



CITY OF SPRING PARK
CITY COUNCIL AGENDA
JULY 18, 2022 – 7:00 PM
SPRING PARK CITY HALL

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ADOPT MEETING AGENDA
4. ADOPT CONSENT AGENDA*
 - a. Approve Regular City Council Meeting Minutes from July 5, 2022
 - b. Approve Special Event Permit 22-14: Westonka Food Shelf Benefit: Back Channel Brewery – August 27, 2022
5. PUBLIC FORUM**
6. PRESENTATIONS & GUEST SPEAKERS
 - a. Jim Eichten: MMKR – 2021 Audit Results
7. PUBLIC HEARINGS
8. PETITIONS, REQUESTS, & APPLICATIONS
9. ORDINANCES & RESOLUTIONS:
 - a. Resolution 22-19: Appointing Election Judges
 - b. Resolution 22-20: Call for a Public Hearing, Holy Family, Conduit Financing
 - c. Ordinance 22-04: C4 District Zoning Code Amendment to allow for Conditional Uses
10. REPORTS OF OFFICERS AND COMMITTEES
 - a. Mayor & Council:
 - b. City Staff:
 - i. Update: SeaNote
 - ii. Update: Sunset Drive Construction Date
 - iii. Update: Park Lane Easements
 - c. Contract Staff:
 - i. Schedule Update: Black Lake Road and West Arm Road West
11. NEW BUSINESS & COMMUNICATIONS
12. CLAIMS FOR PAYMENT
 - a. July 18, 2022 Claims
13. UPCOMING MEETINGS & TRAINING
 - a. August 1 - Regular City Council Meeting – 7:00PM
 - b. August 10 - Planning Commission Meeting – 6:00PM
 - c. August 15 - Regular City Council Meeting – 7:00PM
 - d. August 15 - Work Session Meeting – 6:00PM
14. MISCELLANEOUS (INFORMATION ONLY)

* The Consent Agenda lists those items of business which are considered to be routine, recommended for approval, and/or which need no discussion. The several separate items listed on the Consent Agenda are acted upon by one motion. There will be no separate discussion of these items unless a Council Member makes a request, in which event the item will be removed from the Consent Agenda and placed elsewhere on the regular agenda for Council discussion and action.

** Under Public Forum individuals may address the City Council about any item not contained on the regular agenda. Each speaker should keep their statements to three minutes to allow sufficient time for others. The Council will take no official action on items discussed at the forum, with the exception of referral to staff for future report.

15. ADJOURNMENT

* The Consent Agenda lists those items of business which are considered to be routine, recommended for approval, and/or which need no discussion. The several separate items listed on the Consent Agenda are acted upon by one motion. There will be no separate discussion of these items unless a Council Member makes a request, in which event the item will be removed from the Consent Agenda and placed elsewhere on the regular agenda for Council discussion and action.

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CITY OF SPRING PARK
CITY COUNCIL MINUTES
JULY 5, 2022 – 7:00 PM
SPRING PARK CITY HALL

1. CALL TO ORDER

The meeting was called to order at 7:00p.m.

Mayor Jerome P. Rockvam and Council Member's Chase, Hughes, and Hoffman. Council Member Horton was absent.

Staff Present: City Administrator Anderson

2. PLEDGE OF ALLEGIANCE

Mayor Rockvam led the audience in the Pledge of Allegiance.

3. ADOPT MEETING AGENDA

Council Member Hughes motioned, being seconded by Council Member Chase, to adopt the meeting agenda as amended removing Resolution #22-16 from Section 9 and adding to the July 18, 2022, Work Session agenda. On vote being taken, the motion was unanimously approved.

4. ADOPT CONSENT AGENDA

Council Member Chase motioned, being seconded by Council Member Hoffman to:

- a. Approve Regular City Council minutes from June 21, 2022
- b. Approve Work Session minutes from June 21, 2022

On vote being taken, the motion was unanimously approved.

5. PUBLIC FORUM - none

6. PRESENTATIONS & GUEST SPEAKERS

- a. Chris LaTondresse: Hennepin County Housing and Redevelopment Authority and HCRA

County Commissioner LaTondresse provided an annual update on the county initiatives.

7. PUBLIC HEARINGS: Holy Family: Conduit Financing

Mayor Rockvam asked how many children in Spring Park went to Holy Family. The representative for Holy Family was not sure but did say their were quite a few.

Council Member Hoffman motioned, being seconded by Council Member Chase, to open the Public Hearing for Holy Family: Conduit Financing at 7:26pm. On vote being taken, the motion was unanimously approved.

After no further discussion, Council Member Hoffman motioned, being seconded by Council Member Chase, to close the Public Hearing at 7:27pm. On vote being taken, the motion was unanimously approved.

8. PETITIONS, REQUESTS, & APPLICATIONS – none

9. ORDINANCES & RESOLUTIONS:

- a. Resolution 22-16: Authorizing a Cooperative Agreement with the MN DNR – work session

Council Member Hughes motioned to remove Resolution #22-16 from the July 5th Council Agenda and add to the July 18, 2022, Work Session Agenda. The motion was seconded by Council Member Chase and unanimously agreed to.

- b. Resolution 22-17: Holy Family: Issuance and Sale of Revenue Bonds

Council Member Hoffman motioned, being seconded by Council Member Chase, to approve Resolution #22-17: Holy Family: Issuance and Sale of Revenue Bonds. On vote being taken, the motion was unanimously approved.

- c. Resolution 22-18: Approval for Feasibility Study – Sunset Drive

Council Member Hoffman questioned why the Feasibility Study was needed and how much it was going to cost. City Administrator Anderson stated City Engineer Nielson requested the study and that it will also be helpful for staff for forecasting & budgeting. He estimated the cost between \$4500.00-\$5000.00. and felt it was reasonable or less cost than anticipated. Council Member Chase inquired if the study included Hennepin County, which Anderson stated it did not, it was only for the City. Council would like clarification on the undergrounding from Hennepin County. Administrator Anderson will inquire and advise.

Council Member Hoffman motioned, being seconded by Council Member Chase, to approve Resolution #22-18: Approval for Feasibility Study – Sunset Drive. On vote being taken, the motion was unanimously approved.

10. REPORTS OF OFFICERS AND COMMITTEES

- a. Mayor & Council:

Mayor Rockvam recommended a picture be taken of Council and the new City Administrator. Since Council Member Horton was missing, they will wait and take one at the July 18th Council Meeting.

- b. City Staff;

- i. Water Tower – Exterior Cleaning Proposal

City Administrator Anderson presented the proposal & asked Council for approval to power wash the water tower. The cost is \$8400.00.

Council Member Chase motioned, being seconded by Council Member Hughes, to approve the \$8400.00 cost to power wash the water tower. On vote being taken, the motion was unanimously approved.

- c. Contract Staff:

City Administrator Anderson advised City Engineer Nielson is out of state so will provide a brief update on a few items.

West Arm West: Xcel is just about done burying the lines. All property owners signed the required easements, except 2 property owners, one with multiple properties. These properties will remain with overhead power lines. Council Member Hoffman questioned why we can't force them to underground when it is a City requirement to do so and raised concerns about setting a precedent and having the same issues on Sunset Drive. City Administrator mentioned staff and the engineer have reached out to the homeowner's multiple times to get these easements signed.

Black Lake Road:

Xcel scheduled to start undergrounding around the 1st of August and the water/sewer contractor could start around the end of this month. Council Member Chase stated we need to address temp mailboxes, garbage, etc. with the contractor/engineer before the project starts.

Park Lane:

Easement is with attorney, will bring to Council in next meeting.

Sunset Drive Boat Launch:

Survey pins have been found. We will need to trim the brush on the right lake side and remove some boulders on the left. Council wants to install bollards to mark the property lines. City Administrator Anderson will get some quotes and pricing for the improvements.

11. NEW BUSINESS & COMMUNICATIONS – none

12. CLAIMS FOR PAYMENT

- a. July 5, 2022 - Claims for Payment

Council Member Chase motioned, being seconded by Council Member Hoffman to approve the claims for payment. On vote being taken, the motion was unanimously approved.

12. UPCOMING MEETINGS & TRAINING –

- a. July 13 - Planning Commission Meeting/Public Hearing – The Yacht Club – 6:00PM
- b. July 18 - Regular City Council Meeting – 7:00PM
- c. July 18 - Work Session Meeting – 6:00PM
- d. August 1 - Regular City Council Meeting – 7:00PM

14. MISCELLANEOUS (INFORMATION ONLY) - none

15. ADJOURNMENT

There being no further discussion, Council Member Hughes motioned, being seconded by Council Member Hoffman to adjourn the meeting at 7:47p.m. On vote being taken, the motion was unanimously approved.

Jamie Hoffman, City Clerk

Mike Anderson, City Administrator



STAFF MEMO
SPECIAL EVENT
WESTONKA FOOD SHELF BENEFIT
BACK-CHANNEL BREWERY
SATURDAY, AUGUST 27, 2022

1. **BACKGROUND:** Back Channel Brewery is requesting a permit for a special event to be held on Saturday, August 27, 2022. The event is a benefit for the Westonka Food Shelf and they will be partnering with both the Food Shelf and other local business sponsors. The event will be held in the South parking lot and is scheduled from 5:00 p.m. to 9:00 p.m.
2. **DISCUSSION:** Due to the music and amplified sound, the event requires a special event permit. A list of draft conditions is attached for Council review. The event organizers will coordinate with the Mound Fire Department and Orono Police Department prior to the event to ensure that all necessary safety precautions have been taken. They will have an off-duty law enforcement officer working security for the entire event.
3. **FINANCIAL CONSIDERATIONS:** All required permit fees have been received.
4. **RECOMMENDED ACTION:** Approve Special Event Application No. 22-14 for event on August 27, 2022 with the attached list of conditions.

Management Report
for
City of Spring Park, Minnesota
December 31, 2021

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

To the City Council and Management
City of Spring Park, Minnesota

We have prepared this management report in conjunction with our audit of the City of Spring Park, Minnesota's (the City) financial statements for the year ended December 31, 2021. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Legislative Updates
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

This report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 28, 2022

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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City as of and for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally in our audit engagement letter; and in a separate letter dated May 3, 2021. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2021:

- We have issued an unmodified opinion on the City's basic financial statements.
- We reported two matters involving the City's internal controls over financial reporting that we considered to be material weaknesses:
 1. Due to the limited size of the City's office staff, the City has limited segregation of duties in certain areas.
 2. It was noted throughout the audit that the City is lacking proper internal control procedures in the following areas: timely review of financial statements, budget to actual financial reporting, review of manual journal entries, and the timely completion of bank reconciliations.
- We reported one matter involving the City's internal controls over financial reporting that we considered to be a significant deficiency:
 1. Like many similarly sized organizations, the City requested assistance from us with the drafting of the annual financial statements and related notes.
- We reported three findings based on our testing of the City's compliance with Minnesota laws and regulations:
 1. Minnesota Statutes § 471.425, Subd. 4a requires that each contract between the City and a prime contractor require the prime contractor to pay subcontractors within 10 days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. One bid we tested required subcontractor language in the contract between the City and the prime contractor. The contract did not include such language.

2. Minnesota Statutes § 471.38, Subd. 3a requires that local governments enact a policy related to electronic funds transfers (EFT). It was noted that the City does not have a formal written policy in place regarding EFTs.
3. Minnesota Statutes § 471.661 requires local governments to enact a policy related to travel outside of the state of Minnesota. It was noted during our audit that the City does not have a formal written policy in place regarding out-of-state travel.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The City has recorded liabilities and activity for pension benefits. These obligations are calculated using actuarial methodologies described in Governmental Accounting Standards Board Statement No. 68. These actuarial calculations include significant assumptions, including projected changes, investment returns, retirement ages, proportionate share, and employee turnover.
- Depreciation – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.
- The City has recorded a liability for compensated absences. Management's estimate is based on current rates of pay, vacation, and sick leave balances estimated to be paid out as future termination pay.

We evaluated the key factors and assumptions used by management to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to pension benefits are particularly sensitive, due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated June 28, 2022.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to management's discussion and analysis (MD&A) and the pension-related required supplementary information (RSI), that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information accompanying the financial statements, which is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements, but is not RSI. Such information 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.

GOVERNMENTAL FUNDS OVERVIEW

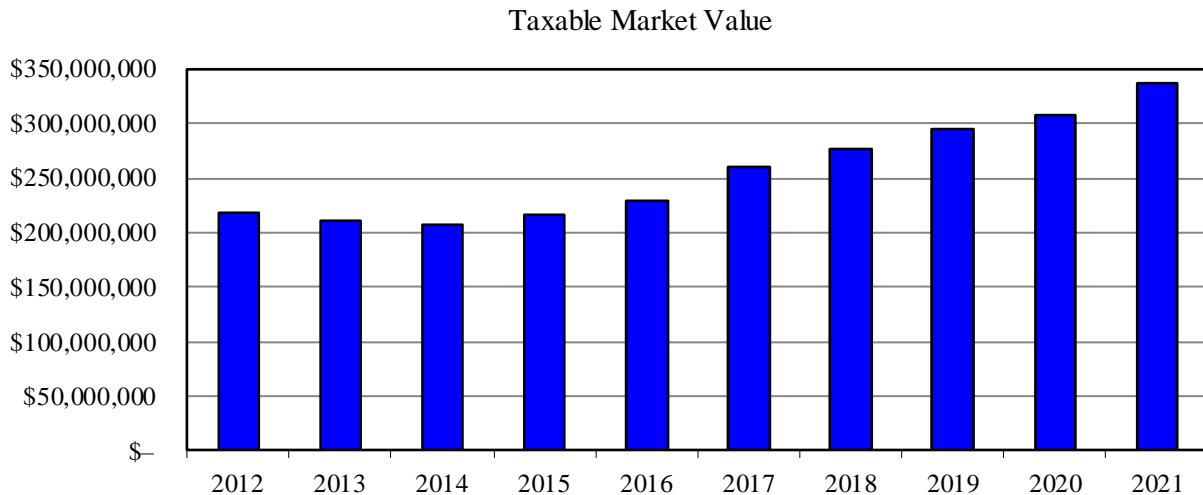
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2020 fiscal year, local ad valorem property tax levies provided 40.9 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.5 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2021 increased 4.0 percent compared to the prior year, and 5.9 percent for taxes payable in 2022.

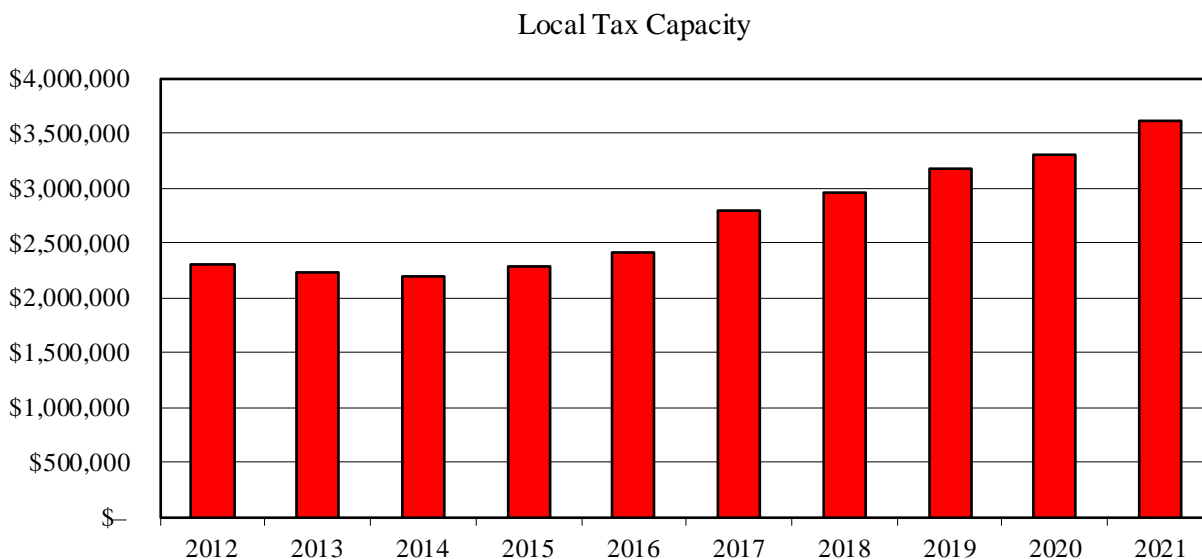
The total tax capacity value of property in Minnesota cities increased about 6.3 percent for the 2021 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2021 were based on assessed market values as of January 1, 2020), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

The City's taxable market value increased 4.4 percent for taxes payable in 2020 and increased 9.8 percent for taxes payable in 2021. The following graph shows the City's changes in taxable market value over the past 10 years:



Tax capacity is considered the actual base available for taxation. It is calculated by applying the state’s property classification system to each property’s market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city’s total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City’s tax capacity increased 4.1 percent and 9.7 percent for taxes payable in 2020 and 2021, respectively.

The following graph shows the City’s change in tax capacities over the past 10 years:



The following table presents the average tax rates applied to city residents for each of the last three levy years:

Rates Expressed as a Percentage of Net Tax Capacity			
	City of Spring Park		
	2019	2020	2021
Average tax rate			
City	32.1	32.0	30.1
County	41.9	41.1	38.2
School	19.9	19.1	17.3
Special taxing	10.1	9.7	9.2
Total	<u>104.0</u>	<u>101.9</u>	<u>94.8</u>

The general decrease in the current year rates also reflects the increase in local tax capacity discussed earlier.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2021, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance			
	Fund Balance as of December 31,		Change
	<u>2021</u>	<u>2020</u>	
Fund balances of governmental funds			
Total by classification			
Restricted	\$ 244,521	\$ 270,475	\$ (25,954)
Assigned	-	96,107	(96,107)
Unassigned	<u>575,752</u>	<u>678,287</u>	<u>(102,535)</u>
Total governmental funds	<u>\$ 820,273</u>	<u>\$ 1,044,869</u>	<u>\$ (224,596)</u>
Total by fund			
General	\$ 687,903	\$ 728,881	(40,978)
TIF Lakeview Lofts Special Revenue	84,559	84,563	(4)
TIF Presbyterian Homes Special Revenue	24,177	19,764	4,413
2010 G.O. Bonds Debt Service	26,996	26,571	425
2015 G.O. Bonds Debt Service	108,789	139,577	(30,788)
Capital Improvement Capital Projects	<u>(112,151)</u>	<u>45,513</u>	<u>(157,664)</u>
Total governmental funds	<u>\$ 820,273</u>	<u>\$ 1,044,869</u>	<u>\$ (224,596)</u>

In total, the fund balances of the City's governmental funds decreased by \$224,596 during the year ended December 31, 2021, mainly due to capital spending in the Capital Improvement Capital Projects Fund.

GOVERNMENTAL FUNDS REVENUE AND EXPENDITURES

The following table presents the per capita revenue of the City's governmental funds for the past three years, along with state-wide averages.

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City's data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city's stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year, due to the effect of inflation and changes in its operation. Also, certain data in these tables may be classified differently than how they appear in the City's financial statements in order to be more comparable to the state-wide information, particularly in separating capital expenditures from current expenditures.

We have designed this section of our management report using per capita data in order to better identify unique or unusual trends and activities of the City. We intend for this type of comparative and trend information to complement, rather than duplicate, information in the MD&A. An inherent difficulty in presenting per capita information is the accuracy of the population count, which for most years is based on estimates.

Governmental Funds Revenue per Capita						
With State-Wide Averages by Population Class						
Year	State-Wide		City of Spring Park			
	2019	2020	2019	2020	2021	
Population	2,000–2,500	2,000–2,500	1,732	1,734	1,734	
Property taxes	\$ 522	\$ 546	\$ 637	\$ 642	\$ 657	
Tax increments	35	29	64	74	86	
Franchise and other taxes	16	26	–	–	–	
Special assessments	64	50	4	4	–	
Licenses and permits	30	24	40	29	34	
Intergovernmental revenues	377	541	131	34	19	
Charges for services	142	143	23	15	11	
Other	118	117	52	36	25	
Total revenue	\$ 1,304	\$ 1,476	\$ 951	\$ 834	\$ 832	

The City's per capita governmental funds revenue for 2021 decreased by \$2. The decrease was mainly due to lower intergovernmental revenue, which decreased by \$15 per capita offset by higher property tax revenue, which increased by \$15 per capita.

The expenditures of governmental funds will also vary from state-wide averages and from year-to-year, based on the City’s circumstances. Expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, and are primarily funded by general sources, such as taxes and intergovernmental revenues.
- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented, and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.
- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The City’s expenditures per capita of its governmental funds for the past three years, together with comparative state-wide averages, are presented in the following table:

Governmental Funds Expenditures per Capita With State-Wide Averages by Population Class						
Year	State-Wide		City of Spring Park			
	2019	2020	2019	2020	2021	
Population	2,000–2,500	2,000–2,500	1,732	1,734	1,734	
Current						
General government	\$ 198	\$ 249	\$ 232	\$ 235	\$ 222	
Public safety	317	337	381	386	405	
Street maintenance and lighting	155	177	86	68	60	
Parks and recreation	107	106	18	16	15	
All other	78	96	90	92	92	
	<u>855</u>	<u>965</u>	<u>807</u>	<u>797</u>	<u>794</u>	
Capital outlay and construction	491	654	270	20	91	
Debt service						
Principal	171	229	64	64	70	
Interest and fiscal charges	54	54	9	8	7	
	<u>225</u>	<u>283</u>	<u>73</u>	<u>72</u>	<u>77</u>	
Total expenditures	<u>\$ 1,571</u>	<u>\$ 1,902</u>	<u>\$ 1,150</u>	<u>\$ 889</u>	<u>\$ 962</u>	

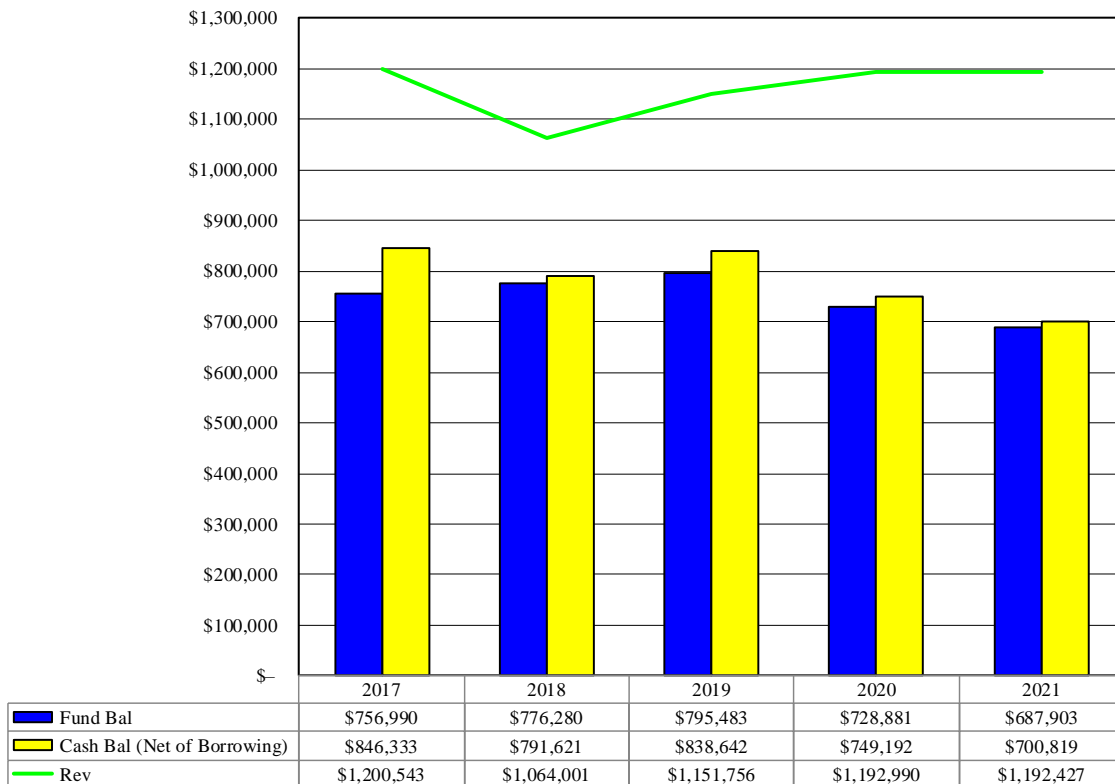
Total expenditures increased \$73 per resident in calendar 2021. The increase is largely attributable to capital outlay and construction expenditures, which increased \$71, mostly due to projects completed in the current year. Current expenditures decreased by \$3 per capita, due mostly to decreases in general government expenditures slightly offset by an increase in public safety.

GENERAL FUND

The City's General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and parks and recreation.

The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual revenues to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position
Year Ended December 31,



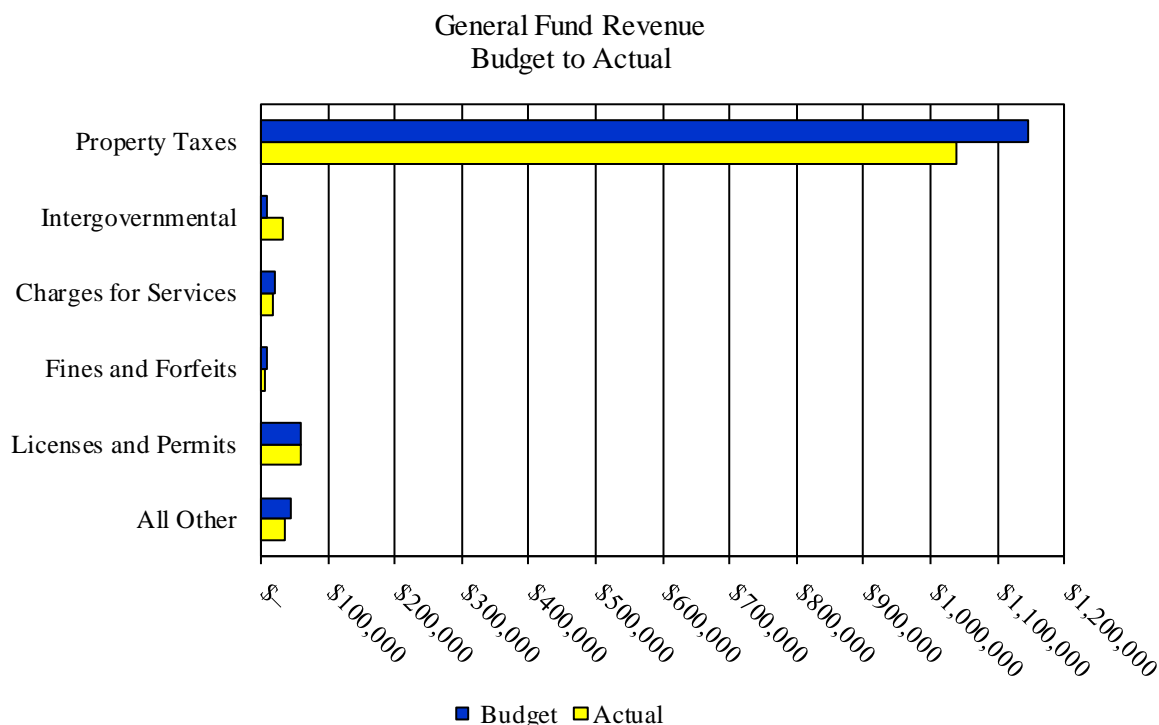
The City's General Fund is in a healthy financial condition at year-end, with fund balance decreasing \$40,978 to \$687,903 at December 31, 2021.

As the graph illustrates, the City has generally been able to maintain healthy cash and fund balance levels. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City's bond rating and resulting interest costs. Maintaining an adequate fund balance has become increasingly important, given the fluctuations in state funding for cities in recent years.

The City's unassigned General Fund balance at the end of the fiscal year represents 55.8 percent of annual expenditures based on 2021 levels.

A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City’s General Fund cash disbursements are generally made evenly during the year other than the impact of seasonal services, such as snowplowing, street maintenance, and park activities. Cash receipts of the General Fund are quite a different story. Taxes comprise 87.0 percent of the General Fund’s total annual revenue. Approximately half of these revenues are received by the City in July and the rest in December. Consequently, the City needs to have adequate cash reserves to finance its everyday operations between these payments.

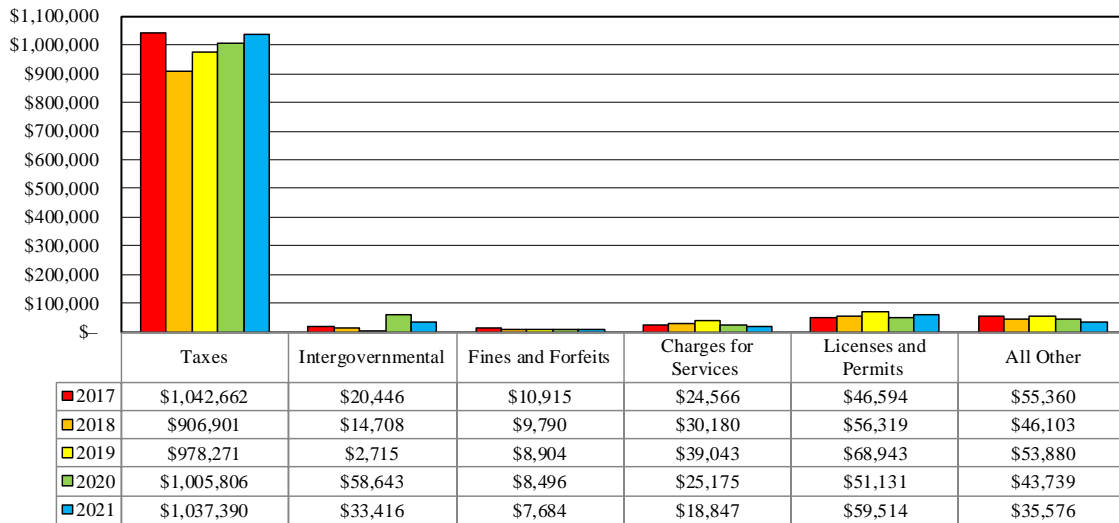
The following graph reflects the City’s General Fund sources of revenue for the year ended December 31, 2021 compared to budget:



General Fund revenue for 2021 totaled \$1,192,427, which was \$95,699 under budget. Property tax revenue was \$106,736 under budget for 2021. This was the result of the debt service tax levy and the related debt service payments being included in the General Fund budget, when these items are recorded in a separate debt service fund in the City’s financial report. Intergovernmental revenue was over budget by \$25,516, mainly due to pandemic-related federal grants received that were not anticipated in the budget.

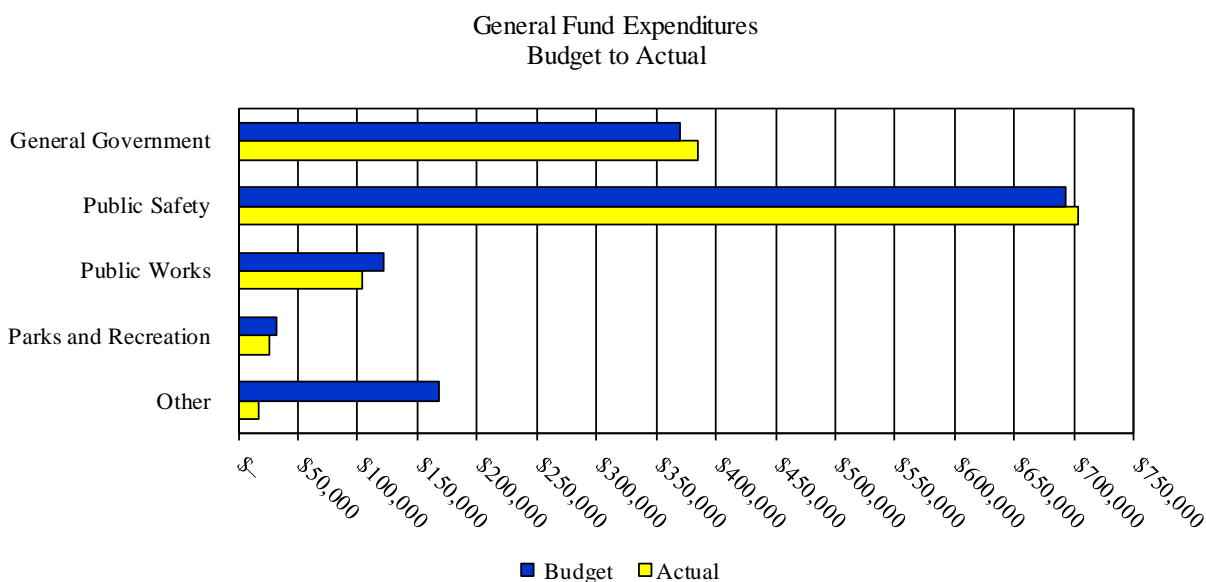
The following graph presents the City’s General Fund revenues by source for the last five years. The graph reflects the City’s reliance on property taxes.

General Fund Revenue by Source
Year Ended December 31,



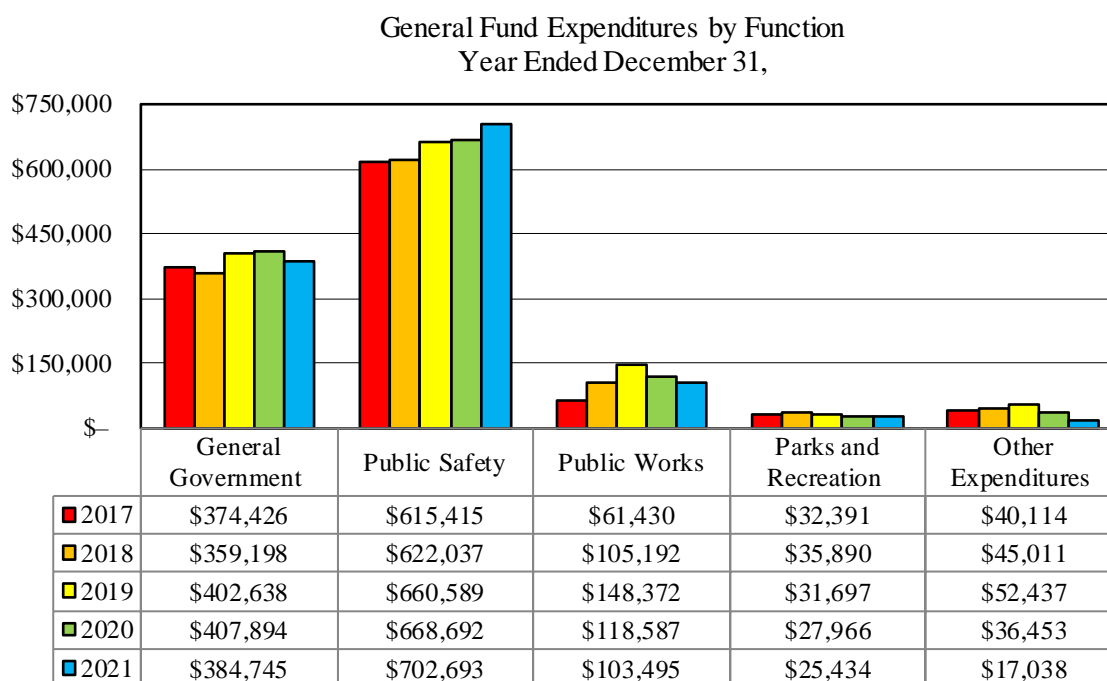
Total General Fund revenues decreased \$563 from the previous year. Property tax revenue increased \$31,584 in fiscal 2021, as the City had an increased levy and improved collections. Intergovernmental revenue decreased \$25,227, due to the City receiving fewer federal pandemic-related grants in the current year than in the previous year.

The following graph illustrates the components of the City’s General Fund spending in 2021 compared to budget:



Total General Fund expenditures for 2021 were \$1,233,405, which was \$153,365, or 11.1 percent, less than budget. Expenditures were under budget, mainly due to other expenditures being under budget by \$151,712. The amounts under budget in the other expenditures area mostly relate to debt service expenditures, as these expenditures and the related tax levy are recorded in a separate debt service fund, as previously mentioned.

The following graph provides General Fund expenditures by function for the last five years:



Total General Fund expenditures were \$26,187 less than the previous year. The largest decrease was in general government, which decreased \$23,149, mostly due to a decrease in general administrative and recycling-related expenditures.

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ENTERPRISE FUNDS OVERVIEW

The City maintains two enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City’s enterprise funds, which include the Water and Sewer Funds.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City’s enterprise funds during the year ended December 31, 2021, presented both by classification and by fund:

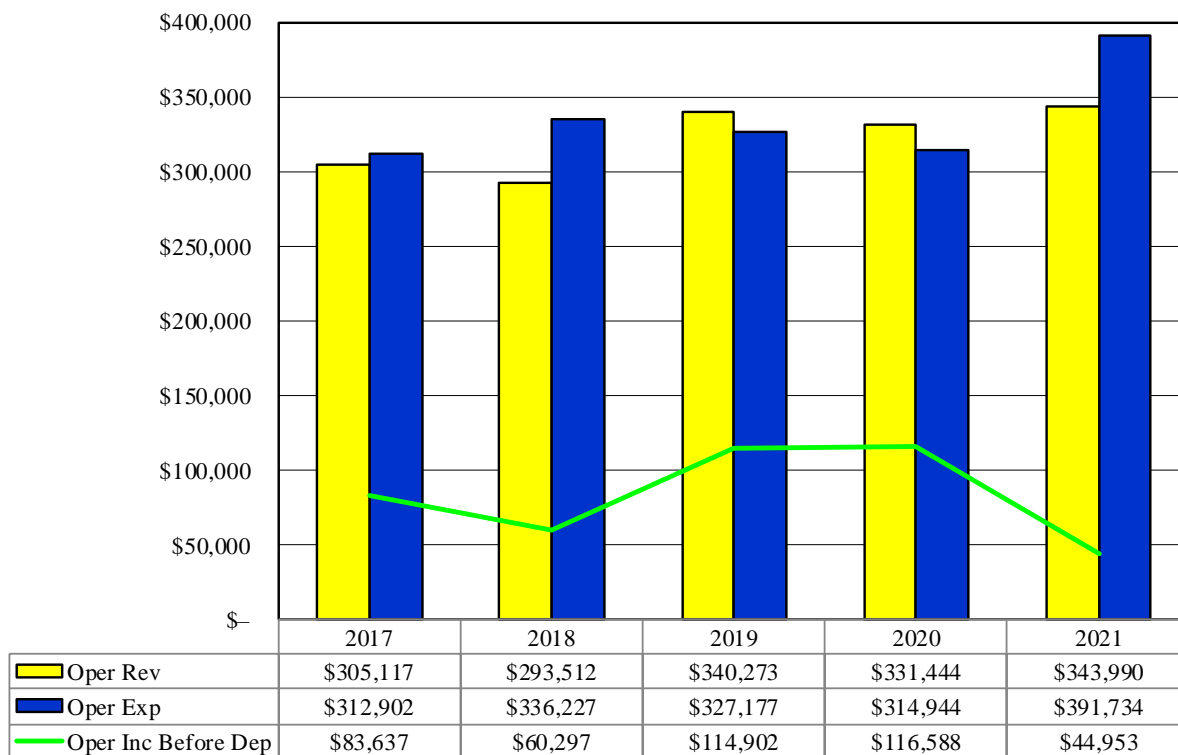
Enterprise Funds Change in Financial Position			
	Net Position as of December 31,		Change
	<u>2021</u>	<u>2020</u>	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 2,539,964	\$ 2,544,986	\$ (5,022)
Unrestricted	<u>1,588,368</u>	<u>1,718,430</u>	<u>(130,062)</u>
Total enterprise funds	<u>\$ 4,128,332</u>	<u>\$ 4,263,416</u>	<u>\$ (135,084)</u>
Total by fund			
Water	\$ 2,681,402	\$ 2,731,096	\$ (49,694)
Sewer	<u>1,446,930</u>	<u>1,532,320</u>	<u>(85,390)</u>
Total enterprise funds	<u>\$ 4,128,332</u>	<u>\$ 4,263,416</u>	<u>\$ (135,084)</u>

In total, the net position of the City’s enterprise funds decreased by \$135,084 during the year ended December 31, 2021, as operating expenses exceeded operating revenues.

WATER ENTERPRISE FUND

The following graph presents five years of operating results for the Water Enterprise Fund:

Water Enterprise Fund Financial Activity
Year Ended December 31,



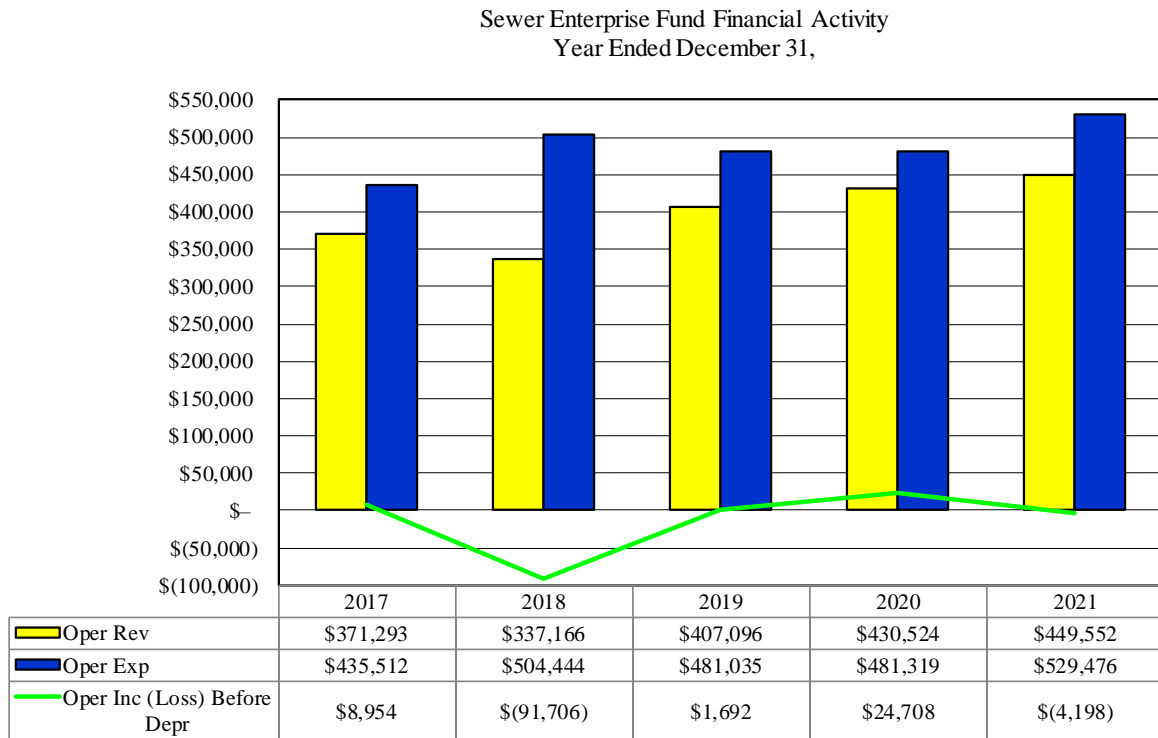
At December 31, 2021, the Water Enterprise Fund had a cash balance of \$789,598 and net position of \$2,681,402. Net position consisted of \$1,323,505 of net investment in capital assets and \$1,357,897 in unrestricted net position.

Water Enterprise Fund operating revenues for 2021 were \$343,990, which is \$12,546 more than the previous year. Water Enterprise Fund operating expenses for 2021 were \$391,734, which is \$76,790 more than fiscal 2020, mainly in repairs and maintenance.

The City should continue to review utility rates during its annual budget process to make sure adequate, yet fair rates are charged for the services provided. The rates should cover operating costs and provide an accumulation of resources for significant repairs, replacement, and an operating cushion for potential poor years of operations. It is important that this fund continue to have positive operating results so as not to place an additional burden on other city funds.

SEWER ENTERPRISE FUND

The following graph presents five years of operating results for the Sewer Enterprise Fund:



At December 31, 2021, the Sewer Enterprise Fund had a cash balance of negative (\$119,507) and net position of \$1,446,930. Net position consisted of \$1,216,459 of net investment in capital assets and \$230,471 of unrestricted net position.

Sewer Enterprise Fund operating revenues for 2021 were \$449,552, which is \$19,028 more than the previous year. Most of this increase resulted from an increase in rates in the current year.

Operating expenses for 2021 were \$529,476, an increase of \$48,157, mostly in repairs and maintenance.

The City should continue to review utility rates during its annual budget process to make sure adequate, yet fair rates are charged for the services provided. The rates should cover operating costs and provide an accumulation of resources for significant repairs, replacement, and an operating cushion for potential poor years of operations. It is important that this fund continue to have positive operating results so as not to place an additional burden on other city funds.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what the City owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2021 and 2020, for governmental activities and business-type activities:

	As of December 31,		Change
	2021	2020	
Net position			
Governmental activities			
Net investment in capital assets	\$ 1,088,228	\$ 1,030,277	\$ 57,951
Restricted	239,997	265,242	(25,245)
Unrestricted	506,332	696,457	(190,125)
Total governmental activities	<u>\$ 1,834,557</u>	<u>\$ 1,991,976</u>	<u>\$ (157,419)</u>
Business-type activities			
Net investment in capital assets	\$ 2,539,964	\$ 2,544,986	\$ (5,022)
Unrestricted	1,588,368	1,718,430	(130,062)
Total business-type activities	<u>\$ 4,128,332</u>	<u>\$ 4,263,416</u>	<u>\$ (135,084)</u>
Total net position	<u>\$ 5,962,889</u>	<u>\$ 6,255,392</u>	<u>\$ (292,503)</u>

The City's total net position was \$292,503 lower than the previous year-end.

Governmental activities net position declined \$157,419 in the current year, mainly related to operating results in the governmental funds in the current year. Business-type activities net position decreased, mostly due to the net operating losses in the City's Water and Sewer Enterprise Funds.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City’s yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in the net position of the City for the years ended December 31, 2021 and 2020:

	2021		2020	
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Governmental activities				
General government	\$ (500,419)	\$ 59,514	\$ (440,905)	\$ (465,268)
Public safety	(702,693)	18,847	(683,846)	(645,897)
Recycling	(16,089)	1,717	(14,372)	(30,866)
Public works	(172,213)	–	(172,213)	(116,957)
Economic development	(143,245)	–	(143,245)	(124,279)
Parks and recreation	(55,862)	–	(55,862)	(74,197)
Interest and fiscal charges	(11,949)	–	(11,949)	(13,627)
Business-type activities				
Water	(402,474)	355,066	(47,408)	572,978
Sewer	(540,923)	455,514	(85,409)	241,551
Total net (expense) revenue	<u>\$ (2,545,867)</u>	<u>\$ 890,658</u>	(1,655,209)	(656,562)
General revenues				
Property taxes			1,290,568	1,240,165
Other general revenues			44,833	49,404
Grants and contributions not restricted to specific programs			31,699	56,386
Investment earnings (charges)			(4,394)	35,067
Total general revenues			<u>1,362,706</u>	<u>1,381,022</u>
Change in net position			<u>\$ (292,503)</u>	<u>\$ 724,460</u>

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City’s governmental and business-type operations are financed. The table clearly illustrates the dependence of the City’s governmental operations on general revenues, such as property taxes and other revenues. It also shows if the City’s business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

LEGISLATIVE UPDATES

As the first year of the fiscal biennium, the primary focus of the 2021 Minnesota legislative session would typically have been the development of the state's fiscal year (FY) 2022–2023 biennial budget. Positive news on the state's budget forecast entering the session, with projections for the end of the FY 2020–2021 biennium improving from a \$2.4 billion shortfall predicted in a May 2020 special pandemic budget projection to a \$940.0 million surplus predicted in the February 2021 budget and economic forecast, was expected to ease the budget process and relieve the pressure to make budget cuts during an already uncertain time. However, given the significant events of the preceding year, including the COVID-19 pandemic and death of George Floyd, the focus of the regular session shifted to legislation responding to the pressing issues that resulted from those events. The business of setting a biennial budget was ultimately not addressed until a June special session that ended in the early morning hours of July 1st.

The following is a brief summary of legislative changes from the 2021 session or previous legislative sessions potentially impacting Minnesota cities.

American Rescue Plan (ARP) Act – The federal ARP Act, signed into law in March 2021, provided federal economic recovery funding for federal, state, and local government responses to the COVID-19 pandemic. Minnesota local governments received approximately \$2.1 billion in funding under the ARP Act, including \$644.0 million awarded to 21 large cities (over 50,000 population) and \$377.0 million awarded to cities and towns with a population below 50,000, with half distributed in FY 2021 and half in FY 2022. Local governments can use ARP Act funding in four broad categories: responding to public health and economic impacts; providing premium pay to essential workers; providing general government services to the extent of revenue loss; or investments in water, sewer, and broadband infrastructure.

Potential State Aid Enhancements – The 2021 Legislature increased state general fund base spending by approximately \$1.3 billion. Included are funding increases for several programs potentially of benefit to Minnesota cities, including:

- A one-time appropriation of \$5.5 million for supplemental aid to cities for FY 2022, to offset losses of local government aid (LGA) for 96 cities under the current formula. It is expected the Legislature will review and consider updating the LGA formula during the 2022 session.
- Annual appropriations of \$1.8 million for the Greater Minnesota Business Development Public Infrastructure Grant Program, intended to bolster local economic growth by providing grant assistance to cities for public infrastructure needed to create and retain jobs.
- Annual appropriations of \$2.5 million for local community childcare grants, intended to assist local communities to increase the number of childcare providers to support economic development.
- Allocating a total of \$70.0 million from the state's ARP Act funds over the biennium (\$35.0 million per year) to fund the Border-to-Border Broadband Grant Program, which provides grants to local governments for enhancing broadband availability.
- Annual allocations of \$4.5 million for reimbursements to local governments for firefighter training and education costs.
- Annual allocations of \$2.9 million for reimbursement to local governments for peace officer training costs.
- A one-time appropriation of \$18.0 million for FY 2022 to the small cities assistance account to provide additional road repair funding for cities under 5,000 population.

Truth-in-Taxation Changes – Effective for property taxes payable in 2023 and thereafter, county auditors will be required to prepare a new statement for inclusion in its parcel-specific truth-in-taxation notices that contains summary budget information for the county, cities, and school districts for which they spread and collect tax levies. Cities with a population greater than 500 will be required to compile and provide current and proposed summary budget information to the county auditor, based on the summary budget information cities are required to submit each year to the Minnesota state auditor.

Tax Base Change for Low-Income Rental Property – Effective for assessment years 2022 and 2023, the first-tier limit for class 4d low-income rental property is reduced from \$174,000 to \$100,000, with class rates remaining at 0.75 percent on the first \$100,000 and 0.25 percent on the remaining balance. The tier limit will once again be adjusted annually after assessment year 2023.

Local Sales Tax Projects Defined – Minnesota cities are authorized to include up to five capital projects in proposals for local sales taxes. The definition of a capital project for this purpose was updated to include: a single building or structure, including associated infrastructure; improvements within a single park or recreation area, or; a contiguous trail.

Tax Increment Financing (TIF) Flexibility – The Legislature enacted several measures that provide additional flexibility for TIF spending, including:

- Allowing unobligated TIF to be used to provide loans, interest rate subsidies, or other assistance to private developers for the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create jobs. Transfer authority expires on December 31, 2022, and all transferred increment must be spent by December 31, 2025, or returned to the TIF district.
- Allowing TIF districts that have elected to increase pooling by 10 percent to use the increment for owner-occupied housing that meets the requirements of a housing TIF district, in addition to current low-income rental housing.
- Providing three-year extensions of the five-year and six-year rules for redevelopment districts created after December 31, 2017, but before June 30, 2020, thereby extending their duration.
- Creating a three-city pilot program, giving temporary authority to transfer unobligated housing TIF district increment to the cities affordable housing trust funds.

Sales and Use Tax Refund Process – Effective for purchases made after June 30, 2021, cities and other local governments are allowed to utilize a streamlined process to secure a sales tax refund on construction materials purchased by a contractor on behalf of the city for construction, remodeling, expansion, or improvement of public safety facilities owned by local governments, such as police and fire stations. The process also applies to materials used in related facilities, such as access roads, lighting, sidewalks, and utility components. Under the process, local governments would continue to initially pay sales tax on these materials, but would then be allowed to file for a refund of the sales tax paid. Contractors would be required to provide the local government with the information necessary to file for the refund.

Fire Protection Special Taxing District Authority – Effective for property tax levies payable in 2023 and thereafter, the current law giving emergency medical districts taxing authority is expanded to include fire protection districts. Two or more local units of government are now permitted to establish a special taxing district to provide fire protection, emergency medical services, or both. The special taxing district will have authority to levy property taxes to finance district operations, spread either across the entire district at a set rate, or allocated to each participating jurisdiction based on factors, such as population or service calls. Districts will also have authority to issue debt related to the function of the district. The property tax and debt issuance authority also apply to existing districts established prior to June 30, 2021.

Open Meeting Law – The Legislature made several pandemic-related changes to the Open Meeting Law, including removing the statutory cap of three times per year for elected officials to utilize a medical exception for attending meetings remotely between January 1, 2021, and July 1, 2021, and removing the requirement for elected officials participating in public meetings remotely, due to military service or medical exceptions, to disclose their remote locations. The law changes also updated the definition of “interactive technology” to replace “interactive television” throughout the text of the Open Meeting Laws, and added requirements for public bodies meeting remotely to enable remote participation by the public free of charge and enable public comment from remote locations, when practical.

ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years. Due to the COVID-19 pandemic, the GASB has delayed the original implementation dates of these and other standards as described below.

GASB Statement No. 87, *Leases*

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of the four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of 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 provisions of the contract.

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.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

This statement also addresses arrangements, often characterized as leases, that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third party obligors in the course of their activities.

This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other post-employment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for post-employment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

An SBITA is defined as a contract that conveys control of the right to use another party's (an SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

This statement provides an exception for short-term SBITAs with a maximum possible term under the SBITA contract of 12 months, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*

The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement that (1) exempt primary governments that perform the duties that a government board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

CITY OF SPRING PARK
HENNEPIN COUNTY, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
December 31, 2021

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CITY OF SPRING PARK
HENNEPIN COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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CITY OF SPRING PARK
HENNEPIN COUNTY, MINNESOTA

City Council and Other Officials
as of December 31, 2021

CITY COUNCIL

	<u>Term Expires</u>	
Jerry Rockvam	December 31, 2022	Mayor
Mark Chase	December 31, 2024	Councilmember
Jeff Hoffman	December 31, 2024	Councilmember
Pamela Horton	December 31, 2022	Councilmember
Gary Hughes	December 31, 2022	Councilmember

OTHER OFFICIALS

Dan Tolsma City Administrator

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FINANCIAL SECTION

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PRINCIPALS

Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Spring Park, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Spring Park, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the City's ability to continue as a going concern within 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 the City'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 the City'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 and the required supplementary information (RSI), 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 RSI 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.

(continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedules, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 28, 2022

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CITY OF SPRING PARK

Management's Discussion and Analysis Year Ended December 31, 2021

As management of the City of Spring Park, Minnesota (the City), we hereby provide readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- The net position of the City's governmental activities decreased by \$157,419, mainly due to the operating results in the City's General Fund and the Capital Projects Capital Improvement Fund.
- The net position of the City's business-type activities decreased by \$135,084, mainly due to the operating results in the City's Water and Sewer Enterprise Funds.
- The fund balance of the General Fund decreased by \$40,978, mainly due to the deficiency in revenues over expenditures.
- As presented in the proprietary fund financial statements, the Water Enterprise Fund reported an operating loss of \$47,744 and the Sewer Enterprise Fund reported an operating loss of \$79,924 for the year ended December 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other information in addition to the basic financial statements.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector businesses.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them 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 is improving or deteriorating.

The Statement of Activities presents information that shows 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 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property 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 include general government, public safety, recycling, public works, economic development, and parks and recreation. The business-type activities of the City include the water and sewer operations.

The government-wide financial statements include the City itself (known as the primary government). The City has one component unit that is required to be included in the City's financial statements.

The City, under Minnesota Statutes, created the Spring Park Housing and Redevelopment Authority (HRA) to administer economic development activity within the City. The transactions of the HRA are blended in this report as part of the other funds of the City.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are 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 the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 by the government's near-term financing decisions. The governmental funds Balance Sheet and the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund, TIF Lakeview Lofts Special Revenue Fund, TIF Presbyterian Homes Special Revenue Fund, 2010 and 2015 G.O. Bonds Debt Service Funds, and Capital Improvement Capital Projects Fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds – Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer operations, each of which is considered to be a major fund of the City.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information and individual fund schedules as supplemental information, immediately following the basic financial statements. The General Fund Comparative Balance Sheet and Schedule of Revenue, Expenditures, and Changes in Fund Balances are presented in greater detail, and are also compared with the prior year's financial position and results of operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of the City's Net Position (Governmental Activities)

	Governmental Activities		Change
	2021	2020	
Assets			
Current and other assets	\$ 1,041,267	\$ 1,158,107	\$ (116,840)
Capital assets, net	1,645,728	1,709,027	(63,299)
Total assets	<u>2,686,995</u>	<u>2,867,134</u>	<u>(180,139)</u>
Deferred outflows of resources			
PERA pension plan	<u>37,440</u>	<u>4,556</u>	<u>32,884</u>
Total assets and deferred outflows of resources	2,724,435	2,871,690	(147,255)
Liabilities			
Current liabilities	223,168	118,471	104,697
Long-term liabilities	<u>616,772</u>	<u>756,159</u>	<u>(139,387)</u>
Total liabilities	<u>839,940</u>	<u>874,630</u>	<u>(34,690)</u>
Deferred inflows of resources			
PERA pension plan	<u>49,938</u>	<u>5,084</u>	<u>44,854</u>
Total liabilities and deferred inflows of resources	889,878	879,714	10,164
Net position			
Net investment in capital assets	1,088,228	1,030,277	57,951
Restricted	239,997	265,242	(25,245)
Unrestricted	<u>506,332</u>	<u>696,457</u>	<u>(190,125)</u>
Total net position	<u>\$ 1,834,557</u>	<u>\$ 1,991,976</u>	<u>\$ (157,419)</u>

The decrease in current and other assets and net position was mainly due to operating results of the General Fund. The increase in current liabilities relates to increases in unearned revenue on federal grant dollars received in advance of spending. The decline in long-term liabilities is the result of scheduled payments on bonds payable in the current year.

Summary of the City's Net Position (Business-Type Activities)

	Business-Type Activities		Change
	2021	2020	
Assets			
Current and other assets	\$ 1,736,791	\$ 2,267,177	\$ (530,386)
Capital assets, net	<u>3,382,464</u>	<u>3,501,236</u>	<u>(118,772)</u>
Total assets	<u>5,119,255</u>	<u>5,768,413</u>	<u>(649,158)</u>
Deferred outflows of resources			
PERA pension plan	<u>44,957</u>	<u>5,919</u>	<u>39,038</u>
Total assets and deferred outflows of resources	5,164,212	5,774,332	(610,120)
Liabilities			
Current liabilities	61,027	445,382	(384,355)
Long-term liabilities	<u>914,890</u>	<u>1,058,929</u>	<u>(144,039)</u>
Total liabilities	<u>975,917</u>	<u>1,504,311</u>	<u>(528,394)</u>
Deferred inflows of resources			
PERA pension plan	<u>59,963</u>	<u>6,605</u>	<u>53,358</u>
Total liabilities and deferred inflows of resources	1,035,880	1,510,916	(475,036)
Net position			
Net investment in capital assets	2,539,964	2,544,986	(5,022)
Unrestricted	<u>1,588,368</u>	<u>1,718,430</u>	<u>(130,062)</u>
Total net position	<u>\$ 4,128,332</u>	<u>\$ 4,263,416</u>	<u>\$ (135,084)</u>

The decrease in current and other assets and current liabilities is the result of prior year construction activity accounts payable at prior year-end.

Summary of Governmental and Business-Type Net Position

	Summary of Net Position		Change
	2021	2020	
Assets			
Current and other assets	\$ 2,778,058	\$ 3,425,284	\$ (647,226)
Capital assets, net	<u>5,028,192</u>	<u>5,210,263</u>	<u>(182,071)</u>
Total assets	7,806,250	8,635,547	(829,297)
Deferred outflows of resources			
PERA pension plan	<u>82,397</u>	<u>10,475</u>	<u>71,922</u>
Total assets and deferred outflows of resources	7,888,647	8,646,022	(757,375)
Liabilities			
Current liabilities	284,195	563,853	(279,658)
Long-term liabilities	<u>1,531,662</u>	<u>1,815,088</u>	<u>(283,426)</u>
Total liabilities	1,815,857	2,378,941	(563,084)
Deferred inflows of resources			
PERA pension plan	<u>109,901</u>	<u>11,689</u>	<u>98,212</u>
Total liabilities and deferred inflows of resources	1,925,758	2,390,630	(464,872)
Net position			
Net investment in capital assets	3,628,192	3,575,263	52,929
Restricted	239,997	265,242	(25,245)
Unrestricted	<u>2,094,700</u>	<u>2,414,887</u>	<u>(320,187)</u>
Total net position	<u>\$ 5,962,889</u>	<u>\$ 6,255,392</u>	<u>\$ (292,503)</u>

The City's financial position is the product of many factors. For example, the determination of the City's investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,962,889 at the close of the most recent fiscal year.

A significant portion of the City's net position (60.8 percent) reflects its net investment in capital assets (e.g., land, buildings, and machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

The City also has net position restricted for tax increment purposes of \$108,736 and debt service of \$131,261. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$292,503.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole and for its separate governmental and business-type activities.

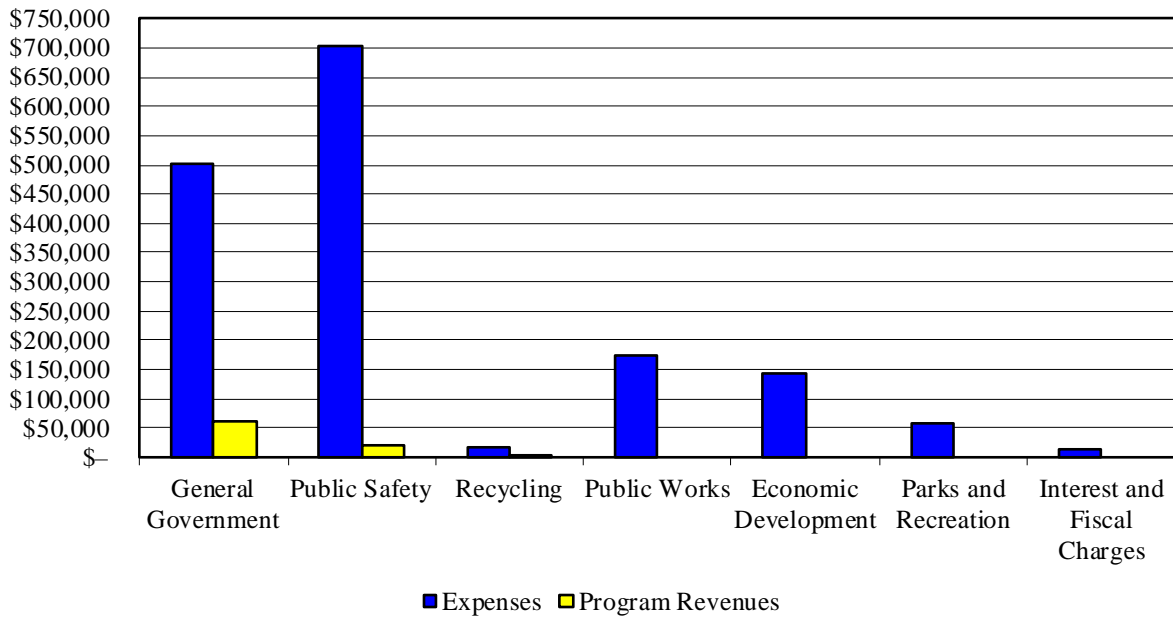
Governmental Activities – Governmental activities decreased the City's net position by \$157,419. Key elements of the decrease are summarized below:

	Governmental Activities		Change
	2021	2020	
Revenues			
Program revenues			
Charges for services	\$ 78,361	\$ 76,306	\$ 2,055
Operating grants and contributions	1,717	2,257	(540)
General revenues			
Property taxes	1,290,568	1,240,165	50,403
Other general revenues	44,833	49,404	(4,571)
Grants and contributions not restricted to specific programs	31,699	56,386	(24,687)
Other	(2,127)	13,698	(15,825)
Total revenues	<u>1,445,051</u>	<u>1,438,216</u>	<u>6,835</u>
Expenses			
General government	500,419	516,399	(15,980)
Public safety	702,693	668,692	34,001
Recycling	16,089	35,503	(19,414)
Public works	172,213	116,957	55,256
Economic development	143,245	124,279	18,966
Parks and recreation	55,862	74,197	(18,335)
Interest and fiscal charges	11,949	13,627	(1,678)
Total expenses	<u>1,602,470</u>	<u>1,549,654</u>	<u>52,816</u>
Changes in net position	(157,419)	(111,438)	<u>\$ (45,981)</u>
Net position			
Beginning of year	<u>1,991,976</u>	<u>2,103,414</u>	
End of year	<u>\$ 1,834,557</u>	<u>\$ 1,991,976</u>	

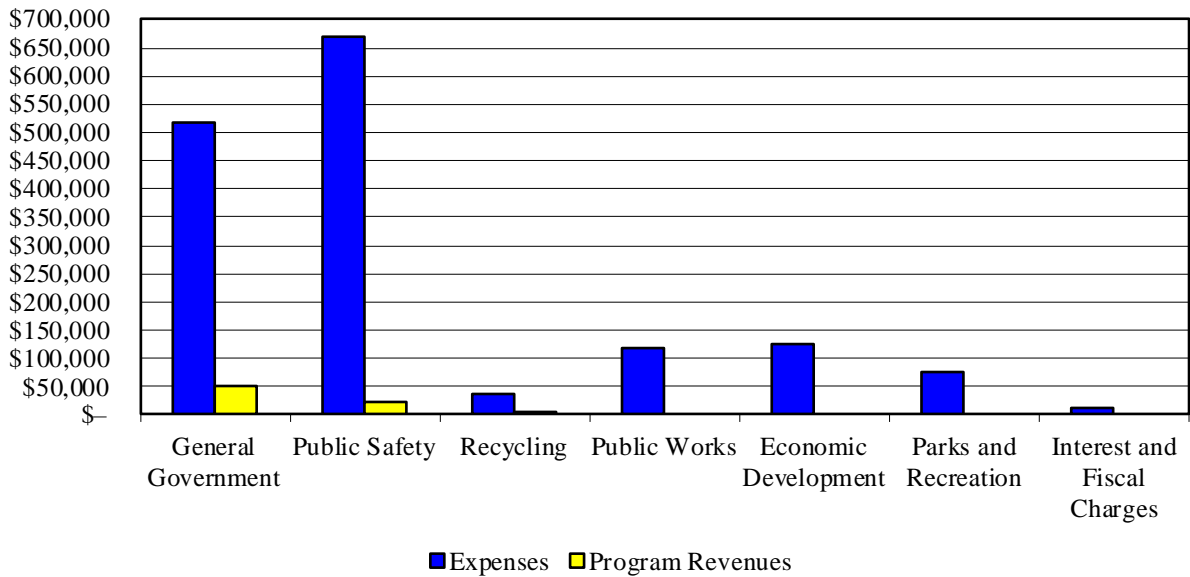
The increase in property taxes is primarily due to a change in tax levy and delinquent collections. The increase in public works expenses relates to capital-related projects in the current year.

The following graphs represent the City’s governmental activities charges for services, operating grants and contributions, and capital grants and contributions revenue compared to expenses:

Fiscal Year 2021



Fiscal Year 2020



Business-Type Activities – Business-type activities decreased the City’s net position by \$135,084. A comparison of the 2021 and 2020 business-type activity revenues and expenses is presented below:

	Business-Type Activities		Change
	2021	2020	
Revenues			
Program revenues			
Charges for services	\$ 793,542	\$ 761,968	\$ 31,574
Capital grants and contributions	17,038	873,624	(856,586)
General revenues			
Investment earnings	(2,267)	21,369	(23,636)
Total revenues	<u>808,313</u>	<u>1,656,961</u>	<u>(848,648)</u>
Expenses			
Water	402,474	327,121	75,353
Sewer	540,923	493,942	46,981
Total expenses	<u>943,397</u>	<u>821,063</u>	<u>122,334</u>
Changes in net position	(135,084)	835,898	<u>\$ (970,982)</u>
Net position			
Beginning of year	<u>4,263,416</u>	<u>3,427,518</u>	
End of year	<u>\$ 4,128,332</u>	<u>\$ 4,263,416</u>	

Unlike governmental activities, these activities are mostly funded through program revenues, such as sales and user charges. The decrease in capital grants and contributions is related to a capital-related state grant received by the City in the prior year.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds – The focus of the City’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’s financing requirements. In particular, 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’s governmental funds reported combined ending fund balances of \$820,273, a decrease of \$224,596 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current year, the total fund balance of the General Fund was \$687,903. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55.8 percent of total 2021 General Fund expenditures.

General Fund – The General Fund operating results can be summarized as follows:

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Prior Year Actual</u>
Revenue	\$ 1,288,126	\$ 1,192,427	\$ (95,699)	\$ 1,192,990
Expenditures	<u>1,386,770</u>	<u>1,233,405</u>	<u>(153,365)</u>	<u>1,259,592</u>
Excess (deficiency) of revenue over expenditures	(98,644)	(40,978)	57,666	(66,602)
Transfers in	<u>48,300</u>	<u>–</u>	<u>(48,300)</u>	<u>–</u>
Net change in fund balance	<u>\$ (50,344)</u>	<u>(40,978)</u>	<u>\$ 9,366</u>	<u>(66,602)</u>
Fund balances				
Beginning of year		<u>728,881</u>		<u>795,483</u>
End of year		<u>\$ 687,903</u>		<u>\$ 728,881</u>

General Fund Budgetary Highlights

During the current fiscal year, the fund balance of the City's General Fund decreased by \$40,978, as compared to a budget that reflected a decline in fund balance of \$50,344. Key factors in this change in fund balance include:

- Actual revenue was under budget by \$95,699, as property tax revenue was under budgeted amounts by \$106,736. This was the result of the debt service tax levy and the related debt service payments being included in the General Fund budget, when these items are recorded in a separate debt service fund in the City's financial report.
- Actual expenditures were under budget by \$153,365, mainly due to debt service expenditures being under budget, as these expenditures and the related tax levy are recorded in a separate debt service fund, as previously mentioned.
- Transfers in were not made as budgeted, due to limited funds available in the Capital Improvement Capital Projects Fund at year-end.

Other Major Funds

The other major funds decreased fund balance by \$183,618, mainly in the Capital Improvement Capital Projects Fund.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer operations at the end of the current fiscal year amounted to \$1,357,897 and \$230,471, respectively. The Water Enterprise Fund reported a net operating loss of \$47,744 and the Sewer Enterprise Fund reported an operating loss of \$79,924.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounted to \$5,028,192 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and system improvements, machinery and equipment, infrastructure, and park facilities.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital assets						
Land	\$ -	\$ -	\$ 58,684	\$ 58,684	\$ 58,684	\$ 58,684
Land improvements and buildings	1,097,006	1,097,006	-	-	1,097,006	1,097,006
Furniture and equipment	222,014	222,014	692,058	670,176	914,072	892,190
Streets and infrastructure	1,543,048	1,543,048	-	-	1,543,048	1,543,048
Collection and distribution system	-	-	7,225,816	6,140,915	7,225,816	6,140,915
Construction in progress	88,970	-	-	1,057,129	88,970	1,057,129
Total capital assets	2,951,038	2,862,068	7,976,558	7,926,904	10,927,596	10,788,972
Accumulated depreciation	(1,305,310)	(1,153,041)	(4,594,094)	(4,425,671)	(5,899,404)	(5,578,712)
Total capital assets, net of depreciation	<u>\$ 1,645,728</u>	<u>\$ 1,709,027</u>	<u>\$ 3,382,464</u>	<u>\$ 3,501,233</u>	<u>\$ 5,028,192</u>	<u>\$ 5,210,260</u>
Depreciation expense	<u>\$ 152,269</u>	<u>\$ 167,431</u>	<u>\$ 168,423</u>	<u>\$ 175,591</u>	<u>\$ 320,692</u>	<u>\$ 343,022</u>

Additional information on the City's capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Outstanding Long-Term Liabilities						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds payable	\$ 557,500	\$ 678,750	\$ 842,500	\$ 956,250	\$ 1,400,000	\$ 1,635,000
Net pension liability – PERA	54,334	73,013	65,240	94,859	119,574	167,872
Compensated absences payable	4,938	4,396	7,150	7,820	12,088	12,216
Total	<u>\$ 616,772</u>	<u>\$ 756,159</u>	<u>\$ 914,890</u>	<u>\$ 1,058,929</u>	<u>\$ 1,531,662</u>	<u>\$ 1,815,088</u>

At December 31, 2021, the City had total bonded debt outstanding of \$1,400,000. Total net pension liability decreased from \$167,872 to \$119,574.

Additional information on the City's long-term debt can be found in the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property values throughout the City increased for the past several years. Taxable market value increased 9.8 percent over the previous year and tax capacity increased 9.7 percent.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview for all those with an interest in the City's finances. Questions concerning any of the information provided in these statements or requests for additional financial information should be addressed to the City of Spring Park at 4349 Warren Avenue, Spring Park, Minnesota 55384.

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BASIC FINANCIAL STATEMENTS

CITY OF SPRING PARK

Statement of Net Position
as of December 31, 2021

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and temporary investments	\$ 898,773	\$ 789,598	\$ 1,688,371
Receivables			
Accounts and accrued interest	14,631	176,044	190,675
Delinquent taxes	2,350	-	2,350
Due from other governmental units	6,006	890,656	896,662
Internal balances	119,507	(119,507)	-
Capital assets			
Not depreciated	88,970	58,684	147,654
Depreciated, net	1,556,758	3,323,780	4,880,538
Total capital assets, net of depreciation	<u>1,645,728</u>	<u>3,382,464</u>	<u>5,028,192</u>
Total assets	2,686,995	5,119,255	7,806,250
Deferred outflows of resources			
PERA pension plan	<u>37,440</u>	<u>44,957</u>	<u>82,397</u>
Total assets and deferred outflows of resources	2,724,435	5,164,212	7,888,647
Liabilities			
Accounts and contracts payable	114,317	39,873	154,190
Salaries and payroll taxes payable	5,974	-	5,974
Accrued interest payable	4,524	9,154	13,678
Deposits payable	873	12,000	12,873
Unearned revenue	97,480	-	97,480
Net pension liability – PERA	54,334	65,240	119,574
Long-term debt			
Due within one year	111,188	120,900	232,088
Due in more than one year	451,250	728,750	1,180,000
Total liabilities	<u>839,940</u>	<u>975,917</u>	<u>1,815,857</u>
Deferred inflows of resources			
PERA pension plan	<u>49,938</u>	<u>59,963</u>	<u>109,901</u>
Total liabilities and deferred inflows of resources	889,878	1,035,880	1,925,758
Net position			
Net investment in capital assets	1,088,228	2,539,964	3,628,192
Restricted for			
Debt service	131,261	-	131,261
Tax increment purposes	108,736	-	108,736
Unrestricted	<u>506,332</u>	<u>1,588,368</u>	<u>2,094,700</u>
Total net position	<u>\$ 1,834,557</u>	<u>\$ 4,128,332</u>	<u>\$ 5,962,889</u>

CITY OF SPRING PARK

Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 500,419	\$ 59,514	\$ -	\$ -	\$ (440,905)	\$ -	\$ (440,905)
Public safety	702,693	18,847	-	-	(683,846)	-	(683,846)
Recycling	16,089	-	1,717	-	(14,372)	-	(14,372)
Public works	172,213	-	-	-	(172,213)	-	(172,213)
Economic development	143,245	-	-	-	(143,245)	-	(143,245)
Parks and recreation	55,862	-	-	-	(55,862)	-	(55,862)
Interest and fiscal charges	11,949	-	-	-	(11,949)	-	(11,949)
Total governmental activities	1,602,470	78,361	1,717	-	(1,522,392)	-	(1,522,392)
Business-type activities							
Water	402,474	343,990	-	11,076	-	(47,408)	(47,408)
Sewer	540,923	449,552	-	5,962	-	(85,409)	(85,409)
Total business-type activities	943,397	793,542	-	17,038	-	(132,817)	(132,817)
Total governmental and business-type activities	<u>\$ 2,545,867</u>	<u>\$ 871,903</u>	<u>\$ 1,717</u>	<u>\$ 17,038</u>	(1,522,392)	(132,817)	(1,655,209)
General revenues							
Property taxes					1,290,568	-	1,290,568
Other general revenues					44,833	-	44,833
Grants and contributions not restricted to specific programs					31,699	-	31,699
Investment earnings (charges)					(2,127)	(2,267)	(4,394)
Total general revenues					<u>1,364,973</u>	<u>(2,267)</u>	<u>1,362,706</u>
Change in net position					(157,419)	(135,084)	(292,503)
Net position							
Beginning of year					<u>1,991,976</u>	<u>4,263,416</u>	<u>6,255,392</u>
End of year					<u>\$ 1,834,557</u>	<u>\$ 4,128,332</u>	<u>\$ 5,962,889</u>

CITY OF SPRING PARK

Balance Sheet
 Governmental Funds
 as of December 31, 2021

	General Fund	Special Revenue	
		TIF Lakeview Lofts	TIF Presbyterian Homes
Assets			
Cash and temporary investments	\$ 581,312	\$ 84,559	\$ 94,655
Receivables			
Accounts	13,601	–	–
Accrued interest	1,030	–	–
Delinquent taxes	2,350	–	–
Due from other funds	119,507	–	–
Due from other governmental units	6,006	–	–
Total assets	\$ 723,806	\$ 84,559	\$ 94,655
Liabilities			
Accounts and contracts payable	\$ 26,706	\$ –	\$ 70,478
Salaries and payroll taxes payable	5,974	–	–
Deposits payable	873	–	–
Unearned revenue	–	–	–
Total liabilities	33,553	–	70,478
Deferred inflows of resources			
Unavailable revenue – property taxes	2,350	–	–
Fund balances (deficit)			
Restricted for debt service	–	–	–
Restricted for tax increment purposes	–	84,559	24,177
Unassigned	687,903	–	–
Total fund balances (deficit)	687,903	84,559	24,177
Total liabilities, deferred inflows of resources, and fund balances	\$ 723,806	\$ 84,559	\$ 94,655

Debt Service		Capital Projects	
2010	2015	Capital	Totals
G.O. Bonds	G.O. Bonds	Improvement	
\$ 26,996	\$ 108,789	\$ 2,462	\$ 898,773
-	-	-	13,601
-	-	-	1,030
-	-	-	2,350
-	-	-	119,507
-	-	-	6,006
<u>\$ 26,996</u>	<u>\$ 108,789</u>	<u>\$ 2,462</u>	<u>\$ 1,041,267</u>
\$ -	\$ -	\$ 17,133	\$ 114,317
-	-	-	5,974
-	-	-	873
-	-	97,480	97,480
-	-	114,613	218,644
-	-	-	2,350
26,996	108,789	-	135,785
-	-	-	108,736
-	-	(112,151)	575,752
<u>26,996</u>	<u>108,789</u>	<u>(112,151)</u>	<u>820,273</u>
<u>\$ 26,996</u>	<u>\$ 108,789</u>	<u>\$ 2,462</u>	<u>\$ 1,041,267</u>

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CITY OF SPRING PARK

Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
as of December 31, 2021

Total fund balances – governmental funds	\$ 820,273
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	
Cost of capital assets	2,951,038
Less accumulated depreciation	(1,305,310)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.	
General obligation bonds payable	(557,500)
Compensated absences payable	(4,938)
Net pension liability – PERA	(54,334)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(4,524)
Certain revenues (including delinquent and deferred taxes and special assessments) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	2,350
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – PERA pension plan	37,440
Deferred inflows of resources – PERA pension plan	(49,938)
Total net position – governmental activities	<u>\$ 1,834,557</u>

CITY OF SPRING PARK

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2021

	General Fund	Special Revenue	
		TIF Lakeview Lofts	TIF Presbyterian Homes
Revenue			
Property taxes	\$ 1,037,390	\$ -	\$ 148,374
Licenses and permits	59,514	-	-
Intergovernmental	33,416	-	-
Charges for services	18,847	-	-
Fines and forfeits	7,684	-	-
Investment earnings (charges)	(1,573)	(4)	(716)
Other	37,149	-	-
Total revenue	1,192,427	(4)	147,658
Expenditures			
Current			
General government	384,745	-	-
Public safety	702,693	-	-
Recycling	16,089	-	-
Public works	103,495	-	-
Economic development	-	-	143,245
Parks and recreation	25,434	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	949	-	-
Total expenditures	1,233,405	-	143,245
Net change in fund balances	(40,978)	(4)	4,413
Fund balances (deficit)			
Beginning of year	728,881	84,563	19,764
End of year	\$ 687,903	\$ 84,559	\$ 24,177

<u>Debt Service</u>		<u>Capital Projects</u>	
<u>2010</u>	<u>2015</u>	<u>Capital</u>	<u>Totals</u>
<u>G.O. Bonds</u>	<u>G.O. Bonds</u>	<u>Improvement</u>	
\$ 12,288	\$ 90,166	\$ -	\$ 1,288,218
-	-	-	59,514
-	-	-	33,416
-	-	-	18,847
-	-	-	7,684
(5)	147	24	(2,127)
-	-	-	37,149
<u>12,283</u>	<u>90,313</u>	<u>24</u>	<u>1,442,701</u>
-	-	-	384,745
-	-	-	702,693
-	-	-	16,089
-	-	-	103,495
-	-	-	143,245
-	-	-	25,434
-	-	157,688	157,688
10,000	111,250	-	121,250
1,858	9,851	-	12,658
<u>11,858</u>	<u>121,101</u>	<u>157,688</u>	<u>1,667,297</u>
425	(30,788)	(157,664)	(224,596)
<u>26,571</u>	<u>139,577</u>	<u>45,513</u>	<u>1,044,869</u>
<u>\$ 26,996</u>	<u>\$ 108,789</u>	<u>\$ (112,151)</u>	<u>\$ 820,273</u>

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CITY OF SPRING PARK

Reconciliation of the Statement of
 Revenue, Expenditures, and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 Year Ended December 31, 2021

Total net change in fund balances – governmental funds	\$ (224,596)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense; however, fund balances are reduced for the full cost of capital outlays at the time of purchase.	
Capital outlays	88,970
Depreciation expense	(152,269)
Repayment of long-term debt does not affect the change in net position; however, it reduces fund balances.	121,250
Compensated absences are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.	(542)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due; however, it is included in the change in fund balances when due.	709
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.	
Net pension liability – PERA	18,679
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.	
Deferred outflows of resources – PERA pension plan	32,884
Deferred inflows of resources – PERA pension plan	(44,854)
Deferred inflows of resources – property taxes	2,350
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Change in net position – governmental activities	<u><u>\$ (157,419)</u></u>

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CITY OF SPRING PARK

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Property taxes	\$ 1,144,126	\$ 1,144,126	\$ 1,037,390	\$ (106,736)
Licenses and permits	59,600	59,600	59,514	(86)
Intergovernmental	7,900	7,900	33,416	25,516
Charges for services	22,000	22,000	18,847	(3,153)
Fines and forfeits	10,000	10,000	7,684	(2,316)
Investment earnings (charges)	5,000	5,000	(1,573)	(6,573)
Other	39,500	39,500	37,149	(2,351)
Total revenue	<u>1,288,126</u>	<u>1,288,126</u>	<u>1,192,427</u>	<u>(95,699)</u>
Expenditures				
Current				
General government	370,520	370,520	384,745	14,225
Public safety	693,300	693,300	702,693	9,393
Recycling	34,500	34,500	16,089	(18,411)
Public works	121,750	121,750	103,495	(18,255)
Parks and recreation	32,450	32,450	25,434	(7,016)
Debt service				
Principal	121,250	121,250	-	(121,250)
Interest and fiscal charges	13,000	13,000	949	(12,051)
Total expenditures	<u>1,386,770</u>	<u>1,386,770</u>	<u>1,233,405</u>	<u>(153,365)</u>
Excess (deficiency) of revenues over expenditures	(98,644)	(98,644)	(40,978)	57,666
Other financing sources				
Transfers in	48,300	48,300	-	(48,300)
Net change in fund balances	<u>\$ (50,344)</u>	<u>\$ (50,344)</u>	<u>(40,978)</u>	<u>\$ 9,366</u>
Fund balances				
Beginning of year			<u>728,881</u>	
End of year			<u>\$ 687,903</u>	

CITY OF SPRING PARK

Statement of Net Position
 Proprietary Funds
 as of December 31, 2021

	Business-Type Activities – Enterprise Funds		
	Water	Sewer	Total
Assets			
Current assets			
Cash and temporary investments	\$ 789,598	\$ –	\$ 789,598
Accounts receivable	69,563	106,481	176,044
Due from other governmental units	579,728	310,928	890,656
Total current assets	1,438,889	417,409	1,856,298
Noncurrent assets			
Capital assets			
Land	–	58,684	58,684
Furniture and equipment	497,602	194,456	692,058
Collection and distribution system	3,097,752	4,128,064	7,225,816
	3,595,354	4,381,204	7,976,558
Less accumulated depreciation	(1,894,349)	(2,699,745)	(4,594,094)
Capital assets, net of depreciation	1,701,005	1,681,459	3,382,464
Total assets	3,139,894	2,098,868	5,238,762
Deferred outflows of resources			
PERA pension plan	22,490	22,467	44,957
Total assets and deferred outflows of resources	3,162,384	2,121,335	5,283,719
Liabilities			
Current liabilities			
Accounts and contracts payable	20,848	19,025	39,873
Compensated absences payable	3,575	3,575	7,150
Accrued interest payable	4,425	4,729	9,154
Due to other funds	–	119,507	119,507
Deposits payable	12,000	–	12,000
Long-term debt			
Due within one year	56,250	57,500	113,750
Total current liabilities	97,098	204,336	301,434
Noncurrent liabilities			
Net pension liability – PERA	32,637	32,603	65,240
Long-term debt			
Due in more than one year	321,250	407,500	728,750
Total noncurrent liabilities	353,887	440,103	793,990
Total liabilities	450,985	644,439	1,095,424
Deferred inflows of resources			
PERA pension plan	29,997	29,966	59,963
Total liabilities and deferred inflows of resources	480,982	674,405	1,155,387
Net position			
Net investment in capital assets	1,323,505	1,216,459	2,539,964
Unrestricted	1,357,897	230,471	1,588,368
Total net position	\$ 2,681,402	\$ 1,446,930	\$ 4,128,332

CITY OF SPRING PARK

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds		
	Water	Sewer	Total
Operating revenue			
Service fees	\$ 312,740	\$ 447,805	\$ 760,545
Penalties	1,349	1,747	3,096
Other	29,901	–	29,901
Total operating revenue	<u>343,990</u>	<u>449,552</u>	<u>793,542</u>
Operating expenses			
Personnel services	130,375	123,241	253,616
Supplies	8,661	1,451	10,112
Professional services	23,129	13,961	37,090
Insurance	5,000	4,091	9,091
Communications	7,489	7,488	14,977
Utilities	34,174	14,284	48,458
Repairs and maintenance	88,961	70,935	159,896
Depreciation	92,697	75,726	168,423
Sewer charges	–	217,352	217,352
Other	1,248	947	2,195
Total operating expenses	<u>391,734</u>	<u>529,476</u>	<u>921,210</u>
Operating income (loss)	(47,744)	(79,924)	(127,668)
Nonoperating revenue (expense)			
Investment earnings (charges)	(2,286)	19	(2,267)
Interest and fiscal charges	(10,740)	(11,447)	(22,187)
Total nonoperating revenue (expense)	<u>(13,026)</u>	<u>(11,428)</u>	<u>(24,454)</u>
Income (loss) before capital contributions	(60,770)	(91,352)	(152,122)
Capital contributions			
Intergovernmental	11,076	5,962	17,038
Change in net position	(49,694)	(85,390)	(135,084)
Net position			
Beginning of year	<u>2,731,096</u>	<u>1,532,320</u>	<u>4,263,416</u>
End of year	<u>\$ 2,681,402</u>	<u>\$ 1,446,930</u>	<u>\$ 4,128,332</u>

CITY OF SPRING PARK

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2021

	Business-Type Activities – Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities			
Cash received from customers	\$ 350,287	\$ 454,572	\$ 804,859
Cash paid to suppliers	(429,215)	(453,218)	(882,433)
Cash paid to employees	(135,262)	(134,323)	(269,585)
Net cash flows from operating activities	(214,190)	(132,969)	(347,159)
Cash flows from noncapital and related financing activities			
Cash received from other funds	–	119,507	119,507
Net cash flows from capital and related financing activities	–	119,507	119,507
Cash flows from capital and related financing activities			
Acquisition of capital assets	(18,075)	(31,576)	(49,651)
Principal paid on debt	(56,250)	(57,500)	(113,750)
Interest and fiscal charges paid on debt	(11,341)	(11,939)	(23,280)
Net cash flows from capital and related financing activities	(85,666)	(101,015)	(186,681)
Cash flows from investing activities			
Interest received (charged)	(2,286)	19	(2,267)
Net change in cash and cash equivalents	(302,142)	(114,458)	(416,600)
Cash and cash equivalents			
Beginning of year	1,091,740	114,458	1,206,198
End of year	\$ 789,598	\$ –	\$ 789,598
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (47,744)	\$ (79,924)	\$ (127,668)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation	92,697	75,726	168,423
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
Accounts receivable	6,294	5,017	11,311
Due from other governmental units	3	3	6
Accounts payable	(260,553)	(122,709)	(383,262)
Compensated absences payable	(335)	(335)	(670)
Net pension liability	(11,738)	(17,881)	(29,619)
Deferred outflows of resources	(19,721)	(19,317)	(39,038)
Deferred inflows of resources	26,907	26,451	53,358
Net cash flows from operating activities	\$ (214,190)	\$ (132,969)	\$ (347,159)
Noncash investing, capital, and financing activity			
Capital contributions in			
Due from other governments	\$ 11,076	\$ 5,962	\$ 17,038

CITY OF SPRING PARK

Notes to Basic Financial Statements December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Spring Park, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a council composed of an elected mayor and four elected councilmembers. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities 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 includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component 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 City, under Minnesota Statutes, created the Spring Park Housing and Redevelopment Authority (HRA) to administer economic development activity within the City. The HRA is fiscally dependent upon the City, its governing board consists of the City’s mayor and councilmembers, and the City’s management has operational responsibility for the HRA. Therefore, the HRA has been reported as a blended component unit of the City, with its funds reported as funds of the City.

C. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. 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 sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days after year-end.

Major revenue that is susceptible to accrual includes property taxes, intergovernmental revenue, charges for services, and interest earned on investments. 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. Revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt are reported as other financing sources.

Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, and net pension liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. 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. The operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

TIF Lakeview Lofts Special Revenue Fund – The TIF Lakeview Lofts Special Revenue Fund is used to account for financial resources related to the tax increment proceeds the City receives on the Lakeview Lofts TIF.

TIF Presbyterian Homes Special Revenue Fund – The TIF Presbyterian Homes Special Revenue Fund is used to account for financial resources related to the current tax increment proceeds the City receives on the Presbyterian Homes TIF.

2010 G.O. Bonds Debt Service Fund – The 2010 G.O. Bonds Debt Service Fund is used to account for the payment of principal and interest on debt issued to finance improvement projects.

2015 G.O. Bonds Debt Service Fund – The 2015 G.O. Bonds Debt Service Fund is used to account for the payment of principal and interest on debt issued to finance improvement projects.

Capital Improvement Capital Projects Fund – The Capital Improvement Capital Projects Fund is used to account for financial resources used to finance the capital improvement plans of the City.

The City reports the following major proprietary funds:

Water Enterprise Fund – The Water Enterprise Fund is used to account for the operation, maintenance, and improvement of the City’s water utility system.

Sewer Enterprise Fund – The Sewer Enterprise Fund is used to account for the operation, maintenance, and improvement of the City’s sewer utility system.

E. Cash and Investments

Cash and investments include demand deposits and short-term investments. The City invests cash balances from all funds, to the extent available, in certificates of deposit and other authorized investments. Earnings from the pooled investments are allocated to the individual funds based on the average monthly cash and investment balance of the respective funds.

Investments are generally stated at fair value. Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of December 31, 2021.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

G. Property Taxes

Property tax levies are set by the City Council by 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 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts several times a year.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

H. Capital Assets

Capital assets, which include property, buildings, improvements, equipment, and infrastructure assets (streets, sidewalks, drainage, and collection and distribution systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. As allowed by accounting principles generally accepted in the United States of America, the City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Land and construction in progress are not depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land improvements and buildings	20–30
Furniture and equipment	5–20
Streets and infrastructure	20–50
Collection and distribution system	20–50

I. Special Assessments

Special assessments are recorded as receivable upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections of deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions in the government-wide and proprietary fund Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

Unavailable revenue arises only under the modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet (if any). The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. State-Wide Pension Plans

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 the PERA's fiduciary net position have been determined on the same basis as they are reported by the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences Payable

Certain city employees earn personal time off, vacation, compensation time, and sick leave at various rates based on longevity. These compensated absences are paid to an employee leaving in good standing, at their current rate of pay. Sick leave is only paid at their current hourly rate in an amount not to exceed one-third of their accumulated sick leave. As benefits accrue to employees, the accumulated compensated absences are reported as expense and liability in the government-wide and proprietary fund financial statements. Accrued compensated absences payable to employees upon termination are reported as expenditures in the governmental fund that will pay them when they become due and payable.

M. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are considered expenses and reported as fiscal agent fees.

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.

N. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

O. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

P. Budgets and Budgetary Accounting

Each year, the City Council adopts a General Fund budget using the modified accrual basis of accounting for the following fiscal year beginning January 1. The City has established budgetary control at the fund level. Budget appropriations lapse at year-end.

Q. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalent. The proprietary funds’ portion in the government-wide cash and investment management pool is considered to be cash equivalent.

R. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

S. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers’ compensation, and other miscellaneous insurance coverages. The LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to the LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in 2021.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 1,189,054
Investments	499,292
Cash on hand	<u>25</u>
Total	<u><u>\$ 1,688,371</u></u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City’s deposit policy does not allow the City to invest in financial institutions, including banks, savings and loan associations, or credit unions whose equity to asset ratio is less than 6 percent.

At year-end, the carrying amount of the City’s deposits was \$1,189,054, while the balance on the bank records was \$1,249,682. At December 31, 2021, the City’s deposits were fully covered by federal deposit insurance, surety bonds, or by collateral.

C. Investments

The City had the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements	No Maturity	Interest Risk – Maturity Duration in Years		Total
	Rating	Agency			Less Than 1	1 to 5	
Commercial Paper	A	S&P	Level 2	\$ –	\$ 499,292	\$ –	<u><u>\$ 499,292</u></u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy does not address this risk, but the City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy does not allow the City to invest in financial institutions, including banks, savings and loan associations, or credit unions whose equity to asset ratio is less than 6 percent.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy does not limit the concentration of investments.

The City had investments exceeding 5 percent of its portfolio in commercial paper issued from Collateralized Commercial Paper Co. (100 percent).

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy does not limit the duration of investments.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Construction in progress	\$ –	\$ 88,970	\$ –	\$ –	\$ 88,970
Capital assets, depreciated					
Land improvements and buildings	1,097,006	–	–	–	1,097,006
Furniture and equipment	222,014	–	–	–	222,014
Streets and infrastructure	1,543,048	–	–	–	1,543,048
Total capital assets, depreciated	<u>2,862,068</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,862,068</u>
Less accumulated depreciation					
Land improvements and buildings	308,523	13,584	–	–	322,107
Furniture and equipment	78,480	11,763	–	–	90,243
Streets and infrastructure	766,038	126,922	–	–	892,960
Total accumulated depreciation	<u>1,153,041</u>	<u>152,269</u>	<u>–</u>	<u>–</u>	<u>1,305,310</u>
Net capital assets, depreciated	<u>1,709,027</u>	<u>(152,269)</u>	<u>–</u>	<u>–</u>	<u>1,556,758</u>
Total capital assets	<u>\$ 1,709,027</u>	<u>\$ (63,299)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1,645,728</u>

B. Changes in Capital Assets Used in Business-Type Activities

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 58,684	\$ –	\$ –	\$ –	\$ 58,684
Construction in progress	1,057,129	27,772	–	(1,084,901)	–
Total capital assets, not depreciated	<u>1,115,813</u>	<u>27,772</u>	<u>–</u>	<u>(1,084,901)</u>	<u>58,684</u>
Capital assets, depreciated					
Furniture and equipment	670,176	21,882	–	–	692,058
Collection and distribution system	6,140,915	–	–	1,084,901	7,225,816
Total capital assets, depreciated	<u>6,811,091</u>	<u>21,882</u>	<u>–</u>	<u>1,084,901</u>	<u>7,917,874</u>
Less accumulated depreciation on					
Furniture and equipment	489,764	21,555	–	–	511,319
Collection and distribution system	3,935,907	146,868	–	–	4,082,775
Total accumulated depreciation	<u>4,425,671</u>	<u>168,423</u>	<u>–</u>	<u>–</u>	<u>4,594,094</u>
Net capital assets, depreciated	<u>2,385,420</u>	<u>(146,541)</u>	<u>–</u>	<u>1,084,901</u>	<u>3,323,780</u>
Total capital assets, net	<u>\$ 3,501,233</u>	<u>\$ (118,769)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 3,382,464</u>

NOTE 3 – CAPITAL ASSETS (CONTINUED)

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2021 was charged to the following functions:

Governmental activities	
General government	\$ 121,841
Parks and recreation	<u>30,428</u>
Total depreciation expense – governmental activities	<u>\$ 152,269</u>
Business-type activities	
Water	\$ 92,697
Sewer	<u>75,726</u>
Total depreciation expense – business-type activities	<u>\$ 168,423</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 678,750	\$ –	\$ (121,250)	\$ 557,500	\$ 106,250
Compensated absences payable	<u>4,396</u>	<u>10,010</u>	<u>(9,468)</u>	<u>4,938</u>	<u>4,938</u>
Total governmental activities	<u>683,146</u>	<u>10,010</u>	<u>(130,718)</u>	<u>562,438</u>	<u>111,188</u>
Business-type activities					
General obligation bonds payable	956,250	–	(113,750)	842,500	113,750
Compensated absences payable	<u>7,820</u>	<u>13,045</u>	<u>(13,715)</u>	<u>7,150</u>	<u>7,150</u>
Total business-type activities	<u>964,070</u>	<u>13,045</u>	<u>(127,465)</u>	<u>849,650</u>	<u>120,900</u>
Total long-term liabilities	<u>\$ 1,647,216</u>	<u>\$ 23,055</u>	<u>\$ (258,183)</u>	<u>\$ 1,412,088</u>	<u>\$ 232,088</u>

B. Bonds Payable

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General Obligation Bonds, Series 2010A	\$ 140,000	2.000–3.625 %	06/29/2010	02/01/2026	\$ 50,000
General Obligation Bonds, Series 2015A	\$ 1,040,000	0.450–2.500 %	03/12/2015	02/01/2030	<u>507,500</u>
					<u>\$ 557,500</u>
Business-type activities					
General Obligation Bonds, Series 2010A	\$ 815,000	2.000–3.625 %	06/29/2010	02/01/2026	\$ 355,000
General Obligation Bonds, Series 2015A	\$ 780,000	0.450–2.500 %	03/12/2015	02/01/2030	<u>487,500</u>
					<u>\$ 842,500</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bonds payable are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 106,250	\$ 10,024	\$ 113,750	\$ 20,587
2023	107,500	8,246	117,500	17,713
2024	107,500	6,253	127,500	14,473
2025	107,500	4,104	127,500	10,914
2026	53,750	2,373	131,250	7,167
2027–2030	75,000	3,600	225,000	10,800
Total	\$ 557,500	\$ 34,600	\$ 842,500	\$ 81,654

D. Descriptions and Restrictions of Debt Issues

General Obligation Bonds – These bonds were issued to make acquisitions or improvements to city property. The General Obligation Bonds, Series 2010A and 2015A, were split between governmental activities and business-type activities. Principal and interest on the governmental activities bonds are paid by the Debt Service Fund primarily through the collection of taxes and special assessments. The general obligation bonds of the business-type activities will be repaid from the revenues of the enterprise funds.

E. Compensated Absences Payable

Long-term liabilities for personal time off, vacation, compensation time, and sick leave will be paid by the General Fund, Water Enterprise Fund, and Sewer Enterprise Fund.

F. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
General Obligation Bonds, Series 2010A	Water and sewer capital projects and infrastructure	Utility charges	100%	2010–2026	\$ 387,054	\$ 78,126	\$ 760,545
General Obligation Bonds, Series 2015A	Water and sewer capital projects and infrastructure	Utility charges	100%	2015–2030	\$ 537,100	\$ 58,904	\$ 760,545

NOTE 5 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE

A. Plan Description

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

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). The GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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.

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 the 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 Plan 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 Plan 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 age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 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.

C. GERF Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2021, were \$16,690. The City's contributions were equal to the required contributions as set by state statutes.

NOTE 5 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

D. GERS Pension Costs

At December 31, 2021, the City reported a liability of \$119,574 for its proportionate share of the GERF’s net pension liability. The City’s net pension liability reflected a reduction, due to the state of Minnesota’s contribution of \$16.0 million. The state of Minnesota is considered a nonemployer 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 \$3,543. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA’s participating employers. The City’s proportionate share was 0.0028 percent at the end of the measurement period and 0.0028 percent for the beginning of the period.

The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City’s proportionate share of the net pension liability	\$	119,574
State’s proportionate share of the net pension liability associated with the City	\$	3,543

For the year ended December 31, 2021, the City recognized negative pension expense of \$5,074 for its proportionate share of the GERF’s pension expense. In addition, the City recognized an additional \$296 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16.0 million to the GERF.

At December 31, 2021, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 201	\$ 3,702
Changes in actuarial assumptions	73,008	2,644
Net collective difference between projected and actual investment earnings	–	103,555
Contributions paid to the PERA subsequent to the measurement date	<u>9,188</u>	<u>–</u>
Total	<u>\$ 82,397</u>	<u>\$ 109,901</u>

NOTE 5 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

A total of \$9,188 was reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and deferred 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>
2022	\$ (5,144)
2023	(1,796)
2024	(931)
2025	(28,821)
	<u>\$ (36,692)</u>

E. Long-Term Expected Return on Investments

The Minnesota State Board of Investment, which manages the investments of the 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	<u>100.00 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, 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 6.50 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 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 29 years of service, and 6.00 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit the PERA’s experience.

NOTE 5 – DEFINED BENEFIT PENSION PLAN – STATE-WIDE (CONTINUED)

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 following changes in actuarial assumptions occurred in 2021:

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 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 GERF 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.

H. Pension Liability Sensitivity

The following table 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate <u>5.50%</u>	Discount Rate <u>6.50%</u>	1% Increase in Discount Rate <u>7.50%</u>
The City's proportionate share of the GERF net pension liability	\$ 243,867	\$ 119,574	\$ 17,581

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.

NOTE 6 – CONDUIT DEBT

The City has issued multi-family housing and healthcare revenue bonds to provide financial assistance to a private sector entity for the acquisition and renovation of a multi-family housing facility deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying mortgage loans. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The balance outstanding on the bonds at December 31, 2021 is \$19,282,561.

NOTE 7 – FUND BALANCE POLICY

The City Council has formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target fund balance amount for cash flow timing needs (working capital) and contingencies of 60 percent of next year’s adopted budget.

At December 31, 2021, the targeted unassigned fund balance for the General Fund was as follows:

Working capital	\$	749,480
Contingencies		<u>149,896</u>
Total	\$	<u><u>899,376</u></u>

NOTE 8 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, has entered into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. The City currently has one agreement that would be considered a tax abatement under Governmental Accounting Standards Board Statement (GASB) No. 77:

<u>Name</u>	<u>Purpose</u>	<u>Amount Abated During the Fiscal Year</u>
1-3 Presbyterian Homes	Redevelopment of a 12-acre, 370-resident assisted living campus	<u>\$ 148,374</u>

The City is authorized to create a tax increment financing plan under Minnesota Statutes, Chapter 469.175. The criteria that must be met under the statutes are that, in the opinion of the municipality:

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;
- The tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole; and
- The tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

NOTE 9 – CONSTRUCTION COMMITMENTS

At December 31, 2021, the City is committed to one construction contract for the improvement of city property. The City's remaining commitment under this contract is \$26,702.

NOTE 10 – SUBSEQUENT EVENTS

A. New Accounting Standards

A new standard has been issued by the GASB that will result in significant changes in the reporting of leases once it becomes effective for governmental entities. This standard will be adopted by the City beginning in 2022, and will require the restatement of certain balances reported as of December 31, 2021. The effects of this change have not yet been determined and are not reflected in these financial statements.

B. COVID-19 Pandemic

The COVID-19 pandemic has had significant financial and operational impacts on the City for the last two fiscal years. Any potential impact it may have on the City's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

NOTE 11 – DEFICIT FUND BALANCE

At year-end, the Capital Projects Capital Improvement Fund had a fund balance deficit of \$112,151 related to spending in advance of a bond issue.

NOTE 12 – INTERFUND BALANCES

At year-end, the General Fund had a due from the Sewer Enterprise Fund totaling \$119,507 for cash flow purposes.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPRING PARK

PERA – General Employees Retirement Fund
 Schedule of City’s and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2021

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City’s Proportion of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the Net Pension Liability	City’s Proportionate Share of the State of Minnesota’s Share of the Net Pension Liability	City’s Covered Payroll	City’s Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0041%	\$ 212,483	\$ –	\$ 212,483	\$ 239,452	88.74%	78.20%
12/31/2016	06/30/2016	0.0040%	\$ 324,779	\$ 4,292	\$ 329,071	\$ 229,227	141.68%	68.90%
12/31/2017	06/30/2017	0.0031%	\$ 197,902	\$ 2,483	\$ 200,385	\$ 188,672	104.89%	75.90%
12/31/2018	06/30/2018	0.0028%	\$ 155,332	\$ 5,110	\$ 160,442	\$ 197,035	78.83%	79.50%
12/31/2019	06/30/2019	0.0028%	\$ 154,806	\$ 4,833	\$ 159,639	\$ 198,485	77.99%	80.20%
12/31/2020	06/30/2020	0.0028%	\$ 167,872	\$ 5,201	\$ 173,073	\$ 201,562	83.29%	79.10%
12/31/2021	06/30/2021	0.0028%	\$ 119,574	\$ 3,543	\$ 123,117	\$ 198,592	60.21%	87.00%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2021

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 18,162	\$ 18,162	\$ –	\$ 239,452	7.58%
12/31/2016	\$ 17,192	\$ 17,192	\$ –	\$ 229,227	7.50%
12/31/2017	\$ 14,150	\$ 14,150	\$ –	\$ 188,672	7.50%
12/31/2018	\$ 14,778	\$ 14,778	\$ –	\$ 197,035	7.50%
12/31/2019	\$ 14,886	\$ 14,886	\$ –	\$ 198,485	7.50%
12/31/2020	\$ 15,116	\$ 15,116	\$ –	\$ 201,562	7.50%
12/31/2021	\$ 16,690	\$ 16,690	\$ –	\$ 222,534	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

CITY OF SPRING PARK

Notes to Required Supplementary Information
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF SPRING PARK

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF SPRING PARK

Notes to Required Supplementary Information (continued)
December 31, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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SUPPLEMENTARY INFORMATION

CITY OF SPRING PARK

General Fund
 Comparative Balance Sheet
 as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and temporary investments	\$ 581,312	\$ 749,192
Receivables		
Accounts	13,601	8,638
Accrued interest	1,030	2,619
Delinquent taxes	2,350	-
Due from other funds	119,507	-
Due from other governmental units	<u>6,006</u>	<u>13,519</u>
Total assets	<u>\$ 723,806</u>	<u>\$ 773,968</u>
Liabilities		
Accounts and contracts payable	\$ 26,706	\$ 41,068
Salaries and payroll taxes payable	5,974	3,146
Deposits payable	<u>873</u>	<u>873</u>
Total liabilities	33,553	45,087
Deferred inflows of resources		
Unavailable revenue – property taxes	2,350	-
Fund balances		
Assigned	-	50,594
Unassigned	<u>687,903</u>	<u>678,287</u>
Total fund balances	<u>687,903</u>	<u>728,881</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 723,806</u>	<u>\$ 773,968</u>

CITY OF SPRING PARK

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021		Over (Under)	2020
	Budget	Actual	Budget	Actual
Revenue				
Property taxes	\$ 1,144,126	\$ 1,037,390	\$ (106,736)	\$ 1,005,806
Licenses and permits				
Building licenses and permits	30,000	30,424	424	32,846
Nonbusiness licenses and permits	29,600	29,090	(510)	18,285
Total licenses and permits	59,600	59,514	(86)	51,131
Intergovernmental				
Intergovernmental grants	5,000	31,699	26,699	56,386
Recycling	2,200	1,717	(483)	2,257
PERA aid	700	—	(700)	—
Total intergovernmental	7,900	33,416	25,516	58,643
Charges for services				
Recycling	—	—	—	2,380
Public safety				
Police	2,000	1,600	(400)	—
Building inspection	20,000	17,247	(2,753)	22,795
Total charges for services	22,000	18,847	(3,153)	25,175
Fines and forfeits	10,000	7,684	(2,316)	8,496
Investment earnings (charges)	5,000	(1,573)	(6,573)	3,106
Other				
Payment in lieu of taxes	31,000	31,193	193	32,553
Miscellaneous	8,500	5,956	(2,544)	8,080
Total other	39,500	37,149	(2,351)	40,633
Total revenue	1,288,126	1,192,427	(95,699)	1,192,990

CITY OF SPRING PARK

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021		Over (Under)	2020
	Budget	Actual	Budget	Actual
Expenditures				
Current				
General government				
Mayor and City Council	22,320	22,872	552	22,017
Elections	1,750	286	(1,464)	7,711
Administration	163,700	184,996	21,296	210,736
Assessing	39,000	52,589	13,589	18,005
Legal services	21,500	14,291	(7,209)	29,368
Buildings and grounds	25,250	26,308	1,058	20,115
Planning and zoning	45,000	35,121	(9,879)	42,605
City beautification	52,000	48,282	(3,718)	57,337
Total general government	370,520	384,745	14,225	407,894
Public safety				
Police services	477,300	477,903	603	464,388
Fire services	165,000	164,749	(251)	158,831
Building inspection	45,000	54,028	9,028	39,466
Lake Minnetonka Conservation District	6,000	6,013	13	6,007
Total public safety	693,300	702,693	9,393	668,692
Recycling				
Spring/fall cleanup	20,000	1,986	(18,014)	19,203
Recycling	14,500	14,103	(397)	16,300
Total recycling	34,500	16,089	(18,411)	35,503
Public works				
Highways, streets, and roads	106,750	96,052	(10,698)	106,411
Surface water management	15,000	7,443	(7,557)	12,176
Total public works	121,750	103,495	(18,255)	118,587
Parks and recreation				
Parks	21,000	13,973	(7,027)	16,505
Senior center	11,000	11,000	-	11,000
Suburban Rate Authority	450	461	11	461
Total parks and recreation	32,450	25,434	(7,016)	27,966

CITY OF SPRING PARK

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021		Over (Under) Budget	2020
	Budget	Actual		Actual
Expenditures (continued)				
Debt service				
Principal	121,250	–	(121,250)	–
Interest and fiscal charges	13,000	949	(12,051)	950
Total debt service	<u>134,250</u>	<u>949</u>	<u>(133,301)</u>	<u>950</u>
Total expenditures	<u>1,386,770</u>	<u>1,233,405</u>	<u>(153,365)</u>	<u>1,259,592</u>
Excess (deficiency) of revenues over expenditures	(98,644)	(40,978)	57,666	(66,602)
Other financing sources				
Transfers in	<u>48,300</u>	<u>–</u>	<u>(48,300)</u>	<u>–</u>
Net change in fund balance	<u>\$ (50,344)</u>	(40,978)	<u>\$ 9,366</u>	(66,602)
Fund balance – beginning of year		<u>728,881</u>		<u>795,483</u>
Fund balance – end of year		<u>\$ 687,903</u>		<u>\$ 728,881</u>

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OTHER REQUIRED REPORTS

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Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING

To the City Council and Management
City of Spring Park, Minnesota

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Spring Park, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2021-001 and 2021-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2021-003 to be a significant deficiency.

(continued)

CITY'S RESPONSES TO FINDINGS

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council, others within the City, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
June 28, 2022



PRINCIPALS

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Spring Park, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Spring Park, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2022.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for the Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses as findings 2021-004, 2021-005, and 2021-006. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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 referenced provisions, insofar as they relate to accounting matters.

CITY'S RESPONSES TO FINDINGS

The City's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council of the City, others within the City, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 28, 2022

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CITY OF SPRING PARK

Schedule of Findings and Responses
Year Ended December 31, 2021

A. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES

2021-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – The City of Spring Park, Minnesota (the City) has limited segregation of duties in several areas, including: utility billing, accounts receivable, accounts payable, cash receipts, payroll, and investments.

Context – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the City’s business office staff.

Effect – One important element of internal accounting control is an adequate segregation of duties such that no one individual should have responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

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

Management Response – There is no disagreement with the audit finding. The City intends to review the transaction cycles identified above and work with the City’s financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. Upon completion of this review, the City will weigh the related costs and benefits associated with implementation changes needed to eliminate this condition.

CITY OF SPRING PARK

Schedule of Findings and Responses (continued)
Year Ended December 31, 2021

A. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2021-002 Review and Reporting

Criteria – Management is responsible for establishing and maintaining effective internal controls. These controls include the timely review of the financial statements in accordance with accounting principles generally accepted in the United States of America, along with review of journal entries and timely completion of bank reconciliations to ensure accuracy and prevent fraudulent reporting.

Condition – Significant accounts and subledgers should be reconciled to the general ledger and reviewed on a timely basis. The suggested control is for the City Administrator and City Council to review detailed financial statements and budget to actual reports on a monthly basis. In addition, manual journal entries should be reviewed and bank reconciliations should be completed on a timely basis to ensure accurate reporting. It was noted during our audit that none of these controls were in place for the entire year.

Context – This is a current year finding.

Cause – The City does not have the internal resources available to produce detailed financial statements and budget to actual reports on a monthly basis. In addition, the City does not have a review process for manual journal entries. During the year, bank reconciliations were not being completed on a timely basis.

Effect – The financial information of the City is not being reviewed on a consistent basis.

Recommendation – We recommend that the City review its procedures and consider internal control alternatives that would be cost-effective and beneficial in regards to each of the above addressed controls.

Management Response – There is no disagreement with the audit finding. The City will determine whether it is practical and cost-effective for the City or an outside contractor to address the above weaknesses in internal controls.

CITY OF SPRING PARK

Schedule of Findings and Responses (continued)
Year Ended December 31, 2021

A. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

SIGNIFICANT DEFICIENCY

2021-003 Preparation of Financial Statements

Criteria – Management is responsible for establishing and maintaining effective internal controls. These controls include the responsibility for preparation, or oversight of the preparation, of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – Other than the management’s discussion and analysis, the City had our firm prepare the accompanying annual financial statements. Like many similarly sized organizations, the City requested assistance from us with the drafting of the annual financial statements and related notes. Although this is common practice and may be the most practical and cost-effective method to complete this task, the fact that the City does not have the internal resources available to prepare the annual financial statements is considered a deficiency.

Context – This is a current year and prior year finding.

Cause – The City does not have the internal resources available to prepare its own annual financial statements, and has made the decision that from a cost-benefit perspective, it is more efficient to have the auditor prepare them than to contract with another outside party.

Effect – The auditor prepared the draft of the City’s annual financial statements and disclosures.

Recommendation – We recommend that the City consider whether it is cost-beneficial to either hire an outside contractor to prepare the financial statements or provide training to its internal staff that would enable the City to prepare its own financial statements.

Management Response – There is no disagreement with the audit finding. The City will determine as to whether it is practical and cost-effective for the City or an outside contractor to prepare its financial statements in the future.

CITY OF SPRING PARK

Schedule of Findings and Responses (continued)
Year Ended December 31, 2021

B. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2021-004 Contract Language – Payment of Subcontractors

Criteria – Minnesota Statutes § 471.425, Subd. 4a.

Condition – The City’s contracts for construction services must include specific language that requires the prime contractor to pay any subcontractors within 10 days of the prime contractor’s receipt of payment from the City or pay interest at the rate of 1.5 percent per month on any unpaid balance. This required language was not included in one of the contracts awarded during the year ended December 31, 2021.

Context – One bid of one bid tested was not in compliance. This is a current and prior year finding.

Cause – This was an oversight by city personnel.

Effect – One contract awarded by the City did not include the required statutory language.

Recommendation – We recommend that the City include this required language in all future contracts.

Management Response – There is no disagreement with the finding. The City will review its procedures to ensure the required contract language is included in all city contracts in the future.

2021-005 Electronic Funds Transfer Policy

Criteria – Minnesota Statutes § 471.38 Subd. 3a.

Condition – Minnesota Statutes require a local government to enact a policy and have appropriate internal controls related to electronic funds transfers (EFT). During our audit, we noted that the City does not have a formal written policy in place regarding EFTs.

Context – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – Noncompliance with this requirement could be viewed as a violation of Minnesota Statutes.

Recommendation – We recommend that the City evaluate their position regarding EFT payments and implement an EFT policy.

Management Response – There is no disagreement with the audit finding. The City will review and update its policies and internal controls to verify compliance in the future.

CITY OF SPRING PARK

Schedule of Findings and Responses (continued)
Year Ended December 31, 2021

B. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)

2021-006 Out-of-State Travel Policy

Criteria – Minnesota Statutes § 471.661.

Condition – Minnesota Statutes require governing bodies of cities to have on record a policy that controls travel outside of the state of Minnesota. We noted during our audit that the City does not have a formal written policy in place regarding out-of-state travel.

Context – This is a current year finding.

Cause – This was an oversight by city personnel.

Effect – Noncompliance with this requirement could be viewed as a violation of Minnesota Statutes.

Recommendation – We recommend that the City evaluate its position regarding out-of-state travel and enact a formal policy regarding out-of-state travel in the future.

Management Response – There is no disagreement with the audit finding. The City will review and update its policies and internal controls to verify compliance in the future.

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**CITY OF SPRING PARK
SPRING PARK, MINNESOTA**

RESOLUTION #22-19

**A RESOLUTION APPOINTING ELECTION JUDGES FOR THE STATE PRIMARY
ELECTION OF AUGUST 9, 2022, AND THE GENERAL ELECTION OF
NOVEMBER 8, 2022**

WHEREAS, the City Clerk has submitted for approval a list of Election Judges (Exhibit A) to officiate at the State Primary Election on August 9, 2022 and the General Election on November 8, 2022; and

WHEREAS, said list includes those individuals who have agreed to serve as an Election Judge; and

WHEREAS, the City Clerk has the authority to add additional Election Judges and make substitutions as necessary to maintain the required minimum staffing levels while conducting the 2022 State Primary and General Election; and

NOW THEREFORE BE IT RESOLVED, the Spring Park City Council hereby approves the list of Election Judges, attached hereto and made a part hereof as Exhibit A, to officiate at the 2022 State Primary and General Elections.

ADOPTED by the City Council of the City of Spring Park this 18th day of July, 2022.

CITY OF SPRING PARK

Approved:

Jerome P. Rockvam, Mayor

Attest:

Jamie Hoffman, City Clerk

**CITY OF SPRING PARK
SPRING PARK, MINNESOTA**

**RESOLUTION #22-19
EXHIBIT A**

**LISTING OF ELECTION JUDGES FOR 2022 PRIMARY AND GENERAL
ELECTIONS**

Beth Aschinger
Sandra Hoogenakker, Head Judge
Wendy Lewin
Molly Rice
Marilyn Ronnkvist
Marshall Weber

**EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE
CITY OF SPRING PARK, MINNESOTA**

HELD: June 6, 2022

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Spring Park, Minnesota, was duly held on Monday, June 6, 2022, commencing at 7:15 P.M.

The following members were present:

Mayor Rockvam, Council Member's Chase, Hoffman, Horton, & Hughes

and the following were absent: none

Council Member Hoffman motioned to introduce the following resolution and moved its adoption:

RESOLUTION NO. 22-20

**RESOLUTION CALLING FOR A PUBLIC HEARING ON
THE ISSUANCE OF CONDUIT REVENUE NOTES AND
AUTHORIZING THE PUBLICATION OF A NOTICE OF HEARING
(HOLY FAMILY CATHOLIC HIGH SCHOOL)**

WHEREAS, Minnesota Statutes, Sections 469.152 through 469.1655, as amended, relating to municipal industrial development (the "Act"), gives municipalities the power to refund revenue obligations previously issued for the purpose of promoting the welfare of the state by the provision of necessary educational facilities; and

WHEREAS, the City of Spring Park, Minnesota (the "City"), has received from Holy Family Catholic High School, a Minnesota nonprofit corporation and 501(c)(3) organization (the "Borrower"), a proposal that the City assist in refunding a portion of certain obligations previously issued by the City of Victoria through the issuance of conduit revenue notes or obligations (in one or more series) (the "Notes") pursuant to the Act; and

WHEREAS, before proceeding with consideration of the request of the Borrower, it is necessary for the City to hold a public hearing on the proposal pursuant to the Act:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Spring Park, as follows:

1. A public hearing on the proposal of the Borrower will be held at the time and place set forth in the form of Notice of Public Hearing attached hereto as **Exhibit A** or on a date to be determined by the City Administrator in order to meet publication requirements in accordance with applicable law. The general nature of the proposed financing and an estimate of the aggregate principal amount of revenue notes or other obligations to be issued to finance the proposal are described in the Notice of Public Hearing.

2. The City Clerk of the City is hereby authorized and directed to cause notice of the hearing to be given one publication in the official newspaper of the City and a newspaper of general circulation available in the City, not less than 14 days nor more than 30 days prior to the date fixed for the hearing, substantially in the form of the attached Notice of Public Hearing.

The motion for the adoption of the foregoing resolution was duly seconded by Council Member Chase, and after full discussion thereof and upon vote being taken, the motion was unanimously approved.

ADOPTED by the City Council of the City of Spring Park this 6th day of June, 2022.

CITY OF SPRING PARK

Approved:

Jerome P. Rockvam, Mayor

Attest:

Jamie Hoffman, City Clerk

STATE OF MINNESOTA

**COUNTY OF HENNEPIN
CITY OF SPRING PARK**

I, the undersigned, being the duly qualified and acting City Clerk of the City of Spring Park, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City duly called and held on the date therein indicated, insofar as such minutes relate to calling for a public hearing on the issuance of conduit revenue notes.

WITNESS my hand this 6th day of June, 2022.

City Clerk

EXHIBIT A

NOTICE OF PUBLIC HEARING ON A PROPOSAL
FOR ISSUANCE OF REVENUE
NOTES, SERIES 2022 (HOLY FAMILY CATHOLIC HIGH SCHOOL)

Notice is hereby given that a public hearing shall be conducted by the City Council of the City of Spring Park, Minnesota (the “City”) on Monday, June 20, 2022 at 7:00 P.M. at the City offices located at 4349 Warren Ave. in the City, to consider the proposal for the City’s issuance of conduit revenue notes in one or more series (the “Notes”) pursuant to Minnesota Statutes, Sections 469.152 to 469.1655, as amended (the “Act”). The proceeds of the Notes will be loaned to Holy Family Catholic High School, a Minnesota nonprofit corporation (the “Borrower”) to (i) refinance certain bonds previously issued (the “Refunded Obligations”) by the City of Victoria to refinance the acquisition, construction and equipping of private school facilities located at 8101 Kochia Lane in the City of Victoria, Minnesota (the “Project”) and (ii) pay the costs of issuing the Notes. The Project is owned and operated by the Borrower.

Following the public hearing, the City will consider adopting a resolution approving the issuance of the Notes to refinance the Project. The aggregate face amount of the Notes proposed to be issued is presently estimated not to exceed \$7,850,000. The Notes, if and when issued, will not constitute a charge, lien or encumbrance upon any property of the City except the City’s interest in revenues to be paid by the Borrower. Such Notes will be special, limited revenue obligations of the City payable solely from the revenues expressly pledged to the payment thereof, and will not constitute a general or moral obligation of the City, and will not be a charge against the City’s general credit or taxing powers, but will be payable solely from revenues or collateral to be paid or provided by the Borrower pursuant to a revenue agreement.

All persons interested may appear and be heard at the time and place set forth above, or may file written comments with the City Clerk prior to the date of the hearing set forth above.

Dated: June 6, 2022.

BY ORDER OF THE CITY COUNCIL
By /s/ Jamie Hoffman, City Clerk

**CITY OF SPRING PARK
HENNEPIN COUNTY, MINNESOTA**

ORDINANCE NO. 22-04

**AN ORDINANCE AMENDING THE SPRING PARK CITY CODE,
CHAPTER 42 – ZONING/SHORELAND ORDINANCE, RELATING TO
CONDITIONAL USES IN THE C-4 OFFICE COMMERCIAL DISTRICT**

THE CITY COUNCIL OF THE CITY OF SPRING PARK ORDAINS:

Section 1. Article 8, Section 42-428 of the Spring Park Zoning/Shoreland Ordinance (C-4 Office Commercial District) conditional use permits is hereby amended to add the following underlined language:

Sec. 42-428 Conditional uses

The following are conditional uses in the C-4 District and are require a conditional use permit based upon the procedures set forth in and regulated by Article IV, Division 2.

(5) Hotels provided that:

- a. Vehicular access points shall be limited, shall create a minimum of conflict with through traffic movements, shall comply with subsection 42-67 and shall be subject to the approval of the city engineer and/or Hennepin County, as applicable.
- b. Parking. The proposed building shall provide adequate parking as listed below for the main facility and other uses and per the Spring Park zoning standards for all uses of the site per subsection 42-67 of this Code. Hotel parking shall not interfere with on-site circulation or other operations sharing the site. The site and related parking and service shall be served by an arterial or collector street of sufficient capacity to accommodate the traffic which will be generated.
 1. One space per hotel room and one space per hotel employee.
 2. Parking for ancillary uses such as office space, conference rooms shall be calculated per Section 42.67 of this code.
 3. At least one parking stall shall be provided for every three boat slips accessory to the hotel or yacht Club.
 4. All on-site parking shall meet the design standards of Section 42-67 on this code.
 5. The site plan shall illustrate the required disability parking.

c. The hotel site plan shall illustrate all outdoor activity areas and amenities accessory to the hotel. Outdoor activity areas shall be designed to screen these areas from adjoining residential properties. Outdoor activity areas may be located within the required shoreland setback provided.

- 1 The site meets the lot coverage requirements of Section 42-429 (5) of this Code.
- 2 Outdoor activity areas are designed and located to screen these areas from adjoining residential uses.
- 3 The hotel shall demonstrate disability access to all accessory outdoor activity areas including docks accessory to the hotel.
- 4 Docks accessory to the Hotel shall be permitted by the Lake Minnetonka Conservation District.

(6) Restaurants provided that:

- a. Vehicular access points shall be limited, shall create a minimum of conflict with through traffic movements, shall comply with subsection 42-67 and shall be subject to the approval of the city engineer and/or Hennepin County, as applicable.
- b. Parking. The proposed building shall provide adequate parking as listed below for the main facility and other uses and per the Spring Park zoning standards for all uses of the site per subsection 42-67 of this Code. Restaurant parking shall not interfere with on-site circulation or other operations sharing the site. The site and related parking and service shall be served by an arterial or collector street of sufficient capacity to accommodate the traffic which will be generated.
 1. One stall per 3 restaurant seats
 2. One stall per 80 square foot kitchen space
- c. Loading Area. Restaurant site shall provide an on-site loading area designed to accommodate truck and trailer delivery vehicles with a length of 50 feet or more. Alternatively receive written confirmation from suppliers that only smaller vehicles or delivery vans will be used. Restaurant site plans shall demonstrate site access, egress and maneuvering through site without interfering with on-site parking. The restaurant site shall provide adequate space for off-street loading and unloading of all trucks serving the site per Section 42-68 of this Code.
- d. All trash, recycling, grease trap handling equipment shall be stored within the principal building or within a trash enclosure that screens the equipment from public streets and adjoining properties.

- e. Noise. The applicant shall abide by the maximum noise level guidelines as stated in residential land use limits in Chapter 18, Article III, Section 18-122 of the Spring Park City Code. No excessive noise will be permitted. The following provisions are required to monitor and to control noise levels.
 - 1. Outdoor weatherproof noise monitoring equipment shall be installed, and a record of noise levels maintained.
 - i) Reports of noise levels shall be submitted to the City monthly.
 - ii) The applicant shall provide a detailed noise monitoring and mitigation plan.
 - iii) Noise levels for a duration of six minutes in excess of what is allowed will alert the on-site management to take immediate actions to reduce the noise levels at the site.
 - 2. These restrictions shall not apply if granted a special event permit approved by the City with exemption from noise standards.
 - 3. In the event of the applicant receiving four (4) documented complaints/ violations, City Council reserves the right to limit hours of outdoor operations.
- (7) Outdoor Dining accessory to a Restaurant provided that:
- a. A site plan and other pertinent information shall be submitted demonstrating the location and type of all tables, refuse receptacles, and wait stations.
 - b. The outdoor dining area shall be fenced to define its boundaries and access to the outdoor dining area be provided only via the principal building.
 - c. The size of the outdoor area is restricted to no more than 30 percent of the total floor area within the principal structure.
 - d. The outdoor dining area shall be screened from view from adjacent residential uses in accordance with section 42-64(j) of this Code.
 - e. All exterior lighting shall be totally screened or consist of ninety-degree (90°) cutoff light fixtures with a shielded light source directed so that the light source shall not be visible from the public right-of-way away or adjacent residential properties and shall be in compliance with section 42-63(h) of this Code.
 - f. Noise. The applicant shall abide by the maximum noise level guidelines as stated in residential land use limits in Chapter 18, Article III, Section 18-122 of the Spring

Park City Code. No excessive noise will be permitted. The following provisions are required to monitor and to control noise levels.

1. Outdoor weatherproof noise monitoring equipment shall be installed, and a record of noise levels maintained.
 - i) Reports of noise levels shall be submitted to the City monthly.
 - ii) The applicant shall provide a detailed noise monitoring and mitigation plan.
 - iii) Noise levels for a duration of six (6) minutes in excess of what is allowed will alert the on-site management to take immediate actions to reduce the noise levels at the site.
 2. These restrictions shall not apply if granted a special event permit approved by the City with exemption from noise standards.
 3. In the event of the applicant receiving four (4) documented complaints/ violations, City Council reserves the right to limit hours of outdoor operations.
 4. Outdoor electronically amplified audio speaker shall be designed and located to direct sound toward the principal building on the site and away from adjoining properties. Property owner shall control volumes to prevent noise levels at the property lines that exceed the city standard outlined in Chapter 18, Article III, Section 18-122 of the Spring Park City Code.
- g. The site plan shall demonstrate that pedestrian circulation is not disrupted as a result of the outdoor dining area by providing the following:
1. Outdoor area shall be segregated from through pedestrian circulation by means of fencing.
 2. Minimum clear passage zone for pedestrians at the perimeter of the facility shall be at least five feet without interference from parked motor vehicles, bollards, trees, tree gates, curbs, stairways, trash receptacles, streetlights, parking meters, or the like.
 3. Overstory canopy of trees, umbrellas or other structures extending into the pedestrian clear passage zone or pedestrian aisle shall have a minimum clearance of seven feet above sidewalk.
- h. The outdoor area is surfaced with concrete, bituminous or decorative pavers or may consist of a deck with wood or other flooring material that provides a clean, attractive, and functional surface.
- i. A minimum width of 36 inches shall be provided within aisles of the outdoor area.

- j. Refuse containers are provided for self-service outdoor dining areas. Such containers shall be placed in a manner which does not disrupt pedestrian circulation and must be designed to prevent spillage and blowing litter.
- k. Property owners shall pick up litter within one hundred feet (100') of the patio area.
- l. Live outdoor music performances shall only be permitted after obtaining a special event permit and shall meet the requirements of Spring Park City Code.

Section 2. Effective Date. This ordinance amending the Spring Park Zoning/Shoreland Ordinance shall be in full force and effect immediately upon its passage and publication.

ADOPTED by the City of Spring Park this 18 day of July, 2022.

CITY OF SPRING PARK

By: _____
Jerome Rockvam, Mayor

ATTEST:

By: _____
Jamie Hoffman, City Clerk

Check #	Employee/Council Name	Check Amount	Check Date
5919	Anderson, Mike D.	\$2,912.07	7/15/2022
5920	Hoffman, Jamie K.	\$2,149.40	7/15/2022
5921	Xiong, Patria	\$1,816.68	7/15/2022
	Sub Total	\$6,878.15	
	Chase, Mark		
	Hoffman, Jeff		
	Horton, Pam		
	Hughes, Gary		
	Rockvam, Jerry		
	Sub Total	\$0.00	
Electronic Misc. Disbursements			
EFT# 30852	PERA Employer Payroll Payment for 07/15/2022	\$1,254.12	7/15/2022
EFT# 30853	FICA Employee/Employer Payroll Withholding Taxes for 07/15/2022	\$1,761.78	7/15/2022
EFT# 30849	June 22' Wells Fargo Monthly Bank Charge	\$147.07	7/11/2022
EFT# 30850	July 22' PSN monthly fee for (Payment Services Network)	\$139.95	7/5/2022
EFT# 30851	June 22' Sales & Use Taxes collected - 1st Qtr. Bus. Utility Payments	\$14.00	7/15/2022
EFT# 30843	July 22' Health Partners Insurance Premium	\$2,107.33	7/15/2022
	Sub Total	\$5,424.25	
	Claims: Ck# 32902-032923	\$125,084.76	7/11/2022-07/12/2022
	TOTALS	\$137,387.16	

CITY OF SPRING PARK

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***Check Summary Register©**

Batch: 071122 PAY,071222MinPress

	Name	Check Date	Check Amt	
10100	Wells Fargo Bank NA			
32902	CITY OF BLOOMINGTON	7/11/2022	\$22.00	May 2022 Water Testing Fee
32903	BOND TRUST SERVICES CORP	7/11/2022	\$14,673.14	Interest Payment for GO Bond 2015A - Ref# 32
32904	CENTERPOINT ENERGY	7/11/2022	\$496.44	Gas Usage for City Hall 5/19/22-6/20/22
32905	CORE & MAIN LP	7/11/2022	\$4,604.56	Water pipe replacement on Sunset 3800 block
32906	EARL F. ANDERSEN, INC.	7/11/2022	\$122.15	Sign for Thor Thompson ball park
32907	ECM PUBLISHERS, INC.	7/11/2022	\$42.41	Publish July 13 Public Hearing for Zoning/CUP
32908	GOOD TO BE HOME CLEANING	7/11/2022	\$250.00	June 22' City Hall Cleaning Services
32909	GREGORY E. KELLER, P.A.	7/11/2022	\$1,000.00	July 22' Prosecution Services
32910	KODIAK POWER SOLUTIONS	7/11/2022	\$6,006.04	Service call to Lift Station 6 for frequent starting
32911	LOFFLER COMPANIES, INC.	7/11/2022	\$186.60	Copier Usage Agreement 5/22/22-6/21/22
32912	MEDIACOM, LLC	7/11/2022	\$355.90	Internet Services 7/11/22-8/10/22
32913	METRO COUNCIL ENVIRON SER	7/11/2022	\$19,614.95	Aug. 22' Wastewater Treatment Monthly Fee
32914	MNSPECT, LLC	7/11/2022	\$2,369.35	June 22' Plan Check Fees
32915	PRESBYTERIAN HOMES & SERV	7/11/2022	\$70,476.89	2022 1st Half Tax Settlement for TIF 1-3
32916	QUALITY FLOW SYSTEMS, INC.	7/11/2022	\$150.00	Service check of all lift stations
32917	REPUBLIC SERVICES, INC	7/11/2022	\$1,494.60	June 22' Residential Recycling Services 06/01/
32918	SECURITY & SOUND CO	7/11/2022	\$324.00	2022 Annual Fee for Monitoring Security & Fire
32919	CITY OF SPRING PARK	7/11/2022	\$408.85	2nd Qtr. 22' WTP Irrigation Meter 4/1/22-6/30/2
32920	VALLEY-RICH CO INC	7/11/2022	\$1,075.08	Reimb of Warning Lites for watermain break at
32921	VELOCITY TELEPHONE	7/11/2022	\$283.49	July 22' Phone & Long Distance Service 07/21/
32922	XCEL ENERGY	7/11/2022	\$84.13	Electric Usage for Unit X-Mas Lights 05/25/22-0
32923	MINUTEMAN PRESS	7/12/2022	\$1,044.18	Purchase of Spring Park Letter Head
	Total Checks		\$125,084.76	

CITY OF SPRING PARK

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***Check Detail Register©**

Batch: 071122 PAY,071222MinPress

Check #	Check Date	Vendor Name	Amount	Invoice	Comment
10100 Wells Fargo Bank NA					
32902	07/11/22	CITY OF BLOOMINGTON			
E 601-49400-306		Testing Fees	\$22.00	20825	May 2022 Water Testing Fee
		Total	\$22.00		
32903	07/11/22	BOND TRUST SERVICES CORP			
E 101-47500-611		Bond Interest	\$3,791.86	72026	Interest Payment for GO Bond 2010A - Ref# 36115
E 601-47500-611		Bond Interest	\$639.59	72026	Interest Payment for GO Bond 2010A - Ref# 36115
E 602-47500-611		Bond Interest	\$1,279.19	72026	Interest Payment for GO Bond 2010A - Ref# 36115
E 101-47500-611		Bond Interest	\$5,635.70	72027	Interest Payment for GO Bond 2015A - Ref# 327716
E 601-47500-611		Bond Interest	\$950.60	72027	Interest Payment for GO Bond 2015A - Ref# 327716
E 602-47500-611		Bond Interest	\$1,901.20	72027	Interest Payment for GO Bond 2015A - Ref# 327716
E 101-47500-620		Fiscal Agent s Fees	\$475.00	73614	Fiscal Agent Fee for GO Bond 2015A - Ref# 73614-PA
		Total	\$14,673.14		
32904	07/11/22	CENTERPOINT ENERGY			
E 101-41900-381		Utilities/Electric/Gas	\$93.59	062822A	Gas Usage for City Hall 5/19/22-6/20/22
E 602-49450-381		Utilities/Electric/Gas	\$157.19	062822B	Gas Usage for Lift#1-6 5/19/22-6/20/22
E 601-49400-381		Utilities/Electric/Gas	\$245.66	062822C	Gas Usage for WTP 5/19/22-6/20/22
		Total	\$496.44		
32905	07/11/22	CORE & MAIN LP			
E 601-49400-400		Repairs/Maint General	\$4,139.56	062422A	Water pipe replacement on Sunset 3800 block
E 601-49400-201		Meters & Supplies	\$465.00	062422B	IPERL Meter
		Total	\$4,604.56		
32906	07/11/22	EARL F. ANDERSEN, INC.			
E 101-45200-310		Contracted Services	\$122.15	0130064-IN	Sign for Thor Thompson ball park
		Total	\$122.15		
32907	07/11/22	ECM PUBLISHERS, INC.			
E 101-41600-351		Legal Notices Publishing	\$42.41	899197	Publish July 13 Public Hearing for Zoning/CUP for 4165 Shoreline
		Total	\$42.41		
32908	07/11/22	GOOD TO BE HOME CLEANING SERVI			
E 101-41900-310		Contracted Services	\$250.00	1134	June 22' City Hall Cleaning Services
		Total	\$250.00		
32909	07/11/22	GREGORY E. KELLER, P.A.			
E 101-42000-304		Legal Fees	\$1,000.00	071122	July 22' Prosecution Services
		Total	\$1,000.00		
32910	07/11/22	KODIAK POWER SOLUTIONS			
E 602-49450-491		LS Repair/Maint	\$339.04	1062	Service call to Lift Station 6 for frequent starting and stopping on 3/3/22
E 602-49450-491		LS Repair/Maint	\$5,667.00	9412331	Annual Service for all back up generators at all lift stations

CITY OF SPRING PARK

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***Check Detail Register©**

Batch: 071122 PAY,071222MinPress

Check #	Check Date	Vendor Name	Amount	Invoice	Comment
Total			\$6,006.04		
32911	07/11/22	LOFFLER COMPANIES, INC.			
E 101-41500-413		Office Equipment/Rental	\$62.20	4065925	Copier Usage Agreement 5/22/22-6/21/22
E 601-49400-413		Office Equipment/Rental	\$62.20	4065925	Copier Usage Agreement 5/22/22-6/21/22
E 602-49450-413		Office Equipment/Rental	\$62.20	4065925	Copier Usage Agreement 5/22/22-6/21/22
Total			\$186.60		
32912	07/11/22	MEDIACOM, LLC			
E 101-42000-324		Internet Service	\$118.64	071122	Internet Services 7/11/22-8/10/22
E 601-49400-324		Internet Service	\$118.63	071122	Internet Services 7/11/22-8/10/22
E 602-49450-324		Internet Service	\$118.63	071122	Internet Services 7/11/22-8/10/22
Total			\$355.90		
32913	07/11/22	METRO COUNCIL ENVIRON SERVICES			
E 602-49450-437		Other Miscellaneous	\$19,614.95	0001142694	Aug. 22' Wastewater Treatment Monthly Fee
Total			\$19,614.95		
32914	07/11/22	MNSPECT, LLC			
E 101-42400-305		Plan Check Fees	\$824.91	9024A	June 22' Plan Check Fees
E 101-42400-310		Contracted Services	\$1,544.44	9024B	June 22' Residential & Commercial Inspections/Permit Fees/General Fees/Staff Meeting
Total			\$2,369.35		
32915	07/11/22	PRESBYTERIAN HOMES & SERVICES			
E 205-46500-439		Other - TIF	\$70,476.89	070922	2022 1st Half Tax Settlement for TIF 1-3
Total			\$70,476.89		
32916	07/11/22	QUALITY FLOW SYSTEMS, INC.			
E 602-49450-491		LS Repair/Maint	\$150.00	43153	Service check of all lift stations
Total			\$150.00		
32917	07/11/22	REPUBLIC SERVICES, INC			
E 101-42900-310		Contracted Services	\$1,494.60	0894-005776	June 22' Residential Recycling Services 06/01/22-06/30/22
Total			\$1,494.60		
32918	07/11/22	SECURITY & SOUND CO			
E 101-41900-310		Contracted Services	\$324.00	25386	2022 Annual Fee for Monitoring Security & Fire System
Total			\$324.00		
32919	07/11/22	CITY OF SPRING PARK			
E 101-45200-381		Utilities/Electric/Gas	\$41.60	070522A	2nd Qtr. 22' WTP Irrigation Meter 4/1/22-6/30/22
E 602-49450-381		Utilities/Electric/Gas	\$77.29	070522B	2nd Qtr. 22' Lift#5 Water Irrigation Meter
E 101-45200-381		Utilities/Electric/Gas	\$21.60	070522C	2nd Qtr. 22' City Hall Irrigation Meter
E 101-45200-381		Utilities/Electric/Gas	\$21.60	070522D	2nd Qtr. 22' Thor Thompson Park Irrigation
E 601-49400-381		Utilities/Electric/Gas	\$129.06	070522E	2nd Qtr. 22' WTP Irrigation Meter
E 101-45200-381		Utilities/Electric/Gas	\$88.15	070522F	2nd Qtr. 22' City Hall
E 101-45200-381		Utilities/Electric/Gas	\$29.55	070522G	2nd Qtr. 22' Wilkers Park Community Garden
Total			\$408.85		

CITY OF SPRING PARK

***Check Detail Register©**

Batch: 071122 PAY,071222MinPress

Check #	Check Date	Vendor Name	Amount	Invoice	Comment
32920	07/11/22	VALLEY-RICH CO INC			
E 601-49400-411		Repairs / Breaks	\$1,075.08	30910	Reimb of Warning Lites for watermain break at 3860 Sunset Drive
		Total	\$1,075.08		
32921	07/11/22	VELOCITY TELEPHONE			
E 101-41500-321		Telephone and Mtce Agre	\$94.50	13835193-n	July 22' Phone & Long Distance Service 07/21/22-08/21/22
E 601-49400-321		Telephone and Mtce Agre	\$94.49	13835193-n	July 22' Phone & Long Distance Service 07/21/22-08/21/22
E 602-49450-321		Telephone and Mtce Agre	\$94.50	13835193-n	July 22' Phone & Long Distance Service 07/21/22-08/21/22
		Total	\$283.49		
32922	07/11/22	XCEL ENERGY			
E 101-43100-381		Utilities/Electric/Gas	\$15.25	0974534828	Electric Usage for Unit X-Mas Lights 05/25/22-06/26/22
E 101-43100-381		Utilities/Electric/Gas	\$68.88	0974629236	Electric Usage for Traffic Signal at 4468 Shoreline Drive 05/25/22-06/26/22
		Total	\$84.13		
32923	07/12/22	MINUTEMAN PRESS			
E 101-41500-350		Print/Binding	\$535.93	21789	Purchase of 1,200 postcards for 2021 Holiday Gathering
E 101-41500-350		Print/Binding	\$116.94	21944	Purchase of Spring Park Letter Head
E 101-41500-350		Print/Binding	\$36.21	22120	Purchase of Business Cards for Mike Anderson
E 601-49400-350		Print/Binding	\$355.10	22152	Purchase of Door Tags for Water Shut Off Notices
		Total	\$1,044.18		
		10100 Wells Fargo Bank NA	\$125,084.76		

Fund Summary

10100 Wells Fargo Bank NA	
101 GENERAL FUND	\$16,849.71
205 TIF PRESBYTERIAN HOMES	\$70,476.89
601 WATER FUND	\$8,296.97
602 SEWER FUND	\$29,461.19
	\$125,084.76



CITY OF SPRING PARK
WORK SESSION AGENDA
JUNE 21, 2022 – 6:00 PM
SPRING PARK CITY HALL

(Work Session discussion times are approximate)

1. 6:00: Discuss Brimeyer Proposal
2. 6:10: Update: The Yacht Club: Public Hearing & Zoning Ordinance
3. 7:00: Adjourn



NORTHWEST ASSOCIATED CONSULTANTS, INC.

4150 Olson Memorial Highway, Ste. 320, Golden Valley, MN 55422
Telephone: 763.957.1100 Website: www.nacplanning.com

PLANNING REPORT

TO: Mike Anderson

FROM: Alan Brixius

DATE: July 7, 2022

RE: The Yacht Club Hotel and Business Suite

- Site and Building Plan Review
- Conditional Use Permits for Hotel, Restaurant and Accessory Outdoor Dining

FILE NO: 175.01 - 22.01

BACKGROUND

Olsen Global, LLC has submitted concept plans and narrative calling the conversion of the existing Lake Minnetonka Yacht Club located at 4165 Shoreline Drive into a lakefront boutique hotel. This was reviewed on by the Planning Commission on June 15, 2022. Through this meeting plan and land use issues were identified to be addressed by the applicant. The applicant has subsequently submitted a revised plan renderings and narrative in response to the issues identified at the June, Planning Commission Meeting. This report is an evaluation of the revised concept plan and narrative.

The proposed hotel project includes the following components:

- 26 hotel suites with south facing views
- A 1,440 square foot restaurant with accessory outdoor dining (the existing deck will be utilized). A maximum of 150 seats will be provided (78 indoor and 72 outdoor)
- A yacht Club with 32 seasonal boat slips for members.
- A new sun deck which measures approximately 600 square feet in size
- An “infinity edge” swimming pool which will be available for year-round use
- A “business suite” for collaborative working activities 3200sq. ft.

The 1.47-acre subject site is presently zoned C-4, Office Commercial. The C-4 District was specifically created to accommodate uses which transition between residential uses and more intense uses. The district presently lists “yacht clubs” as a permitted

conditional use but does not however, make an allowance for hotels, restaurants and accessory outdoor dining activities such as that proposed by the applicant.

Prior to taking formal action the applicant's development request, a zoning text amendment to the C-4 District must be processed and approved which makes an allowance for hotels, restaurants and accessory outdoor dining activities. The zoning district amendment will be processed as a separate but contingent action item.

If City Officials approve the C-4 District amendment (to make an allowance for the proposed hotel, restaurant, and accessory outdoor dining activities as conditional uses in the district (subject to various conditions), the following approvals will be necessary:

1. Conditional use permit for hotel use
2. Conditional use permit for restaurant use
3. Conditional use permit for accessory outdoor dining

Attached for reference:

Exhibit A:	Applicant Narrative
Exhibit B:	Site Survey
Exhibit C:	Site Plan
Exhibit D:	Building Perspectives
Exhibit E:	Building Floor Plans
Exhibit F:	Noise Study
Exhibit G:	Truck Maneuvering Diagram

ANALYSIS

Zoning. As previously indicated, the subject site is zoned C-4, Commercial Office which presently does not make an allowance for hotels, restaurants, or accessory outdoor dining activities. In conjunction with this application, a draft Zoning Ordinance amendment has been prepared consideration by the planning commission and City Council, if approved, the amendment makes an allowance for such activities by conditional use permit and subject to various conditions.

The Planning Commission and City Council will need to determine if draft zoning code amendment along with the Applicant's concept plan provides the adequate performance standards to allow the proposed new commercial land uses to compatibly coexist with the existing high density residential use abutting the site.

Approval of the referenced amendment must precede action on the conditional use permit requests which are specific to the subject site.

Hotel Use. The draft Zoning Ordinance amendment would make an allowance for “hotels” in the C-4 District subject to various conditions. The following is a listing of the various conditions which must be satisfied followed by related Staff comments:

- a. Vehicular access points shall be limited, shall create a minimum of conflict with through traffic movements, shall comply with section 42-67 of this Code, and shall be subject to the approval of the City Engineer and/or Hennepin County, as applicable.***

Staff Comment: The subject site is presently accessed via a single, 28-foot-wide curb cut along Shoreline Drive. No site access-related changes are proposed as part of this development application. Thus, the proposed hotel would utilize the existing site access.

The existing curb cut has obstructed views of eastbound traffic. Measures to improve traffic visibility at this location should be pursued. Access-related issues will be subject to comment and recommendation by the City Engineer and/or Hennepin County.

- b. Parking. The site shall provide adequate parking as listed in this subsection. 42-428 (5) (b) and per section 42-67 of this Code. Hotel parking shall not interfere with on-site circulation or other uses sharing the site. The site and related parking and service shall be served by an arterial or collector street of sufficient capacity to accommodate the traffic which will be generated. Parking requirements are as follows:***

- 1. One space per hotel room and one space per hotel employee.***
- 2. Parking for ancillary uses such as office space, conference rooms shall be calculated per section 42-67 of this Code.***
- 3. At least one parking stall shall be provided for every three boat slips accessory to the hotel.***
- 4. All on-site parking shall meet the design standards of section 42-67 of this Code.***
- 5. The site plan shall illustrate the required disability parking.***

Staff Comment: The Applicant’s 2021 Alta Survey shows 111 off-street parking spaces one of which is reserved for disability parking. The parking lot has been restriped since the survey was prepared, lower the parking count to 103 stalls.

As calculated below, a total of 117 off-street parking spaces are required of the proposed combination of uses:

Use	Ratio	Required Spaces
Hotel (26 rooms)	1 space per room	26
Hotel, Restaurant, Office Housekeeping staff	2 per shift	2
Office (3,966 s.f.)	1 space per 200 s.f.	16
Hotel staff not included in office calculation (1 person)	1 space per employee	1
Restaurant (150 seats)	1 space per 3 seats	50
Front of the house restaurant staff (1 bartender, 6 wait staff, 1 Host)		8
Kitchen (560 s.f.)	1 space per 80 s.f.	7
Boat Slips (20 slips)	1 space per 3 slips	7
Boat Dock Attendant		1
Total		117

The site currently has 103 off-street parking stalls. The site will need to be revised to provide additional disability parking stalls (ADA standards require 4 stalls / 76-100 stall parking lot and 5 stalls / 101-150 stall parking lot). These stalls must be dimension to ADA parking stall standards providing a minimum of 5 foot access lane between the disability stalls. The dimensions of the disability stall will likely reduce the number of available parking stalls on-site.

The Applicant recognizes the parking deficiency in their submitted narrative and suggests that reserving 12 of the boat slips for hotel and restaurant guests would serve as parking stalls (meaning those coming by boat will not be coming by car). Additionally, they claim that the dock and outdoor dining are seasonal uses and are closed during the winter months significantly reducing the needed parking. In review of the Applicant narrative, City Staff does not agree with their contentions. With limited on-site parking we must anticipate peak summertime operations to ensure adequate parking is available. We have received concerns from Lakeview Apartments and Tonka Ventures pertaining to parking leaking on to adjoining properties, as such the site and its uses must demonstrate sufficient parking for peak demand. Additionally, Staff does not agree that the dock slips will reduce on-site parking demand, local examples of restaurants with docks have not illustrated a reduced parking demand.

On-street and/or off-site parking are not available to supplement the required parking for the proposed uses. The on-site parking must be adequate for the peak demand of the uses on the site. The site plan must be revised to illustrate the actual parking stall count after the provision of the required disability stalls.

The restaurant seating shall be reduced to bring the total site into compliance with the City parking requirements.

While parking stalls and drive aisles are established as an existing condition, most of the parking lot is designed with angled parking with a one way circulation pattern. Some of the parking stalls are reliant on a 2 foot overhang over the curb to meet the full 18 foot stall length and others are designed for compact cars (7' x15'). Examination aerial photos and on-site observation demonstrate that the current parking lot striping does accommodate automobiles and full size pickup trucks.

The submitted truck maneuvering diagram (Exhibit G) reveals that semi-trailer truck maneuvering routes on the site may encroach upon curb islands located to the west and northwest of the building. To provide additional maneuvering space for large truck deliveries, the size/configuration of the two row end parking islands which are located in close proximity to the delivery truck route should be reduced in size and/or reconfigured to eliminate potential intrusion.

Concern was expressed for late night noise from restaurant guests in the parking lot near Lakeview Apartments while leaving the site. The applicant has suggested reserving the row of parking along the west edge of the parking lot hotel guests to have the restaurant parking further away from the apartments.

c. The hotel site plan shall illustrate all outdoor activity areas and amenities accessory to the hotel. Outdoor activity areas shall be designed to screen these areas from adjoining residential properties. Outdoor activity areas may be located within the required shoreland setback provided:

1. The site meets the lot coverage requirements of subsection 42-429 (5) of this Code.

Staff Comment: Section 42-429 (5) of the Zoning Ordinance establishes an impervious surface coverage standard not to exceed 75 percent of the total lot area. This standard may be exceeded if the site can demonstrate at all structures, additions or expansions meet required setbacks and include improvements to reduce the rate of runoff directly to public waters and will provide some retention and treatment of storm water from the development. Storm water plans are reviewed and approved by the City Engineer and the Lake Minnetonka Conservation District.

The submitted plans do not indicate either the existing impervious surface coverage percentage upon the site or the percentage proposed as part of the current development proposal. As a condition of conditional use permit approval, the Applicant shall provide a hard cover calculation in the

current site and with the proposed site improvements. Grading, drainage and storm water management plans may be required for improvements beyond existing conditions. Compliance with this requirement must be documented by the applicant.

Sun Deck.

The revised rendering has relocated and reduced the size of the sundeck from the original concept plan. The recent submission is proposing a 600 sq. ft. (50' x 12') sun deck located immediately south of the outdoor dining area. The new renderings also expand the deck around the pool. The new location and the reduced size of the sun deck is positive in the following ways.

1. The new location moves sun deck away from the Edgewater apartments and uses the site topography and a screen wall to reduce its visibility from the apartments.
2. The new location removes the sun deck from a very steep sloped area of the site.
3. The new location reduces the amount of tree removal need to the sun deck. The preservation of the existing mature tree cover maintains the existing vegetative screening between the Yacht Club and the Edgewater Apartments.

Staff Comment: Through the initial Planning Commission meeting issue were raised over the sun deck related to operations. Will the sun deck be open to people other than hotel guests? Will the sun deck have dining and drinking services? Should the sun deck seating be counted as outdoor dining and provide additional parking?

The applicant's narrative indicates that the pool and pool deck will be expanded and will be exclusively for hotel guests and co-working member and marina members. Access to this area will be available by way of a key card wristband.

While the pool deck area will have restricted access, the applicant has not defined the use of the 600 sq. ft. sundeck. The rendering shows the new sun deck to be an extension of the outdoor dining area. While 10 lounge chairs are shown this area; it has the potential to be an expanded dining and drinking area that would increase the customer capacity of the restaurant and the on-site parking demand. This presents an issue for on-site parking.

The rendering showing the expanded pool deck, and lounge chairs along the beach, raises the question as to the need for and/or intended purpose of the new 600 sq. ft. sun deck.

The Planning Commission should provide feedback to the applicant regarding the acceptability of the sun deck's size and location. If the Commission shares the above highlighted concerns and believes the sun deck should be subject to further evaluation, Staff recommends that the following additional information be provided prior to conditional use permit approval:

1. The Applicant shall describe the intended use and purpose of the new sun deck. If the new sun deck is intended for use by the general public or extension of the restaurant use then the area of the sun deck must be calculated into the required on-site parking.
 2. The sun and pool deck maintain a minimum 10-foot setback from the ordinary high water level of Lake Minnetonka. The reduced structure setback is subject to comment by MNDNR.
 3. The applicant shall submit detailed construction plans for the proposed sun deck, including, but not limited to deck design, materials, site grading, slope stabilization and vegetive removal and tree preservation efforts.
 4. The sun deck must have a design and materials which allows for the passage of water. The ground under the deck must allow for absorption or retention and treatment of stormwater. A site grading drainage plan will be subject to review of the City Engineer and Minnehaha Watershed district.
- 2. *Outdoor activity areas are designed and located to screen these areas from adjoining residential uses.***

Staff Comment: Outdoor activity areas on the site include the sun deck, the outdoor dining area, the infinity pool.

Recognizing that residential uses border the subject site to the west, proper screening along the subject site's west property line is of the utmost importance.

The west side of the site is presently screened via mature oak trees, a row of Pine trees and fencing. The applicant rendering is proposing to add a row of American Pillar – Thuja Arborvitae along the west edge of the parking lot. This species of Arborvitae is a fast growing tree (up to 3' per

year after the first year planted) reaching mature height of 25 to 30 feet. These proposed planting are intended to supplement the existing trees and fence in screening the parking lot and outdoor activity areas. Planted at 3 feet on center these trees can be an effective screen. The applicant shall provide a landscape plan that accurately identifies how and where these new trees will be install and how the new plantings will not interfere or damage the existing trees in this area of the site.

The renderings show a retaining wall between the outdoor dining area and sun deck and the west parking lot. This wall has the outdoor activities below the parking lot elevation further screening the outdoor activity areas from the Edgewater apartments.

3. *The hotel shall demonstrate accessible points of access to all accessory outdoor activity areas including docks accessory to the hotel.*

The applicant has indicated that all access to the restaurant, deck will be through the building. There is an existing elevator to provide disability access. There is an additional outdoor lift and a ramp to span the remaining distance to the docks

The rendering does not show the outdoor lift or sidewalk to the parking lot. If this is being provided it must be illustrated on a detailed site plan. As a condition of building permit issuance, all applicable American Disability Act (ADA) requirements will need to be satisfied.

4. *Docks accessory to the hotel shall be permitted by the Lake Minnetonka Conservation District.*

Staff Comment: The site currently has 32 seasonal dock slips. The Applicant wish convert 12 of the slips to transient use for use by the restaurant and Hotel. If approved by the LMCD, 4 of the transient slips will be reserved for hotel guests. This raises the issue of boat trailer storage for hotel guests bringing their boat to the hotel. The applicant's narrative indicates that: "Those hotel guests who trailer their boats and stay at the hotel would launch their boat at the designated boat launch and obtain parking for their trailer in a designated overnight trailer parking. Olson Global has located a local auto body and marine business that is willing to provide valet parking and overnight storage for hotel guests who could benefit from such a service."

With the limited amount of parking the need for off-site trailer parking is needed. The Applicant shall provide a written agreement with the

proposed off-site trailer storage sites to verify this is service is in place. Additionally, the City shall review the proposed storage site to determine if the trailer storage locations are permitted and meet the current zoning regulations.

As a condition of conditional use permit approval, all docks associated with the proposed hotel, restaurant and seasonal use must be subject to review and approval by the Lake Minnetonka Conservation District.

- 5. All trash, recycling handling equipment shall be stored within the principal building or within a trash enclosure that screens the equipment from public streets and adjoining properties.**

Staff Comment: According to the submitted site plan, a gated, exterior trash handling area presently exists at the at the northwest corner of the building. No changes to the existing trash handling area are proposed.

Question exists whether the trash and recycling needs of the proposed use may differ from the previous use. Thus, as a condition of conditional use permit approval, the trash handling area must be properly sized to accommodate the needs of the proposed use - which may include a grease container associated with the restaurant use.

- 6. Loading Area. The hotel site shall provide an on-site loading area designed to accommodate delivery vehicles.**

Staff Comment: Delivery activities are expected to occur near the northwest corner of the building.

The submitted truck turning diagram illustrates an ability for large delivery vehicles (50 foot long) to maneuver within the site (for deliveries).

Hotel Staffing: At the June meeting concerns were expressed with regard to hotel staffing related to site security, on-site management of guests, managing the outdoor activities to insure that the site operations (docks, outdoor activity area, noise mitigation, site and building maintenance) are conducted in manner that will not produce nuisance issues for the adjoining apartments or the hotel guests. The Applicant's July narrative has outlined the staffing for the Hotel and restaurant. The Staffing will increase the parking demand for the site and must be resolved.

Restaurant Use. The draft Zoning Ordinance amendment would make an allowance for "restaurants" in the C-4 District subject to various conditions. The following is a listing of the various conditions which must be satisfied as well as related Staff comments:

- a. ***Vehicular access points shall be limited, shall create a minimum of conflict with through traffic movements, shall comply with Section 42-67 of this Code and shall be subject to the approval of the City Engineer and/or Hennepin County, as applicable.***

Staff Comment: See previous comments on the Hotel access.

- b. ***Parking. The proposed building shall provide adequate parking as listed in this subsection 42-428 (6) (b) and per section 42-67 of this Code. Restaurant parking shall not interfere with on-site circulation or other uses sharing the site. The site and related parking and service shall be served by an arterial or collector street of sufficient capacity to accommodate the traffic which will be generated. Parking requirements are as follows:***

- 1. ***One stall per 3 restaurant seats.***
- 2. ***One stall per 80 square foot kitchen space.***

Staff Comment: See comments regarding parking for the entire site.

- c. ***Loading Area. Restaurant site shall provide an on-site loading area designed to accommodate truck and trailer delivery vehicles with a length of 50 feet or more. Alternatively receive written confirmation from suppliers that only smaller vehicles or delivery vans will be used. Restaurant site plans shall demonstrate site access, egress and maneuvering through site without interfering with on-site parking. The restaurant site shall provide adequate space for off-street loading and unloading of all trucks serving the site per Section 42-68 of this Code.***

Staff Comment: The submitted truck maneuvering diagram (Exhibit G) reveals that semi-trailer truck maneuvering routes on the site may encroach upon curb islands located to the west and northwest of the building. To provide additional maneuvering space for large truck deliveries, the size/configuration of the two row end parking islands which are located in close proximity to the delivery truck route should be reduced in size and/or reconfigured to eliminate potential intrusion.

- d. ***All trash, recycling, grease trap handling equipment shall be stored within the principal building or within a trash enclosure that screens the equipment from public streets and adjoining properties.***

Staff Comment: The hotel and restaurant will share the existing exterior trash handling area located at the northwest corner of the building. See comments under hotel trash enclosure.

- e. **Noise. The applicant shall abide by the maximum noise level guidelines as stated in residential land use limits in Chapter 18, Article III, Section 18-122 of this Code. No excessive noise will be permitted. The following provisions are required to monitor and to control noise levels:**
1. **Outdoor weatherproof noise monitoring equipment shall be installed, and a record of noise levels maintained.**
 - i) **Reports of noise levels shall be submitted to the City monthly.**
 - ii) **The applicant shall provide a detailed noise monitoring and mitigation plan.**
 - iii) **Noise levels a duration of 6 minutes or more in excess of what is allowed will alert the on-site management to take immediate actions to reduce the noise levels at the site.**
 2. **These restrictions shall not apply if granted a special event permit approved by the City with an explicit, written exemption from noise standards.**
 3. **In the event of the applicant receiving four (4) documented complaints, the City Council reserves the right to limit hours of outdoor operations. This subsection 42-428 (6) (e) (3) does not limit the City's ability to revoke a conditional use permit.**

Staff Comment: The Applicant has provided a general description of the noise mitigation efforts they would consider; however, a detailed noise mitigation plan has not been submitted. The applicant has proposed the use of new technology to monitor decibel levels on the property and send notification alarms to their property management team when sound levels exceed the maximum allowed threshold.

Other noise mitigation efforts proposed by the applicant include the following:

- The use of “creative screening” between the subject site and the high-density residential use to the west.
- The use of Bluetooth headphones by hotel patrons who choose to watch outdoor movies.
- The location of outdoor dining, music and beach activities at a much lower grade elevation than the adjacent apartment building.

- The scheduling of outdoor activities in the summer months when tree leaves provide an effective visual screen.
- A speaker system which utilizes more speakers at lower decibels and in closer proximity to the desired audience.
- Directional speakers which point toward the ground (away from the neighboring apartment building).
- A requirement that noise generating activities must terminate at 10:00 p.m.
- The business will comply with closing time requirements as provided in the City Code.

In response to the applicant's noise mitigation efforts, Planning Staff recommends the following:

1. While the applicant's noise mitigation ideas are appreciated, a formal noise mitigation plan (document) shall be submitted for City review and approval.
2. As a new technology, some uncertainties exist regarding the use of a decibel monitoring system. The applicant has submitted a testimonial from Minnestay Vacation Homes. LLC which endorses a system similar to that proposed by the applicant. It is however, recommended that this technology be investigated further by the City before approving its use.
3. It is unclear what is intended by "creative screening." This should be clarified by the applicant.
4. As a condition of conditional use permit approval, the City impose a maximum decibel level requirement for documentation purposes. In this regard, it is recommended that noise produced upon the subject site not exceed 65 dBA during daytime hours (7:00 am - 10 pm) and 55 dBA during evening hours (10 pm – 7:00 am) as measured from all property lines.
5. Collected noise monitoring data shall be shared monthly with the City to establish a record of noise levels and to track noise complaints and violations.

Restaurant Staffing: At the June planning commission meeting, concern were expressed with regard to restaurant staffing. The Applicant's July narrative provide a description of the restaurant staffing needs. This information must be addressed within the required site parking.

Accessory Outdoor Dining Use. The draft Zoning Ordinance amendment would make an allowance for "outdoor dining accessory to a restaurant" in the C-4 District

subject to various conditions. The following is a listing of the various conditions which must be satisfied as well as related Staff comments:

- a. A site plan and other pertinent information shall be submitted demonstrating the location and type of all tables, refuse receptacles, and wait stations.**

Staff Comment: The July renderings show a seating and table layout for the outdoor dining area. This rendering shows seating for 72 people. The rendering is not a scaled drawing allow to determine if it meets the dimensional requirements for aisle width, and circulation. Additionally, the outdoor dining area is attached to the sun deck to the south, The Applicant must explain if this area will be available to restaurant customers and how these areas are intended to interact if a physical separation is not provided. As a condition of conditional use permit approval, outdoor table locations should be illustrated on a scaled site plan or a site plan detail.

- b. The outdoor dining area shall be fenced according to the requirements of Section 42-64 (i) of this Code, to define its boundaries and access to the outdoor dining area be provided only via the principal building.**

Staff Comment: The submitted rendering of the outdoor dining area shows a perimeter fencing. The outdoor dining area is attached to the sun deck to the south, The Applicant must explain if this area will be available to restaurant customers and how these areas are intended to interact if a physical separation is not provided. Details on the type and design of fence, and gates shall be provided and approved by the city as a condition of Conditional use permit approval.

- c. The size of the outdoor area is restricted to no more than thirty (30) percent of the total floor area within the principal structure.**

Staff Comment: The proposed outdoor dining area measures approximately 1,800 square feet in size which is considerably less than 30 percent of the three-story principal building.

- d. The outdoor dining area shall be screened from view from adjacent residential uses in accordance with subsection 42-64(j) of this Code.**

Staff Comment: See previous comments related to screening. Additionally, the concept renderings show a retaining wall along the north and west sides of the outdoor dining area and sun deck that places these activity areas below the parking lot grades. This serves to segregate and screen these outdoor activities from the adjoining Edgewater Apartments. Any retaining wall greater than 4 feet in height must be engineered to insure stability. Detailed grading, drainage and

retaining wall construction is required prior to approval of the Conditional uses permit.

- e. All exterior lighting shall be totally screened or consist of ninety-degree (90°) cutoff light fixtures with a shielded light source directed so that the light source shall not be visible from the public right-of-way away or adjacent residential properties and shall be in compliance with subsection 42-63(h) of this Code.***

Staff Comment: According to the applicant, lighting upon the subject property will be directional and hooded such that the light source is not visible from the neighboring apartment buildings.

As a condition of conditional use permit approval, the applicant shall submit a photometric lighting plan and examples of the proposed light fixtures which demonstrates compliance with the requirements of Section 42-63 (H) of the Ordinance.

- f. Noise. The applicant shall abide by the maximum noise level guidelines as stated in residential land use limits in Chapter 18, Article III, Section 18-122 of the Spring Park City Code. No excessive noise will be permitted. The following provisions are required to monitor and to control noise levels:***

- 1. Outdoor weatherproof noise monitoring equipment shall be installed, and a record of noise levels maintained.***
 - i) Reports of noise levels shall be submitted to the City monthly.***
 - ii) The applicant shall provide a detailed noise monitoring and mitigation plan.***
 - iii) Noise levels for a duration of 6 minutes or more in excess of what is allowed will alert the on-site management to take immediate actions to reduce the noise levels at the site.***
- 2. These restrictions shall not apply if granted a special event permit approved by the City with exemption from noise standards.***
- 3. In the event of the applicant receiving four (4) documented complaints, City Council reserves the right to limit hours of outdoor operations. This subsection 42-428 (7) (f) (3) does not limit the City's ability to revoke a conditional use permit.***
- 4. Outdoor electronically amplified audio speaker shall be designed and located to direct sound toward the principal building on the site***

and away from adjoining properties. Property owner shall control volumes to prevent noise levels at the property lines that exceed the City standard outlined in Chapter 18, Article III, Section 18-122 of the Code.

Staff Comment: See previous noise-related comments.

g. The site plan shall demonstrate that pedestrian circulation is not disrupted as a result of the outdoor dining area by providing the following:

- 1. Outdoor area shall be segregated from through pedestrian circulation by means of fencing.**
- 2. Minimum clear passage zone for pedestrians at the perimeter of the facility shall be at least five feet without interference from parked motor vehicles, bollards, trees, tree gates, curbs, stairways, trash receptacles, streetlights, parking meters, or the like.**
- 3. Overstory canopy of trees, umbrellas or other structures extending into the pedestrian clear passage zone or pedestrian aisle shall have a minimum clearance of seven feet above sidewalk.**

Staff Comment: To demonstrate compliance with the aforementioned provisions, the scaled plan is needed to illustrate table and pedestrian aisle locations within the proposed outdoor dining area. The site plan must also illustrate an

h. The outdoor area is surfaced with concrete, bituminous or decorative pavers or may consist of a deck with wood or other flooring material that provides a clean, attractive, and functional surface.

Staff Comment: The existing deck has a wood floor.

i. A minimum width of 36 inches shall be provided within aisles of the outdoor area.

Staff Comment: To demonstrate compliance with the aforementioned provision, a scaled plan must be provided to illustrate table and pedestrian aisle locations within the proposed outdoor dining area and the required 36-inch minimum aisle width.

j. Refuse containers are provided for outdoor dining areas. Such containers shall be placed in a manner which does not disrupt pedestrian circulation and must be designed to prevent spillage and blowing litter.

Staff Comment: The preceding requirement will be made a condition of conditional use permit approval.

k. Property owners shall pick up litter within one hundred feet (100') of the patio area.

Staff Comment: The preceding requirement will be made a condition of conditional use permit approval.

l. Live outdoor music performances shall only be permitted after obtaining a special event permit and shall meet the requirements of Spring Park City Code.

Staff Comment: The preceding requirement will be made a condition of conditional use permit approval.

Other Issues

Setbacks. Required structure setbacks in the C-4, Commercial Office are as follows:

- No less 30 feet where abutting a County street.
- Except as provided below, not less than 10 feet on any side yard
- No less than 20 feet on any side yard abutting residentially zoned property.
- No less than 50 feet from the ordinary high-water level (OHWL).

To be noted is that the Ordinance does allow water-oriented structures within the 50-foot shoreland setback area.

No physical expansions to the existing principal building are proposed.

The proposed “infinity” pool, located south of the building, will encroach within the 50-foot OHWL setback requirement.

As shown on the submitted site plan, the proposed sun deck is located along the OHWL. As mentioned previously, Staff recommends that the sun deck be reduced in size and be set back a minimum of 10 feet from the OHWL.

Grading, Drainage Storm Water Management. The construction of the sun deck and expansion of the pool deck raised Issues related to grading, and slope stabilization. Details related to the sun deck design must be submitted or review and approval of the City.

Utilities. The conversion of the building from office to hotel / restaurant will require extensive alterations to building plumbing and water supply. While the municipal utilities have capacity for the change of use. The building improvements will require extensive building permit review and the change of occupancy will require the payment of additional SAC / WAC charges for the increase in water usage.

RECOMMENDATION

Based on the preceding review, Planning Staff believes a number of issues must be addressed in greater detail prior to the Planning Commission making a formal recommendation on the submitted application. As a result, Planning Staff recommends that action on the application be continued to the Planning Commission's August meeting to allow the applicant time to address issues and prepare/assemble additional information as highlighted in summarized below.

While three individual conditional use permits are required for the Yacht Club conversion, we have combined our conclusion and recommendation to cover the site rather than the individual conditional use permits below.

1. The Planning Commission and City Council considers and approves the C-4 District amendment which would make an allowance for hotels, restaurants and accessory outdoor dining activities in the district as conditional uses. Through the review process the Planning Commission and City Council may choose to further edit the proposed draft code amendment.
2. Investigate and implement means for improving traffic sight lines at the site curb cut.
3. The proposed uses shall be adjusted in size to meet the required parking standards. On-street and/or off-site parking shall not be used to accommodate parking demands generated by the proposed use.
4. To provide additional maneuvering space for large truck deliveries, the size/configuration of the two row end parking islands which are located in close proximity to the delivery truck route be reduced in size and/or reconfigured to eliminate potential intrusion.
5. The existing amount of impervious surface coverage on the site shall not exceed 75 % of total lot area or existing conditions whichever is greater. Documented compliance with this requirement shall be provided by the applicant.
6. The following conditions related to the proposed sun deck shall be satisfied:

- A. The sun deck shall maintain a minimum 10-foot setback from the ordinary high water level of Lake Minnetonka.
 - B. The applicant shall submit detailed plans for the proposed sun deck, including, but not limited to, deck design, deck screening tree removal and slope stabilization efforts.
 - C. A site grading, drainage and storm water management plan be provided and approved by the City for the construction of sun deck and pool expansion. The sun deck design shall allow for the passage of storm water.
 - D. The outdoor dining area is attached to the sun deck to the south, The Applicant must explain if this area will be available to restaurant customers and how these areas are intended to interact if a physical separation is not provided. If the sun deck is attached to the outdoor dining area, it will be treated as outdoor dining and will need to be included in the required parking calculations.
 - E. Details on the type and design of fence, and gates shall be provided and approved by the city as a condition of Conditional use permit approval.
7. All applicable American Disability Act (ADA) requirements shall be satisfied.
8. All docks associated with the proposed hotel use shall be subject to review and approval by the Lake Minnetonka Conservation District.
9. The following conditions related to noise mitigation efforts shall be satisfied:
- A. A formal noise mitigation plan (document) shall be submitted subject to review and approval by the City.
 - B. The proposed decibel monitoring system proposed by the applicant be investigated further by the City, before endorsing its use.
 - C. The applicant shall clarify what is intended by “creative screening.”
 - D. Consistent with City Code requirements, noise produced upon the subject site shall not exceed 65 dBA during daytime hours (7:00 am - 10 pm) and 55 dBA during evening hours (10 pm – 7:00 am) as measured from all property lines.
 - E. Noise monitoring data shall be shared with the City on a monthly basis to establish a data basis for noise patterns, complaints and violations.

10. A scaled floor plan for the outdoor dining area shall be provided showing table and seating layout, required 36-inch-wide aisle locations, wait stations, trash receptacles, etc.
11. The outdoor area shall be fenced and gated to control access. Detail on railings and gates must be provided.
12. The applicant shall submit a photometric lighting plan which demonstrates compliance with the requirements of Section 42-63 (H) of the Ordinance.
13. Live outdoor music performances shall only be permitted after obtaining a special event permit and shall meet the requirements of Spring Park City Code.
14. A detail scaled landscape plan shall be required showing any tree removal, tree preservation measures, number, species and location of any new landscaping i shall be submitted subject to City review and approval.

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cc. Kelly Olson
Molly Lang
Scott Qualle
Jamie Hoffman
Mark kozikowski