

**CITY OF SPRING LAKE PARK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**





**CITY OF SPRING LAKE PARK  
FINANCIAL STATEMENTS  
For the Fiscal Year Ended December 31, 2016**

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**CITY OF SPRING LAKE PARK**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2016**

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**CITY OF SPRING LAKE PARK  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2016**

POSITION	NAME	TERM EXPIRES
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**ELECTED OFFICIALS**

City Council:

Mayor	Cindy Hansen	December 31, 2018
Council Member	Robert Nelson	December 31, 2016
Council Member	Ken Wendling	December 31, 2018
Council Member	Brad Delfs	December 31, 2018
Council Member	Bill Nash	December 31, 2016

**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, 2016**

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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, 2016, 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 purposes 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 principles 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, 2016, 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 June 28, 2017, 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, Schafn and Associates, Ltd.*

Minneapolis, Minnesota  
June 28, 2017

## 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, 2016, with comparative data for the fiscal year ended December 31, 2015.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Spring Lake Park exceeded its liabilities at the close of the most recent fiscal year by \$20,819,469 (*net position*). Of this amount, \$5,723,387 (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 decreased by \$527,321. The decrease is attributed primarily to governmental activities.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$5,532,738, an increase of \$441,545 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$1,688,437, or 47.9% of total general fund expenditures.
- The City's total noncurrent liabilities increased by \$2,840,931 due primarily to the increase in the City' 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 liabilities, 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 thirty-six 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, Able & Terrace improvement fund, the 2014-2015 street improvement project fund, the 81<sup>st</sup> Avenue rehabilitation 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.

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 32-71 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 74-91 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 exceeded liabilities by \$20,819,469 at the close of the most recent fiscal year.

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

The largest portion of the City of Spring Lake Park's net position, \$13,420,441 (64%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,728,415	\$ 6,353,487	\$ 4,934,873	\$ 5,836,729	\$ 11,663,288	\$ 12,190,216
Capital assets	12,115,534	12,676,259	6,347,911	5,753,501	18,463,445	18,429,760
Total assets	<u>18,843,949</u>	<u>19,029,746</u>	<u>11,282,784</u>	<u>11,590,230</u>	<u>30,126,733</u>	<u>30,619,976</u>
Deferred outflows of resources	3,345,568	382,321	248,130	60,333	3,593,698	442,654
Long-term liabilities outstanding	9,289,712	6,427,265	2,338,343	2,359,859	11,628,055	8,787,124
Other liabilities	401,543	312,664	115,895	203,974	517,438	516,638
Total liabilities	<u>9,691,255</u>	<u>6,739,929</u>	<u>2,454,238</u>	<u>2,563,833</u>	<u>12,145,493</u>	<u>9,303,762</u>
Deffered inflows of resources	671,974	356,171	83,495	55,907	755,469	412,078
Net position:						
Net investment in capital assets	8,715,543	9,001,259	4,704,898	3,896,156	13,420,441	12,897,415
Restricted	1,675,641	1,742,696			1,675,641	1,742,696
Unrestricted	1,435,104	1,572,012	4,288,283	5,134,667	5,723,387	6,706,679
Total net position	<u>\$ 11,826,288</u>	<u>\$ 12,315,967</u>	<u>\$ 8,993,181</u>	<u>\$ 9,030,823</u>	<u>\$ 20,819,469</u>	<u>\$ 21,346,790</u>

An additional portion of the City of Spring Lake Park's net position at December 31, 2016 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,723,387) 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 57% of the City of Spring Lake Park's net position as of December 31, 2016. The total decrease in net position for governmental activities was \$489,679, accounting for most of the decrease in the net position of the City of Spring Lake Park for the year ended December 31, 2016. Key elements of this decrease include:

- Charges for services revenues decreased by \$192,242 from the prior year due primarily to decreased fees related to recreation registrations.
- Capital grants and contributions revenues decreased by \$762,732 from the prior year due primarily to special assessment revenues related to capital improvement projects within the City in the prior year.

**Business-type activities.** Business-type activities decreased the City of Spring Lake Park's net position by \$37,642.

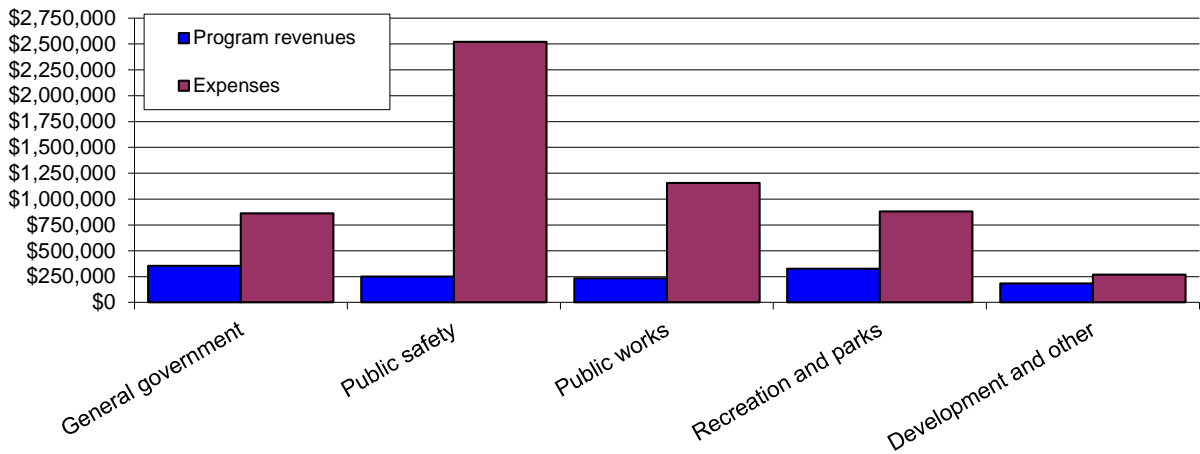
**City of Spring Lake Park's Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,055,556	\$ 1,247,798	\$ 2,045,999	\$ 2,024,663	\$ 3,101,555	\$ 3,272,461
Operating grants and contributions	252,117	669,048			252,117	669,048
Capital grants and contributions	42,564	805,296			42,564	805,296
General revenues:						
Property taxes	2,995,002	2,847,032			2,995,002	2,847,032
Other	784,037	764,459	244,341	266,258	1,028,378	1,030,717
Total revenues	<u>5,129,276</u>	<u>6,333,633</u>	<u>2,290,340</u>	<u>2,290,921</u>	<u>7,419,616</u>	<u>8,624,554</u>
Expenses:						
General government	862,627	970,214			862,627	970,214
Public safety	2,520,494	2,323,381			2,520,494	2,323,381
Public works	1,155,806	1,100,530			1,155,806	1,100,530
Recreation and parks	880,973	1,034,478			880,973	1,034,478
Development and other	269,181	366,126			269,181	366,126
Interest on long-term debt	86,964	94,466			86,964	94,466
Utility			1,682,420	1,720,546	1,682,420	1,720,546
Liquor			488,472	552,400	488,472	552,400
Total expenses	<u>5,776,045</u>	<u>5,889,195</u>	<u>2,170,892</u>	<u>2,272,946</u>	<u>7,946,937</u>	<u>8,162,141</u>
Change in net position	(646,769)	444,438	119,448	17,975	(527,321)	462,413
Transfers	<u>157,090</u>	<u>156,097</u>	<u>(157,090)</u>	<u>(156,097)</u>		
Change in net position after transfers	(489,679)	600,535	(37,642)	(138,122)	(527,321)	462,413
NET POSITION - BEGINNING OF YEAR	<u>12,315,967</u>	<u>11,715,432</u>	<u>9,030,823</u>	<u>9,168,945</u>	<u>21,346,790</u>	<u>20,884,377</u>
NET POSITION - END OF YEAR	<u>\$ 11,826,288</u>	<u>\$ 12,315,967</u>	<u>\$ 8,993,181</u>	<u>\$ 9,030,823</u>	<u>\$ 20,819,469</u>	<u>\$ 21,346,790</u>

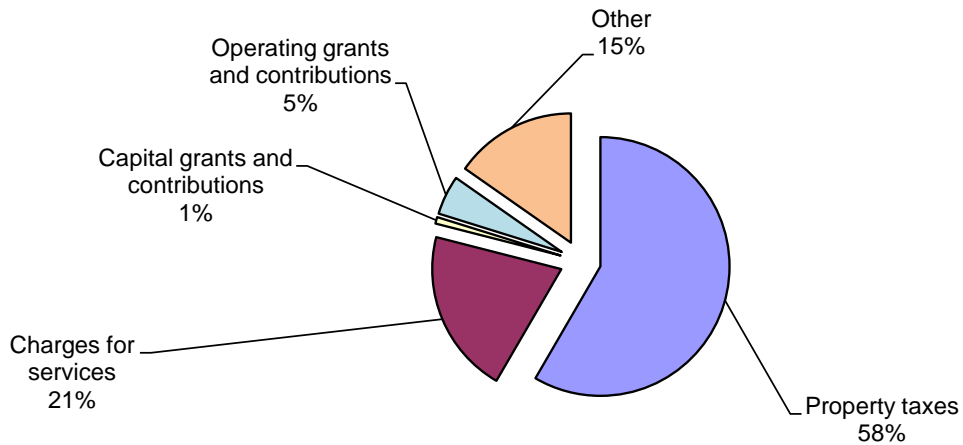
## CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures for the year ended December 31, 2016. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues - Governmental Activities**



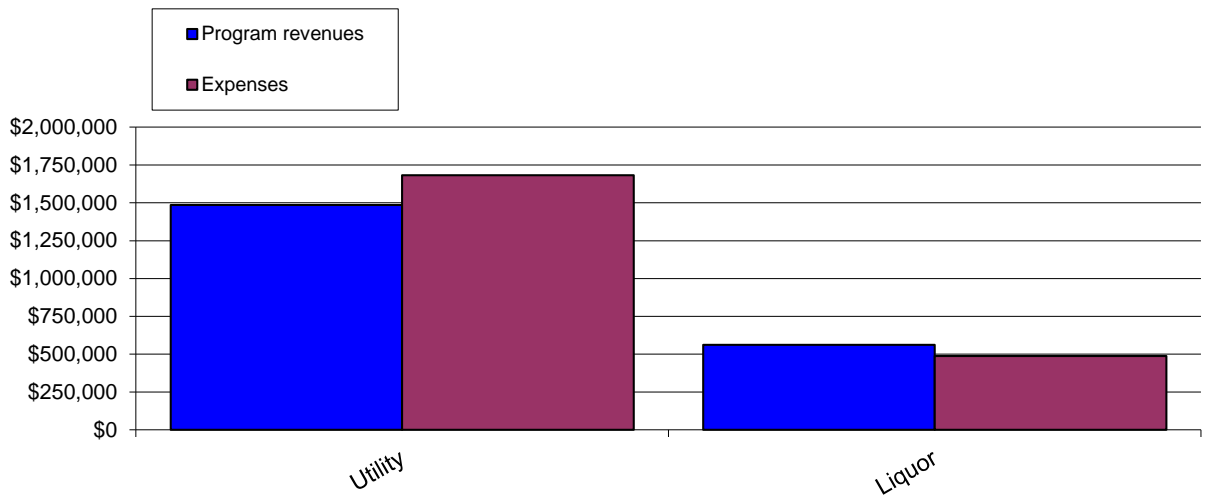
**Revenues by Source - Governmental Activities**



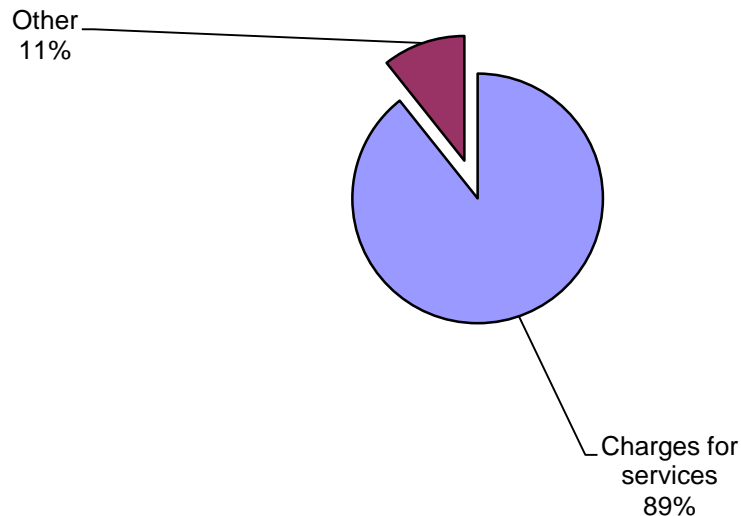
**CITY OF SPRING LAKE PARK  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures for the year ended December 31, 2016. 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 \$5,532,738, an increase of \$441,545 in comparison with the prior year. Approximately 82% of this total fund balance, or \$4,559,502, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$973,236 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 fiscal year, fund balance of the general fund was \$1,688,437. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 48% of total current year general fund expenditures. The general fund's total fund balance increased by \$105,104 during the current fiscal year due primarily to increased collection of property taxes and building permit revenues related to increased construction activity within the City.

The Able & Terrace improvement capital project fund increased its fund balance by \$59,134 due to collections of special assessments in excess of expenditures for this project.

The 2014-2015 street improvement project fund decreased its fund balance by \$51,762 due primarily to capital outlay expenditures for this project.

The 81<sup>st</sup> Avenue rehabilitation fund increased its fund balance by \$43,970 due primarily to collections of special assessments in excess of expenditures for the project.

The 2014A G.O. improvement bonds fund increased its fund balance by \$75,612 due primarily to collections of special assessments and state aid revenues in excess of debt service payments.

The special revenue funds increased their overall fund balances by \$96,413 due primarily to charges for services, intergovernmental revenues 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) decreased their collective fund balance by \$21,920 due primarily to debt service payments in excess of property tax revenues.

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

The capital projects funds (other than the Able & Terrace improvement fund, 2014-2015 street improvement project fund, and 81<sup>st</sup> Avenue rehabilitation fund described as major funds previously) increased their collective fund balance by \$134,994 due primarily to transfers from other funds.

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

Unrestricted net position for utility operations and liquor operations at the end of the year amounted to \$3,394,938 and \$893,345, respectively. The utility fund decreased its net position by \$52,112 while the liquor fund increased its fund balance by \$14,470 for the year ended December 31, 2016. 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 not amended during the year. The budget called for no change in General Fund balance. The actual net change to the General Fund balance was an increase of \$105,104. Revenues exceeded budget by \$77,854 for the year ended December 31, 2016 due primarily to building permit revenue that was not anticipated. Total expenditures were less than budget by \$93,050 for the year. One department had expenditures in excess of budget: expenditures in the other (unclassified) department exceeded budget by \$43,136. These over expenditures were primarily related to other charges and severance payments for former employees which were not anticipated.

**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, 2016, amounted to \$18,463,445 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. Total capital assets increased by \$33,685, or less than 1%, for the year ended December 31, 2016, due to depreciation for the year ended December 31, 2016 being almost equal to current year asset acquisitions.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 604,950	\$ 604,950	\$ 127,883	\$ 127,883	\$ 732,833	\$ 732,833
Construction in progress		2,330,570		88,867		2,419,437
Buildings and improvements	1,363,872	1,485,357	3,132,833	3,392,603	4,496,705	4,877,960
Machinery and equipment	768,483	683,982	169,573	213,737	938,056	897,719
Infrastructure	9,378,229	7,571,400	2,917,622	1,930,411	12,295,851	9,501,811
Total	\$ 12,115,534	\$ 12,676,259	\$ 6,347,911	\$ 5,753,501	\$ 18,463,445	\$ 18,429,760

**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 3B beginning on page 51 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Spring Lake Park had \$5,397,407 in bonds, certificates, notes payable and capital lease 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds and notes payable	\$ 3,619,394	\$ 3,837,981	\$ 1,578,000	\$ 1,779,000	\$ 5,197,394	\$ 5,616,981
General obligation certificates	135,000	300,186			135,000	300,186
Capital lease obligation			65,013	78,345	65,013	78,345
<b>Total</b>	<b>\$ 3,754,394</b>	<b>\$ 4,138,167</b>	<b>\$ 1,643,013</b>	<b>\$ 1,857,345</b>	<b>\$ 5,397,407</b>	<b>\$ 5,995,512</b>

The City of Spring Lake Park's total bonds, certificates and notes payable decreased by \$598,105 during the current fiscal year. The decrease was due to regularly scheduled payments on the outstanding debt.

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 2017. 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 2017 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 January 2013.
- Rehabilitation of the Osborne Road pedestrian trail.
- Start Comprehensive Plan 2040 update.
- Complete Storm Water Management Plan 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, 2016**

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**CITY OF SPRING LAKE PARK**  
**STATEMENT OF NET POSITION**  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,709,673	\$ 4,205,383	\$ 9,915,056
Receivables	995,941	393,035	1,388,976
Internal fund balances	10,558	(10,558)	
Inventory		347,013	347,013
Prepaid items and other	12,243		12,243
Capital assets:			
Nondepreciable	604,950	127,883	732,833
Depreciable, net	11,510,584	6,220,028	17,730,612
Total Assets	18,843,949	11,282,784	30,126,733
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension activity	3,345,568	248,130	3,593,698
<b>LIABILITIES</b>			
Accounts payable	151,314	62,069	213,383
Accrued payroll and related taxes	36,211	10,654	46,865
Accrued interest	6,475	15,071	21,546
Unearned revenue	64,024	3,000	67,024
Deposits and other liabilities	143,519	25,101	168,620
Noncurrent liabilities:			
Due within one year	694,580	252,991	947,571
Due in more than one year	3,437,013	1,450,263	4,887,276
Net pension liability	5,158,119	635,089	5,793,208
Total Liabilities	9,691,255	2,454,238	12,145,493
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	671,974	83,495	755,469
<b>NET POSITION</b>			
Net investment in capital assets	8,715,543	4,704,898	13,420,441
Restricted	1,675,641		1,675,641
Unrestricted	1,435,104	4,288,283	5,723,387
Total Net Position	\$ 11,826,288	\$ 8,993,181	\$ 20,819,469

**See Notes to Financial Statements**

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

For the Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 862,627	\$ 353,279	\$	\$
Public safety	2,520,494	134,398	117,862	
Public works	1,155,806	131,749	58,709	42,564
Recreation and parks	880,973	321,100	5,535	
Development and other	269,181	115,030	70,011	
Interest on long-term debt	86,964			
<b>Total governmental activities</b>	<b>5,776,045</b>	<b>1,055,556</b>	<b>252,117</b>	<b>42,564</b>
Business-Type activities:				
Utility	1,682,420	1,485,614		
Liquor	488,472	560,385		
<b>Total business-type activities</b>	<b>2,170,892</b>	<b>2,045,999</b>		
<b>Total</b>	<b>\$ 7,946,937</b>	<b>\$ 3,101,555</b>	<b>\$ 252,117</b>	<b>\$ 42,564</b>

General revenues:

General property taxes

Grants and contributions not restricted to specific programs

Lease revenue

Investment earnings (loss)

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (509,348)		\$ (509,348)
(2,268,234)		(2,268,234)
(922,784)		(922,784)
(554,338)		(554,338)
(84,140)		(84,140)
(86,964)		(86,964)
<u>(4,425,808)</u>		<u>(4,425,808)</u>
	\$ (196,806)	(196,806)
	71,913	71,913
	<u>(124,893)</u>	<u>(124,893)</u>
<u>(4,425,808)</u>	<u>(124,893)</u>	<u>(4,550,701)</u>
2,995,002		2,995,002
509,616		509,616
82,112	163,320	245,432
96,931	72,277	169,208
95,378	8,744	104,122
157,090	(157,090)	
<u>3,936,129</u>	<u>87,251</u>	<u>4,023,380</u>
<u>(489,679)</u>	<u>(37,642)</u>	<u>(527,321)</u>
<u>12,315,967</u>	<u>9,030,823</u>	<u>21,346,790</u>
<u>\$ 11,826,288</u>	<u>\$ 8,993,181</u>	<u>\$ 20,819,469</u>

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**CITY OF SPRING LAKE PARK**  
**FUND FINANCIAL STATEMENTS**  
**December 31, 2016**

**CITY OF SPRING LAKE PARK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	General Fund	Capital Project Funds		
		Able & Terrace Improvement	2014-2015 Street Improvement Project	81st Avenue Rehabilitation
<b>ASSETS</b>				
Cash and investments	\$ 1,412,559	\$ 125,175	\$ 492,325	\$ 101,515
Accounts receivable	20,850			
Taxes receivable	85,961			
Special assessments receivable	833	125,776		36,461
Due from other funds	333,668			
Due from other governmental units	43,906	1,297		1,800
Accrued interest receivable	32,246			
Prepaid expenses	3,598			
<b>TOTAL ASSETS</b>	<b>\$ 1,933,621</b>	<b>\$ 252,248</b>	<b>\$ 492,325</b>	<b>\$ 139,776</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 78,176	\$	\$ 4,338	\$
Accrued payroll and taxes	36,211			
Deposits and other liabilities	30,390			
Due to other funds	13,613	148,905		102,110
Unearned revenue				
Total liabilities	158,390	148,905	4,338	102,110
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	85,961			
Special assessments	833	125,776		36,461
Total deferred inflows of resources	86,794	125,776		36,461
<b>FUND BALANCE</b>				
Nonspendable	3,598			
Restricted				
Assigned	1,684,839		487,987	1,205
Unassigned		(22,433)		
Total Fund Balance	1,688,437	(22,433)	487,987	1,205
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 1,933,621</b>	<b>\$ 252,248</b>	<b>\$ 492,325</b>	<b>\$ 139,776</b>

**See Notes to Financial Statements**



Debt Service  
Fund

2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 508,501	\$ 3,069,598	\$ 5,709,673
	91,247	112,097
		85,961
551,206	372	714,648
	17,155	350,823
1,588	2,398	50,989
		32,246
	8,645	12,243
<u>\$ 1,061,295</u>	<u>\$ 3,189,415</u>	<u>\$ 7,068,680</u>

\$	\$ 68,800	\$ 151,314
		36,211
	113,129	143,519
	75,637	340,265
	64,024	64,024
	<u>321,590</u>	<u>735,333</u>

		85,961
<u>551,206</u>	<u>372</u>	<u>714,648</u>
551,206	372	800,609

	8,645	12,243
510,089	450,904	960,993
	2,450,814	4,624,845
	(42,910)	(65,343)
<u>510,089</u>	<u>2,867,453</u>	<u>5,532,738</u>

<u>\$ 1,061,295</u>	<u>\$ 3,189,415</u>	<u>\$ 7,068,680</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, 2016

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

Total governmental fund balances (pages 17-18)		\$ 5,532,738
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 26,575,613	
Accumulated depreciation	<u>(14,460,079)</u>	12,115,534
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 85,961	
Special assessments	<u>714,648</u>	800,609
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (3,754,394)	
Net pension liability, deferred outflows and inflows from pension activity	(2,484,525)	
Compensated absences	(348,976)	
Accrued interest	(6,475)	
Net unamortized bond premiums	<u>(28,223)</u>	<u>(6,622,593)</u>
Net position of governmental activities (page 14)		<u><u>\$ 11,826,288</u></u>

**CITY OF SPRING LAKE PARK**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	General Fund	Capital Project Funds		
		Able & Terrace Improvement	2014-2015 Street Improvement Project	81st Avenue Rehabilitation
<b>REVENUES</b>				
Property taxes	\$ 2,767,883	\$	\$	\$
Special assessments		57,757		42,854
Licenses and permits	168,196			
Intergovernmental revenues	433,005			
Charges for services	133,729			
Fines and forfeitures	58,312			
Investment income (loss)	23,262	2,267	8,969	1,838
Other revenues	129,545			
<b>TOTAL REVENUES</b>	<b>3,713,932</b>	<b>60,024</b>	<b>8,969</b>	<b>44,692</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	756,749			
Public safety	1,834,442			
Public works	213,312	890		722
Recreation and parks	566,687			
Development and other	91,786			
<b>Capital Outlay</b>				
General government	84			
Public safety	59,449			
Public works			60,731	
Recreation and parks				
<b>Debt Service</b>				
Principal				
Interest and other				
<b>TOTAL EXPENDITURES</b>	<b>3,522,509</b>	<b>890</b>	<b>60,731</b>	<b>722</b>
Excess (deficiency) of revenues over (under) expenditures	191,423	59,134	(51,762)	43,970
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	224,617			
Transfers to other funds	(310,936)			
Bond proceeds				
Total other financing sources (uses)	(86,319)			
Net change in fund balances	105,104	59,134	(51,762)	43,970
<b>FUND BALANCES (DEFICIT), Beginning</b>	<b>1,583,333</b>	<b>(81,567)</b>	<b>539,749</b>	<b>(42,765)</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ 1,688,437</b>	<b>\$ (22,433)</b>	<b>\$ 487,987</b>	<b>\$ 1,205</b>

**See Notes to Financial Statements**

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 59,433	\$ 163,410	\$ 2,990,726
102,501	427	203,539
		168,196
168,623	107,306	708,934
	596,918	730,647
		58,312
9,207	51,388	96,931
	164,080	293,625
<u>339,764</u>	<u>1,083,529</u>	<u>5,250,910</u>
	59,705	816,454
	3,267	1,837,709
3,614	203,439	421,977
	260,015	826,702
	175,568	267,354
	107,957	108,041
		59,449
	105,984	166,715
	1,564	1,564
200,000	277,471	477,471
60,538	30,438	90,976
<u>264,152</u>	<u>1,225,408</u>	<u>5,074,412</u>
<u>75,612</u>	<u>(141,879)</u>	<u>176,498</u>
	306,909	531,526
	(63,500)	(374,436)
	107,957	107,957
	351,366	265,047
75,612	209,487	441,545
434,477	2,657,966	5,091,193
<u>\$ 510,089</u>	<u>\$ 2,867,453</u>	<u>\$ 5,532,738</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, 2016

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	441,545
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	\$	288,303
Depreciation expense		<u>(849,028)</u>
		(560,725)
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	\$	800,609
Unavailable revenue, beginning of year		<u>(957,308)</u>
		(156,699)
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	\$	(348,976)
Compensated absences, beginning of year		<u>325,750</u>
		(23,226)
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	\$	913,522
Issuance of long-term debt		(529,749)
Change in net pension liability		(578,359)
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>4,012</u>
		<u>(190,574)</u>
Change in net position of governmental activities (pages 15-16)	\$	<u><u>(489,679)</u></u>

**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, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 2,771,985	\$ 2,771,985	\$ 2,767,883	\$ (4,102)
Licenses and Permits				
Licenses	49,752	49,752	47,421	(2,331)
Permits	79,700	79,700	120,775	41,075
Total Licenses and Permits	129,452	129,452	168,196	38,744
Intergovernmental				
Police aids	78,600	78,600	92,012	13,412
Other aids	340,993	340,993	340,993	
Total Intergovernmental	419,593	419,593	433,005	13,412
Charges for Services				
General government	50,384	50,384	74,119	23,735
Public safety	1,500	1,500		(1,500)
Housing registration	59,000	59,000	59,610	610
Total Charges for Services	110,884	110,884	133,729	22,845
Fines and forfeits	94,000	94,000	58,312	(35,688)
Investment earnings (loss)	20,000	20,000	23,262	3,262
Miscellaneous Revenue				
Liaison officer	72,964	72,964	72,964	
Insurance dividends	8,000	8,000	30,698	22,698
Reimbursements and other	9,200	9,200	25,883	16,683
Total Miscellaneous Revenue	90,164	90,164	129,545	39,381
<b>TOTAL REVENUES</b>	<b>3,636,078</b>	<b>3,636,078</b>	<b>3,713,932</b>	<b>77,854</b>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council				
Personnel services	35,456	35,456	33,623	1,833
Supplies and services	2,311	2,311	529	1,782
Other charges	15,934	15,934	10,907	5,027
Total Mayor and Council	\$ 53,701	\$ 53,701	\$ 45,059	\$ 8,642

**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, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 403,998	\$ 403,998	\$ 405,305	\$ (1,307)
Supplies	9,162	9,162	6,923	2,239
Contracted services	6,960	6,960	4,411	2,549
Other services and charges	18,369	18,369	15,711	2,658
Total Administration	438,489	438,489	432,350	6,139
Election				
Personnel services			11,447	(11,447)
Other services and charges			2,483	(2,483)
Total Election			13,930	(13,930)
Assessing				
Contracted services	35,500	35,500	34,958	542
Accounting and Auditing				
Contracted services	9,415	9,415	9,446	(31)
Information Technology				
Contracted services	23,490	23,490	27,078	(3,588)
Legal				
Contracted services	125,000	125,000	106,747	18,253
Engineering				
Contracted services	9,000	9,000	4,389	4,611
Planning and Zoning				
Supplies and other charges	1,667	1,667	528	1,139
Government Buildings				
Personnel services	19,657	19,657	17,756	1,901
Supplies	15,450	15,450	16,526	(1,076)
Contracted services	55,150	55,150	47,160	7,990
Other charges	940	940	906	34
Total Government Buildings	91,197	91,197	82,348	8,849
Total General Government	\$ 787,459	\$ 787,459	\$ 756,833	\$ 30,626

**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, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Safety</b>				
Police Protection				
Personnel services	\$ 1,440,322	\$ 1,440,322	\$ 1,416,939	\$ 23,383
Supplies	41,250	41,250	25,808	15,442
Contracted services	34,538	34,538	25,911	8,627
Other charges	58,225	58,225	52,390	5,835
Capital outlay	35,472	35,472	30,009	5,463
Total Police Protection	<u>1,609,807</u>	<u>1,609,807</u>	<u>1,551,057</u>	<u>58,750</u>
Fire Protection				
Contracted services	199,057	199,057	199,056	1
Capital outlay	29,439	29,439	29,440	(1)
Total Fire Protection	<u>228,496</u>	<u>228,496</u>	<u>228,496</u>	
Code Enforcement				
Personnel services	114,206	114,206	106,861	7,345
Supplies	4,400	4,400	2,200	2,200
Contracted services	1,150	1,150	908	242
Other charges	3,000	3,000	4,369	(1,369)
Total Code Enforcement	<u>122,756</u>	<u>122,756</u>	<u>114,338</u>	<u>8,418</u>
Total Public Safety	<u>1,961,059</u>	<u>1,961,059</u>	<u>1,893,891</u>	<u>67,168</u>
<b>Public Works</b>				
Street Maintenance				
Personnel services	192,501	192,501	175,587	16,914
Supplies	43,343	43,343	35,801	7,542
Contracted services	1,210	1,210	1,103	107
Other charges	500	500	821	(321)
Total Street Maintenance	<u>237,554</u>	<u>237,554</u>	<u>213,312</u>	<u>24,242</u>
Total Public Works	<u>\$ 237,554</u>	<u>\$ 237,554</u>	<u>\$ 213,312</u>	<u>\$ 24,242</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, 2016

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Recreation and Parks</b>				
Recreation				
Personnel services	\$ 291,486	\$ 291,486	\$ 284,568	\$ 6,918
Supplies	10,625	10,625	12,594	(1,969)
Contracted services	10,857	10,857	11,919	(1,062)
Other charges	1,835	1,835	626	1,209
Total Recreation	<u>314,803</u>	<u>314,803</u>	<u>309,707</u>	<u>5,096</u>
Parks and Forestry				
Personnel services	201,321	201,321	195,609	5,712
Supplies	40,476	40,476	37,060	3,416
Contracted services	8,332	8,332	9,655	(1,323)
Other charges	15,905	15,905	14,656	1,249
Total Parks and Forestry	<u>266,034</u>	<u>266,034</u>	<u>256,980</u>	<u>9,054</u>
Total Recreation and Parks	<u>580,837</u>	<u>580,837</u>	<u>566,687</u>	<u>14,150</u>
<b>Other</b>				
General insurance	45,050	45,050	42,932	2,118
Other charges	1,000	1,000	25,611	(24,611)
Permit surcharges	2,600	2,600	3,818	(1,218)
Severance payments			19,425	(19,425)
Total Other	<u>48,650</u>	<u>48,650</u>	<u>91,786</u>	<u>(43,136)</u>
Total Expenditures	<u>3,615,559</u>	<u>3,615,559</u>	<u>3,522,509</u>	<u>93,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,519</u>	<u>20,519</u>	<u>191,423</u>	<u>170,904</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	183,850	183,850	224,617	40,767
Transfers to other funds	(204,369)	(204,369)	(310,936)	(106,567)
Total Other Financing Sources (Uses)	<u>(20,519)</u>	<u>(20,519)</u>	<u>(86,319)</u>	<u>(65,800)</u>
NET CHANGE IN FUND BALANCE			105,104	105,104
FUND BALANCE, January 1	<u>1,583,333</u>	<u>1,583,333</u>	<u>1,583,333</u>	
FUND BALANCE, December 31	<u>\$ 1,583,333</u>	<u>\$ 1,583,333</u>	<u>\$ 1,688,437</u>	<u>\$ 105,104</u>

**See Notes to Financial Statements**

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUNDS  
 Statement of Net Position  
 December 31, 2016**

	Utility Fund	Liquor Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 85,511	\$ 138,668	\$ 224,179
Accounts receivable	392,894	141	393,035
Inventory		347,013	347,013
Due from other funds	5,033		5,033
 Total Current Assets	 483,438	 485,822	 969,260
<b>Noncurrent Assets</b>			
Property and Equipment			
Land and improvements		133,647	133,647
Buildings and structures	6,553,078	808,717	7,361,795
Distributions and collection systems	4,569,967		4,569,967
Furniture, fixtures and equipment	657,707	388,573	1,046,280
Total Property and Equipment	11,780,752	1,330,937	13,111,689
 Less: Accumulated depreciation	 5,850,449	 913,329	 6,763,778
 Net Property and Equipment	 5,930,303	 417,608	 6,347,911
 Reserved Assets			
Cash and investments	3,254,236	726,968	3,981,204
 Total Noncurrent Assets	 9,184,539	 1,144,576	 10,329,115
 <b>TOTAL ASSETS</b>	 9,667,977	 1,630,398	 11,298,375
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension activity	\$ 120,374	\$ 127,756	\$ 248,130

**See Notes to Financial Statements**

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUNDS  
 Statement of Net Position (Continued)  
 December 31, 2016**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 37,371	\$ 24,698	\$ 62,069
Accrued payroll and taxes	6,356	4,298	10,654
Accrued interest	14,828	243	15,071
Unearned revenue	3,000		3,000
Other accrued liabilities	4,968	20,133	25,101
Due to other funds	8,575	7,016	15,591
Current portion of compensated absences	22,129	10,020	32,149
Current portion of note payable and capital lease	207,000	13,842	220,842
	<u>304,227</u>	<u>80,250</u>	<u>384,477</u>
Total Current Liabilities			
<b>Long-term Liabilities</b>			
Compensated absences payable	26,128	1,964	28,092
Net pension liability	300,236	334,853	635,089
Note payable	1,371,000		1,371,000
Capital lease		51,171	51,171
	<u>1,697,364</u>	<u>387,988</u>	<u>2,085,352</u>
Total Long-term Liabilities			
Total Liabilities	<u>2,001,591</u>	<u>468,238</u>	<u>2,469,829</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension activity	39,519	43,976	83,495
	<u>39,519</u>	<u>43,976</u>	<u>83,495</u>
<b>Net Position</b>			
Net investment in capital assets	4,352,303	352,595	4,704,898
Unrestricted	3,394,938	893,345	4,288,283
	<u>3,394,938</u>	<u>893,345</u>	<u>4,288,283</u>
<b>Total Net Position</b>	<u>\$ 7,747,241</u>	<u>\$ 1,245,940</u>	<u>\$ 8,993,181</u>

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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, 2016**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<b>Sales and Cost of Goods Sold</b>			
Sales	\$	\$ 2,111,698	\$ 2,111,698
Cost of goods sold		1,554,313	1,554,313
Gross Profit		<u>557,385</u>	<u>557,385</u>
<b>Operating Revenue</b>			
Charges for services	<u>1,485,614</u>		<u>1,485,614</u>
<b>Operating Expenses</b>			
Personnel services	351,677	301,220	652,897
Supplies	130,409	17,623	148,032
Contracted services and other	193,957	72,622	266,579
Treatment charges	490,761		490,761
Depreciation	380,128	40,972	421,100
Other charges	87,227	54,169	141,396
Total Operating Expenses	<u>1,634,159</u>	<u>486,606</u>	<u>2,120,765</u>
<b>Operating Income (Loss)</b>	<u>(148,545)</u>	<u>70,779</u>	<u>(77,766)</u>
<b>Other Revenue (Expense)</b>			
Lease revenue	163,320		163,320
Commissions and other revenue	3,000	8,744	11,744
Investment income	60,464	11,813	72,277
Interest and other expense	(48,261)	(1,866)	(50,127)
Total Other Revenue (Expense)	<u>178,523</u>	<u>18,691</u>	<u>197,214</u>
Income (Loss) Before Transfers	29,978	89,470	119,448
Transfers to other funds	<u>(82,090)</u>	<u>(75,000)</u>	<u>(157,090)</u>
Change in net position	(52,112)	14,470	(37,642)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>7,799,353</u>	<u>1,231,470</u>	<u>9,030,823</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,747,241</u>	<u>\$ 1,245,940</u>	<u>\$ 8,993,181</u>

**See Notes to Financial Statements**

**CITY OF SPRING LAKE PARK  
 PROPRIETARY FUNDS  
 Statement of Cash Flows  
 For the Year Ended December 31, 2016**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,669,008	\$ 2,116,272	\$ 3,785,280
Cash paid to suppliers	(966,078)	(1,740,013)	(2,706,091)
Cash paid to employees	(335,049)	(294,570)	(629,619)
Net Cash Provided By (Used In) Operating Activities	<u>367,881</u>	<u>81,689</u>	<u>449,570</u>
<b>Cash Flows From Investing Activities</b>			
Investment income	<u>60,464</u>	<u>11,813</u>	<u>72,277</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to other funds	<u>(82,090)</u>	<u>(75,000)</u>	<u>(157,090)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(1,015,510)		(1,015,510)
Principal paid on long-term debt	(201,000)		(201,000)
Principal paid on capital lease		(13,332)	(13,332)
Interest paid on long-term debt/capital lease	(50,150)	(1,623)	(51,773)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(1,266,660)</u>	<u>(14,955)</u>	<u>(1,281,615)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(920,405)	3,547	(916,858)
<b>Cash and Cash Equivalents, January 1</b>	<u>4,260,152</u>	<u>862,089</u>	<u>5,122,241</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ 3,339,747</u>	<u>\$ 865,636</u>	<u>\$ 4,205,383</u>
Classified as:			
Cash and investments - current assets	\$ 85,511	\$ 138,668	\$ 224,179
Cash and investments - reserved assets	3,254,236	726,968	3,981,204
Total Cash and Cash Equivalents, December 31	<u>\$ 3,339,747</u>	<u>\$ 865,636</u>	<u>\$ 4,205,383</u>

**See Notes to Financial Statements**



**CITY OF SPRING LAKE PARK**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows (Continued)**  
For the Year Ended December 31, 2016

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

Operating income (loss)	\$ (148,545)	\$ 70,779	\$ (77,766)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	380,128	40,972	421,100
Change in net pension liability	17,868	18,461	36,329
Lease and other revenues	166,320	8,744	175,064
(Increase) decrease in:			
Accounts receivable	16,692		16,692
Inventory		(27,906)	(27,906)
Due from other funds	(541)		(541)
Increase (decrease) in:			
Accounts payable	(63,724)	(16,018)	(79,742)
Accrued payroll and taxes	(5,470)	(3,859)	(9,329)
Other accrued liabilities		2,638	2,638
Due to other funds	923	(4,170)	(3,247)
Estimated liability for compensated absences	4,230	(7,952)	(3,722)
Net Cash Provided By Operating Activities	<u>\$ 367,881</u>	<u>\$ 81,689</u>	<u>\$ 449,570</u>

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**CITY OF SPRING LAKE PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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# CITY OF SPRING LAKE PARK

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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##### A. Reporting Entity (Continued)

###### *Related Organizations*

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

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

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

1. The Fire Department is governed by its own Board of Directors. Directors are appointed by each city and from the Fire Department.
2. Operation, maintenance and debt service costs are shared based upon a formula. One half of the formula is the relative assessed value of each city. The other half is the three year average of fire calls within each city. The City's share of the formula was 8.608% in 2016.
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. Each city has a non-measurable equity interest in the property that is held in the city of Blaine's name.

The City's share of operating costs were \$199,056, capital costs were \$29,440 and debt service costs were \$78,482 during 2016. The operating and capital costs were recorded as expenditures in the General Fund. The debt service costs were recorded as expenditures in the 2005A G.O. Capital Improvement Fire Bond and 2013A G.O. Capital Improvement Bond 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.

# CITY OF SPRING LAKE PARK

## NOTES TO FINANCIAL STATEMENTS

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

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#### A. Reporting Entity (Continued)

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

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.

#### 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.

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.

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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

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.

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.



# CITY OF SPRING LAKE PARK

## NOTES TO FINANCIAL STATEMENTS

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

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

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 *Able and Terrace improvement fund* is an accumulation of resources and costs associated with the Able Street and Terrace Road improvement project.

The *2014-2015 street improvement project fund* is an accumulation of resources and costs associated with the 2014-2015 street improvement project.

The *81<sup>st</sup> Avenue rehabilitation fund* is an accumulation of resources and costs associated with the 81<sup>st</sup> Avenue improvement project.

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.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies (Continued)

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

The 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.

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.

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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

###### 1. Cash and investments (including cash equivalents)

Cash balances from all City funds, except certain designated funds and the liquor fund, 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.

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.

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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

###### 2. Receivables and payables (continued)

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 7.0%. 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**

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

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

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

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

# CITY OF SPRING LAKE PARK

## NOTES TO FINANCIAL STATEMENTS

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

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

##### 5. Compensated absences benefits

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

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

##### 6. Long-term obligations

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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

7. Pensions

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

8. Fund equity

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

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

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

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

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

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

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

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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

###### 8. Fund equity (continued)

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

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

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

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

##### E. Concentration of Credit Risk

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

##### F. Use of Estimates

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



**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

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**G. Implementation of New Accounting Principles**

The City adopted the provision of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investment to be measured at fair value and requires disclosures to be made about fair value measurements including the level of hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles of the State and Local Governments*. This statement established the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB statements No. 67, No. 68, No. 73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementations of the three standards listed above. One of the significant changes included in this statement clarifies the presentation of covered payroll in the required supplementary information to reflect the amount of payroll in which contributions made to the pension plan are based.

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 2. Stewardship, Compliance and Accountability

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##### A. Budgetary Information

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 and certain Special Revenue Funds. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

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.
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 the same for the year ended December 31, 2016).

The City does not use encumbrance accounting.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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2. **Stewardship, Compliance and Accountability (Continued)**

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B. Expenditures Exceeding Appropriations

For the year ended December 31, 2016, the following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2016 Budgeted Expenditures</u>		<u>2016 Actual Expenditures</u>		<u>Amount Exceeding Budgeted Amount</u>
Other	\$ 48,650	\$	91,786	\$	43,136

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

C. Fund Balance Deficits

As of December 31, 2016, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Major:	
Able & Terrace Improvement	\$ 22,433
Nonmajor:	
Developer's Escrow	10,853
2013A G.O. Capital Improvement Fire Bond	32,057

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

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 3. Detailed Notes on All Funds

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##### A. Deposits and Investments

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

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

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2016.

##### Investment Policy

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

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

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

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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

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##### A. Deposits and Investments (Continued)

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

##### Fair Value Measurements

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

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

**Level 2:** Inputs to the valuation methodology include:

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

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

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

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

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2016 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 7,346,053	\$ 7,346,053	\$	\$
Municipal Bonds	289,802		289,802	
U.S. Government Securities	<u>1,419,366</u>		<u>1,419,366</u>	
Total	<u>\$ 9,055,221</u>	<u>\$ 7,346,053</u>	<u>\$ 1,709,168</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	\$ 859,835
Certificates of Deposit	3/25	N/A	7,346,053
Municipal Bonds	2/21	Aa1 - AAA	289,802
U.S. Government Securities	9/26	AAA	<u>1,419,366</u>
Total cash and investments			<u>\$ 9,915,056</u>

N/A Not applicable or not available

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

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A. Deposits and Investments (Continued)

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, 2016 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$ 834,319

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, 2016, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2016 was as follows:

<b>Governmental Activities</b>	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 604,950	\$	\$	\$ 604,950
Construction in progress	2,330,570		2,330,570	
Total capital assets, not being depreciated	2,935,520		2,330,570	604,950
Capital assets, being depreciated:				
Buildings and improvements	3,249,957			3,249,957
Machinery and equipment	2,931,872	234,388		3,166,260
Infrastructure	17,169,961	2,384,485		19,554,446
Total capital assets, being depreciated	23,351,790	2,618,873		25,970,663
Less accumulated depreciation for:				
Buildings and improvements	1,764,600	121,485		1,886,085
Machinery and equipment	2,247,890	149,887		2,397,777
Infrastructure	9,598,561	577,656		10,176,217
Total accumulated depreciation	13,611,051	849,028		14,460,079
Total capital assets, being depreciated, net	9,740,739	1,769,845		11,510,584
Governmental activities capital assets, net	\$ 12,676,259	\$ 1,769,845	\$ 2,330,570	\$ 12,115,534



**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Capital Assets (Continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 127,883	\$	\$	\$ 127,883
Construction in progress	88,867		88,867	
Total capital assets, not being depreciated	216,750		88,867	127,883
Capital assets, being depreciated:				
Land improvements	5,765			5,765
Buildings and improvements	7,361,795			7,361,795
Machinery and equipment	1,046,279			1,046,279
Infrastructure	3,465,590	1,104,377		4,569,967
Total capital assets, being depreciated	11,879,429	1,104,377		12,983,806
Less accumulated depreciation for:				
Land improvements	5,765			5,765
Buildings and improvements	3,969,192	259,770		4,228,962
Machinery and equipment	832,542	44,164		876,706
Infrastructure	1,535,179	117,166		1,652,345
Total accumulated depreciation	6,342,678	421,100		6,763,778
Total capital assets, being depreciated, net	5,536,751	683,277		6,220,028
Business-type activities capital assets, net	\$ 5,753,501	\$ 683,277	\$	\$ 6,347,911

Depreciation expense for the year ended December 31, 2016 was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 120,794
Public safety	27,826
Public works	656,799
Recreation and parks	43,609
Total	\$ 849,028
<b>Business-Type Activities</b>	
Utility	\$ 380,128
Liquor	40,972
Total	\$ 421,100

# CITY OF SPRING LAKE PARK

## NOTES TO FINANCIAL STATEMENTS

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

#### C. 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 has also entered into a capital lease requiring quarterly payments of \$3,796 at an interest rate of 2.25%, maturing in May 2021. These lease payments are payable from revenues derived from the operation of the City's municipal liquor stores.

A summary of long-term debt outstanding at December 31, 2016 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/16</u>
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	1.00% - 2.00%	2026	\$ 382,626
2013B Capital Improvement Bonds	12/18/2013	1.10% - 3.00%	2023	495,000
2014A Capital Improvement Bonds	6/18/2014	2.00% - 2.75%	2025	2,645,000
General obligation certificates:				
2013A Equipment Certificates	2/28/2013	1.00%	2017	135,000
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	1,578,000
2016A Improvement Notes	4/14/2016	2.00%	2026	96,768
Other Liabilities:				
Capital Lease	5/26/2015	2.25%	2021	65,013
Net unamortized premium on bonds				28,223
Compensated Absences				409,217
Total Long-Term Debt				<u>\$ 5,834,847</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, 2016, the City had not utilized \$11,884,000 of its net legal debt margin.

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

**C. Long-Term Debt (Continued)**

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds:					
2005 Capital Improvement Bonds	\$ 432,981	\$	\$ 432,981	\$	\$
2013A Capital Improvement Bonds		421,792	39,166	382,626	39,597
2013B Capital Improvement Bonds	560,000		65,000	495,000	65,000
2014A Capital Improvements Bonds	2,845,000		200,000	2,645,000	260,000
General obligation certificates:					
2011A Equipment Certificates	30,186		30,186		
2013A Equipment Certificates	270,000		135,000	135,000	135,000
General obligation note payable:					
2016A Improvement Notes		107,957	11,189	96,768	11,189
Other Liabilities:					
Compensated Absences	325,750	194,788	171,562	348,976	183,794
Unamortized premium	65,800		5,955	59,845	
Less: unamortized (discount)	(34,768)		(3,146)	(31,622)	
Governmental Activities					
Long-Term Liabilities	<u>4,494,949</u>	<u>724,537</u>	<u>1,087,893</u>	<u>4,131,593</u>	<u>694,580</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	1,779,000		201,000	1,578,000	207,000
Other Liabilities:					
Obligation Under Capital Lease	78,345		13,332	65,013	13,842
Compensated Absences	63,963	30,413	34,135	60,241	32,149
Business-Type Activities					
Long-Term Liabilities	<u>1,921,308</u>	<u>30,413</u>	<u>248,467</u>	<u>1,703,254</u>	<u>252,991</u>
Total	<u>\$ 6,416,257</u>	<u>\$ 754,950</u>	<u>\$ 1,336,360</u>	<u>\$ 5,834,847</u>	<u>\$ 947,571</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Long-Term Debt (Continued)

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2016 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2017	\$ 364,597	\$ 72,926	\$ 135,000	\$ 1,350
2018	405,027	70,017		
2019	410,458	62,349		
2020	411,318	54,388		
2021	412,179	45,579		
2022-2025	1,519,047	91,713		
Totals	\$ 3,522,626	\$ 396,973	\$ 135,000	\$ 1,350

Year	General Obligation Notes Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2017	\$ 218,189	\$ 46,419	\$ 13,842	\$ 1,342
2018	224,491	40,361	14,156	1,028
2019	230,794	34,126	14,477	706
2020	237,096	27,716	14,806	378
2021	243,096	21,132	7,732	64
2022-2025	521,102	22,058		
Totals	\$ 1,674,768	\$ 191,812	\$ 65,013	\$ 3,518

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Interfund Receivables and Payables**

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2016:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 333,668	\$ 13,613
Able & Terrace Improvement		148,905
81st Avenue Rehabilitation		102,110
Subtotal	<u>333,668</u>	<u>264,628</u>
Non-Major Governmental Funds:		
Special Revenue		
Recycling	2,645	
Street Lights	897	
Cable		11,352
Debt Service		
2013A GO Capital Improvement Bonds		58,941
Capital Projects		
Park Equipment and Improvement		5,344
Revolving Fund	13,613	
Subtotal	<u>17,155</u>	<u>75,637</u>
Total Governmental Funds	350,823	340,265
Proprietary Funds:		
Utility	5,033	8,575
Liquor		7,016
Subtotal	<u>5,033</u>	<u>15,591</u>
Total All Funds	<u>\$ 355,856</u>	<u>\$ 355,856</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

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3. Detailed Notes on All Funds (Continued)

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E. 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 was used to finance general operations in the City's General Fund.

Interfund transfers during the year ended December 31, 2016 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 224,617	\$ 310,936
Subtotal		
Non-Major Governmental Funds:		
Special Revenue		
Emergency Management	3,155	
Animal Control	1,000	
Recreation Fund		60,000
Recycling Fund		3,500
Debt Service		
2013A GO Capital Improvement Bonds	50,000	
2013B GO Capital Improvement Bonds	76,740	
Capital Projects		
Storm Water	125,000	
Building Maintenance	9,014	
Public Safety Replacement	17,000	
Revolving	25,000	
Subtotal	<u>306,909</u>	<u>63,500</u>
Total Governmental Funds	<u>531,526</u>	<u>374,436</u>
Proprietary Funds:		
Utility		82,090
Liquor		75,000
Total Proprietary Funds		<u>157,090</u>
Total All Funds	<u>\$ 531,526</u>	<u>\$ 531,526</u>

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**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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

**F. Fund Equity**

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2016:

	General Fund	Able & Terrace Improvement	2014-2015 Street Improvement Project	81st Avenue Rehabilitation	2014A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Prepaid items	\$ 3,598	\$	\$	\$	\$	\$ 8,645	\$ 12,243
<b>Restricted</b>							
Police activities						857	857
Debt service					510,089	24,444	534,533
Capital acquisitions						71,179	71,179
Park acquisition						273,976	273,976
Community development						80,448	80,448
<b>Total Restricted</b>					<b>510,089</b>	<b>450,904</b>	<b>960,993</b>
<b>Assigned</b>							
Working capital reserve	1,280,497						1,280,497
Compensated absences	348,976						348,976
Elections	55,366						55,366
Recreation programs						281,179	281,179
Recycling						80,978	80,978
Street lighting						39,118	39,118
Cable activities						8,121	8,121
Public safety supplies						23,385	23,385
HRA reserve						179,989	179,989
Street improvement			487,987	1,205		822,178	1,311,370
Street sealcoating						132,185	132,185
Storm water runoff program						185,165	185,165
Capital replacement						479,697	479,697
Building maintenance						111,844	111,844
Park acquisition						39,249	39,249
Other activities						67,726	67,726
<b>Total Assigned</b>	<b>1,684,839</b>		<b>487,987</b>	<b>1,205</b>		<b>2,450,814</b>	<b>4,624,845</b>
<b>Unassigned</b>		(22,433)				(42,910)	(65,343)
<b>Total Fund Balance</b>	<b>\$ 1,688,437</b>	<b>\$ (22,433)</b>	<b>\$ 487,987</b>	<b>\$ 1,205</b>	<b>\$ 510,089</b>	<b>\$ 2,867,453</b>	<b>\$ 5,532,738</b>

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 4. Other Information

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##### A. Risk Management

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

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

##### B. Commitments and Contingencies

###### Insurance:

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

###### General Litigation:

The City is the defendant in a special assessment appeal case for the Arthur Street project (2014-15 Street Improvement project). It is the opinion of management that any such claims would be covered by the liability insurance of the City and that potential claims against the City would not materially affect the financial statements.



## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 4. Other Information (Continued)

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##### C. Pension Plans

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

##### A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified 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 either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
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 a local relief association that elected to merge with and transfer assets and administration to PERA.

##### Benefits Provided

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

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

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

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

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

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.

B. Contributions

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

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 4. Other Information (Continued)

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##### D. Pension Plans (Continued)

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

##### B. Contributions (continued)

##### 1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016 were \$112,202. The City's contributions were equal to the required contributions as set by state statute.

##### 2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The City was required to contribute 16.20 percent of pay for members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$151,121. The City's contributions were equal to the required contributions as set by state statute.

##### C. Pension Costs

##### 1. General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$1,940,561 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 \$6 million to the fund in 2016. 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 \$25,332. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was .0239 which was a decrease of .0008 percent from its proportion measured as of June 30, 2015.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

C. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2016, the City recognized pension expense of \$258,604 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$7,553 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, 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	\$ 379,964	\$ 159,035
Changes in Actuarial Assumptions	379,964	
Difference between projected and actual investment earnings	371,270	
Changes in proportion		96,860
Contributions paid to PERA subsequent to the measurement date	<u>55,971</u>	
Total	<u>\$ 807,205</u>	<u>\$ 255,895</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

\$55,971 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, 2017. 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 Amount</u>
2017	\$ 123,616
2018	123,616
2019	178,011
2020	70,096

2. Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$3,852,647 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .096 percent which was unchanged from its proportion measured as of June 30, 2015. The City also recognized \$8,640 for the year ended December 31, 2016 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.

For the year ended December 31, 2016, the City recognized pension expense of \$655,102 for its proportionate share of the Police and Fire Plan's pension expense.

**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. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2016, 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	\$	\$ 441,971
Changes in Actuarial Assumptions	2,120,280	
Difference between projected and actual investment earnings	587,942	
Changes in proportion		57,603
Contributions paid to PERA subsequent to the measurement date	<u>78,271</u>	
Total	<u>\$ 2,786,493</u>	<u>\$ 499,574</u>

\$78,271 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, 2017. 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 Amount</u>
2017	\$ 473,049
2018	473,049
2019	473,049
2020	425,536
2021	363,965

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actual assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the result of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period from July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**CITY OF SPRING LAKE PARK**

**NOTES TO FINANCIAL STATEMENTS**

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**4. Other Information (Continued)**

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D. Pension Plans (Continued)

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

D. Actuarial Assumptions (Continued)

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	<hr/> 100%	



CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. 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 position of the General Employees Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

F. 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:

	<u>Sensitivity of Net Pension Liability at Current Single Discount Rate</u>			
	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>	
1% Higher	6.50%	\$ 2,756,172	4.60%	\$ 5,393,195
Current Discount Rate	7.50%	\$ 1,940,561	5.60%	\$ 3,852,647
1% Lower	8.50%	\$ 1,268,720	6.60%	\$ 2,593,903

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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4. Other Information (Continued)

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D. Pension Plans (Continued)

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

G. Pension Plan Fiduciary Net Position

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

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

Five 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.

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 (.0025) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2016 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 1,490	\$ 1,490	5%	5%	5%

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 4. Other Information (Continued)

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##### E. Other Postemployment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. Management determined the OPEB liability at December 31, 2016 is not material and therefore is not recorded in these financial statements.

##### F. Joint Powers Agreements

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

Payments to the Department by the City of Spring Lake Park in 2016 totaled \$228,496, including a provision for capital expenditures. This total was approximately 9% 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 \$9,820 for the year ended December 31, 2016.

## CITY OF SPRING LAKE PARK

### NOTES TO FINANCIAL STATEMENTS

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#### 4. Other Information (Continued)

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##### F. Joint Powers Agreements (Continued)

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.

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#### 5. Subsequent Events

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In February 2017, the City issued general obligation equipment certificates of indebtedness in the amount of \$1,090,000. Proceeds from the certificates will be used to purchase various vehicles and equipment for the Spring Lake Park – Blaine – Mounds View Fire Department. Spring Lake Park's share of principal and interest payments will be based on the fire cost allocation formula.

In May 2017, the City certified a tax increment financing district to Anoka County for senior housing development that will provide safe, decent, affordable, sanitary housing for residents of the City and will be occupied in part by persons or families of low and moderate income.

**CITY OF SPRING LAKE PARK**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2016**

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**CITY OF SPRING LAKE PARK, MINNESOTA**  
**Schedule of City Contributions**  
**PERA General Employees Retirement Fund**  
**December 31, 2016**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee 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					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2016**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee 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					
2018					
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, 2016**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0275%	\$ 1,291,812	\$ 1,468,400	88.0%	78.7%
2015	0.0247%	1,280,082	1,442,177	88.8%	78.2%
2016	0.0239%	1,940,561	1,496,472	129.7%	68.9%
2017					
2018					
2019					
2020					
2021					
2022					
2023					

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**December 31, 2016**

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee 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					
2018					
2019					
2020					
2021					
2022					
2023					



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

**December 31, 2016**

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**CITY OF SPRING LAKE PARK  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2016**

	Special Revenue	Debt Service	Capital Projects	Total
<b>ASSETS</b>				
Cash and investments	\$ 862,342	\$ 48,933	\$ 2,158,323	\$ 3,069,598
Accounts receivable	71,469		19,778	91,247
Taxes receivable				
Special assessments receivable			372	372
Due from other funds	3,542		13,613	17,155
Due from other governmental units		2,395	3	2,398
Prepaid expenses	8,645			8,645
<b>TOTAL ASSETS</b>	<b>\$ 945,998</b>	<b>\$ 51,328</b>	<b>\$ 2,192,089</b>	<b>\$ 3,189,415</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 62,048	\$	\$ 6,752	\$ 68,800
Deposits payable	113,129			113,129
Due to other funds	11,352	58,941	5,344	75,637
Unearned revenue	64,024			64,024
Total liabilities	250,553	58,941	12,096	321,590
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments			372	372
<b>FUND BALANCE (DEFICIT)</b>				
Nonspendable	8,645			8,645
Restricted	81,305	24,444	345,155	450,904
Assigned	616,348		1,834,466	2,450,814
Unassigned	(10,853)	(32,057)		(42,910)
Total Fund Balance (Deficit)	695,445	(7,613)	2,179,621	2,867,453
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 945,998</b>	<b>\$ 51,328</b>	<b>\$ 2,192,089</b>	<b>\$ 3,189,415</b>

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**CITY OF SPRING LAKE PARK**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total
<b>REVENUES</b>				
Property and franchise taxes	\$ 19,114	\$ 143,270	\$ 1,026	\$ 163,410
Special assessments			427	427
Intergovernmental revenues	48,597		58,709	107,306
Charges for services	498,793	14,987	83,138	596,918
Fines and forfeitures				
Investment income	13,674	1,339	36,375	51,388
Other revenues	103,551		60,529	164,080
<b>TOTAL REVENUES</b>	<b>683,729</b>	<b>159,596</b>	<b>240,204</b>	<b>1,083,529</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	59,705			59,705
Public safety	1,800	347	1,120	3,267
Public works	35,783		167,656	203,439
Recreation and parks	255,115		4,900	260,015
Development and other	175,568			175,568
<b>Capital Outlay</b>				
General government		107,957		107,957
Public works			105,984	105,984
Recreation and parks			1,564	1,564
<b>Debt Service</b>				
Principal		277,471		277,471
Interest and other		30,438		30,438
<b>TOTAL EXPENDITURES</b>	<b>527,971</b>	<b>416,213</b>	<b>281,224</b>	<b>1,225,408</b>
Excess (deficiency) of revenues over (under) expenditures	155,758	(256,617)	(41,020)	(141,879)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	4,155	126,740	176,014	306,909
Transfers to other funds	(63,500)			(63,500)
Bond proceeds		107,957		107,957
Total other financing sources (uses)	(59,345)	234,697	176,014	351,366
Net change in fund balances	96,413	(21,920)	134,994	209,487
<b>FUND BALANCES (DEFICIT), Beginning</b>	<b>599,032</b>	<b>14,307</b>	<b>2,044,627</b>	<b>2,657,966</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ 695,445</b>	<b>\$ (7,613)</b>	<b>\$ 2,179,621</b>	<b>\$ 2,867,453</b>

**CITY OF SPRING LAKE PARK  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2016**

	Recycling	Street Lighting	Cable	Police Forfeiture	Police Reserves
<b>ASSETS</b>					
Cash and investments	\$ 42,061	\$ 32,794	\$ 1,568	\$ 23,385	\$ 857
Accounts receivable	43,785	8,570	19,114		
Prepaid expenses					
Due from other funds	2,645	897			
<b>TOTAL ASSETS</b>	<b>\$ 88,491</b>	<b>\$ 42,261</b>	<b>\$ 20,682</b>	<b>\$ 23,385</b>	<b>\$ 857</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 7,513	\$ 3,143	\$ 1,209	\$	\$
Deposits payable					
Due to other funds			11,352		
Unearned revenue					
Total liabilities	7,513	3,143	12,561		
<b>FUND BALANCE (DEFICIT)</b>					
Nonspendable					
Restricted					857
Assigned	80,978	39,118	8,121	23,385	
Unassigned					
Total Fund Balance (Deficit)	80,978	39,118	8,121	23,385	857
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 88,491</b>	<b>\$ 42,261</b>	<b>\$ 20,682</b>	<b>\$ 23,385</b>	<b>\$ 857</b>

Developers Escrow	Recreation	HRA Reserve	Tower Days	Traffic Education	Emergency Management	Animal Control	Total
\$ 103,401	\$ 389,061	\$ 185,189	\$ 13,241	\$ 67,207	\$ 2,567	\$ 1,011	\$ 862,342
	8,645						71,469
							8,645
							3,542
<u>\$ 103,401</u>	<u>\$ 397,706</u>	<u>\$ 185,189</u>	<u>\$ 13,241</u>	<u>\$ 67,207</u>	<u>\$ 2,567</u>	<u>\$ 1,011</u>	<u>\$ 945,998</u>
\$ 6,325	\$ 43,858	\$	\$	\$	\$	\$	\$ 62,048
107,929		5,200					113,129
	64,024						11,352
<u>114,254</u>	<u>107,882</u>	<u>5,200</u>					<u>64,024</u>
	8,645						8,645
			13,241	67,207			81,305
(10,853)	281,179	179,989			2,567	1,011	616,348
<u>(10,853)</u>	<u>289,824</u>	<u>179,989</u>	<u>13,241</u>	<u>67,207</u>	<u>2,567</u>	<u>1,011</u>	<u>(10,853)</u>
<u>\$ 103,401</u>	<u>\$ 397,706</u>	<u>\$ 185,189</u>	<u>\$ 13,241</u>	<u>\$ 67,207</u>	<u>\$ 2,567</u>	<u>\$ 1,011</u>	<u>\$ 945,998</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, 2016

	Recycling	Street Lighting	Cable	Police Forfeiture	Police Reserves
<b>REVENUES</b>					
Franchise taxes	\$	\$	\$ 19,114	\$	\$
Intergovernmental revenue	48,597				
Charges for services	116,891	38,424			
Fines and forfeitures					
Investment income	723	593	10	414	15
Other revenues					25
<b>TOTAL REVENUES</b>	<b>166,211</b>	<b>39,017</b>	<b>19,124</b>	<b>414</b>	<b>40</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government			17,805		
Public safety				166	1,000
Public works		35,783			
Development and other	156,582				
Recreation and parks					
<b>Capital Outlay</b>					
Public safety					
<b>TOTAL EXPENDITURES</b>	<b>156,582</b>	<b>35,783</b>	<b>17,805</b>	<b>166</b>	<b>1,000</b>
Excess (deficiency) of revenues over (under) expenditures	9,629	3,234	1,319	248	(960)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds					
Transfers to other funds	(3,500)				
Total other financing sources (uses)	(3,500)				
Net change in fund balances	6,129	3,234	1,319	248	(960)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<b>74,849</b>	<b>35,884</b>	<b>6,802</b>	<b>23,137</b>	<b>1,817</b>
<b>FUND BALANCES (DEFICIT), Ending</b>	<b>\$ 80,978</b>	<b>\$ 39,118</b>	<b>\$ 8,121</b>	<b>\$ 23,385</b>	<b>\$ 857</b>



Developers Escrow	Recreation	HRA Reserve	Tower Days	Traffic Education	Emergency Management	Animal Control	Total
\$	\$	\$	\$	\$	\$	\$	\$ 19,114
	295,181			48,297			48,597
	7,044	3,353	241	1,217	46	18	13,674
		82,112	21,414				103,551
	302,225	85,465	21,655	49,514	46	18	683,729
		26,208		15,685		7	59,705
					634		1,800
735			18,251				35,783
	255,115						175,568
							255,115
735	255,115	26,208	18,251	15,685	634	7	527,971
(735)	47,110	59,257	3,404	33,829	(588)	11	155,758
	(60,000)				3,155	1,000	4,155
	(60,000)				3,155	1,000	(63,500)
(735)	(12,890)	59,257	3,404	33,829	2,567	1,011	96,413
(10,118)	302,714	120,732	9,837	33,378			599,032
\$ (10,853)	\$ 289,824	\$ 179,989	\$ 13,241	\$ 67,207	\$ 2,567	\$ 1,011	\$ 695,445

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

December 31, 2016

	<u>2013 Equipment Certificates</u>	<u>2013A G.O. Capital Improvement Fire Bond</u>
<b>ASSETS</b>		
Cash and investments	\$ 17,903	\$ 26,883
Due from other governmental units	<u>2,394</u>	<u>1</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 20,297</u></u>	<u><u>\$ 26,884</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Due to other funds	<u>\$</u>	<u>\$ 58,941</u>
<b>FUND BALANCE (DEFICIT)</b>		
Restricted	20,297	
Unassigned		<u>(32,057)</u>
Total Fund Balance (Deficit)	<u>20,297</u>	<u>(32,057)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 20,297</u></u>	<u><u>\$ 26,884</u></u>

2016A North Metro Telecommunic ations	2011A Fire Equipment	2013B G.O. Capital Improvement Bonds	Total
\$	\$ 4,147	\$	\$ 48,933
			2,395
\$	\$ 4,147	\$	\$ 51,328
	\$	\$	\$ 58,941
	4,147		24,444
			(32,057)
	4,147		(7,613)
\$	\$ 4,147	\$	\$ 51,328

**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, 2016

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond
<b>REVENUES</b>		
Taxes	\$ 143,170	\$ 100
Special assessments		
Intergovernmental revenue		
Charges for services		
Investment income	283	981
	<u>143,453</u>	<u>1,081</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES</b>		
<b>Current</b>		
Public safety	127	191
<b>Debt Service</b>		
Principal	135,000	66,282
Interest and other charges	2,700	12,200
<b>Capital Outlay</b>		
General Government		
	<u>137,827</u>	<u>78,673</u>
<b>TOTAL EXPENDITURES</b>		
Excess (deficiency) of revenues over (under) expenditures	<u>5,626</u>	<u>(77,592)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds		50,000
Bond proceeds		
		<u>50,000</u>
Total other financing sources (uses)		
Net change in fund balances	5,626	(27,592)
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>14,671</u>	<u>(4,465)</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 20,297</u>	<u>\$ (32,057)</u>

2016A North Metro Telecommunic ations	2011A Fire Equipment	2013B G.O. Capital Improvement Bonds	Total
\$	\$	\$	\$ 143,270
14,987	75		14,987 1,339
<u>14,987</u>	<u>75</u>		<u>159,596</u>
	29		347
11,189		65,000	277,471
3,798		11,740	30,438
<u>107,957</u>			<u>107,957</u>
<u>122,944</u>	<u>29</u>	<u>76,740</u>	<u>416,213</u>
<u>(107,957)</u>	<u>46</u>	<u>(76,740)</u>	<u>(256,617)</u>
<u>107,957</u>		76,740	126,740 107,957
<u>107,957</u>		<u>76,740</u>	<u>234,697</u>
	46		(21,920)
	<u>4,101</u>		<u>14,307</u>
<u>\$</u>	<u>\$ 4,147</u>	<u>\$</u>	<u>\$ (7,613)</u>

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

December 31, 2016

	State Aid Street Fund	Street Sealcoating	Storm Water
<b>ASSETS</b>			
Cash and investments	\$ 62,741	\$ 113,077	\$ 189,071
Accounts receivable		19,778	
Special assessments receivable			
Due from other governmental units			
Due from other funds			
<b>TOTAL ASSETS</b>	<b>\$ 62,741</b>	<b>\$ 132,855</b>	<b>\$ 189,071</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 446	\$ 670	\$ 3,906
Due to other funds			
Total liabilities	446	670	3,906
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Special assessments			
<b>FUND BALANCE (DEFICIT)</b>			
Restricted			
Assigned	62,295	132,185	185,165
Total Fund Balance (Deficit)	62,295	132,185	185,165
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 62,741</b>	<b>\$ 132,855</b>	<b>\$ 189,071</b>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 411,971	\$ 71,259	\$ 1,853	\$ 113,004	\$ 67,726
<u>\$ 411,971</u>	<u>\$ 71,259</u>	<u>\$ 1,853</u>	<u>\$ 113,004</u>	<u>\$ 67,726</u>
\$	\$ 80	\$	\$ 1,160	\$
<u></u>	<u>80</u>	<u></u>	<u>1,160</u>	<u></u>
<u>411,971</u>	<u>71,179</u>	<u>1,853</u>	<u>111,844</u>	<u>67,726</u>
<u>411,971</u>	<u>71,179</u>	<u>1,853</u>	<u>111,844</u>	<u>67,726</u>
<u>\$ 411,971</u>	<u>\$ 71,259</u>	<u>\$ 1,853</u>	<u>\$ 113,004</u>	<u>\$ 67,726</u>

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

December 31, 2016

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
<b>ASSETS</b>			
Cash and investments	\$ 21,364	\$ 230,720	\$ 21,892
Accounts receivable			
Special assessments receivable			
Due from other governmental units			
Due from other funds			
<b>TOTAL ASSETS</b>	<b>\$ 21,364</b>	<b>\$ 230,720</b>	<b>\$ 21,892</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	\$	\$
Due to other funds			
Total liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue:			
Special assessments			
<b>FUND BALANCE (DEFICIT)</b>			
Restricted	21,364	230,720	21,892
Assigned			
Total Fund Balance (Deficit)	21,364	230,720	21,892
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 21,364</b>	<b>\$ 230,720</b>	<b>\$ 21,892</b>



Small Equipment	Park Equipment and Improvement	Revolving Fund	Total
\$ 23,204	\$ 21,879	\$ 808,562	\$ 2,158,323
			19,778
		372	372
		3	3
		13,613	13,613
<u>\$ 23,204</u>	<u>\$ 21,879</u>	<u>\$ 822,550</u>	<u>\$ 2,192,089</u>
\$	\$ 490	\$	\$ 6,752
	5,344		5,344
	5,834		12,096
		372	372
			345,155
23,204	16,045	822,178	1,834,466
<u>23,204</u>	<u>16,045</u>	<u>822,178</u>	<u>2,179,621</u>
<u>\$ 23,204</u>	<u>\$ 21,879</u>	<u>\$ 822,550</u>	<u>\$ 2,192,089</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, 2016

	State Aid Street Fund	Street Sealcoating	Storm Water
<b>REVENUES</b>			
Taxes	\$	\$	\$
Special assessments			
Intergovernmental revenues	58,709		
Charges for services		78,338	
Investment income (loss)	1,136	16,238	1,622
Other revenues			
<b>TOTAL REVENUES</b>	<u>59,845</u>	<u>94,576</u>	<u>1,622</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Public Safety			
Public Works	55,023	69,148	9,953
Recreation and Parks			
<b>Capital Outlay</b>			
Public works			
Recreation and Parks			
<b>TOTAL EXPENDITURES</b>	<u>55,023</u>	<u>69,148</u>	<u>9,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,822</u>	<u>25,428</u>	<u>(8,331)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			125,000
Net change in fund balances	4,822	25,428	116,669
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>57,473</u>	<u>106,757</u>	<u>68,496</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 62,295</u>	<u>\$ 132,185</u>	<u>\$ 185,165</u>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$	\$	\$
7,459	837	33	2,046	1,226
<u>35,008</u>				
<u>42,467</u>	<u>837</u>	<u>33</u>	<u>2,046</u>	<u>1,226</u>
26,969	506	13	803	614
47,264	43,077	14,483	1,160	
<u>74,233</u>	<u>43,583</u>	<u>14,496</u>	<u>1,963</u>	<u>614</u>
<u>(31,766)</u>	<u>(42,746)</u>	<u>(14,463)</u>	<u>83</u>	<u>612</u>
			<u>9,014</u>	<u>17,000</u>
(31,766)	(42,746)	(14,463)	9,097	17,612
<u>443,737</u>	<u>113,925</u>	<u>16,316</u>	<u>102,747</u>	<u>50,114</u>
<u>\$ 411,971</u>	<u>\$ 71,179</u>	<u>\$ 1,853</u>	<u>\$ 111,844</u>	<u>\$ 67,726</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, 2016

	<u>Park Special Projects</u>	<u>Park Acquisition and Improvement</u>	<u>Lakeside Lions Park Improvement</u>
<b>REVENUES</b>			
Taxes	\$	\$	\$
Special assessments			
Intergovernmental revenues			
Charges for services	2,777		
Investment earnings	387	4,177	397
Other revenues			15,000
	<u>3,164</u>	<u>4,177</u>	<u>15,397</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
<b>Current</b>			
Public Safety			
Public Works			
Recreation and Parks	1,833	1,640	156
<b>Capital Outlay</b>			
Public works			
Recreation and Parks			
	<u>1,833</u>	<u>1,640</u>	<u>156</u>
<b>TOTAL EXPENDITURES</b>			
Excess (deficiency) of revenues over (under) expenditures	<u>1,331</u>	<u>2,537</u>	<u>15,241</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			
Net change in fund balances	1,331	2,537	15,241
<b>FUND BALANCES (DEFICIT), Beginning</b>	<u>20,033</u>	<u>228,183</u>	<u>6,651</u>
<b>FUND BALANCES (DEFICIT), Ending</b>	<u>\$ 21,364</u>	<u>\$ 230,720</u>	<u>\$ 21,892</u>

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>Revolving Fund</u>	<u>Total</u>
\$	\$	\$ 1,026	\$ 1,026
		427	427
			58,709
2,023			83,138
420	397		36,375
<u>4,986</u>	<u>5,535</u>		<u>60,529</u>
<u>7,429</u>	<u>5,932</u>	<u>1,453</u>	<u>240,204</u>
			1,120
		5,747	167,656
465	806		4,900
			105,984
<u>1,073</u>	<u>491</u>		<u>1,564</u>
<u>1,538</u>	<u>1,297</u>	<u>5,747</u>	<u>281,224</u>
<u>5,891</u>	<u>4,635</u>	<u>(4,294)</u>	<u>(41,020)</u>
		25,000	176,014
5,891	4,635	20,706	134,994
<u>17,313</u>	<u>11,410</u>	<u>801,472</u>	<u>2,044,627</u>
<u>\$ 23,204</u>	<u>\$ 16,045</u>	<u>\$ 822,178</u>	<u>\$ 2,179,621</u>

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**CITY OF SPRING LAKE PARK**

**OTHER REPORT SECTION**

**December 31, 2016**

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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, Minnesota as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Spring Lake Park, Minnesota's basic financial statements, and have issued our report thereon dated June 28, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. We did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. These material weaknesses are listed as Audit Findings 2016-01 and 2016-02 in the accompanying *Schedule of Findings and Responses*.

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 of Spring Lake Park, Minnesota's Response to Findings**

The City of Spring Lake Park, Minnesota's responses to the internal control findings identified in our audit have been included in the accompanying *Schedule of Findings and Responses*. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. 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  
June 28, 2017

**CITY OF SPRING LAKE PARK  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Audit Finding 2016-01 - 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.

**Auditing Finding 2016-02 - 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.

**Management's Response:** Management agrees with our recommendation.

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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, as of and for the year ended December 31, 2016, 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 June 28, 2017.

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, except that we did not test for compliance with the provisions for tax increment financing because the City's lone tax increment financing district was decertified in 2012.

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, Schafner and Associates, Ltd.*

Minneapolis, Minnesota  
June 28, 2017