred charges		(5,680)	646,617

Change in net position of governmental activities (pages 15-16)	\$	488,519
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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, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 3,169,666	\$ 3,169,666	\$ 3,171,297	\$ 1,631
Licenses and Permits				
Licenses	47,152	47,152	58,543	11,391
Permits	108,000	143,000	205,055	62,055
Total Licenses and Permits	155,152	190,152	263,598	73,446
Intergovernmental				
Police aids	90,800	90,800	111,691	20,891
Other aids	402,510	402,510	402,490	(20)
Total Intergovernmental	493,310	493,310	514,181	20,871
Charges for Services				
General government	80,909	80,909	155,629	74,720
Public safety	2,000	2,000	3,975	1,975
Housing registration	62,000	62,000	67,520	5,520
Total Charges for Services	144,909	144,909	227,124	82,215
Fines and forfeits	53,500	53,500	50,570	(2,930)
Investment earnings	15,000	15,000	82,607	67,607
Miscellaneous Revenue				
Liaison officer	79,728	79,728	79,728	
Insurance dividends	8,000	8,000	3,332	(4,668)
Reimbursements and other	5,750	5,750	21,457	15,707
Total Miscellaneous Revenue	93,478	93,478	104,517	11,039
<b>TOTAL REVENUES</b>	<b>4,125,015</b>	<b>4,160,015</b>	<b>4,413,894</b>	<b>253,879</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	35,326	35,326	33,447	1,879
Supplies and services	2,765	2,765	1,394	1,371
Other charges	19,407	19,407	14,721	4,686
Total Mayor and Council	\$ 57,498	\$ 57,498	\$ 49,562	\$ 7,936

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, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 441,911	\$ 441,911	\$ 426,224	\$ 15,687
Supplies	9,289	9,289	7,906	1,383
Contracted services	7,150	7,150	4,282	2,868
Other services and charges	20,332	20,332	17,236	3,096
Total Administration	<u>478,682</u>	<u>478,682</u>	<u>455,648</u>	<u>23,034</u>
Election				
Other services and charges			1,231	(1,231)
Assessing				
Contracted services	<u>35,500</u>	<u>35,500</u>	<u>37,042</u>	<u>(1,542)</u>
Accounting and Auditing				
Contracted services	<u>10,737</u>	<u>10,737</u>	<u>12,013</u>	<u>(1,276)</u>
Information Technology				
Contracted services	<u>38,020</u>	<u>38,020</u>	<u>49,079</u>	<u>(11,059)</u>
Legal				
Contracted services	<u>120,000</u>	<u>120,000</u>	<u>99,962</u>	<u>20,038</u>
Engineering				
Contracted services	<u>8,000</u>	<u>8,000</u>	<u>2,501</u>	<u>5,499</u>
Planning and Zoning				
Supplies and other charges	<u>1,400</u>	<u>1,400</u>	<u>619</u>	<u>781</u>
Government Buildings				
Personnel services	21,895	21,895	22,245	(350)
Supplies	16,950	16,950	24,267	(7,317)
Contracted services	49,080	49,080	56,116	(7,036)
Other charges	4,715	4,715	4,988	(273)
Total Government Buildings	<u>92,640</u>	<u>92,640</u>	<u>107,616</u>	<u>(14,976)</u>
Total General Government	<u>\$ 842,477</u>	<u>\$ 842,477</u>	<u>\$ 815,273</u>	<u>\$ 27,204</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, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Safety</b>				
Police Protection				
Personnel services	\$ 1,641,241	\$ 1,641,241	\$ 1,655,426	\$ (14,185)
Supplies	42,023	42,023	29,659	12,364
Contracted services	52,847	52,847	46,127	6,720
Other charges	61,870	61,870	51,384	10,486
Capital outlay	37,471	37,471	28,937	8,534
Total Police Protection	<u>1,835,452</u>	<u>1,835,452</u>	<u>1,811,533</u>	<u>23,919</u>
Fire Protection				
Contracted services	220,369	220,369	220,368	1
Capital outlay	42,492	42,492	29,178	13,314
Total Fire Protection	<u>262,861</u>	<u>262,861</u>	<u>249,546</u>	<u>13,315</u>
Code Enforcement				
Personnel services	181,236	111,133	102,702	8,431
Supplies	4,200	4,200	2,623	1,577
Contracted services	1,300	106,403	123,570	(17,167)
Other charges	5,300	5,300	5,294	6
Total Code Enforcement	<u>192,036</u>	<u>227,036</u>	<u>234,189</u>	<u>(7,153)</u>
Total Public Safety	<u>2,290,349</u>	<u>2,325,349</u>	<u>2,295,268</u>	<u>30,081</u>
<b>Public Works</b>				
Street Maintenance				
Personnel services	213,959	213,959	205,891	8,068
Supplies	40,200	40,200	48,293	(8,093)
Contracted services	1,410	1,410	937	473
Other charges	600	600	711	(111)
Total Street Maintenance	<u>256,169</u>	<u>256,169</u>	<u>255,832</u>	<u>337</u>
Total Public Works	<u>\$ 256,169</u>	<u>\$ 256,169</u>	<u>\$ 255,832</u>	<u>\$ 337</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, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Recreation and Parks</b>				
Recreation				
Personnel services	\$ 336,999	\$ 336,999	\$ 306,205	\$ 30,794
Supplies	13,611	13,611	16,772	(3,161)
Contracted services	15,357	15,357	12,988	2,369
Other charges	1,857	1,857	1,715	142
Total Recreation	<u>367,824</u>	<u>367,824</u>	<u>337,680</u>	<u>30,144</u>
Parks and Forestry				
Personnel services	259,385	259,385	251,785	7,600
Supplies	39,732	39,732	33,870	5,862
Contracted services	8,900	8,900	8,500	400
Other charges	14,980	14,980	14,185	795
Total Parks and Forestry	<u>322,997</u>	<u>322,997</u>	<u>308,340</u>	<u>14,657</u>
Total Recreation and Parks	<u>690,821</u>	<u>690,821</u>	<u>646,020</u>	<u>44,801</u>
<b>Other</b>				
General insurance	53,750	53,750	50,800	2,950
Other charges	5,000	5,000	2,548	2,452
Permit surcharges	2,600	2,600	6,723	(4,123)
Severance payments			98,706	(98,706)
Total Other	<u>61,350</u>	<u>61,350</u>	<u>158,777</u>	<u>(97,427)</u>
Total Expenditures	<u>4,141,166</u>	<u>4,176,166</u>	<u>4,171,170</u>	<u>4,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,151)</u>	<u>(16,151)</u>	<u>242,724</u>	<u>258,875</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	189,172	189,172	349,172	160,000
Transfers to other funds	<u>(173,021)</u>	<u>(373,021)</u>	<u>(498,491)</u>	<u>(125,470)</u>
Total Other Financing Sources (Uses)	<u>16,151</u>	<u>(183,849)</u>	<u>(149,319)</u>	<u>34,530</u>
NET CHANGE IN FUND BALANCE		(200,000)	93,405	293,405
FUND BALANCE, January 1	<u>1,987,264</u>	<u>1,987,264</u>	<u>1,987,264</u>	
FUND BALANCE, December 31	<u>\$ 1,987,264</u>	<u>\$ 1,787,264</u>	<u>\$ 2,080,669</u>	<u>\$ 293,405</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUND  
 Statement of Net Position  
 December 31, 2019**

	Utility Fund
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and investments	\$ 664,696
Accounts receivable	366,443
Due from other funds	4,426
Total Current Assets	1,035,565
<b>Noncurrent Assets</b>	
Property and Equipment	
Buildings and structures	6,553,078
Distributions and collection systems	5,608,969
Furniture, fixtures and equipment	827,366
Total Property and Equipment	12,989,413
Less: Accumulated depreciation	7,123,329
Net Property and Equipment	5,866,084
Reserved Assets	
Cash and investments	2,342,573
Total Noncurrent Assets	8,208,657
<b>TOTAL ASSETS</b>	<b>9,244,222</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension activity	18,770

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUND  
 Statement of Net Position (Continued)  
 December 31, 2019**

	<u>Utility Fund</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 49,779
Accrued payroll and taxes	6,052
Accrued interest	8,823
Unearned revenue	3,000
Other accrued liabilities	4,968
Due to other funds	7,662
Current portion of compensated absences	26,160
Current portion of note payable and capital lease	225,000
Total Current Liabilities	331,444
<b>Long-term Liabilities</b>	
Compensated absences payable	21,234
Net pension liability	186,165
Note payable	714,000
Total Long-term Liabilities	921,399
Total Liabilities	1,252,843
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension activity	69,185
<b>Net Position</b>	
Net investment in capital assets	4,927,084
Unrestricted	3,013,880
Total Net Position	\$ 7,940,964

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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, 2019**

	<u>Utility Fund</u>
<b>Operating Revenue</b>	
Charges for services	<u>\$ 1,600,638</u>
<b>Operating Expenses</b>	
Personnel services	342,925
Supplies	177,513
Contracted services and other	176,622
Treatment charges	652,704
Depreciation	461,272
Other charges	89,490
Total Operating Expenses	<u>1,900,526</u>
<b>Operating (Loss)</b>	<u>(299,888)</u>
<b>Other Revenue (Expense)</b>	
Lease revenue	147,671
Commissions and other revenue	103,571
Investment income	127,305
Interest and other expense	(30,586)
Total Other Revenue (Expense)	<u>347,961</u>
Income Before Transfers	48,073
Transfers to other funds	<u>(86,942)</u>
Change in net position	(38,869)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>7,979,833</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,940,964</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUND  
 Statement of Cash Flows  
 For the Year Ended December 31, 2019**

	Utility Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 1,881,055
Cash paid to suppliers	(1,188,669)
Cash paid to employees	(345,650)
Net Cash Provided By Operating Activities	346,736
<b>Cash Flows From Investing Activities</b>	
Investment income	127,305
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers to other funds	(86,942)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	(543,837)
Principal paid on long-term debt	(219,000)
Interest paid on long-term debt/capital lease	(32,644)
Net Cash (Used In) Capital and Related Financing Activities	(795,481)
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(408,382)
<b>Cash and Cash Equivalents, January 1</b>	3,415,651
<b>Cash and Cash Equivalents, December 31</b>	\$ 3,007,269
Classified as:	
Cash and investments - current assets	\$ 664,696
Cash and investments - reserved assets	2,342,573
Total Cash and Cash Equivalents, December 31	\$ 3,007,269

**See Notes to Financial Statements**



**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUND  
 Statement of Cash Flows (Continued)  
 For the Year Ended December 31, 2019**

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

Operating income (loss)	\$ (299,888)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	461,272
Change in net pension liability	(4,095)
Lease and other revenues	251,242
(Increase) decrease in:	
Accounts receivable	28,187
Due from other funds	(1,204)
Increase (decrease) in:	
Accounts payable	(92,340)
Accrued payroll and taxes	17
Due to other funds	2,192
Estimated liability for compensated absences	1,353
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 346,736</b>

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**CITY OF SPRING LAKE PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**1. Summary of Significant Accounting Policies**

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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

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1. Summary of Significant Accounting Policies (Continued)

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A. Reporting Entity (Continued)

*Related Organizations*

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

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 7.994% in 2019.
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, on March 21, 2017 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, on June 28, 2018 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

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1. **Summary of Significant Accounting Policies (Continued)**

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A. Reporting Entity (Continued)

*Related Organizations (Continued)*

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

The City's share of operating costs were \$220,368, capital costs were \$29,178 and debt service costs were \$296,818 during 2019. 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 \$13,275 in franchise fees that were used for debt service payments during the year ended December 31, 2019.

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

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1. **Summary of Significant Accounting Policies (Continued)**

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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

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1. Summary of Significant Accounting Policies (Continued)

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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

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1. Summary of Significant Accounting Policies (Continued)

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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 is financed with the remaining funds left in the liquor fund upon closing of the fund.

The *2017A G.O. equipment certificates fund* is an accumulation of resources and costs associated with the purchase of a fire truck and fire equipment for the fire department.

The *2014A G.O. improvement bonds fund* is an accumulation of resources (special assessments and intergovernmental revenues) 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

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1. **Summary of Significant Accounting Policies (Continued)**

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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 and the liquor fund (when the liquor fund was active), 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 fund balances."

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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1. **Summary of Significant Accounting Policies (Continued)**

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

2. Receivables and payables (continued)

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

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1. Summary of Significant Accounting Policies (Continued)

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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 of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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.

	Useful Life <u>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

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1. **Summary of Significant Accounting Policies (Continued)**

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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

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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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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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.

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.



## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### 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, 2019, the outstanding principal amount of these bonds was \$41,175,000.

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#### 2. Stewardship, Compliance and Accountability

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##### 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

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2. **Stewardship, Compliance and Accountability**

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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, 2019).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2019, the following General Fund department had expenditures exceeding the latest amended budget:

	<u>2019 Budgeted Expenditures</u>		<u>2019 Actual Expenditures</u>		<u>Amount Exceeding Budgeted Amount</u>
Severance	\$ -		\$ 98,706		\$ 98,706

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

C. Fund Balance Deficits

As of December 31, 2019, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
2013A G.O. Capital Improvement Fire Bond debt service	\$ 16,696
Tax Increment Financing - Legends of SLP debt service	4,622

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

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**3. Detailed Notes on All Funds**

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**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, 2019.

**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

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3. Detailed Notes on All Funds (Continued)

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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:** 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, 2019 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 9,359,953	\$9,359,953	\$	\$
Municipal Bonds	270,624		270,624	
U.S. Government Securities	1,039,655		1,039,655	
<b>Total</b>	<b>\$ 10,670,232</b>	<b>\$9,359,953</b>	<b>\$ 1,310,279</b>	<b>\$</b>

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:

Investment	Range of Maturities	Rating	Value
Cash	N/A	N/A	\$ 1,665,085
Certificates of Deposit	7/25	N/A	9,359,953
Municipal Bonds	2/21	AA1	270,624
U.S. Government Securities	10/27	AAA	1,039,655
<b>Total cash and investments</b>			<b>\$12,335,317</b>

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)

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, 2019 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$1,635,566

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, 2019, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

B. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2019 were as follows:

<u>Fund Type</u>	<u>Anoka County</u>	<u>City of Blaine</u>
General Fund	\$ 29,659	\$
Capital Projects	525	
Debt Service	3,961	89,455
	<u>\$ 34,145</u>	<u>\$ 89,455</u>

**CITY OF SPRING LAKE PARK**  
**NOTES TO FINANCIAL STATEMENTS**

**3. Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2019 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 604,950	\$ 526,731	\$	\$ 1,131,681
Construction in progress	19,992		19,992	
<b>Total capital assets, not being depreciated</b>	<b>624,942</b>	<b>526,731</b>	<b>19,992</b>	<b>1,131,681</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	3,324,448	26,762		3,351,210
Machinery and equipment	3,998,079	371,960	588,247	3,781,792
Infrastructure	19,582,208			19,582,208
<b>Total capital assets, being depreciated</b>	<b>26,904,735</b>	<b>398,722</b>	<b>588,247</b>	<b>26,715,210</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	2,075,023	99,788		2,174,811
Machinery and equipment	2,856,570	308,955	584,977	2,580,548
Infrastructure	11,262,586	500,069		11,762,655
<b>Total accumulated depreciation</b>	<b>16,194,179</b>	<b>908,812</b>	<b>584,977</b>	<b>16,518,014</b>
<b>Total capital assets, being depreciated, net</b>	<b>10,710,556</b>	<b>(510,090)</b>	<b>3,270</b>	<b>10,197,196</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 11,335,498</b>	<b>\$ 16,641</b>	<b>\$ 23,262</b>	<b>\$ 11,328,877</b>

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	\$ 274,113	\$	\$ 274,113	\$
Total capital assets, not being depreciated	274,113		274,113	
Capital assets, being depreciated:				
Land improvements				
Buildings and improvements	6,553,078			6,553,078
Machinery and equipment	777,197	69,956	19,786	827,367
Infrastructure	4,860,974	747,994		5,608,968
Total capital assets, being depreciated	12,191,249	817,950	19,786	12,989,413
Less accumulated depreciation for:				
Land improvements				
Buildings and improvements	4,067,798	244,794		4,312,592
Machinery and equipment	649,898	40,659	19,786	670,771
Infrastructure	1,964,147	175,819		2,139,966
Total accumulated depreciation	6,681,843	461,272	19,786	7,123,329
Total capital assets, being depreciated, net	5,509,406	356,678		5,866,084
Business-type activities capital assets, net	\$ 5,783,519	\$ 356,678	\$ 274,113	\$ 5,866,084

Depreciation expense for the year ended December 31, 2019 was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 116,909
Public safety	114,873
Public works	611,881
Recreation and parks	65,149
Total	\$ 908,812
 <b>Business-Type Activities</b>	
Utility	\$ 461,272



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, 2019 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/19</u>
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	2.00%	2026	\$ 264,823
2013B Capital Improvement Bonds	12/18/2013	2.50% - 3.00%	2023	295,000
2014A Capital Improvement Bonds	6/18/2014	2.00% - 2.75%	2025	1,785,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	885,000
2018A Equipment Certificates	1/4/2018	1.90% - 2.00%	2022	485,000
2018A Improvement Certificates	6/7/2018	3.00% - 5.00%	2024	74,225
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	939,000
2016A Improvement Notes	4/14/2016	2.00%	2026	62,294
Other Liabilities:				
Net unamortized premium on bonds				14,167
Compensated Absences				422,462
Total Long-Term Debt				<u>\$ 5,226,971</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, 2019, the City had not utilized approximately \$15,652,000 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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 302,395	\$	\$ 37,572	\$ 264,823	\$ 38,223
2013B Capital Improvement Bonds	365,000		70,000	295,000	70,000
2014A Capital Improvements Bonds	2,085,000		300,000	1,785,000	300,000
General obligation certificates:					
2017A Equipment Certificates	1,090,000		205,000	885,000	210,000
2018A Equipment Certificates	640,000		155,000	485,000	160,000
2018A Improvement Certificates	89,813		15,588	74,225	16,324
General obligation note payable:					
2016A Improvement Notes	74,088		11,794	62,294	12,096
Other Liabilities:					
Compensated Absences	421,586	205,547	252,065	375,068	224,252
Unamortized premium	50,171		6,995	43,176	
Less: unamortized (discount)	(34,690)		(5,681)	(29,009)	
Governmental Activities					
Long-Term Liabilities	<u>5,083,363</u>	<u>205,547</u>	<u>1,048,333</u>	<u>4,240,577</u>	<u>1,030,895</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	1,158,000		219,000	939,000	225,000
Other Liabilities:					
Compensated Absences	46,041	26,766	25,413	47,394	26,160
Business-Type Activities					
Long-Term Liabilities	<u>1,204,041</u>	<u>26,766</u>	<u>244,413</u>	<u>986,394</u>	<u>251,160</u>
Total	<u>\$ 6,287,404</u>	<u>\$ 232,313</u>	<u>\$ 1,292,746</u>	<u>\$ 5,226,971</u>	<u>\$ 1,282,055</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, 2019 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2020	\$ 408,222	\$ 52,720	\$ 387,140	\$ 35,391
2021	409,019	44,213	397,976	25,251
2022	414,815	35,691	408,813	14,680
2023	421,009	26,652	250,296	4,183
2024	341,806	17,444		
2025	349,952	9,546		
Totals	\$2,344,823	\$ 186,263	\$ 1,444,225	\$ 79,505

Year	General Obligation Notes Payable	
	Principal	Interest
2020	\$ 237,096	\$ 27,716
2021	243,096	21,132
2022	250,398	14,378
2023	257,701	7,420
2024	13,003	260
Totals	\$1,001,294	\$ 70,906

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**3. Detailed Notes on All Funds (Continued)**

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**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 is as follows:

Original net tax capacity	\$	11,313
Current net tax capacity		113,420
Capture net tax capacity:		
Retained by authority		102,107

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, 2019:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 331,274	\$ 13,613
Revolving Fund	13,613	251,015
Subtotal	<u>344,887</u>	<u>264,628</u>
Non-Major Governmental Funds:		
Special Revenue		
Recycling	2,449	
Street Lights	787	
Cable		11,352
Debt Service		
2013A GO Capital Improvement Bonds		58,941
Tax Increment Financing - Legends of SLP		4,622
Capital Projects		
Park Equipment and Improvement		5,344
Subtotal	<u>3,236</u>	<u>80,259</u>
Total Governmental Funds	<u>348,123</u>	<u>344,887</u>
Proprietary Funds:		
Utility	4,426	7,662
Subtotal	<u>4,426</u>	<u>7,662</u>
Total All Funds	<u>\$ 352,549</u>	<u>\$ 352,549</u>

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, 2019 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 349,172	\$ 498,491
Revolving Fund		19,000
Renewal and Replacement		75,000
Subtotal	<u>349,172</u>	<u>592,491</u>
Non-Major Governmental Funds:		
Special Revenue		
Comprehensive Plan	20,000	
Emergency Management	3,157	
Police Reserves	3,000	
Forestry	1,600	
Animal Control	1,000	
Recreation Fund		62,500
Recycling Fund		4,000
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	79,270	
2013 Equipment Certificates		28,271
2017A GO Equipment Certificates	39,571	
2018A Blaine Fire Debt Service	19,000	
2018A GO Equipment Certificates	28,271	

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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3. Detailed Notes on All Funds (Continued)

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G. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
Storm Water	130,000	
Street Sealcoating	25,000	
Building Maintenance	9,264	
Public Safety Replacement	15,899	
2013 Equipment Certificates		32,974
2018A GO Equipment Certificates	32,974	
Subtotal	<u>458,006</u>	<u>127,745</u>
Total Governmental Funds	807,178	720,236
Proprietary Funds:		
Utility		<u>86,942</u>
Total All Funds	<u>\$ 807,178</u>	<u>\$ 807,178</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, 2019:

	General Fund	Developer's Escrow	Revolving Fund	Renewal and Replacement	2017A G.O. Equipment Certificates	2014A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>								
Prepaid items	\$ 4,328	\$	\$	\$	\$	\$	\$ 21,846	\$ 26,174
<b>Restricted</b>								
Police activities							7,563	7,563
Debt service						705,715	272,959	978,674
Capital acquisitions								
Park acquisition							651,136	651,136
Community development							65,181	65,181
<b>Total Restricted</b>						<b>705,715</b>	<b>996,839</b>	<b>1,702,554</b>
<b>Assigned</b>								
Working capital reserve	1,614,638							1,614,638
Compensated absences	375,068							375,068
Elections	86,635							86,635
Recreation programs							355,402	355,402
Recycling							88,130	88,130
Street lighting							44,684	44,684
Cable activities							22,171	22,171
Public safety supplies					7,066		15,139	22,205
HRA reserve							303,982	303,982
Street improvement			960,434	2,097,152				3,057,586
Street sealcoating							27,431	27,431
Storm water runoff program							260,023	260,023
Capital replacement							781,961	781,961
Building maintenance							131,885	131,885
Park acquisition							39,662	39,662
Other activities		1,007					165,048	166,055
<b>Total Assigned</b>	<b>2,076,341</b>	<b>1,007</b>	<b>960,434</b>	<b>2,097,152</b>	<b>7,066</b>		<b>2,235,518</b>	<b>7,377,518</b>
<b>Unassigned</b>							<b>(21,318)</b>	<b>(21,318)</b>
<b>Total Fund Balance</b>	<b>\$ 2,080,669</b>	<b>\$ 1,007</b>	<b>\$ 960,434</b>	<b>\$ 2,097,152</b>	<b>\$ 7,066</b>	<b>\$ 705,715</b>	<b>\$ 3,232,885</b>	<b>\$ 9,084,928</b>



**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**4. Other Information**

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**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

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4. Other Information (Continued)

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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

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4. Other Information (Continued)

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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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For 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

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4. Other Information (Continued)

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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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For 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 2019 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, 2019, were \$102,065. 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 member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increase from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$174,175. 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, 2019, the City reported a liability of \$1,105,755 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 to the fund in 2019. 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 \$34,332. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was .0200 percent which was a decrease of .0028 percent from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 1,105,755
State of Minnesota's proportionate share of the net pension liability associated with the City	\$ 34,332

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, 2019, the City recognized pension expense (benefit) of (\$23,014) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,571 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, 2019, 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	\$ 33,152	\$
Changes in actuarial assumptions		97,837
Net collective difference between projected and actual investment earnings		128,795
Changes in proportion		145,800
Contributions paid to PERA subsequent to the measurement date	<u>48,641</u>	
Total	<u>\$ 81,793</u>	<u>\$ 372,432</u>



CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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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 \$48,641 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, 2020. 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</u>
2020	\$ (125,208)
2021	(151,645)
2022	(64,209)
2023	1,782

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,016,694 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was .0955 percent which was an increase of .0030 percent from its proportionate share measured as of June 30, 2018. The City also recognized \$12,892 for the year ended December 31, 2019, 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.



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)

In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense (benefit) of (\$56,064) for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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	\$ 42,082	\$ 155,562
Changes in actuarial assumptions	848,112	1,100,326
Net collective difference between projected and actual investment earnings		199,548
Changes in proportion	31,148	94,664
Contributions paid to PERA subsequent to the measurement date	<u>90,715</u>	
Total	<u>\$ 1,012,057</u>	<u>\$ 1,550,100</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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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 \$90,715 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, 2020. 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>Expense Amount</u>
2020	\$ (83,450)
2021	(145,023)
2022	(410,449)
2023	5,696
2024	4,468

**Total Pension Expense**

The total pension expense (benefit) for all plans (General Employees Fund and Police and Fire Fund) recognized by the City for the year ended December 31, 2019 was (\$79,078).

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actual assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

E. Actuarial Assumptions (Continued)

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	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the 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.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

G. 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	6.50%	\$ 1,817,802	6.50%	\$ 2,222,304
Current Discount Rate	7.50%	\$ 1,105,755	7.50%	\$ 1,016,694
1% Higher	8.50%	\$ 517,819	8.50%	\$ 20

H. Pension Plan Fiduciary Net Position

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

CITY OF SPRING LAKE PARK  
 NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

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 (.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,199	\$ 1,199	5%	5%	5%

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, 2019 is not material and therefore is not recorded in these financial statements.



**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**4. Other Information (Continued)**

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**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 2019 totaled \$249,546, 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 \$12,138 for the year ended December 31, 2019.

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**

**NOTES TO FINANCIAL STATEMENTS**

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**5. Subsequent Events**

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In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 24, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations, however, the potential impact is unknown at this time.

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**CITY OF SPRING LAKE PARK**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2019**

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**CITY OF SPRING LAKE PARK, MINNESOTA**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Fund**  
**December 31, 2019**

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					
2021					
2022					
2023					

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2019**

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					
2021					
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, 2019**

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 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							
2021							
2022							
2023							

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2019**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	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					
2021					
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, 2019**



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

December 31, 2019

	Special Revenue	Debt Service	Capital Projects	Total
<b>ASSETS</b>				
Cash and investments	\$ 949,232	\$ 224,239	\$ 2,138,627	\$ 3,312,098
Accounts receivable	81,433		20,680	102,113
Due from other funds	3,236			3,236
Due from other governmental units		90,965		90,965
Prepaid expenditures	21,846			21,846
<b>TOTAL ASSETS</b>	<b>\$ 1,055,747</b>	<b>\$ 315,204</b>	<b>\$ 2,159,307</b>	<b>\$ 3,530,258</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 18,707	\$	\$ 118,162	\$ 136,869
Deposits payable	5,600			5,600
Due to other funds	11,352	63,563	5,344	80,259
Unearned revenue	74,645			74,645
Total liabilities	110,304	63,563	123,506	297,373
<b>FUND BALANCE (DEFICIT)</b>				
Nonspendable	21,846			21,846
Restricted	72,744	272,959	651,136	996,839
Assigned	850,853		1,384,665	2,235,518
Unassigned		(21,318)		(21,318)
Total Fund Balance (Deficit)	945,443	251,641	2,035,801	3,232,885
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,055,747</b>	<b>\$ 315,204</b>	<b>\$ 2,159,307</b>	<b>\$ 3,530,258</b>

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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, 2019

	Special Revenue	Debt Service	Capital Projects	Total
<b>REVENUES</b>				
Property and franchise taxes	\$ 22,016	\$ 175,310	\$	\$ 197,326
Intergovernmental revenues	58,186		70,829	129,015
Charges for services	530,653	13,275	89,381	633,309
Fines and forfeitures	2,805			2,805
Investment income	35,072	6,940	86,616	128,628
Other revenues	151,490	217,640	25,007	394,137
<b>TOTAL REVENUES</b>	<b>800,222</b>	<b>413,165</b>	<b>271,833</b>	<b>1,485,220</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	80,588			80,588
Public safety	6,505			6,505
Public works	31,397		333,021	364,418
Recreation and parks	281,623		5,682	287,305
Development and other	213,485	112		213,597
<b>Capital Outlay</b>				
General government	546			546
Public safety	6,014			6,014
Public works			253,043	253,043
Recreation and parks	12,719		79,208	91,927
<b>Debt Service</b>				
Principal		494,954		494,954
Interest and other		63,370		63,370
<b>TOTAL EXPENDITURES</b>	<b>632,877</b>	<b>558,436</b>	<b>670,954</b>	<b>1,862,267</b>
Excess (deficiency) of revenues over (under) expenditures	167,345	(145,271)	(399,121)	(377,047)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	28,757	216,112	213,137	458,006
Transfers to other funds	(66,500)	(28,271)	(32,974)	(127,745)
Proceeds from sale of assets			17,895	17,895
Total other financing sources (uses)	(37,743)	187,841	198,058	348,156
Net change in fund balances	129,602	42,570	(201,063)	(28,891)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<b>815,841</b>	<b>209,071</b>	<b>2,236,864</b>	<b>3,261,776</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ 945,443</b>	<b>\$ 251,641</b>	<b>\$ 2,035,801</b>	<b>\$ 3,232,885</b>

**CITY OF SPRING LAKE PARK  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2019**

	Recycling	Street Lighting	Cable
<b>ASSETS</b>			
Cash and investments	\$ 46,525	\$ 37,846	\$ 11,507
Accounts receivable	50,725	8,686	22,016
Prepaid expenditures			
Due from other funds	2,449	787	
<b>TOTAL ASSETS</b>	<b>\$ 99,699</b>	<b>\$ 47,319</b>	<b>\$ 33,523</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 11,569	\$ 2,635	\$
Deposits payable			
Due to other funds			11,352
Unearned revenue			
Total liabilities	11,569	2,635	11,352
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable			
Restricted			
Assigned	88,130	44,684	22,171
Total Fund Balance (Deficit)	88,130	44,684	22,171
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 99,699</b>	<b>\$ 47,319</b>	<b>\$ 33,523</b>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>HRA Reserve</u>	<u>Recreation</u>
\$ 15,139	\$ 7,563	\$ 310,128	\$ 433,998 6 21,846
<u>\$ 15,139</u>	<u>\$ 7,563</u>	<u>\$ 310,128</u>	<u>\$ 455,850</u>
\$	\$	\$ 546 5,600	\$ 3,957
			74,645
		6,146	78,602
			21,846
15,139	7,563	303,982	355,402
<u>15,139</u>	<u>7,563</u>	<u>303,982</u>	<u>377,248</u>
<u>\$ 15,139</u>	<u>\$ 7,563</u>	<u>\$ 310,128</u>	<u>\$ 455,850</u>

**CITY OF SPRING LAKE PARK**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2019

	Tower Days	Traffic Education	Emergency Management
<b>ASSETS</b>			
Cash and investments	\$ 14,483	\$ 50,698	\$ 9,710
Accounts receivable			
Prepaid expenditures			
Due from other funds			
<b>TOTAL ASSETS</b>	<b>\$ 14,483</b>	<b>\$ 50,698</b>	<b>\$ 9,710</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$	\$
Deposits payable			
Due to other funds			
Unearned revenue			
Total liabilities			
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable			
Restricted	14,483	50,698	
Assigned			9,710
Total Fund Balance (Deficit)	14,483	50,698	9,710
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 14,483</b>	<b>\$ 50,698</b>	<b>\$ 9,710</b>



<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$ 4,191	\$ 5,967	\$ 1,477	\$ 949,232
			81,433
			21,846
			3,236
<u>\$ 4,191</u>	<u>\$ 5,967</u>	<u>\$ 1,477</u>	<u>\$ 1,055,747</u>
\$	\$	\$	\$ 18,707
			5,600
			11,352
			74,645
			110,304
			21,846
			72,744
<u>4,191</u>	<u>5,967</u>	<u>1,477</u>	<u>850,853</u>
<u>4,191</u>	<u>5,967</u>	<u>1,477</u>	<u>945,443</u>
<u>\$ 4,191</u>	<u>\$ 5,967</u>	<u>\$ 1,477</u>	<u>\$ 1,055,747</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, 2019

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
<b>REVENUES</b>			
Franchise taxes	\$	\$	\$ 22,016
Intergovernmental revenue	58,186		
Charges for services	141,620	38,303	
Fines and forfeitures			
Investment income	1,779	1,342	339
Other revenues			
<b>TOTAL REVENUES</b>	<u>201,585</u>	<u>39,645</u>	<u>22,355</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government			16,557
Public safety			
Public works		31,397	
Development and other	193,667		
Recreation and parks			
<b>Capital Outlay</b>			
General government			
Public safety			
Recreation and parks			
<b>TOTAL EXPENDITURES</b>	<u>193,667</u>	<u>31,397</u>	<u>16,557</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,918</u>	<u>8,248</u>	<u>5,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			
Transfers to other funds	<u>(4,000)</u>		
Total other financing sources (uses)	<u>(4,000)</u>		
Net change in fund balances	3,918	8,248	5,798
<b>FUND BALANCES, Beginning</b>	<u>84,212</u>	<u>36,436</u>	<u>16,373</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 88,130</u>	<u>\$ 44,684</u>	<u>\$ 22,171</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>HRA Reserve</u>	<u>Recreation</u>
\$	\$	\$	\$
			348,730
2,805			
657	234	10,197	17,106
<u>5,069</u>		<u>126,519</u>	
<u>8,531</u>	<u>234</u>	<u>136,716</u>	<u>365,836</u>
		30,899	
5,358			
			279,478
		546	
6,014			12,719
<u>11,372</u>		<u>31,445</u>	<u>292,197</u>
<u>(2,841)</u>	<u>234</u>	<u>105,271</u>	<u>73,639</u>
	3,000		(62,500)
	3,000		(62,500)
(2,841)	3,234	105,271	11,139
<u>17,980</u>	<u>4,329</u>	<u>198,711</u>	<u>366,109</u>
<u>\$ 15,139</u>	<u>\$ 7,563</u>	<u>\$ 303,982</u>	<u>\$ 377,248</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, 2019

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
<b>REVENUES</b>			
Franchise taxes	\$	\$	\$
Intergovernmental revenue			
Charges for services		2,000	
Fines and forfeitures			
Investment income	567	2,300	339
Other revenues	<u>19,587</u>	<u>315</u>	
<b>TOTAL REVENUES</b>	<u>20,154</u>	<u>4,615</u>	<u>339</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government		19,249	
Public safety			1,147
Public works			
Development and other	19,818		
Recreation and parks			
<b>Capital Outlay</b>			
General government			
Public safety			
Recreation and parks			
<b>TOTAL EXPENDITURES</b>	<u>19,818</u>	<u>19,249</u>	<u>1,147</u>
Excess (deficiency) of revenues over (under) expenditures	<u>336</u>	<u>(14,634)</u>	<u>(808)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			3,157
Transfers to other funds			
Total other financing sources (uses)			<u>3,157</u>
Net change in fund balances	336	(14,634)	2,349
<b>FUND BALANCES, Beginning</b>	<u>14,147</u>	<u>65,332</u>	<u>7,361</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 14,483</u>	<u>\$ 50,698</u>	<u>\$ 9,710</u>

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$	\$	\$	\$ 22,016
			58,186
			530,653
			2,805
144		68	35,072
			151,490
<u>144</u>		<u>68</u>	<u>800,222</u>
	13,883		80,588
			6,505
			31,397
			213,485
		2,145	281,623
			546
			6,014
			12,719
	<u>13,883</u>	<u>2,145</u>	<u>632,877</u>
<u>144</u>	<u>(13,883)</u>	<u>(2,077)</u>	<u>167,345</u>
<u>1,000</u>	<u>20,000</u>	<u>1,600</u>	<u>28,757</u>
			<u>(66,500)</u>
<u>1,000</u>	<u>20,000</u>	<u>1,600</u>	<u>(37,743)</u>
1,144	6,117	(477)	129,602
<u>3,047</u>	<u>(150)</u>	<u>1,954</u>	<u>815,841</u>
<u>\$ 4,191</u>	<u>\$ 5,967</u>	<u>\$ 1,477</u>	<u>\$ 945,443</u>

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

December 31, 2019

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications
<b>ASSETS</b>			
Cash and investments	\$	\$ 42,245	\$ 314
Due from other governmental units			
<b>TOTAL ASSETS</b>	\$	\$ 42,245	\$ 314
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Due to other funds	\$	\$ 58,941	
Total liabilities		58,941	
<b>FUND BALANCE (DEFICIT)</b>			
Restricted			314
Unassigned		(16,696)	
Total Fund Balance (Deficit)		(16,696)	314
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$	\$ 42,245	\$ 314

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	Total
\$	\$	\$ 138,382 89,455	\$ 7	\$ 43,291 1,510	\$ 224,239 90,965
<u>\$</u>	<u>\$</u>	<u>\$ 227,837</u>	<u>\$ 7</u>	<u>\$ 44,801</u>	<u>\$ 315,204</u>
\$	\$ 4,622 4,622	\$	\$	\$	\$ 63,563 63,563
		227,837	7	44,801	272,959
	(4,622)				(21,318)
	<u>(4,622)</u>	<u>227,837</u>	<u>7</u>	<u>44,801</u>	<u>251,641</u>
<u>\$</u>	<u>\$</u>	<u>\$ 227,837</u>	<u>\$ 7</u>	<u>\$ 44,801</u>	<u>\$ 315,204</u>



**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, 2019

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications
<b>REVENUES</b>			
Taxes	\$ 166	\$	\$
Charges for services			13,275
Investment earnings		1,511	270
Other revenue			
<b>TOTAL REVENUES</b>	<u>166</u>	<u>1,511</u>	<u>13,545</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Development and other			
<b>Debt Service</b>			
Principal		37,572	11,794
Interest and other charges		5,628	1,482
<b>TOTAL EXPENDITURES</b>		<u>43,200</u>	<u>13,276</u>
Excess (deficiency) of revenues over (under) expenditures	166	(41,689)	269
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds		50,000	
Transfers to other funds	(28,271)		
Net change in fund balances	(28,105)	8,311	269
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>28,105</u>	<u>(25,007)</u>	<u>45</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$</u>	<u>\$ (16,696)</u>	<u>\$ 314</u>

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	Total
\$	\$	\$	\$	\$ 175,144	\$ 175,310
		4,167		992	13,275
		217,640			6,940
					217,640
		221,807		176,136	413,165
	112				112
70,000		205,000	15,588	155,000	494,954
9,270	990	29,625	3,405	12,970	63,370
79,270	1,102	234,625	18,993	167,970	558,436
(79,270)	(1,102)	(12,818)	(18,993)	8,166	(145,271)
79,270		39,571	19,000	28,271	216,112
					(28,271)
	(1,102)	26,753	7	36,437	42,570
	(3,520)	201,084		8,364	209,071
\$	\$ (4,622)	\$ 227,837	\$ 7	\$ 44,801	\$ 251,641

**CITY OF SPRING LAKE PARK  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
December 31, 2019**

	<u>State Aid Street Fund</u>	<u>Street Sealcoating</u>	<u>Storm Water</u>
<b>ASSETS</b>			
Cash and investments	\$ 141,729	\$ 6,751	\$ 266,653
Accounts receivable		20,680	
<b>TOTAL ASSETS</b>	<u>\$ 141,729</u>	<u>\$ 27,431</u>	<u>\$ 266,653</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$	\$ 6,630
Due to other funds			
Total liabilities			<u>6,630</u>
<b>FUND BALANCE</b>			
Restricted			
Assigned	141,729	27,431	260,023
Total Fund Balance	<u>141,729</u>	<u>27,431</u>	<u>260,023</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 141,729</u>	<u>\$ 27,431</u>	<u>\$ 266,653</u>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 431,864	\$	\$ 1,974	\$ 131,885	\$ 37,723
<u>\$ 431,864</u>	<u>\$</u>	<u>\$ 1,974</u>	<u>\$ 131,885</u>	<u>\$ 37,723</u>
\$	\$	\$	\$	\$
<u>431,864</u>		<u>1,974</u>	<u>131,885</u>	<u>37,723</u>
<u>431,864</u>		<u>1,974</u>	<u>131,885</u>	<u>37,723</u>
<u>\$ 431,864</u>	<u>\$</u>	<u>\$ 1,974</u>	<u>\$ 131,885</u>	<u>\$ 37,723</u>

**CITY OF SPRING LAKE PARK  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR CAPITAL PROJECT FUNDS  
 December 31, 2019**

	<u>Park Special Projects</u>	<u>Park Acquisition and Improvement</u>	<u>Lakeside Lions Park Improvement</u>
<b>ASSETS</b>			
Cash and investments	\$ 23,288	\$ 609,915	\$ 23,327
Accounts receivable			
<b>TOTAL ASSETS</b>	<u>\$ 23,288</u>	<u>\$ 609,915</u>	<u>\$ 23,327</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 5,394	\$	\$
Due to other funds			
Total liabilities	<u>5,394</u>		
<b>FUND BALANCE</b>			
Restricted	17,894	609,915	23,327
Assigned			
Total Fund Balance	<u>17,894</u>	<u>609,915</u>	<u>23,327</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 23,288</u>	<u>\$ 609,915</u>	<u>\$ 23,327</u>

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>2018A G.O. Equipment Certificates</u>	<u>Total</u>
\$ 17,273	\$ 33,127	\$ 413,118	\$ 2,138,627
			20,680
<u>\$ 17,273</u>	<u>\$ 33,127</u>	<u>\$ 413,118</u>	<u>\$ 2,159,307</u>
\$	\$ 5,394	\$ 100,744	\$ 118,162
	5,344		5,344
	<u>10,738</u>	<u>100,744</u>	<u>123,506</u>
			651,136
<u>17,273</u>	<u>22,389</u>	<u>312,374</u>	<u>1,384,665</u>
<u>17,273</u>	<u>22,389</u>	<u>312,374</u>	<u>2,035,801</u>
<u>\$ 17,273</u>	<u>\$ 33,127</u>	<u>\$ 413,118</u>	<u>\$ 2,159,307</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, 2019

	State Aid Street Fund	Street Sealcoating	Storm Water
<b>REVENUES</b>			
Intergovernmental revenues	\$ 70,829	\$	\$
Charges for services		81,943	
Investment earnings	5,217	342	8,573
Other revenues			
<b>TOTAL REVENUES</b>	<u>76,046</u>	<u>82,285</u>	<u>8,573</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Public Works	55,224	133,070	139,079
Recreation and Parks			
<b>Capital Outlay</b>			
Public works			
Recreation and Parks			
<b>TOTAL EXPENDITURES</b>	<u>55,224</u>	<u>133,070</u>	<u>139,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,822</u>	<u>(50,785)</u>	<u>(130,506)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds		25,000	130,000
Transfers to other funds			
Proceeds from sale of assets			
Total other financing sources (uses)		<u>25,000</u>	<u>130,000</u>
Net change in fund balances	20,822	(25,785)	(506)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>120,907</u>	<u>53,216</u>	<u>260,529</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 141,729</u>	<u>\$ 27,431</u>	<u>\$ 260,023</u>



<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$	\$	\$
16,545		76	5,093	1,158
<u>16,545</u>		<u>76</u>	<u>5,093</u>	<u>1,158</u>
4,400			1,248	
1,015			6,295	
<u>5,415</u>			<u>7,543</u>	
11,130		76	(2,450)	1,158
			9,264	15,899
<u>17,895</u>	<u>(32,974)</u>			
17,895	(32,974)		9,264	15,899
29,025	(32,974)	76	6,814	17,057
<u>402,839</u>	<u>32,974</u>	<u>1,898</u>	<u>125,071</u>	<u>20,666</u>
<u>\$ 431,864</u>	<u>\$</u>	<u>\$ 1,974</u>	<u>\$ 131,885</u>	<u>\$ 37,723</u>

**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, 2019

	<u>Park Special Projects</u>	<u>Park Acquisition and Improvement</u>	<u>Lakeside Lions Park Improvement</u>
<b>REVENUES</b>			
Intergovernmental revenues	\$	\$	\$
Charges for services	2,531	4,232	
Investment earnings	782	24,732	907
Other revenues	239	6,280	
<b>TOTAL REVENUES</b>	<u>3,552</u>	<u>35,244</u>	<u>907</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Public Works			
Recreation and Parks	1,644		
<b>Capital Outlay</b>			
Public works			
Recreation and Parks	5,394	63,171	
<b>TOTAL EXPENDITURES</b>	<u>7,038</u>	<u>63,171</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(3,486)</u>	<u>(27,927)</u>	<u>907</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			
Transfers to other funds			
Proceeds from sale of assets			
Total other financing sources (uses)			
Net change in fund balances	(3,486)	(27,927)	907
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>21,380</u>	<u>637,842</u>	<u>22,420</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 17,894</u>	<u>\$ 609,915</u>	<u>\$ 23,327</u>

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>2018A G.O. Equipment Certificates</u>	<u>Total</u>
\$	\$	\$	\$
675			70,829
541	1,121	21,529	89,381
<u>10,773</u>	<u>7,715</u>		<u>25,007</u>
<u>11,989</u>	<u>8,836</u>	<u>21,529</u>	<u>271,833</u>
			333,021
889	3,149		5,682
		245,733	253,043
<u>3,861</u>	<u>6,782</u>		<u>79,208</u>
<u>4,750</u>	<u>9,931</u>	<u>245,733</u>	<u>670,954</u>
<u>7,239</u>	<u>(1,095)</u>	<u>(224,204)</u>	<u>(399,121)</u>
		32,974	213,137
			(32,974)
			<u>17,895</u>
		<u>32,974</u>	<u>198,058</u>
7,239	(1,095)	(191,230)	(201,063)
<u>10,034</u>	<u>23,484</u>	<u>503,604</u>	<u>2,236,864</u>
<u>\$ 17,273</u>	<u>\$ 22,389</u>	<u>\$ 312,374</u>	<u>\$ 2,035,801</u>

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**CITY OF SPRING LAKE PARK**

**OTHER REPORT SECTION**

**December 31, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the City of Spring Lake Park's basic financial statements and have issued our report thereon dated August 10, 2020.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-01 and 2019-02.

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

### **Compliance and Other Matters**

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

### **City's Response to Findings**

The City of Spring Lake Park's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Smith, Schafu and Associates, Ltd.*

Minneapolis, Minnesota  
August 10, 2020





**CITY OF SPRING LAKE PARK  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Audit Finding 2019-01 - Segregation of Duties**

**Criteria or Specific Requirement:** Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate controls over the access of such financial data.

**Condition:** The City does not have adequate segregation of accounting duties.

**Context:** This finding impacts the internal control for all significant accounting functions.

**Effect:** The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**Recommendation:** Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Management's Response:** Management agrees with our recommendation and will continue to attempt to segregate duties wherever possible.

**Auditing Finding 2019-02 - Material Audit Adjustments**

**Criteria or Specific Requirement:** The City is required to report accurate financial information.

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

**Context:** This finding impacts the internal control for all significant accounting functions.

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

**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.

**Management's Response:** Management agrees with our recommendation and will continue to work toward minimizing audit adjustments.

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

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

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, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Spring Lake Park's basic financial statements, and have issued our report thereon dated August 10, 2020.

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 and bidding, deposits and 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 of Spring Lake Park's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

*Smith, Schaffer and Associates, Ltd.*

Minneapolis, Minnesota  
August 10, 2020

August 10, 2020  
Honorable Mayor and Common Council  
**City of Spring Lake Park**  
**City of Spring Lake Park, Minnesota**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Spring Lake Park for the year ended December 31, 2019, and have issued our report thereon dated August 10, 2020. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Spring Lake Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative accounting guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

##### *Depreciation of Capital Assets*

Management's estimate of the useful life of purchased, constructed or contributed capital assets is based on the estimated productive life of these assets. We evaluated the estimated useful lives assigned to capital assets and determined that these lives were reasonable in relation to the financial statements taken as a whole.

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

##### *Difficulties Encountered in Performing the Audit*

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



*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We requested certain representations from management that are included in the management representation letter dated August 10, 2020.

*Management Consultation with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Honorable Mayor and Common Council  
**City of Spring Lake Park, Spring Lake Park**  
Page 3

Other Matters

We applied certain limited procedures to the Schedule of City Contributions and Schedule of Proportionate Share of Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of the city council of the City of Spring Lake Park, Minnesota and the City's management and is not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

*Smith, Schafn and Associates, Ltd.*

Minneapolis, Minnesota



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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Spring Lake Park, Minnesota's internal control over financial reporting (internal control) as a basis for designing our 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies:

#### **Segregation of Duties**

We noted that due to the nature and size of the Company, proper segregation of duties is not always maintained. Management should attempt to segregate duties that are incompatible from an internal control standpoint (e.g. cash receipts, preparation of deposits, depositing cash to bank, receiving bank statements, reconciling bank accounts, reviewing reconciliations, disbursing cash, etc.) whenever possible. This will prevent any single individual access to control the entire cash process and help reduce the risk of fraud or embezzlement.



### **Material Audit Adjustments**

The City currently relies upon its independent accountants to assist with adjustments to and preparation of the City's unaudited trial balance. Therefore, 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 by City personnel. Management should attempt to develop a financial accounting reporting staff and an accounting procedures manual to assist with ensuring that all information necessary to prepare an accurate unaudited trial balance is gathered in an organized and efficient manner. This will help ensure that any potential material misstatements are detected and corrected on a timely basis.

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

*Smith, Schafu and Associates, Ltd.*

Minneapolis, Minnesota  
August 10, 2020