

CITY OF SPRING LAKE PARK

FINANCIAL STATEMENTS

DECEMBER 31, 2020



**CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2020**

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CITY OF SPRING LAKE PARK

INTRODUCTORY SECTION

DECEMBER 31, 2020

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**CITY OF SPRING LAKE PARK
ELECTED AND APPOINTED OFFICIALS
December 31, 2020**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council:

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

APPOINTED OFFICIALS

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

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CITY OF SPRING LAKE PARK

FINANCIAL SECTION

DECEMBER 31, 2020

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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, 2020, and the related notes to financial statements, which collectively comprise the City of Spring Lake Park, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of December 31, 2020, 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 16, 2021 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 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 of Spring Lake Park, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spring Lake Park's internal control over financial reporting and compliance.

Smith, Schepf and Associates, Ltd.

Minneapolis, Minnesota
June 16, 2021

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, 2020, with comparative data for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Spring Lake Park exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,559,835 (*net position*). Of this amount, \$8,781,274 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$2,208,909. The increase is mainly attributed to grants and contributions not restricted to specific programs as well as operating grants and contributions in the City's governmental activities.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,493,071, an increase of \$1,408,143 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$2,539,802, or 59.7% of total general fund expenditures.
- The City's total noncurrent liabilities decreased by \$824,913 due primarily to scheduled debt payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, developer's escrow fund, the revolving fund, renewal and replacement fund, and the 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 operations.

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

The proprietary fund financial statements can be found on pages 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 32-78 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Lake Park, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,559,835 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, \$13,004,502 (53%) 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 11,706,852	\$ 10,613,711	\$ 3,693,372	\$ 3,370,476	\$ 15,400,224	\$ 13,984,187
Capital assets	10,877,085	11,328,877	5,898,938	5,866,084	16,776,023	17,194,961
Total assets	<u>22,583,937</u>	<u>21,942,588</u>	<u>9,592,310</u>	<u>9,236,560</u>	<u>32,176,247</u>	<u>31,179,148</u>
Deferred outflows of resources	686,019	1,075,080	15,692	18,770	701,711	1,093,850
Long-term liabilities outstanding	5,576,503	6,176,861	948,004	1,172,559	6,524,507	7,349,420
Other liabilities	330,203	577,498	348,208	72,622	678,411	650,120
Total liabilities	<u>5,906,706</u>	<u>6,754,359</u>	<u>1,296,212</u>	<u>1,245,181</u>	<u>7,202,918</u>	<u>7,999,540</u>
Deferred inflows of resources	1,076,530	1,853,347	38,675	69,185	1,115,205	1,922,532
Net position:						
Net investment in capital assets	7,819,564	7,463,368	5,184,938	4,927,084	13,004,502	12,390,452
Restricted	2,774,059	2,061,665			2,774,059	2,061,665
Unrestricted	5,693,097	4,884,929	3,088,177	3,013,880	8,781,274	7,898,809
Total net position	<u>\$ 16,286,720</u>	<u>\$ 14,409,962</u>	<u>\$ 8,273,115</u>	<u>\$ 7,940,964</u>	<u>\$ 24,559,835</u>	<u>\$ 22,350,926</u>

An additional portion of the City of Spring Lake Park's net position at December 31, 2020 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,781,274) 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 66% of the City of Spring Lake Park's net position as of December 31, 2020. The total increase in net position for governmental activities was \$1,876,758, accounting for 85% of the increase in the net position of the City of Spring Lake Park for the year ended December 31, 2020. The key elements for this increase were significant grants and contributions not restricted to specific programs and operating grants and contributions received by the City.

Business-type activities. Business-type activities increased the City of Spring Lake Park's net position by \$332,151 due to insurance proceeds received to repair the water treatment plant.

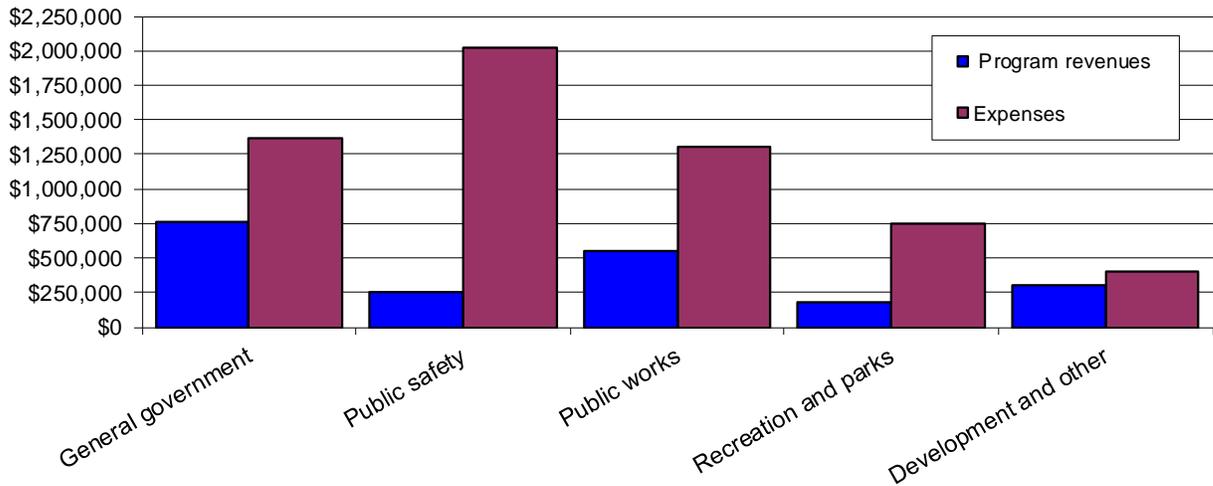
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 959,293	\$ 1,346,030	\$ 1,685,631	\$ 1,599,138	\$ 2,644,924	\$ 2,945,168
Operating grants and contributions	753,632	281,163			753,632	281,163
Capital grants and contributions	335,794	544,045			335,794	544,045
General revenues:						
Property taxes	3,898,537	3,467,392			3,898,537	3,467,392
Other	1,754,623	910,766	604,847	380,047	2,359,470	1,290,813
Total revenues	<u>7,701,879</u>	<u>6,549,396</u>	<u>2,290,478</u>	<u>1,979,185</u>	<u>9,992,357</u>	<u>8,528,581</u>
Expenses:						
General government	1,366,876	945,647			1,366,876	945,647
Public safety	2,019,971	2,298,653			2,019,971	2,298,653
Public works	1,300,004	1,436,306			1,300,004	1,436,306
Recreation and parks	742,799	980,797			742,799	980,797
Development and other	396,790	372,028			396,790	372,028
Interest on long-term debt	85,973	114,388			85,973	114,388
Utility			1,871,035	1,931,112	1,871,035	1,931,112
Total expenses	<u>5,912,413</u>	<u>6,147,819</u>	<u>1,871,035</u>	<u>1,931,112</u>	<u>7,783,448</u>	<u>8,078,931</u>
Change in net position before transfers	1,789,466	401,577	419,443	48,073	2,208,909	449,650
Transfers	<u>87,292</u>	<u>86,942</u>	<u>(87,292)</u>	<u>(86,942)</u>		
Change in net position after transfers	1,876,758	488,519	332,151	(38,869)	2,208,909	449,650
NET POSITION - BEGINNING OF YEAR	<u>14,409,962</u>	<u>13,921,443</u>	<u>7,940,964</u>	<u>7,979,833</u>	<u>22,350,926</u>	<u>21,901,276</u>
NET POSITION - END OF YEAR	<u>\$ 16,286,720</u>	<u>\$ 14,409,962</u>	<u>\$ 8,273,115</u>	<u>\$ 7,940,964</u>	<u>\$ 24,559,835</u>	<u>\$ 22,350,926</u>

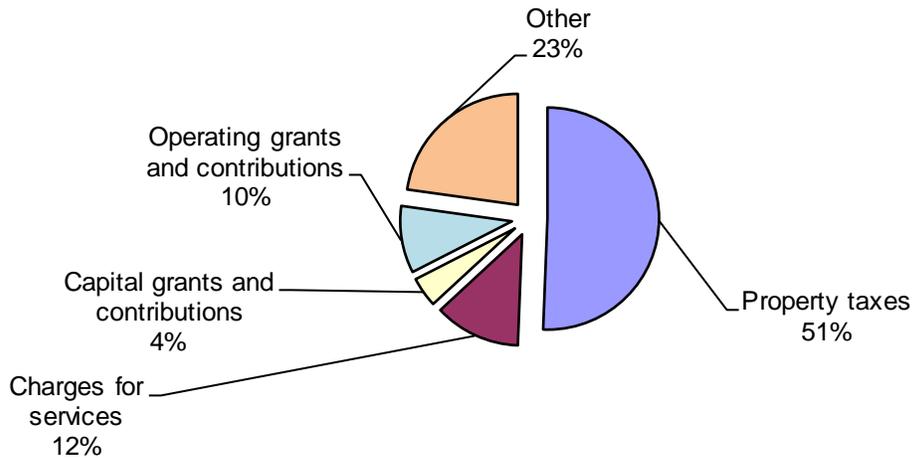
CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses for the year ended December 31, 2020. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



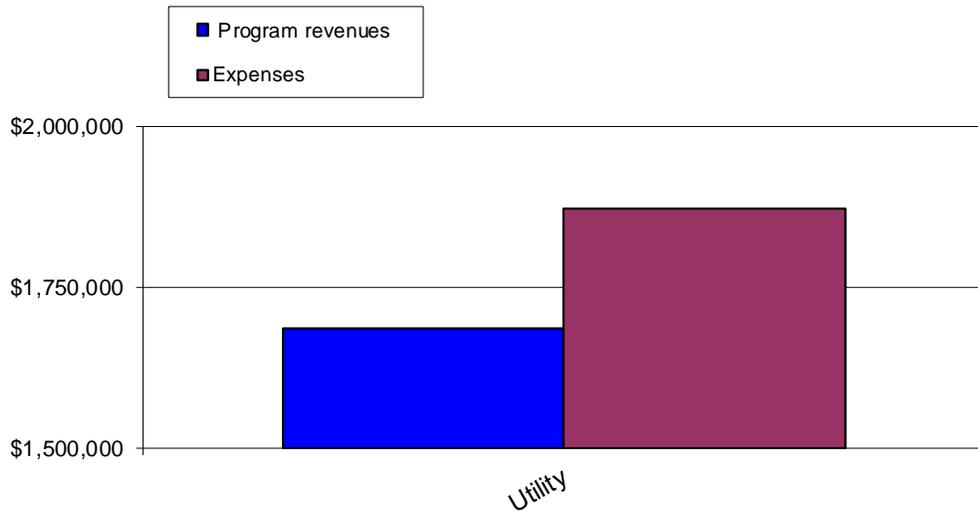
Revenues by Source - Governmental Activities



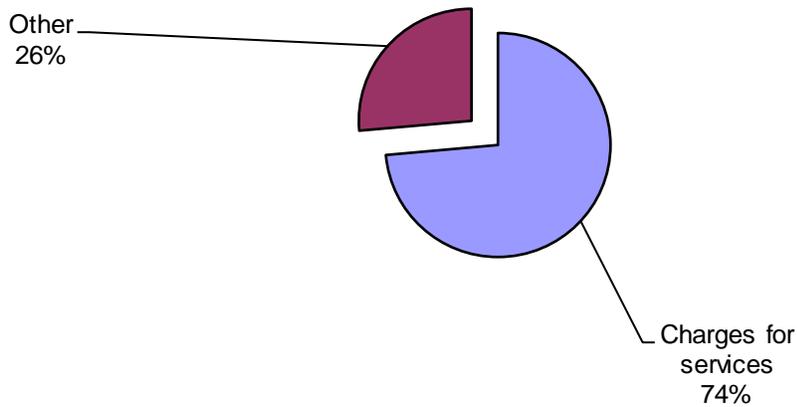
**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the business-type activity's program revenues with its expenses for the year ended December 31, 2020. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,493,071, an increase of \$1,408,143 in comparison with the prior year. Approximately 76% of this total fund balance, or \$8,019,542, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$2,473,529 is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments or has been expensed for prepaid items.

The general fund is the chief operating fund of City of Spring Lake Park. At the end of the current year, fund balance of the general fund was \$2,539,802. As a measure of liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 60% of total current year general fund expenditures. The general fund's total fund balance increased by \$459,133 during the current year due primarily to increased collection of property taxes and intergovernmental revenues for coronavirus relief funding.

The developer's escrow fund decreased its fund balance by \$1,007 due to transfers to other funds.

The revolving fund increased its fund balance by \$237,884 due primarily to intergovernmental revenues in excess of expenditures allocated to this fund.

The renewal and replacement fund decreased its fund balance by \$206,191 due to transfers to other funds in excess of investment earnings allocated to this fund.

The 2014A G.O. improvement bonds fund increased its fund balance by \$226,412 due to property taxes, special assessments and investment earnings revenue allocated to the fund in excess of debt service payments.

The special revenue funds (other than the developer's escrow fund described as a major fund previously) increased their overall fund balances by \$578,415 due to the sale of property.

The debt service funds (other than the 2014A G.O. improvement bonds fund as described as a major fund above) increased their collective fund balance by \$329,248 due primarily to transfers from other funds.

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

The capital projects funds (other than the revolving fund and renewal and replacement fund described as major funds previously) decreased their collective fund balance by \$215,751 due primarily to current and capital outlay expenditures for public works in excess of revenues and transfers allocated to the capital projects funds.

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

Unrestricted net position for utility operations at the end of the year amounted to \$3,088,177. The utility fund increased its net position by \$332,151, for the year ended December 31, 2020. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Spring Lake Park's business-type activities.

General Fund Budgetary Highlights

The City's General Fund budget was amended during the year. The original budget called for no change in General Fund balance. The revised final budget called for a \$435,000 decrease in General Fund balance. The actual net change to the General Fund balance was an increase of \$459,133. Revenues exceeded budget by \$526,361 for the year ended December 31, 2020 due primarily to increased intergovernmental revenues including coronavirus relief funding. Total expenditures were less than budget by \$70,479 for the year. One department had expenditures in excess of budget: general government expenditures exceeded budget by \$115,303. These over expenditures were primarily related to coronavirus business relief grants for local businesses for which the City did not budget due to the unforeseen pandemic.

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, 2020, amounted to \$16,776,023 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. Total capital assets decreased by \$418,938, or approximately 3%, for the year ended December 31, 2020, due to current year depreciation expense and disposals for the year ended December 31, 2020 being higher than asset acquisitions.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 604,950	\$ 1,131,681	\$	\$	\$ 604,950	\$ 1,131,681
Construction in progress	777,040		489,541		1,266,581	
Buildings and improvements	1,116,608	1,176,399	2,018,905	2,240,486	3,135,513	3,416,885
Machinery and equipment	1,038,885	1,201,244	121,460	156,596	1,160,345	1,357,840
Infrastructure	7,339,602	7,819,553	3,269,032	3,469,002	10,608,634	11,288,555
Total	\$ 10,877,085	\$ 11,328,877	\$ 5,898,938	\$ 5,866,084	\$ 16,776,023	\$ 17,194,961

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

Additional information on the City of Spring Lake Park's capital assets can be found in Note 3C beginning on page 51 of this report.

Long-term debt. At the end of the current fiscal year, the City of Spring Lake Park had \$3,758,700 in bonds, certificates, and notes payable outstanding. The entire amount outstanding comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds and notes payable	\$ 1,986,799	\$ 2,407,117	\$ 714,000	\$ 939,000	\$ 2,700,799	\$ 3,346,117
General obligation certificates	1,057,901	1,444,225			1,057,901	1,444,225
Total	\$ 3,044,700	\$ 3,851,342	\$ 714,000	\$ 939,000	\$ 3,758,700	\$ 4,790,342

The City of Spring Lake Park's total bonds, certificates and notes payable decreased by \$1,031,642 during the current fiscal year. The decrease was due to scheduled debt payments.

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

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

Economic Factors and Next Year's Budgets and Rates

The City Council has prepared a surplus budget for the General Fund for 2021 due to funding uncertainties associated with the COVID-19 pandemic. The City is seeing strong building permit activity as a result of low interest rates and stimulus dollars released into the economy. The City's property tax base continues to grow.

The City is undertaking a Classification and Compensation Study with the goal to ensure internal pay equity and competitiveness with the external market. Implementation of the study will have a measurable impact on the proposed 2022 budget.

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 2021 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.
- Complete rehabilitation of the Arthur Street Water Treatment Plant.
- Wind down the City's emergency response to the COVID-19 pandemic.
- Begin planning for the 2022 street improvement project, which will include Garfield Street, Hayes Street and 80th Avenue NE.

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, 2020

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CITY OF SPRING LAKE PARK
STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 10,526,501	\$ 3,342,049	\$ 13,868,550
Receivables	711,167	353,823	1,064,990
Intergovernmental receivables	465,627		465,627
Internal balances	2,500	(2,500)	
Prepaid items and other	1,057		1,057
Capital assets:			
Nondepreciable	1,381,990	489,541	1,871,531
Depreciable, net	9,495,095	5,409,397	14,904,492
Total Assets	22,583,937	9,592,310	32,176,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	686,019	15,692	701,711
LIABILITIES			
Accounts payable	53,392	323,523	376,915
Accrued payroll and related taxes	16,975	10,008	26,983
Accrued interest	15,712	6,709	22,421
Unearned revenue	10,380	3,000	13,380
Deposits and other liabilities	233,744	4,968	238,712
Noncurrent liabilities:			
Due within one year	1,002,253	266,573	1,268,826
Due in more than one year	2,454,660	495,743	2,950,403
Net pension liability	2,119,590	185,688	2,305,278
Total Liabilities	5,906,706	1,296,212	7,202,918
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	1,076,530	38,675	1,115,205
NET POSITION			
Net investment in capital assets	7,819,564	5,184,938	13,004,502
Restricted	2,774,059		2,774,059
Unrestricted	5,693,097	3,088,177	8,781,274
Total Net Position	\$ 16,286,720	\$ 8,273,115	\$ 24,559,835

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,366,876	\$ 276,075	\$ 482,931	\$
Public safety	2,019,971	124,364	126,077	
Public works	1,300,004	134,366	78,129	335,794
Recreation and parks	742,799	180,899	3,490	
Development and other	396,790	243,589	63,005	
Interest on long-term debt	85,973			
Total governmental activities	<u>5,912,413</u>	<u>959,293</u>	<u>753,632</u>	<u>335,794</u>
Business-Type activities:				
Utility	<u>1,871,035</u>	<u>1,685,631</u>		
Total business-type activities	<u>1,871,035</u>	<u>1,685,631</u>		
Total	<u>\$ 7,783,448</u>	<u>\$ 2,644,924</u>	<u>\$ 753,632</u>	<u>\$ 335,794</u>

General revenues:
General property taxes
Grants and contributions not restricted to specific programs
Lease revenue
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net Position - beginning
Net Position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (607,870)		\$ (607,870)
(1,769,530)		(1,769,530)
(751,715)		(751,715)
(558,410)		(558,410)
(90,196)		(90,196)
(85,973)		(85,973)
<u>(3,863,694)</u>		<u>(3,863,694)</u>
	\$ (185,404)	(185,404)
	<u>(185,404)</u>	<u>(185,404)</u>
<u>(3,863,694)</u>	<u>(185,404)</u>	<u>(4,049,098)</u>
3,898,537		3,898,537
882,360		882,360
100,469	154,863	255,332
225,719	79,181	304,900
546,075	370,803	916,878
87,292	(87,292)	
<u>5,740,452</u>	<u>517,555</u>	<u>6,258,007</u>
1,876,758	332,151	2,208,909
<u>14,409,962</u>	<u>7,940,964</u>	<u>22,350,926</u>
<u>\$ 16,286,720</u>	<u>\$ 8,273,115</u>	<u>\$ 24,559,835</u>

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CITY OF SPRING LAKE PARK
FUND FINANCIAL STATEMENTS
December 31, 2020

CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Special Revenue Fund	Capital Project Funds	
		Developer's Escrow	Revolving Fund	Renewal and Replacement
ASSETS				
Cash and investments	\$ 2,456,572	\$ 228,144	\$ 1,198,040	\$ 1,890,961
Accounts receivable	14,282			
Taxes receivable	124,531			
Special assessments receivable	2,351		19,459	
Due from other funds	8,622			
Due from other governmental units	95,326		278	
Accrued interest receivable	24,243			
Prepaid expenditures	557			
TOTAL ASSETS	\$ 2,726,484	\$ 228,144	\$ 1,217,777	\$ 1,890,961
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 42,825	\$	\$	\$
Accrued payroll and taxes	16,975			
Deposits and other liabilities		228,144		
Due to other funds				
Unearned revenue				
Total liabilities	59,800	228,144		
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	124,531			
Special assessments	2,351		19,459	
Developer fees				
Total deferred inflows of resources	126,882		19,459	
FUND BALANCE (DEFICIT)				
Nonspendable	557			
Restricted				
Assigned	2,539,245		1,198,318	1,890,961
Unassigned				
Total Fund Balance (Deficit)	2,539,802		1,198,318	1,890,961
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,726,484	\$ 228,144	\$ 1,217,777	\$ 1,890,961

See Notes to Financial Statements

Debt Service Fund	Other Governmental Funds	Total
2014A G.O. Improvement Bonds		
\$ 928,784	\$ 3,824,000	\$ 10,526,501
	224,714	238,996
		124,531
301,587		323,397
	2,500	11,122
3,343	26,818	125,765
		24,243
	500	1,057
<u>\$ 1,233,714</u>	<u>\$ 4,078,532</u>	<u>\$ 11,375,612</u>

\$	\$ 10,567	\$ 53,392
		16,975
	5,600	233,744
	8,622	8,622
	10,380	10,380
	35,169	323,113

		124,531
301,587		323,397
	111,500	111,500
<u>301,587</u>	<u>111,500</u>	<u>559,428</u>

	500	1,057
932,127	1,540,345	2,472,472
	2,399,640	8,028,164
	(8,622)	(8,622)
<u>932,127</u>	<u>3,931,863</u>	<u>10,493,071</u>

<u>\$ 1,233,714</u>	<u>\$ 4,078,532</u>	<u>\$ 11,375,612</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, 2020

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

Total governmental fund balances (pages 17-18)		\$ 10,493,071
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental funds - capital assets	\$ 28,321,134	
Accumulated depreciation	<u>(17,444,049)</u>	
		10,877,085

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

Delinquent property taxes	\$ 124,531	
Special assessments	323,397	
Developr fees	<u>111,500</u>	
		559,428

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

Bonds payable (net of receivable for amounts to be paid by other governmental entities)	\$ (2,704,838)	
Net pension liability, deferred outflows and inflows from pension activity	(2,510,101)	
Compensated absences	(399,392)	
Accrued interest	(15,712)	
Net unamortized bond premiums	<u>(12,821)</u>	
		<u>(5,642,864)</u>

Net position of governmental activities (page 14)		<u><u>\$ 16,286,720</u></u>
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CITY OF SPRING LAKE PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Capital Project Funds	
		Developer's Escrow	Revolving Fund	Renewal and Replacement
REVENUES				
Property taxes	\$ 3,330,621	\$	\$	\$
Special assessments			18,232	
Licenses and permits	135,550			
Intergovernmental revenues	1,104,055		256,775	
Charges for services	137,400			
Fines and forfeitures	34,620			
Investment income	37,964			49,734
Other revenues	99,594	10,261		
TOTAL REVENUES	4,879,804	10,261	275,007	49,734
EXPENDITURES				
Current				
General government	988,622			
Public safety	2,263,657			
Public works	249,998		1,380	
Recreation and parks	573,185			
Development and other	104,159			
Capital Outlay				
General government	26,515			
Public safety	31,140			
Public works			35,743	297
Recreation and parks	17,118			
Debt Service				
Principal				
Interest and other				
TOTAL EXPENDITURES	4,254,394		37,123	297
Excess (deficiency) of revenues over (under) expenditures	625,410	10,261	237,884	49,437
OTHER FINANCING SOURCES				
Transfers from other funds	493,543			
Transfers to other funds	(659,820)	(11,268)		(255,628)
Sale of capital assets				
Total other financing sources (uses)	(166,277)	(11,268)		(255,628)
Net change in fund balances	459,133	(1,007)	237,884	(206,191)
FUND BALANCES (DEFICIT), Beginning	2,080,669	1,007	960,434	2,097,152
FUND BALANCES (DEFICIT), Ending	\$ 2,539,802	\$	\$ 1,198,318	\$ 1,890,961

See Notes to Financial Statements

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 74,995	\$ 418,286	\$ 3,823,902
97,648		115,880
		135,550
373,249	137,274	1,871,353
	418,756	556,156
	8,713	43,333
20,353	117,668	225,719
	469,284	579,139
<u>566,245</u>	<u>1,569,981</u>	<u>7,351,032</u>
	82,646	1,071,268
	6,350	2,270,007
	724,094	975,472
	112,259	685,444
	296,465	400,624
		26,515
		31,140
	159,083	195,123
	301,341	318,459
300,000	506,642	806,642
39,833	51,624	91,457
<u>339,833</u>	<u>2,240,504</u>	<u>6,872,151</u>
<u>226,412</u>	<u>(670,523)</u>	<u>478,881</u>
	590,965	1,084,508
	(70,500)	(997,216)
	841,970	841,970
	<u>1,362,435</u>	<u>929,262</u>
226,412	691,912	1,408,143
705,715	3,239,951	9,084,928
<u>\$ 932,127</u>	<u>\$ 3,931,863</u>	<u>\$ 10,493,071</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, 2020

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	1,408,143
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Governmental funds report capital outlay as expenditures.

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

Capital outlay	\$	1,000,974	
Depreciation expense		<u>(926,035)</u>	74,939

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position			(526,731)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable revenue, end of year	\$	559,428	
Unavailable revenue, beginning of year		<u>(410,154)</u>	149,274

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

Net pension liability	\$	204,450	
Compensated absences, beginning of year		<u>(24,324)</u>	180,126

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	\$	806,642	
Shared debt principal payments received from other governments		(221,119)	
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>5,484</u>	591,007

Change in net position of governmental activities (pages 15-16)	\$	<u><u>1,876,758</u></u>
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See Notes to Financial Statements

CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2020

	Budgeted Amounts		2020	Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
REVENUES				
General property taxes	\$ 3,285,402	\$ 3,285,402	\$ 3,330,621	\$ 45,219
Licenses and Permits				
Licenses	46,752	46,752	39,073	(7,679)
Permits	108,000	108,000	96,477	(11,523)
Total Licenses and Permits	154,752	154,752	135,550	(19,202)
Intergovernmental				
Police aids	95,000	95,000	108,011	13,011
Other aids	504,788	504,788	996,044	491,256
Total Intergovernmental	599,788	599,788	1,104,055	504,267
Charges for Services				
General government	84,181	84,181	71,810	(12,371)
Public safety	2,000	2,000	1,355	(645)
Housing registration	72,000	72,000	64,235	(7,765)
Total Charges for Services	158,181	158,181	137,400	(20,781)
Fines and forfeits	48,500	48,500	34,620	(13,880)
Investment earnings	15,000	15,000	37,964	22,964
Miscellaneous Revenue				
Liaison officer	82,120	82,120	78,419	(3,701)
Insurance dividends	3,500	3,500	6,931	3,431
Reimbursements and other	6,200	6,200	14,244	8,044
Total Miscellaneous Revenue	91,820	91,820	99,594	7,774
TOTAL REVENUES	4,353,443	4,353,443	4,879,804	526,361
EXPENDITURES				
General Government				
Mayor and Council				
Personnel services	40,776	40,776	34,956	5,820
Supplies and services	2,350	2,350	1,170	1,180
Other charges	29,501	29,501	21,869	7,632
Total Mayor and Council	\$ 72,627	\$ 72,627	\$ 57,995	\$ 14,632

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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 444,416	\$ 453,668	\$ 406,037	\$ 47,631
Supplies	8,525	8,525	13,288	(4,763)
Contracted services	6,300	6,300	119,660	(113,360)
Other services and charges	20,709	20,709	22,458	(1,749)
Capital outlay			26,515	(26,515)
Total Administration	479,950	489,202	587,958	(98,756)
Election				
Personnel services			22,625	(22,625)
Other services and charges			7,375	(7,375)
Total Election			30,000	(30,000)
Assessing				
Contracted services	37,040	37,040	37,360	(320)
Accounting and Auditing				
Contracted services	11,013	11,013	8,063	2,950
Information Technology				
Contracted services	64,145	64,145	62,388	1,757
Legal				
Contracted services	122,500	122,500	113,796	8,704
Engineering				
Contracted services	7,500	7,500	8,366	(866)
Planning and Zoning				
Supplies and other charges	1,025	1,025	688	337
Government Buildings				
Personnel services	22,047	22,552	23,070	(518)
Supplies	17,750	17,750	33,307	(15,557)
Contracted services	49,765	49,765	47,119	2,646
Other charges	4,715	4,715	5,027	(312)
Total Government Buildings	94,277	94,782	108,523	(13,741)
Total General Government	\$ 890,077	\$ 899,834	\$ 1,015,137	\$ (115,303)

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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Public Safety				
Police Protection				
Personnel services	\$ 1,657,656	\$ 1,694,485	\$ 1,726,900	\$ (32,415)
Supplies	45,782	45,782	37,887	7,895
Contracted services	48,917	49,137	43,640	5,497
Other charges	74,870	74,870	57,860	17,010
Capital outlay	37,471	37,471	5,658	31,813
Total Police Protection	<u>1,864,696</u>	<u>1,901,745</u>	<u>1,871,945</u>	<u>29,800</u>
Fire Protection				
Contracted services	230,696	230,696	230,700	(4)
Capital outlay	44,014	44,014	25,482	18,532
Total Fire Protection	<u>274,710</u>	<u>274,710</u>	<u>256,182</u>	<u>18,528</u>
Code Enforcement				
Personnel services	168,573	185,143	149,446	35,697
Supplies	4,600	4,600	2,000	2,600
Contracted services	16,300	16,300	11,995	4,305
Other charges	4,440	4,440	3,229	1,211
Total Code Enforcement	<u>193,913</u>	<u>210,483</u>	<u>166,670</u>	<u>43,813</u>
Total Public Safety	<u>2,333,319</u>	<u>2,386,938</u>	<u>2,294,797</u>	<u>92,141</u>
Public Works				
Street Maintenance				
Personnel services	214,459	227,430	216,815	10,615
Supplies	42,500	42,630	31,092	11,538
Contracted services	1,410	1,410	1,712	(302)
Other charges	900	900	379	521
Total Street Maintenance	<u>259,269</u>	<u>272,370</u>	<u>249,998</u>	<u>22,372</u>
Total Public Works	<u>\$ 259,269</u>	<u>\$ 272,370</u>	<u>\$ 249,998</u>	<u>\$ 22,372</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, 2020

	Budgeted Amounts		2020	Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
EXPENDITURES				
Recreation and Parks				
Recreation				
Personnel services	\$ 293,567	\$ 300,090	\$ 261,807	\$ 38,283
Supplies	14,287	14,287	9,121	5,166
Contracted services	16,007	16,007	5,441	10,566
Other charges	2,045	2,045	978	1,067
Capital outlay			11,534	(11,534)
Total Recreation	325,906	332,429	288,881	43,548
Parks and Forestry				
Personnel services	260,051	260,051	240,359	19,692
Supplies	41,154	41,154	33,267	7,887
Contracted services	8,900	8,900	7,842	1,058
Other charges	15,725	15,725	14,370	1,355
Capital outlay			5,584	(5,584)
Total Parks and Forestry	325,830	325,830	301,422	24,408
Total Recreation and Parks	651,736	658,259	590,303	67,956
Other				
Personnel services	9,400	9,400	2,400	7,000
Other charges	178,472	95,472	51,788	43,684
Permit surcharges	2,600	2,600	7,973	(5,373)
Severance payments			41,998	(41,998)
Total Other	190,472	107,472	104,159	3,313
Total Expenditures	4,324,873	4,324,873	4,254,394	70,479
Excess (deficiency) of revenues over (under) expenditures	28,570	28,570	625,410	596,840
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	169,147	169,147	493,543	324,396
Transfers to other funds	(197,717)	(632,717)	(659,820)	(27,103)
Total Other Financing Sources (Uses)	(28,570)	(463,570)	(166,277)	297,293
NET CHANGE IN FUND BALANCE		(435,000)	459,133	894,133
FUND BALANCE, January 1	2,080,669	2,080,669	2,080,669	
FUND BALANCE, December 31	\$ 2,080,669	\$ 1,645,669	\$ 2,539,802	\$ 894,133

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position
 December 31, 2020**

	Utility Fund
ASSETS	
Current Assets	
Cash and investments	\$ 653,633
Accounts receivable	353,823
Due from other funds	3,419
Total Current Assets	1,010,875
Noncurrent Assets	
Property and Equipment	
Construction in progress	489,541
Buildings and structures	6,489,800
Distributions and collection systems	5,608,969
Furniture, fixtures and equipment	808,197
Total Property and Equipment	13,396,507
Less: Accumulated depreciation	7,497,569
Net Property and Equipment	5,898,938
Reserved Assets	
Cash and investments	2,688,416
Total Noncurrent Assets	8,587,354
TOTAL ASSETS	9,598,229
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activity	15,692

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position (Continued)
 December 31, 2020**

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 323,523
Accrued payroll and taxes	10,008
Accrued interest	6,709
Unearned revenue	3,000
Other accrued liabilities	4,968
Due to other funds	5,919
Current portion of compensated absences	35,573
Current portion of note payable and capital lease	231,000
Total Current Liabilities	620,700
Long-term Liabilities	
Compensated absences payable	12,743
Net pension liability	185,688
Note payable	483,000
Total Long-term Liabilities	681,431
Total Liabilities	1,302,131
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension activity	38,675
Net Position	
Net investment in capital assets	5,184,938
Unrestricted	3,088,177
Total Net Position	\$ 8,273,115

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**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2020**

	<u>Utility Fund</u>
Operating Revenue	
Charges for services	<u>\$ 1,685,631</u>
Operating Expenses	
Personnel services	352,587
Supplies	187,419
Contracted services and other	197,000
Treatment charges	600,803
Depreciation	456,687
Other charges	<u>52,183</u>
Total Operating Expenses	<u>1,846,679</u>
Operating (Loss)	<u>(161,048)</u>
Other Revenue (Expense)	
Lease revenue	154,863
Commissions and other revenue	370,803
Investment income	79,181
Interest and other expense	<u>(24,356)</u>
Total Other Revenue (Expense)	<u>580,491</u>
Income Before Transfers	419,443
Transfers to other funds	<u>(87,292)</u>
Change in net position	332,151
NET POSITION, BEGINNING OF YEAR	<u>7,940,964</u>
NET POSITION, END OF YEAR	<u><u>\$ 8,273,115</u></u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended December 31, 2020**

	Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,223,181
Cash paid to suppliers	(861,325)
Cash paid to employees	(375,618)
Net Cash Provided By Operating Activities	986,238
Cash Flows From Investing Activities	
Investment income	79,181
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(87,292)
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(391,877)
Principal paid on long-term debt	(225,000)
Interest paid on long-term debt	(26,470)
Net Cash (Used In) Capital and Related Financing Activities	(643,347)
Net Increase in Cash and Cash Equivalents	334,780
Cash and Cash Equivalents, January 1	3,007,269
Cash and Cash Equivalents, December 31	\$ 3,342,049
Classified as:	
Cash and investments - current assets	\$ 653,633
Cash and investments - reserved assets	2,688,416
Total Cash and Cash Equivalents, December 31	\$ 3,342,049

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows (Continued)
 For the Year Ended December 31, 2020**

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

Operating (loss)	\$ (161,048)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	456,687
Change in net pension liability	(27,909)
Lease and other revenues	525,666
(Increase) decrease in:	
Accounts receivable	12,620
Due from other funds	1,007
Increase (decrease) in:	
Accounts payable	176,080
Accrued payroll and taxes	3,956
Due to other funds	(1,743)
Estimated liability for compensated absences	922
Net Cash Provided By Operating Activities	\$ 986,238

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CITY OF SPRING LAKE PARK
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

Spring Lake Park - Blaine - Mounds View Fire Department

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

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

1. The Fire Department is governed by its own Board of Directors. Directors are appointed by each city and from the Fire Department.
2. Operation, maintenance and debt service costs are shared based upon a formula. One half of the formula is the relative assessed value of each city. The other half is the three-year average of fire calls within each city. The City's share of the formula was 7.963% in 2020.
3. The city of Blaine issued \$8,050,000 G.O. Capital Improvement Bonds, Series 2005A, on December 1, 2005 to construct a new fire station and training facility and acquire two additional fire trucks. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance. These bonds were refunded in 2016 (see 4. below).
4. In 2013, the city of Blaine issued crossover refunding bonds to refund (in 2016) the 2005A G.O. Capital Improvement Bonds. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance.
5. In 2017, the City of Spring Lake Park issued \$1,090,000 G.O. Equipment Certificates of Indebtedness, Series 2017A to purchase a new fire truck and additional fire vehicles and equipment. The City of Spring Lake Park has recorded the full amount of debt and an intergovernmental receivable for the share of debt related to Blaine and Mounds View.
6. In 2018, the City of Blaine issued \$1,145,000 G.O. Equipment Certificates of Indebtedness, Series 2018A, to purchase new fire vehicles and equipment. The City of Spring Lake Park has recorded their principal share of debt and capitalized their share of fire vehicles and equipment.
7. Each city has a non-measurable equity interest in the property that is held by the fire department.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations (Continued)

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

The City's share of operating costs were \$230,700, capital costs were \$25,482 and debt service costs were \$295,419 during 2020. The operating and capital costs were recorded as expenditures in the General Fund. The debt service costs were recorded as expenditures in the 2013A G.O. Capital Improvement Bond, 2017A G.O. Equipment Certificates and 2018A Blaine Fire debt service funds.

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

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

North Metro Telecommunications Commission

In 2016, the City joined with the cities of Blaine, Centerville, Circle Pines, Ham Lake, Lexington and Lino Lakes to cooperatively purchase telecommunications equipment to provide cable communication services to their residents. The City of Spring Lake Park has recorded its share of the debt related to the 2016A G.O. Improvement Note issued by the city of Circle Pines. The 2016A North Metro Telecommunications debt service fund received \$13,342 in franchise fees that were used for debt service payments during the year ended December 31, 2020.

B. Government-wide and Fund Financial Statements

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

The *2014A G.O. improvement bonds fund* is an accumulation of resources (special assessments and intergovernmental revenues) for the payments of principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Cash and investments (including cash equivalents)

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

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

2. Receivables and payables

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

3. Tax increment district

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

4. Capital assets

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

5. Compensated absences benefits

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

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

6. Long-term obligations

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

7. Pensions

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

8. Fund equity

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

8. Fund equity (continued)

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

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

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

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

9. Deferred Outflows of Resources

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

10. Deferred Inflows of Resources

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

E. Concentration of Credit Risk

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

F. Use of Estimates

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations

The City issued lease revenue bonds during 2017 to provide funding to a private sector entity for a project deemed to be in the public interest. The City issued bonds during 2019 to provide funding to another private sector entity for a project deemed to be in public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2020, the outstanding principal amount of these bonds was \$58,108,683.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability

A. Budgetary Information (Continued)

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

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which were not the same for the year ended December 31, 2020).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2020, the following General Fund department had expenditures exceeding the latest amended budget:

	<u>2020 Budgeted Expenditures</u>	<u>2020 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
General Government	\$ 899,834	\$ 1,015,137	\$ 115,303

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

C. Fund Balance Deficits

As of December 31, 2020, the following fund had a deficit fund balance:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
2013A G.O. Capital Improvement Fire Bond Debt Service	\$ 8,622

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds

A. Deposits and Investments

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

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

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2020.

Investment Policy

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

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

Fair Value Measurements

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2020 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 8,943,527	\$ 8,943,527	\$	\$
U.S. Government Securities	1,091,754		1,091,754	
Total	<u>\$ 10,035,281</u>	<u>\$ 8,943,527</u>	<u>\$ 1,091,754</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	\$ 3,833,269
Certificates of Deposit	8/30	N/A	8,943,527
U.S. Government Securities	10/26	AAA	1,091,754
Total cash and investments			<u>\$13,868,550</u>

N/A Not applicable or not available

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Credit Risk

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

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

Concentration of Credit Risk

The City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The City's investment policies do not limit the concentration of investments. Investments in any one issuer that represented 5% or more of total investments as of December 31, 2020 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$3,496,783

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, 2020, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

B. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2020 were as follows:

<u>Fund Type</u>	<u>Anoka County</u>	<u>Ramsey County</u>
General Fund	\$ 94,150	\$ 1,176
Capital Projects	278	
Debt Service	30,161	
	<u>\$ 124,589</u>	<u>\$ 1,176</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the City for the year ended December 31, 2020 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,131,681	\$	\$ 526,731	\$ 604,950
Construction in progress		777,040		777,040
Total capital assets, not being depreciated	1,131,681	777,040	526,731	1,381,990
Capital assets, being depreciated:				
Buildings and improvements	3,351,210	48,282		3,399,492
Machinery and equipment	3,781,792	175,652		3,957,444
Infrastructure	19,582,208			19,582,208
Total capital assets, being depreciated	26,715,210	223,934		26,939,144
Less accumulated depreciation for:				
Buildings and improvements	2,174,811	108,073		2,282,884
Machinery and equipment	2,580,548	338,011		2,918,559
Infrastructure	11,762,655	479,951		12,242,606
Total accumulated depreciation	16,518,014	926,035		17,444,049
Total capital assets, being depreciated, net	10,197,196	(702,101)		9,495,095
Governmental activities capital assets, net	\$ 11,328,877	\$ 74,939	\$ 526,731	\$ 10,877,085

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 489,541	\$	\$ 489,541
Total capital assets, not being depreciated		489,541		489,541
Capital assets, being depreciated:				
Buildings and improvements	6,553,078		63,278	6,489,800
Machinery and equipment	827,367		19,169	808,198
Infrastructure	5,608,968			5,608,968
Total capital assets, being depreciated	12,989,413		82,447	12,906,966
Less accumulated depreciation for:				
Buildings and improvements	4,312,592	221,581	63,278	4,470,895
Machinery and equipment	670,771	35,136	19,169	686,738
Infrastructure	2,139,966	199,970		2,339,936
Total accumulated depreciation	7,123,329	456,687	82,447	7,497,569
Total capital assets, being depreciated, net	5,866,084	(456,687)		5,409,397
Business-type activities capital assets, net	\$ 5,866,084	\$ 32,854	\$	\$ 5,898,938

Depreciation expense for the year ended December 31, 2020 was charged to functions/programs as follows:

Governmental Activities

General government	\$ 136,203
Public safety	106,712
Public works	615,888
Recreation and parks	67,232
Total	<u>\$ 926,035</u>

Business-Type Activities

Utility	\$ 456,687
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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt

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

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

A summary of long-term debt outstanding at December 31, 2020 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/20</u>
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	2.00%	2025	\$ 226,601
2013B Capital Improvement Bonds	12/18/2013	2.50% - 3.00%	2023	225,000
2014A Capital Improvement Bonds	6/18/2014	2.00% - 2.75%	2025	1,485,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	675,000
2018A Equipment Certificates	1/4/2018	1.90%	2022	325,000
2018A Improvement Certificates	6/7/2018	3.00% - 5.00%	2023	57,901
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	714,000
2016A Improvement Notes	4/14/2016	2.00%	2025	50,198
Other Liabilities:				
Net unamortized premium on bonds				12,821
Compensated Absences				<u>447,708</u>
Total Long-Term Debt				<u>\$ 4,219,229</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, 2020, the City had not utilized approximately \$17,183,000 of its net legal debt margin.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 264,823	\$	\$ 38,222	\$ 226,601	\$ 41,650
2013B Capital Improvement Bonds	295,000		70,000	225,000	70,000
2014A Capital Improvements Bonds	1,785,000		300,000	1,485,000	300,000
General obligation certificates:					
2017A Equipment Certificates	885,000		210,000	675,000	220,000
2018A Equipment Certificates	485,000		160,000	325,000	160,000
2018A Improvement Certificates	74,225		16,324	57,901	18,275
General obligation note payable:					
2016A Improvement Notes	62,294		12,096	50,198	12,096
Other Liabilities:					
Compensated Absences	375,068	193,579	169,255	399,392	180,232
Unamortized premium	43,176		7,147	36,029	
Less: unamortized (discount)	<u>(29,009)</u>		<u>(5,801)</u>	<u>(23,208)</u>	
Governmental Activities					
Long-Term Liabilities	<u>4,240,577</u>	<u>193,579</u>	<u>977,243</u>	<u>3,456,913</u>	<u>1,002,253</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	939,000		225,000	714,000	231,000
Other Liabilities:					
Compensated Absences	<u>47,394</u>	<u>35,816</u>	<u>34,894</u>	<u>48,316</u>	<u>35,573</u>
Business-Type Activities					
Long-Term Liabilities	<u>986,394</u>	<u>35,816</u>	<u>259,894</u>	<u>762,316</u>	<u>266,573</u>
Total	<u>\$ 5,226,971</u>	<u>\$ 229,395</u>	<u>\$ 1,237,137</u>	<u>\$ 4,219,229</u>	<u>\$ 1,268,826</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt (Continued)

Debt service requirements to maturity for long-term debt, excluding compensated absences, as of December 31, 2020 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2021	\$ 411,650	\$ 44,515	\$ 398,275	\$ 25,395
2022	417,500	35,941	409,125	14,766
2023	423,775	26,849	250,501	4,232
2024	344,625	17,586		
2025	339,051	9,661		
Totals	<u>\$1,936,601</u>	<u>\$ 134,550</u>	<u>\$1,057,901</u>	<u>\$ 44,393</u>

Year	General Obligation Notes Payable	
	Principal	Interest
2021	\$ 243,096	\$ 21,132
2022	250,398	14,378
2023	257,701	7,420
2024	13,003	260
Totals	<u>\$ 764,198</u>	<u>\$ 43,190</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

E. Tax Increment District

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

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

Information regarding District No. 6-1 (as of December 31, 2019, the most current information available) is as follows:

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2020:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 8,622	\$
Subtotal	<u>8,622</u>	
Non-Major Governmental Funds:		
Special Revenue		
Recycling	1,882	
Street Lights	618	
Debt Service		
2013A GO Capital Improvement Bonds		8,622
Subtotal	<u>2,500</u>	<u>8,622</u>
 Total Governmental Funds	 <u>11,122</u>	 <u>8,622</u>
 Proprietary Funds:		
Utility	3,419	5,919
Subtotal	<u>3,419</u>	<u>5,919</u>
 Total All Funds	 <u>\$ 14,541</u>	 <u>\$ 14,541</u>

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers

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

Interfund transfers during the year ended December 31, 2020 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 493,543	\$ 659,820
Developers Escrow		11,268
Renewal and Replacement		255,628
Subtotal	<u>493,543</u>	<u>926,716</u>
Non-Major Governmental Funds:		
Special Revenue		
Comprehensive Plan Update	5,578	
Emergency Management	3,157	
Police Reserves	3,000	
Forestry	2,000	
Animal Control	1,000	
Recreation Fund		62,500
Recycling Fund		5,000
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	158,645	
2017A GO Equipment Certificates	59,553	
2018A Blaine Fire Debt Service	80,032	
Tax Increment Financing - Legends of SLP		3,000

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
Storm Water	150,000	
Street sealcoating	50,000	
Building Maintenance	9,428	
Public Safety Replacement	18,572	
Subtotal	<u>590,965</u>	<u>70,500</u>
Total Governmental Funds	1,084,508	997,216
Proprietary Funds:		
Utility		<u>87,292</u>
Total All Funds	<u>\$ 1,084,508</u>	<u>\$ 1,084,508</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2020:

	General Fund	Developer's Escrow	Revolving Fund	Renewal and Replacement	2014A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid items	\$ 557	\$	\$	\$	\$	\$ 500	\$ 1,057
Restricted							
Police activities						8,742	8,742
Debt service					932,127	589,511	1,521,638
Street improvements						169,481	169,481
Park acquisition						705,058	705,058
Community development						67,553	67,553
Total Restricted					932,127	1,540,345	2,472,472
Assigned							
Working capital reserve	2,055,456						2,055,456
Compensated absences	399,392						399,392
Elections	84,397						84,397
Recreation programs						323,572	323,572
Recycling						77,469	77,469
Street lighting						54,016	54,016
Cable activities						27,851	27,851
Public safety supplies						22,852	22,852
HRA reserve						915,621	915,621
Street improvement			1,198,318	1,890,961			3,089,279
Street sealcoating						62,534	62,534
Storm water runoff program						39,709	39,709
Capital replacement						668,023	668,023
Building maintenance						139,241	139,241
Park acquisition						33,775	33,775
Other activities						34,977	34,977
Total Assigned	2,539,245		1,198,318	1,890,961		2,399,640	8,028,164
Unassigned						(8,622)	(8,622)
Total Fund Balance	\$ 2,539,802	\$	\$ 1,198,318	\$ 1,890,961	\$ 932,127	\$ 3,931,863	\$ 10,493,071

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Equity (Continued)

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2020 is as follows:

<u>Specific Purpose</u>	<u>Restriction Imposed By</u>			
	<u>Contributors</u>	<u>Grantors</u>	<u>Creditors</u>	<u>Regulations</u>
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 1,521,638	\$
Special Revenue Funds:				
Police activities	\$	\$ 8,742	\$	\$
Community development	17,397	50,156		
Total Special Revenue Funds	<u>\$ 17,397</u>	<u>\$ 58,898</u>	<u>\$</u>	<u>\$</u>
Capital Project Funds:				
Street improvements	\$	\$ 169,481	\$	\$
Park acquisition	705,058			
Total Capital Project Funds	<u>\$ 705,058</u>	<u>\$ 169,481</u>	<u>\$</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,823,225	\$
Police activities		8,742		
Community development	17,397	50,156		
Street improvements		169,481		
Park acquisition	705,058			
Total Restriction Net Position	<u>\$ 722,455</u>	<u>\$ 228,379</u>	<u>\$ 1,823,225</u>	<u>\$</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information

A. Risk Management

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

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

B. Commitments and Contingencies

Insurance:

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

General Litigation:

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

C. Pension Plans

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

A. Plan Description

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

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

B. Benefits Provided

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

2. Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$103,623. The City's contributions were equal to the required contributions as set by state statute.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

C. Contributions (continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.30 percent of pay to 11.80 percent and employer rates increase from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$186,745. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,103,164 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$33,897. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0184 percent at the end of the measurement period and .0200 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,103,164
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>33,897</u>
Total	<u>\$ 1,137,061</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2020, the City recognized pension expense (benefit) of (\$151,555) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,951 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, 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	\$ 10,996	\$ 4,174
Changes in actuarial assumptions		44,744
Net collective difference between projected and actual investment earnings		4,252
Changes in proportion		153,587
Contributions paid to PERA subsequent to the measurement date	<u>54,086</u>	
Total	<u>\$ 65,082</u>	<u>\$ 206,757</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$54,086 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense</u>
2021	\$ (154,426)
2022	(66,988)
2023	(999)
2024	26,652

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,202,114 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0912 percent at the end of the measurement period and .0955 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension (benefit) of (\$80,804) for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$8,708 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$8,208 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2020, 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	\$ 53,771	\$ 60,092
Changes in actuarial assumptions	424,056	756,699
Net collective difference between projected and actual investment earnings	34,919	
Changes in proportion	24,694	91,657
Contributions paid to PERA subsequent to the measurement date	<u>99,189</u>	
Total	<u>\$ 636,629</u>	<u>\$ 908,448</u>

The \$99,189 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Expense Amount</u>
2021	\$ (99,752)
2022	(365,179)
2023	50,967
2024	49,740
2025	(6,784)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

Total Pension Expense

The total pension expense (benefit) for all plans (General Employees Fund and Police and Fire Fund) recognized by the City for the year ended December 31, 2020 was (\$232,359).

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actual assumptions:

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

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

E. Actuarial Assumptions (Continued)

General Employees Fund

Changes in Actuarial Assumptions (Continued):

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	<u>2.0%</u>	0.00%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

G. Pension Liability Sensitivity

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

	Sensitivity of Net Pension Liability at Different Discount Rates			
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 1,767,989	6.50%	\$ 2,395,985
Current Discount Rate	7.50%	\$ 1,103,164	7.50%	\$ 1,202,114
1% Higher	8.50%	\$ 554,737	8.50%	\$ 214,394

H. Pension Plan Fiduciary Net Position

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2020 were:

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

E. Other Postemployment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 75, *Accounting and Financial Reporting by for Postemployment Benefits Other than Pensions*. Management determined the OPEB liability at December 31, 2020 is not material and therefore is not recorded in these financial statements.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

F. Joint Powers Agreements

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

Payments to the Department by the City of Spring Lake Park in 2020 totaled \$256,182, including a provision for capital expenditures. This total was approximately 8% of contracted revenues from member cities reported by the Department. As described in Note 1, the City is also responsible for its share of debt service payments related to bonds issued on behalf of the Department for building improvements and equipment acquisitions.

In addition, the City is a member of the Anoka County Joint Law Enforcement Council (JLEC), an organization of Anoka County and certain cities located within the County formed to cooperate in their law enforcement efforts. The City participates with the JLEC on a cost-sharing basis with the development and maintenance of an integrated central records communication system. Costs related to the City's participation in the JLEC were \$13,751 for the year ended December 31, 2020.

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

5. Subsequent Event

In February 2021, the City issued general obligation improvement refunding bonds in the amount of \$1,455,000. Proceeds from the bond will be used to refund the 2014 bonds.

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CITY OF SPRING LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of City Contributions
PERA General Employees Retirement Fund
December 31, 2020

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

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2020

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

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

CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
December 31, 2020

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

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2020

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1040%	\$ 1,123,243	\$ 886,585	126.7%	87.1%
2015	0.0960%	1,090,785	912,261	119.6%	86.6%
2016	0.0960%	3,852,647	932,841	413.0%	63.9%
2017	0.0920%	1,242,109	948,402	131.0%	85.4%
2018	0.0925%	985,955	975,104	101.1%	88.8%
2019	0.0955%	1,016,694	1,007,413	100.9%	89.3%
2020	0.0912%	1,202,114	1,029,857	116.7%	87.2%
2021					
2022					
2023					

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

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

December 31, 2020

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

December 31, 2020

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and investments	\$ 1,453,789	\$ 562,693	\$ 1,807,518	\$ 3,824,000
Accounts receivable	203,956		20,758	224,714
Due from other funds	2,500			2,500
Due from other governmental units		26,818		26,818
Prepaid expenditures	500			500
TOTAL ASSETS	\$ 1,660,745	\$ 589,511	\$ 1,828,276	\$ 4,078,532
LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 9,407	\$	\$ 1,160	\$ 10,567
Due to other funds		8,622		8,622
Unearned revenue	10,380			10,380
Total liabilities	25,387	8,622	1,160	35,169
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Developer fees	111,500			111,500
FUND BALANCE (DEFICIT)				
Nonspendable	500			500
Restricted	76,295	589,511	874,539	1,540,345
Assigned	1,447,063		952,577	2,399,640
Unassigned		(8,622)		(8,622)
Total Fund Balance (Deficit)	1,523,858	580,889	1,827,116	3,931,863
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,660,745	\$ 589,511	\$ 1,828,276	\$ 4,078,532

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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, 2020

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property and franchise taxes	\$ 22,071	\$ 396,215	\$	\$ 418,286
Intergovernmental revenues	59,145		78,129	137,274
Charges for services	273,956	13,342	131,458	418,756
Fines and forfeitures	8,713			8,713
Investment income	29,868	8,119	79,681	117,668
Other revenues	105,463	221,119	142,702	469,284
TOTAL REVENUES	<u>499,216</u>	<u>638,795</u>	<u>431,970</u>	<u>1,569,981</u>
EXPENDITURES				
Current				
General government	82,646			82,646
Public safety	6,350			6,350
Public works	29,657		694,437	724,094
Recreation and parks	101,832		10,427	112,259
Development and other	199,954	96,511		296,465
Capital Outlay				
Public works			159,083	159,083
Recreation and parks	289,567		11,774	301,341
Debt Service				
Principal		506,642		506,642
Interest and other		51,624		51,624
TOTAL EXPENDITURES	<u>710,006</u>	<u>654,777</u>	<u>875,721</u>	<u>2,240,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(210,790)</u>	<u>(15,982)</u>	<u>(443,751)</u>	<u>(670,523)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	14,735	348,230	228,000	590,965
Transfers to other funds	(67,500)	(3,000)		(70,500)
Sale of capital assets	841,970			841,970
Total other financing sources (uses)	<u>789,205</u>	<u>345,230</u>	<u>228,000</u>	<u>1,362,435</u>
Net change in fund balances	578,415	329,248	(215,751)	691,912
FUND BALANCES (DEFICIT), Beginning	<u>945,443</u>	<u>251,641</u>	<u>2,042,867</u>	<u>3,239,951</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 1,523,858</u>	<u>\$ 580,889</u>	<u>\$ 1,827,116</u>	<u>\$ 3,931,863</u>

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

December 31, 2020

	Recycling	Street Lighting	Cable
ASSETS			
Cash and investments	\$ 24,064	\$ 44,173	\$ 5,780
Accounts receivable	59,306	9,225	22,071
Prepaid expenditures			
Due from other funds	1,882	618	
TOTAL ASSETS	\$ 85,252	\$ 54,016	\$ 27,851
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 7,783	\$	\$
Deposits and other liabilities			
Unearned revenue			
Total liabilities	7,783		
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Developer fees			
FUND BALANCE			
Nonspendable			
Restricted			
Assigned	77,469	54,016	27,851
Total Fund Balance	77,469	54,016	27,851
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 85,252	\$ 54,016	\$ 27,851

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$ 22,852	\$ 8,742	\$ 335,570 6 500	\$ 919,373 113,348
<u>\$ 22,852</u>	<u>\$ 8,742</u>	<u>\$ 336,076</u>	<u>\$ 1,032,721</u>
\$	\$	\$ 1,624	\$ 5,600
		10,380	
		12,004	5,600
			111,500
		500	
22,852	8,742	323,572	915,621
<u>22,852</u>	<u>8,742</u>	<u>324,072</u>	<u>915,621</u>
<u>\$ 22,852</u>	<u>\$ 8,742</u>	<u>\$ 336,076</u>	<u>\$ 1,032,721</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2020**

	Tower Days	Traffic Education	Emergency Management
ASSETS			
Cash and investments	\$ 17,397	\$ 50,156	\$ 11,990
Accounts receivable			
Prepaid expenditures			
Due from other funds			
TOTAL ASSETS	\$ 17,397	\$ 50,156	\$ 11,990
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$
Deposits and other liabilities			
Unearned revenue			
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Developer fees			
FUND BALANCE			
Nonspendable			
Restricted	17,397	50,156	
Assigned			11,990
Total Fund Balance	17,397	50,156	11,990
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 17,397	\$ 50,156	\$ 11,990

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$ 5,309	\$ 5,653	\$ 2,730	\$ 1,453,789
			203,956
			500
			2,500
<u>\$ 5,309</u>	<u>\$ 5,653</u>	<u>\$ 2,730</u>	<u>\$ 1,660,745</u>
\$	\$	\$	\$ 9,407
			5,600
			10,380
			25,387
			111,500
			500
			76,295
<u>5,309</u>	<u>5,653</u>	<u>2,730</u>	<u>1,447,063</u>
<u>5,309</u>	<u>5,653</u>	<u>2,730</u>	<u>1,523,858</u>
<u>\$ 5,309</u>	<u>\$ 5,653</u>	<u>\$ 2,730</u>	<u>\$ 1,660,745</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, 2020

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
REVENUES			
Franchise taxes	\$	\$	\$ 22,071
Intergovernmental revenue	59,145		
Charges for services	133,591	37,966	
Fines and forfeitures			
Investment income	783	1,023	357
Other revenues			
TOTAL REVENUES	<u>193,519</u>	<u>38,989</u>	<u>22,428</u>
EXPENDITURES			
Current			
General government			16,748
Public safety			
Public works		29,657	
Development and other	199,180		
Recreation and parks			
Capital Outlay			
Recreation and parks			
TOTAL EXPENDITURES	<u>199,180</u>	<u>29,657</u>	<u>16,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,661)</u>	<u>9,332</u>	<u>5,680</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds	(5,000)		
Sale of capital assets			
Total other financing sources (uses)	<u>(5,000)</u>		
Net change in fund balances	(10,661)	9,332	5,680
FUND BALANCES, Beginning	<u>88,130</u>	<u>44,684</u>	<u>22,171</u>
FUND BALANCES, Ending	<u>\$ 77,469</u>	<u>\$ 54,016</u>	<u>\$ 27,851</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$	\$	\$	\$
		102,399	
8,713			
474	203	9,597	15,333
<u>1,704</u>			<u>100,469</u>
<u>10,891</u>	<u>203</u>	<u>111,996</u>	<u>115,802</u>
			58,206
3,178	2,024		
		101,032	
		1,640	287,927
<u>3,178</u>	<u>2,024</u>	<u>102,672</u>	<u>346,133</u>
<u>7,713</u>	<u>(1,821)</u>	<u>9,324</u>	<u>(230,331)</u>
	3,000		
		(62,500)	
			<u>841,970</u>
	<u>3,000</u>	<u>(62,500)</u>	<u>841,970</u>
7,713	1,179	(53,176)	611,639
<u>15,139</u>	<u>7,563</u>	<u>377,248</u>	<u>303,982</u>
<u>\$ 22,852</u>	<u>\$ 8,742</u>	<u>\$ 324,072</u>	<u>\$ 915,621</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, 2020

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
REVENUES			
Franchise taxes	\$	\$	\$
Intergovernmental revenue			
Charges for services			
Fines and forfeitures			
Investment income	398	1,258	271
Other revenues	<u>3,290</u>		
TOTAL REVENUES	<u>3,688</u>	<u>1,258</u>	<u>271</u>
EXPENDITURES			
Current			
General government		1,800	
Public safety			1,148
Public works			
Development and other	774		
Recreation and parks			
Capital Outlay			
Recreation and parks			
TOTAL EXPENDITURES	<u>774</u>	<u>1,800</u>	<u>1,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,914</u>	<u>(542)</u>	<u>(877)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			3,157
Transfers to other funds			
Sale of capital assets			
Total other financing sources (uses)			<u>3,157</u>
Net change in fund balances	2,914	(542)	2,280
FUND BALANCES, Beginning	<u>14,483</u>	<u>50,698</u>	<u>9,710</u>
FUND BALANCES, Ending	<u>\$ 17,397</u>	<u>\$ 50,156</u>	<u>\$ 11,990</u>

Animal Control	Comprehensive Plan Update	Forestry	Total
\$	\$	\$	\$ 22,071
			59,145
			273,956
			8,713
118		53	29,868
			105,463
<u>118</u>		<u>53</u>	<u>499,216</u>
	5,892		82,646
			6,350
			29,657
			199,954
		800	101,832
			289,567
	<u>5,892</u>	<u>800</u>	<u>710,006</u>
<u>118</u>	<u>(5,892)</u>	<u>(747)</u>	<u>(210,790)</u>
1,000	5,578	2,000	14,735
			(67,500)
			841,970
<u>1,000</u>	<u>5,578</u>	<u>2,000</u>	<u>789,205</u>
1,118	(314)	1,253	578,415
<u>4,191</u>	<u>5,967</u>	<u>1,477</u>	<u>945,443</u>
<u>\$ 5,309</u>	<u>\$ 5,653</u>	<u>\$ 2,730</u>	<u>\$ 1,523,858</u>

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

December 31, 2020

	<u>2013A G.O. Capital Improvement Fire Bond</u>	<u>2016A North Metro Tele- communications</u>
ASSETS		
Cash and investments	\$	\$ 322
Due from other governmental units	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$</u></u>	<u><u>\$ 322</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other funds	<u>\$ 8,622</u>	<u>\$</u>
FUND BALANCE (DEFICIT)		
Restricted		322
Unassigned	<u>(8,622)</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$</u></u>	<u><u>\$ 322</u></u>

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	Total
\$ 80,000	\$ 121,585 22,776	\$ 279,820	\$ 61,099	\$ 19,867 4,042	\$ 562,693 26,818
<u>\$ 80,000</u>	<u>\$ 144,361</u>	<u>\$ 279,820</u>	<u>\$ 61,099</u>	<u>\$ 23,909</u>	<u>\$ 589,511</u>
\$	\$	\$	\$	\$	\$ 8,622
80,000	144,361	279,820	61,099	23,909	589,511 (8,622)
<u>\$ 80,000</u>	<u>\$ 144,361</u>	<u>\$ 279,820</u>	<u>\$ 61,099</u>	<u>\$ 23,909</u>	<u>\$ 589,511</u>

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended December 31, 2020

	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications
REVENUES		
Taxes	\$	\$
Charges for services		13,342
Investment earnings	1,153	8
Other revenue		
	<hr/>	<hr/>
TOTAL REVENUES	1,153	13,350
	<hr/>	<hr/>
EXPENDITURES		
Current		
Development and other		
Debt Service		
Principal	38,222	12,096
Interest and other charges	4,857	1,246
	<hr/>	<hr/>
TOTAL EXPENDITURES	43,079	13,342
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,926)</u>	<u>8</u>
	<hr/>	<hr/>
OTHER FINANCING SOURCES		
Transfers from other funds	50,000	
Transfers to other funds		
	<hr/>	<hr/>
Total other financing sources (uses)	<u>50,000</u>	
	<hr/>	<hr/>
Net change in fund balances	8,074	8
	<hr/>	<hr/>
FUND BALANCES (DEFICIT), Beginning	(16,696)	314
	<hr/>	<hr/>
FUND BALANCES (DEFICIT), Ending	\$ (8,622)	\$ 322
	<hr/> <hr/>	<hr/> <hr/>

2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	Total
\$	\$ 248,025	\$	\$	\$ 148,190	\$ 396,215
	1,459	4,711		788	13,342
		221,119			8,119
					221,119
	249,484	225,830		148,978	638,795
	96,511				96,511
70,000		210,000	16,324	160,000	506,642
8,645	990	23,400	2,616	9,870	51,624
78,645	97,501	233,400	18,940	169,870	654,777
(78,645)	151,983	(7,570)	(18,940)	(20,892)	(15,982)
158,645	(3,000)	59,553	80,032		348,230
158,645	(3,000)	59,553	80,032		(3,000)
158,645	(3,000)	59,553	80,032		345,230
80,000	148,983	51,983	61,092	(20,892)	329,248
	(4,622)	227,837	7	44,801	251,641
<u>\$ 80,000</u>	<u>\$ 144,361</u>	<u>\$ 279,820</u>	<u>\$ 61,099</u>	<u>\$ 23,909</u>	<u>\$ 580,889</u>

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

December 31, 2020

	State Aid Street Fund	Street Sealcoating	Storm Water
ASSETS			
Cash and investments	\$ 169,481	\$ 41,776	\$ 39,709
Accounts receivable		20,758	
TOTAL ASSETS	\$ 169,481	\$ 62,534	\$ 39,709
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$
FUND BALANCE			
Restricted	169,481		
Assigned		62,534	39,709
Total Fund Balance	169,481	62,534	39,709
TOTAL LIABILITIES AND FUND BALANCE	\$ 169,481	\$ 62,534	\$ 39,709

<u>Capital Replacement</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 437,809	\$ 2,024	\$ 139,241	\$ 57,482
<u>\$ 437,809</u>	<u>\$ 2,024</u>	<u>\$ 139,241</u>	<u>\$ 57,482</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>437,809</u>	<u>2,024</u>	<u>139,241</u>	<u>57,482</u>
<u>437,809</u>	<u>2,024</u>	<u>139,241</u>	<u>57,482</u>
<u>\$ 437,809</u>	<u>\$ 2,024</u>	<u>\$ 139,241</u>	<u>\$ 57,482</u>

CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2020

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
ASSETS			
Cash and investments	\$ 11,620	\$ 670,682	\$ 23,916
Accounts receivable			
TOTAL ASSETS	\$ 11,620	\$ 670,682	\$ 23,916
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 1,160	\$	\$
FUND BALANCE			
Restricted	10,460	670,682	23,916
Assigned			
Total Fund Balance	10,460	670,682	23,916
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,620	\$ 670,682	\$ 23,916

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>2018A G.O. Equipment Certificates</u>	<u>2017A G.O. Equipment Certificates</u>	<u>Total</u>
\$ 15,534	\$ 18,241	\$ 172,732	\$ 7,271	\$ 1,807,518
				20,758
<u>\$ 15,534</u>	<u>\$ 18,241</u>	<u>\$ 172,732</u>	<u>\$ 7,271</u>	<u>\$ 1,828,276</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,160</u>
				874,539
<u>15,534</u>	<u>18,241</u>	<u>172,732</u>	<u>7,271</u>	<u>952,577</u>
<u>15,534</u>	<u>18,241</u>	<u>172,732</u>	<u>7,271</u>	<u>1,827,116</u>
<u>\$ 15,534</u>	<u>\$ 18,241</u>	<u>\$ 172,732</u>	<u>\$ 7,271</u>	<u>\$ 1,828,276</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, 2020

	State Aid Street Fund	Street Sealcoating	Storm Water
REVENUES			
Intergovernmental revenues	\$ 78,129	\$	\$
Charges for services		83,058	
Investment earnings	3,882	33,436	
Other revenues			133,573
	82,011	116,494	133,573
TOTAL REVENUES			
EXPENDITURES			
Current			
Public works	54,259	131,391	503,887
Recreation and parks			
Capital Outlay			
Public works			
Recreation and parks			
	54,259	131,391	503,887
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over (under) expenditures	27,752	(14,897)	(370,314)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds		50,000	150,000
	27,752	35,103	(220,314)
Net change in fund balances			
FUND BALANCES (DEFICIT), Beginning	141,729	27,431	260,023
FUND BALANCES (DEFICIT), Ending	\$ 169,481	\$ 62,534	\$ 39,709

<u>Capital Replacement</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$	\$
10,845	50	3,381	1,187
		5,389	
<u>10,845</u>	<u>50</u>	<u>8,770</u>	<u>1,187</u>
4,900			
		10,842	
<u>4,900</u>		<u>10,842</u>	
5,945	50	(2,072)	1,187
		9,428	18,572
<u>5,945</u>	<u>50</u>	<u>7,356</u>	<u>19,759</u>
<u>431,864</u>	<u>1,974</u>	<u>131,885</u>	<u>37,723</u>
<u>\$ 437,809</u>	<u>\$ 2,024</u>	<u>\$ 139,241</u>	<u>\$ 57,482</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, 2020

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
REVENUES			
Intergovernmental revenues	\$	\$	\$
Charges for services		48,400	
Investment earnings	421	15,970	589
Other revenues	250		
TOTAL REVENUES	<u>671</u>	<u>64,370</u>	<u>589</u>
EXPENDITURES			
Current			
Public works			
Recreation and parks	4,426		
Capital Outlay			
Public works			
Recreation and parks	3,679	3,603	
TOTAL EXPENDITURES	<u>8,105</u>	<u>3,603</u>	
Excess (deficiency) of revenues over (under) expenditures	(7,434)	60,767	589
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Net change in fund balances	(7,434)	60,767	589
FUND BALANCES (DEFICIT), Beginning	<u>17,894</u>	<u>609,915</u>	<u>23,327</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 10,460</u>	<u>\$ 670,682</u>	<u>\$ 23,916</u>

Small Equipment	Park Equipment and Improvement	2018A G.O. Equipment Certificates	2017A G.O. Equipment Certificates	Total
\$	\$	\$	\$	\$ 78,129
				131,458
409	707	8,599	205	79,681
	3,490			142,702
409	4,197	8,599	205	431,970
				694,437
1,259	4,742			10,427
		148,241		159,083
889	3,603			11,774
2,148	8,345	148,241		875,721
(1,739)	(4,148)	(139,642)	205	(443,751)
				228,000
(1,739)	(4,148)	(139,642)	205	(215,751)
17,273	22,389	312,374	7,066	2,042,867
\$ 15,534	\$ 18,241	\$ 172,732	\$ 7,271	\$ 1,827,116

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CITY OF SPRING LAKE PARK

OTHER REPORT SECTION

December 31, 2020

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Spring Lake Park (the City) as of and for the year ended December 31, 2020, 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 16, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001 and 2020-002.

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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 to be material weaknesses.

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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Minnesota Legal Compliance

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

City's Response to Findings

The City of Spring Lake Park's responses to the internal control findings identified in our audit have been included in the accompanying *Schedule of Findings and Responses*. The City of Spring Lake Park'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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
June 16, 2021

**CITY OF SPRING LAKE PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

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

Limited Segregation of Duties

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

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

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

Cause: There is a limited number of administrative staff.

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

CITY OF SPRING LAKE PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2013-002

2014-002

2015-002

2016-002

2017-002

2018-002

2019-002

Material Audit Adjustments

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

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

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

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

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

**CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2020-001 Limited Segregation of Duties

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

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

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

Cause: There is a limited number of administrative staff.

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

CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2020-002 **Material Audit Adjustments**

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

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

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

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

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



CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2020.

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

RESPONSE: FINDING 2020-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

Management agrees with our recommendation and will continue to attempt to segregate duties wherever possible.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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



CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

RESPONSE: FINDING 2020-002

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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

City of Spring Lake Park
1301 - 81st Avenue NE
Spring Lake Park, Minnesota 55432

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Spring Lake Park for the year ended December 31, 2020, and have issued our report thereon dated June 16, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 15, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Spring Lake Park solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated June 16, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in the engagement letter dated December 15, 2020.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, and our firm, have complied with all relevant ethical requirements regarding independence.

City of Spring Lake Park

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Spring Lake Park is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimate(s) affecting the financial statements was:

Depreciation of Capital Assets

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

Net Pension Liability and Net Pension Asset

Management's estimate of the net pension liability is actuarially determined. We have evaluated the estimates used in the study and determined they were reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

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

City of Spring Lake Park

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Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our accounting services and audit procedures. All material misstatements that we identified as a result of our accounting services and audit procedures were brought to the attention of, and were corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant City of Spring Lake Park's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 16, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with City of Spring Lake Park we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Spring Lake Park's auditors.

City of Spring Lake Park

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Other Matters

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

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

Very truly yours,

Smith, Schaff and Associates, Ltd.

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

In planning and performing our audit of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Spring Lake Park as of and for the year ended December 31, 2020, 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, we considered City of Spring Lake Park's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Spring Lake Park's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

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. We consider the following deficiencies in the City's internal control to be significant deficiencies:

Segregation of Duties

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

Material Audit Adjustments

The City currently relies upon its independent accountants to assist with adjustments to and preparation of the City's unaudited trial balance. Therefore, there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis by City personnel. Management should attempt to develop a financial accounting reporting staff and an accounting procedures manual to assist with ensuring that all information necessary to prepare an accurate unaudited trial balance is gathered in an organized and efficient manner. This will help ensure that any potential material misstatements are detected and corrected on a timely basis.

None of the identified deficiencies in internal control listed above are considered to be material weaknesses.

This communication is intended solely for the information and use of the Honorable Mayor and Members of the City Council, and management of the City of Spring Lake Park, the Minnesota State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Spring Lake Park's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafn and Associates, Ltd.

Minneapolis, Minnesota
June 16, 2021