

CITY OF SPRING LAKE PARK
SPRING LAKE PARK, MINNESOTA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2007

STUART J. BONNIWELL
CERTIFIED PUBLIC ACCOUNTANT

CITY OF SPRING LAKE PARK
SPRING LAKE PARK, MINNESOTA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2007

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CITY OF SPRING LAKE PARK, MINNESOTA

**MEMBERS OF THE CITY COUNCIL
AND OTHER OFFICIALS**

Term of
Office
Expires
December 31,

CITY COUNCIL:

Robert Nelson	Mayor	2010
Jeanne Mason	Council Member	2010
Barbara Carlson	Council Member	2008
Bill Loesch	Council Member	2008
Dale Dahl	Council Member	2010

CITY OFFICIALS:

Barbara L. Nelson	City Administrator, Clerk-Treasurer
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FINANCIAL SECTION

STUART J. BONNIWELL

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Spring Lake Park, Minnesota management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Lake Park, Minnesota as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, which follows this report letter, and the budgetary comparison of the General Fund presented on page 49, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and, accordingly, I express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Spring Lake Park, Minnesota's basic financial statements. The combining nonmajor fund financial statements and other financial information, as listed in the table contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other financial information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stuart J. Bonniwell
Certified Public Accountant
Minneapolis, Minnesota
July 2, 2008

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Management Discussion and Analysis

Management of the City of Spring Lake Park, Minnesota offers this narrative and analysis of the financial statements and activities of the City for the year ended December 31, 2007.

Financial Highlights

- Net assets of the City exceeded its liabilities by \$20,462,152 at December 31, 2007. Net assets of governmental activities were \$11,747,273 and those of business-type activities were \$8,714,879. Major components of net assets are:
 - ◆ \$ 8,877,269 Invested in capital assets (net of debt)
 - ◆ \$ 1,717,126 Restricted for debt service requirements
 - ◆ \$ 3,537,988 Restricted for capital related and other projects
 - ◆ \$ 7,293,743 Designated for specific purposes or operations
- Total net assets of the City increased by \$613,340. The increase in governmental activities was \$333,791 and the increase in business-type activities was \$279,549 for the year.
- The fund balance of the General Fund was \$1,271,035 at December 31, 2007, an increase of \$151,393.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements will show how these services were financed in the short term as well as what remains for future spending. Business-type activities are presented in a similar manner although separate from governmental activities to reflect their reliance on charges for services for support. In addition, the fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

Overview of the Financial Statements

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

Management Discussion and Analysis – continued

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 a private-sector business.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., uncollected taxes, deferred special assessments and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also component units for which the City is financially accountable.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, certain debt service and capital project funds, which are considered to be major funds.

Management Discussion and Analysis – continued

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 17-19 of this report.

Proprietary funds. The *proprietary (enterprise) funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its business-type activities consisting of utility and liquor operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility and liquor operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

The following chart summarizes the major features of the City’s financial statements, including the portion of the City’s activities and the types of information reported in each. The remainder of this overview section of management’s discussion and analysis highlights the structure and content of each statement.

Major features of the Government-Wide and Fund Financial Statements are as follows:

		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	All Funds and activities of the entire City	The activities of the City that are not fiduciary, such as general government, public safety, public works, etc.	Activities of the utility and liquor operations, which are business-type activities
Required financial statements	Statement of Net Assets and a Statement of Activities	Balance sheet and a statement of revenues, expenditures and changes in fund balance	Statement of net assets and statements of revenues and expenses and changes in net assets and cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short and long-term; funds report capital assets and long-term debt
Type of in flow/out flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid and cash flows

Management Discussion and Analysis – continued

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements. The notes to the financial statements explain certain information in the financial statements and provide supporting detailed data.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to financial statements. These combining fund financial statements provide additional details about non-major governmental funds, which are added together and presented in a single column in the basic financial statements.

Government-Wide Financial Analysis

The government-wide financial statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial position. Over time, increases or decreases in the City's net assets can be used as an indicator of the City's financial position.

The City's financial position is the product of many factors. For example, the determination of the City's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus a liberal approach to depreciation estimates, as well as capitalization policies, will produce a very significant difference in the calculated amounts. For these reasons, it is important to view the net assets balance as a starting point to evaluate future years' results, rather than to focus on the current balance.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,462,152 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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's debt is repaid primarily through property tax levies for debt of governmental activities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities increased the City's net assets by \$333,791, whereas business-type activities resulted in an increase in net assets by \$279,549, totaling an increase of \$613,340 for the year.

Management Discussion and Analysis – continued

The following tables of net assets and changes in net assets include comparative data from the prior year.

Exhibit 1: Summary of the City’s Net Assets – Governmental Activities

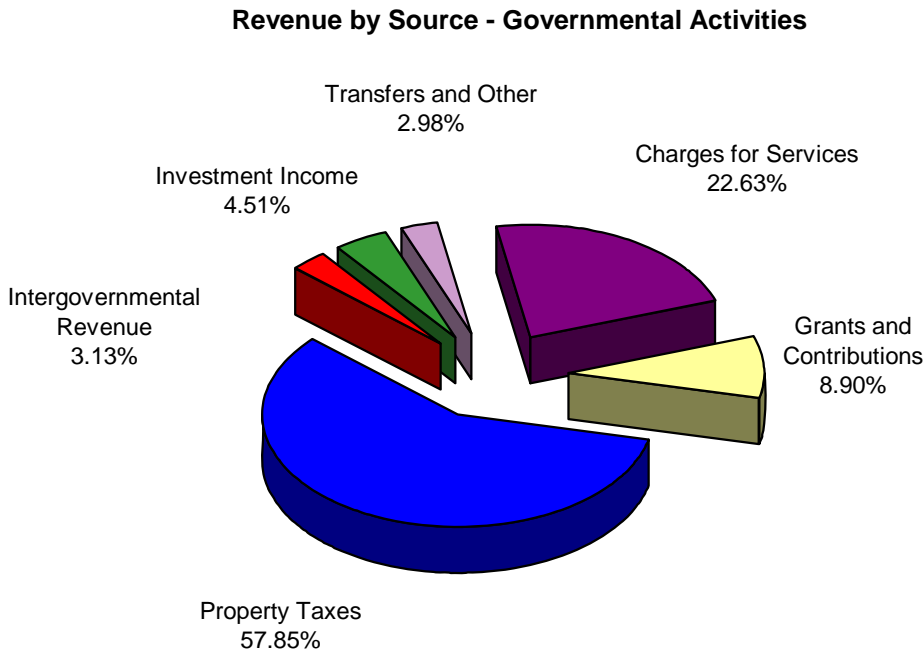
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current and Other Assets	\$ 7,521,421	\$ 8,209,820	\$ (688,399)
Capital Assets	11,997,915	11,480,920	516,995
	<u>\$ 19,519,336</u>	<u>\$ 19,690,740</u>	<u>(171,404)</u>
Current and Other Liabilities	\$ 2,144,146	\$ 2,037,955	\$ 106,191
Long-term Liabilities	5,627,917	6,239,303	(611,386)
	<u>7,772,063</u>	<u>8,277,258</u>	<u>(505,195)</u>
Net Assets			
Invested in Capital Assets (Net of Debt)	5,194,310	4,106,617	1,087,693
Restricted	5,255,114	6,214,387	(959,273)
Unrestricted	1,297,849	1,092,478	205,371
	<u>11,747,273</u>	<u>11,413,482</u>	<u>333,791</u>
	<u>\$ 19,519,336</u>	<u>\$ 19,690,740</u>	<u>\$ (171,404)</u>

Exhibit 2: Changes in Net Assets – Governmental Activities

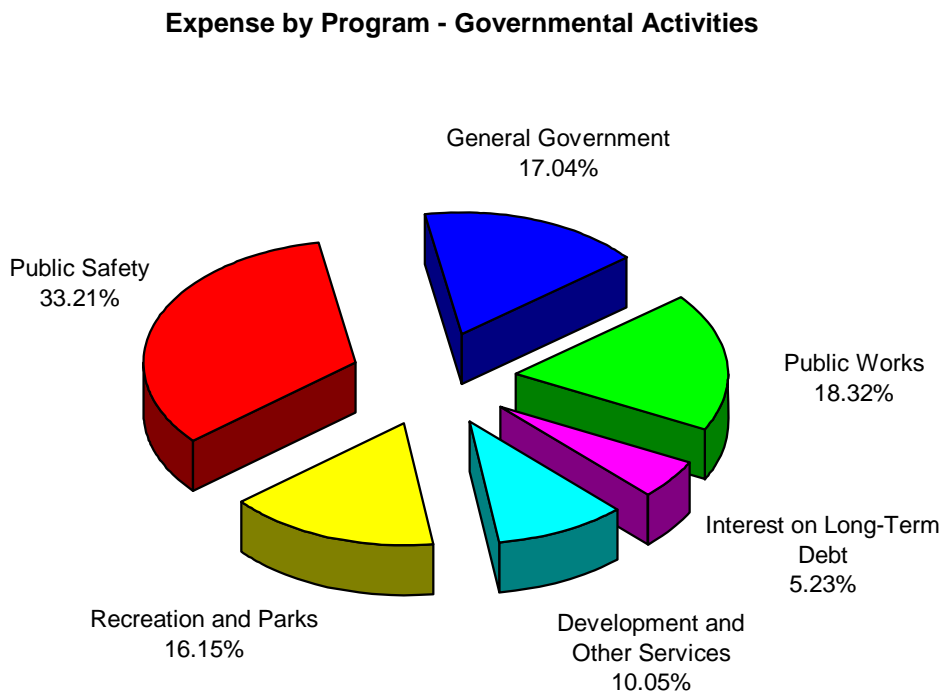
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 1,209,796	\$ 814,538	\$ 395,258
Grants and Contributions	475,896	830,258	(354,362)
General Revenues			
Property Taxes	3,093,409	3,063,653	29,756
Intergovernmental Revenues	167,353	193,750	(26,397)
Investment Income and Other	250,602	267,289	(16,687)
	<u>5,197,056</u>	<u>5,169,488</u>	<u>27,568</u>
Expenses			
General Government	854,310	817,580	36,730
Public Safety	1,664,924	1,538,067	126,857
Public Works	918,170	832,147	86,023
Recreation and Parks	809,881	696,696	113,185
Interest - Long-Term debt	262,313	295,256	(32,943)
Other Activities	503,667	393,435	110,232
	<u>5,013,265</u>	<u>4,573,181</u>	<u>440,084</u>
Increase in Net Assets	183,791	596,307	(412,516)
Transfers	150,000	150,000	-
Increase in Net Assets after Transfers	333,791	746,307	<u>\$ (412,516)</u>
Net Assets, Beginning of Year	<u>11,413,482</u>	<u>10,667,175</u>	
Net Assets, End of Year	<u>\$ 11,747,273</u>	<u>\$ 11,413,482</u>	

Management Discussion and Analysis – continued

The following is a graphical representation of the various sources of the City’s governmental revenues of \$5,347,056:



The following is a graphical representation of the City’s governmental expenses of \$5,013,265:



Management Discussion and Analysis – continued

Exhibit 3: Summary of the City’s Net Assets – Business-type Activities

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current and Other Assets	\$ 5,635,782	\$ 5,576,679	\$ 59,103
Capital Assets	<u>6,884,959</u>	<u>6,566,625</u>	<u>318,334</u>
	<u>\$ 12,520,741</u>	<u>\$ 12,143,304</u>	<u>\$ 377,437</u>
Current and Other Liabilities	\$ 764,862	\$ 475,806	\$ 289,056
Long-term Liabilities	<u>3,041,000</u>	<u>3,232,168</u>	<u>(191,168)</u>
	<u>3,805,862</u>	<u>3,707,974</u>	<u>97,888</u>
Net Assets			
Invested in Capital Assets (Net of Debt)	3,682,959	3,207,551	475,408
Unrestricted	<u>5,031,920</u>	<u>5,227,779</u>	<u>(195,859)</u>
	<u>8,714,879</u>	<u>8,435,330</u>	<u>279,549</u>
	<u>\$ 12,520,741</u>	<u>\$ 12,143,304</u>	<u>\$ 377,437</u>

Exhibit 4: Changes in Net Assets – Business-type Activities

Revenues			
Program Revenues			
Charges for Services	\$ 2,109,364	\$ 2,063,856	\$ 45,508
General Revenues			
Investment Income and Other	<u>282,673</u>	<u>283,929</u>	<u>(1,256)</u>
	<u>2,392,037</u>	<u>2,347,785</u>	<u>44,252</u>
Expenses			
Utility	1,336,802	1,333,335	3,467
Liquor	<u>625,686</u>	<u>611,997</u>	<u>13,689</u>
	<u>1,962,488</u>	<u>1,945,332</u>	<u>17,156</u>
Increase in Net Assets	429,549	402,453	27,096
Transfers	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Increase in Net Assets after Transfers	279,549	252,453	27,096
Net Assets, Beginning of Year	<u>8,435,330</u>	<u>8,182,877</u>	<u>252,453</u>
Net Assets, End of Year	<u>\$ 8,714,879</u>	<u>\$ 8,435,330</u>	<u>\$ 279,549</u>

Incomes from Utility and Liquor operations for the year were \$387,363 and \$42,186 (before transfers), respectively.

Financial Analysis of the Government'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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2007, the City's governmental funds had a combined fund balance of \$5,350,245, a decrease of \$361,669 compared to the prior year. A significant portion of the fund balance (77%) is reserved to indicate that it is not available for additional spending because it has been committed for debt service, improvement projects and other restricted purposes. The remaining portion, approximately 23%, is available for spending at the Council's discretion.

The General Fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the General Fund was \$1,271,035. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unreserved fund balance represents 40% of total 2007 General Fund expenditures.

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

The City Council has adopted a balanced budget annually for many years. All variances were favorable in 2007. Historically, the variances between the budget activities and actual results have been very small.

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

Net assets of the City's proprietary funds changed as follows:

Utility Fund	\$	387,363
Liquor Fund		107,814

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2007 amounts to \$18,882,874 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, infrastructure (street improvements), machinery and equipment, and park facilities.

Major capital activity during the current fiscal year included the following:

- Commencement of Highway 10 frontage road improvement project.
- Completion of rehabilitation of one water tower
- Acquisition of equipment as outlined in the City's five-year capital outlay policy.

Management Discussion and Analysis – continued

The following table of capital assets, net of depreciation, by category includes comparative data from the prior year:

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Governmental Activities:			
Land	\$ 354,950	\$ 354,950	\$ -
Buildings and Improvements	815,243	874,051	(58,808)
Streets and Other Infrastructure	9,996,526	9,557,869	438,657
Equipment	<u>831,196</u>	<u>694,050</u>	<u>137,146</u>
	<u>\$11,997,915</u>	<u>\$11,480,920</u>	<u>\$ 516,995</u>
Depreciation Expense	<u>\$ 734,803</u>	<u>\$ 702,797</u>	<u>\$ 32,006</u>
Business-Type Activities:			
Land	\$ 127,883	\$ 127,883	\$ -
Buildings and Improvements	5,379,622	5,095,334	284,288
System Infrastructure	1,078,886	1,108,191	(29,305)
Equipment	<u>298,568</u>	<u>235,217</u>	<u>63,351</u>
	<u>\$ 6,884,959</u>	<u>\$ 6,566,625</u>	<u>\$ 318,334</u>
Depreciation Expense	<u>\$ 340,111</u>	<u>\$ 315,519</u>	<u>\$ 24,592</u>

Additional information on the City's capital assets may be found in the Notes to the Basic Financial Statements.

Long-Term Debt. At the end of the current year, the City had total long-term debt outstanding of \$10,005,605 at December 31, 2007. The full faith and credit of the City back all long-term debt.

Following is a table summarizing the changes in long-term debt during the year:

	<u>January 1, 2007</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31, 2007</u>
Governmental Activities:				
Improvement Bonds	\$ 6,035,000		\$ 970,000	\$ 5,065,000
Fire Improvement Bonds	137,484	\$ 2,575	31,806	108,253
Capital Improvement Bonds	801,819	18,800	30,267	790,352
Certificates of Participation	270,000		35,000	235,000
Equipment Certificates	<u>130,000</u>	<u>605,000</u>	<u>130,000</u>	<u>605,000</u>
	<u>7,374,303</u>	<u>626,375</u>	<u>1,197,073</u>	<u>6,803,605</u>
Business-Type Activities:				
Note Payable - PFA	<u>3,359,074</u>		<u>157,074</u>	<u>3,202,000</u>
	<u>\$ 10,733,377</u>	<u>\$ 626,375</u>	<u>\$ 1,354,147</u>	<u>\$ 10,005,605</u>

Additional information on the City's long-term debt may be found in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets

The City Council has prepared a balanced budget for the General Fund for 2008, which required the use of \$51,113 of existing reserves. The economy of the area is anticipated to remain stable. Inflationary trends in the region compare favorably to the national indices.

Major activities contemplated in 2008 are:

- ◆ Completion of frontage road improvement project
- ◆ Acquisition of capital assets from proceeds of equipment certificates issued

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances and to show accountability for the management of its financial activities. Questions concerning any of the information provided in this report or requests for additional financial information, contact the City Administrator at the City of Spring Lake Park, 1301 Eighty First Avenue Northeast, Spring Lake Park, Minnesota 55432.

BASIC FINANCIAL STATEMENTS

**CITY OF SPRING LAKE PARK
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 5,496,877	\$ 4,681,764	\$ 10,178,641
Accounts and Other Receivables	74,177	483,883	558,060
Taxes Receivable	35,728		35,728
Special Assessment Receivable	1,436,649		1,436,649
Due from Other Governmental Units	133,372		133,372
Accrued Interest Receivable	66,444	28,035	94,479
Due from Other Funds	238,764		238,764
Inventory		422,316	422,316
Prepaid Items and Other	19,023	19,784	38,807
Deferred Charges	20,387		20,387
Capital Assets (Less Accumulated Depreciation)	11,997,915	6,884,959	18,882,874
	<u>\$ 19,519,336</u>	<u>\$ 12,520,741</u>	<u>\$ 32,040,077</u>
Totals	<u>\$ 19,519,336</u>	<u>\$ 12,520,741</u>	<u>\$ 32,040,077</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 337,572	\$ 208,996	\$ 546,568
Accrued Payroll and Related Taxes	92,729	22,089	114,818
Accrued Interest	17,000	32,623	49,623
Accrued Severance	323,922	65,978	389,900
Deposits and Other Liabilities	197,235	35,412	232,647
Due to Other Funds		238,764	238,764
Bonds and Notes Payable:			
Due within one year	1,175,688	161,000	1,336,688
Due in more than one year	5,627,917	3,041,000	8,668,917
Total Liabilities	<u>7,772,063</u>	<u>3,805,862</u>	<u>11,577,925</u>
Net Assets			
Invested in Capital Assets (Net of Debt)	5,194,310	3,682,959	8,877,269
Restricted for -			
Special Revenue	149,938		149,938
Debt Service	1,717,126		1,717,126
Capital Projects	3,388,050		3,388,050
Unrestricted - Designated	2,261,823	5,031,920	7,293,743
Unrestricted - Undesignated	(963,974)		(963,974)
Total Fund Balance	<u>11,747,273</u>	<u>8,714,879</u>	<u>20,462,152</u>
	<u>\$ 19,519,336</u>	<u>\$ 12,520,741</u>	<u>\$ 32,040,077</u>
Totals	<u>\$ 19,519,336</u>	<u>\$ 12,520,741</u>	<u>\$ 32,040,077</u>

See Notes to Basic Financial Statements.

**CITY OF SPRING LAKE PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government	\$ 854,310	\$ 411,064		
Public Safety				
Police	1,390,197	203,763	\$ 80,186	
Fire	171,393			
Other	103,334			
Public Works	918,170			\$ 302,787
Recreation and Parks	809,881	366,901	48,816	
Interest - Long Term Debt	262,313			
Other Activities	503,667	228,068	44,107	
Total Governmental Activities	<u>5,013,265</u>	<u>1,209,796</u>	<u>173,109</u>	<u>302,787</u>
Business-Type Activities:				
Utility	1,336,802	1,483,378		
Liquor	625,686	625,986		
Total Business-Type Activities	<u>1,962,488</u>	<u>2,109,364</u>		
Total Government	<u>\$ 6,975,753</u>	<u>\$ 3,319,160</u>	<u>\$ 173,109</u>	<u>\$ 302,787</u>

General Revenues:
 Property Taxes
 Intergovernmental Revenues
 Investment Income
 Leasing Fees
 Commissions and Other
 Other Revenues

Transfers In (Out)

Total General Revenues and Transfers

Changes in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Notes to Basic Financial Statements.

EXHIBIT B

Net Revenue (Expense)
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (443,246)		\$ (443,246)
(1,106,248)		(1,106,248)
(171,393)		(171,393)
(103,334)		(103,334)
(615,383)		(615,383)
(394,164)		(394,164)
(262,313)		(262,313)
(231,492)		(231,492)
<u>(3,327,573)</u>		<u>(3,327,573)</u>
	\$ 146,576	146,576
	300	300
	<u>146,876</u>	<u>146,876</u>
<u>(3,327,573)</u>	<u>146,876</u>	<u>(3,180,697)</u>
3,093,409		3,093,409
167,353		167,353
241,130	179,264	420,394
	74,770	74,770
	28,639	28,639
9,472		9,472
<u>3,511,364</u>	<u>282,673</u>	<u>3,794,037</u>
150,000	(150,000)	-
<u>3,661,364</u>	<u>132,673</u>	<u>3,794,037</u>
333,791	279,549	613,340
<u>11,413,482</u>	<u>8,435,330</u>	<u>19,848,812</u>
<u>\$ 11,747,273</u>	<u>\$ 8,714,879</u>	<u>\$ 20,462,152</u>

See Notes to Basic Financial Statements.

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**CITY OF SPRING LAKE PARK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

EXHIBIT C

	General Fund	Debt Service Funds		Capital Projects		Non-Major Governmental Funds	Total Governmental Funds
		Improvement Bond Funds		Improvement	Highway 10		
		2002	Refunding	Bond Fund 1999	Frontage Road Fund		
ASSETS							
Cash and Investments	\$ 1,175,479	\$ 119,382	\$ 375,541	\$ 555,852	\$ 87,009	\$ 3,183,614	\$ 5,496,877
Accounts Receivable	10,680					63,497	74,177
Taxes Receivable	27,533	1,923	3,631			2,641	35,728
Special Assessments Receivable		696,223	484,333			256,093	1,436,649
Due from Governmental Units	41,967					91,405	133,372
Due from Other Funds	238,764			667,881		639,998	1,546,643
Accrued Interest Receivable	50,576			4,812		11,056	66,444
Prepaid Items	19,023						19,023
Totals	\$ 1,564,022	\$ 817,528	\$ 863,505	\$ 1,228,545	\$ 87,009	\$ 4,248,304	\$ 8,808,913
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 118,445				\$ 87,009	\$ 132,118	\$ 337,572
Accrued Payroll and Taxes	91,006					1,723	92,729
Deferred Revenue		\$ 694,733	\$ 481,322			347,198	1,523,253
Deposits and Other Liabilities	83,536					113,699	197,235
Due to Other Funds					398,000	909,879	1,307,879
Total Liabilities	292,987	694,733	481,322		485,009	1,504,617	3,458,668
Fund Balance							
Reserved	19,023	122,795	382,183	\$ 1,228,545		2,362,536	4,115,082
Unreserved							
Designated	1,252,012					1,009,811	2,261,823
Undesignated					(398,000)	(628,660)	(1,026,660)
Total Fund Balance	1,271,035	122,795	382,183	1,228,545	(398,000)	2,743,687	5,350,245
Totals	\$ 1,564,022	\$ 817,528	\$ 863,505	\$ 1,228,545	\$ 87,009	\$ 4,248,304	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (net of accumulated depreciation).	11,997,915
Other long-term assets are not available to pay current-period expenditures and therefore are reported as deferred revenue in the funds.	1,523,253
Advance payment of interest related to refunded bonds in future years is not a financial resource and is not reported in the funds (net of amortization).	20,387
Accrued compensated absences not reported as liabilities in governmental funds	(323,922)
Long-term liabilities, consisting of bonds payable and related interest, are not due and payable in the current period and therefore are not reported in the funds	(6,820,605)
	<u>\$ 11,747,273</u>

See Notes to Basic Financial Statements.

CITY OF SPRING LAKE PARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Debt Service Funds		Capital Projects		Non-Major Governmental Funds	Total Governmental Funds
		Improvement Bond Funds		Improvement	Highway 10		
		2002	Refunding	Bond Fund 1999	Frontage Road Fund		
Revenues							
Taxes	\$ 2,257,386	\$ 160,365	\$ 302,850			\$ 372,808	\$ 3,093,409
Special Assessments		196,789	193,752			68,896	459,437
Licenses and Permits	256,481						256,481
Intergovernmental Revenues	210,102	8,818	16,650			235,930	471,500
Charges for Services	125,548					501,072	626,620
Fines and Forfeitures	100,451					22,789	123,240
Investment Income	34,365	13,072	23,596	\$ 42,382	\$ 6,477	121,238	241,130
Other	118,510					165,703	284,213
Total Revenues	<u>3,102,843</u>	<u>379,044</u>	<u>536,848</u>	<u>42,382</u>	<u>6,477</u>	<u>1,488,436</u>	<u>5,556,030</u>
Expenditures							
General Government	824,210					18,078	842,288
Public Safety	1,572,492					26,502	1,598,994
Public Works	221,907						221,907
Recreation and Parks	476,084					384,387	860,471
Debt Service							
Principal		400,000	570,000			192,073	1,162,073
Interest and Other		145,900	62,725			27,709	236,334
Capital Outlay						113,842	113,842
Improvement Costs					845,306	298,605	1,143,911
Other	58,349					423,943	482,292
Total Expenditures	<u>3,153,042</u>	<u>545,900</u>	<u>632,725</u>		<u>845,306</u>	<u>1,485,139</u>	<u>6,662,112</u>
Revenues Over (Under)							
Expenditures	<u>(50,199)</u>	<u>(166,856)</u>	<u>(95,877)</u>	<u>42,382</u>	<u>(838,829)</u>	<u>3,297</u>	<u>(1,106,082)</u>
Other Financing Sources (Uses)							
Proceeds from Sale of Bonds						594,413	594,413
Transfers from Other Funds	228,000					38,063	266,063
Transfers to Other Funds	(26,408)					(89,655)	(116,063)
Total Other Sources (Uses)	<u>201,592</u>					<u>542,821</u>	<u>744,413</u>
Revenues and Other Sources							
Over (Under) Expenditures							
and Other Uses	151,393	(166,856)	(95,877)	42,382	(838,829)	546,118	(361,669)
Fund Balance Beginning of Year	<u>1,119,642</u>	<u>289,651</u>	<u>478,060</u>	<u>1,186,163</u>	<u>440,829</u>	<u>2,197,569</u>	<u>5,711,914</u>
Fund Balance End of Year	<u>\$ 1,271,035</u>	<u>\$ 122,795</u>	<u>\$ 382,183</u>	<u>\$ 1,228,545</u>	<u>\$ (398,000)</u>	<u>\$ 2,743,687</u>	<u>\$ 5,350,245</u>

See Notes to Basic Financial Statements.

Reconciliation of the Change in Fund Balances - Total Governmental Funds to the Change in Net Assets of Governmental Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (361,669)
Amounts Reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets capitalized	1,269,147
Depreciation	(734,803)
Revenues in the Statement of Activities that do not provide current financial resources which have been reported as revenue in governmental funds	(358,974)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	1,197,073
Issuance of debt is recorded as other financing sources in the governmental funds but is recorded as a liability in the Statement of Net Assets	(605,000)
Adjustment of City's share of existing debt per joint powers agreement	(21,375)
Amortization of advance payment related to interest on refunded bonds is not a financial resource in governmental funds but has been capitalized in the Statement of Net Assets and subsequently is being amortized	(5,204)
Some expenses reported in the Statement of Activities have not been reported as expenditures in the governmental funds:	
Increase in Accrued Compensated Absences - Compensated absences accrued as earned; payments on accrued liability reported as an expenditure in governmental funds when paid	(29,780)
Loss on disposal of capital assets	(17,349)
Some expenses reported in the governmental funds do not require the use of current financial resources (previously accrued) and therefore are not reported as expenditures in the Statement of Activities:	
Decrease in Accrued Interest on Long-term Debt - Interest expense is recognized as accrued, regardless of when it is paid	1,725
Change in Net Assets of Governmental Activities	<u>\$ 333,791</u>

See Notes to Basic Financial Statements.

**CITY OF SPRING LAKE PARK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

EXHIBIT E

	Utility Fund	Liquor Fund	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 1,858,435	\$ 742,545	\$ 2,600,980
Accounts Receivable	475,091	8,792	483,883
Inventory, at Cost		422,316	422,316
Accrued Interest Receivable		28,035	28,035
Prepaid Items	15,918	3,866	19,784
Total Current Assets	2,349,444	1,205,554	3,554,998
Property, Plant and Equipment - At Cost			
Land and Improvements		133,648	133,648
Buildings and Structures	6,553,078	708,542	7,261,620
Distribution/Collection System	2,195,648		2,195,648
Furniture, Fixtures and Equipment	530,528	266,578	797,106
	9,279,254	1,108,768	10,388,022
Less Accumulated Depreciation	(2,955,144)	(547,919)	(3,503,063)
Total Property, Plant and Equipment	6,324,110	560,849	6,884,959
Reserved Assets			
Cash and Investments	1,310,263	770,521	2,080,784
Totals	\$ 9,983,817	\$ 2,536,924	\$ 12,520,741
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 73,825	\$ 135,171	\$ 208,996
Accrued Payroll and Taxes	10,478	11,611	22,089
Accrued Interest	32,623		32,623
Accrued Severance	26,168	39,810	65,978
Other Accrued Liabilities	9,667	25,745	35,412
Due to Other Funds		238,764	238,764
Current Maturities of Long-Term Debt	161,000		161,000
Total Current Liabilities	313,761	451,101	764,862
Long-Term Liabilities			
Note Payable (Less Current Maturities)	3,041,000		3,041,000
Total Liabilities	3,354,761	451,101	3,805,862
Net Assets			
Invested in Capital Assets (Net of Debt)	3,122,110	560,849	3,682,959
Unrestricted	3,506,946	1,524,974	5,031,920
Total Net Assets	6,629,056	2,085,823	8,714,879
Totals	\$ 9,983,817	\$ 2,536,924	\$ 12,520,741

See Notes to Basic Financial Statements.

CITY OF SPRING LAKE PARK **EXHIBIT F**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Utility Fund	Liquor Fund	Totals
Operating Revenues			
Sales (Less Cost of Sales)		\$ 625,986	\$ 625,986
Charges for Services	\$ 1,483,378		1,483,378
Total Operating Revenues	<u>1,483,378</u>	<u>625,986</u>	<u>2,109,364</u>
Operating Expenses			
Personal Services	285,311	378,268	663,579
Supplies	113,631	18,670	132,301
Contracted Services and Other	130,441	105,749	236,190
Treatment Charges	367,790		367,790
Depreciation	282,452	57,659	340,111
Other Charges	64,319	55,296	119,615
Total Operating Expenses	<u>1,243,944</u>	<u>615,642</u>	<u>1,859,586</u>
Operating Income (Loss)	<u>239,434</u>	<u>10,344</u>	<u>249,778</u>
Nonoperating Revenues (Expenses)			
Investment Income	144,690	34,574	179,264
Leasing Fees	74,770		74,770
Connection Charges	16,372		16,372
Commissions and Other	4,955	7,312	12,267
Other Services		(8,721)	(8,721)
Interest Expense	(92,858)	(1,323)	(94,181)
Total Nonoperating Revenues	<u>147,929</u>	<u>31,842</u>	<u>179,771</u>
Income Before Transfers	387,363	42,186	429,549
Transfers to Other Funds		(150,000)	(150,000)
Net Income (Loss) After Transfers	387,363	(107,814)	279,549
Net Assets Beginning of Year	<u>6,241,693</u>	<u>2,193,637</u>	<u>8,435,330</u>
Net Assets End of Year	<u>\$ 6,629,056</u>	<u>\$ 2,085,823</u>	<u>\$ 8,714,879</u>

See Notes to Basic Financial Statements.

**CITY OF SPRING LAKE PARK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Utility Fund	Liquor Fund	Totals
Cash Flows from Operating Activities			
Cash Received from:			
Customers	\$ 1,497,424	\$ 2,694,555	\$ 4,191,979
Other Receipts	92,518	6,700	99,218
	<u>1,589,942</u>	<u>2,701,255</u>	<u>4,291,197</u>
Cash Expended for:			
Merchandise for Resale		1,993,960	1,993,960
Personal Services	287,008	370,471	657,479
Treatment Costs	367,790		367,790
Supplies, Services and Other	299,124	181,729	480,853
	<u>953,922</u>	<u>2,546,160</u>	<u>3,500,082</u>
Net Cash from Operating Activities	<u>636,020</u>	<u>155,095</u>	<u>791,115</u>
Cash Flows from Investing Activities			
Investment Income	144,690	24,731	169,421
	<u>144,690</u>	<u>24,731</u>	<u>169,421</u>
Cash Flows from Capital Financing Activities			
Acquisition of Plant and Equipment	(641,629)		(641,629)
Principal Payments on Long-Term Liabilities	(157,074)	(30,168)	(187,242)
Interest Paid on Long-Term Liabilities	(94,664)	(1,323)	(95,987)
Net Cash Used for Capital Financing Activities	<u>(893,367)</u>	<u>(31,491)</u>	<u>(924,858)</u>
Cash Flows from Noncapital Financing Activities			
Transfer from General Fund		200,000	200,000
	<u> </u>	<u>200,000</u>	<u>200,000</u>
Increase (Decrease) in Cash and Cash Equivalents	(112,657)	348,335	235,678
Cash and Cash Equivalents Beginning of Year	<u>3,281,355</u>	<u>1,164,731</u>	<u>4,446,086</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,168,698</u>	<u>\$ 1,513,066</u>	<u>\$ 4,681,764</u>

See Notes to Basic Financial Statements.

EXHIBIT G

	Utility Fund	Liquor Fund	Totals
Reconciliation of income from operations to net cash provided by operating activities:			
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ 239,434	\$ 10,344	\$ 249,778
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Depreciation	282,452	57,659	340,111
Commissions, Rental and Other Revenues	96,097	7,312	103,409
Other Expenses		(6,685)	(6,685)
(Increase) Decrease in Current Assets			
Accounts Receivable	2,661	(612)	2,049
Inventory		(14,134)	(14,134)
Prepaid Items and Other Assets	(880)	(617)	(1,497)
Increase (Decrease) in Current Liabilities			
Accounts Payable	17,063	96,579	113,642
Accrued Liabilities	(807)	5,249	4,442
Net Cash from Operating Activities	<u>\$ 636,020</u>	<u>\$ 155,095</u>	<u>\$ 791,115</u>

See Notes to Basic Financial Statements.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1. Significant Accounting Policies

A. City Structure

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

B. Reporting Entity

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America as applied to governmental units by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles; and, the City applies all relevant GASB pronouncements. Following is a summary of the more significant accounting policies.

The City's basic financial statements include the accounts of all City operations. For financial reporting purposes, the accompanying financial statements present those of the City (primary government) and component organizations over which the City exercises significant influence or accountability. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. Significant influence or accountability is based primarily on operational and financial relationships with the City or for which the exclusion of the component organization would render the financial statements of the City misleading. Criteria for determining financial accountability include appointing the voting majority of the organization's governing body; the ability of the City to impose its will on that organization; and the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Component organizations are legally separate entities for which the primary government is financially accountable.

Based on the application of the reporting entity criteria, the Spring Lake Park Economic Development Authority (EDA) is considered a component unit of the City. The EDA was created by the City Council and operates in accordance with powers outlined in applicable Minnesota Statutes. Since its creation the EDA has not been involved in any development projects requiring financial assistance.

In addition, the City is required to disclose its relationship with related organizations. The Spring Lake Park Fire Department, Inc. (the Department) was established by a joint and cooperative agreement among the cities of Spring Lake Park, Blaine and Mounds View. The Department is organized to provide fire protection to the three member cities. The Department is independent of the cities and operates as a separate entity. The financial statements of the Department have been excluded from the City since the Department functions independently of the City, although it relies on the City for a portion of its operating revenues.

The Spring Lake Park Firemen's Relief Association, a nonprofit organization, is organized to provide pension and other benefits to its members in accordance with Minnesota Statutes. The Board of Directors is elected by membership of the Association. All funding of the Association is conducted in accordance with Minnesota Statutes; state aids and other revenues flow directly to the Association. Additionally, the Association pays benefits directly to its members. Because the City is not financially accountable for the Relief Association, (the Association is able to fund itself independently of the City), it is excluded from the reporting entity of the City.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities (changes in net assets) report information on all of the activities of the City as a whole. 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 service fees and charges for support. The effect of interfund activity, within the governmental and business-type activity columns, has been removed from these statements.

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

The government-wide statements are reported using the economic resources (cost of service) measurement focus and the accrual basis of accounting. The economic measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's business-type activities and other programs or functions are not eliminated as this would distort the direct costs and program revenues reported in those functions. Depreciation expense that can be specifically identified by function is included in the direct expenses of each program or function. Interest on long-term debt is considered an indirect expense and is reported separately.

Fund Financial Statements

Separate fund financial statements are provided for Governmental and Proprietary funds. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining non-major governmental and proprietary funds are reported in a single column in the respective fund financial statements. A fund is classified as a major fund if it is the primary operating fund of the City (General Fund) or meets certain criteria related to its assets, liabilities, revenues, and expenditures/expenses.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City uses funds to report on its financial position and the results of its operations. The City segregates transactions related to certain government functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Government resources are allocated to and accounted for in individual funds based upon the purposes for which resources are to be spent and the means by which spending activities are controlled.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

C. Basis of Presentation, continued

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The City has the following types of governmental funds.

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities or the acquisition of equipment other than those financed by Proprietary Funds.

The following governmental funds are presented as major governmental funds:

- General Fund
- Debt Service Funds
 - Improvement Bond Fund of 2002
 - Crossover Improvement Refunding Bond Fund of 2004
- Capital Project Funds
 - Improvement Bond Fund of 1999
 - Highway 10 Frontage Road Fund

Proprietary funds (enterprise funds) are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that determination of net income (revenues less expenses) is appropriate or useful for financial management, capital maintenance, public policy or other purposes.

Proprietary fund financial statements are reported using the economic resources (cost of service) measurement focus and the accrual basis of accounting. The economic measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets.

The Utility and Liquor Funds are presented as major proprietary funds.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for proprietary funds are reported using the economic resources (cost of service) measurement focus and the accrual basis of accounting. The economic measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental fund financial statements are reported using current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual. Susceptible to accrual occurs when revenues become both 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 pay liabilities of the current period. Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services and investment income. Revenue sources not susceptible to accrual are recorded only when received because they are not measurable until collected. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures for principal and interest on general long-term debt, and expenditures related to compensated absences are recorded only when payment is made.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds separate operating revenues and expenses from non-operating items. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Interest on debt and compensated absences are considered expenses when they are incurred.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments have the option of following subsequent private sector guidance subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

E. Budgetary Control

A plan of financial operation for the City is established in the budget adopted by the Council. The budget outlines proposed expenditures and the means of financing them. Budget amounts shown in the accompanying financial statements are as originally adopted or as subsequently amended. There were no budget revisions made during the year. Budgeted expenditure appropriations lapse at year-end. Individual line items within the budget may be overspent but the total budget can not be changed unless approved by the Council.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain Special Revenue Funds. Budgetary control for Debt Service Funds is achieved alternatively through general obligation bond indenture provisions. For Capital Project Funds, budgetary control is accomplished through the adoption of project-length financial budgets.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 1. Significant Accounting Policies, continued

E. Budgetary Control, continued

The statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – of the General fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

F. Cash and Investments

Cash and investments include cash on hand, demand deposits, and investments.

Cash balances from all funds, except certain designated funds and the Liquor Fund, are pooled and invested to the extent available in authorized investments. State statutes authorize the City to invest in (1) certificates of deposit, (2) direct, guaranteed or insured obligations of the U.S. Treasury or other federal agencies, (3) registered investment companies, (4) bankers acceptances, (5) commercial paper, (6) guaranteed investment contracts, and (7) repurchase agreements.

This cash management pool operates as a demand deposit account for participating funds. All investments are stated at cost or amortized cost. Investment income is recognized as earned and is allocated among participating funds on the basis of the average cash balance participation of each fund throughout the year. For purposes of the statement of cash flows of the Utility Fund the City considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents. All cash and investments allocated to the Utility Fund meet this definition and the fund's equity in the cash management pool is deemed to be cash and/or cash equivalents. Investments of the Liquor Fund are typically purchased with a maturity of less than one year and are considered to be cash equivalents.

G. Receivables

Accounts receivable are recorded for services provided by the City during the year. Included as receivables of the proprietary funds are the amounts for utility services provided but billed subsequent to year-end. All amounts reported are at gross and no allowance for uncollected accounts is provided against the receivables.

H. Property Taxes

Property tax levies are approved and certified to the county by the City in December of each year for collection in the following year. The county spreads all levies over taxable property and acts as collection agent (responsible for billing and collecting) for such taxes. Property taxes become a lien on the property on the first day of the year collectible. Property taxes are payable in two equal installments by property owners, usually in May and October. The county remits tax collections to the City and other taxing authorities three times during the year. The City has no authority or ability to enforce payment of property taxes by property owners; the county possesses this authority.

The City recognizes property taxes as revenue when it becomes both measurable and available to finance current period expenditures. Revenue is recognized in the year of anticipated collection, with amounts due from the county and received early in the following year recorded as unremitted taxes receivable. Taxes which remain unpaid at year-end are classified as delinquent taxes receivable. An allowance is provided for the full amount of delinquent taxes because of the uncertainty of collection and availability of the delinquent amounts.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

H. Property Taxes, continued

Taxes payable on homesteaded property (as defined by state statutes) are partially reduced by a market value credit. This credit is paid by the State to the City in lieu of taxes levied against homesteaded property in two equal installments. This credit is reported as intergovernmental revenue.

I. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when individual projects are complete or substantially complete. The assessments are collectible over a period of years generally consistent with the duration of the related bond issue or as set by City Council action. The county handles collection of annual installments (including interest) in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable include the following components:

Unremitted - Amounts collected by the County but not remitted to the City by year-end.

Delinquent - Amounts billed to property owners but not paid.

Deferred - Annual installments that will be billed to property owners in future years.

The City recognizes special assessment revenues when it becomes both measurable and available to finance bonded debt or improvement costs. Revenues are recognized over the term of the assessment as it becomes currently available. Delinquent and deferred assessments do not satisfy revenue recognition criteria and, therefore these components of assessment receivables are offset by recording deferred revenue because it is not known when these amounts will be available to finance current expenditures.

J. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' and 'due to other funds' on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

K. Inventories

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

Inventory of expendable supplies held by governmental fund types is recorded as expenditures when purchased (purchase method).

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

L. Prepaid Items

Payments made for services that will benefit periods beyond the current period are recorded as prepaid items. A reserve for prepaid items is recorded to signify that a portion of the fund balance is not available for subsequent expenditures.

M. Bond Premiums, Discounts and Issuance Costs

For governmental funds, bond premiums or discounts associated with debt issued are recognized in the current period. Issuance costs are recorded as expenditures by the fund receiving the bond proceeds. In addition, it has been determined these costs and subsequent amortization of these costs are not considered material for financial statement purposes.

Bond premiums or discounts and issuance costs related to debt issued for proprietary funds are recorded as deferred charges and amortized over the life of the bond issue using the straight-line method.

N. Capital Assets

Capital assets, which includes property, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable government or business-type activities in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated cost if actual cost not available. Assets with an initial and individual cost of \$3,000 or more with an estimated useful life in excess of one year are capitalized. Historical costs of infrastructure assets include street and related improvements and have been accumulated beginning with acquisitions in 1985. Donated fixed assets are valued at their estimated fair value on the date received.

Capital assets acquired or constructed by governmental funds are recorded as expenditures in these funds. These capital assets are not capitalized in individual governmental funds but rather are reported only in the government-wide financial statements. Capital assets of proprietary funds are recorded at cost in their respective funds and depreciation is charged against operations. Depreciation of capital assets is recorded as an allocated expense in the Statement of Activities for government-wide financial statements, with capital assets reported net of accumulated depreciation.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of such assets are:

Land Improvements	10-20 Years
Infrastructure	25-35 Years
Buildings and Structures	15-40 Years
Distribution and Collection System	15-80 Years
Furniture, Fixtures and Equipment	3-10 Years

The cost of normal maintenance and repairs that do not add or increase the value of the assets or materially extend the asset lives are expensed and not capitalized.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

O. Compensated Absences

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

Vested vacation and personal leave for all City employees is recorded as an expenditure or expense as benefits accrue to employees in the government-wide financial statements. It is the City's policy to maintain a level of funding for a portion of the liability associated with governmental fund-types. The liability and corresponding expense associated with proprietary funds is recorded in the applicable proprietary fund.

P. Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them or when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is eliminated and revenue is recognized.

Q. Long-Term Debt

Long-term debt of the City consists of various types of bonds payable and a note payable. Long-term debt is reported as a liability in the government-wide and proprietary fund financial statements.

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations. Long-term debt associated with governmental funds is not reported as liabilities in the fund financial statements. Proceeds from debt issued are reported as other financing sources and payment of the principal and interest reported as expenditures. The accounting for proprietary fund debt is the same in the fund statements as it is in the government-wide financial statements. The debt is recorded as a liability in the individual proprietary fund and interest is expensed as accrued.

R. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements and are classified into three components:

- a) Invested in capital assets, net of related debt – This component consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net assets – Net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation are reflected in this component.
- c) Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1. Significant Accounting Policies, continued

R. Net Assets, continued

Government fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserves represent portions of fund equity not available for expenditure or legally segregated for a specific future use. Designated fund balances are tentative plans for future use of current financial resources. Unreserved and undesignated fund equity represents amounts available to finance future expenditures or operations.

S. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

T. Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

U. Concentrations of Credit Risk

Financial instruments that potentially subject the City to credit risk are cash and cash equivalents, investments and receivables. The City attempts to limit its exposure on cash and investments by following state laws regarding types of investments, insurance and collateral. Receivables are due primarily from Spring Lake Park area businesses, residents, property owners and other consumers.

Note 2. Stewardship, Compliance and Accountability

A. Fund Balance Deficits

The following three Capital Project Funds had deficit fund balances at December 31, 2007:

Highway 10 Frontage Road Fund	\$ 398,000
81st Avenue Rehabilitation Fund	639,698
Storm Water Fund	269,881

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 2. Stewardship, Compliance and Accountability, continued

A. Fund Balance Deficits

The two construction projects, Highway 10 Frontage Road and 81st Avenue Rehabilitation Fund have incurred expenditures in excess of current project financing. The Highway 10 Frontage Road Fund was initially financed from the State when the frontage road was returned to the City. Additional state construction aid is anticipated and the remaining costs of the project may be assessed. The 81st Avenue Rehabilitation Fund is being funded primarily by state construction aid and as additional allotments become available to the City these funds will be applied towards this deficit. In addition, a portion of the project costs were assessed; and as assessments are collected these will be applied towards this deficit.

When permanent financing is formalized the deficit in the Storm Water Fund will be eliminated.

B. Expenditures in Excess of Budget

Expenditures of the General Fund exceeded budgeted amounts by \$57,587. Actual revenues exceeded budgeted estimates by \$228,506 to offset this negative variance.

Note 3. Deposits and Investments

A. Components of Deposits and Investments

Deposits (cash) and investments at December 31, 2007 consist of:

Change Funds	\$ 19,440
Cash in Banks -	
Demand Deposits	640,085
Certificates of Deposit	1,962,180
	2,621,705
Repurchase Agreements	402,170
Shares of Investment Pools - Money Market Funds	1,336,613
Commercial Paper	149,088
Municipal Bonds	260,000
U.S. Government Securities	5,409,065
	\$ 10,178,641

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, all of which are members of the Federal Reserve System. Deposits consist of checking and savings accounts (demand deposits) and certificates of deposit (time deposits).

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.

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3. Cash and Investments, continued

B. Deposits, continued

Minnesota statutes require that federal deposit insurance, surety bond or collateral protect City deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposits. Securities pledged as collateral are to be held in safekeeping in an account at a trust department of a commercial bank or other financial institution other than the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

Bank balances (before reconciling items) of bank deposits amounted to \$659,985. The City had certificates of deposits totaling \$1,962,180 at year-end. Federal depository insurance, surety bonds or collateral covered all deposits.

C. Investments

The City has the following investments at year-end.

Investment Type	Fair Value and Carrying Amount	Credit Quality Ratings	Interest Risk - Segmented Time Distribution Method
Investment Pool - Money Market Funds	\$ 1,336,613	N/A	Daily
Nonpooled Investments - Repurchase Agreement	\$ 402,170	N/A	Daily
Commercial Paper	149,088	A1/P1	Less than One Year
Municipal Bonds	260,000	A2-AA3	Between 1 and 5 Years
U.S. Government Securities	1,063,363	AAA	Less than One Year
U.S. Government Securities	2,425,702	AAA	Between 1 and 5 Years
U.S. Government Securities	1,655,000	AAA	Between 6 and 10 Years
U.S. Government Securities	265,000	AAA	More Than 10 Years
	<u>\$ 6,220,323</u>		
Totals	<u>\$ 7,556,936</u>		

Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. Interest rate risk is disclosed using the segmented time distribution method.

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 failure of the counter party 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 does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 3. Cash and Investments, continued

C. Investments, continued

Credit Risk – This is the risk that an issuer or the counter party 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 obligation 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 repurchase agreements and securities lending agreements with financial institutions qualified as a ‘depository’ by the government entity, with banks that are a primary 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 policies do not further address credit risk.

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

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 the interest rate is fixed, the greater the risk). The City does not have an investment policy limiting the duration of investments.

Note 4. Interfund Receivables and Payables

The balance due from other funds of \$238,764 reported in the General Fund consists of the annual transfer of \$150,000 and repayment of other advances made to the Liquor Fund. The corresponding liability, due to other funds, is reported in the Liquor Fund

The receivables due to the Revolving Fund and the Street Improvement Bond Fund of 1999 represent advances to finance project costs until permanent financing is available. The Highway 10 Frontage Road Fund was initially financed from the State when the frontage road was returned to the City. The City is financing the remaining costs of the project, although additional state construction aid is anticipated. Funds will be repaid as construction aid is received. The 81st Avenue Rehabilitation Fund is being funded primarily by state-aid construction revenue and as additional allotments become available to the City the advances from the Revolving Fund will be repaid. In addition, as assessments pertaining to the project are collected, these amounts will be utilized to reduce the advances.

When permanent financing is formalized the advances to the Storm Water Fund from the Street Improvement Bond Fund of 1999 will be eliminated.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 4. Interfund Receivables and Payables, continued

Interfund receivable and payable balances at December 31, 2007 are summarized as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 238,764	
Capital Project Funds		
Revolving Fund	639,998	
Street Improvement Bond Fund of 1999	667,881	
Highway 10 Frontage Road Fund		398,000
81st Avenue Rehabilitation Fund		639,998
Storm Water Fund		269,881
Enterprise Funds - Liquor Fund		238,764
	<u>\$ 1,546,643</u>	<u>\$ 1,546,643</u>

Note 5. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2007</u>
Capital Assets, not depreciated				
Land	\$ 354,950	\$ -	\$ -	\$ 354,950
Capital Assets, depreciated				
Buildings and Improvements	2,070,355			2,070,355
Streets and Other Infrastructure	13,862,546	956,722		14,819,268
Equipment	1,591,188	312,425	94,018	1,809,595
	<u>17,524,089</u>	<u>1,269,147</u>	<u>94,018</u>	<u>18,699,218</u>
Less Accumulated Depreciation				
Buildings and Improvements	1,196,304	58,808		1,255,112
Streets and Other Infrastructure	4,304,677	518,065		4,822,742
Equipment	897,138	157,930	76,669	978,399
	<u>6,398,119</u>	<u>734,803</u>	<u>76,669</u>	<u>7,056,253</u>
Net Capital Assets, depreciated	<u>11,125,970</u>	<u>534,344</u>	<u>17,349</u>	<u>11,642,965</u>
Governmental Capital Assets - Net	<u>\$ 11,480,920</u>	<u>\$ 534,344</u>	<u>\$ 17,349</u>	<u>\$ 11,997,915</u>

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 5. Capital Assets, continued

A. Changes in Capital Assets Used in Governmental Activities, continued

Over the past several years the City has been involved in a plan of upgrading, reconstruction and improvement of its streets. The costs of these various street projects have been capitalized in the infrastructure portion of the capital assets of governmental activities. In regards to streets not involved with an improvement project during this period, the value of the streets have not been capitalized; the non-depreciated portion of the streets based on estimated values would not be material to the financial statements.

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

	Balance January 1, 2007	Additions	Disposals	Balance December 31, 2007
Capital Assets, not depreciated				
Land	\$ 127,883	\$ -	\$ -	\$ 127,883
Capital Assets, depreciated				
Land Improvements	5,765			5,765
Buildings and Improvements	6,741,873	519,747		7,261,620
Distribution and Collection System	2,195,648			2,195,648
Equipment	672,682	138,698	14,274	797,106
	<u>9,615,968</u>	<u>658,445</u>	<u>14,274</u>	<u>10,260,139</u>
Less Accumulated Depreciation				
Land Improvements	2,825	130		2,955
Buildings and Improvements	1,649,479	235,329		1,884,808
Distribution and Collection System	1,087,457	29,305		1,116,762
Equipment	437,465	75,347	14,274	498,538
	<u>3,177,226</u>	<u>340,111</u>	<u>14,274</u>	<u>3,503,063</u>
Net Capital Assets, depreciated	<u>6,438,742</u>	<u>318,334</u>	<u>-</u>	<u>6,757,076</u>
Business-Type Capital Assets - Net	<u>\$ 6,566,625</u>	<u>\$ 318,334</u>	<u>\$ -</u>	<u>\$ 6,884,959</u>

C. Depreciation Expense by Function

	Governmental Activities	Business-Type Activities
General Government	\$ 58,961	
Public Safety	63,792	
Public Works	577,952	
Parks and Recreation	34,098	
Utility		\$ 282,452
Liquor		57,659
	<u>\$ 734,803</u>	<u>\$ 340,111</u>

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6. Long-Term Debt

A summary of long-term debt transactions for the year ended December 31, 2007 is as follows:

	Payable January 1, 2007	Issued	Retired/ Refunded	Payable December 31, 2007
Governmental Activities:				
General Obligation Bonds				
Improvement Bonds	\$ 6,035,000		\$ 970,000	\$ 5,065,000
Fire Improvement Bonds	137,484	\$ 2,575	31,806	108,253
Capital Improvement Bonds	801,819	18,800	30,267	790,352
Certificates of Participation	270,000		35,000	235,000
Equipment Certificates	130,000	605,000	130,000	605,000
	<u>7,374,303</u>	<u>626,375</u>	<u>1,197,073</u>	<u>6,803,605</u>
Business-Type Activities:				
Note Payable	<u>3,359,074</u>		<u>157,074</u>	<u>3,202,000</u>
	<u>\$ 10,733,377</u>	<u>\$ 626,375</u>	<u>\$ 1,354,147</u>	<u>\$ 10,005,605</u>

Bonds Payable

The City issues general obligation bonds to finance its street improvement program, equipment acquisitions and for other City purposes. General obligation bonds are direct obligations of the City and are supported by the full faith and credit of the City.

Following is a brief description of the different types of general obligation bonds outstanding at December 31, 2007:

- Improvement bonds are issued to finance street improvement projects. These bonds are payable primarily from special assessments levied on benefited properties. Costs of these projects are shared by the City and general property taxes levied provide the revenues for the City's share of the costs. Refunding improvement bonds were issued to refinance two improvement bond issues.
- Fire and capital improvement bonds represent the City's share of debt issued related to construction of fire stations. Fire improvement refunding bonds were issued to refinance original bonds issued for one fire station. Capital improvement bonds were issued to finance the construction of another fire station. The increase in the amount of bonds related to the fire and capital improvement bonds is the result of the change in the City's share of the remaining debt.
- Refunding certificates of participation were issued to refinance certificates used to finance improvements to the community center building.
- Certificates of indebtedness were issued to finance equipment acquisitions. Certificates of indebtedness were issued in 2007 and the certificates previously issued were retired. These certificates are payable from a special general property tax levy.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6. Long-Term Debt, continued

Bonds Payable, continued

General obligation bonds payable are comprised of the following issues:

	<u>Maturities</u>	<u>Interest Rates</u>	<u>Amount</u>
\$4,995,000 G.O. Improvement Bonds of 2002	2008-2014	3.70-4.50%	\$ 3,150,000
\$3,190,000 G.O. Improvement Crossover Refunding Bonds of 2004	2008-2011	2.30-3.00%	1,915,000
			<u>\$ 5,065,000</u>
\$2,960,000 G.O. Fire Improvement Refunding Bonds of 1997 (City share)	2008-2011	4.75-4.90%	<u>\$ 108,253</u>
\$8,050,000 G.O. Capital Improvement Bonds of 2005 (City share)	2008-2026	3.75-4.00%	<u>\$ 790,352</u>
\$385,000 Refunding Certificates of Participation - 2002	2008-2013	4.25-4.60%	<u>\$ 235,000</u>
\$605,000 G.O. Equipment Certificates of 2007A	2008-2012	3.50-3.70%	<u>\$ 605,000</u>

Improvement bonds issued were used to finance street improvement projects. The 2002 issue was used to finance improvement projects during the years 2002-2004. The refunding bonds issued in 2004 were used to refinance the bonds issued in connection with 1999-2001 street improvement projects.

On March 1, 2004, the City issued \$3,190,000 of General Obligation Improvement Crossover Refunding Bonds of 2004. Bond proceeds were utilized to advance refund \$455,000 (2005-2008) of the remaining bonds of the G.O. Improvement Bonds of 1997 issue and \$2,625,000 (2006-2011) of the remaining bonds of the G.O. Improvement Bonds of 1999. It is estimated the City reduced its aggregate debt service payments by approximately \$154,413 over the life of the bond issue (eight years) and obtained an economic gain (present value benefit) of \$139,021.

The City is a member of the Spring Lake Park Fire Department, Inc., a joint powers agreement with the cities of Blaine and Mounds View. The City of Blaine has cooperatively issued bonds on behalf of the Fire Department for the construction of fire stations. During 1997, the cities authorized the issuance of \$2,960,000 by the City of Blaine to permit the crossover advance refunding of the original fire improvement bond issue. In addition, the City of Blaine issued bonds in the amount of \$8,050,000 for construction of another fire station. Pursuant to the joint powers agreement, each City's share of debt service for the year is based on a certain formula in the agreement; as a result, individual cities share of debt service requirements may change yearly. For 2007, the City of Spring Lake Park's share of debt service requirements was determined to be 10.26% based on the formula. The City's share was increased to 10.51% for 2008 based on the formula.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6. Long-Term Debt, continued

Bonds Payable, continued

Scheduled maturities presented for these issues are based on the current year's percentage of debt service requirements as determined by the formula. These bonds are payable from general property taxes levied annually by the City; tax collections are remitted to the City of Blaine, who is responsible for making the required debt service payments. During the year the City remits to the City of Blaine from its tax collections funds to satisfy its share of the bond payments required in February and August of each year.

During 2002, the City refinanced its original certificates of participation used to finance the community center expansion.

Equipment certificates have been issued to finance the acquisition of equipment and other improvements.

Scheduled maturities of bonds and other debt payable are as follows:

Year	Improvement Bonds		Fire Building Improvement Bonds		Participation and Equipment Certificates		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$ 965,000	\$ 182,655	\$ 65,688	\$ 36,044	\$ 145,000	\$ 32,235	\$ 1,426,622
2009	860,000	154,860	68,840	33,239	150,000	26,898	1,293,837
2010	850,000	127,300	71,468	30,243	160,000	21,327	1,260,338
2011	840,000	98,300	34,683	27,111	165,000	15,308	1,180,402
2012	450,000	68,300	36,260	25,793	175,000	8,905	764,258
	<u>3,965,000</u>	<u>631,415</u>	<u>276,939</u>	<u>152,430</u>	<u>795,000</u>	<u>104,673</u>	<u>5,925,457</u>
2013	550,000	48,950	37,310	24,415	45,000	2,070	707,745
2014	550,000	24,750	38,887	22,997			636,634
2015			40,464	21,520			61,984
2016			42,040	19,982			62,022
2017			43,616	18,384			62,000
2018-22			245,409	64,922			310,331
2023-25			173,940	14,105			188,045
	<u>\$5,065,000</u>	<u>\$ 705,115</u>	<u>\$ 898,605</u>	<u>\$ 338,755</u>	<u>\$ 840,000</u>	<u>\$ 106,743</u>	<u>\$ 7,954,218</u>

Note Payable

At December 31, 2007 the City is indebted to the Minnesota Public Facilities Authority (PFA) on a note payable with an outstanding balance of \$3,202,000. During 2003 the City entered into a note/loan agreement with the PFA. Proceeds from this note were for the construction of two water filter/treatment plants. Under terms of the note, advances were received on a cost reimbursement basis as project costs are incurred. Both treatment plants commenced operation in 2004 and repayment of the note commenced in that year.

Interest on the outstanding balance of the note is at 2.819% per annum. Interest on the note is payable semi-annually on each February 20 and August 20 of each year. Principal payments on the note are due annually on August 20 of each year and vary in amounts increasing from \$161,000 in 2008 to \$245,000 in 2023. The note matures on August 20, 2023.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6. Long-Term Debt, continued

Note Payable, continued

Repayment of the note is from operations of the Utility Fund. Scheduled maturities of the note payable are:

Year	Principal	Interest	Total
2008	\$ 161,000	\$ 90,264	\$ 251,264
2009	166,000	85,726	251,726
2010	170,000	81,046	251,046
2011	175,000	76,254	251,254
2012	180,000	71,321	251,321
	852,000	404,611	1,256,611
2013	185,000	66,246	251,246
2014	190,000	61,031	251,031
2015	196,000	55,675	251,675
2016	201,000	50,150	251,150
2017	207,000	44,484	251,484
2018-22	1,126,000	131,506	1,257,506
2023	245,000	6,907	251,907
	\$ 3,202,000	\$ 820,610	\$ 4,022,610

Note 7. Compensated Absences

City employees are entitled to vacation pay based upon length of employment. In addition, the City has established a severance pay policy; this policy provides for severance payments upon termination of employment based upon accumulated sick leave accrued, subject to certain conditions and specified maximums. Vested benefits totaled \$389,900 as of December 31, 2007. The City established a Severance Fund to provide a portion of the necessary funding for the liability associated with governmental fund types, which totaled \$323,922 at December 31, 2007. Transfers from the General Fund to the Severance Fund have provided the funding to date. For proprietary fund types, the liability is accrued and expensed in each fund as incurred and totaled \$65,978 at December 31, 2007.

In addition, the City contributes towards the cost of health care coverage for certain retired employees eligible to continue participation in the City's group medical insurance plan, subject to certain restrictions. No estimate of the future liability was determined.

Note 8. Commitments

The City entered into a contract for the installation of a communications system. A down payment of \$11,809 was made in 2007; the remaining balance of approximately \$35,000 was paid in 2008.

In addition, during the year the City entered into various contracts related to improvement projects. The City has the commitment to complete the projects and pay related costs as they are incurred. It is anticipated these projects will be completed in 2008.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 9. Reservation and Designations of Fund Equity

Components of fund equity are described as follows:

Invested in Capital Assets – The equity of the City in its capital assets is reflected in this account, net of related debt.

Reserved Fund Balance – These amounts represent portions of fund balances not available for current expenditure, unless it relates to a specified program.

Reserved fund balances are:

General Fund - Prepaid Items	\$	19,023
Special Revenue Funds		
Recreation Fund - Recreation Programs		38,325
Recycling Fund - Recycling Program		18,120
Street Lighting Fund - Street Lighting		18,415
Cable Fund - Communications		40,970
Watershed District Fund - Watershed Improvements		11,908
Tower Days Fund - Community Event		22,200
Debt Service Funds - Debt Service Requirements		558,071
Capital Project Funds		
Revolving Fund - Interfund Loan Balance		639,998
State Aid Street Fund - Improvement Projects		112,771
Improvement Bond Fund of 1999		1,228,545
Improvement Bond Fund of 2002		379,058
Equipment Certificates - Capital Asset Acquisitions		588,774
Park Improvement Funds - Park Acquisitions and Improvements		232,010
Tax Increment Districts - Repayment of Revenue Notes		206,894
		\$ 4,115,082

Unreserved Fund Balances - Designated - Designated amounts indicate tentative plans for future uses of current resources. Designated fund balances are:

General Fund -		
Budget Reserve for 2008	\$	51,113
Working Capital		1,200,899
		1,252,012
Special Revenue Funds		
Election Fund - Elections		45,167
Police Forfeiture Fund - Police Activities		10,957
Police Special Fund - Police Reserves		6,391
Severance Fund - Payment of Employee Benefits		85,340

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 9. Reservation and Designations of Fund Equity, continued

Unreserved Fund Balances – Designated, continued

Capital Project Funds		
Street Sealcoating Fund - Sealcoating Projects	\$	341,339
Building Maintenance Fund - Building Maintenance		127,483
Capital Replacement Fund - Capital Asset Acquisitions		369,613
Public Safety Replacement Fund - Communication System		9,627
Right of Way Fund - Maintenance Projects		<u>13,894</u>
	<u>\$</u>	<u>2,261,823</u>

Unreserved Fund Balances – Undesignated - These amounts are available to finance future years expenditures. The deficit balance in this category is due to the deficit fund balances in capital project funds related to various improvement projects.

Net Assets – Proprietary Funds – Unrestricted - This amount reflects retained earnings net of the amount invested in capital assets. The Utility Fund retained earnings are reserved for future operations, maintenance costs of water treatment facilities, capital replacement and debt service requirements. Retained earnings of the Liquor Fund are reserved for capital replacement. \$ 5,031,920+

Note 10. Transfers

Transfers between funds during the year were as follows:

To	From	Amount	Purpose
General Fund	Recreation Fund State Aid Street Fund Liquor Fund	\$ 48,000 30,000 150,000	Budget Transfer Budget Transfer Budget Transfer
Special Revenue Funds			
Election Fund	General Fund	5,000	Budget Transfer
Severance Fund	General Fund	5,000	Budget Transfer
Capital Project Funds			
Street Sealcoating Fund	Revolving Fund State Aid Street Fund	3,417 8,238	Improvement Project Improvement Project
Public Safety Replacement Fund	General Fund	2,000	Budget Transfer
Building Maintenance Fund	General Fund	<u>14,408</u>	Budget Transfer
		<u>\$ 266,063</u>	

CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 11. Joint Powers Agreements

As previously noted, the City of Spring Lake Park participates with the cities of Blaine and Mounds View through a joint powers agreement to cooperatively support the Spring Lake Park Fire Department, Inc. (the Department). The Department is independent of the cities and operates as a separate entity. Under terms of the agreement, the ownership of equipment, property and other assets of the Department are owned jointly by the three cities. Each city enters into a contract for services with the Department for fire protection services. Cost of services for each City is determined based on a formula prescribed in the agreement. Based on the agreement, in the event the Department sustains operating deficits, the cities will contribute additional funds to the Department in proportion to formula described above. Financial information regarding the Department may be obtained by writing the Department. Operating budgets of the Department are approved annually by the cities. Payments to the Department by the City of Spring Lake Park in 2007 totaled \$171,393, including a provision for capital expenditures.

In addition, the City is a member of the Anoka County Joint Law Enforcement Council (JLEC), an organization of the County of Anoka and certain cities located within Anoka County formed to cooperate in their law enforcement efforts. The City participates with the JLEC on a cost-sharing basis with the development and maintenance of an integrated central records communication system.

Note 12. Risk Management and Litigation

The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (the Trust), a public entity risk pool for its general property and casualty, workers' compensation and other insurance coverages. The Trust operates as a common risk management and insurance program for cities throughout Minnesota. The City pays an annual premium to the Trust for its insurance coverages. The Trust 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, including liquor liability and employee health insurance.

There has been no significant reductions in insurance coverages from the previous year. In addition, there has been no settlement of claims in excess of the City's insurance coverage in any of the prior three years.

The City has the usual and customary type of legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, City management believes the City will not incur any material loss resulting from these claims. No loss has been recorded in the City's financial statements related to any claims.

Note 13. Defined Benefit Pension Plans - Statewide

A. Plan Description

All full-time and certain part-time employees of the City of Spring Lake Park are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 13. Defined Benefit Pension Plans – Statewide, continued

A. Plan Description, continued

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards, officers or joint jailer/dispatchers, and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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 PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% for each year of service for PECF members.

For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for PERF Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF and PECF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103, or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 13. Defined Benefit Pension Plans – Statewide, continued

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase to 6.00% in 2008. PEPFF members were required to contribute 7.80% of their annual covered salary in 2007. That rate will increase to 8.60% in 2008. The City of Spring Lake Park is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, and 11.70% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.50% and 12.90%, respectively, effective January 1, 2008.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$87,725, \$77,373, and \$69,722, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$95,775, \$79,427, and \$71,496, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. The City made no contributions to PECF.

Note 14. Defined Benefit Pension Plan - Firemen's Relief Association

The City participates with the cities of Blaine and Mounds View in supporting an independent fire department which provides fire protection services for its three member cities. Part of the operating budget of the fire department contains provisions for contributions to The Spring Lake Park Firemen's Relief Association. The Spring Lake Park Firemen's Relief Association is the administrator of a single employer retirement system established to provide pension and other benefits to its membership in accordance with Minnesota Statutes. The Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by its membership.

Funding of the Association is derived primarily from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). The financial requirements of the Special Fund are determined in accordance with Section 69.772 of the Minnesota Statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. Contributions by the fire department to the Association fund the pension and other benefit requirements of the Association for its membership. Financial information regarding The Spring Lake Park Firemen's Relief Association was not available for inclusion in this report.

Note 15. Tax Increment Finance Districts

The City of Spring Lake Park is the administering authority for three tax increment finance districts within the City. These districts were established in accordance Minnesota State Statutes and follow applicable state laws and provisions.

**CITY OF SPRING LAKE PARK
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 15. Tax Increment Finance Districts, continued

The Cottages of Spring Lake Park housing project received its funding from revenue bonds issued through the City of Spring Lake Park. Under terms of the development agreement, the Authority agreed to reimburse the developer for land acquisition and improvement costs in an amount not to exceed \$990,000. Reimbursement payments are being made from tax increments generated within the District.

During 1995, the tax increment finance district for the Noah's Ark Senior Housing project was established with construction activity commencing in 1996. According to the development agreement, the City will reimburse the developer for land acquisition and site improvements in an amount not to exceed \$985,000. Reimbursement payments to the developer will be made from future tax increments generated within the District.

A third district was established in 2006, but has had minimal activity to date.

Following is certain information for 2007 concerning each of the districts.

Name of District:	<u>Cottages of Spring Lake Park</u>	<u>Noah's Ark Senior Housing</u>	<u>Spring Lake Gardens Housing</u>
Type of District:	Housing	Housing	Housing
Number of District:	M4	N2	U5
Current Tax Capacity:	\$ 39,930	\$ 133,505	\$ 5,788
Base Tax Capacity:	<u>2,903</u>	<u>2,460</u>	<u>7,389</u>
Captured Tax Capacity:	<u>\$ 37,027</u>	<u>\$ 131,045</u>	<u>\$ -</u>

The City's tax increment districts are subject to review by the State of Minnesota. Any disallowed claims or misuse of tax increments could be a liability of the applicable fund. Management has indicated they are not aware of any instances of noncompliance that would have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SPRING LAKE PARK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues				
General Property Taxes	\$ 2,269,217	\$ 2,269,217	\$ 2,257,386	\$ (11,831)
Licenses and Permits	97,800	97,800	256,481	158,681
Intergovernmental Revenues	210,420	210,420	210,102	(318)
Charges for Services	68,345	68,345	125,548	57,203
Fines and Forfeitures	93,000	93,000	100,451	7,451
Investment Income	19,000	19,000	34,365	15,365
Other Revenue	116,555	116,555	118,510	1,955
Total Revenues	<u>2,874,337</u>	<u>2,874,337</u>	<u>3,102,843</u>	<u>228,506</u>
Expenditures				
General Government	824,675	824,675	824,210	465
Public Safety	1,547,078	1,547,078	1,572,492	(25,414)
Public Works	210,970	210,970	221,907	(10,937)
Recreation and Parks	470,401	470,401	476,084	(5,683)
Other	37,805	37,805	58,349	(20,544)
Total Expenditures	<u>3,090,929</u>	<u>3,090,929</u>	<u>3,153,042</u>	<u>(62,113)</u>
Revenues Over (Under) Expenditures	<u>(216,592)</u>	<u>(216,592)</u>	<u>(50,199)</u>	<u>166,393</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	228,000	228,000	228,000	-
Transfers to Other Funds	(26,408)	(26,408)	(26,408)	-
Total Other Sources (Uses)	<u>201,592</u>	<u>201,592</u>	<u>201,592</u>	<u>-</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	151,393	<u>\$ 166,393</u>
Fund Balance Beginning of Year			<u>1,119,642</u>	
Fund Balance End of Year			<u>\$ 1,271,035</u>	

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SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Schedule 1

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and Investments	\$ 564,057	\$ 50,460	\$ 2,569,097	\$ 3,183,614
Accounts Receivable	59,248		4,249	63,497
Taxes Receivable - Unremitted		2,633	8	2,641
Special Assessments Receivable				
Unremitted			300	300
Delinquent			3,128	3,128
Deferred			252,665	252,665
Due from Other Governmental Units			91,405	91,405
Due from Other Funds			639,998	639,998
Accrued Interest			11,056	11,056
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u><u>\$ 623,305</u></u>	<u><u>\$ 53,093</u></u>	<u><u>\$ 3,571,906</u></u>	<u><u>\$ 4,248,304</u></u>
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 47,077		\$ 85,041	\$ 132,118
Accrued Payroll and Taxes	1,723			1,723
Deposits Payable	113,699			113,699
Due to Other Funds			909,879	909,879
Deferred Revenue			347,198	347,198
	<u> </u>		<u> </u>	<u> </u>
Total Liabilities	<u>162,499</u>		<u>1,342,118</u>	<u>1,504,617</u>
 Fund Balance				
Reserved	149,938	\$ 53,093	2,159,505	2,362,536
Unreserved - Designated	147,855		861,956	1,009,811
Unreserved - Undesignated	163,013		(791,673)	(628,660)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>460,806</u>	<u>53,093</u>	<u>2,229,788</u>	<u>2,743,687</u>
	<u><u>\$ 623,305</u></u>	<u><u>\$ 53,093</u></u>	<u><u>\$ 3,571,906</u></u>	<u><u>\$ 4,248,304</u></u>

CITY OF SPRING LAKE PARK **Schedule 2**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
General Property Taxes		\$ 217,657		\$ 217,657
Increment Property Taxes			\$ 142,093	142,093
Franchise Taxes	\$ 13,058			13,058
Special Assessments			68,896	68,896
Intergovernmental Revenues	21,637	11,969	202,324	235,930
Charges for Services	501,072			501,072
Fines and Forfeitures	22,789			22,789
Investment Income	25,126	2,916	93,196	121,238
Other Revenues	116,367		49,336	165,703
Total Revenues	700,049	232,542	555,845	1,488,436
Expenditures				
General Government	18,078			18,078
Public Safety	26,502			26,502
Recreation and Parks	384,387			384,387
Debt Service				
Principal		192,073		192,073
Interest		27,709		27,709
Capital Outlay			113,842	113,842
Improvement Costs			298,605	298,605
Payments to Developer			129,255	129,255
Other Programs	258,326		36,362	294,688
Total Expenditures	687,293	219,782	578,064	1,485,139
Revenues Over (Under) Expenditures	12,756	12,760	(22,219)	3,297
Other Financing Sources				
Proceeds from Sale of Bonds			594,413	594,413
Transfers from Other Funds	10,000		28,063	38,063
Transfers to Other Funds	(48,000)		(41,655)	(89,655)
Total Other Sources (Uses)	(38,000)		580,821	542,821
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(25,244)	12,760	558,602	546,118
Fund Balance Beginning of Year	486,050	40,333	1,671,186	2,197,569
Fund Balance End of Year	<u>\$ 460,806</u>	<u>\$ 53,093</u>	<u>\$ 2,229,788</u>	<u>\$ 2,743,687</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Recreation Fund	Recycling Fund	Street Lighting Fund	Cable Fund	HRA Reserve Fund
ASSETS					
Cash and Investments	\$ 30,111	\$ (295)	\$ 11,106	\$ 28,647	\$ 194,660
Accounts Receivable	10,389	25,285	10,516	13,058	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 40,500</u>	<u>\$ 24,990</u>	<u>\$ 21,622</u>	<u>\$ 41,705</u>	<u>\$ 194,660</u>
 LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 2,175	\$ 5,882	\$ 3,207		\$ 31,647
Deposits Payable					
Accrued Payroll and Taxes		988		\$ 735	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,175</u>	<u>6,870</u>	<u>3,207</u>	<u>735</u>	<u>31,647</u>
 Fund Balance					
Reserved	38,325	18,120	18,415	40,970	
Unreserved - Designated					
Undesignated					163,013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>38,325</u>	<u>18,120</u>	<u>18,415</u>	<u>40,970</u>	<u>163,013</u>
Totals	<u>\$ 40,500</u>	<u>\$ 24,990</u>	<u>\$ 21,622</u>	<u>\$ 41,705</u>	<u>\$ 194,660</u>

Election Fund	Police Forfeiture Fund	Police Reserves Fund	Watershed District Fund	Developers Escrow Fund	Tower Days Fund	Severance Fund	Total
\$ 45,167	\$ 15,123	\$ 6,391	\$ 11,908	\$ 113,699	\$ 22,200	\$ 85,340	\$ 564,057 59,248
<u>\$ 45,167</u>	<u>\$ 15,123</u>	<u>\$ 6,391</u>	<u>\$ 11,908</u>	<u>\$ 113,699</u>	<u>\$ 22,200</u>	<u>\$ 85,340</u>	<u>\$ 623,305</u>
	\$ 4,166			\$ 113,699			\$ 47,077 113,699 1,723
	<u>4,166</u>			<u>113,699</u>			<u>162,499</u>
			\$ 11,908		\$ 22,200		149,938
\$ 45,167	10,957	\$ 6,391				\$ 85,340	147,855 163,013
<u>45,167</u>	<u>10,957</u>	<u>6,391</u>	<u>11,908</u>	<u>-</u>	<u>22,200</u>	<u>85,340</u>	<u>460,806</u>
<u>\$ 45,167</u>	<u>\$ 15,123</u>	<u>\$ 6,391</u>	<u>\$ 11,908</u>	<u>\$ 113,699</u>	<u>\$ 22,200</u>	<u>\$ 85,340</u>	<u>\$ 623,305</u>

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Recreation Fund	Recycling Fund	Street Lighting Fund	Cable Fund	HRA Reserve Fund
Revenues					
Taxes - Franchise				\$ 13,058	
Intergovernmental Revenues		\$ 21,637			
Charges for Services	\$ 366,901	94,629	\$ 39,542		
Fines and Forfeitures					
Investment Income	3,335		507	1,517	\$ 11,536
Other Revenues					
Total Revenues	370,236	116,266	40,049	14,575	11,536
Expenditures					
General Government					
Personal Services				17,235	
Other Charges				843	
Public Safety					
Personal Services					
Other Charges					
Capital Outlay					
Recreation and Parks					
Program Charges	287,946				
Capital Outlay					96,441
Recycling					
Personal Services		23,158			
Contracted Services		76,740			
Supplies and Other		6,136			
Other Programs			36,239		
Total Expenditures	287,946	106,034	36,239	18,078	96,441
Revenues Over (Under) Expenditures	82,290	10,232	3,810	(3,503)	(84,905)
Other Financing Sources (Uses)					
Transfers from Other Funds					
Transfers to Other Funds	(48,000)				
Total Other Sources (Uses)	(48,000)				
Revenues and Other Sources Over (Under) Expenditures	34,290	10,232	3,810	(3,503)	(84,905)
Fund Balance Beginning of Year	4,035	7,888	14,605	44,473	247,918
Fund Balance End of Year	\$ 38,325	\$ 18,120	\$ 18,415	\$ 40,970	\$ 163,013

Election Fund	Police Forfeiture Fund	Police Special Fund	Watershed District Fund	Developers Escrow Fund	Tower Days Fund	Severance Fund	Total
							\$ 13,058
							21,637
							501,072
	\$ 22,789						22,789
\$ 1,807	779	\$ 294	\$ 531		\$ 1,173	\$ 3,647	25,126
				\$ 93,897	22,470		116,367
<u>1,807</u>	<u>23,568</u>	<u>294</u>	<u>531</u>	<u>93,897</u>	<u>23,643</u>	<u>3,647</u>	<u>700,049</u>
							17,235
							843
						2,275	2,275
	7,768	407					8,175
	16,052						16,052
							287,946
							96,441
							23,158
							76,740
							6,136
				93,897	22,156		152,292
<u>-</u>	<u>23,820</u>	<u>407</u>	<u>-</u>	<u>93,897</u>	<u>22,156</u>	<u>2,275</u>	<u>687,293</u>
<u>1,807</u>	<u>(252)</u>	<u>(113)</u>	<u>531</u>	<u>-</u>	<u>1,487</u>	<u>1,372</u>	<u>12,756</u>
5,000						5,000	10,000
<u>5,000</u>						<u>5,000</u>	<u>(48,000)</u>
							<u>(38,000)</u>
6,807	(252)	(113)	531	-	1,487	6,372	(25,244)
38,360	11,209	6,504	11,377	-	20,713	78,968	486,050
<u>\$ 45,167</u>	<u>\$ 10,957</u>	<u>\$ 6,391</u>	<u>\$ 11,908</u>	<u>\$ -</u>	<u>\$ 22,200</u>	<u>\$ 85,340</u>	<u>\$ 460,806</u>

**CITY OF SPRING LAKE PARK
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2007**

Schedule 5

	Equipment Certificates of		Fire Station	Total
	2002	2007	Bonds Fund	
ASSETS				
Cash and Investments	\$ 30,046	\$ 182	\$ 20,232	\$ 50,460
Taxes Receivable - Unremitted	1,583		1,050	2,633
	\$ 31,629	\$ 182	\$ 21,282	\$ 53,093
FUND BALANCE				
Fund Balance - Reserved	\$ 31,629	\$ 182	\$ 21,282	\$ 53,093

CITY OF SPRING LAKE PARK **Schedule 6**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Equipment Certificates of</u>		Fire Station	
	2002	2002	Bonds Fund	Total
Revenues				
General Property Taxes	\$ 132,039		\$ 85,618	\$ 217,657
Intergovernmental Revenue	7,261		4,708	11,969
Investment Income	1,939	\$ 182	795	2,916
	<u>141,239</u>	<u>182</u>	<u>91,121</u>	<u>232,542</u>
Total Revenues				
Expenditures				
Debt Service				
Principal	130,000		62,073	192,073
Interest	4,160		23,549	27,709
	<u>134,160</u>	<u>-</u>	<u>85,622</u>	<u>219,782</u>
Total Expenditures				
Revenues Over (Under) Expenditures	7,079	182	5,499	12,760
Fund Balance Beginning of Year	<u>24,550</u>		<u>15,783</u>	<u>40,333</u>
Fund Balance End of Year	<u>\$ 31,629</u>	<u>\$ 182</u>	<u>\$ 21,282</u>	<u>\$ 53,093</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2007**

ASSETS	Revolving Fund	State Aid Street Fund	2002 Improvement Bond Fund	81st Avenue Rehabilitation Fund
Cash and Investments	\$ 124,870	\$ 113,526	\$ 368,002	\$ 5,000
Accounts Receivable				
Taxes Receivable - Unremitted	8			
Special Assessments Receivable				
Unremitted				300
Delinquent	2,286			842
Deferred	30,548			222,117
Due from Other Governmental Units		91,405		
Due from Other Funds	639,998			
Accrued Interest			11,056	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u><u>\$ 797,710</u></u>	<u><u>\$ 204,931</u></u>	<u><u>\$ 379,058</u></u>	<u><u>\$ 228,259</u></u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 6,972	\$ 755		\$ 5,000
Due to Other Funds				639,998
Deferred Revenue	32,834	91,405		222,959
	<u> </u>	<u> </u>		<u> </u>
Total Liabilities	<u>39,806</u>	<u>92,160</u>		<u>867,957</u>
Fund Balance				
Reserved	639,998	112,771	\$ 379,058	
Unreserved				
Designated				
Undesignated	117,906			(639,698)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>757,904</u>	<u>112,771</u>	<u>379,058</u>	<u>(639,698)</u>
	<u><u>\$ 797,710</u></u>	<u><u>\$ 204,931</u></u>	<u><u>\$ 379,058</u></u>	<u><u>\$ 228,259</u></u>

Street Sealcoating Fund	Storm Water Fund	Building Maintenance Fund	Capital Replacement Fund	Equipment Certificates		Public Safety Replacement Fund
				2002	2007	
\$ 341,339	\$ 826	\$ 127,483	\$ 369,613	\$ 17,421	\$ 577,353	\$ 9,627
<u>\$ 341,339</u>	<u>\$ 826</u>	<u>\$ 127,483</u>	<u>\$ 369,613</u>	<u>\$ 17,421</u>	<u>\$ 577,353</u>	<u>\$ 9,627</u>
	\$ 826			\$ 6,000		
	<u>269,881</u>			<u>6,000</u>		
	<u>270,707</u>			<u>6,000</u>		
				11,421	\$ 577,353	
\$ 341,339	(269,881)	\$ 127,483	\$ 369,613			\$ 9,627
<u>341,339</u>	<u>(269,881)</u>	<u>127,483</u>	<u>369,613</u>	<u>11,421</u>	<u>577,353</u>	<u>9,627</u>
<u>\$ 341,339</u>	<u>\$ 826</u>	<u>\$ 127,483</u>	<u>\$ 369,613</u>	<u>\$ 17,421</u>	<u>\$ 577,353</u>	<u>\$ 9,627</u>

**CITY OF SPRING LAKE PARK
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2007**

ASSETS	Park Improvement Funds			
	Acquisition	Lakeside		General
		Park	Equipment	Improvement
Cash and Investments	\$ 133,991	\$ 55,922	\$ 2,432	\$ 21,052
Accounts Receivable			4,249	
Taxes Receivable - Unremitted				
Special Assessments Receivable				
Unremitted				
Delinquent				
Deferred				
Due from Other Governmental Units				
Due from Other Funds				
Accrued Interest				
Totals	<u>\$ 133,991</u>	<u>\$ 55,922</u>	<u>\$ 6,681</u>	<u>\$ 21,052</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable				
Due to Other Funds				
Deferred Revenue				
Total Liabilities				
Fund Balance				
Reserved	\$ 133,991	\$ 55,922	\$ 6,681	\$ 21,052
Unreserved				
Designated				
Undesignated				
Total Fund Balance	<u>133,991</u>	<u>55,922</u>	<u>6,681</u>	<u>21,052</u>
Totals	<u>\$ 133,991</u>	<u>\$ 55,922</u>	<u>\$ 6,681</u>	<u>\$ 21,052</u>

**Schedule 7
Sheet 2**

Youth Hockey	Park Special Projects	Right of Way Fund	Tax Increment Districts		Total
			SLP Cottages	Noah's Ark	
\$ 2,747	\$ 11,617	\$ 13,894	\$ 55,719	\$ 216,663	\$ 2,569,097
					4,249
					8
					300
					3,128
					252,665
					91,405
					639,998
					11,056
\$ 2,747	\$ 11,617	\$ 13,894	\$ 55,719	\$ 216,663	\$ 3,571,906
			\$ 360	\$ 65,128	\$ 85,041
					909,879
					347,198
			360	65,128	1,342,118
\$ 2,747	\$ 11,617		55,359	151,535	2,159,505
		\$ 13,894			861,956
					(791,673)
2,747	11,617	13,894	55,359	151,535	2,229,788
\$ 2,747	\$ 11,617	\$ 13,894	\$ 55,719	\$ 216,663	\$ 3,571,906

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Revolving Fund	State Aid Street Fund	2002 Improvement Bond Fund	81st Avenue Rehabilitation Fund
Revenues				
Increment Property Taxes				
Special Assessments	\$ 16,296			\$ 52,600
Intergovernmental Revenues		\$ 127,324		75,000
Investment Income	3,417	7,107	\$ 18,532	
Other Revenues	20			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	19,733	134,431	18,532	127,600
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Other - Current		8,660		
Capital Outlay				
Improvement Costs	44,277	103,341	1,516	6,558
Payments to Developer				
Other				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	44,277	112,001	1,516	6,558
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues Over (Under) Expenditures	(24,544)	22,430	17,016	121,042
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)				
Proceeds from Sale of Bonds				
Transfers from Other Funds				
Transfers to Other Funds	(3,417)	(38,238)		
	<hr/>	<hr/>		
Other Financing Sources (Uses)	(3,417)	(38,238)		
	<hr/>	<hr/>		
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(27,961)	(15,808)	17,016	121,042
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance Beginning of Year	785,865	128,579	362,042	(760,740)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance End of Year	<u>\$ 757,904</u>	<u>\$ 112,771</u>	<u>\$ 379,058</u>	<u>\$ (639,698)</u>

Street Sealcoating Fund	Storm Water Fund	Building Maintenance Fund	Capital Replacement Fund	Equipment Certificates		Public Safety Replacement Fund
				2002	2007	
\$ 17,055		\$ 5,108	\$ 16,490 500	\$ 2,092	\$ 869	\$ 349
<u>17,055</u>	<u>\$ -</u>	<u>5,108</u>	<u>16,990</u>	<u>2,092</u>	<u>869</u>	<u>349</u>
		614	3,274	73,157	11,809	74
72,125	5,358				6,120	
<u>72,125</u>	<u>5,358</u>	<u>614</u>	<u>3,274</u>	<u>73,157</u>	<u>17,929</u>	<u>74</u>
<u>(55,070)</u>	<u>(5,358)</u>	<u>4,494</u>	<u>13,716</u>	<u>(71,065)</u>	<u>(17,060)</u>	<u>275</u>
					594,413	
11,655		14,408				2,000
<u>11,655</u>		<u>14,408</u>			<u>594,413</u>	<u>2,000</u>
(43,415)	(5,358)	18,902	13,716	(71,065)	577,353	2,275
<u>384,754</u>	<u>(264,523)</u>	<u>108,581</u>	<u>355,897</u>	<u>82,486</u>		<u>7,352</u>
<u>\$ 341,339</u>	<u>\$ (269,881)</u>	<u>\$ 127,483</u>	<u>\$ 369,613</u>	<u>\$ 11,421</u>	<u>\$ 577,353</u>	<u>\$ 9,627</u>

CITY OF SPRING LAKE PARK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Park Improvement Funds			General Improvement
	Acquisition	Lakeside		
		Park	Equipment	
Revenues				
Increment Property Taxes				
Special Assessments				
Intergovernmental Revenues				
Investment Income	\$ 8,133	\$ 2,140	\$ 237	\$ 912
Other Revenues		36,817	6,299	2,305
Total Revenues	<u>8,133</u>	<u>38,957</u>	<u>6,536</u>	<u>3,217</u>
Expenditures				
Other - Current		1,617	1,137	557
Capital Outlay		19,135	6,467	
Improvement Costs	65,430			
Payments to Developer				
Other				
Total Expenditures	<u>65,430</u>	<u>20,752</u>	<u>7,604</u>	<u>557</u>
Revenues Over (Under) Expenditures	<u>(57,297)</u>	<u>18,205</u>	<u>(1,068)</u>	<u>2,660</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Bonds				
Transfers from Other Funds				
Transfers to Other Funds				
Other Financing Sources (Uses)				
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(57,297)</u>	<u>18,205</u>	<u>(1,068)</u>	<u>2,660</u>
Fund Balance Beginning of Year	<u>191,288</u>	<u>37,717</u>	<u>7,749</u>	<u>18,392</u>
Fund Balance End of Year	<u>\$ 133,991</u>	<u>\$ 55,922</u>	<u>\$ 6,681</u>	<u>\$ 21,052</u>

**Schedule 8
Sheet 2**

Youth Hockey	Park Special Projects	Right of Way Fund	Tax Increment Districts		Total
			SLP Cottages	Noah's Ark	
			\$ (2,395)	\$ 144,488	\$ 142,093
					68,896
					202,324
\$ 122	\$ 544	\$ 619	2,342	7,128	93,196
	3,395				49,336
<u>122</u>	<u>3,939</u>	<u>619</u>	<u>(53)</u>	<u>151,616</u>	<u>555,845</u>
	4,827		4,378	8,378	30,242
					113,842
					298,605
				129,255	129,255
					6,120
<u>-</u>	<u>4,827</u>	<u>-</u>	<u>4,378</u>	<u>137,633</u>	<u>578,064</u>
<u>122</u>	<u>(888)</u>	<u>619</u>	<u>(4,431)</u>	<u>13,983</u>	<u>(22,219)</u>
					594,413
					28,063
					(41,655)
					<u>580,821</u>
122	(888)	619	(4,431)	13,983	558,602
<u>2,625</u>	<u>12,505</u>	<u>13,275</u>	<u>59,790</u>	<u>137,552</u>	<u>1,671,186</u>
<u>\$ 2,747</u>	<u>\$ 11,617</u>	<u>\$ 13,894</u>	<u>\$ 55,359</u>	<u>\$ 151,535</u>	<u>\$ 2,229,788</u>

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OTHER FINANCIAL INFORMATION

**CITY OF SPRING LAKE PARK
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2007 and 2006**

Schedule 9

	2007	2006
ASSETS		
Cash and Investments	\$ 1,175,479	\$ 1,308,471
Taxes Receivable - Unremitted	27,533	13,820
Accounts Receivable	10,680	36,085
Due from Other Governmental Units	41,967	23,135
Due from Other Funds	238,764	77,240
Accrued Interest Receivable	50,576	57,860
Prepaid Items	19,023	16,339
	<u> </u>	<u> </u>
Totals	<u><u>\$ 1,564,022</u></u>	<u><u>\$ 1,532,950</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 118,445	\$ 74,716
Accrued Payroll and Taxes	91,006	58,642
Due to Other Funds		200,000
Deposits and Other Liabilities	83,536	79,950
	<u> </u>	<u> </u>
Total Liabilities	<u>292,987</u>	<u>413,308</u>
 Fund Balance		
Reserved	19,023	16,339
Unreserved - Designated	1,252,012	1,103,303
	<u> </u>	<u> </u>
Total Fund Balance	<u>1,271,035</u>	<u>1,119,642</u>
	<u> </u>	<u> </u>
Totals	<u><u>\$ 1,564,022</u></u>	<u><u>\$ 1,532,950</u></u>

**CITY OF SPRING LAKE PARK
GENERAL FUND**

**Schedule 10
Sheet 1**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007		Variance- Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Revenues				
General Property Taxes	\$ 2,269,217	\$ 2,257,386	\$ (11,831)	\$ 2,167,042
Licenses and Permits				
Licenses	52,400	60,210	7,810	60,146
Permits	45,400	196,271	150,871	70,680
	<u>97,800</u>	<u>256,481</u>	<u>158,681</u>	<u>130,826</u>
Intergovernmental Revenues				
Property Tax Credits	124,845	124,141	(704)	142,722
Police Aids	79,800	80,186	386	78,755
Other Aids	5,775	5,775	-	5,775
	<u>210,420</u>	<u>210,102</u>	<u>(318)</u>	<u>227,252</u>
Charges for Services				
General Government	61,945	103,153	41,208	64,871
Public Safety	6,400	22,395	15,995	9,253
	<u>68,345</u>	<u>125,548</u>	<u>57,203</u>	<u>74,124</u>
Fines and Forfeitures	<u>93,000</u>	<u>100,451</u>	<u>7,451</u>	<u>89,441</u>
Investment Income	<u>19,000</u>	<u>34,365</u>	<u>15,365</u>	<u>22,578</u>
Other Revenues				
Administrative Charges	51,430	51,430	-	46,180
Liaison Officer	58,125	58,128	3	54,400
Insurance Dividends	3,500	4,142	642	6,596
Reimbursements and Other	3,500	4,810	1,310	4,010
	<u>116,555</u>	<u>118,510</u>	<u>1,955</u>	<u>111,186</u>
Total Revenues	<u>2,874,337</u>	<u>3,102,843</u>	<u>228,506</u>	<u>2,822,449</u>

**CITY OF SPRING LAKE PARK
GENERAL FUND**

**Schedule 10
Sheet 2**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007		Variance- Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Expenditures				
General Government				
Mayor and Council				
Personal Services	\$ 34,125	\$ 33,572	\$ 553	\$ 32,668
Supplies and Services	1,375	1,603	(228)	1,058
Other Charges	12,812	12,444	368	10,990
	<u>48,312</u>	<u>47,619</u>	<u>693</u>	<u>44,716</u>
Clerk - Treasurer				
Personal Services	357,735	359,689	(1,954)	334,308
Supplies	10,505	8,345	2,160	8,058
Contracted Services	8,580	7,758	822	7,932
Other Charges	16,525	14,128	2,397	13,080
	<u>393,345</u>	<u>389,920</u>	<u>3,425</u>	<u>363,378</u>
Assessing				
Contracted Services	<u>38,000</u>	<u>38,130</u>	<u>(130)</u>	<u>36,224</u>
Accounting and Auditing				
Contracted Services	<u>15,000</u>	<u>15,500</u>	<u>(500)</u>	<u>9,425</u>
Information Technology				
Contracted Services	<u>15,850</u>	<u>13,029</u>	<u>2,821</u>	<u>14,990</u>
Legal				
Contracted Services	<u>120,000</u>	<u>143,979</u>	<u>(23,979)</u>	<u>134,574</u>
Engineering				
Contracted Services	<u>48,750</u>	<u>28,601</u>	<u>20,149</u>	<u>23,435</u>
Planning and Zoning				
Supplies and Other Charges	<u>1,340</u>	<u>1,249</u>	<u>91</u>	<u>828</u>
Government Buildings				
Personal Services	17,130	23,817	(6,687)	31,713
Supplies	13,550	21,981	(8,431)	14,206
Contracted Services	49,430	42,747	6,683	48,645
Other Charges	17,055	10,725	6,330	
Debt Retirement	46,913	46,913	-	47,963
Capital Outlay				3,006
	<u>144,078</u>	<u>146,183</u>	<u>(2,105)</u>	<u>145,533</u>
Total General Government	<u>824,675</u>	<u>824,210</u>	<u>465</u>	<u>773,103</u>

**CITY OF SPRING LAKE PARK
GENERAL FUND**

**Schedule 10
Sheet 3**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007		Variance- Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Expenditures, continued:				
Public Safety				
Police Protection				
Personal Services	\$ 1,159,595	\$ 1,179,907	\$ (20,312)	\$ 1,089,152
Supplies	33,500	33,902	(402)	32,730
Contracted Services	19,705	21,778	(2,073)	23,154
Other Charges	28,970	43,177	(14,207)	31,682
Capital Outlay	30,000	26,290	3,710	56,535
	<u>1,271,770</u>	<u>1,305,054</u>	<u>(33,284)</u>	<u>1,233,253</u>
Fire Protection				
Contracted Services	163,698	163,698	-	145,335
Capital Outlay				7,089
	<u>163,698</u>	<u>163,698</u>	<u>-</u>	<u>152,424</u>
Protective Inspection				
Personal Services	102,380	93,143	9,237	80,175
Supplies	5,000	4,530	470	2,954
Contracted Services	950	1,131	(181)	1,026
Other Charges	1,050	1,900	(850)	465
Capital Outlay		1,374	(1,374)	
	<u>109,380</u>	<u>102,078</u>	<u>7,302</u>	<u>84,620</u>
Emergency Management				
Other Charges	1,230	946	284	793
Capital Outlay				1,906
	<u>1,230</u>	<u>946</u>	<u>284.00</u>	<u>2,699</u>
Animal Control				
Contracted Services	1,000	716	284	863
Total Public Safety	<u>1,547,078</u>	<u>1,572,492</u>	<u>(25,414)</u>	<u>1,473,859</u>
Public Works				
Street Maintenance				
Personal Services	152,730	165,035	(12,305)	142,028
Supplies	50,100	48,487	1,613	45,999
Other Charges	8,140	8,385	(245)	5,598
Total Public Works	<u>210,970</u>	<u>221,907</u>	<u>(10,937)</u>	<u>193,625</u>

**CITY OF SPRING LAKE PARK
GENERAL FUND**

**Schedule 10
Sheet 4**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007		Variance- Favorable (Unfavorable)	2006 Actual
	Budget	Actual		
Expenditures, continued:				
Recreation and Parks				
Recreation				
Personal Services	\$ 221,395	\$ 215,743	\$ 5,652	\$ 184,739
Supplies	5,410	5,506	(96)	6,807
Contracted Services	10,514	10,642	(128)	8,795
Other Charges	1,940	1,327	613	9,171
	239,259	233,218	6,041	209,512
Parks and Forestry				
Personal Services	175,895	181,610	(5,715)	165,273
Supplies	28,900	30,961	(2,061)	29,815
Contracted Services	6,220	8,705	(2,485)	8,080
Other Charges	15,127	18,290	(3,163)	4,985
Capital Outlay	5,000	3,300	1,700	
	231,142	242,866	(11,724)	208,153
Total Recreation and Parks	470,401	476,084	(5,683)	417,665
Other				
Insurance	31,605	31,733	(128)	31,136
Permit Surcharges	5,100	10,626	(5,526)	2,703
Contingency and Other	1,100	15,990	(14,890)	17,052
	37,805	58,349	(20,544)	50,891
Total Expenditures	3,090,929	3,153,042	(62,113)	2,909,143
Revenues Over (Under) Expenditures	(216,592)	(50,199)	166,393	(86,694)
Other Financing Sources (Uses)				
Transfers from Other Funds	228,000	228,000	-	228,000
Transfers to Other Funds	(26,408)	(26,408)	-	(54,220)
	201,592	201,592	-	173,780
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (15,000)	151,393	\$ 166,393	87,086
Fund Balance Beginning of Year		1,119,642		1,032,556
Fund Balance End of Year		\$ 1,271,035		\$ 1,119,642

**CITY OF SPRING LAKE PARK
UTILITY FUND
BALANCE SHEET
DECEMBER 31, 2007 AND 2006**

Schedule 11

	2007	2006
ASSETS		
Current Assets		
Cash and Investments	\$ 1,858,435	\$ 2,088,132
Accounts Receivable	475,091	477,752
Prepaid Items	15,918	15,038
	<u>2,349,444</u>	<u>2,580,922</u>
Property, Plant and Equipment - At Cost		
Buildings and Structures	6,553,078	6,033,331
Distribution and Collection System	2,195,648	2,195,648
Furniture, Fixtures and Equipment	530,528	406,104
	<u>9,279,254</u>	<u>8,635,083</u>
Less Accumulated Depreciation	(2,955,144)	(2,686,966)
	<u>6,324,110</u>	<u>5,948,117</u>
Reserved Assets		
Cash and Investments	1,310,263	1,193,223
	<u>1,310,263</u>	<u>1,193,223</u>
Totals	<u>\$ 9,983,817</u>	<u>\$ 9,722,262</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	\$ 73,825	\$ 39,946
Accrued Payroll and Taxes	10,478	8,276
Accrued Interest	32,623	34,429
Accrued Severance	26,168	30,067
Other Accrued Liabilities	5,667	1,198
Deferred Revenue	4,000	7,579
Current Maturities of Note Payable	161,000	157,074
Total Current Liabilities	<u>313,761</u>	<u>278,569</u>
Other Liability		
Note Payable (Less Current Maturities)	3,041,000	3,202,000
	<u>3,041,000</u>	<u>3,202,000</u>
Total Liabilities	<u>3,354,761</u>	<u>3,480,569</u>
Fund Equity		
Invested in Capital Assets (Net of Debt)	3,122,110	2,589,043
Retained Earnings- Reserved	3,506,946	3,652,650
	<u>6,629,056</u>	<u>6,241,693</u>
Total Fund Equity	<u>6,629,056</u>	<u>6,241,693</u>
Totals	<u>\$ 9,983,817</u>	<u>\$ 9,722,262</u>

**CITY OF SPRING LAKE PARK
UTILITY FUND**

Schedule 12

**STATEMENT OF OPERATIONS AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Water	2007 Sewer	Totals	2006 Totals
Operating Revenues				
Service Charges	<u>\$ 795,476</u>	<u>\$ 687,902</u>	<u>\$ 1,483,378</u>	<u>\$ 1,472,855</u>
Operating Expenses				
Personal Services	142,428	142,883	285,311	245,285
Supplies	96,991	16,640	113,631	109,077
Contracted Services	116,630	13,811	130,441	152,521
Disposal Charges		367,790	367,790	381,574
Depreciation	243,447	39,005	282,452	261,067
Other Charges	<u>41,716</u>	<u>22,603</u>	<u>64,319</u>	<u>86,456</u>
Total Operating Expenses	<u>641,212</u>	<u>602,732</u>	<u>1,243,944</u>	<u>1,235,980</u>
Operating Income (Loss)	<u>154,264</u>	<u>85,170</u>	<u>239,434</u>	<u>236,875</u>
Nonoperating Revenues (Expenses)				
Leasing Fees	74,770		74,770	84,647
Connection Fees	4,800	11,572	16,372	10,800
Investment Income	96,460	48,230	144,690	133,078
Fees and Other Revenues	3,752	1,203	4,955	4,242
Interest Expense	<u>(92,858)</u>		<u>(92,858)</u>	<u>(97,355)</u>
Net Nonoperating Revenues	<u>86,924</u>	<u>61,005</u>	<u>147,929</u>	<u>135,412</u>
Net Income	<u>\$ 241,188</u>	<u>\$ 146,175</u>	387,363	372,287
Retained Earnings Beginning of Year			<u>6,241,693</u>	<u>5,869,406</u>
Retained Earnings End of Year			<u>\$ 6,629,056</u>	<u>\$ 6,241,693</u>

**CITY OF SPRING LAKE PARK
UTILITY FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Flows from Operating Activities:		
Cash Received From:		
Customers	\$ 1,497,424	\$ 1,641,801
Other Receipts	92,518	102,518
	<u>1,589,942</u>	<u>1,744,319</u>
Cash Expended for:		
Personal Services	287,008	238,922
Treatment Costs	367,790	381,574
Supplies, Services and Other	299,124	380,814
	<u>953,922</u>	<u>1,001,310</u>
Net Cash from Operating Activities	<u>636,020</u>	<u>743,009</u>
Cash Flows from Investing Activities:		
Investment Income	<u>144,690</u>	<u>133,078</u>
Cash Flows from Capital Financing Activities:		
Acquisition of Plant and Equipment	(641,629)	(335,777)
Proceeds from Note Payable		7,530
Payment on Note Payable	(157,074)	(171,000)
Interest Paid on Note Payable	<u>(94,664)</u>	<u>(98,741)</u>
Net Cash Flows from (Used for) Capital Financing Activities	<u>(893,367)</u>	<u>(597,988)</u>
Increase (Decrease) in Cash and Cash Equivalents	(112,657)	278,099
Cash and Cash Equivalents Beginning of Year	<u>3,281,355</u>	<u>3,003,256</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,168,698</u>	<u>\$ 3,281,355</u>
Presented in the Balance Sheet as:		
Cash and Investments - Current	\$ 1,858,435	\$ 2,088,132
Cash and Investments - Reserved for		
Renewal and Replacement	1,223,600	1,099,400
Debt Service	<u>86,663</u>	<u>93,823</u>
	<u>\$ 3,168,698</u>	<u>\$ 3,281,355</u>

Schedule 13

	2007	2006
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 239,434	\$ 236,875
Adjustments to Reconcile Operating Income To Net Cash from Operating Activities		
Depreciation	282,452	261,067
Fees and Other Revenues	96,097	99,689
(Increase) Decrease in Accounts Receivable	2,661	164,937
(Increase) Decrease in Other Current Assets	(880)	(761)
Increase (Decrease) in Accounts Payable	17,063	(27,990)
Increase (Decrease) in Accrued Liabilities	(807)	9,192
	<u>\$ 636,020</u>	<u>\$ 743,009</u>
Net Cash from Operating Activities	<u>\$ 636,020</u>	<u>\$ 743,009</u>

**CITY OF SPRING LAKE PARK
LIQUOR FUND
BALANCE SHEET
DECEMBER 31, 2007 AND 2006**

Schedule 14

	2007	2006
ASSETS		
Current Assets		
Cash and Investments	\$ 742,545	\$ 385,489
Inventory	422,316	408,182
Accounts Receivable	8,792	8,180
Due from Other Funds		200,000
Accrued Interest Receivable	28,035	18,192
Prepaid Items	3,866	3,249
	<u>1,205,554</u>	<u>1,023,292</u>
Property, Plant and Equipment - At Cost		
Land and Improvements	133,648	133,648
Buildings and Structures	708,542	708,542
Furniture, Fixtures and Equipment	266,578	266,578
	<u>1,108,768</u>	<u>1,108,768</u>
Less Accumulated Depreciation	(547,919)	(490,260)
	<u>560,849</u>	<u>618,508</u>
Reserved Assets		
Cash and Investments	770,521	779,242
	<u>770,521</u>	<u>779,242</u>
Totals	<u>\$ 2,536,924</u>	<u>\$ 2,421,042</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	\$ 135,171	\$ 48,080
Accrued Payroll and Taxes	11,611	9,934
Accrued Severance	39,810	33,690
Other Liabilities	25,745	28,293
Due to Other Funds (General Fund)	238,764	77,240
Total Current Liabilities	<u>451,101</u>	<u>197,237</u>
Other Liability		
Due to Other Funds (HRA Reserve Fund)		30,168
	<u>451,101</u>	<u>227,405</u>
Fund Equity		
Invested in Capital Assets	560,849	618,508
Retained Earnings - Unreserved	1,524,974	1,575,129
Total Fund Equity	<u>2,085,823</u>	<u>2,193,637</u>
Totals	<u>\$ 2,536,924</u>	<u>\$ 2,421,042</u>

**CITY OF SPRING LAKE PARK
LIQUOR FUND**

Schedule 15

**STATEMENT OF OPERATIONS AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Operating Revenues		
Sales and Cost of Sales		
Sales	\$ 2,697,103	\$ 2,623,242
Cost of Sales	<u>(2,071,117)</u>	<u>(2,032,241)</u>
Total Operating Revenues	<u>625,986</u>	<u>591,001</u>
Operating Expenses		
Personal Services	378,268	357,132
Supplies	18,670	20,576
Contracted Services	105,749	111,740
Depreciation	57,659	54,226
Other Charges	<u>55,296</u>	<u>64,688</u>
Total Operating Expenses	<u>615,642</u>	<u>608,362</u>
Operating Income (Loss)	<u>10,344</u>	<u>(17,361)</u>
Nonoperating Revenues (Expenses)		
Investment Income	34,574	43,291
Commissions and Other	7,312	7,871
Other Services	(8,721)	
Interest Expense	<u>(1,323)</u>	<u>(3,635)</u>
Net Nonoperating Revenues	<u>31,842</u>	<u>47,527</u>
Income Before Transfer	42,186	30,166
Transfer to General Fund	<u>(150,000)</u>	<u>(150,000)</u>
Net Income (Loss) After Transfer	(107,814)	(119,834)
Retained Earnings Beginning of Year	<u>2,193,637</u>	<u>2,313,471</u>
Retained Earnings End of Year	<u><u>\$ 2,085,823</u></u>	<u><u>\$ 2,193,637</u></u>

**CITY OF SPRING LAKE PARK
LIQUOR FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Flows from Operating Activities:		
Cash Received From:		
Customers	\$ 2,694,555	\$ 2,623,242
Other Receipts	6,700	27,039
	<u>2,701,255</u>	<u>2,650,281</u>
Cash Expended for:		
Merchandise for Resale	1,993,960	2,087,597
Personal Services	370,471	348,893
Supplies, Services and Other	181,729	199,338
	<u>2,546,160</u>	<u>2,635,828</u>
Net Cash from Operating Activities	<u>155,095</u>	<u>14,453</u>
Cash Flows from Investing Activities:		
Investment Income	<u>24,731</u>	<u>44,844</u>
Cash Flows from Capital Financing Activities:		
Acquisition of Equipment		(33,696)
Principal Paid on Interfund Loan	(30,168)	(27,856)
Interest Paid on Interfund Loan	(1,323)	(3,635)
Net Cash Used for Capital Financing Activities	<u>(31,491)</u>	<u>(65,187)</u>
Cash Flows Used for Noncapital Financing Activities:		
Increase (Decrease) in Due to General Fund		(504,420)
Transfer and Advances from (to) General Fund	200,000	(350,000)
Net Cash from (Used for) Noncapital Financing Activities	<u>200,000</u>	<u>(854,420)</u>
Increase (Decrease) in Cash and Cash Equivalents	348,335	(860,310)
Cash and Cash Equivalents Beginning of Year	<u>1,164,731</u>	<u>2,025,041</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,513,066</u>	<u>\$ 1,164,731</u>
Presented in the Balance Sheet as:		
Cash and Investments - Current	\$ 742,545	\$ 385,489
Cash and Investments - Reserved for Renewal and Replacement	<u>770,521</u>	<u>779,242</u>
	<u>\$ 1,513,066</u>	<u>\$ 1,164,731</u>

Schedule 16

	2007	2006
Cash Flows from Operating Activities		
Operating Income (Loss)	\$ 10,344	\$ (17,361)
Adjustments to Reconcile Operating Income		
To Net Cash from Operating Activities:		
Depreciation	57,659	54,226
Commissions and Other Revenues	7,312	7,871
Other Expenses	(6,685)	
(Increase) Decrease in Inventory	(14,134)	(63,473)
(Increase) Decrease in Other Current Assets	(1,229)	19,062
Increase (Decrease) in Accounts Payable	96,579	8,377
Increase (Decrease) in Accrued Liabilities	5,249	5,751
	<u>155,095</u>	<u>14,453</u>
Net Cash from (Used for) Operating Activities	<u>\$ 155,095</u>	<u>\$ 14,453</u>

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OTHER REPORT

STUART J. BONNIWELL

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

I have audited the basic financial statements of the City of Spring Lake Park, Minnesota as of and for the year ended December 31, 2007, and have issued my report thereon dated July 2, 2008.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: deposits and investments, claims and disbursements, public indebtedness, contracting and bidding, conflicts of interest, miscellaneous provisions and tax increment financing. My study included all of the listed categories.

The results of my tests indicate that for the items tested, the City of Spring Lake Park, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

Stuart J. Bonniwell
Certified Public Accountant
Minneapolis, Minnesota
July 2, 2008