

CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
DECEMBER 31, 2022



**CITY OF SPRING LAKE PARK
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2022**

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CITY OF SPRING LAKE PARK
INTRODUCTORY SECTION
DECEMBER 31, 2022

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**CITY OF SPRING LAKE PARK
ELECTED AND APPOINTED OFFICIALS
December 31, 2022**

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council:

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

APPOINTED OFFICIALS

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

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CITY OF SPRING LAKE PARK

FINANCIAL SECTION

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Spring Lake Park, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise City of Spring Lake Park's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 City of Spring Lake Park as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Spring Lake Park and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

City of Spring Lake Park's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Spring Lake Park's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Spring Lake Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Spring Lake Park's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Spring Lake Park'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 basic the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 27, 2023 on our consideration of City of Spring Lake Park, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of Spring Lake Park, internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
June 27, 2023

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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, 2022, with comparative data for the fiscal year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Spring Lake Park exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,118,250 (*net position*). Of this amount, \$8,821,994 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by \$824,497. The decrease is mainly attributed to investment losses on the City's investments during the year.
- As of the close of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,229,844, a decrease of \$761,444 from the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$2,669,955, or 58.8% of total general fund expenditures.
- The City's total noncurrent liabilities increased by \$2,947,626 due to an increase in the City's net pension liability primarily related to investment performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

The City of Spring Lake Park maintains thirty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, developer's escrow fund, HRA reserve fund, the revolving fund, and renewal and replacement 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 24-27) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

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

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

The proprietary fund financial statements can be found on pages 28-32 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 33-79 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 82-103 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Spring Lake Park, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,118,250 at the close of the most recent fiscal year.

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

The largest portion of the City of Spring Lake Park's net position, \$13,262,189 (55%) reflects its investment in capital assets (e.g. land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Spring Lake Park uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Spring Lake Park's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Spring Lake Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 12,075,644	\$12,150,246	\$ 5,622,979	\$ 3,122,407	\$ 17,698,623	\$ 15,272,653
Capital assets	9,158,274	9,809,696	5,766,633	5,985,643	14,924,907	15,795,339
Total assets	21,233,918	21,959,942	11,389,612	9,108,050	32,623,530	31,067,992
Deferred outflows of resources	3,209,701	1,676,111	87,065	107,642	3,296,766	1,783,753
Long-term liabilities outstanding	6,962,936	3,882,422	523,739	656,627	7,486,675	4,539,049
Other liabilities	1,131,167	720,834	101,541	58,844	1,232,708	779,678
Total liabilities	8,094,103	4,603,256	625,280	715,471	8,719,383	5,318,727
Deferred inflows of resources	508,469	2,434,059	2,574,194	156,212	3,082,663	2,590,271
Net position:						
Net investment in capital assets	7,740,556	7,581,507	5,521,633	5,502,643	13,262,189	13,084,150
Restricted	2,034,067	2,717,394			2,034,067	2,717,394
Unrestricted	6,066,424	6,299,837	2,755,570	2,841,366	8,821,994	9,141,203
Total net position	\$ 15,841,047	\$ 16,598,738	\$ 8,277,203	\$ 8,344,009	\$ 24,118,250	\$ 24,942,747

An additional portion of the City of Spring Lake Park's net position at December 31, 2022 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,821,994) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities account for 66% of the City of Spring Lake Park's net position as of December 31, 2022. The total decrease in net position for governmental activities was \$757,691, accounting for 92% of the decrease in the net position of the City of Spring Lake Park for the year ended December 31, 2022. The key element for this decrease was significant investment losses during the year.

Business-type activities. Business-type activities decreased the City of Spring Lake Park's net position by \$66,806 due primarily to investment losses recognized in the utility funds.

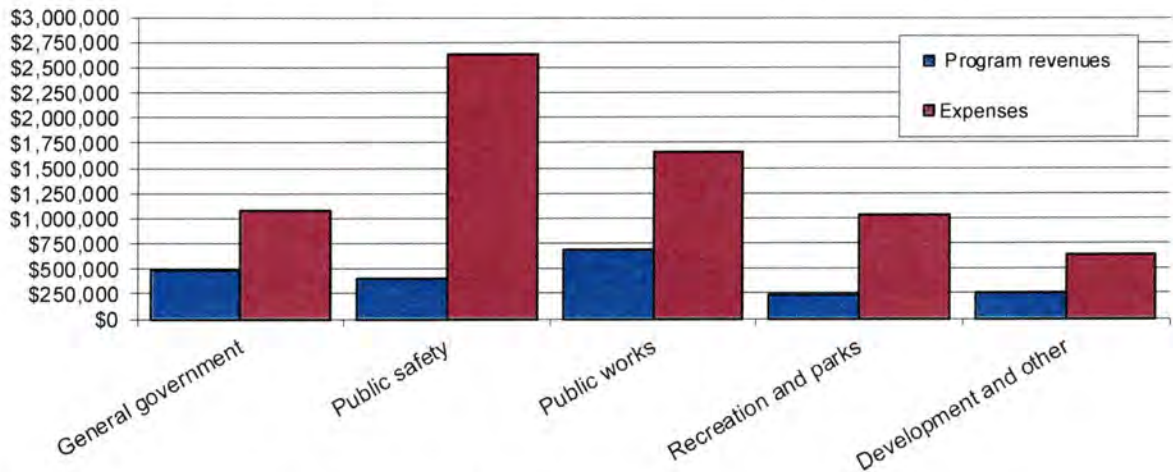
City of Spring Lake Park's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,234,826	\$ 806,301	\$ 1,844,476	\$ 1,814,022	\$ 3,079,302	\$ 2,620,323
Operating grants and contributions	367,278	426,024			367,278	426,024
Capital grants and contributions	467,562	328,373			467,562	328,373
General revenues:						
Property taxes	3,963,794	3,862,067			3,963,794	3,862,067
Other	317,019	556,036	108,445	139,846	425,464	695,882
Total revenues	<u>6,350,479</u>	<u>5,978,801</u>	<u>1,952,921</u>	<u>1,953,868</u>	<u>8,303,400</u>	<u>7,932,669</u>
Expenses:						
General government	1,087,138	955,708			1,087,138	955,708
Public safety	2,623,045	2,105,077			2,623,045	2,105,077
Public works	1,856,893	1,146,161			1,656,893	1,146,161
Recreation and parks	1,033,740	805,154			1,033,740	805,154
Development and other	641,138	694,075			641,138	694,075
Interest on long-term debt	41,900	49,024			41,900	49,024
Utility			2,044,043	1,794,558	2,044,043	1,794,558
Total expenses	<u>7,083,854</u>	<u>5,755,199</u>	<u>2,044,043</u>	<u>1,794,558</u>	<u>9,127,897</u>	<u>7,549,757</u>
Change in net position before transfers	(733,375)	223,602	(91,122)	159,310	(824,497)	382,912
Transfers	<u>(24,316)</u>	<u>88,416</u>	<u>24,316</u>	<u>(88,416)</u>		
Change in net position after transfers	(757,691)	312,018	(66,806)	70,894	(824,497)	382,912
NET POSITION - BEGINNING OF YEAR	<u>16,598,738</u>	<u>16,286,720</u>	<u>8,344,009</u>	<u>8,273,115</u>	<u>24,942,747</u>	<u>24,559,835</u>
NET POSITION - END OF YEAR	<u>\$ 15,841,047</u>	<u>\$ 16,598,738</u>	<u>\$ 8,277,203</u>	<u>\$ 8,344,009</u>	<u>\$ 24,118,250</u>	<u>\$ 24,942,747</u>

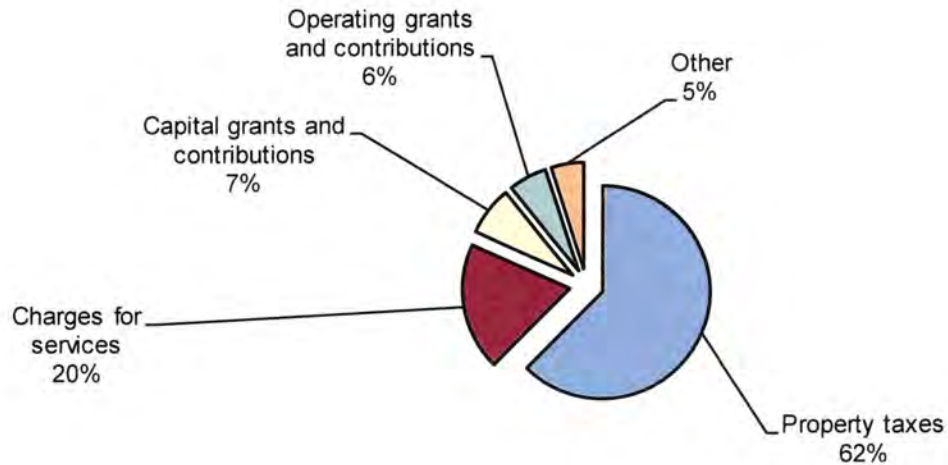
CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses for the year ended December 31, 2022. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



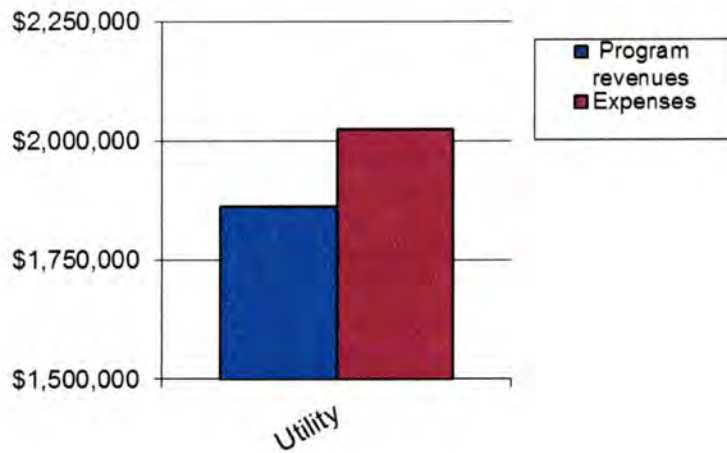
Revenues by Source - Governmental Activities



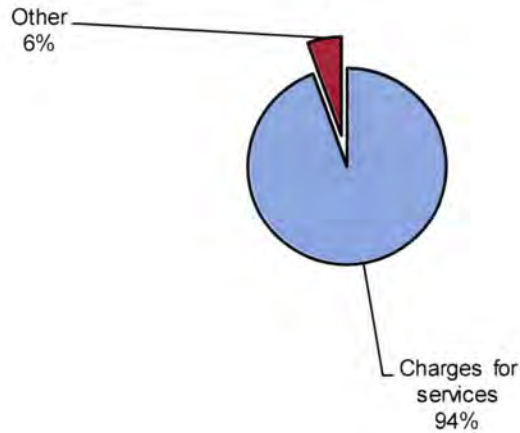
**CITY OF SPRING LAKE PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the business-type activity's program revenues with its expenses for the year ended December 31, 2022. Since this activity requires significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF SPRING LAKE PARK MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Spring Lake Park's governmental funds reported combined ending fund balances of \$10,229,444, a decrease of \$761,444 in comparison with the prior year. Approximately 81% of this total fund balance, or \$8,285,622, constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance, \$1,944,222, is *restricted and nonspendable* to indicate that it is not available for new spending because it has already been restricted by creditors, grantors or regulations of other governments or has been expensed for prepaid items.

The general fund is the chief operating fund of City of Spring Lake Park. At the end of the current year, fund balance of the general fund was \$2,669,955. As a measure of liquidity, it may be useful to compare the fund balance to total fund expenditures. Fund balance represents 59% of total current year general fund expenditures. The general fund's total fund balance increased by \$138,371 during the current year due primarily due to grants received in the current year.

The HRA reserve fund increased its fund balance by \$30,760 due primarily to other revenues allocated to the fund.

The revolving fund decreased its fund balance by \$171,755 due primarily to investment losses and expenditures in excess of revenues allocated to this fund.

The renewal and replacement fund decreased its fund balance by \$115,571 due to transfers to other funds and investment losses allocated to this fund.

The special revenue funds (other than the developer's escrow fund and HRA reserve fund described as a major fund previously) decreased their overall fund balances by \$19,381 due primarily to transfers to other funds.

The debt service funds decreased their collective fund balance by \$212,578 due primarily to debt service and development expenditures in excess of property tax and other revenues allocated to the fund.

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

The capital projects funds (other than the revolving fund and renewal and replacement fund described as major funds previously) decreased their collective fund balance by \$411,290 due primarily to capital outlay and other expenditures in excess of revenues allocated to this fund.

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

Unrestricted net position for utility operations at the end of the year amounted to \$2,755,570. The utility fund decreased its net position by \$66,806, for the year ended December 31, 2022. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Spring Lake Park's business-type activities.

General Fund Budgetary Highlights

The City's General Fund budget was amended during the year. The original budget called for a \$4 overall decrease and the revised budgets called for a \$150,004 overall decrease in General Fund balance. The actual net change to the General Fund balance was an increase of \$138,371. Revenues exceeded budget by \$93,474 for the year ended December 31, 2022 due primarily to liaison officer revenues and reimbursements. Total expenditures were less than budget by \$112,542 for the year. Two departments had expenditures in excess of budget: public works exceeded budget by \$9,626 and other expenditures exceeded budget by \$35,770. These over expenditures were primarily related to severance and related payments to retirees for which the City did not budget.

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, 2022, amounted to \$14,924,907 (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 \$870,432, or approximately 5.5%, for the year ended December 31, 2022, due to current year depreciation expense in excess of asset additions (net of construction in progress recorded in prior periods).

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 334,950	\$ 334,950	\$	\$	\$ 334,950	\$ 334,950
Construction in progress	260,540		294,832	21,309	555,372	21,309
Buildings and improvements	896,938	1,006,773	1,583,524	1,797,324	2,480,462	2,804,097
Machinery and equipment	483,745	767,447	53,718	87,166	537,463	854,613
Infrastructure	7,182,101	7,700,526	3,834,559	4,079,844	11,016,660	11,780,370
Total	\$ 9,158,274	\$ 9,809,696	\$ 5,766,633	\$ 5,985,643	\$ 14,924,907	\$ 15,795,339

**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 53 of this report.

Long-term debt. At the end of the current fiscal year, the City of Spring Lake Park had \$1,634,468 in bonds, certificates, and notes payable outstanding. The entire amount outstanding comprises debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds and notes payable	\$ 1,129,405	\$ 1,533,053	\$ 245,000	\$ 483,000	\$ 1,374,405	\$ 2,016,053
General obligation certificates	260,063	659,626			260,063	659,626
Total	\$ 1,389,468	\$ 2,192,679	\$ 245,000	\$ 483,000	\$ 1,634,468	\$ 2,675,679

The City of Spring Lake Park's total bonds, certificates and notes payable decreased by \$1,041,211 during the current fiscal year. The decrease was due to scheduled debt payments and no new debt issued by the City during 2022.

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 is in the process of developing its 2024 budget. A combination of a tight labor market, higher prices, and increasing interest rates will make forecasting revenues and expenditures difficult. The State of Minnesota's strong financial position means that the State-Local fiscal partnership will likely continue into the next biennium.

The City's debt position is extremely positive. Two long term bond issues (2003 G.O. Water Revenue Note and the 2013B G.O. Capital Improvement Plan Bond) will be paid off in 2023, freeing up resources for capital improvement projects throughout the City.

The City is planning on embarking on a renovation/expansion of its City Hall facility in 2024. This \$8.5 million renovation will create a separate entrance for the Police Department, improve accessibility, expand public meeting spaces, increase public restroom facilities, improve energy efficiency and enhance building security. Construction is estimated to begin March 2024. The project will be funded with a combination of cash reserves and the issuance of a General Obligation Capital Improvement Plan bond.

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

Major activities contemplated in future years include:

- Complete the last phase of sanitary sewer slip-lining project.
- Rehabilitate Sanburnol Drive and Elm Street.
- Seal coat project to maintain the City's investment in its street infrastructure.
- Begin removal and replacement of boulevard Ash trees infected with Emerald Ash Borer
- Begin the process of upgrading the City's enterprise resource planning software to BS&A

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, 2022

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CITY OF SPRING LAKE PARK
STATEMENT OF NET POSITION
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 11,093,037	\$ 2,722,102	\$ 13,815,139
Receivables	457,210	303,905	761,115
Lease receivables	429,749	2,580,691	3,010,440
Intergovernmental receivables	56,685		56,685
Internal balances	4,887	(4,887)	
Prepaid items and other	34,076	21,168	55,244
Capital assets:			
Nondepreciable	595,490	294,832	890,322
Depreciable, net	8,562,784	5,471,801	14,034,585
Total Assets	<u>21,233,918</u>	<u>11,389,612</u>	<u>32,623,530</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activity	<u>3,209,701</u>	<u>87,065</u>	<u>3,296,766</u>
LIABILITIES			
Accounts payable	104,248	87,621	191,869
Accrued payroll and related taxes	35,072	3,650	38,722
Accrued interest	5,706	2,302	8,008
Unearned revenue	766,622	3,000	769,622
Deposits and other liabilities	219,519	4,968	224,487
Noncurrent liabilities:			
Due within one year	843,058	279,793	1,122,851
Due in more than one year	808,109		808,109
Net pension liability	5,311,769	243,946	5,555,715
Total Liabilities	<u>8,094,103</u>	<u>625,280</u>	<u>8,719,383</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from leasing activity	408,349	2,553,626	2,961,975
Deferred inflows from pension activity	<u>100,120</u>	<u>20,568</u>	<u>120,688</u>
Total Deferred Inflows of Resources	<u>508,469</u>	<u>2,574,194</u>	<u>3,082,663</u>
NET POSITION			
Net investment in capital assets	7,740,556	5,521,633	13,262,189
Restricted	2,034,067		2,034,067
Unrestricted	<u>6,066,424</u>	<u>2,755,570</u>	<u>8,821,994</u>
Total Net Position	<u>\$ 15,841,047</u>	<u>\$ 8,277,203</u>	<u>\$ 24,118,250</u>

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,087,138	\$ 455,414	\$ 3,556	\$ 28,975
Public safety	2,623,045	244,824	150,957	
Public works	1,656,893	145,009	107,232	438,587
Recreation and parks	1,033,740	228,617	15,804	
Development and other	641,138	160,962	89,729	
Interest on long-term debt	41,900			
Total governmental activities	7,083,854	1,234,826	367,278	467,562
Business-Type activities:				
Utility	2,044,043	1,844,476		
Total business-type activities	2,044,043	1,844,476		
Total	\$ 9,127,897	\$ 3,079,302	\$ 367,278	\$ 467,562

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (599,193)		\$ (599,193)
(2,227,264)		(2,227,264)
(966,065)		(966,065)
(789,319)		(789,319)
(390,447)		(390,447)
(41,900)		(41,900)
<u>(5,014,188)</u>		<u>(5,014,188)</u>
	\$ (199,567)	(199,567)
	(199,567)	(199,567)
<u>(5,014,188)</u>	<u>(199,567)</u>	<u>(5,213,755)</u>
3,963,794		3,963,794
551,424		551,424
105,112	227,574	332,686
(456,545)	(145,475)	(602,020)
117,028	26,346	143,374
(24,316)	24,316	
<u>4,256,497</u>	<u>132,761</u>	<u>4,389,258</u>
(757,691)	(66,806)	(824,497)
<u>16,598,738</u>	<u>8,344,009</u>	<u>24,942,747</u>
<u>\$ 15,841,047</u>	<u>\$ 8,277,203</u>	<u>\$ 24,118,250</u>

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**CITY OF SPRING LAKE PARK
FUND FINANCIAL STATEMENTS**

December 31, 2022

**CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

	Special Revenue Fund			Capital Project Funds	
	General Fund	Developer's Escrow	HRA Reserve	Revolving Fund	Renewal and Replacement
ASSETS					
Cash and investments	\$ 3,194,899	\$ 213,919	\$ 1,053,665	\$ 1,429,914	\$ 1,734,646
Accounts receivable	22,011				
Taxes receivable	68,338				
Special assessments receivable	6,609			113,122	
Lease receivable			429,749		
Due from other funds	262,367			13,613	
Due from other governmental units	50,273			108	
Accrued interest receivable	27,695				
Prepaid expenditures	1,975			21,168	
TOTAL ASSETS	\$ 3,634,167	\$ 213,919	\$ 1,483,414	\$ 1,577,925	\$ 1,734,646
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 85,115	\$	\$ 138	\$	\$
Accrued payroll and taxes	34,413				
Deposits and other liabilities		213,919	5,600		
Due to other funds	13,613			251,015	
Unearned revenue	756,124				
Total Liabilities	889,265	213,919	5,738	251,015	
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	68,338				
Special assessments	6,609			113,122	
Leasing activity			408,349		
Total Deferred Inflows of Resources	74,947		408,349	113,122	
FUND BALANCE					
Nonspendable	1,975			21,168	
Restricted					
Assigned	2,667,980		1,069,327	1,192,620	1,734,646
Total Fund Balance	2,669,955		1,069,327	1,213,788	1,734,646
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,634,167	\$ 213,919	\$ 1,483,414	\$ 1,577,925	\$ 1,734,646

See Notes to Financial Statements

Other Governmental Funds	Total
\$ 3,465,994	\$ 11,093,037
95,514	117,525
	68,338
123,921	243,652
	429,749
4,887	280,867
6,304	56,685
	27,695
10,933	34,076
<u>\$ 3,707,553</u>	<u>\$ 12,351,624</u>

\$ 18,995	\$ 104,248
659	35,072
	219,519
11,352	275,980
10,498	766,622
<u>41,504</u>	<u>1,401,441</u>

	68,338
123,921	243,652
	408,349
<u>123,921</u>	<u>720,339</u>

10,933	34,076
1,910,146	1,910,146
1,621,049	8,285,622
<u>3,542,128</u>	<u>10,229,844</u>

<u>\$ 3,707,553</u>	<u>\$ 12,351,624</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, 2022

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

Total governmental fund balances (pages 18-19)		\$ 10,229,844
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental funds - capital assets	\$ 28,179,264	
Accumulated depreciation	<u>(19,020,990)</u>	9,158,274
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes	\$ 68,338	
Special assessments	<u>243,652</u>	311,990
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)	\$ (1,389,468)	
Net pension liability, deferred outflows and inflows from pension activity	(2,202,188)	
Compensated absences	(233,449)	
Accrued interest	(5,706)	
Net unamortized bond premiums	<u>(28,250)</u>	<u>(3,859,061)</u>
Net position of governmental activities (page 15)		<u>\$ 15,841,047</u>

See Notes to Financial Statements

CITY OF SPRING LAKE PARK
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	<u>Special Revenue Fund</u>		<u>Capital Project Funds</u>		
	<u>General Fund</u>	<u>Developer's Escrow</u>	<u>HRA Reserve</u>	<u>Revolving Fund</u>	<u>Renewal and Replacement</u>
REVENUES					
Property and franchise taxes	\$ 3,496,353	\$		\$	\$
Special assessments				96,053	
Licenses and permits	184,694				
Intergovernmental revenues	658,038			257,098	
Charges for services	183,996				
Fines and forfeitures	79,124				
Investment (loss)	(69,381)		(53,002)	(77,062)	(90,571)
Other revenues	251,492		105,112		
TOTAL REVENUES	<u>4,784,316</u>		<u>52,110</u>	<u>276,089</u>	<u>(90,571)</u>
EXPENDITURES					
Current					
General government	875,060		20,050		
Public safety	2,391,893				
Public works	287,129			455,059	
Recreation and parks	720,596				
Development and other	171,270				
Capital Outlay					
General government			1,300		
Public safety	91,762				
Public works					
Recreation and parks					
Debt Service					
Principal					
Interest and other					
TOTAL EXPENDITURES	<u>4,537,710</u>		<u>21,350</u>	<u>455,059</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>246,606</u>		<u>30,760</u>	<u>(178,970)</u>	<u>(90,571)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	237,231			7,215	
Transfers to other funds	(345,466)				(25,000)
Fiscal agent fees					
Total other financing sources (uses)	<u>(108,235)</u>			<u>7,215</u>	<u>(25,000)</u>
Net change in fund balances	138,371		30,760	(171,755)	(115,571)
FUND BALANCES, Beginning	<u>2,531,584</u>		<u>1,038,567</u>	<u>1,385,543</u>	<u>1,850,217</u>
FUND BALANCES, Ending	<u>\$ 2,669,955</u>	<u>\$</u>	<u>\$ 1,069,327</u>	<u>\$ 1,213,788</u>	<u>\$ 1,734,646</u>

See Notes to Financial Statements

Other Governmental Funds	Total
\$ 522,752	\$ 4,019,105
62,368	158,421
	184,694
184,384	1,099,520
514,213	698,209
2,791	81,915
(166,529)	(456,545)
<u>285,057</u>	<u>641,661</u>
<u>1,405,036</u>	<u>6,426,980</u>
26,151	921,261
8,326	2,400,219
245,369	987,557
446,043	1,166,639
469,868	641,138
	1,300
2,589	94,351
32,606	32,606
62,192	62,192
803,211	803,211
<u>46,358</u>	<u>46,358</u>
<u>2,142,713</u>	<u>7,156,832</u>
<u>(737,677)</u>	<u>(729,852)</u>
370,611	615,057
(268,907)	(639,373)
<u>(7,276)</u>	<u>(7,276)</u>
<u>94,428</u>	<u>(31,592)</u>
(643,249)	(761,444)
<u>4,185,377</u>	<u>10,991,288</u>
<u>\$ 3,542,128</u>	<u>\$ 10,229,844</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, 2022

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

Net change in fund balances - total governmental funds (pages 21-22)	\$	(761,444)
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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	\$	327,154	
Depreciation expense		<u>(955,826)</u>	(628,672)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position			(22,750)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable revenue, end of year	\$	311,990	
Unavailable revenue, beginning of year		<u>(326,807)</u>	(14,817)

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

Net pension liability	\$	(101,606)	
Compensated absences		<u>78,150</u>	(23,456)

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	\$	803,211	
Shared debt principal payments received from other governments		(121,497)	
Change in accrued interest, bond premiums, bond discounts and deferred charges		<u>11,734</u>	693,448

Change in net position of governmental activities (pages 16-17)	\$	<u>(757,691)</u>
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See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022**

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 3,520,702	\$ 3,520,702	\$ 3,496,353	\$ (24,349)
Licenses and Permits				
Licenses	44,562	44,562	68,277	23,715
Permits	108,900	108,900	116,417	7,517
Total Licenses and Permits	153,462	153,462	184,694	31,232
Intergovernmental				
Police aids	103,000	103,000	106,614	3,614
Other aids	551,424	551,424	551,424	
Total Intergovernmental	654,424	654,424	658,038	3,614
Charges for Services				
General government	86,920	86,920	73,324	(13,596)
Public safety	2,000	2,000	8,870	6,870
Housing registration	105,300	105,300	101,802	(3,498)
Total Charges for Services	194,220	194,220	183,996	(10,224)
Fines and forfeits	58,500	58,500	79,124	20,624
Investment earnings (loss)	12,500	12,500	(69,381)	(81,881)
Miscellaneous Revenue				
Liaison officer	84,584	84,584	149,956	65,372
Insurance dividends	6,000	6,000	12,819	6,819
Reimbursements and other	6,450	6,450	88,717	82,267
Total Miscellaneous Revenue	97,034	97,034	251,492	154,458
TOTAL REVENUES	4,690,842	4,690,842	4,784,316	93,474
EXPENDITURES				
General Government				
Mayor and Council				
Personnel services	35,334	35,334	34,956	378
Supplies and services	2,000	2,000	1,439	561
Other charges	34,302	34,302	19,974	14,328
Total Mayor and Council	\$ 71,636	\$ 71,636	\$ 56,369	\$ 15,267

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, 2022

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Administration				
Personnel services	\$ 429,415	\$ 429,415	\$ 411,238	\$ 18,177
Supplies	8,496	8,496	7,573	923
Contracted services	5,900	5,900	7,446	(1,546)
Other services and charges	21,791	21,791	16,969	4,822
Total Administration	465,602	465,602	443,226	22,376
Election				
Personnel services			12,691	(12,691)
Other services and charges			12,224	(12,224)
Total Election			24,915	(24,915)
Assessing				
Contracted services	37,500	37,500	37,785	(285)
Accounting and Auditing				
Contracted services	11,950	11,950	11,950	
Information Technology				
Contracted services	61,305	61,305	57,052	4,253
Legal				
Contracted services	122,500	122,500	103,306	19,194
Engineering				
Contracted services	7,500	7,500	2,981	4,519
Planning and Zoning				
Supplies and other charges	1,025	1,025	1,565	(540)
Government Buildings				
Personnel services	24,151	24,151	23,683	468
Supplies	22,250	22,250	34,499	(12,249)
Contracted services	50,265	50,265	72,674	(22,409)
Other charges	30,000	30,000	5,055	24,945
Total Government Buildings	126,666	126,666	135,911	(9,245)
Total General Government	\$ 905,684	\$ 905,684	\$ 875,060	\$ 30,624

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, 2022

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Public Safety				
Police Protection				
Personnel services	\$ 1,750,635	\$ 1,750,635	\$ 1,700,388	\$ 50,247
Supplies	49,032	49,032	44,527	4,505
Contracted services	57,734	57,734	61,320	(3,586)
Other charges	94,080	94,080	75,407	18,673
Capital outlay	39,752	39,752	45,352	(5,600)
Total Police Protection	1,991,233	1,991,233	1,926,994	64,239
Fire Protection				
Contracted services	255,125	255,125	255,120	5
Capital outlay	46,410	46,410	46,410	
Total Fire Protection	301,535	301,535	301,530	5
Code Enforcement				
Personnel services	262,604	262,604	244,260	18,344
Supplies	5,700	5,700	7,188	(1,488)
Contracted services	5,300	5,300	1,143	4,157
Other charges	7,600	7,600	2,540	5,060
Total Code Enforcement	281,204	281,204	255,131	26,073
Total Public Safety	2,573,972	2,573,972	2,483,655	90,317
Public Works				
Street Maintenance				
Personnel services	229,273	229,273	234,898	(5,625)
Supplies	45,800	45,800	50,674	(4,874)
Contracted services	1,410	1,410	438	972
Other charges	1,020	1,020	1,119	(99)
Total Street Maintenance	277,503	277,503	287,129	(9,626)
Total Public Works	\$ 277,503	\$ 277,503	\$ 287,129	\$ (9,626)

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended December 31, 2022**

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation and Parks				
Recreation				
Personnel services	\$ 357,642	\$ 357,642	\$ 333,845	\$ 23,797
Supplies	14,582	14,582	15,243	(661)
Contracted services	17,277	17,277	15,618	1,659
Other charges	2,330	2,330	1,515	815
Total Recreation	<u>391,831</u>	<u>391,831</u>	<u>366,221</u>	<u>25,610</u>
Parks and Forestry				
Personnel services	274,380	274,380	260,666	13,714
Supplies	65,892	65,892	66,632	(740)
Contracted services	9,000	9,000	12,932	(3,932)
Other charges	16,490	16,490	14,145	2,345
Total Parks and Forestry	<u>365,762</u>	<u>365,762</u>	<u>354,375</u>	<u>11,387</u>
Total Recreation and Parks	<u>757,593</u>	<u>757,593</u>	<u>720,596</u>	<u>36,997</u>
Other				
Personnel services	9,900	9,900	436	9,464
Other charges	120,000	120,000	53,786	66,214
Permit surcharges	5,600	5,600	7,061	(1,461)
Severance payments			109,987	(109,987)
Total Other	<u>135,500</u>	<u>135,500</u>	<u>171,270</u>	<u>(35,770)</u>
Total Expenditures	<u>4,650,252</u>	<u>4,650,252</u>	<u>4,537,710</u>	<u>112,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,590</u>	<u>40,590</u>	<u>246,606</u>	<u>206,016</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	147,230	147,230	237,231	90,001
Transfers to other funds	(187,824)	(337,824)	(345,466)	(7,642)
Total Other Financing Sources (Uses)	<u>(40,594)</u>	<u>(190,594)</u>	<u>(108,235)</u>	<u>82,359</u>
NET CHANGE IN FUND BALANCE	(4)	(150,004)	138,371	288,375
FUND BALANCE, January 1	<u>2,531,584</u>	<u>2,531,584</u>	<u>2,531,584</u>	
FUND BALANCE, December 31	<u>\$ 2,531,580</u>	<u>\$ 2,381,580</u>	<u>\$ 2,669,955</u>	<u>\$ 288,375</u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position
 December 31, 2022**

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and investments	\$ 831,525
Accounts receivable	303,905
Lease receivable	122,784
Due from other funds	7,247
Prepaid expenses	21,168
Total Current Assets	1,286,629
Noncurrent Assets	
Lease receivable, noncurrent	2,457,907
Property and Equipment	
Construction in progress	294,832
Buildings and improvements	6,452,464
Infrastructure	6,641,960
Machinery and equipment	751,251
Less: Accumulated depreciation	8,373,874
Total Noncurrent Assets	8,224,540
Reserved Assets	
Cash and investments	1,890,577
Total Noncurrent Assets	10,115,117
TOTAL ASSETS	11,401,746
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activity	87,065

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Net Position (Continued)
 December 31, 2022**

	Utility Fund
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 87,621
Accrued payroll and taxes	3,650
Accrued interest	2,302
Unearned revenue	3,000
Other accrued liabilities	4,968
Due to other funds	12,134
Current portion of compensated absences	34,793
Current portion of note payable and capital lease	245,000
Total Current Liabilities	393,468
Long-term Liabilities	
Net pension liability	243,946
Total Liabilities	637,414
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from leasing activity	2,553,626
Deferred inflows from pension activity	20,568
Total Deferred Inflows of Resources	2,574,194
Net Position	
Net investment in capital assets	5,521,633
Unrestricted	2,755,570
Total Net Position	\$ 8,277,203

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**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Revenues, Expenses
 and Changes in Net Position
 For the Year Ended December 31, 2022**

	<u>Utility Fund</u>
Operating Revenue	
Charges for services	<u>\$ 1,844,476</u>
Operating Expenses	
Personnel services	347,004
Supplies	253,854
Contracted services and other	283,684
Treatment charges	590,997
Depreciation	492,533
Other charges	64,592
Total Operating Expenses	<u>2,032,664</u>
Operating (Loss)	<u>(188,188)</u>
Other Revenue (Expense)	
Lease revenue	227,574
Commissions and other revenue	26,346
Investment (loss)	(145,475)
Interest and other expense	(11,379)
Total Other Revenue (Expense)	<u>97,066</u>
(Loss) Before Transfers	(91,122)
Net transfers from other funds	<u>24,316</u>
Change in net position	(66,806)
NET POSITION, BEGINNING OF YEAR	<u>8,344,009</u>
NET POSITION, END OF YEAR	<u><u>\$ 8,277,203</u></u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended December 31, 2022**

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,102,719
Cash paid to suppliers	(1,168,130)
Cash paid to employees	<u>(358,190)</u>
Net Cash Provided By Operating Activities	<u>576,399</u>
Cash Flows From Investing Activities	
Investment (loss)	<u>(145,475)</u>
Cash Flows from Noncapital Financing Activities	
Net transfers to other funds	<u>24,316</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(273,523)
Principal paid on long-term debt	(238,000)
Interest paid on long-term debt	<u>(13,616)</u>
Net Cash (Used In) Capital and Related Financing Activities	<u>(525,139)</u>
Net (Decrease) in Cash and Cash Equivalents	(69,899)
Cash and Cash Equivalents, January 1	<u>2,792,001</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 2,722,102</u></u>
Classified as:	
Cash and investments - current assets	\$ 831,525
Cash and investments - reserved assets	<u>1,890,577</u>
Total Cash and Cash Equivalents, December 31	<u><u>\$ 2,722,102</u></u>

See Notes to Financial Statements

**CITY OF SPRING LAKE PARK
 PROPRIETARY FUND
 Statement of Cash Flows (Continued)
 For the Year Ended December 31, 2022**

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

Operating (loss)	\$ (188,188)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	492,533
Change in net pension liability	3,757
Change in lease receivable and deferred inflows	(27,065)
Lease and other revenues	253,920
(Increase) decrease in:	
Accounts receivable	28,772
Due from other funds	(4,159)
Prepaid expenses	(21,168)
Increase (decrease) in:	
Accounts payable	46,165
Accrued payroll and taxes	(1,231)
Due to other funds	6,775
Estimated liability for compensated absences	(13,712)
Net Cash Provided By Operating Activities	\$ 576,399

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

December 31, 2022

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CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Related Organizations

Spring Lake Park - Blaine - Mounds View Fire Department

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

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

1. The Fire Department is governed by its own Board of Directors. Directors are appointed by each city and from the Fire Department.
2. Operation, maintenance and debt service costs are shared based upon a formula. One half of the formula is the relative assessed value of each city. The other half is the three-year average of fire calls within each city. The City's share of the formula was 8.50% in 2022.
3. The city of Blaine issued \$8,050,000 G.O. Capital Improvement Bonds, Series 2005A, on December 1, 2005 to construct a new fire station and training facility and acquire two additional fire trucks. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance. These bonds were refunded in 2016 (see 4. below).
4. In 2013, the city of Blaine issued crossover refunding bonds to refund (in 2016) the 2005A G.O. Capital Improvement Bonds. The City of Spring Lake Park has recorded its share of the debt related to this bond issuance.
5. In 2017, the City of Spring Lake Park issued \$1,090,000 G.O. Equipment Certificates of Indebtedness, Series 2017A to purchase a new fire truck and additional fire vehicles and equipment. The City of Spring Lake Park has recorded the full amount of debt and an intergovernmental receivable for the share of debt related to Blaine and Mounds View.
6. In 2018, the City of Blaine issued \$1,145,000 G.O. Equipment Certificates of Indebtedness, Series 2018A, to purchase new fire vehicles and equipment. The City of Spring Lake Park has recorded their principal share of debt and capitalized their share of fire vehicles and equipment.
7. Each city has a non-measurable equity interest in the property that is held by the fire department.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

A. Reporting Entity (Continued)

Related Organizations (Continued)

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

The City's share of operating costs were \$255,120, capital costs were \$46,410 and debt service costs were \$275,810 during 2022. The operating and capital costs were recorded as expenditures in the General Fund. The debt service costs were recorded as expenditures in the 2013A G.O. Capital Improvement Bond, 2017A G.O. Equipment Certificates and 2018A Blaine Fire debt service funds.

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

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

North Metro Telecommunications Commission

In 2016, the City joined with the cities of Blaine, Centerville, Circle Pines, Ham Lake, Lexington and Lino Lakes to cooperatively purchase telecommunications equipment to provide cable communication services to their residents. The City of Spring Lake Park has recorded its share of the debt related to the 2016A G.O. Improvement Note issued by the city of Circle Pines. The 2016A North Metro Telecommunications debt service fund received \$13,160 in franchise fees that were used for debt service payments during the year ended December 31, 2022.

B. Government-wide and Fund Financial Statements

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

The *HRA reserve fund* is an accumulation of resources and costs associated with housing and redevelopment throughout the City.

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

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

The City reports the following major proprietary fund:

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Cash and investments (including cash equivalents)

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

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

2. Receivables and payables

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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

2. Receivables and payables (continued)

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

3. Tax increment district

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

4. Capital assets

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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

7. Pensions

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

8. Fund balance

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 (Continued)

8. Fund balance (continued)

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

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

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

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

9. Deferred outflows of resources

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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

10. Deferred inflows of resources

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

11. Leases

For leases with term exceeding 12 months, the City recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City leases cell tower space, a building and parking lot to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the risk-free rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

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

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.

G. Conduit Debt Obligations

The City issued lease revenue bonds during 2017 to provide funding to a private sector entity for a project deemed to be in the public interest. The City issued bonds during 2019 to provide funding to another private sector entity for a project deemed to be in public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City. As of December 31, 2022, the outstanding principal amount of these bonds was \$42,288,007.

H. Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The implementation of this standard resulted in changing the presentation of the financial statements by including the lease receivable and deferred inflows from leases as of January 1, 2022. The beginning fund balance/net position has not been impacted by the implementation.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

I. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 27, 2023, the date the financial statements were available to be issued.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

2. Stewardship, Compliance and Accountability (Continued)

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, 2022).

The City does not use encumbrance accounting.

B. Expenditures Exceeding Appropriations

For the year ended December 31, 2022, the following General Fund departments had expenditures exceeding the latest amended budget:

	<u>2022 Budgeted Expenditures</u>	<u>2022 Actual Expenditures</u>	<u>Amount Exceeding Budgeted Amount</u>
Other	\$ 135,500	\$ 171,270	\$ 35,770
Public Works	277,503	287,129	9,626

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

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, 2022.

Investment Policy

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

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

Fair Value Measurements

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

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

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

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

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

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2022 were as follows:

	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 7,406,083	\$ 7,406,083	\$	\$
U.S. Government Securities	1,250,539		1,250,539	
Total	\$ 8,656,622	\$ 7,406,083	\$ 1,250,539	\$

Interest Rate Risk

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

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

Investment	Range of Maturities	Rating	Value
Cash	N/A	N/A	\$ 5,158,517
Certificates of Deposit	8/30	N/A	7,406,083
U.S. Government Securities	2/28	AAA	1,250,539
Total cash and investments			<u>\$13,815,139</u>

N/A Not applicable or not available

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to penalty equal to seven days interest on the amount withdrawn.

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, 2022 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Value</u>
4M Fund	Money Market Accounts	\$4,475,574

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, 2022, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

B. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2022 were as follows:

Fund Type	Anoka County	Ramsey County
General Fund	\$ 49,822	\$ 451
Capital Projects	108	
Debt Service	6,271	33
	<u>\$ 56,201</u>	<u>\$ 484</u>

C. Capital Assets

Capital asset activity for the City for the year ended December 31, 2022 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 334,950	\$	\$	\$ 334,950
Construction in progress		260,540		260,540
Total capital assets, not being depreciated	<u>334,950</u>	<u>260,540</u>		<u>595,490</u>
Capital assets, being depreciated:				
Buildings and improvements	3,399,492		75,445	3,324,047
Machinery and equipment	3,995,279	66,614	235,403	3,826,490
Infrastructure	20,433,237			20,433,237
Total capital assets, being depreciated	<u>27,828,008</u>	<u>66,614</u>	<u>310,848</u>	<u>27,583,774</u>
Less accumulated depreciation for:				
Buildings and improvements	2,392,719	109,835	75,445	2,427,109
Machinery and equipment	3,227,832	327,566	212,653	3,342,745
Infrastructure	12,732,711	518,425		13,251,136
Total accumulated depreciation	<u>18,353,262</u>	<u>955,826</u>	<u>288,098</u>	<u>19,020,990</u>
Total capital assets, being depreciated, net	<u>9,474,746</u>	<u>(889,212)</u>	<u>22,750</u>	<u>8,562,784</u>
Governmental activities capital assets, net	<u>\$ 9,809,696</u>	<u>\$ (628,672)</u>	<u>\$ 22,750</u>	<u>\$ 9,158,274</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 21,309	\$ 273,523	\$	\$ 294,832
Total capital assets, not being depreciated	21,309	273,523		294,832
Capital assets, being depreciated:				
Buildings and improvements	6,452,464			6,452,464
Machinery and equipment	789,028		37,777	751,251
Infrastructure	6,641,960			6,641,960
Total capital assets, being depreciated	13,883,452		37,777	13,845,675
Less accumulated depreciation for:				
Buildings and improvements	4,655,140	213,800		4,868,940
Machinery and equipment	701,862	33,448	37,777	697,533
Infrastructure	2,562,116	245,285		2,807,401
Total accumulated depreciation	7,919,118	492,533	37,777	8,373,874
Total capital assets, being depreciated, net	5,964,334	(492,533)		5,471,801
Business-type activities capital assets, net	\$ 5,985,643	\$ (219,010)	\$	\$ 5,766,633

Depreciation expense for the year ended December 31, 2022 was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 177,719
Public safety	95,367
Public works	623,832
Recreation and parks	58,908
Total	<u>\$ 955,826</u>
Business-Type Activities	
Utility	\$ 492,533

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

D. Long-Term Debt

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

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

A summary of long-term debt outstanding at December 31, 2022 is as follows:

	Issue Date	Range of Interest Rates	Final Maturity	Balance 12/31/22
General obligation bonds:				
2013A Capital Improvement Bonds	5/30/2013	2.00%	2025	\$ 163,701
2013B Capital Improvement Bonds	12/18/2013	3.00%	2023	80,000
2021A Improvement Refunding Bonds	2/17/2021	2.00%	2025	860,000
General obligation certificates:				
2017A Equipment Certificates	3/21/2017	3.00%	2023	230,000
2018A Improvement Certificates	6/7/2018	4.00%	2023	30,063
General obligation note payable:				
Note Payable - Public Facilities Authority	7/8/2003	2.819%	2023	245,000
2016A Improvement Notes	4/14/2016	2.00%	2025	25,704
Other Liabilities:				
Net unamortized premium on bonds				28,250
Compensated Absences				268,242
Total Long-Term Debt				<u>\$ 1,930,960</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, 2022, the City had not utilized approximately \$20,000,000 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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General obligation bonds:					
2013A Capital Improvement Bonds	\$ 184,951	\$	\$ 21,250	\$ 163,701	\$ 65,025
2013B Capital Improvement Bonds	155,000		75,000	80,000	80,000
2021A Capital Improvement Bonds	1,155,000		295,000	860,000	295,000
General obligation certificates:					
2017A Equipment Certificates	455,000		225,000	230,000	230,000
2018A Equipment Certificates	165,000		165,000		
2018A Improvement Certificates	39,626		9,563	30,063	30,063
General obligation note payable:					
2016A Improvement Notes	38,102		12,398	25,704	13,003
Other Liabilities:					
Compensated Absences	311,599	95,325	173,475	233,449	129,967
Unamortized premium	50,858		12,849	38,009	
Less: unamortized (discount)	(15,348)		(5,589)	(9,759)	
Governmental Activities Long-Term Liabilities	<u>2,539,788</u>	<u>95,325</u>	<u>983,946</u>	<u>1,651,167</u>	<u>843,058</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General obligation note payable:					
Note Payable - Public Facilities Authority	483,000		238,000	245,000	245,000
Other Liabilities:					
Compensated Absences	<u>48,505</u>	<u>38,298</u>	<u>52,010</u>	<u>34,793</u>	<u>34,793</u>
Business-Type Activities Long-Term Liabilities	<u>531,505</u>	<u>38,298</u>	<u>290,010</u>	<u>279,793</u>	<u>279,793</u>
Total	<u>\$ 3,071,293</u>	<u>\$ 133,623</u>	<u>\$ 1,273,956</u>	<u>\$ 1,930,960</u>	<u>\$ 1,122,851</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, 2022 were as follows:

Year	General Obligation Improvement and Refunding Bonds		General Obligation Equipment and Refunding Certificates	
	Principal	Interest	Principal	Interest
2023	\$ 440,025	\$ 22,711	\$ 260,063	\$ 4,232
2024	334,625	13,548		
2025	329,051	7,323		
Totals	\$ 1,103,701	\$ 43,582	\$ 260,063	\$ 4,232

Year	General Obligation Notes Payable	
	Principal	Interest
2023	\$ 258,003	\$ 7,420
2024	12,701	260
Totals	\$ 270,704	\$ 7,680

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

E. Tax Increment District

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

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

Information regarding District No. 6-1 as of December 31, 2022 is as follows:

Original net tax capacity	\$	6,788
Current net tax capacity		230,454
Capture net tax capacity:		
Retained by authority		223,666

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

F. Interfund Receivables and Payables

The following schedule reports the interfund receivables and payables within the City's funds as of December 31, 2022:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 262,367	\$ 13,613
Revolving Fund	13,613	251,015
Subtotal	<u>275,980</u>	<u>264,628</u>
Non-Major Governmental Funds:		
Special Revenue		
Recycling	3,806	
Street Lighting	1,081	
Cable		11,352
Subtotal	<u>4,887</u>	<u>11,352</u>
Total Governmental Funds	<u>280,867</u>	<u>275,980</u>
Proprietary Funds:		
Utility	<u>7,247</u>	12,134
Subtotal	<u>7,247</u>	<u>12,134</u>
Total All Funds	<u>\$ 288,114</u>	<u>\$ 288,114</u>

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers

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

Interfund transfers during the year ended December 31, 2022 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 237,231	\$ 345,466
Revolving Fund	7,215	
Renewal and Replacement		25,000
Subtotal	<u>244,446</u>	<u>370,466</u>
Non-Major Governmental Funds:		
Special Revenue		
Emergency Management	3,157	
Police Reserves	3,000	
Forestry	28,000	
Animal Control	1,000	
Recreation Fund		62,500
Recycling Fund		5,000
Debt Service		
2013A GO Capital Improvement Fire Bonds	50,000	
2013B GO Capital Improvement Bonds	80,145	
Tax Increment Financing - Legends of SLP		3,000

(Continued)

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

G. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects		
Storm Water		91,192
Building Maintenance	87,667	
State Aid Street		100,000
Street Sealcoating	100,000	
Public Safety Replacement	17,642	
2017A GO Equipment Certificates		7,215
Subtotal	<u>370,611</u>	<u>268,907</u>
Total Governmental Funds	615,057	639,373
Proprietary Funds:		
Utility	<u>24,316</u>	
Total All Funds	<u>\$ 639,373</u>	<u>\$ 639,373</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Balance and Net Position

In accordance with the requirements of GASB Statement No. 54, below is a schedule of ending fund balances as of December 31, 2022:

	General Fund	Developer's Escrow	HRA Reserve	Revolving Fund	Renewal and Replacement	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid items	\$ 1,975	\$	\$	\$ 21,168	\$	\$ 10,933	\$ 34,076
Restricted							
Police activities						13,712	13,712
Debt service						1,101,782	1,101,782
Street improvements						160,917	160,917
Park acquisition						573,489	573,489
Community development						60,246	60,246
Total Restricted						1,910,146	1,910,146
Assigned							
Working capital reserve	2,353,141						2,353,141
Compensated absences	233,449						233,449
Elections	81,390						81,390
Recreation programs						232,383	232,383
Recycling						96,865	96,865
Street lighting						90,520	90,520
Cable activities						19,061	19,061
Public safety supplies						13,095	13,095
HRA reserve			1,069,327				1,069,327
Street improvement				1,192,620	1,734,646		2,927,266
Street sealcoating						112,997	112,997
Capital replacement						626,495	626,495
Building maintenance						309,337	309,337
Park acquisition						56,003	56,003
Other activities						64,293	64,293
Total Assigned	2,667,980		1,069,327	1,192,620	1,734,646	1,621,049	8,285,622
Total Fund Balance	\$ 2,669,955	\$	\$ 1,069,327	\$ 1,213,788	\$ 1,734,646	\$ 3,542,128	\$ 10,229,844

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

H. Fund Balance and Net Position (Continued)

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific future use. A summary of the restricted portion of the fund balance / equity at December 31, 2022 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 1,101,782	\$
Special Revenue Funds:				
Police activities		13,712		
Community development	24,469	35,777		
Capital Project Funds:				
Street improvements		160,917		
Park acquisition	573,489			
Total Restricted Funds	<u>\$ 597,958</u>	<u>\$ 210,406</u>	<u>\$ 1,101,782</u>	<u>\$</u>
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,225,703	\$
Police activities		13,712		
Community development	24,469	35,777		
Street improvements		160,917		
Park acquisition	573,489			
Total Restricted Net Position	<u>\$ 597,958</u>	<u>\$ 210,406</u>	<u>\$ 1,225,703</u>	<u>\$</u>

I. Leases

The City has entered into several lease agreements with cell phone providers. Under the agreements, the cell phone providers pay the City monthly payments of \$14,171 (adjusted annually) in exchange for providing cell phone services to the City residents with antennas on top of the water towers. The receivable for these leases has been recorded in the water fund and is measured as the present value of the future rent payments expected to be received during the lease terms. The discount rate used in the calculation of the receivable is 2.0%, which is the risk free rate.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

3. Detailed Notes on All Funds (Continued)

I. Leases (Continued)

The City has entered into lease agreements for two properties that are owned by the City and rented to external parties. Under the leases, the external parties pay the City monthly payments of \$6,250. The receivable for these two leases has been recorded in the HRA reserve fund and is measured as the present value of the future rent payments expected to be received during the lease terms. The discount rate used in the calculation of the receivable is 2.0%, which is the risk-free rate.

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.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

B. Commitments and Contingencies (Continued)

General Litigation:

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

C. Pension Plans

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

A. Plan Description

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

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

B. Benefits Provided

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

1. General Employees Plan Benefits

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

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

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

B. Benefits Provided (continued)

2. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$103,606. The City's contributions were equal to the required contributions as set by state statute.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

C. Contributions (continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$197,758. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,465,206 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$43,085.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0185 percent at the end of the measurement period and .0185 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,465,206
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>43,085</u>
Total	<u>\$ 1,508,291</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

For the year ended December 31, 2022, the City recognized pension expense of \$21,345 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$6,438 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, 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	\$ 12,238	\$ 15,644
Changes in actuarial assumptions	331,603	5,927
Net collective difference between projected and actual investment earnings	25,259	
Changes in proportion	2,998	22,115
Contributions paid to PERA subsequent to the measurement date	<u>51,451</u>	
Total	<u>\$ 423,549</u>	<u>\$ 43,686</u>

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

1. General Employees Fund Pension Costs (continued)

The \$51,451 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 107,473
2024	135,124
2025	(46,695)
2026	132,510

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$4,090,509 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0940 percent at the end of the measurement period and .0878 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$84,017 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$34,660 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$8,460 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

D. Pensions Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2022, 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	\$ 244,112	\$
Changes in actuarial assumptions	2,351,624	24,235
Net collective difference between projected and actual investment earnings	126,422	
Changes in proportion	51,665	52,767
Contributions paid to PERA subsequent to the measurement date	<u>99,394</u>	
Total	<u>\$ 2,873,217</u>	<u>\$ 77,002</u>

The \$99,394 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 526,414
2024	525,185
2025	468,659
2026	828,245
2027	348,318

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

Total Pension Expense (Benefit)

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, 2022 was \$105,362.

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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. Actuarial Methods and Assumptions (Continued)

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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. Actuarial Methods and Assumptions (Continued)

General Employees Fund

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed 6.50% to 5.40%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 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)

H. 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 Analysis of Net Pension Liability at Different Discount Rates			
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 2,314,370	4.40%	\$ 6,190,460
Current Discount Rate	6.50%	\$ 1,465,206	5.40%	\$ 4,090,509
1% Higher	7.50%	\$ 768,761	6.40%	\$ 2,392,824

I. 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.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

D. Pension Plans (Continued)

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

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer.

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Spring Lake Park during fiscal year 2022 were:

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

E. Other Postemployment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 75, *Accounting and Financial Reporting by for Postemployment Benefits Other than Pensions*. Management determined the OPEB liability at December 31, 2022 is not material and therefore is not recorded in these financial statements.

CITY OF SPRING LAKE PARK

NOTES TO FINANCIAL STATEMENTS

4. Other Information (Continued)

F. Joint Powers Agreements

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

Payments to the Department by the City of Spring Lake Park in 2022 totaled \$301,530, including a provision for capital expenditures. This total was approximately 8% of contracted revenues from member cities reported by the Department. As described in Note 1, the City is also responsible for its share of debt service payments related to bonds issued on behalf of the Department for building improvements and equipment acquisitions.

In addition, the City is a member of the Anoka County Joint Law Enforcement Council (JLEC), an organization of Anoka County and certain cities located within the County formed to cooperate in their law enforcement efforts. The City participates with the JLEC on a cost-sharing basis with the development and maintenance of an integrated central records communication system. Costs related to the City's participation in the JLEC were \$15,537 for the year ended December 31, 2022.

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

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

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CITY OF SPRING LAKE PARK
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of City Contributions
PERA General Employees Retirement Fund
December 31, 2022

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 106,316	\$ 106,316	\$	\$ 1,468,400	7.2%
2015	109,297	109,297		1,442,177	7.6%
2016	112,202	112,202		1,496,472	7.5%
2017	114,728	114,728		1,529,713	7.5%
2018	110,008	110,008		1,466,764	7.5%
2019	102,065	102,065		1,360,859	7.5%
2020	103,623	103,623		1,381,644	7.5%
2021	97,494	97,494		1,299,915	7.5%
2022	103,606	103,606		1,381,419	7.5%
2023					

Schedule of City Contributions
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2022

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 135,648	\$ 135,648	\$	\$ 886,585	15.30%
2015	147,786	147,786		912,261	16.20%
2016	151,121	151,121		932,841	16.20%
2017	153,641	153,641		948,402	16.20%
2018	161,819	161,819		998,882	16.20%
2019	174,175	174,175		1,027,581	16.95%
2020	186,745	186,745		1,055,054	17.70%
2021	188,326	188,326		1,063,991	17.70%
2022	197,758	197,758		1,117,276	17.70%
2023					

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

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CITY OF SPRING LAKE PARK, MINNESOTA
Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
December 31, 2022

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (b)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) and the State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0275%	\$ 1,291,812	\$	\$ 1,291,812	\$ 1,468,400	88.0%	78.7%
2015	0.0247%	1,280,082		1,280,082	1,442,177	88.8%	78.2%
2016	0.0239%	1,940,561	25,332	1,965,893	1,496,472	131.4%	68.9%
2017	0.0234%	1,493,841	18,793	1,512,634	1,529,713	98.9%	75.9%
2018	0.0228%	1,264,851	41,581	1,306,432	1,534,400	85.1%	79.5%
2019	0.0200%	1,105,755	34,332	1,140,087	1,413,001	80.7%	80.2%
2020	0.0184%	1,103,164	33,897	1,137,061	1,309,040	86.9%	79.1%
2021	0.0185%	790,033	24,044	814,077	1,329,628	61.2%	87.0%
2022	0.0185%	1,465,206	43,085	1,508,291	1,386,819	108.8%	76.7%
2023							

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund Pension Plan
December 31, 2022

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1040%	\$ 1,123,243	\$	\$	\$ 886,585	126.7%	87.1%
2015	0.0960%	1,090,785			912,261	119.6%	86.6%
2016	0.0960%	3,852,647			932,841	413.0%	63.9%
2017	0.0920%	1,242,109			948,402	131.0%	85.4%
2018	0.0925%	985,955			975,104	101.1%	88.8%
2019	0.0955%	1,016,694			1,007,413	100.9%	89.3%
2020	0.0912%	1,202,114	28,305	1,230,419	1,029,857	119.5%	87.2%
2021	0.0878%	677,723	30,486	708,209	1,038,145	68.2%	93.7%
2022	0.0940%	4,090,509	178,684	4,269,193	1,141,961	373.8%	70.5%
2023							

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

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

December 31, 2022

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

December 31, 2022

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and investments	\$ 558,923	\$ 1,095,478	\$ 1,811,593	\$ 3,465,994
Accounts receivable	65,188		30,326	95,514
Special assessments receivable		123,921		123,921
Due from other funds	4,887			4,887
Due from other governmental units		6,304		6,304
Prepaid expenditures	10,933			10,933
TOTAL ASSETS	\$ 639,931	\$ 1,225,703	\$ 1,841,919	\$ 3,707,553
LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 18,224	\$	\$ 771	\$ 18,995
Accrued payroll and taxes	659			659
Due to other funds	11,352			11,352
Unearned revenue	10,498			10,498
Total Liabilities	40,733		771	41,504
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Special assessments		123,921		123,921
FUND BALANCE				
Nonspendable	10,933			10,933
Restricted	73,958	1,101,782	734,406	1,910,146
Assigned	514,307		1,106,742	1,621,049
Unassigned				
Total Fund Balance	599,198	1,101,782	1,841,148	3,542,128
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 639,931	\$ 1,225,703	\$ 1,841,919	\$ 3,707,553

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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, 2022

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property and franchise taxes	\$ 10,651	\$ 512,101	\$	\$ 522,752
Special assessments		62,368		62,368
Intergovernmental revenues	63,828		120,556	184,384
Charges for services	411,954	13,160	89,099	514,213
Fines and forfeitures	2,791			2,791
Investment (loss)	(27,196)	(50,782)	(88,551)	(166,529)
Other revenues	38,477	216,763	29,817	285,057
TOTAL REVENUES	<u>500,505</u>	<u>753,610</u>	<u>150,921</u>	<u>1,405,036</u>
EXPENDITURES				
Current				
General government	26,151			26,151
Public safety	8,079	247		8,326
Public works	35,797		209,572	245,369
Recreation and parks	181,300		264,743	446,043
Development and other	233,627	236,241		469,868
Capital Outlay				
Public safety	2,589			2,589
Public works			32,606	32,606
Recreation and parks			62,192	62,192
Debt Service				
Principal		803,211		803,211
Interest and other		46,358		46,358
TOTAL EXPENDITURES	<u>487,543</u>	<u>1,086,057</u>	<u>569,113</u>	<u>2,142,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,962</u>	<u>(332,447)</u>	<u>(418,192)</u>	<u>(737,677)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	35,157	130,145	205,309	370,611
Transfers to other funds	(67,500)	(3,000)	(198,407)	(268,907)
Fiscal agent fees		(7,276)		(7,276)
Total other financing sources (uses)	<u>(32,343)</u>	<u>119,869</u>	<u>6,902</u>	<u>94,428</u>
Net change in fund balances	(19,381)	(212,578)	(411,290)	(643,249)
FUND BALANCES (DEFICIT), Beginning	<u>618,579</u>	<u>1,314,360</u>	<u>2,252,438</u>	<u>4,185,377</u>
FUND BALANCES (DEFICIT), Ending	<u>\$ 599,198</u>	<u>\$ 1,101,782</u>	<u>\$ 1,841,148</u>	<u>\$ 3,542,128</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2022**

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
ASSETS			
Cash and investments	\$ 59,362	\$ 80,613	\$ 19,971
Accounts receivable	45,592	8,939	10,651
Prepaid expenditures			
Due from other funds	<u>3,806</u>	<u>1,081</u>	
TOTAL ASSETS	<u>\$ 108,760</u>	<u>\$ 90,633</u>	<u>\$ 30,622</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 11,445	\$ 113	\$
Accrued payroll and taxes	450		209
Due to other funds			11,352
Unearned revenue			
Total Liabilities	<u>11,895</u>	<u>113</u>	<u>11,561</u>
FUND BALANCE			
Nonspendable			
Restricted			
Assigned	<u>96,865</u>	<u>90,520</u>	<u>19,061</u>
Total Fund Balance	<u>96,865</u>	<u>90,520</u>	<u>19,061</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 108,760</u>	<u>\$ 90,633</u>	<u>\$ 30,622</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>Tower Days</u>
\$ 13,095	\$ 13,827	\$ 249,407 6 10,933	\$ 24,469
<u>\$ 13,095</u>	<u>\$ 13,827</u>	<u>\$ 260,346</u>	<u>\$ 24,469</u>
\$	\$ 115	\$ 6,532	\$
		10,498	
	115	17,030	
		10,933	
13,095	13,712		24,469
<u>13,095</u>	<u>13,712</u>	<u>232,383</u>	<u>24,469</u>
<u>\$ 13,095</u>	<u>\$ 13,827</u>	<u>\$ 260,346</u>	<u>\$ 24,469</u>

(Continued)

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

December 31, 2022

	Traffic Education	Emergency Management	Animal Control
ASSETS			
Cash and investments	\$ 35,777	\$ 18,411	\$ 6,814
Accounts receivable			
Prepaid expenditures			
Due from other funds			
TOTAL ASSETS	\$ 35,777	\$ 18,411	\$ 6,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$	\$ 19	\$
Accrued payroll and taxes			
Due to other funds			
Unearned revenue			
Total Liabilities		19	
FUND BALANCE			
Nonspendable			
Restricted	35,777		
Assigned		18,392	6,814
Total Fund Balance	35,777	18,392	6,814
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 35,777	\$ 18,411	\$ 6,814

Comprehensive Plan Update	Forestry	Total
\$ 10,210	\$ 26,967	\$ 558,923
		65,188
		10,933
		4,887
<u>\$ 10,210</u>	<u>\$ 26,967</u>	<u>\$ 639,931</u>
\$	\$	\$ 18,224
		659
		11,352
		10,498
		40,733
		10,933
		73,958
<u>10,210</u>	<u>26,967</u>	<u>514,307</u>
<u>10,210</u>	<u>26,967</u>	<u>599,198</u>
<u>\$ 10,210</u>	<u>\$ 26,967</u>	<u>\$ 639,931</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, 2022

	<u>Recycling</u>	<u>Street Lighting</u>	<u>Cable</u>
REVENUES			
Franchise taxes	\$	\$	\$ 10,651
Intergovernmental revenue	60,272		
Charges for services	160,962	38,739	
Fines and forfeitures			
Investment (loss)	(1,658)	(4,173)	(1,079)
Other revenues			
TOTAL REVENUES	<u>219,576</u>	<u>34,566</u>	<u>9,572</u>
EXPENDITURES			
Current			
General government			14,201
Public safety			
Public works		35,797	
Recreation and parks			
Development and other	198,507		
Capital Outlay			
Public safety			
TOTAL EXPENDITURES	<u>198,507</u>	<u>35,797</u>	<u>14,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,069</u>	<u>(1,231)</u>	<u>(4,629)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds	(5,000)		
Total other financing sources (uses)	<u>(5,000)</u>		
Net change in fund balances	16,069	(1,231)	(4,629)
FUND BALANCES, Beginning	<u>80,796</u>	<u>91,751</u>	<u>23,690</u>
FUND BALANCES, Ending	<u>\$ 96,865</u>	<u>\$ 90,520</u>	<u>\$ 19,061</u>

<u>Police Forfeiture</u>	<u>Police Reserves</u>	<u>Recreation</u>	<u>Tower Days</u>
\$	\$	\$	\$
		212,253	
2,791			
(815)	(641)	(13,696)	(1,287)
<u>4,122</u>			<u>34,355</u>
<u>6,098</u>	<u>(641)</u>	<u>198,557</u>	<u>33,068</u>
6,512	217		
		176,900	
			35,120
<u>2,589</u>			
<u>9,101</u>	<u>217</u>	<u>176,900</u>	<u>35,120</u>
<u>(3,003)</u>	<u>(858)</u>	<u>21,657</u>	<u>(2,052)</u>
	3,000		
		<u>(62,500)</u>	
	3,000	<u>(62,500)</u>	
(3,003)	2,142	(40,843)	(2,052)
<u>16,098</u>	<u>11,570</u>	<u>284,159</u>	<u>26,521</u>
<u>\$ 13,095</u>	<u>\$ 13,712</u>	<u>\$ 243,316</u>	<u>\$ 24,469</u>

(Continued)

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, 2022

	<u>Traffic Education</u>	<u>Emergency Management</u>	<u>Animal Control</u>
REVENUES			
Franchise taxes	\$	\$	\$
Intergovernmental revenue		3,556	
Charges for services			
Fines and forfeitures			
Investment (loss)	(2,162)	(816)	(331)
Other revenues			
TOTAL REVENUES	<u>(2,162)</u>	<u>2,740</u>	<u>(331)</u>
EXPENDITURES			
Current			
General government	11,830		120
Public safety		1,350	
Public works			
Recreation and parks			
Development and other			
Capital Outlay			
Public safety			
TOTAL EXPENDITURES	<u>11,830</u>	<u>1,350</u>	<u>120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,992)</u>	<u>1,390</u>	<u>(451)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds		3,157	1,000
Transfers to other funds			
Total other financing sources (uses)		<u>3,157</u>	<u>1,000</u>
Net change in fund balances	(13,992)	4,547	549
FUND BALANCES, Beginning	<u>49,769</u>	<u>13,845</u>	<u>6,265</u>
FUND BALANCES, Ending	<u>\$ 35,777</u>	<u>\$ 18,392</u>	<u>\$ 6,814</u>

<u>Comprehensive Plan Update</u>	<u>Forestry</u>	<u>Total</u>
\$	\$	\$ 10,651
		63,828
		411,954
		2,791
(400)	(138)	(27,196)
		38,477
<u>(400)</u>	<u>(138)</u>	<u>500,505</u>
		26,151
		8,079
		35,797
	4,400	181,300
		233,627
		2,589
	4,400	487,543
<u>(400)</u>	<u>(4,538)</u>	<u>12,962</u>
	28,000	35,157
		(67,500)
	28,000	(32,343)
(400)	23,462	(19,381)
10,610	3,505	618,579
<u>\$ 10,210</u>	<u>\$ 26,967</u>	<u>\$ 599,198</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS**
December 31, 2022

	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications	2013B G.O. Capital Improvement Bonds
ASSETS			
Cash and investments	\$ 21,664	\$ 303	\$ 81,355
Special assessments receivable			
Due from other governmental units			
TOTAL ASSETS	\$ 21,664	\$ 303	\$ 81,355
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue:			
Special assessments	\$	\$	\$
FUND BALANCE			
Restricted	21,664	303	81,355
TOTAL LIABILITIES AND FUND BALANCE	\$ 21,664	\$ 303	\$ 81,355

Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	2021A G.O. Improvement Refunding Bonds	Total
\$ 135,105	\$ 246,010	\$ 48,170	\$ 19,924	\$ 542,947 123,921	\$ 1,095,478 123,921
			2,527	3,777	6,304
<u>\$ 135,105</u>	<u>\$ 246,010</u>	<u>\$ 48,170</u>	<u>\$ 22,451</u>	<u>\$ 670,645</u>	<u>\$ 1,225,703</u>
\$	\$	\$	\$	\$ 123,921	\$ 123,921
135,105	246,010	48,170	22,451	546,724	1,101,782
<u>\$ 135,105</u>	<u>\$ 246,010</u>	<u>\$ 48,170</u>	<u>\$ 22,451</u>	<u>\$ 670,645</u>	<u>\$ 1,225,703</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, 2022

	2013A G.O. Capital Improvement Fire Bond	2016A North Metro Tele- communications	2013B G.O. Capital Improvement Bonds
REVENUES			
Property taxes	\$	\$	\$
Special assessments			
Charges for services		13,160	
Investment (loss)	(430)	(16)	
Other revenue			
TOTAL REVENUES	<u>(430)</u>	<u>13,144</u>	
EXPENDITURES			
Current			
Public safety	247		
Development and other			
Debt Service			
Principal	21,250	12,398	75,000
Interest and other charges	1,768	762	5,145
TOTAL EXPENDITURES	<u>23,265</u>	<u>13,160</u>	<u>80,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,695)</u>	<u>(16)</u>	<u>(80,145)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	50,000		80,145
Transfers to other funds			
Fiscal agent fees			
Total other financing sources (uses)	<u>50,000</u>		<u>80,145</u>
Net change in fund balances	26,305	(16)	
FUND BALANCES (DEFICIT), Beginning	<u>(4,641)</u>	<u>319</u>	<u>81,355</u>
FUND BALANCES, Ending	<u>\$ 21,664</u>	<u>\$ 303</u>	<u>\$ 81,355</u>

Tax Increment Financing - Legends of SLP	2017A G.O. Equipment Certificates	2018A Blaine Fire Debt Service	2018A G.O. Equipment Certificates	2021A G.O. Improvement Refunding Bonds	Total
\$ 257,438	\$	\$	\$ 175,224	\$ 79,439	\$ 512,101
				62,368	62,368
					13,160
(6,559)	(7,559)	(2,761)	(827)	(32,630)	(50,782)
	216,763				216,763
<u>250,879</u>	<u>209,204</u>	<u>(2,761)</u>	<u>174,397</u>	<u>109,177</u>	<u>753,610</u>
					247
236,241					236,241
	225,000	9,563	165,000	295,000	803,211
1,000	10,275	678	3,135	23,595	46,358
<u>237,241</u>	<u>235,275</u>	<u>10,241</u>	<u>168,135</u>	<u>318,595</u>	<u>1,086,057</u>
<u>13,638</u>	<u>(26,071)</u>	<u>(13,002)</u>	<u>6,262</u>	<u>(209,418)</u>	<u>(332,447)</u>
					130,145
(3,000)					(3,000)
	(7,276)				(7,276)
<u>(3,000)</u>	<u>(7,276)</u>				<u>119,869</u>
10,638	(33,347)	(13,002)	6,262	(209,418)	(212,578)
<u>124,467</u>	<u>279,357</u>	<u>61,172</u>	<u>16,189</u>	<u>756,142</u>	<u>1,314,360</u>
<u>\$ 135,105</u>	<u>\$ 246,010</u>	<u>\$ 48,170</u>	<u>\$ 22,451</u>	<u>\$ 546,724</u>	<u>\$ 1,101,782</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS**
December 31, 2022

	<u>State Aid Street Fund</u>	<u>Street Sealcoating</u>	<u>Storm Water</u>	<u>Capital Replacement</u>
ASSETS				
Cash and investments	\$ 160,956	\$ 92,766	\$	\$ 421,502
Accounts receivable		20,231		
TOTAL ASSETS	<u>\$ 160,956</u>	<u>\$ 112,997</u>	<u>\$</u>	<u>\$ 421,502</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 39	\$	\$	\$ 125
FUND BALANCE				
Restricted	160,917			
Assigned		112,997		421,377
Total Fund Balance	<u>160,917</u>	<u>112,997</u>		<u>421,377</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 160,956</u>	<u>\$ 112,997</u>	<u>\$</u>	<u>\$ 421,502</u>

<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$ 1,910	\$ 309,337	\$ 82,704
<u>\$ 1,910</u>	<u>\$ 309,337</u>	<u>\$ 82,704</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>1,910</u>	<u>309,337</u>	<u>82,704</u>
<u>1,910</u>	<u>309,337</u>	<u>82,704</u>
<u>\$ 1,910</u>	<u>\$ 309,337</u>	<u>\$ 82,704</u>

(Continued)

**CITY OF SPRING LAKE PARK
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2022**

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement
ASSETS			
Cash and investments	\$ 9,641	\$ 541,466	\$ 21,726
Accounts receivable			857
TOTAL ASSETS	\$ 9,641	\$ 541,466	\$ 22,583
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 45	\$ 156	\$
FUND BALANCE			
Restricted	9,596	541,310	22,583
Assigned			
Total Fund Balance	9,596	541,310	22,583
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,641	\$ 541,466	\$ 22,583

Small Equipment	Park Equipment and Improvement	2018A G.O. Equipment Certificates	2017A G.O. Equipment Certificates	Total
\$ 16,773 9,238	\$ 30,398	\$ 122,414	\$	\$ 1,811,593 30,326
<u>\$ 26,011</u>	<u>\$ 30,398</u>	<u>\$ 122,414</u>	<u>\$</u>	<u>\$ 1,841,919</u>
\$ 406	\$	\$	\$	\$ 771
				734,406
25,605	30,398	122,414		1,106,742
<u>25,605</u>	<u>30,398</u>	<u>122,414</u>		<u>1,841,148</u>
<u>\$ 26,011</u>	<u>\$ 30,398</u>	<u>\$ 122,414</u>	<u>\$</u>	<u>\$ 1,841,919</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, 2022

	State Aid Street Fund	Street Sealcoating	Storm Water	Capital Replacement
REVENUES				
Intergovernmental revenues	\$ 107,232	\$	\$	\$
Charges for services		82,459		
Investment (loss)	(9,067)			(21,336)
Other revenues				
TOTAL REVENUES	<u>98,165</u>	<u>82,459</u>		<u>(21,336)</u>
EXPENDITURES				
Current				
Public works	35,164	153,403		4,400
Recreation and parks				
Capital Outlay				
Public works				
Recreation and parks				
TOTAL EXPENDITURES	<u>35,164</u>	<u>153,403</u>		<u>4,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,001</u>	<u>(70,944)</u>		<u>(25,736)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds		100,000		
Transfers to other funds	(100,000)		(91,192)	
Total other financing sources (uses)	<u>(100,000)</u>	<u>100,000</u>	<u>(91,192)</u>	
Net change in fund balances	(36,999)	29,056	(91,192)	(25,736)
FUND BALANCES, Beginning	<u>197,916</u>	<u>83,941</u>	<u>91,192</u>	<u>447,113</u>
FUND BALANCES, Ending	<u>\$ 160,917</u>	<u>\$ 112,997</u>	<u>\$</u>	<u>\$ 421,377</u>

<u>Right of Way</u>	<u>Building Maintenance</u>	<u>Public Safety Replacement</u>
\$	\$	\$
(99)	(9,658)	(3,830)
<u>(99)</u>	<u>(9,658)</u>	<u>(3,830)</u>
	16,605	
	<u>16,605</u>	
<u>(99)</u>	<u>(26,263)</u>	<u>(3,830)</u>
	87,667	17,642
	<u>87,667</u>	<u>17,642</u>
(99)	61,404	13,812
<u>2,009</u>	<u>247,933</u>	<u>68,892</u>
<u>\$ 1,910</u>	<u>\$ 309,337</u>	<u>\$ 82,704</u>

(Continued)

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, 2022

	Park Special Projects	Park Acquisition and Improvement	Lakeside Lions Park Improvement	Small Equipment
REVENUES				
Intergovernmental revenues	\$ 11,057	\$ 2,267	\$	\$
Charges for services	1,520	3,750		1,370
Investment (loss)	(471)	(35,722)	(1,149)	(892)
Other revenues	420	10,000		9,238
TOTAL REVENUES	<u>12,526</u>	<u>(19,705)</u>	<u>(1,149)</u>	<u>9,716</u>
EXPENDITURES				
Current				
Public works				
Recreation and parks	1,317	259,865		2,673
Capital Outlay				
Public works				
Recreation and parks	10,665	51,527		
TOTAL EXPENDITURES	<u>11,982</u>	<u>311,392</u>		<u>2,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>544</u>	<u>(331,097)</u>	<u>(1,149)</u>	<u>7,043</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Transfers to other funds				
Total other financing sources (uses)				
Net change in fund balances	544	(331,097)	(1,149)	7,043
FUND BALANCES, Beginning	<u>9,052</u>	<u>872,407</u>	<u>23,732</u>	<u>18,562</u>
FUND BALANCES, Ending	<u>\$ 9,596</u>	<u>\$ 541,310</u>	<u>\$ 22,583</u>	<u>\$ 25,605</u>

Park Equipment and Improvement	2018A G.O. Equipment Certificates	2017A G.O. Equipment Certificates	Total
\$	\$	\$	\$ 120,556
			89,099
(1,200)	(5,127)		(88,551)
<u>5,384</u>	<u>4,775</u>		<u>29,817</u>
<u>4,184</u>	<u>(352)</u>		<u>150,921</u>
			209,572
888			<u>264,743</u>
	32,606		32,606
			<u>62,192</u>
<u>888</u>	<u>32,606</u>		<u>569,113</u>
<u>3,296</u>	<u>(32,958)</u>		<u>(418,192)</u>
			205,309
		(7,215)	<u>(198,407)</u>
		(7,215)	6,902
3,296	(32,958)	(7,215)	(411,290)
<u>27,102</u>	<u>155,372</u>	<u>7,215</u>	<u>2,252,438</u>
<u>\$ 30,398</u>	<u>\$ 122,414</u>	<u>\$</u>	<u>\$ 1,841,148</u>

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CITY OF SPRING LAKE PARK

OTHER REPORT SECTION

December 31, 2022

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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, 2022, and the related notes to financial statements, which collectively comprise the City of Spring Lake Park's basic financial statements and have issued our report thereon dated June 27, 2023.

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) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Spring Lake Park's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

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

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

Minnesota Legal Compliance

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control and legal compliance findings identified in our audit and described in the accompanying *Schedule of Findings and Responses*. The City of Spring Lake Park's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
June 27, 2023

CITY OF SPRING LAKE PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2013-002
2014-002
2015-002
2016-002
2017-002
2018-002
2019-002
2020-002
2021-002

Material Audit Adjustments

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

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

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

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

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

CITY OF SPRING LAKE PARK
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2022-001 **Material Audit Adjustments**

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

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

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

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

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

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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2022.

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

RESPONSE: FINDING 2022-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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



