

CITY OF SPRING LAKE PARK

FINANCIAL STATEMENTS

DECEMBER 31, 2018



**CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2018**

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CITY OF SPRING LAKE PARK

INTRODUCTORY SECTION

DECEMBER 31, 2018

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**CITY OF SPRING LAKE PARK
ELECTED AND APPOINTED OFFICIALS
December 31, 2018**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council:

Mayor	Cindy Hansen	December 31, 2018
Council Member	Robert Nelson	December 31, 2020
Council Member	Ken Wendling	December 31, 2018
Council Member	Brad Delfs	December 31, 2018
Council Member	Barbara Goodboe-Bisschoff	December 31, 2020

APPOINTED OFFICIALS

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, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 July 18, 2019, 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 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, Schepke and Associates, Ltd.

Minneapolis, Minnesota
July 18, 2019

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, 2018, with comparative data for the fiscal year ended December 31, 2017.

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 \$21,901,276 (*net position*). Of this amount, \$8,269,270 (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 \$404,712. The increase is attributed to governmental activities due to transfers from business-type activities.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$9,204,094, an increase of \$2,775,430 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$1,987,264, or 50.4% of total general fund expenditures.
- The City's total noncurrent liabilities decreased by \$405,148 due primarily to the decrease in the City's share of the net pension liability for PERA.

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-two 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 32-73 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 76-97 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 \$21,901,276 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, \$11,299,240 (52%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Spring Lake Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Spring Lake Park's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Spring Lake Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 10,968,287	\$ 8,548,960	\$ 3,808,033	\$ 5,235,501	\$ 14,776,320	\$ 13,784,461
Capital assets	11,335,498	11,550,211	5,783,519	6,253,450	17,119,017	17,803,661
Total assets	<u>22,303,785</u>	<u>20,099,171</u>	<u>9,591,552</u>	<u>11,488,951</u>	<u>31,895,337</u>	<u>31,588,122</u>
Deferred outflows of resources	127,075	228,508	8,911	64,421	135,986	292,929
Long-term liabilities outstanding	7,119,701	6,948,473	1,418,509	1,994,885	8,538,210	8,943,358
Other liabilities	509,445	561,707	167,003	183,594	676,448	745,301
Total liabilities	<u>7,629,146</u>	<u>7,510,180</u>	<u>1,585,512</u>	<u>2,178,479</u>	<u>9,214,658</u>	<u>9,688,659</u>
Deferred inflows of resources	880,271	648,039	35,118	47,789	915,389	695,828
Net position:						
Net investment in capital assets	6,673,721	7,191,466	4,625,519	4,831,279	11,299,240	12,022,745
Restricted	2,332,766	2,325,251			2,332,766	2,325,251
Unrestricted	4,914,956	2,652,743	3,354,314	4,495,825	8,269,270	7,148,568
Total net position	<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>

An additional portion of the City of Spring Lake Park's net position at December 31, 2018 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,269,270) 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, 2018. The total increase in net position for governmental activities was \$1,751,983, accounting for all of the increase in the net position of the City of Spring Lake Park for the year ended December 31, 2018. The key element for this increase was the closure of the City's liquor fund at year end due to sale of liquor store land. The remaining net position in the liquor fund was transferred to a capital project fund for future renewal and replacement.

Business-type activities. Business-type activities decreased the City of Spring Lake Park's net position by \$1,347,271 due to the closure of the liquor fund and transfer of remaining net position to the capital project fund as noted above.

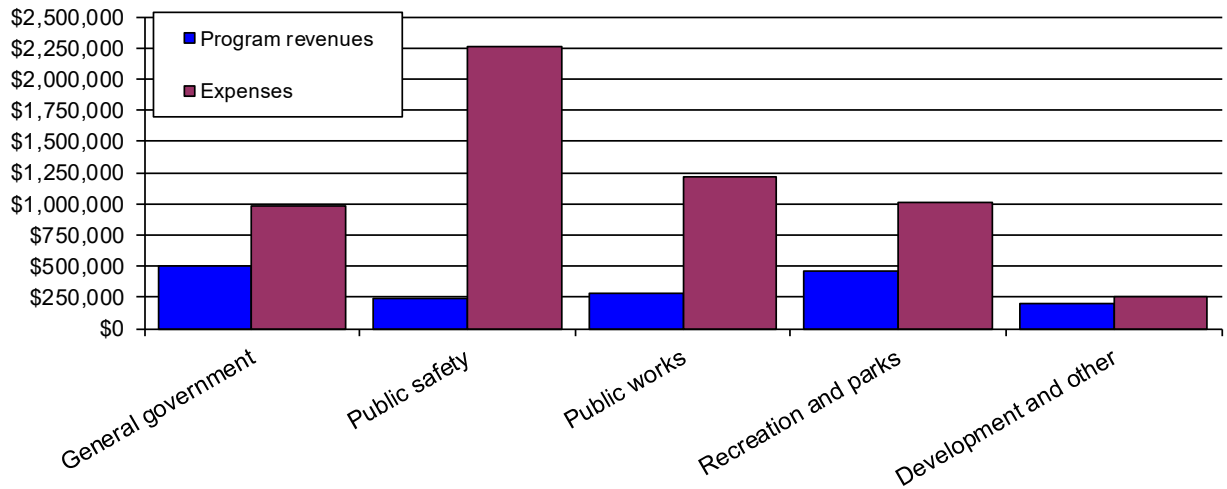
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,351,799	\$ 1,774,343	\$ 1,680,665	\$ 2,100,731	\$ 3,032,464	\$ 3,875,074
Operating grants and contributions	255,583	244,366			255,583	244,366
Capital grants and contributions	77,959	165,857			77,959	165,857
General revenues:						
Property taxes	3,293,886	3,108,755			3,293,886	3,108,755
Gain on sale of liquor store land			792,978			
Other	611,278	538,348	348,160	990,671	959,438	1,529,019
Total revenues	<u>5,590,505</u>	<u>5,831,669</u>	<u>2,821,803</u>	<u>3,091,402</u>	<u>8,412,308</u>	<u>8,923,071</u>
Expenses:						
General government	981,309	965,290			981,309	965,290
Public safety	2,255,694	2,154,455			2,255,694	2,154,455
Public works	1,220,832	1,274,897			1,220,832	1,274,897
Recreation and parks	1,008,084	923,186			1,008,084	923,186
Development and other	255,839	248,341			255,839	248,341
Interest on long-term debt	116,692	79,593			116,692	79,593
Utility			1,966,440	2,123,799	1,966,440	2,123,799
Liquor			202,706	476,415	202,706	476,415
Total expenses	<u>5,838,450</u>	<u>5,645,762</u>	<u>2,169,146</u>	<u>2,600,214</u>	<u>8,007,596</u>	<u>8,245,976</u>
Change in net position before transfers	(247,945)	185,907	652,657	491,188	404,712	677,095
Transfers	<u>1,999,928</u>	<u>157,265</u>	<u>(1,999,928)</u>	<u>(157,265)</u>		
Change in net position after transfers	1,751,983	343,172	(1,347,271)	333,923	404,712	677,095
NET POSITION - BEGINNING OF YEAR	<u>12,169,460</u>	<u>11,826,288</u>	<u>9,327,104</u>	<u>8,993,181</u>	<u>21,496,564</u>	<u>20,819,469</u>
NET POSITION - END 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>

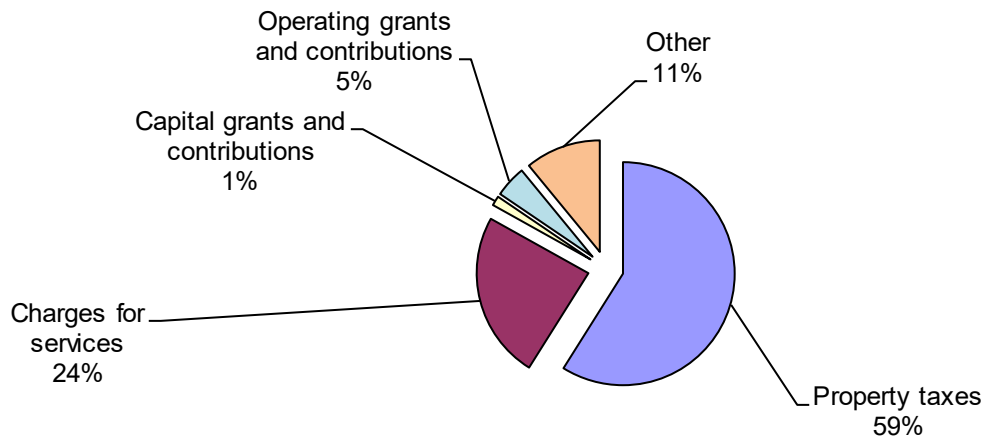
CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures for the year ended December 31, 2018. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



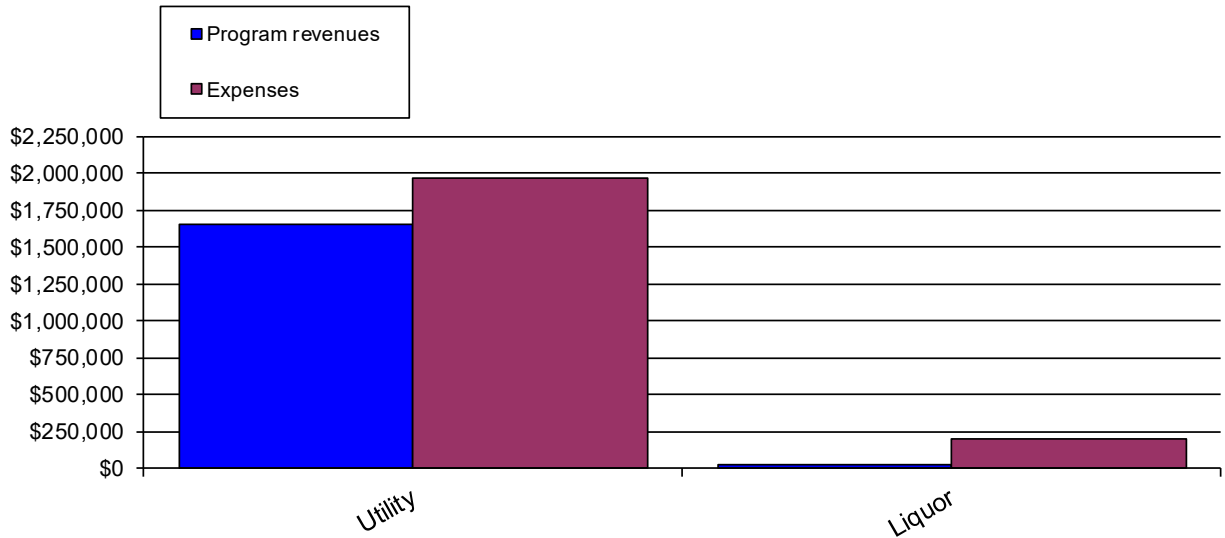
Revenues by Source - Governmental Activities



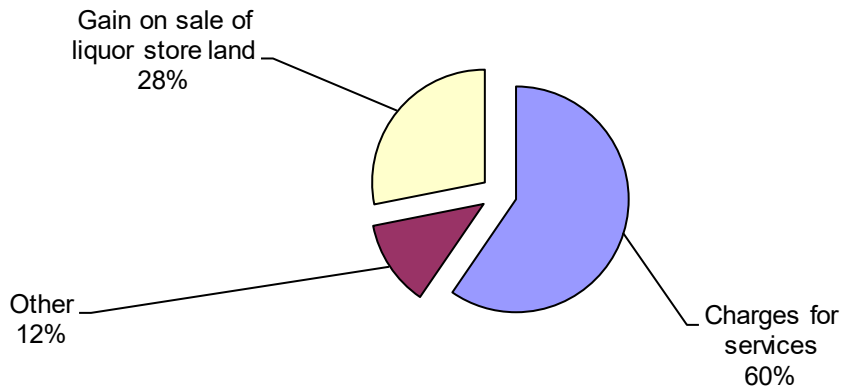
**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures for the year ended December 31, 2018. 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 \$9,204,094, an increase of \$2,775,430 in comparison with the prior year. Approximately 79% of this total fund balance, or \$7,304,116, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$1,899,978 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 \$1,987,264. 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 \$139,894 during the current year due primarily to increased collection of property taxes and building permit revenues related to construction activity within the City.

The developer's escrow fund increased its fund balance by \$1,197 due primarily to current investment earnings allocated to the fund.

The revolving fund increased its fund balance by \$103,987 due primarily to transfers from other capital project funds.

The renewal and replacement fund increased its fund balance by \$2,091,519 due to the closure of the liquor fund and transfer of fund balance to the capital project fund.

The 2017A G.O. equipment certificates fund decreased its fund balance by \$15,890 due primarily to capital outlay expenditures in excess of interest earnings allocated to the fund.

The 2014A G.O. improvement bonds fund decreased its fund balance by \$132,968 due primarily to debt service payments in excess of property taxes, special assessments and intergovernmental 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 \$4,393 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 \$187,723 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) increased their collective fund balance by \$395,575 due primarily to bond proceeds issued for capital improvements prior to expenditures for capital outlay for which the bonds were issued.

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 \$3,354,314. The liquor fund was closed at year end and the balance of net position was transferred to the renewal and replacement capital project fund. The utility and liquor funds decreased their net position by \$98,739 and \$1,248,532, respectively, for the year ended December 31, 2018. Other factors concerning the finances of these two funds 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 \$139,894. Revenues exceeded budget by \$232,801 for the year ended December 31, 2018 due primarily to increased revenues for permits and charges for services related to building activity within the City. Total expenditures were less than budget by \$11,115 for the year. Four departments had expenditures in excess of budget: general government expenditures exceeded budget by \$12,701, public safety expenditures exceeded budget by \$48,601, public works expenditures exceeded budget by \$3,387, and recreation and parks expenditures exceeded budget by \$27,659. These over expenditures were primarily related to higher than anticipated personnel services and capital outlay.

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, 2018, amounted to \$17,119,017 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. Total capital assets decreased by \$684,644, or less than 4%, for the year ended December 31, 2018, due to depreciation for the year ended December 31, 2018 being higher than current year asset acquisitions and the sale of the liquor store property.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 604,950	\$ 604,950	\$	\$ 127,883	\$ 604,950	\$ 732,833
Construction in progress	19,992	14,815	274,113		294,105	14,815
Buildings and improvements	1,249,425	1,270,341	2,485,280	2,873,063	3,734,705	4,143,404
Machinery and equipment	1,141,509	856,907	127,299	193,107	1,268,808	1,050,014
Infrastructure	8,319,622	8,803,198	2,896,827	3,059,397	11,216,449	11,862,595
Total	\$ 11,335,498	\$ 11,550,211	\$ 5,783,519	\$ 6,253,450	\$ 17,119,017	\$ 17,803,661

**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 \$5,804,296 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds and notes payable	\$ 2,826,483	\$ 3,243,392	\$ 1,158,000	\$ 1,371,000	\$ 3,984,483	\$ 4,614,392
General obligation certificates	1,819,813	1,090,000			1,819,813	1,090,000
Capital lease obligation				51,171		51,171
Total	\$ 4,646,296	\$ 4,333,392	\$ 1,158,000	\$ 1,422,171	\$ 5,804,296	\$ 5,755,563

The City of Spring Lake Park's total bonds, certificates and notes payable increased by \$48,733 during the current fiscal year. The increase was due to the issuance of general obligation equipment certificates for the purchase of equipment for the City.

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 2019. 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 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 2019 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.
- Rehabilitation of the Osborne Road pedestrian trail between CSAH 35 (Old Central) and State Highway 65.
- Complete Comprehensive Plan 2040 update.

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, 2018

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CITY OF SPRING LAKE PARK
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,360,875	\$ 3,415,651	\$ 12,776,526
Receivables	702,719	394,630	1,097,349
Intergovernmental receivables	887,141		887,141
Internal fund balances	2,248	(2,248)	
Inventory			
Prepaid items and other	15,304		15,304
Capital assets:			
Nondepreciable	624,942	274,113	899,055
Depreciable, net	10,710,556	5,509,406	16,219,962
Total Assets	22,303,785	9,591,552	31,895,337
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	127,075	8,911	135,986
LIABILITIES			
Accounts payable	149,819	142,119	291,938
Accrued payroll and related taxes	50,397	6,035	56,432
Accrued interest	12,856	10,881	23,737
Unearned revenue	44,345	3,000	47,345
Deposits and other liabilities	252,028	4,968	256,996
Noncurrent liabilities:			
Due within one year	814,963	234,909	1,049,872
Due in more than one year	4,268,400	969,132	5,237,532
Net pension liability	2,036,338	214,468	2,250,806
Total Liabilities	7,629,146	1,585,512	9,214,658
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	880,271	35,118	915,389
NET POSITION			
Net investment in capital assets	6,673,721	4,625,519	11,299,240
Restricted	2,332,766		2,332,766
Unrestricted	4,914,956	3,354,314	8,269,270
Total Net Position	\$ 13,921,443	\$ 7,979,833	\$ 21,901,276

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2018

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 981,309	\$ 499,609	\$	\$
Public safety	2,255,694	131,408	114,551	
Public works	1,220,832	130,905	68,140	77,959
Recreation and parks	1,008,084	457,715	4,581	
Development and other	255,839	132,162	68,311	
Interest on long-term debt	116,692			
Total governmental activities	<u>5,838,450</u>	<u>1,351,799</u>	<u>255,583</u>	<u>77,959</u>
Business-Type activities:				
Utility	1,966,440	1,651,797		
Liquor	202,706	28,868		
Total business-type activities	<u>2,169,146</u>	<u>1,680,665</u>		
Total	<u>\$ 8,007,596</u>	<u>\$ 3,032,464</u>	<u>\$ 255,583</u>	<u>\$ 77,959</u>

General revenues:

- General property taxes
- Grants and contributions not restricted to specific programs
- Lease revenue
- Investment earnings
- Miscellaneous
- Gain on sale of liquor store land
- 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
\$ (481,700)		\$ (481,700)
(2,009,735)		(2,009,735)
(943,828)		(943,828)
(545,788)		(545,788)
(55,366)		(55,366)
(116,692)		(116,692)
<u>(4,153,109)</u>		<u>(4,153,109)</u>
	\$ (314,643)	(314,643)
	(173,838)	(173,838)
	<u>(488,481)</u>	<u>(488,481)</u>
<u>(4,153,109)</u>	<u>(488,481)</u>	<u>(4,641,590)</u>
3,293,886		3,293,886
398,937		398,937
67,326	140,570	207,896
80,488	40,907	121,395
64,527	166,683	231,210
	792,978	792,978
1,999,928	(1,999,928)	
<u>5,905,092</u>	<u>(858,790)</u>	<u>5,046,302</u>
<u>1,751,983</u>	<u>(1,347,271)</u>	<u>404,712</u>
<u>12,169,460</u>	<u>9,327,104</u>	<u>21,496,564</u>
<u>\$ 13,921,443</u>	<u>\$ 7,979,833</u>	<u>\$ 21,901,276</u>

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CITY OF SPRING LAKE PARK
FUND FINANCIAL STATEMENTS
December 31, 2018

**CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

	General Fund	Special Revenue Fund	Capital Project Funds		
		Developer's Escrow	Revolving Fund	Renewal and Replacement	2017A G.O. Equipment Certificates
ASSETS					
Cash and investments	\$ 1,698,537	\$ 214,556	\$ 1,253,444	\$ 2,091,519	\$ 6,673
Accounts receivable	18,559				
Taxes receivable	40,891				
Special assessments receivable	2,284		54,209		
Due from other funds	329,766		13,613		
Due from other governmental units	35,995		1,397		
Accrued interest receivable	51,270				
Prepaid expenditures	2,997				
TOTAL ASSETS	\$ 2,180,299	\$ 214,556	\$ 1,322,663	\$ 2,091,519	\$ 6,673
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 58,002	\$ 3,671	\$ 1,534	\$	\$
Accrued payroll and taxes	50,796				
Deposits and other liabilities	27,449	218,580			
Due to other funds	13,613		251,015		
Unearned revenue					
Total liabilities	149,860	222,251	252,549		
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	40,891				
Special assessments	2,284		54,209		
Total deferred inflows of resources	43,175		54,209		
FUND BALANCE (DEFICIT)					
Nonspendable	2,997				
Restricted					
Assigned	1,984,267		1,015,905	2,091,519	6,673
Unassigned		(7,695)			
Total Fund Balance (Deficit)	1,987,264	(7,695)	1,015,905	2,091,519	6,673
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,180,299	\$ 214,556	\$ 1,322,663	\$ 2,091,519	\$ 6,673

See Notes to Financial Statements

Debt Service Fund 2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 843,553	\$ 3,252,593	\$ 9,360,875
	99,509	118,068
		40,891
391,599		448,092
	2,248	345,627
5,099	110,427	152,918
		51,270
	12,307	15,304
<u>\$ 1,240,251</u>	<u>\$ 3,477,084</u>	<u>\$ 10,533,045</u>

\$	\$ 86,612	\$ 149,819
		50,796
	5,600	251,629
	78,751	343,379
	44,345	44,345
	<u>215,308</u>	<u>839,968</u>

		40,891
391,599		448,092
<u>391,599</u>		<u>488,983</u>

	12,307	15,304
848,652	1,036,022	1,884,674
	2,242,124	7,340,488
	(28,677)	(36,372)
<u>848,652</u>	<u>3,261,776</u>	<u>9,204,094</u>

<u>\$ 1,240,251</u>	<u>\$ 3,477,084</u>	<u>\$ 10,533,045</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, 2018

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

Total governmental fund balances (pages 17-18)		\$ 9,204,094
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental funds - capital assets	\$ 27,529,677	
Accumulated depreciation	<u>(16,194,179)</u>	
		11,335,498

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

Delinquent property taxes	\$ 40,891	
Special assessments	<u>448,092</u>	
		488,983

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)	\$ (3,867,675)	
Net pension liability, deferred outflows and inflows from pension activity	(2,789,534)	
Compensated absences	(421,586)	
Accrued interest	(12,856)	
Net unamortized bond premiums	<u>(15,481)</u>	
		<u>(7,107,132)</u>

Net position of governmental activities (page 14)		<u>\$ 13,921,443</u>
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CITY OF SPRING LAKE PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Special Revenue Fund	Capital Project Funds		
		Developer's Escrow	Revolving Fund	Renewal and Replacement	2017A G.O. Equipment Certificates
REVENUES					
Property taxes	\$ 3,021,265	\$	\$ 361	\$	\$
Special assessments			46,567		
Licenses and permits	283,018				
Intergovernmental revenues	505,165				
Charges for services	211,312				
Fines and forfeitures	43,250				
Investment income (loss)	35,640	1,197	7,907		2,315
Other revenues	86,144		20,000		
TOTAL REVENUES	<u>4,185,794</u>	<u>1,197</u>	<u>74,835</u>		<u>2,315</u>
EXPENDITURES					
Current					
General government	805,252				
Public safety	2,127,068				
Public works	238,167		40,161		
Recreation and parks	647,311				
Development and other	60,049				
Capital Outlay					
General government					
Public safety	66,620				18,205
Public works					
Recreation and parks					
Debt Service					
Principal					
Interest and other					
Bond issuance costs					
TOTAL EXPENDITURES	<u>3,944,467</u>		<u>40,161</u>		<u>18,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>241,327</u>	<u>1,197</u>	<u>34,674</u>		<u>(15,890)</u>
OTHER FINANCING SOURCES					
Transfers from other funds	290,240		69,313	2,091,519	
Transfers to other funds	(391,673)				
Bond proceeds					
(Discount) on issuance of debt					
Gain on sale of assets					
Total other financing sources (uses)	<u>(101,433)</u>		<u>69,313</u>	<u>2,091,519</u>	
Net change in fund balances	139,894	1,197	103,987	2,091,519	(15,890)
FUND BALANCES (DEFICIT), Beginning	<u>1,847,370</u>	<u>(8,892)</u>	<u>911,918</u>		<u>22,563</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 1,987,264</u>	<u>\$ (7,695)</u>	<u>\$ 1,015,905</u>	<u>\$ 2,091,519</u>	<u>\$ 6,673</u>

See Notes to Financial Statements

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 90,228	\$ 196,593	\$ 3,308,447
88,469		135,036
		283,018
33,487	116,617	655,269
	711,728	923,040
	2,833	46,083
6,186	27,243	80,488
	325,858	432,002
<u>218,370</u>	<u>1,380,872</u>	<u>5,863,383</u>
	62,208	867,460
	3,628	2,130,696
	317,307	595,635
	297,470	944,781
	196,094	256,143
	94,213	94,213
	176,452	261,277
	320,926	320,926
	47,477	47,477
300,000	266,909	566,909
51,338	78,206	129,544
	6,750	6,750
<u>351,338</u>	<u>1,867,640</u>	<u>6,221,811</u>
<u>(132,968)</u>	<u>(486,768)</u>	<u>(358,428)</u>
	314,967	2,766,039
	(133,313)	(524,986)
	879,813	879,813
	(8,593)	(8,593)
	21,585	21,585
	<u>1,074,459</u>	<u>3,133,858</u>
(132,968)	587,691	2,775,430
<u>981,620</u>	<u>2,674,085</u>	<u>6,428,664</u>
<u>\$ 848,652</u>	<u>\$ 3,261,776</u>	<u>\$ 9,204,094</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, 2018

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	2,775,430
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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	\$	641,863	
Depreciation expense		<u>(856,576)</u>	(214,713)

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	\$	488,983	
Unavailable revenue, beginning of year		<u>(594,108)</u>	(105,125)

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	\$	(421,586)	
Compensated absences, beginning of year		<u>358,355</u>	(63,231)

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	\$	566,909	
City's share of long-term debt issuance		(879,813)	
Shared debt principal payments received from other governments		(217,039)	
Change in net pension liability		(138,630)	
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>28,195</u>	
			<u>(640,378)</u>

Change in net position of governmental activities (pages 15-16)	\$	<u><u>1,751,983</u></u>
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See Notes to Financial Statements

CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 2,999,913	\$ 2,999,913	\$ 3,021,265	\$ 21,352
Licenses and Permits				
Licenses	47,152	47,152	59,342	12,190
Permits	105,680	110,280	223,676	113,396
Total Licenses and Permits	152,832	157,432	283,018	125,586
Intergovernmental				
Police aids	93,200	93,200	106,228	13,028
Other aids	398,934	398,934	398,937	3
Total Intergovernmental	492,134	492,134	505,165	13,031
Charges for Services				
General government	59,688	59,688	136,972	77,284
Public safety	1,250	1,250	225	(1,025)
Housing registration	57,970	57,970	74,115	16,145
Total Charges for Services	118,908	118,908	211,312	92,404
Fines and forfeits	68,500	68,500	43,250	(25,250)
Investment earnings (loss)	20,000	20,000	35,640	15,640
Miscellaneous Revenue				
Liaison officer	77,406	77,406	77,406	
Insurance dividends	10,000	10,000	3,851	(6,149)
Reimbursements and other	8,700	8,700	4,887	(3,813)
Total Miscellaneous Revenue	96,106	96,106	86,144	(9,962)
TOTAL REVENUES	3,948,393	3,952,993	4,185,794	232,801
EXPENDITURES				
General Government				
Mayor and Council				
Personnel services	35,426	35,426	35,015	411
Supplies and services	2,631	2,631	1,200	1,431
Other charges	19,362	19,362	14,414	4,948
Total Mayor and Council	\$ 57,419	\$ 57,419	\$ 50,629	\$ 6,790

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, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 401,311	\$ 401,311	\$ 421,761	\$ (20,450)
Supplies	9,712	9,712	9,637	75
Contracted services	7,010	7,010	7,176	(166)
Other services and charges	18,642	18,642	10,838	7,804
Total Administration	436,675	436,675	449,412	(12,737)
Election				
Personnel services			11,726	(11,726)
Other services and charges			1,543	(1,543)
Total Election			13,269	(13,269)
Assessing				
Contracted services	35,500	35,500	34,416	1,084
Accounting and Auditing				
Contracted services	9,847	9,847	10,677	(830)
Information Technology				
Contracted services	28,580	28,580	27,825	755
Legal				
Contracted services	120,000	120,000	122,223	(2,223)
Engineering				
Contracted services	9,000	9,000	3,720	5,280
Planning and Zoning				
Supplies and other charges	1,592	1,592	418	1,174
Government Buildings				
Personnel services	19,728	19,728	22,103	(2,375)
Supplies	15,950	15,950	17,125	(1,175)
Contracted services	53,545	53,545	47,696	5,849
Other charges	4,715	4,715	5,739	(1,024)
Total Government Buildings	93,938	93,938	92,663	1,275
Total General Government	\$ 792,551	\$ 792,551	\$ 805,252	\$ (12,701)

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, 2018

	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Public Safety				
Police Protection				
Personnel services	\$ 1,510,607	\$ 1,510,607	\$ 1,587,355	\$ (76,748)
Supplies	39,833	39,833	32,966	6,867
Contracted services	52,746	52,746	40,809	11,937
Other charges	59,330	59,330	64,423	(5,093)
Capital outlay	37,471	37,471	31,634	5,837
Total Police Protection	<u>1,699,987</u>	<u>1,699,987</u>	<u>1,757,187</u>	<u>(57,200)</u>
Fire Protection				
Contracted services	226,014	226,014	226,008	6
Capital outlay	48,296	48,296	34,986	13,310
Total Fire Protection	<u>274,310</u>	<u>274,310</u>	<u>260,994</u>	<u>13,316</u>
Code Enforcement				
Personnel services	155,085	159,685	164,480	(4,795)
Supplies	4,450	4,450	4,577	(127)
Contracted services	1,300	1,300	1,417	(117)
Other charges	5,355	5,355	5,033	322
Total Code Enforcement	<u>166,190</u>	<u>170,790</u>	<u>175,507</u>	<u>(4,717)</u>
Total Public Safety	<u>2,140,487</u>	<u>2,145,087</u>	<u>2,193,688</u>	<u>(48,601)</u>
Public Works				
Street Maintenance				
Personnel services	193,630	193,630	197,541	(3,911)
Supplies	39,140	39,140	37,001	2,139
Contracted services	1,410	1,410	1,946	(536)
Other charges	600	600	1,679	(1,079)
Total Street Maintenance	<u>234,780</u>	<u>234,780</u>	<u>238,167</u>	<u>(3,387)</u>
Total Public Works	<u>\$ 234,780</u>	<u>\$ 234,780</u>	<u>\$ 238,167</u>	<u>\$ (3,387)</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, 2018

	Budgeted Amounts		2018	Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
EXPENDITURES				
Recreation and Parks				
Recreation				
Personnel services	\$ 304,942	\$ 304,942	\$ 315,169	\$ (10,227)
Supplies	13,611	13,611	15,955	(2,344)
Contracted services	15,357	15,357	14,787	570
Other charges	1,857	1,857	1,581	276
Total Recreation	<u>335,767</u>	<u>335,767</u>	<u>347,492</u>	<u>(11,725)</u>
Parks and Forestry				
Personnel services	221,273	221,273	236,071	(14,798)
Supplies	39,232	39,232	40,852	(1,620)
Contracted services	8,700	8,700	8,106	594
Other charges	14,680	14,680	14,790	(110)
Total Parks and Forestry	<u>283,885</u>	<u>283,885</u>	<u>299,819</u>	<u>(15,934)</u>
Total Recreation and Parks	<u>619,652</u>	<u>619,652</u>	<u>647,311</u>	<u>(27,659)</u>
Other				
General insurance	47,600	47,600	45,208	2,392
Other charges	5,000	5,000	7,116	(2,116)
Permit surcharges	2,600	2,600	7,725	(5,125)
Contingency	108,312	108,312		108,312
Total Other	<u>163,512</u>	<u>163,512</u>	<u>60,049</u>	<u>103,463</u>
Total Expenditures	<u>3,950,982</u>	<u>3,955,582</u>	<u>3,944,467</u>	<u>11,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,589)</u>	<u>(2,589)</u>	<u>241,327</u>	<u>243,916</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	185,240	185,240	290,240	105,000
Transfers to other funds	<u>(182,651)</u>	<u>(182,651)</u>	<u>(391,673)</u>	<u>(209,022)</u>
Total Other Financing Sources (Uses)	<u>2,589</u>	<u>2,589</u>	<u>(101,433)</u>	<u>(104,022)</u>
NET CHANGE IN FUND BALANCE			139,894	139,894
FUND BALANCE, January 1	<u>1,847,370</u>	<u>1,847,370</u>	<u>1,847,370</u>	
FUND BALANCE, December 31	<u>\$ 1,847,370</u>	<u>\$ 1,847,370</u>	<u>\$ 1,987,264</u>	<u>\$ 139,894</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUNDS
 Statement of Net Position
 December 31, 2018**

	Utility Fund	Liquor Fund	Total
ASSETS			
Current Assets			
Cash and investments	\$ 754,168	\$	\$ 754,168
Accounts receivable	394,630		394,630
Due from other funds	3,222		3,222
Total Current Assets	1,152,020		1,152,020
Noncurrent Assets			
Property and Equipment			
Construction in progress	274,113		274,113
Buildings and structures	6,553,078		6,553,078
Distributions and collection systems	4,860,974		4,860,974
Furniture, fixtures and equipment	777,197		777,197
Total Property and Equipment	12,465,362		12,465,362
Less: Accumulated depreciation	6,681,843		6,681,843
Net Property and Equipment	5,783,519		5,783,519
Reserved Assets			
Cash and investments	2,661,483		2,661,483
Total Noncurrent Assets	8,445,002		8,445,002
TOTAL ASSETS	9,597,022		9,597,022
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	8,911		8,911

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUNDS
 Statement of Net Position (Continued)
 December 31, 2018**

	Utility Fund	Liquor Fund	Total
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 142,119	\$	\$ 142,119
Accrued payroll and taxes	6,035		6,035
Accrued interest	10,881		10,881
Unearned revenue	3,000		3,000
Other accrued liabilities	4,968		4,968
Due to other funds	5,470		5,470
Current portion of compensated absences	15,909		15,909
Current portion of note payable and capital lease	219,000		219,000
Total Current Liabilities	407,382		407,382
Long-term Liabilities			
Compensated absences payable	30,132		30,132
Net pension liability	214,468		214,468
Note payable	939,000		939,000
Total Long-term Liabilities	1,183,600		1,183,600
Total Liabilities	1,590,982		1,590,982
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	35,118		35,118
Net Position			
Net investment in capital assets	4,625,519		4,625,519
Unrestricted	3,354,314		3,354,314
Total Net Position	\$ 7,979,833	\$	\$ 7,979,833

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**CITY OF SPRING LAKE PARK
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2018**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
Sales and Cost of Goods Sold			
Sales	\$	\$ 395,762	\$ 395,762
Cost of goods sold		366,894	366,894
Gross Profit		<u>28,868</u>	<u>28,868</u>
Operating Revenue			
Charges for services	<u>1,652,590</u>		<u>1,652,590</u>
Operating Expenses			
Personnel services	344,069	104,993	449,062
Supplies	170,383	53,979	224,362
Contracted services and other	170,845	25,905	196,750
Treatment charges	705,087		705,087
Depreciation	428,149	3,414	431,563
Other charges	111,260	12,984	124,244
Total Operating Expenses	<u>1,929,793</u>	<u>201,275</u>	<u>2,131,068</u>
Operating Income (Loss)	<u>(277,203)</u>	<u>(172,407)</u>	<u>(449,610)</u>
Other Revenue (Expense)			
Lease revenue	140,570		140,570
Commissions and other revenue	150,001	15,889	165,890
Investment income	23,436	17,471	40,907
Interest and other expense	(36,647)	(1,431)	(38,078)
Gain on sale of liquor store land		792,978	792,978
Total Other Revenue (Expense)	<u>277,360</u>	<u>824,907</u>	<u>1,102,267</u>
Income (Loss) Before Transfers	157	652,500	652,657
Transfers to other funds	<u>(98,896)</u>	<u>(1,901,032)</u>	<u>(1,999,928)</u>
Change in net position	(98,739)	(1,248,532)	(1,347,271)
NET POSITION, BEGINNING OF YEAR	<u>8,078,572</u>	<u>1,248,532</u>	<u>9,327,104</u>
NET POSITION, END OF YEAR	<u>\$ 7,979,833</u>	<u>\$</u>	<u>\$ 7,979,833</u>

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2018

	Utility Fund	Liquor Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,776,946	\$ 404,776	\$ 2,181,722
Cash paid to suppliers	(1,081,624)	(199,889)	(1,281,513)
Cash paid to employees	(339,650)	(389,697)	(729,347)
Net Cash Provided By (Used In)			
Operating Activities	355,672	(184,810)	170,862
Cash Flows From Investing Activities			
Investment income	23,436	17,471	40,907
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	(98,896)	(1,901,032)	(1,999,928)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of liquor store land		1,166,200	1,166,200
Acquisition of capital assets	(334,854)		(334,854)
Principal paid on long-term debt	(213,000)		(213,000)
Principal paid on capital lease		(51,171)	(51,171)
Interest paid on long-term debt/capital lease	(38,649)	(1,622)	(40,271)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(586,503)	1,113,407	526,904
Net (Decrease) in Cash and Cash Equivalents	(306,291)	(954,964)	(1,261,255)
Cash and Cash Equivalents, January 1	3,721,942	954,964	4,676,906
Cash and Cash Equivalents, December 31	\$ 3,415,651	\$	\$ 3,415,651
Classified as:			
Cash and investments - current assets	\$ 754,168	\$	\$ 754,168
Cash and investments - reserved assets	2,661,483		2,661,483
Total Cash and Cash Equivalents, December 31	\$ 3,415,651	\$	\$ 3,415,651

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
PROPRIETARY FUNDS
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES

Operating income (loss)	\$ (277,203)	\$ (172,407)	\$ (449,610)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	428,149	3,414	431,563
Change in net pension liability	12,536	(259,804)	(247,268)
Lease and other revenues	290,571	15,889	306,460
(Increase) decrease in:			
Accounts receivable	9,561	141	9,702
Inventory		339,303	339,303
Due from other funds	(241)		(241)
Increase (decrease) in:			
Accounts payable	75,951	(63,381)	12,570
Accrued payroll and taxes	(5,301)	(5,618)	(10,919)
Other accrued liabilities		(16,049)	(16,049)
Due to other funds	(175,535)	(7,016)	(182,551)
Estimated liability for compensated absences	(2,816)	(19,282)	(22,098)
Net Cash Provided By Operating Activities	<u>\$ 355,672</u>	<u>\$ (184,810)</u>	<u>\$ 170,862</u>

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CITY OF SPRING LAKE PARK
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

Spring Lake Park - Blaine - Mounds View Fire Department (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 8.692% in 2018.
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

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations (Continued)

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

The City's share of operating costs were \$226,008, capital costs were \$34,986 and debt service costs were \$91,449 during 2018. 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 and 2017A G.O. Equipment Certificates 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 \$13,203 in franchise fees that were used for debt service payments during the year ended December 31, 2018.

B. Government-wide and Fund Financial Statements

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

The *renewal and replacement fund* was created to finance capital improvement projects in the City. The fund 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 funds:

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

The *liquor fund* accounts for the retail operation of the City's off-sale municipal liquor store.

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Cash and investments (including cash equivalents)

Cash balances from all City funds, except certain designated funds 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

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

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.

3. Inventories

Inventory held by proprietary funds is stated at a moving, weighted average cost or market on the first-in, first-out valuation method. The cost of inventory is recognized as an expense when items are sold or used (consumption method).

Inventories of expendable supplies held by governmental fund types are recorded as expenditures when purchased (purchase method) as the amounts are not material.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

4. Tax increment district

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

5. 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

1. Summary of Significant Accounting Policies (Continued)

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

6. 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.

7. Long-term obligations

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

8. 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.

9. Fund equity

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

9. 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

1. Summary of Significant Accounting Policies (Continued)

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. 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, 2018, the outstanding principal amount of these bonds was \$31,006,245.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability

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, 2018).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2018, the following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2018 Budgeted Expenditures</u>		<u>2018 Actual Expenditures</u>		<u>Amount Exceeding Budgeted Amount</u>
General government	\$ 792,551	\$	805,252	\$	12,701
Public safety	2,145,087		2,193,688		48,601
Public works	234,780		238,167		3,387
Recreation and parks	619,652		647,311		27,659

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

C. Fund Balance Deficits

As of December 31, 2018, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Major:	
Developer's Escrow special revenue	\$ 7,695
Nonmajor:	
Comprehensive Plan Update special revenue	150
2013A G.O. Capital Improvement Fire Bond debt service	25,007
Tax Increment Financing - Legends of SLP debt service	3,520

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds

A. Deposits and Investments

In accordance with applicable Minnesota statutes, the City maintains deposits at depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state or local government obligations and legal investments described in the investment policy section. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than the institution furnishing the collateral.

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2018.

Investment Policy

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

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

Fair Value Measurements

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

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

Level 2: 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, 2018 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 8,712,849	\$ 8,712,849	\$	\$
Municipal Bonds	275,465		275,465	
U.S. Government Securities	1,835,892		1,835,892	
Total	<u>\$ 10,824,206</u>	<u>\$ 8,712,849</u>	<u>\$ 2,111,357</u>	<u>\$</u>

Interest Rate Risk

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

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

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 1,952,320
Certificates of Deposit	3/25	N/A	8,712,849
Municipal Bonds	2/21	AA1	275,465
U.S. Government Securities	9/26	AAA	1,835,892
Total cash and investments			<u>\$12,776,526</u>

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, 2018 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$1,822,321

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, 2018, 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, 2018 were as follows:

<u>Fund Type</u>	<u>Anoka County</u>	<u>City of Blaine</u>	<u>City of Mounds View</u>
General Fund	\$ 35,995	\$	\$
Capital Projects	1,397		
Debt Service	7,006	89,316	19,204
	<u>\$ 44,398</u>	<u>\$ 89,316</u>	<u>\$ 19,204</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, 2018 was as follows:

Governmental Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 604,950	\$	\$	\$ 604,950
Construction in progress	14,815	19,992	14,815	19,992
Total capital assets, not being depreciated	619,765	19,992	14,815	624,942
Capital assets, being depreciated:				
Buildings and improvements	3,249,957	74,491		3,324,448
Machinery and equipment	3,463,646	534,433		3,998,079
Infrastructure	19,554,446	27,762		19,582,208
Total capital assets, being depreciated	26,268,049	636,686		26,904,735
Less accumulated depreciation for:				
Buildings and improvements	1,979,616	95,407		2,075,023
Machinery and equipment	2,606,739	249,831		2,856,570
Infrastructure	10,751,248	511,338		11,262,586
Total accumulated depreciation	15,337,603	856,576		16,194,179
Total capital assets, being depreciated, net	10,930,446	(219,890)		10,710,556
Governmental activities capital assets, net	\$ 11,550,211	\$ (199,898)	\$ 14,815	\$ 11,335,498

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:				
Land	\$ 127,883	\$	\$ 127,883	\$
Construction in progress		274,113		274,113
Total capital assets, not being depreciated	127,883	274,113	127,883	274,113
Capital assets, being depreciated:				
Land improvements	5,765		5,765	
Buildings and improvements	7,361,795		808,717	6,553,078
Machinery and equipment	1,105,028	60,740	388,571	777,197
Infrastructure	4,860,974			4,860,974
Total capital assets, being depreciated	13,333,562	60,740	957,715	12,191,249
Less accumulated depreciation for:				
Land improvements	5,765		5,765	
Buildings and improvements	4,488,732	237,183	658,117	4,067,798
Machinery and equipment	911,921	31,810	293,833	649,898
Infrastructure	1,801,577	162,570		1,964,147
Total accumulated depreciation	7,207,995	431,563	957,715	6,681,843
Total capital assets, being depreciated, net	6,125,567	(370,823)	(957,715)	5,509,406
Business-type activities capital assets, net	\$ 6,253,450	\$ (96,710)	\$ (829,832)	\$ 5,783,519

Depreciation expense for the year ended December 31, 2018 was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 105,676
Public safety	87,003
Public works	608,820
Recreation and parks	55,077
Total	\$ 856,576
Business-Type Activities	
Utility	\$ 428,149
Liquor	3,414
Total	\$ 431,563

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.

The City had also entered into a capital lease requiring quarterly payments of \$3,796 at an interest rate of 2.25%. The capital lease was paid in full during 2018 when the City sold its municipal liquor store property.

A summary of long-term debt outstanding at December 31, 2018 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/18
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	1.00% - 2.00%	2026	\$ 302,395
2013B Capital Improvement Bonds	12/18/2013	1.60% - 3.00%	2023	365,000
2014A Capital Improvement Bonds	6/18/2014	2.00% - 2.75%	2025	2,085,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	1,090,000
2018A Equipment Certificates	1/4/2018	1.90% - 2.00%	2022	640,000
2018A Improvement Certificates	6/7/2018	3.00% - 5.00%	2024	89,813
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	1,158,000
2016A Improvement Notes	4/14/2016	2.00%	2026	74,088
Other Liabilities:				
Net unamortized premium on bonds				15,481
Compensated Absences				<u>467,627</u>
Total Long-Term Debt				<u>\$ 6,287,404</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, 2018, the City had not utilized \$13,243,000 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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 342,813	\$	\$ 40,418	\$ 302,395	\$ 40,027
2013B Capital Improvement Bonds	430,000		65,000	365,000	70,000
2014A Capital Improvements Bonds	2,385,000		300,000	2,085,000	300,000
General obligation certificates:					
2017A Equipment Certificates	1,090,000			1,090,000	
2018A Equipment Certificates		790,000	150,000	640,000	155,000
2018A Improvement Certificates		89,813		89,813	
General obligation note payable:					
2016A Improvement Notes	85,579		11,491	74,088	11,232
Other Liabilities:					
Compensated Absences	358,355	266,133	202,902	421,586	238,704
Unamortized premium	53,759	3,257	6,845	50,171	
Less: unamortized (discount)	<u>(28,406)</u>	<u>(11,850)</u>	<u>(5,566)</u>	<u>(34,690)</u>	
Governmental Activities					
Long-Term Liabilities	<u>4,717,100</u>	<u>1,137,353</u>	<u>771,090</u>	<u>5,083,363</u>	<u>814,963</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	1,371,000		213,000	1,158,000	219,000
Other Liabilities:					
Obligation Under Capital Lease	51,171		51,171		
Compensated Absences	<u>68,139</u>	<u>1,446</u>	<u>23,544</u>	<u>46,041</u>	<u>15,909</u>
Business-Type Activities					
Long-Term Liabilities	<u>1,490,310</u>	<u>1,446</u>	<u>287,715</u>	<u>1,204,041</u>	<u>234,909</u>
Total	<u>\$ 6,207,410</u>	<u>\$ 1,138,799</u>	<u>\$ 1,058,805</u>	<u>\$ 6,287,404</u>	<u>\$ 1,049,872</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, 2018 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2019	\$ 410,458	\$ 60,868	\$ 360,000	\$ 44,115
2020	411,318	53,143	386,368	36,180
2021	412,179	44,576	397,207	25,751
2022	418,040	35,991	408,046	15,544
2023	424,331	26,889	248,886	4,725
2024-2025	676,069	27,298	19,306	735
Totals	<u>\$2,752,395</u>	<u>\$ 248,763</u>	<u>\$1,819,813</u>	<u>\$ 127,050</u>

Year	General Obligation Notes Payable	
	Principal	Interest
2019	\$ 230,794	\$ 34,126
2020	237,096	27,716
2021	243,096	21,132
2022	250,398	14,378
2023	257,701	7,420
2024-2025	13,003	260
Totals	<u>\$1,232,088</u>	<u>\$ 105,032</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

E. Tax Increment District

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

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

Information regarding District No. 6-1 is as follows:

Original net tax capacity	\$	14,853
Current net tax capacity		14,427
Capture net tax capacity:		
Retained by authority		

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, 2018:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 329,766	\$ 13,613
Revolving Fund	13,613	251,015
Subtotal	<u>343,379</u>	<u>264,628</u>
Non-Major Governmental Funds:		
Special Revenue		
Recycling	1,681	
Street Lights	567	
Cable		11,352
Debt Service		
2013A GO Capital Improvement Bonds		58,941
Tax Increment Financing - Legends of SLP		3,114
Capital Projects		
Park Equipment and Improvement		5,344
Subtotal	<u>2,248</u>	<u>78,751</u>
 Total Governmental Funds	 <u>345,627</u>	 <u>343,379</u>
 Proprietary Funds:		
Utility	3,222	5,470
Subtotal	<u>3,222</u>	<u>5,470</u>
 Total All Funds	 <u>\$ 348,849</u>	 <u>\$ 348,849</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. The amount transferred from the liquor fund when that fund was closed will be used to finance future capital assets/improvements within the City.

Interfund transfers during the year ended December 31, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 290,240	\$ 391,673
Revolving Fund	69,313	
Renewal and Replacement	2,091,519	
Subtotal	<u>2,451,072</u>	<u>391,673</u>
Non-Major Governmental Funds:		
Special Revenue		
Comprehensive Plan Update	10,000	
Emergency Management	3,157	
Police Reserves	2,500	
Forestry	1,600	
Animal Control	1,000	
Recreation Fund		60,000
Recycling Fund		4,000
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	75,310	

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
Storm Water	100,000	
Street Sealcoating	50,000	
Building Maintenance	9,394	
Public Safety Replacement	12,006	
2014-2015 Street Improvement Project		69,313
Subtotal	<u>314,967</u>	<u>133,313</u>
 Total Governmental Funds	 <u>2,766,039</u>	 <u>524,986</u>
 Proprietary Funds:		
Utility		98,896
Liquor		<u>1,901,032</u>
 Total Proprietary Funds		 <u>1,999,928</u>
 Total All Funds	 <u>\$ 2,766,039</u>	 <u>\$ 2,524,914</u>

In the government-wide statement of activities, transfers in (out) are comprised of:

Governmental Funds:		
Transfers in		\$ 2,766,039
Transfers out		<u>(766,111)</u>
 Government-wide Statement of Activities - Transfers in (out)		 <u>\$ 1,999,928</u>

During 2018, the liquor store ceased operations and the City closed the liquor fund. As a result, the City transferred the net pension liability associated with the liquor fund to the remaining funds in the governmental and utility funds at year end. The governmental fund had a net transfer out of \$241,125 that only affected government-wide financial statements.

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, 2018:

	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
Nonspendable								
Prepaid items	\$ 2,997	\$	\$	\$	\$	\$	\$ 12,307	\$ 15,304
Restricted								
Police activities							4,329	4,329
Debt service						848,652	237,598	1,086,250
Capital acquisitions							32,974	32,974
Park acquisition							681,642	681,642
Community development							79,479	79,479
Total Restricted						848,652	1,036,022	1,884,674
Assigned								
Working capital reserve	1,492,800							1,492,800
Compensated absences	421,586							421,586
Elections	69,881							69,881
Recreation programs							353,802	353,802
Recycling							84,212	84,212
Street lighting							36,436	36,436
Cable activities							16,373	16,373
Public safety supplies					6,673		17,980	24,653
HRA reserve							198,711	198,711
Street improvement			1,015,905	2,091,519				3,107,424
Street sealcoating							53,216	53,216
Storm water runoff program							260,529	260,529
Capital replacement							927,109	927,109
Building maintenance							125,071	125,071
Park acquisition							33,518	33,518
Other activities							135,167	135,167
Total Assigned	1,984,267		1,015,905	2,091,519	6,673		2,242,124	7,340,488
Unassigned								
		(7,695)					(28,677)	(36,372)
Total Fund Balance	\$ 1,987,264	\$ (7,695)	\$ 1,015,905	\$ 2,091,519	\$ 6,673	\$ 848,652	\$ 3,261,776	\$ 9,204,094

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information

A. Risk Management

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

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

B. Commitments and Contingencies

Insurance:

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

General Litigation:

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

C. Pension Plans

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

A. Plan Description

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

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

B. Benefits Provided

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first ten years of service and 1.7 percent for each additional year. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service, and 2.7 percent for Basic members. The accrual rates for former MERF members is 2.0 percent for each of the first ten years of service and 2.5 percent for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

2. Police and Fire Plan Benefits

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

Beginning in 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law. Post retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

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 2018; 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, 2018 were \$110,008. 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

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee 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, 2018. On January 1, 2020 employee rates increase to 11.80 percent and employer rates increase to 17.70 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$161,819. 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, 2018, the City reported a liability of \$1,264,851 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 2018. 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 \$41,581. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was .0228 which was a decrease of .0006 percent from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

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, 2018, the City recognized pension expense (benefit) of (\$29,702) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,697 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, 2018, 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	\$	\$ 4,351
Changes in Actuarial Assumptions		18,025
Difference between projected and actual investment earnings		125,342
Changes in proportion		59,391
Contributions paid to PERA subsequent to the measurement date	<u>52,552</u>	
Total	<u>\$ 52,552</u>	<u>\$ 207,109</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

\$52,552 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense</u>
2019	\$ 20,519
2020	(87,396)
2021	(113,834)
2022	(26,398)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$985,955 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was .0925 percent which was an increase of .0005 percent from its proportion measured as of June 30, 2017. The City also recognized \$8,325 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the 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, starting in fiscal year 2014.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

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)

For the year ended December 31, 2018, the City recognized pension expense (benefit) of (\$78,936) for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, 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	\$	\$ 211,417
Changes in Actuarial Assumptions		171,618
Difference between projected and actual investment earnings		195,052
Changes in proportion		130,193
Contributions paid to PERA subsequent to the measurement date	<u>83,434</u>	
Total	<u>\$ 83,434</u>	<u>\$ 708,280</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

\$83,434 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Expense Amount</u>
2019	\$ (43,761)
2020	(91,273)
2021	(152,846)
2022	(418,272)
2023	(2,128)

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, 2018 was (\$108,638).

E. Actuarial Assumptions

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

	<u>General Employees Plan</u>	<u>Police & Fire Plan</u>
Inflation	2.50% per year	2.50% per year
Active Member Payroll Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%

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)

E. Actuarial Assumptions (Continued)

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

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

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)

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 Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	<u>100%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the 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

4. Other Information (Continued)

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 Current Single Discount Rate			
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 2,055,544	6.50%	\$ 2,113,949
Current Discount Rate	7.50%	\$ 1,264,851	7.50%	\$ 985,955
1% Higher	8.50%	\$ 612,156	8.50%	\$ 53,151

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.

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

Four council members of the City are covered by the Public Employees 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 2018 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Rate</u>
\$ 1,267	\$ 1,267	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, 2018 is not material and therefore is not recorded in these financial statements.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

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 2018 totaled \$260,994, 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 \$11,806 for the year ended December 31, 2018.

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

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

CITY OF SPRING LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of City Contributions
PERA General Employees Retirement Fund
December 31, 2018

<u>Year Ended December 31</u>	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					
2020					
2021					
2022					
2023					

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2018

<u>Year Ended December 31</u>	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	15.3%
2015	147,786	147,786		912,261	16.2%
2016	151,121	151,121		932,841	16.2%
2017	153,641	153,641		948,402	16.2%
2018	161,819	161,819		998,882	16.2%
2019					
2020					
2021					
2022					
2023					

CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
December 31, 2018

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) Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0275%	\$ 1,291,812		\$ 1,291,812	\$ 1,468,400	88.0%	78.7%
2015	0.0247%	1,280,082		1,280,082	1,442,177	88.8%	78.2%
2016	0.0239%	1,940,561	25,332	1,965,893	1,496,472	131.4%	68.9%
2017	0.0234%	1,493,841	18,793	1,512,634	1,529,713	98.9%	75.9%
2018	0.0228%	1,264,851	41,581	1,306,432	1,534,400	85.1%	79.5%
2019							
2020							
2021							
2022							
2023							

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2018

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					
2020					
2021					
2022					
2023					

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

December 31, 2018

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

December 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and investments	\$ 828,194	\$ 174,308	\$ 2,250,091	\$ 3,252,593
Accounts receivable	79,039		20,470	99,509
Special assessments receivable				
Due from other funds	2,248			2,248
Due from other governmental units		110,427		110,427
Prepaid expenditures	12,307			12,307
	<u>\$ 921,788</u>	<u>\$ 284,735</u>	<u>\$ 2,270,561</u>	<u>\$ 3,477,084</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 44,650	\$ 13,609	\$ 28,353	\$ 86,612
Deposits payable	5,600			5,600
Due to other funds	11,352	62,055	5,344	78,751
Unearned revenue	44,345			44,345
Total liabilities	<u>105,947</u>	<u>75,664</u>	<u>33,697</u>	<u>215,308</u>
FUND BALANCE (DEFICIT)				
Nonspendable	12,307			12,307
Restricted	83,808	237,598	714,616	1,036,022
Assigned	719,876		1,522,248	2,242,124
Unassigned	(150)	(28,527)		(28,677)
Total Fund Balance (Deficit)	<u>815,841</u>	<u>209,071</u>	<u>2,236,864</u>	<u>3,261,776</u>
	<u>\$ 921,788</u>	<u>\$ 284,735</u>	<u>\$ 2,270,561</u>	<u>\$ 3,477,084</u>
TOTAL LIABILITIES AND FUND BALANCE				

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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, 2018

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property and franchise taxes	\$ 22,126	\$ 174,467	\$	\$ 196,593
Special assessments				
Intergovernmental revenues	48,477		68,140	116,617
Charges for services	549,616	13,203	148,909	711,728
Fines and forfeitures	2,833			2,833
Investment income	5,315	860	21,068	27,243
Other revenues	91,688	221,493	12,677	325,858
TOTAL REVENUES	<u>720,055</u>	<u>410,023</u>	<u>250,794</u>	<u>1,380,872</u>
EXPENDITURES				
Current				
General government	62,208			62,208
Public safety	3,628			3,628
Public works	37,011		280,296	317,307
Recreation and parks	290,071		7,399	297,470
Development and other	193,599	2,495		196,094
Capital Outlay				
General government	82,458		11,755	94,213
Public safety	944		175,508	176,452
Public works			320,926	320,926
Recreation and parks			47,477	47,477
Debt Service				
Principal		266,909		266,909
Interest and other		78,206		78,206
Bond issuance costs			6,750	6,750
TOTAL EXPENDITURES	<u>669,919</u>	<u>347,610</u>	<u>850,111</u>	<u>1,867,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,136</u>	<u>62,413</u>	<u>(599,317)</u>	<u>(486,768)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	18,257	125,310	171,400	314,967
Transfers to other funds	(64,000)		(69,313)	(133,313)
(Discount) on issuance of debt			(8,593)	(8,593)
Bond proceeds			879,813	879,813
Gain on sale of assets			21,585	21,585
Total other financing sources (uses)	<u>(45,743)</u>	<u>125,310</u>	<u>994,892</u>	<u>1,074,459</u>
Net change in fund balances	4,393	187,723	395,575	587,691
FUND BALANCES (DEFICIT), Beginning	<u>811,448</u>	<u>21,348</u>	<u>1,841,289</u>	<u>2,674,085</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 815,841</u>	<u>\$ 209,071</u>	<u>\$ 2,236,864</u>	<u>\$ 3,261,776</u>

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

December 31, 2018

	Recycling	Street Lighting	Cable
ASSETS			
Cash and investments	\$ 43,250	\$ 29,844	\$ 5,599
Accounts receivable	48,053	8,854	22,126
Prepaid expenditures			
Due from other funds	1,681	567	
TOTAL ASSETS	\$ 92,984	\$ 39,265	\$ 27,725
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 8,772	\$ 2,829	\$
Deposits payable			
Due to other funds			11,352
Unearned revenue			
Total liabilities	8,772	2,829	11,352
FUND BALANCE (DEFICIT)			
Nonspendable			
Restricted			
Assigned	84,212	36,436	16,373
Unassigned			
Total Fund Balance (Deficit)	84,212	36,436	16,373
TOTAL LIABILITIES AND FUND BALANCE	\$ 92,984	\$ 39,265	\$ 27,725

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>HRA Reserve</u>	<u>Recreation</u>
\$ 17,980	\$ 4,329	\$ 204,311	\$ 429,055 6 12,307
<u>\$ 17,980</u>	<u>\$ 4,329</u>	<u>\$ 204,311</u>	<u>\$ 441,368</u>
\$	\$	\$	\$ 30,914
		5,600	
			44,345
		<u>5,600</u>	<u>75,259</u>
			12,307
17,980	4,329	198,711	353,802
<u>17,980</u>	<u>4,329</u>	<u>198,711</u>	<u>366,109</u>
<u>\$ 17,980</u>	<u>\$ 4,329</u>	<u>\$ 204,311</u>	<u>\$ 441,368</u>

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

December 31, 2018

	Tower Days	Traffic Education	Emergency Management
ASSETS			
Cash and investments	\$ 14,147	\$ 65,332	\$ 7,369
Accounts receivable			
Prepaid expenditures			
Due from other funds			
TOTAL ASSETS	\$ 14,147	\$ 65,332	\$ 7,369
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$ 8
Deposits payable			
Due to other funds			
Unearned revenue			
Total liabilities			8
FUND BALANCE (DEFICIT)			
Nonspendable			
Restricted	14,147	65,332	
Assigned			7,361
Unassigned			
Total Fund Balance (Deficit)	14,147	65,332	7,361
TOTAL LIABILITIES AND FUND BALANCE	\$ 14,147	\$ 65,332	\$ 7,369

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$ 3,047	\$ 1,977	\$ 1,954	\$ 828,194
			79,039
			12,307
			2,248
<u>\$ 3,047</u>	<u>\$ 1,977</u>	<u>\$ 1,954</u>	<u>\$ 921,788</u>
\$	\$ 2,127	\$	\$ 44,650
			5,600
			11,352
			44,345
	<u>2,127</u>		<u>105,947</u>
			12,307
			83,808
3,047		1,954	719,876
	(150)		(150)
<u>3,047</u>	<u>(150)</u>	<u>1,954</u>	<u>815,841</u>
<u>\$ 3,047</u>	<u>\$ 1,977</u>	<u>\$ 1,954</u>	<u>\$ 921,788</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, 2018

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
REVENUES			
Franchise taxes	\$	\$	\$ 22,126
Intergovernmental revenue	48,477		
Charges for services	133,742	38,366	
Fines and forfeitures			
Investment income	263	189	19
Other revenues			
TOTAL REVENUES	<u>182,482</u>	<u>38,555</u>	<u>22,145</u>
EXPENDITURES			
Current			
General government			15,239
Public safety			
Public works		37,011	
Development and other	176,241		
Recreation and parks			
Capital Outlay			
General government			
Public safety			
TOTAL EXPENDITURES	<u>176,241</u>	<u>37,011</u>	<u>15,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,241</u>	<u>1,544</u>	<u>6,906</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds	(4,000)		
Total other financing sources (uses)	<u>(4,000)</u>		
Net change in fund balances	2,241	1,544	6,906
FUND BALANCES, Beginning	<u>81,971</u>	<u>34,892</u>	<u>9,467</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 84,212</u>	<u>\$ 36,436</u>	<u>\$ 16,373</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>HRA Reserve</u>	<u>Recreation</u>
\$	\$	\$	\$
			376,458
2,833			
120	23	1,520	2,604
		71,854	
<u>2,953</u>	<u>23</u>	<u>73,374</u>	<u>379,062</u>
		32,447	
1,342	772		
			290,071
		82,458	
<u>944</u>	<u>772</u>	<u>114,905</u>	<u>290,071</u>
<u>667</u>	<u>(749)</u>	<u>(41,531)</u>	<u>88,991</u>
	2,500		(60,000)
	<u>2,500</u>		<u>(60,000)</u>
667	1,751	(41,531)	28,991
<u>17,313</u>	<u>2,578</u>	<u>240,242</u>	<u>337,118</u>
<u>\$ 17,980</u>	<u>\$ 4,329</u>	<u>\$ 198,711</u>	<u>\$ 366,109</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, 2018

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
REVENUES			
Franchise taxes	\$	\$	\$
Intergovernmental revenue			
Charges for services		1,050	
Fines and forfeitures			
Investment income	87	442	33
Other revenues	<u>19,834</u>		
TOTAL REVENUES	<u>19,921</u>	<u>1,492</u>	<u>33</u>
EXPENDITURES			
Current			
General government		1,050	
Public safety			1,514
Public works			
Development and other	17,358		
Recreation and parks			
Capital Outlay			
General government			
Public safety			
TOTAL EXPENDITURES	<u>17,358</u>	<u>1,050</u>	<u>1,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,563</u>	<u>442</u>	<u>(1,481)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			3,157
Transfers to other funds			
Total other financing sources (uses)			<u>3,157</u>
Net change in fund balances	2,563	442	1,676
FUND BALANCES, Beginning	<u>11,584</u>	<u>64,890</u>	<u>5,685</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 14,147</u>	<u>\$ 65,332</u>	<u>\$ 7,361</u>

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$	\$	\$	\$ 22,126
			48,477
			549,616
			2,833
13		2	5,315
			91,688
<u>13</u>		<u>2</u>	<u>720,055</u>
	13,472		62,208
			3,628
			37,011
			193,599
			290,071
			82,458
			944
	<u>13,472</u>		<u>669,919</u>
<u>13</u>	<u>(13,472)</u>	<u>2</u>	<u>50,136</u>
1,000	10,000	1,600	18,257
			(64,000)
<u>1,000</u>	<u>10,000</u>	<u>1,600</u>	<u>(45,743)</u>
1,013	(3,472)	1,602	4,393
<u>2,034</u>	<u>3,322</u>	<u>352</u>	<u>811,448</u>
<u>\$ 3,047</u>	<u>\$ (150)</u>	<u>\$ 1,954</u>	<u>\$ 815,841</u>

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

December 31, 2018

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications
ASSETS			
Cash and investments	\$ 27,853	\$ 33,934	\$ 13,248
Due from other governmental units	252		
TOTAL ASSETS	\$ 28,105	\$ 33,934	\$ 13,248
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$ 13,203
Due to other funds		58,941	
Total liabilities		58,941	13,203
FUND BALANCE (DEFICIT)			
Restricted	28,105		45
Unassigned		(25,007)	
Total Fund Balance (Deficit)	28,105	(25,007)	45
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,105	\$ 33,934	\$ 13,248

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A G.O. Equipment Certificates	Total
\$	\$	\$ 92,564	\$ 6,709	\$ 174,308
		108,520	1,655	110,427
<u>\$</u>	<u>\$</u>	<u>\$ 201,084</u>	<u>\$ 8,364</u>	<u>\$ 284,735</u>
\$	\$ 406	\$	\$	\$ 13,609
	3,114			62,055
	3,520			75,664
		201,084	8,364	237,598
	(3,520)			(28,527)
	(3,520)	201,084	8,364	209,071
<u>\$</u>	<u>\$</u>	<u>\$ 201,084</u>	<u>\$ 8,364</u>	<u>\$ 284,735</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, 2018

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications
REVENUES			
Taxes	\$ 975	\$	\$
Charges for services			13,203
Investment earnings	176	219	45
Other revenue			
TOTAL REVENUES	<u>1,151</u>	<u>219</u>	<u>13,248</u>
EXPENDITURES			
Current			
Development and other			
Debt Service			
Principal		40,418	11,491
Interest and other charges		6,523	1,712
TOTAL EXPENDITURES		<u>46,941</u>	<u>13,203</u>
Excess (deficiency) of revenues over (under) expenditures	1,151	(46,722)	45
OTHER FINANCING SOURCES			
Transfers from other funds		50,000	
Net change in fund balances	1,151	3,278	45
FUND BALANCES (DEFICIT), Beginning	<u>26,954</u>	<u>(28,285)</u>	
FUND BALANCES (DEFICIT), Ending	<u>\$ 28,105</u>	<u>\$ (25,007)</u>	<u>\$ 45</u>

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A G.O. Equipment Certificates	Total
\$	\$	\$	\$ 173,492	\$ 174,467
				13,203
		395	25	860
		<u>221,493</u>		<u>221,493</u>
		<u>221,888</u>	<u>173,517</u>	<u>410,023</u>
	2,495			2,495
65,000			150,000	266,909
<u>10,310</u>		<u>44,508</u>	<u>15,153</u>	<u>78,206</u>
<u>75,310</u>	<u>2,495</u>	<u>44,508</u>	<u>165,153</u>	<u>347,610</u>
(75,310)	(2,495)	177,380	8,364	62,413
<u>75,310</u>				<u>125,310</u>
	(2,495)	177,380	8,364	187,723
	(1,025)	23,704		21,348
<u>\$</u>	<u>\$ (3,520)</u>	<u>\$ 201,084</u>	<u>\$ 8,364</u>	<u>\$ 209,071</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS**

December 31, 2018

	<u>State Aid Street Fund</u>	<u>Street Sealcoating</u>	<u>Storm Water</u>
ASSETS			
Cash and investments	\$ 121,503	\$ 35,542	\$ 270,855
Accounts receivable		20,470	
TOTAL ASSETS	<u>\$ 121,503</u>	<u>\$ 56,012</u>	<u>\$ 270,855</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 596	\$ 2,796	\$ 10,326
Due to other funds			
Total liabilities	<u>596</u>	<u>2,796</u>	<u>10,326</u>
FUND BALANCE			
Restricted			
Assigned	120,907	53,216	260,529
Total Fund Balance	<u>120,907</u>	<u>53,216</u>	<u>260,529</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,503</u>	<u>\$ 56,012</u>	<u>\$ 270,855</u>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 402,839	\$ 32,974	\$ 1,898	\$ 125,071	\$ 20,666
<u>\$ 402,839</u>	<u>\$ 32,974</u>	<u>\$ 1,898</u>	<u>\$ 125,071</u>	<u>\$ 20,666</u>
\$	\$	\$	\$	\$
	32,974	1,898	125,071	20,666
<u>402,839</u>	<u>32,974</u>	<u>1,898</u>	<u>125,071</u>	<u>20,666</u>
<u>\$ 402,839</u>	<u>\$ 32,974</u>	<u>\$ 1,898</u>	<u>\$ 125,071</u>	<u>\$ 20,666</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2018**

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
ASSETS			
Cash and investments	\$ 21,565	\$ 637,842	\$ 22,420
Accounts receivable			
TOTAL ASSETS	<u>\$ 21,565</u>	<u>\$ 637,842</u>	<u>\$ 22,420</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 185	\$	\$
Due to other funds			
Total liabilities	<u>185</u>		
FUND BALANCE			
Restricted	21,380	637,842	22,420
Assigned			
Total Fund Balance	<u>21,380</u>	<u>637,842</u>	<u>22,420</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 21,565</u>	<u>\$ 637,842</u>	<u>\$ 22,420</u>

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>2014-2015 Street Improvement Project</u>	<u>2018A G.O. Equipment Certificates</u>	<u>2018A Blaine Fire Certificates</u>	<u>Total</u>
\$ 10,034	\$ 28,828	\$	\$ 518,054	\$	\$ 2,250,091
					20,470
<u>\$ 10,034</u>	<u>\$ 28,828</u>	<u>\$</u>	<u>\$ 518,054</u>	<u>\$</u>	<u>\$ 2,270,561</u>
\$	\$	\$	\$ 14,450	\$	\$ 28,353
	5,344				5,344
	<u>5,344</u>		<u>14,450</u>		<u>33,697</u>
					714,616
<u>10,034</u>	<u>23,484</u>		<u>503,604</u>		<u>1,522,248</u>
<u>10,034</u>	<u>23,484</u>		<u>503,604</u>		<u>2,236,864</u>
<u>\$ 10,034</u>	<u>\$ 28,828</u>	<u>\$</u>	<u>\$ 518,054</u>	<u>\$</u>	<u>\$ 2,270,561</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, 2018

	State Aid Street Fund	Street Sealcoating	Storm Water
REVENUES			
Intergovernmental revenues	\$ 68,140	\$	\$
Charges for services		79,336	
Investment earnings	683		1,602
Other revenues			
TOTAL REVENUES	<u>68,823</u>	<u>79,336</u>	<u>1,602</u>
EXPENDITURES			
Current			
Public Works	27,789	126,712	122,845
Recreation and Parks			
Capital Outlay			
Public Safety			
Public works			
Recreation and Parks			
TOTAL EXPENDITURES	<u>27,789</u>	<u>126,712</u>	<u>122,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,034</u>	<u>(47,376)</u>	<u>(121,243)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds		50,000	100,000
Transfers to other funds			
Bond proceeds			
(Discount) on issuance of debt			
Gain on sale of assets			
Total other financing sources (uses)		<u>50,000</u>	<u>100,000</u>
Net change in fund balances	41,034	2,624	(21,243)
FUND BALANCES (DEFICIT), Beginning	<u>79,873</u>	<u>50,592</u>	<u>281,772</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 120,907</u>	<u>\$ 53,216</u>	<u>\$ 260,529</u>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$	\$	\$
2,686	232	13	842	58
<u>2,686</u>	<u>232</u>	<u>13</u>	<u>842</u>	<u>58</u>
2,950				
7,749	508		8,429	
<u>10,699</u>	<u>508</u>		<u>8,429</u>	
<u>(8,013)</u>	<u>(276)</u>	<u>13</u>	<u>(7,587)</u>	<u>58</u>
			9,394	12,006
<u>21,585</u>				
<u>21,585</u>			<u>9,394</u>	<u>12,006</u>
13,572	(276)	13	1,807	12,064
<u>389,267</u>	<u>33,250</u>	<u>1,885</u>	<u>123,264</u>	<u>8,602</u>
<u>\$ 402,839</u>	<u>\$ 32,974</u>	<u>\$ 1,898</u>	<u>\$ 125,071</u>	<u>\$ 20,666</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, 2018

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
REVENUES			
Intergovernmental revenues	\$	\$	\$
Charges for services	3,075	66,348	
Investment earnings	141	4,196	151
Other revenues	3,060	1,116	
TOTAL REVENUES	<u>6,276</u>	<u>71,660</u>	<u>151</u>
EXPENDITURES			
Current			
Public Works			
Recreation and Parks	5,156		
Capital Outlay			
General Government			
Public Safety			
Public works			
Recreation and Parks		33,304	
Debt Service			
Bond issuance costs			
TOTAL EXPENDITURES	<u>5,156</u>	<u>33,304</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>1,120</u>	<u>38,356</u>	<u>151</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds			
Bond proceeds			
(Discount) on issuance of debt			
Gain on sale of assets			
Total other financing sources (uses)			
Net change in fund balances	1,120	38,356	151
FUND BALANCES (DEFICIT), Beginning	<u>20,260</u>	<u>599,486</u>	<u>22,269</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 21,380</u>	<u>\$ 637,842</u>	<u>\$ 22,420</u>

Small Equipment	Park Equipment and Improvement	2014-2015 Street Improvement Project	2018A G.O. Equipment Certificates	2018A Blaine Fire Certificates	Total
\$	\$	\$	\$	\$	\$ 68,140
150					148,909
96	190	499	9,679		21,068
5,036	3,465				12,677
5,282	3,655	499	9,679		250,794
					280,296
	2,243				7,399
			11,755		11,755
			85,695	89,813	175,508
		5,914	298,326		320,926
13,330			843		47,477
			6,750		6,750
13,330	2,243	5,914	403,369	89,813	850,111
(8,048)	1,412	(5,415)	(393,690)	(89,813)	(599,317)
					171,400
		(69,313)			(69,313)
			790,000	89,813	879,813
			(8,593)		(8,593)
					21,585
		(69,313)	781,407	89,813	994,892
(8,048)	1,412	(74,728)	387,717		395,575
18,082	22,072	74,728	115,887		1,841,289
\$ 10,034	\$ 23,484	\$	\$ 503,604	\$	\$ 2,236,864

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CITY OF SPRING LAKE PARK

OTHER REPORT SECTION

December 31, 2018

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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, 2018, 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 July 18, 2019.

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: 2018-01 and 2018-02.

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
July 18, 2019



**CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Audit Finding 2018-01 - 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 2018-02 - 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, 2018, 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 July 18, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Spring Lake Park failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

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

Smith, Schaffer and Associates, Ltd.

Minneapolis, Minnesota
July 18, 2019