

CITY OF SPRING LAKE PARK

FINANCIAL STATEMENTS

DECEMBER 31, 2017



**CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2017**

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CITY OF SPRING LAKE PARK

INTRODUCTORY SECTION

DECEMBER 31, 2017

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**CITY OF SPRING LAKE PARK
ELECTED AND APPOINTED OFFICIALS
December 31, 2017**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council:

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

APPOINTED OFFICIALS

City Administrator, Clerk-Treasurer	Daniel R. Buchholtz	Continuous
Accountant	Peggy Anderson	Continuous

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CITY OF SPRING LAKE PARK

FINANCIAL SECTION

DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of December 31, 2017, 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 26, 2018, 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 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.



Minneapolis, Minnesota
June 26, 2018

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, 2017, with comparative data for the fiscal year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the City of Spring Lake Park exceeded its liabilities at the close of the most recent fiscal year by \$21,496,564 (*net position*). Of this amount, \$7,148,568 (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 \$677,095. The increase is attributed equally to governmental and business-type activities.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$6,428,664, an increase of \$895,926 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$1,847,370, or 50.6% of total general fund expenditures.
- The City's total noncurrent liabilities decreased by \$2,684,697 due primarily to the decrease in the City's share of the net pension liability for PERA.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City of Spring Lake Park maintains forty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Able & Terrace improvement fund, the revolving fund, 2017A G.O. equipment certificates fund, and the 2014A G.O. improvement bonds fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Spring Lake Park adopts an annual budget for its general fund. Budgetary comparison statements have been provided for this fund (pages 23-26) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-71 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 74-95 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Lake Park, assets exceeded liabilities by \$21,496,564 at the close of the most recent fiscal year.

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

The largest portion of the City of Spring Lake Park's net position, \$12,022,745 (56%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,548,960	\$ 6,728,415	\$ 5,235,501	\$ 4,934,873	\$ 13,784,461	\$ 11,663,288
Capital assets	11,550,211	12,115,534	6,253,450	6,347,911	17,803,661	18,463,445
Total assets	<u>20,099,171</u>	<u>18,843,949</u>	<u>11,488,951</u>	<u>11,282,784</u>	<u>31,588,122</u>	<u>30,126,733</u>
Deferred outflows of resources	<u>228,508</u>	<u>3,345,568</u>	<u>64,421</u>	<u>248,130</u>	<u>292,929</u>	<u>3,593,698</u>
Long-term liabilities outstanding	6,948,473	9,289,712	1,994,885	2,338,343	8,943,358	11,628,055
Other liabilities	<u>561,707</u>	<u>401,543</u>	<u>183,594</u>	<u>115,895</u>	<u>745,301</u>	<u>517,438</u>
Total liabilities	<u>7,510,180</u>	<u>9,691,255</u>	<u>2,178,479</u>	<u>2,454,238</u>	<u>9,688,659</u>	<u>12,145,493</u>
Deferred inflows of resources	<u>648,039</u>	<u>671,974</u>	<u>47,789</u>	<u>83,495</u>	<u>695,828</u>	<u>755,469</u>
Net position:						
Net investment in capital assets	7,191,466	8,715,543	4,831,279	4,704,898	12,022,745	13,420,441
Restricted	2,325,251	1,675,641			2,325,251	1,675,641
Unrestricted	<u>2,652,743</u>	<u>1,435,104</u>	<u>4,495,825</u>	<u>4,288,283</u>	<u>7,148,568</u>	<u>5,723,387</u>
Total net position	<u>\$ 12,169,460</u>	<u>\$ 11,826,288</u>	<u>\$ 9,327,104</u>	<u>\$ 8,993,181</u>	<u>\$ 21,496,564</u>	<u>\$ 20,819,469</u>

An additional portion of the City of Spring Lake Park's net position at December 31, 2017 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,148,568) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities account for 57% of the City of Spring Lake Park's net position as of December 31, 2017. The total increase in net position for governmental activities was \$343,172, accounting for half of the increase in the net position of the City of Spring Lake Park for the year ended December 31, 2017. Key elements of this increase include:

- Charges for services revenues increased by \$718,787 from the prior year due primarily to increased building fees and related park dedication fees.
- Public safety expenses were \$366,039 less than the prior year due primarily to a decrease in the public safety pension liability.

Business-type activities. Business-type activities increased the City of Spring Lake Park's net position by \$333,923.

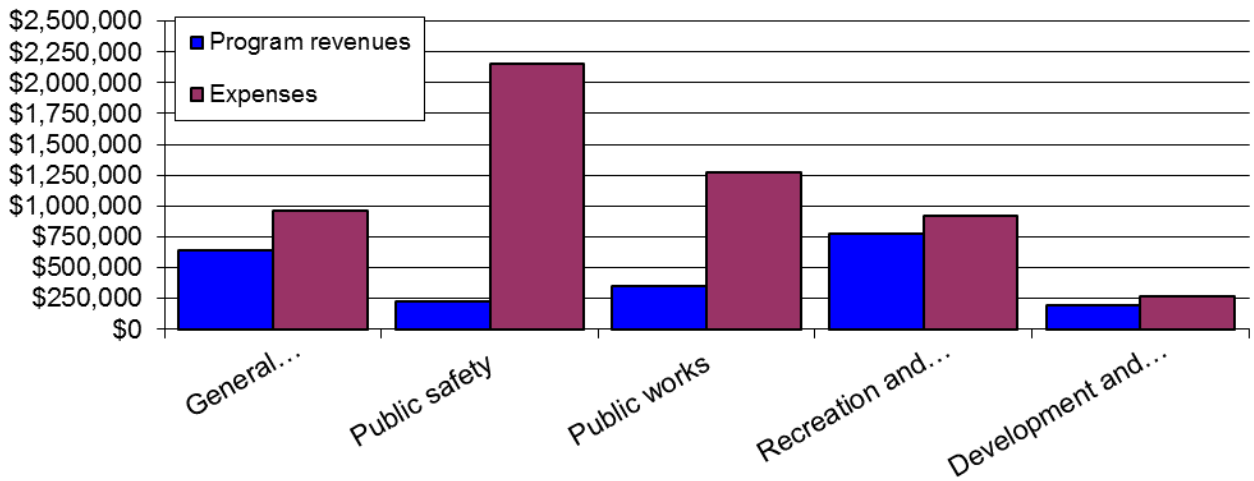
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,774,343	\$ 1,055,556	\$ 2,100,731	\$ 2,045,999	\$ 3,875,074	\$ 3,101,555
Operating grants and contributions	244,366	252,117			244,366	252,117
Capital grants and contributions	165,857	42,564			165,857	42,564
General revenues:						
Property taxes	3,108,755	2,995,002			3,108,755	2,995,002
Other	538,348	784,037	990,671	244,341	1,529,019	1,028,378
Total revenues	<u>5,831,669</u>	<u>5,129,276</u>	<u>3,091,402</u>	<u>2,290,340</u>	<u>8,923,071</u>	<u>7,419,616</u>
Expenses:						
General government	965,290	862,627			965,290	862,627
Public safety	2,154,455	2,520,494			2,154,455	2,520,494
Public works	1,274,897	1,155,806			1,274,897	1,155,806
Recreation and parks	923,186	880,973			923,186	880,973
Development and other	248,341	269,181			248,341	269,181
Interest on long-term debt	79,593	86,964			79,593	86,964
Utility			2,123,799	1,682,420	2,123,799	1,682,420
Liquor			476,415	488,472	476,415	488,472
Total expenses	<u>5,645,762</u>	<u>5,776,045</u>	<u>2,600,214</u>	<u>2,170,892</u>	<u>8,245,976</u>	<u>7,946,937</u>
Change in net position	185,907	(646,769)	491,188	119,448	677,095	(527,321)
Transfers	<u>157,265</u>	<u>157,090</u>	<u>(157,265)</u>	<u>(157,090)</u>		
Change in net position after transfers	343,172	(489,679)	333,923	(37,642)	677,095	(527,321)
NET POSITION - BEGINNING OF YEAR	<u>11,826,288</u>	<u>12,315,967</u>	<u>8,993,181</u>	<u>9,030,823</u>	<u>20,819,469</u>	<u>21,346,790</u>
NET POSITION - END OF YEAR	<u>\$ 12,169,460</u>	<u>\$ 11,826,288</u>	<u>\$ 9,327,104</u>	<u>\$ 8,993,181</u>	<u>\$ 21,496,564</u>	<u>\$ 20,819,469</u>

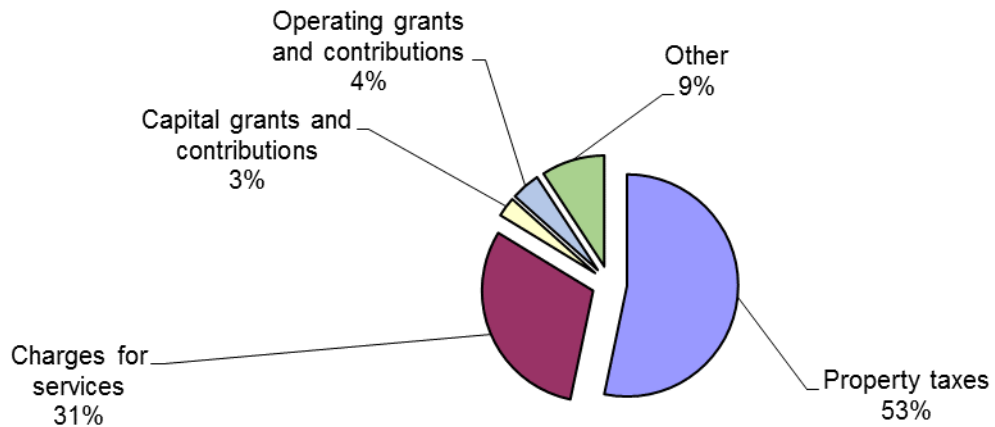
**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures for the year ended December 31, 2017. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



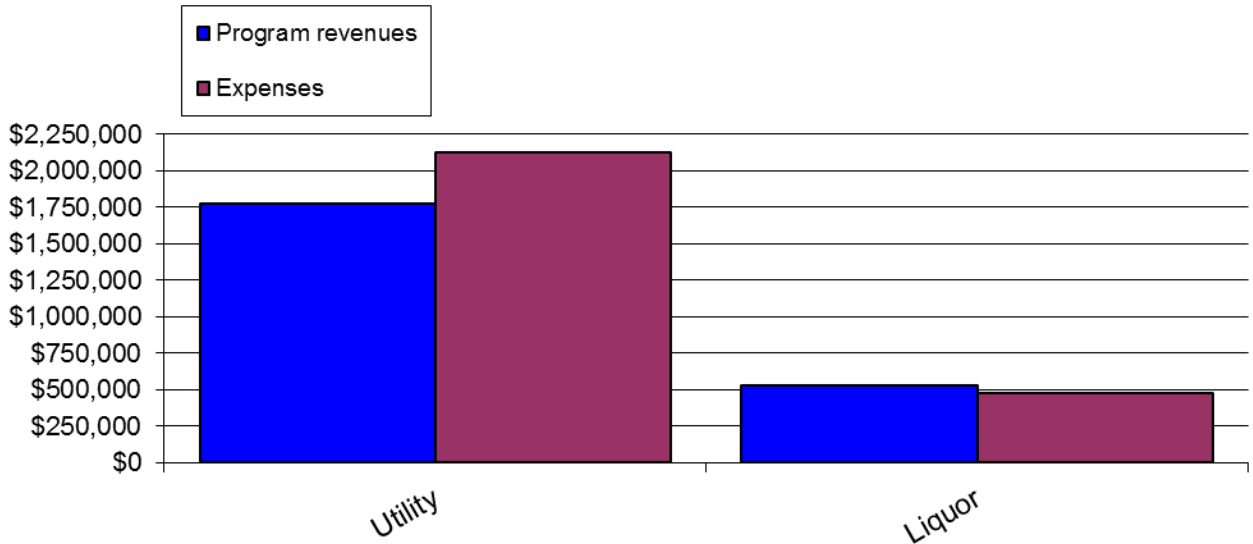
Revenues by Source - Governmental Activities



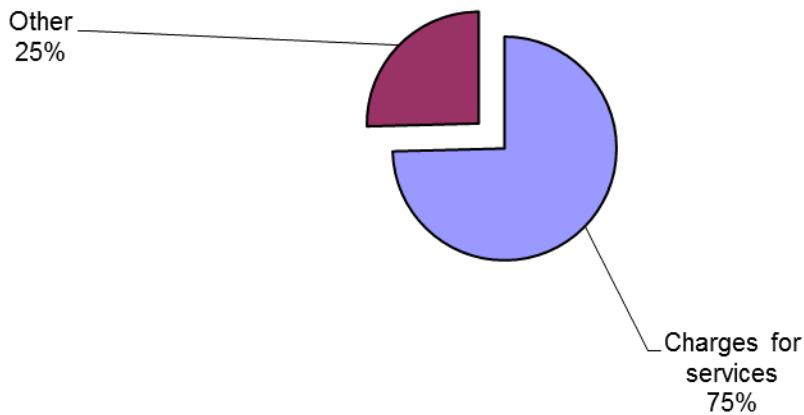
**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs related the business-type activity's program revenues with its expenditures for the year ended December 31, 2017. 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 \$6,428,664, an increase of \$895,926 in comparison with the prior year. Approximately 72% of this total fund balance, or \$4,639,210, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance \$1,789,454 is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments or has been expensed for prepaid items.

The general fund is the chief operating fund of City of Spring Lake Park. At the end of the current fiscal year, fund balance of the general fund was \$1,847,370. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 51% of total current year general fund expenditures. The general fund's total fund balance increased by \$158,933 during the current fiscal year due primarily to increased collection of property taxes and building permit revenues related to increased construction activity within the City.

The Able & Terrace improvement capital project fund increased its fund balance by \$22,433 due primarily to collections of special assessments in excess of transfers for closure of the fund to the revolving fund.

The revolving fund increased its fund balance by \$89,740 due primarily to the closure and transfers from other capital project funds.

The 2017A G.O. equipment certificates fund increased its fund balance by \$22,563 due primarily to premiums realized on issuance of debt.

The 2014A G.O. improvement bonds fund increased its fund balance by \$471,531 due primarily to collections of special assessments and state aid revenues in excess of debt service payments and the transfer of unused contingency from the 2014-2015 street improvement project fund to be applied toward debt service.

The special revenue funds increased their overall fund balances by \$107,111 due primarily to charges for services, intergovernmental revenues and other revenues in excess of current year recreation, development and other expenses.

The debt service funds (other than the 2014A G.O. improvement bonds fund as described as a major fund above) increased their collective fund balance by \$28,961 due primarily to transfers from other funds in excess of expenditures.

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

The capital projects funds (other than the Able & Terrace improvement fund, revolving fund, and 2017A G.O. equipment certificates fund described as major funds previously) decreased their collective fund balance by \$5,346 due to capital improvements made, including, but not limited to, sealcoating, purchase of 800Mhz radios for the police department, and storm sewer improvements.

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

Unrestricted net position for utility operations and liquor operations at the end of the year amounted to \$3,572,758 and \$923,067, respectively. The utility fund increased its net position by \$331,331 while the liquor fund increased its fund balance by \$2,592 for the year ended December 31, 2017. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Spring Lake Park's business-type activities.

General Fund Budgetary Highlights

The City's General Fund budget was amended during the year. The budget (both the original and final budgets) called for no change in General Fund balance. The actual net change to the General Fund balance was an increase of \$158,933. Revenues exceeded budget by \$257,747 for the year ended December 31, 2017 due primarily to increased revenues for permits and charges for services related to increased building activity within the City. Total expenditures were less than budget by \$112,573 for the year. Two departments had expenditures in excess of budget: recreation and parks expenditures exceeded budget by \$517 and expenditures in the other (unclassified) department exceeded budget by \$9,740. These over expenditures were primarily related to other charges and permit surcharges which were not anticipated.

Capital Asset and Debt Administration

Capital assets. The City of Spring Lake Park's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$17,803,661 (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 \$659,784, or less than 4%, for the year ended December 31, 2017, due to depreciation for the year ended December 31, 2017 being higher than current year asset acquisitions.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 604,950	\$ 604,950	\$ 127,883	\$ 127,883	\$ 732,833	\$ 732,833
Construction in progress	14,815				14,815	
Buildings and improvements	1,270,341	1,363,872	2,873,063	3,132,833	4,143,404	4,496,705
Machinery and equipment	856,907	768,483	193,107	169,573	1,050,014	938,056
Infrastructure	8,803,198	9,378,229	3,059,397	2,917,622	11,862,595	12,295,851
Total	\$ 11,550,211	\$ 12,115,534	\$ 6,253,450	\$ 6,347,911	\$ 17,803,661	\$ 18,463,445

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

Additional information on the City of Spring Lake Park's capital assets can be found in Note 3C beginning on page 50 of this report.

Long-term debt. At the end of the current fiscal year, the City of Spring Lake Park had \$5,755,563 in bonds, certificates, notes payable and capital lease payable outstanding. The entire amount outstanding comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds and notes payable	\$ 3,243,392	\$ 3,619,394	\$ 1,371,000	\$ 1,578,000	\$ 4,614,392	\$ 5,197,394
General obligation certificates	1,090,000	135,000			1,090,000	135,000
Capital lease obligation			51,171	65,013	51,171	65,013
Total	\$ 4,333,392	\$ 3,754,394	\$ 1,422,171	\$ 1,643,013	\$ 5,755,563	\$ 5,397,407

The City of Spring Lake Park's total bonds, certificates and notes payable increased by \$358,156 during the current fiscal year. The increase was due to the issuance of general obligation equipment certificates for the fire department.

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

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

Economic Factors and Next Year's Budgets and Rates

The City Council has prepared a balanced budget for the General Fund for 2018. The City Council has also approved a transfer of \$106,000 from the General Fund to the 2018A GO Equipment Certificates of Indebtedness, Series 2018A Fund, which was issued by the City of Blaine for the purchase of a second ladder truck for the Spring Lake Park, Mounds View and Blaine Fire Department that will occur in 2018. With an improving economy, the City is seeing vacant properties being purchased, new businesses coming into the City, and increasing building permit revenue. The City's property tax base continues to see improvements from the lows of the Great Recession. Local Government Aid remains an important funding source for the City's capital improvement plan and debt service funds, thereby reducing the City's property tax levy.

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

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

Major activities contemplated in 2018 are:

- Slip-lining project for sanitary sewer in an effort to renew the City's sanitary sewer system.
- Seal-coat project in an effort to maintain the City's investment in its street network.
- Acquisition of capital assets with the proceeds from equipment certificates issued in January 2013.
- Rehabilitation of the Osborne Road pedestrian trail east of CSAH 35 to the Anoka/Ramsey county line.
- Complete Comprehensive Plan 2040 update.
- Complete Storm Water Management Plan update.

Requests for Information

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

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CITY OF SPRING LAKE PARK
GOVERNMENT-WIDE FINANCIAL STATEMENTS
December 31, 2017

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CITY OF SPRING LAKE PARK
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 6,600,806	\$ 4,676,906	\$ 11,277,712
Receivables	764,595	404,332	1,168,927
Intergovernmental receivables	995,660		995,660
Internal fund balances	185,040	(185,040)	
Inventory		339,303	339,303
Prepaid items and other	2,859		2,859
Capital assets:			
Nondepreciable	619,765	127,883	747,648
Depreciable, net	10,930,446	6,125,567	17,056,013
Total Assets	20,099,171	11,488,951	31,588,122
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	228,508	64,421	292,929
LIABILITIES			
Accounts payable	265,416	129,549	394,965
Accrued payroll and related taxes	49,873	16,954	66,827
Accrued interest	31,179	13,074	44,253
Unearned revenue	19,472	3,000	22,472
Deposits and other liabilities	195,767	21,017	216,784
Noncurrent liabilities:			
Due within one year	606,919	265,718	872,637
Due in more than one year	4,110,181	1,224,592	5,334,773
Net pension liability	2,231,373	504,575	2,735,948
Total Liabilities	7,510,180	2,178,479	9,688,659
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	648,039	47,789	695,828
NET POSITION			
Net investment in capital assets	7,191,466	4,831,279	12,022,745
Restricted	2,325,251		2,325,251
Unrestricted	2,652,743	4,495,825	7,148,568
Total Net Position	\$ 12,169,460	\$ 9,327,104	\$ 21,496,564

See Notes to Financial Statements

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

For the Year Ended December 31, 2017

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	\$ 965,290	\$ 637,741	\$	\$
Public safety	2,154,455	127,337	103,695	
Public works	1,274,897	129,247	60,033	165,857
Recreation and parks	923,186	766,096	5,625	
Development and other	248,341	113,922	75,013	
Interest on long-term debt	79,593			
Total governmental activities	<u>5,645,762</u>	<u>1,774,343</u>	<u>244,366</u>	<u>165,857</u>
Business-Type activities:				
Utility	2,123,799	1,576,069		
Liquor	476,415	524,662		
Total business-type activities	<u>2,600,214</u>	<u>2,100,731</u>		
Total	<u>\$ 8,245,976</u>	<u>\$ 3,875,074</u>	<u>\$ 244,366</u>	<u>\$ 165,857</u>

General revenues:

General property taxes

Grants and contributions not restricted to specific programs

Lease revenue

Investment earnings (loss)

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (327,549)		\$ (327,549)
(1,923,423)		(1,923,423)
(919,760)		(919,760)
(151,465)		(151,465)
(59,406)		(59,406)
(79,593)		(79,593)
<u>(3,461,196)</u>		<u>(3,461,196)</u>
	\$ (547,730)	(547,730)
	48,247	48,247
	<u>(499,483)</u>	<u>(499,483)</u>
<u>(3,461,196)</u>	<u>(499,483)</u>	<u>(3,960,679)</u>
3,108,755		3,108,755
345,896		345,896
55,200	149,433	204,633
70,246	45,363	115,609
67,006	795,875	862,881
157,265	(157,265)	
<u>3,804,368</u>	<u>833,406</u>	<u>4,637,774</u>
343,172	333,923	677,095
<u>11,826,288</u>	<u>8,993,181</u>	<u>20,819,469</u>
<u>\$ 12,169,460</u>	<u>\$ 9,327,104</u>	<u>\$ 21,496,564</u>

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CITY OF SPRING LAKE PARK
FUND FINANCIAL STATEMENTS
December 31, 2017

**CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General Fund	Capital Project Funds		
		Able & Terrace Improvement	Revolving Fund	2017A G.O. Equipment Certificates
ASSETS				
Cash and investments	\$ 1,429,285	\$	\$ 1,149,201	\$ 204,968
Accounts receivable	16,113			
Taxes receivable	55,452			
Special assessments receivable	2,070		90,431	
Due from other funds	510,794		13,613	
Due from other governmental units	11,072		119	
Accrued interest receivable	42,016			
Prepaid expenses	2,034			
TOTAL ASSETS	\$ 2,068,836	\$	\$ 1,253,364	\$ 204,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 54,486	\$	\$	\$ 182,405
Accrued payroll and taxes	51,169			
Deposits and other liabilities	44,676			
Due to other funds	13,613		251,015	
Unearned revenue				
Total liabilities	163,944		251,015	182,405
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	55,452			
Special assessments	2,070		90,431	
Total deferred inflows of resources	57,522		90,431	
FUND BALANCE				
Nonspendable	2,034			
Restricted				
Assigned	1,845,336		911,918	22,563
Unassigned				
Total Fund Balance	1,847,370		911,918	22,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,068,836	\$	\$ 1,253,364	\$ 204,968

See Notes to Financial Statements

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 980,573	\$ 2,836,779	\$ 6,600,806
	99,550	115,663
		55,452
446,155		538,656
	2,063	526,470
1,047	570	12,808
		42,016
	825	2,859
<u>\$ 1,427,775</u>	<u>\$ 2,939,787</u>	<u>\$ 7,894,730</u>

\$	\$ 28,525	\$ 265,416
		51,169
	149,795	194,471
	76,802	341,430
	19,472	19,472
	<u>274,594</u>	<u>871,958</u>

		55,452
446,155		538,656
<u>446,155</u>		<u>594,108</u>

	825	2,859
981,620	804,975	1,786,595
	1,897,595	4,677,412
	(38,202)	(38,202)
<u>981,620</u>	<u>2,665,193</u>	<u>6,428,664</u>

<u>\$ 1,427,775</u>	<u>\$ 2,939,787</u>	<u>\$ 7,894,730</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, 2017

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

Total governmental fund balances (pages 17-18)		\$ 6,428,664
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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	\$ 26,887,814	
Accumulated depreciation	<u>(15,337,603)</u>	
		11,550,211

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

Delinquent property taxes	\$ 55,452	
Special assessments	<u>538,656</u>	
		594,108

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

Bonds payable (net of receivable for amounts to be paid by other governmental entities)	\$ (3,337,732)	
Net pension liability, deferred outflows and inflows from pension activity	(2,650,904)	
Compensated absences	(358,355)	
Accrued interest	(31,179)	
Net unamortized bond premiums	<u>(25,353)</u>	
		<u>(6,403,523)</u>

Net position of governmental activities (page 14)		<u><u>\$ 12,169,460</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, 2017

	General Fund	Capital Project Funds		2017A G.O. Equipment Certificates
		Able & Terrace Improvement	Revolving Fund	
REVENUES				
Property taxes	\$ 2,881,140	\$	\$ 741	\$
Special assessments		33,854	511	
Licenses and permits	340,214			
Intergovernmental revenues	441,063			
Charges for services	213,574			
Fines and forfeitures	45,838			
Investment income (loss)	22,817	636	9,470	2,580
Other revenues	100,181	890	10,747	
TOTAL REVENUES	<u>4,044,827</u>	<u>35,380</u>	<u>21,469</u>	<u>2,580</u>
EXPENDITURES				
Current				
General government	758,113			
Public safety	1,946,134			
Public works	220,008		1,580	
Recreation and parks	615,735			
Development and other	58,390			
Capital Outlay				
General government				
Public safety	55,063			1,090,000
Public works				
Recreation and parks				
Debt Service				
Principal				
Interest and other				
Bond issuance costs				34,340
TOTAL EXPENDITURES	<u>3,653,443</u>		<u>1,580</u>	<u>1,124,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>391,384</u>	<u>35,380</u>	<u>19,889</u>	<u>(1,121,760)</u>
OTHER FINANCING SOURCES				
Transfers from other funds	210,240		69,851	
Transfers to other funds	(442,691)	(12,947)		
Issuance of debt				1,090,000
Premium on issuance of debt				54,323
Total other financing sources (uses)	<u>(232,451)</u>	<u>(12,947)</u>	<u>69,851</u>	<u>1,144,323</u>
Net change in fund balances	158,933	22,433	89,740	22,563
FUND BALANCES (DEFICIT), Beginning	<u>1,688,437</u>	<u>(22,433)</u>	<u>822,178</u>	
FUND BALANCES (DEFICIT), Ending	<u>\$ 1,847,370</u>	<u>\$</u>	<u>\$ 911,918</u>	<u>\$ 22,563</u>

See Notes to Financial Statements

Debt Service Fund		
2014A G.O. Improvement Bonds	Other Governmental Funds	Total
\$ 88,995	\$ 168,388	\$ 3,139,264
107,926	19,461	161,752
		340,214
180,097	116,315	737,475
	1,013,938	1,227,512
	800	46,638
7,438	27,305	70,246
3,613	182,005	297,436
<u>388,069</u>	<u>1,528,212</u>	<u>6,020,537</u>
	78,704	836,817
	4,503	1,950,637
	289,346	510,934
	263,955	879,690
	189,091	247,481
	2,143	2,143
	110,306	1,255,369
	71,905	71,905
	48,139	48,139
260,000	251,002	511,002
56,538	21,204	77,742
		34,340
<u>316,538</u>	<u>1,330,298</u>	<u>6,426,199</u>
<u>71,531</u>	<u>197,914</u>	<u>(405,662)</u>
400,000	422,863	1,102,954
	(490,051)	(945,689)
		1,090,000
		54,323
<u>400,000</u>	<u>(67,188)</u>	<u>1,301,588</u>
471,531	130,726	895,926
510,089	2,534,467	5,532,738
<u>\$ 981,620</u>	<u>\$ 2,665,193</u>	<u>\$ 6,428,664</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, 2017

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

Net change in fund balances - total governmental funds (pages 20-21)	\$	895,926
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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	\$	312,201	
Depreciation expense		<u>(877,524)</u>	(565,323)

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	\$	594,108	
Unavailable revenue, beginning of year		<u>(800,609)</u>	(206,501)

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

Compensated absences, end of year	\$	(358,355)	
Compensated absences, beginning of year		<u>348,976</u>	(9,379)

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	\$	511,002	
City's share of long-term debt issuance		(94,340)	
Change in net pension liability		(166,379)	
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>(21,834)</u>	<u>228,449</u>

Change in net position of governmental activities (pages 15-16)	\$	<u><u>343,172</u></u>
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**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, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 2,902,082	\$ 2,902,082	\$ 2,881,140	\$ (20,942)
Licenses and Permits				
Licenses	46,852	46,852	46,151	(701)
Permits	85,700	89,700	294,063	204,363
Total Licenses and Permits	132,552	136,552	340,214	203,662
Intergovernmental				
Police aids	83,600	83,600	95,167	11,567
Other aids	768,837	345,907	345,896	(11)
Total Intergovernmental	852,437	429,507	441,063	11,556
Charges for Services				
General government	51,337	51,337	153,806	102,469
Public safety	1,250	1,250	2,910	1,660
Housing registration	59,000	59,000	56,858	(2,142)
Total Charges for Services	111,587	111,587	213,574	101,987
Fines and forfeits	73,500	73,500	45,838	(27,662)
Investment earnings (loss)	20,000	20,000	22,817	2,817
Miscellaneous Revenue				
Liaison officer	75,152	75,152	75,152	
Insurance dividends	10,000	10,000	7,909	(2,091)
Reimbursements and other	28,700	28,700	17,120	(11,580)
Total Miscellaneous Revenue	113,852	113,852	100,181	(13,671)
TOTAL REVENUES	4,206,010	3,787,080	4,044,827	257,747
EXPENDITURES				
General Government				
Mayor and Council				
Personnel services	35,456	35,456	34,805	651
Supplies and services	2,571	2,571	2,223	348
Other charges	15,548	15,548	11,956	3,592
Total Mayor and Council	\$ 53,575	\$ 53,575	\$ 48,984	\$ 4,591

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, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 397,235	\$ 397,235	\$ 407,324	\$ (10,089)
Supplies	9,811	9,811	9,421	390
Contracted services	7,010	7,010	6,717	293
Other services and charges	18,597	18,597	17,402	1,195
Total Administration	432,653	432,653	440,864	(8,211)
Election				
Other services and charges			1,503	(1,503)
Assessing				
Contracted services	35,500	35,500	34,896	604
Accounting and Auditing				
Contracted services	9,612	9,612	9,594	18
Information Technology				
Contracted services	26,590	26,590	35,965	(9,375)
Legal				
Contracted services	125,000	125,000	95,435	29,565
Engineering				
Contracted services	9,000	9,000	3,585	5,415
Planning and Zoning				
Supplies and other charges	1,167	1,167	301	866
Government Buildings				
Personnel services	19,728	19,728	20,607	(879)
Supplies	15,950	15,950	17,646	(1,696)
Contracted services	54,200	54,200	44,842	9,358
Other charges	4,480	4,480	3,891	589
Total Government Buildings	94,358	94,358	86,986	7,372
Total General Government	\$ 787,455	\$ 787,455	\$ 758,113	\$ 29,342

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, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Public Safety				
Police Protection				
Personnel services	\$ 1,474,997	\$ 1,474,997	\$ 1,457,874	\$ 17,123
Supplies	39,250	39,250	33,299	5,951
Contracted services	44,388	44,388	40,046	4,342
Other charges	57,660	57,660	46,352	11,308
Capital outlay	36,521	36,521	30,383	6,138
Total Police Protection	<u>1,652,816</u>	<u>1,652,816</u>	<u>1,607,954</u>	<u>44,862</u>
Fire Protection				
Contracted services	630,380	207,450	207,456	(6)
Capital outlay	50,012	50,012	24,680	25,332
Total Fire Protection	<u>680,392</u>	<u>257,462</u>	<u>232,136</u>	<u>25,326</u>
Code Enforcement				
Personnel services	154,332	158,332	153,265	5,067
Supplies	4,448	4,448	3,124	1,324
Contracted services	1,200	1,200	967	233
Other charges	4,955	4,955	3,751	1,204
Total Code Enforcement	<u>164,935</u>	<u>168,935</u>	<u>161,107</u>	<u>7,828</u>
Total Public Safety	<u>2,498,143</u>	<u>2,079,213</u>	<u>2,001,197</u>	<u>78,016</u>
Public Works				
Street Maintenance				
Personnel services	193,630	193,630	197,373	(3,743)
Supplies	40,140	40,140	21,728	18,412
Contracted services	1,210	1,210	360	850
Other charges	500	500	547	(47)
Total Street Maintenance	<u>235,480</u>	<u>235,480</u>	<u>220,008</u>	<u>15,472</u>
Total Public Works	<u>\$ 235,480</u>	<u>\$ 235,480</u>	<u>\$ 220,008</u>	<u>\$ 15,472</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, 2017

	Budgeted Amounts		2017	Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
EXPENDITURES				
Recreation and Parks				
Recreation				
Personnel services	\$ 302,875	\$ 302,875	\$ 301,997	\$ 878
Supplies	13,611	13,611	11,206	2,405
Contracted services	13,857	13,857	12,474	1,383
Other charges	1,835	1,835	442	1,393
Total Recreation	<u>332,178</u>	<u>332,178</u>	<u>326,119</u>	<u>6,059</u>
Parks and Forestry				
Personnel services	220,588	220,588	234,127	(13,539)
Supplies	39,032	39,032	33,579	5,453
Contracted services	8,500	8,500	7,926	574
Other charges	14,920	14,920	13,984	936
Total Parks and Forestry	<u>283,040</u>	<u>283,040</u>	<u>289,616</u>	<u>(6,576)</u>
Total Recreation and Parks	<u>615,218</u>	<u>615,218</u>	<u>615,735</u>	<u>(517)</u>
Other				
General insurance	45,050	45,050	41,779	3,271
Other charges	1,000	1,000	9,559	(8,559)
Permit surcharges	2,600	2,600	7,052	(4,452)
Total Other	<u>48,650</u>	<u>48,650</u>	<u>58,390</u>	<u>(9,740)</u>
Total Expenditures	<u>4,184,946</u>	<u>3,766,016</u>	<u>3,653,443</u>	<u>112,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,064</u>	<u>21,064</u>	<u>391,384</u>	<u>370,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	185,240	185,240	210,240	25,000
Transfers to other funds	<u>(206,304)</u>	<u>(206,304)</u>	<u>(442,691)</u>	<u>(236,387)</u>
Total Other Financing Sources (Uses)	<u>(21,064)</u>	<u>(21,064)</u>	<u>(232,451)</u>	<u>(211,387)</u>
NET CHANGE IN FUND BALANCE			158,933	158,933
FUND BALANCE, January 1	<u>1,688,437</u>	<u>1,688,437</u>	<u>1,688,437</u>	
FUND BALANCE, December 31	<u>\$ 1,688,437</u>	<u>\$ 1,688,437</u>	<u>\$ 1,847,370</u>	<u>\$ 158,933</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUNDS
 Statement of Net Position
 December 31, 2017**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and investments	\$	\$ 227,996	\$ 227,996
Accounts receivable	404,191	141	404,332
Inventory		339,303	339,303
Due from other funds	2,981		2,981
	<u>407,172</u>	<u>567,440</u>	<u>974,612</u>
Noncurrent Assets			
Property and Equipment			
Land and improvements		133,647	133,647
Buildings and structures	6,553,078	808,717	7,361,795
Distributions and collection systems	4,860,975		4,860,975
Furniture, fixtures and equipment	716,455	388,573	1,105,028
Total Property and Equipment	<u>12,130,508</u>	<u>1,330,937</u>	<u>13,461,445</u>
Less: Accumulated depreciation	<u>6,253,694</u>	<u>954,301</u>	<u>7,207,995</u>
Net Property and Equipment	<u>5,876,814</u>	<u>376,636</u>	<u>6,253,450</u>
Reserved Assets			
Cash and investments	<u>3,721,942</u>	<u>726,968</u>	<u>4,448,910</u>
Total Noncurrent Assets	<u>9,598,756</u>	<u>1,103,604</u>	<u>10,702,360</u>
TOTAL ASSETS	<u>10,005,928</u>	<u>1,671,044</u>	<u>11,676,972</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	<u>\$ 28,375</u>	<u>\$ 36,046</u>	<u>\$ 64,421</u>

CITY OF SPRING LAKE PARK
PROPRIETARY FUNDS
Statement of Net Position (Continued)
December 31, 2017

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 66,168	\$ 63,381	\$ 129,549
Accrued payroll and taxes	11,336	5,618	16,954
Accrued interest	12,883	191	13,074
Unearned revenue	3,000		3,000
Other accrued liabilities	4,968	16,049	21,017
Due to other funds	181,005	7,016	188,021
Current portion of compensated absences	30,891	7,671	38,562
Current portion of note payable and capital lease	213,000	14,156	227,156
	<u>523,251</u>	<u>114,082</u>	<u>637,333</u>
Long-term Liabilities			
Compensated absences payable	17,966	11,611	29,577
Net pension liability	234,876	269,699	504,575
Note payable	1,158,000		1,158,000
Capital lease		37,015	37,015
	<u>1,410,842</u>	<u>318,325</u>	<u>1,729,167</u>
Total Long-term Liabilities	<u>1,410,842</u>	<u>318,325</u>	<u>1,729,167</u>
Total Liabilities	<u>1,934,093</u>	<u>432,407</u>	<u>2,366,500</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activity	<u>21,638</u>	<u>26,151</u>	<u>47,789</u>
Net Position			
Net investment in capital assets	4,505,814	325,465	4,831,279
Unrestricted	<u>3,572,758</u>	<u>923,067</u>	<u>4,495,825</u>
Total Net Position	<u>\$ 8,078,572</u>	<u>\$ 1,248,532</u>	<u>\$ 9,327,104</u>

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**CITY OF SPRING LAKE PARK
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2017**

	<u>Utility Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
Sales and Cost of Goods Sold			
Sales	\$	\$ 2,018,591	\$ 2,018,591
Cost of goods sold		1,493,929	1,493,929
Gross Profit		<u>524,662</u>	<u>524,662</u>
Operating Revenue			
Charges for services	<u>1,576,069</u>		<u>1,576,069</u>
Operating Expenses			
Personnel services	331,568	305,105	636,673
Supplies	145,697	7,702	153,399
Contracted services and other	146,140	55,543	201,683
Treatment charges	1,020,978		1,020,978
Depreciation	403,245	40,972	444,217
Other charges	33,632	65,803	99,435
Total Operating Expenses	<u>2,081,260</u>	<u>475,125</u>	<u>2,556,385</u>
Operating Income (Loss)	<u>(505,191)</u>	<u>49,537</u>	<u>(455,654)</u>
Other Revenue (Expense)			
Lease revenue	149,433		149,433
Commissions and other revenue	777,552	18,323	795,875
Investment income	34,341	11,022	45,363
Interest and other expense	<u>(42,539)</u>	<u>(1,290)</u>	<u>(43,829)</u>
Total Other Revenue (Expense)	<u>918,787</u>	<u>28,055</u>	<u>946,842</u>
Income (Loss) Before Transfers	413,596	77,592	491,188
Transfers to other funds	<u>(82,265)</u>	<u>(75,000)</u>	<u>(157,265)</u>
Change in net position	331,331	2,592	333,923
NET POSITION, BEGINNING OF YEAR	<u>7,747,241</u>	<u>1,245,940</u>	<u>8,993,181</u>
NET POSITION, END OF YEAR	<u>\$ 8,078,572</u>	<u>\$ 1,248,532</u>	<u>\$ 9,327,104</u>

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2017

	Utility Fund	Liquor Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,666,239	\$ 2,036,914	\$ 4,703,153
Cash paid to suppliers	(1,317,650)	(1,580,668)	(2,898,318)
Cash paid to employees	(317,230)	(287,756)	(604,986)
Net Cash Provided By Operating Activities	1,031,359	168,490	1,199,849
Cash Flows From Investing Activities			
Investment income	34,341	11,022	45,363
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	(82,265)	(75,000)	(157,265)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(349,756)		(349,756)
Principal paid on long-term debt	(207,000)		(207,000)
Principal paid on capital lease		(13,842)	(13,842)
Interest paid on long-term debt/capital lease	(44,484)	(1,342)	(45,826)
Net Cash (Used In) Capital and Related Financing Activities	(601,240)	(15,184)	(616,424)
Net Increase in Cash and Cash Equivalents	382,195	89,328	471,523
Cash and Cash Equivalents, January 1	3,339,747	865,636	4,205,383
Cash and Cash Equivalents, December 31	\$ 3,721,942	\$ 954,964	\$ 4,676,906
Classified as:			
Cash and investments - current assets	\$	\$ 227,996	\$ 227,996
Cash and investments - reserved assets	3,721,942	726,968	4,448,910
Total Cash and Cash Equivalents, December 31	\$ 3,721,942	\$ 954,964	\$ 4,676,906

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
PROPRIETARY FUNDS
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

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

Operating income (loss)	\$ (505,191)	\$ 49,537	\$ (455,654)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	403,245	40,972	444,217
Change in net pension liability	8,758	8,731	17,489
Lease and other revenues	926,985	18,323	945,308
(Increase) decrease in:			
Accounts receivable	(11,297)		(11,297)
Inventory		7,710	7,710
Due from other funds	2,052		2,052
Increase (decrease) in:			
Accounts payable	28,797	38,683	67,480
Accrued payroll and taxes	4,980	1,320	6,300
Other accrued liabilities		(4,084)	(4,084)
Due to other funds	172,430		172,430
Estimated liability for compensated absences	600	7,298	7,898
Net Cash Provided By Operating Activities	<u>\$ 1,031,359</u>	<u>\$ 168,490</u>	<u>\$ 1,199,849</u>

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CITY OF SPRING LAKE PARK
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

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

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

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

1. The Fire Department is governed by its own Board of Directors. Directors are appointed by each city and from the Fire Department.
2. Operation, maintenance and debt service costs are shared based upon a formula. One half of the formula is the relative assessed value of each city. The other half is the three year average of fire calls within each city. The City's share of the formula was 8.655% in 2017.
3. The city of Blaine issued \$8,050,000 G.O. Capital Improvement Bonds, Series 2005A, on December 1, 2005 to construct a new fire station and training facility and acquire two additional fire trucks. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance. These bonds were refunded in 2016 (see 4. below).
4. In 2013, the city of Blaine issued crossover refunding bonds to refund (in 2016) the 2005A G.O. Capital Improvement Bonds. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance.
5. In 2017, The city of Spring Lake Park issued \$1,090,000 G.O. Equipment Certificates of Indebtedness, Series 2017A, on March 21, 2017 to purchase a new fire truck and additional fire vehicles and equipment. The City of Spring Lake Park has recorded the full amount of debt and an intergovernmental receivable for the share of debt related to Blaine and Mounds View.
6. Each city has a non-measurable equity interest in the property that is held by the fire department.

The City's share of operating costs were \$207,456, capital costs were \$24,680 and debt service costs were \$46,707 during 2017. 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 debt service fund.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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

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 \$13,124 in franchise fees that were used for debt service payments during the year ended December 31, 2017.

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Cash and investments (including cash equivalents)

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

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

2. Receivables and payables

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and payables (continued)

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

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

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

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

3. Inventories

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

4. Capital assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

8. Fund equity

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

8. Fund equity (continued)

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

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

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

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

E. Concentration of Credit Risk

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

F. Use of Estimates

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

G. Conduit Debt Obligations

The City issued lease revenue bonds during 2017 to provide funding to a private sector entity for a project deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2017, the outstanding principal amount of these bonds was \$33,012,684.

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

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator. The Administrator's office compiles the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
 2. The preliminary budget is submitted to the City Council in August for its review and/or modification.
 3. City administration presents the proposed budget to the City Council which in turn holds a truth-in-taxation public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the department level for the General Fund.
 4. All budgeted appropriations lapse at the end of the fiscal year. The legal level of control (the level on which expenditures may not legally exceed appropriations) for each budget is at the department level. Administration cannot legally amend or transfer appropriations between departments without the approval of the City Council once the budget has been approved. Any over expenditures of appropriations or transfers of appropriated amounts must be approved by the City Council.
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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, 2017).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2017, the following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2017 Budgeted Expenditures</u>	<u>2017 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
Recreation and parks \$	615,218	\$ 615,735	\$ 517
Other	48,650	58,390	9,740

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

C. Fund Balance Deficits

As of December 31, 2017, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Nonmajor:	
2013A G.O. Capital Improvement Fire Bond	\$ 28,285
Developer's Escrow	8,892
Tax Increment Financing - Legends of SLP	1,025

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds

A. Deposits and Investments

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

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

The City's deposits were entirely covered by federal depository insurance or collateral at December 31, 2017.

Investment Policy

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

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

Fair Value Measurements

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2017 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 7,944,517	\$ 7,944,517	\$	\$
Municipal Bonds	283,549		283,549	
U.S. Government Securities	1,838,564		1,838,564	
Total	\$ 10,066,630	\$ 7,944,517	\$ 2,122,113	\$

Interest Rate Risk

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

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

<u>Investment</u>	<u>Range of Maturities</u>	<u>Rating</u>	<u>Value</u>
Cash	N/A	N/A	\$ 1,211,082
Certificates of Deposit	3/25	N/A	7,944,517
Municipal Bonds	2/21	Aa1 - AAA	283,549
U.S. Government Securities	9/26	AAA	1,838,564
Total cash and investments			\$11,277,712

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, 2017 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$ 627,900

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, 2017, 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, 2017 were as follows:

<u>Fund Type</u>	<u>Anoka County</u>
General Fund	\$ 11,072
Capital Projects	119
Debt Service	1,617
	<u>\$ 12,808</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, 2017 was as follows:

Governmental Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 604,950	\$	\$	\$ 604,950
Construction in progress		14,815		14,815
Total capital assets, not being depreciated	604,950	14,815		619,765
Capital assets, being depreciated:				
Buildings and improvements	3,249,957			3,249,957
Machinery and equipment	3,166,260	297,386		3,463,646
Infrastructure	19,554,446			19,554,446
Total capital assets, being depreciated	25,970,663	297,386		26,268,049
Less accumulated depreciation for:				
Buildings and improvements	1,886,085	93,531		1,979,616
Machinery and equipment	2,397,777	208,962		2,606,739
Infrastructure	10,176,217	575,031		10,751,248
Total accumulated depreciation	14,460,079	877,524		15,337,603
Total capital assets, being depreciated, net	11,510,584	(580,138)		10,930,446
Governmental activities capital assets, net	\$ 12,115,534	\$ (565,323)	\$	\$ 11,550,211

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 127,883	\$	\$	\$ 127,883
Total capital assets, not being depreciated	127,883			127,883
Capital assets, being depreciated:				
Land improvements	5,765			5,765
Buildings and improvements	7,361,795			7,361,795
Machinery and equipment	1,046,279	58,749		1,105,028
Infrastructure	4,569,967	291,007		4,860,974
Total capital assets, being depreciated	12,983,806	349,756		13,333,562
Less accumulated depreciation for:				
Land improvements	5,765			5,765
Buildings and improvements	4,228,962	259,770		4,488,732
Machinery and equipment	876,706	35,215		911,921
Infrastructure	1,652,345	149,232		1,801,577
Total accumulated depreciation	6,763,778	444,217		7,207,995
Total capital assets, being depreciated, net	6,220,028	(94,461)		6,125,567
Business-type activities capital assets, net	<u>\$ 6,347,911</u>	<u>\$ (94,461)</u>	<u>\$</u>	<u>\$ 6,253,450</u>

Depreciation expense for the year ended December 31, 2017 was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 105,626
Public safety	59,316
Public works	660,313
Recreation and parks	52,269
Total	<u>\$ 877,524</u>
Business-Type Activities	
Utility	\$ 403,245
Liquor	40,972
Total	<u>\$ 444,217</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt

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

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

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

A summary of long-term debt outstanding at December 31, 2017 is as follows:

	<u>Issue Date</u>	<u>Range of Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/17</u>
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	1.00% - 2.00%	2026	\$ 342,813
2013B Capital Improvement Bonds	12/18/2013	1.60% - 3.00%	2023	430,000
2014A Capital Improvement Bonds	6/18/2014	2.00% - 2.75%	2025	2,385,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	1,090,000
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	1,371,000
2016A Improvement Notes	4/14/2016	2.00%	2026	85,579
Other Liabilities:				
Capital Lease	5/26/2015	2.25%	2021	51,171
Net unamortized premium on bonds				25,353
Compensated Absences				426,494
Total Long-Term Debt				<u>\$ 6,207,410</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, 2017, the City had not utilized \$13,035,000 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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 382,626	\$	\$ 39,813	\$ 342,813	\$ 40,027
2013B Capital Improvement Bonds	495,000		65,000	430,000	65,000
2014A Capital Improvements Bonds	2,645,000		260,000	2,385,000	300,000
General obligation certificates:					
2013A Equipment Certificates	135,000		135,000		
2017A Equipment Certificates		1,090,000		1,090,000	
General obligation note payable:					
2016A Improvement Notes	96,768		11,189	85,579	11,189
Other Liabilities:					
Compensated Absences	348,976	195,091	185,712	358,355	190,703
Unamortized premium	59,845		6,086	53,759	
Less: unamortized (discount)	(31,622)		(3,216)	(28,406)	
Governmental Activities					
Long-Term Liabilities	<u>4,131,593</u>	<u>1,285,091</u>	<u>699,584</u>	<u>4,717,100</u>	<u>606,919</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	1,578,000		207,000	1,371,000	213,000
Other Liabilities:					
Obligation Under Capital Lease	65,013		13,842	51,171	14,156
Compensated Absences	60,241	41,990	34,092	68,139	38,562
Business-Type Activities					
Long-Term Liabilities	<u>1,703,254</u>	<u>41,990</u>	<u>254,934</u>	<u>1,490,310</u>	<u>265,718</u>
Total	<u>\$ 5,834,847</u>	<u>\$ 1,327,081</u>	<u>\$ 954,518</u>	<u>\$ 6,207,410</u>	<u>\$ 872,637</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, 2017 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2018	\$ 405,027	\$ 70,017	\$ -	\$ 44,508
2019	410,458	62,349	205,000	29,625
2020	411,318	54,388	210,000	23,400
2021	412,179	45,579	220,000	16,950
2022	418,040	36,753	225,000	10,275
2023-2025	1,100,791	54,961	230,000	3,450
Totals	<u>\$3,157,813</u>	<u>\$ 324,047</u>	<u>\$ 1,090,000</u>	<u>\$ 128,208</u>

Year	General Obligation Notes Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2018	\$ 224,491	\$ 40,361	\$ 14,156	\$ 1,028
2019	230,794	34,126	14,477	706
2020	237,096	27,716	14,806	378
2021	243,096	21,132	7,732	64
2022	250,398	14,378		
2023-2025	270,704	7,680		
Totals	<u>\$1,456,579</u>	<u>\$ 145,392</u>	<u>\$ 51,171</u>	<u>\$ 2,176</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

E. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2017:

	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General Fund	\$ 510,794	\$ 13,613
Revolving Fund	13,613	251,015
Subtotal	<u>524,407</u>	<u>264,628</u>
Non-Major Governmental Funds:		
Special Revenue		
Recycling	1,538	
Street Lights	525	
Cable		11,492
Debt Service		
2013A GO Capital Improvement Bonds		58,941
Tax Increment Financing - Legends of SLP		1,025
Capital Projects		
Park Equipment and Improvement		5,344
Subtotal	<u>2,063</u>	<u>76,802</u>
Total Governmental Funds	<u>526,470</u>	<u>341,430</u>
Proprietary Funds:		
Utility	2,981	181,005
Liquor		7,016
Subtotal	<u>2,981</u>	<u>188,021</u>
Total All Funds	<u>\$ 529,451</u>	<u>\$ 529,451</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)

F. Interfund Transfers

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; or 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. The amount transferred from the liquor fund was used to finance general operations in the City's General Fund.

Interfund transfers during the year ended December 31, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 210,240	\$ 442,691
Able & Terrace Improvement		12,947
Revolving Fund	69,851	
2014A GO Capital Improvement Bonds	400,000	
Subtotal	<u>680,091</u>	<u>455,638</u>
Non-Major Governmental Funds:		
Special Revenue		
Comprehensive Plan Update	5,000	
Emergency Management	3,155	
Police Reserves	2,500	
Forestry	1,600	
Animal Control	1,000	
Recreation Fund		60,000
Recycling Fund		4,000
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	76,025	
2011A Fire Equipment		4,147

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

F. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
2018A GO Equipment Certificates	125,000	
Storm Water	125,000	
Building Maintenance	9,436	
Public Safety Replacement	20,000	
Capital Replacement	4,147	
2014-2015 Street Improvement Project		400,000
81st Avenue Rehabilitation		21,904
Subtotal	<u>422,863</u>	<u>490,051</u>
Total Governmental Funds	<u>1,102,954</u>	<u>945,689</u>
Proprietary Funds:		
Utility		82,265
Liquor		75,000
Total Proprietary Funds		<u>157,265</u>
Total All Funds	<u>\$ 1,102,954</u>	<u>\$ 1,102,954</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Fund Equity

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2017:

	General Fund	Able & Terrace Improvement	Revolving Fund	2017A G.O. Equipment Certificates	2014A G.O. Improvement Bonds	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid items	\$ 2,034	\$	\$	\$	\$	\$ 825	\$ 2,859
Restricted							
Police activities						2,578	2,578
Debt service					981,620	50,658	1,032,278
Capital acquisitions						33,250	33,250
Park acquisition						642,015	642,015
Community development						76,474	76,474
Total Restricted					981,620	804,975	1,786,595
Assigned							
Working capital reserve	1,422,713						1,422,713
Compensated absences	358,355						358,355
Elections	64,268						64,268
Recreation programs						336,293	336,293
Recycling						81,971	81,971
Street lighting						34,892	34,892
Cable activities						9,467	9,467
Public safety supplies				22,563		17,313	39,876
HRA reserve						240,242	240,242
Street improvement			911,918			74,728	986,646
Street sealcoating						50,592	50,592
Storm water runoff program						281,772	281,772
Capital replacement						513,756	513,756
Building maintenance						123,264	123,264
Park acquisition						40,154	40,154
Other activities						93,151	93,151
Total Assigned	1,845,336		911,918	22,563		1,897,595	4,677,412
Unassigned						(38,202)	(38,202)
Total Fund Balance	\$ 1,847,370	\$	\$ 911,918	\$ 22,563	\$ 981,620	\$ 2,665,193	\$ 6,428,664

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:

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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 under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan - All full-time and certain part-time employees of the City of Spring Lake Park are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. Public Employees Police and Fire Plan - The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

A. Plan Description (continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

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

B. Contributions

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Contributions (continued)

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$114,728. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$153,641. The City's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,493,841 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 \$18,793. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was .0234 which was a decrease of .0005 percent from its proportion measured as of June 30, 2016.

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. Pension Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2017, the City recognized pension expense of \$59,858 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$543 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, 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	\$	\$ 49,621
Changes in Actuarial Assumptions	103,552	
Difference between projected and actual investment earnings	17,236	
Changes in proportion		84,060
Contributions paid to PERA subsequent to the measurement date	<u>57,622</u>	
Total	<u>\$ 178,410</u>	<u>\$ 133,681</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)

C. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

\$57,624 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense</u>
2018	\$ 16,548
2019	70,943
2020	(36,972)
2021	(63,412)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,242,109 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .092 percent which was a decrease of .004 percent from its proportion measured as of June 30, 2016. The City also recognized \$8,280 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$132,289 for its proportionate share of the Police and Fire Plan's pension expense.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2017, 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	\$	\$ 317,912
Changes in Actuarial Assumptions		67,262
Difference between projected and actual investment earnings	34,938	
Changes in proportion		176,973
Contributions paid to PERA subsequent to the measurement date	<u>79,581</u>	
Total	<u>\$ 114,519</u>	<u>\$ 562,147</u>

\$79,582 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Expense Amount</u>
2018	\$ 780
2019	780
2020	(46,732)
2021	(108,305)
2022	(373,732)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

C. Pensions Costs (continued)

The total pension expense for all plans (General Employees Fund and Police and Fire Fund) recognized by the City for the year ended December 31, 2017 was \$192,147.

D. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actual assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1 percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
-

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. Actuarial Assumptions (Continued)

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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. 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	<u>100%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

F. Pension Liability Sensitivity

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

	Sensitivity of Net Pension Liability at Current Single Discount Rate			
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 2,317,058	6.50%	\$ 2,339,255
Current Discount Rate	7.50%	\$ 1,493,841	7.50%	\$ 1,242,109
1% Higher	8.50%	\$ 819,888	8.50%	\$ 336,356

G. Pension Plan Fiduciary Net Position

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (.0025) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2017 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>
\$ 1,057	\$ 1,057	5%	5%	5%

E. Other Postemployment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. Management determined the OPEB liability at December 31, 2017 is not material and therefore is not recorded in these financial statements.

F. Joint Powers Agreements

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

F. Joint Powers Agreements (Continued)

Payments to the Department by the City of Spring Lake Park in 2017 totaled \$232,136, including a provision for capital expenditures. This total was approximately 9% of contracted revenues from member cities reported by the Department. As described in Note 1, the City is also responsible for its share of debt service payments related to bonds issued on behalf of the Department for building improvements and equipment acquisitions.

In addition, the City is a member of the Anoka County Joint Law Enforcement Council (JLEC), an organization of Anoka County and certain cities located within the County formed to cooperate in their law enforcement efforts. The City participates with the JLEC on a cost-sharing basis with the development and maintenance of an integrated central records communication system. Costs related to the City's participation in the JLEC were \$13,724 for the year ended December 31, 2017.

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

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

5. Subsequent Events

The City formed a tax increment financing district for senior housing development that will provide safe, decent, affordable, sanitary housing for residents of the City and will be occupied in part by persons or families of low and moderate income that was certified by Anoka County in 2018.

In January 2018, the City issued general obligation equipment certificates of indebtedness in the amount of \$790,000. Proceeds from the certificates will be used to purchase various vehicles and equipment for the City.

In August 2017, the City entered a purchase agreement to sell the liquor store property for \$1,150,000. The City closed on the sale of the property in January 2018. The buyer granted the City additional time to close the liquor store and sell remaining inventory.

CITY OF SPRING LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of City Contributions
PERA General Employees Retirement Fund
December 31, 2017

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

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2017

Year Ended December 31	Contributions in Relation to			Covered Employee Payroll (d)	Contributions
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		as a Percentage of Covered Payroll (b/d)
2014	\$ 135,648	\$ 135,648	\$	\$ 886,585	15.3%
2015	147,786	147,786		912,261	16.2%
2016	151,121	151,121		932,841	16.2%
2017	153,641	153,641		948,402	16.2%
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
December 31, 2017

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0275%	\$ 1,291,812	\$ 1,468,400	88.0%	78.7%
2015	0.0247%	1,280,082	1,442,177	88.8%	78.2%
2016	0.0239%	1,940,561	1,496,472	129.7%	68.9%
2017	0.0234%	1,493,841	1,529,713	97.7%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2017

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1040%	\$ 1,123,243	\$ 886,585	126.7%	87.1%
2015	0.0960%	1,090,785	912,261	119.6%	86.6%
2016	0.0960%	3,852,647	932,841	413.0%	63.9%
2017	0.0920%	1,242,109	948,402	131.0%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

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

December 31, 2017

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

December 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and investments	\$ 927,333	\$ 81,409	\$ 1,828,037	\$ 2,836,779
Accounts receivable	80,439		19,111	99,550
Special assessments receivable				
Due from other funds	2,063			2,063
Due from other governmental units		570		570
Prepaid expenses	825			825
	<u>825</u>	<u>570</u>	<u>19,111</u>	<u>2,939,787</u>
TOTAL ASSETS	<u>\$ 1,010,660</u>	<u>\$ 81,979</u>	<u>\$ 1,847,148</u>	<u>\$ 2,939,787</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 27,345	\$ 665	\$ 515	\$ 28,525
Deposits payable	149,795			149,795
Due to other funds	11,492	59,966	5,344	76,802
Unearned revenue	19,472			19,472
Total liabilities	<u>208,104</u>	<u>60,631</u>	<u>5,859</u>	<u>274,594</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Special assessments				
	<u>825</u>	<u>50,658</u>	<u>675,265</u>	<u>804,975</u>
FUND BALANCE (DEFICIT)				
Nonspendable	825			825
Restricted	79,052	50,658	675,265	804,975
Assigned	731,571		1,166,024	1,897,595
Unassigned	(8,892)	(29,310)		(38,202)
Total Fund Balance (Deficit)	<u>802,556</u>	<u>21,348</u>	<u>1,841,289</u>	<u>2,665,193</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,010,660</u>	<u>\$ 81,979</u>	<u>\$ 1,847,148</u>	<u>\$ 2,939,787</u>

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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, 2017

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property and franchise taxes	\$ 25,730	\$ 142,658	\$	\$ 168,388
Special assessments			19,461	19,461
Intergovernmental revenues	56,282		60,033	116,315
Charges for services	527,067	13,124	473,747	1,013,938
Fines and forfeitures	800			800
Investment income	8,874	509	17,922	27,305
Other revenues	126,295	24,023	31,687	182,005
TOTAL REVENUES	<u>745,048</u>	<u>180,314</u>	<u>602,850</u>	<u>1,528,212</u>
EXPENDITURES				
Current				
General government	78,704			78,704
Public safety	4,503			4,503
Public works	42,982		246,364	289,346
Recreation and parks	258,751		5,204	263,955
Development and other	188,066	1,025		189,091
Capital Outlay				
General government	2,143			2,143
Public safety	3,447		106,859	110,306
Public works			71,905	71,905
Recreation and parks	8,596		39,543	48,139
Debt Service				
Principal		251,002		251,002
Interest and other		21,204		21,204
TOTAL EXPENDITURES	<u>587,192</u>	<u>273,231</u>	<u>469,875</u>	<u>1,330,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,856</u>	<u>(92,917)</u>	<u>132,975</u>	<u>197,914</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	13,255	126,025	283,583	422,863
Transfers to other funds	(64,000)	(4,147)	(421,904)	(490,051)
Total other financing sources (uses)	<u>(50,745)</u>	<u>121,878</u>	<u>(138,321)</u>	<u>(67,188)</u>
Net change in fund balances	107,111	28,961	(5,346)	130,726
FUND BALANCES (DEFICIT), Beginning	<u>695,445</u>	<u>(7,613)</u>	<u>1,846,635</u>	<u>2,534,467</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 802,556</u>	<u>\$ 21,348</u>	<u>\$ 1,841,289</u>	<u>\$ 2,665,193</u>

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

December 31, 2017

	Recycling	Street Lighting	Cable
ASSETS			
Cash and investments	\$ 43,213	\$ 28,628	\$
Accounts receivable	49,382	8,951	22,100
Prepaid expenses			
Due from other funds	1,538	525	
	<u>1,538</u>	<u>525</u>	
TOTAL ASSETS	<u>\$ 94,133</u>	<u>\$ 38,104</u>	<u>\$ 22,100</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 12,162	\$ 3,212	\$ 1,141
Deposits payable			
Due to other funds			11,492
Unearned revenue			
Total liabilities	<u>12,162</u>	<u>3,212</u>	<u>12,633</u>
FUND BALANCE (DEFICIT)			
Nonspendable			
Restricted			
Assigned	81,971	34,892	9,467
Unassigned			
Total Fund Balance (Deficit)	<u>81,971</u>	<u>34,892</u>	<u>9,467</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 94,133</u>	<u>\$ 38,104</u>	<u>\$ 22,100</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Developers Escrow</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$ 17,313	\$ 2,578	\$ 142,055	\$ 361,910 6 825	\$ 243,761
<u>\$ 17,313</u>	<u>\$ 2,578</u>	<u>\$ 142,055</u>	<u>\$ 362,741</u>	<u>\$ 243,761</u>
\$	\$	\$ 1,152 149,795	\$ 6,151	\$ 3,519
			19,472	
		<u>150,947</u>	<u>25,623</u>	<u>3,519</u>
			825	
17,313	2,578		336,293	240,242
		(8,892)		
<u>17,313</u>	<u>2,578</u>	<u>(8,892)</u>	<u>337,118</u>	<u>240,242</u>
<u>\$ 17,313</u>	<u>\$ 2,578</u>	<u>\$ 142,055</u>	<u>\$ 362,741</u>	<u>\$ 243,761</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2017**

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
ASSETS			
Cash and investments	\$ 11,584	\$ 64,890	\$ 5,693
Accounts receivable			
Prepaid expenses			
Due from other funds			
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 11,584</u>	<u>\$ 64,890</u>	<u>\$ 5,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$ 8
Deposits payable			
Due to other funds			
Unearned revenue			
Total liabilities	<hr/>	<hr/>	<hr/>
			8
FUND BALANCE (DEFICIT)			
Nonspendable			
Restricted	11,584	64,890	
Assigned			5,685
Unassigned			
Total Fund Balance (Deficit)	<hr/>	<hr/>	<hr/>
	11,584	64,890	5,685
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,584</u>	<u>\$ 64,890</u>	<u>\$ 5,693</u>

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$ 2,034	\$ 3,322	\$ 352	\$ 927,333
			80,439
			825
			2,063
<u>\$ 2,034</u>	<u>\$ 3,322</u>	<u>\$ 352</u>	<u>\$ 1,010,660</u>
\$	\$	\$	\$ 27,345
			149,795
			11,492
			19,472
			208,104
			825
			79,052
2,034	3,322	352	731,571
			(8,892)
<u>2,034</u>	<u>3,322</u>	<u>352</u>	<u>802,556</u>
<u>\$ 2,034</u>	<u>\$ 3,322</u>	<u>\$ 352</u>	<u>\$ 1,010,660</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, 2017

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
REVENUES			
Franchise taxes	\$	\$	\$ 25,730
Intergovernmental revenue	56,282		
Charges for services	115,574	38,465	
Fines and forfeitures			
Investment income	386	291	5
Other revenues	299		
TOTAL REVENUES	<u>172,541</u>	<u>38,756</u>	<u>25,735</u>
EXPENDITURES			
Current			
General government			15,793
Public safety			
Public works		42,982	
Development and other	167,548		
Recreation and parks			
Capital Outlay			
General government			
Public safety			
Recreation and parks			8,596
TOTAL EXPENDITURES	<u>167,548</u>	<u>42,982</u>	<u>24,389</u>
Excess (deficiency) of revenues over (under) expenditures	4,993	(4,226)	1,346
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds	(4,000)		
Total other financing sources (uses)	<u>(4,000)</u>		
Net change in fund balances	993	(4,226)	1,346
FUND BALANCES (DEFICIT), Beginning	<u>80,978</u>	<u>39,118</u>	<u>8,121</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 81,971</u>	<u>\$ 34,892</u>	<u>\$ 9,467</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Developers Escrow</u>	<u>Recreation</u>	<u>HRA Reserve</u>
\$	\$	\$	\$	\$
			361,039	
800				
204	17	1,226	3,756	2,129
		735		106,516
<u>1,004</u>	<u>17</u>	<u>1,961</u>	<u>364,795</u>	<u>108,645</u>
				46,249
3,629	796			
			257,501	
				2,143
<u>3,447</u>	<u>796</u>	<u>1,961</u>	<u>257,501</u>	<u>48,392</u>
7,076	796			
(6,072)	(779)	1,961	107,294	60,253
	2,500			
			(60,000)	
	2,500		(60,000)	
(6,072)	1,721	1,961	47,294	60,253
<u>23,385</u>	<u>857</u>	<u>(10,853)</u>	<u>289,824</u>	<u>179,989</u>
<u>\$ 17,313</u>	<u>\$ 2,578</u>	<u>\$ (8,892)</u>	<u>\$ 337,118</u>	<u>\$ 240,242</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, 2017

	<u>Tower Days</u>	<u>Traffic Education</u>	<u>Emergency Management</u>
REVENUES			
Franchise taxes	\$	\$	\$
Intergovernmental revenue			
Charges for services		11,989	
Fines and forfeitures			
Investment income	124	661	41
Other revenues	18,737		
TOTAL REVENUES	<u>18,861</u>	<u>12,650</u>	<u>41</u>
EXPENDITURES			
Current			
General government		14,967	
Public safety			78
Public works			
Development and other	20,518		
Recreation and parks			
Capital Outlay			
General government			
Public safety			
Recreation and parks			
TOTAL EXPENDITURES	<u>20,518</u>	<u>14,967</u>	<u>78</u>
Excess (deficiency) of revenues over (under) expenditures	(1,657)	(2,317)	(37)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			3,155
Transfers to other funds			
Total other financing sources (uses)			<u>3,155</u>
Net change in fund balances	(1,657)	(2,317)	3,118
FUND BALANCES (DEFICIT), Beginning	<u>13,241</u>	<u>67,207</u>	<u>2,567</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 11,584</u>	<u>\$ 64,890</u>	<u>\$ 5,685</u>

<u>Animal Control</u>	<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$	\$	\$	\$ 25,730
			56,282
			527,067
			800
15	17	2	8,874
8			126,295
<u>23</u>	<u>17</u>	<u>2</u>	<u>745,048</u>
	1,695		78,704
			4,503
			42,982
			188,066
		1,250	258,751
			2,143
			3,447
			8,596
	<u>1,695</u>	<u>1,250</u>	<u>587,192</u>
23	(1,678)	(1,248)	157,856
1,000	5,000	1,600	13,255
			(64,000)
<u>1,000</u>	<u>5,000</u>	<u>1,600</u>	<u>(50,745)</u>
1,023	3,322	352	107,111
1,011			695,445
<u>\$ 2,034</u>	<u>\$ 3,322</u>	<u>\$ 352</u>	<u>\$ 802,556</u>

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

December 31, 2017

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Telecommuni cations
ASSETS			
Cash and investments	\$ 26,384	\$ 30,656	\$
Due from other governmental units	570		
TOTAL ASSETS	<u>\$ 26,954</u>	<u>\$ 30,656</u>	<u>\$</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$
Due to other funds		58,941	
Total liabilities		<u>58,941</u>	
FUND BALANCE (DEFICIT)			
Restricted	26,954		
Unassigned		(28,285)	
Total Fund Balance (Deficit)	<u>26,954</u>	<u>(28,285)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,954</u>	<u>\$ 30,656</u>	<u>\$</u>

2011A Fire Equipment	2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A G.O. Equipment Certificates	Total
\$	\$	\$	\$ 23,704	\$ 665	\$ 81,409 570
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 23,704</u>	<u>\$ 665</u>	<u>\$ 81,979</u>
\$	\$	\$	\$	\$ 665	\$ 665
		1,025			59,966
		<u>1,025</u>		<u>665</u>	<u>60,631</u>
			23,704		50,658
		(1,025)			(29,310)
		<u>(1,025)</u>	<u>23,704</u>		<u>21,348</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 23,704</u>	<u>\$ 665</u>	<u>\$ 81,979</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, 2017

	2013 Equipment Certificates	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Telecommuni cations
REVENUES			
Taxes	\$ 142,658	\$	\$
Charges for services			13,124
Investment income	221	288	
Other revenue	128	191	
TOTAL REVENUES	<u>143,007</u>	<u>479</u>	<u>13,124</u>
EXPENDITURES			
Current			
Development and other			
Debt Service			
Principal	135,000	39,813	11,189
Interest and other charges	1,350	6,894	1,935
TOTAL EXPENDITURES	<u>136,350</u>	<u>46,707</u>	<u>13,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,657</u>	<u>(46,228)</u>	
OTHER FINANCING SOURCES (USES)			
Transfers from other funds		50,000	
Transfers to other funds			
Total other financing sources (uses)		<u>50,000</u>	
Net change in fund balances	6,657	3,772	
FUND BALANCES (DEFICIT), Beginning	<u>20,297</u>	<u>(32,057)</u>	
FUND BALANCES (DEFICIT), Ending	<u>\$ 26,954</u>	<u>\$ (28,285)</u>	<u>\$</u>

2011A Fire Equipment	2013B G.O. Capital Improvement Bonds	Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A G.O. Equipment Certificates	Total
\$	\$	\$	\$	\$	\$ 142,658
					13,124
					509
			23,704		24,023
			23,704		180,314
		1,025			1,025
	65,000				251,002
	11,025				21,204
	76,025	1,025			273,231
	(76,025)	(1,025)	23,704		(92,917)
(4,147)	76,025				126,025
(4,147)	76,025				(4,147)
(4,147)					121,878
(4,147)		(1,025)	23,704		28,961
4,147					(7,613)
\$	\$	\$ (1,025)	\$ 23,704	\$	\$ 21,348

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

December 31, 2017

	State Aid Street Fund	Street Sealcoating	Storm Water
ASSETS			
Cash and investments	\$ 80,388	\$ 31,481	\$ 281,772
Accounts receivable		19,111	
Special assessments receivable			
TOTAL ASSETS	\$ 80,388	\$ 50,592	\$ 281,772
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 515	\$	\$
Due to other funds			
Total liabilities	515		
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Special assessments			
FUND BALANCE (DEFICIT)			
Restricted			
Assigned	79,873	50,592	281,772
Unassigned			
Total Fund Balance (Deficit)	79,873	50,592	281,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 80,388	\$ 50,592	\$ 281,772

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 389,267	\$ 33,250	\$ 1,885	\$ 123,264	\$ 8,602
<u>\$ 389,267</u>	<u>\$ 33,250</u>	<u>\$ 1,885</u>	<u>\$ 123,264</u>	<u>\$ 8,602</u>
\$	\$	\$	\$	\$
<u>389,267</u>	<u>33,250</u>	<u>1,885</u>	<u>123,264</u>	<u>8,602</u>
<u>389,267</u>	<u>33,250</u>	<u>1,885</u>	<u>123,264</u>	<u>8,602</u>
<u>\$ 389,267</u>	<u>\$ 33,250</u>	<u>\$ 1,885</u>	<u>\$ 123,264</u>	<u>\$ 8,602</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2017**

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
ASSETS			
Cash and investments	\$ 20,260	\$ 599,486	\$ 22,269
Accounts receivable			
Special assessments receivable			
TOTAL ASSETS	\$ 20,260	\$ 599,486	\$ 22,269
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$	\$
Due to other funds			
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Special assessments			
FUND BALANCE (DEFICIT)			
Restricted	20,260	599,486	22,269
Assigned			
Unassigned			
Total Fund Balance (Deficit)	20,260	599,486	22,269
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 20,260	\$ 599,486	\$ 22,269

Small Equipment	Park Equipment and Improvement	2014-2015 Street Improvement Project	81st Avenue Rehabilitation	2018A G.O. Equipment Certificates	Total
\$ 18,082	\$ 27,416	\$ 74,728	\$	\$ 115,887	\$ 1,828,037 19,111
<u>\$ 18,082</u>	<u>\$ 27,416</u>	<u>\$ 74,728</u>	<u>\$</u>	<u>\$ 115,887</u>	<u>\$ 1,847,148</u>
\$	\$	\$	\$	\$	\$ 515
	5,344				5,344
	<u>5,344</u>				<u>5,859</u>
18,082	22,072	74,728		115,887	675,265 1,166,024
<u>18,082</u>	<u>22,072</u>	<u>74,728</u>		<u>115,887</u>	<u>1,841,289</u>
<u>\$ 18,082</u>	<u>\$ 27,416</u>	<u>\$ 74,728</u>	<u>\$</u>	<u>\$ 115,887</u>	<u>\$ 1,847,148</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, 2017

	State Aid Street Fund	Street Sealcoating	Storm Water
REVENUES			
Special assessments	\$	\$	\$
Intergovernmental revenues	60,033		
Charges for services		77,658	
Investment income (loss)	713	724	1,355
Other revenues		804	1,166
TOTAL REVENUES	<u>60,746</u>	<u>79,186</u>	<u>2,521</u>
EXPENDITURES			
Current			
Public Works	43,168	160,779	30,914
Recreation and Parks			
Capital Outlay			
Public Safety			
Public works			
Recreation and Parks			
TOTAL EXPENDITURES	<u>43,168</u>	<u>160,779</u>	<u>30,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,578</u>	<u>(81,593)</u>	<u>(28,393)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			125,000
Transfers to other funds			
Total other financing sources (uses)			<u>125,000</u>
Net change in fund balances	17,578	(81,593)	96,607
FUND BALANCES (DEFICIT), Beginning	<u>62,295</u>	<u>132,185</u>	<u>185,165</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 79,873</u>	<u>\$ 50,592</u>	<u>\$ 281,772</u>

<u>Capital Replacement</u>	<u>2013 Equipment Certificates</u>	<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$	\$	\$
4,007	546	19	1,181	383
8,619	505	13	803	2,981
<u>12,626</u>	<u>1,051</u>	<u>32</u>	<u>1,984</u>	<u>3,364</u>
1,813				
24,371				82,488
13,293	38,980			
<u>39,477</u>	<u>38,980</u>			<u>82,488</u>
<u>(26,851)</u>	<u>(37,929)</u>	<u>32</u>	<u>1,984</u>	<u>(79,124)</u>
4,147			9,436	20,000
<u>4,147</u>			<u>9,436</u>	<u>20,000</u>
(22,704)	(37,929)	32	11,420	(59,124)
<u>411,971</u>	<u>71,179</u>	<u>1,853</u>	<u>111,844</u>	<u>67,726</u>
<u>\$ 389,267</u>	<u>\$ 33,250</u>	<u>\$ 1,885</u>	<u>\$ 123,264</u>	<u>\$ 8,602</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, 2017

	<u>Park Special Projects</u>	<u>Park Acquisition and Improvement</u>	<u>Lakeside Lions Park Improvement</u>
REVENUES			
Special assessments	\$	\$	\$
Intergovernmental revenues			
Charges for services	2,251	393,238	
Investment earnings	208	4,145	221
Other revenues	12	1,640	156
	<u>2,471</u>	<u>399,023</u>	<u>377</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public Works			
Recreation and Parks	3,575	657	
Capital Outlay			
Public Safety			
Public works			
Recreation and Parks		29,600	
		<u>30,257</u>	
TOTAL EXPENDITURES	<u>3,575</u>	<u>30,257</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(1,104)</u>	<u>368,766</u>	<u>377</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds			
Total other financing sources (uses)			
Net change in fund balances	(1,104)	368,766	377
FUND BALANCES (DEFICIT), Beginning	<u>21,364</u>	<u>230,720</u>	<u>21,892</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 20,260</u>	<u>\$ 599,486</u>	<u>\$ 22,269</u>

<u>Small Equipment</u>	<u>Park Equipment and Improvement</u>	<u>2014-2015 Street Improvement Project</u>	<u>81st Avenue Rehabilitation</u>	<u>2018A G.O. Equipment Certificates</u>	<u>Total</u>
\$	\$	\$	\$ 19,461	\$	\$ 19,461
600					60,033
207	246	2,874	516	577	473,747
4,986	5,781	3,499	722		17,922
					31,687
<u>5,793</u>	<u>6,027</u>	<u>6,373</u>	<u>20,699</u>	<u>577</u>	<u>602,850</u>
				9,690	246,364
972					5,204
		19,632			106,859
9,943					71,905
					39,543
<u>10,915</u>		<u>19,632</u>		<u>9,690</u>	<u>469,875</u>
(5,122)	6,027	(13,259)	20,699	(9,113)	132,975
				125,000	283,583
		(400,000)	(21,904)		(421,904)
		(400,000)	(21,904)	125,000	(138,321)
(5,122)	6,027	(413,259)	(1,205)	115,887	(5,346)
23,204	16,045	487,987	1,205		1,846,635
<u>\$ 18,082</u>	<u>\$ 22,072</u>	<u>\$ 74,728</u>	<u>\$</u>	<u>\$ 115,887</u>	<u>\$ 1,841,289</u>

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CITY OF SPRING LAKE PARK

OTHER REPORT SECTION

December 31, 2017

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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, 2017, 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 26, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2017-01 and 2017-02.

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

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
June 26, 2018



**CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Audit Finding 2017-01 - Segregation of Duties

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

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

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

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

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

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

Auditing Finding 2017-02 - Material Audit Adjustments

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

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

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

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

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

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

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota, as of and for the year ended December 31, 2017, 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 26, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City's lone tax increment financing district was decertified in 2012.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Spring Lake Park failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Spring Lake Park's noncompliance with the above referenced provisions.

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

Smith, Schaffer and Associates, Ltd.

Minneapolis, Minnesota
June 26, 2018