

# Annual Financial Report

City of Spring Grove  
Spring Grove, Minnesota

For the Year Ended  
December 31, 2015

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Page No.
<b>INTRODUCTORY SECTION</b>	
Elected and Appointed Officials	7
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund	38
Proprietary Funds	
Statements of Net Position	39
Statements of Revenues, Expenses and Changes in Net Position	40
Statements of Cash Flows	41
Notes to the Financial Statements	43
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Nonmajor Special Revenue Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Community Building Fund	75
Cable TV Fund	76
Library Fund	77
Debt Service Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
Nonmajor Capital Projects Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	86
Summary Financial Report -	
Revenues and Expenditures for General Operations - Governmental Funds	90

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Page No.</u>
<b>OTHER REQUIRED REPORTS</b>	
Independent Auditor's Report on Minnesota Legal Compliance	93
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94
Schedule of Findings and Responses	96

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**INTRODUCTORY SECTION**

CITY OF SPRING GROVE  
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sarah Schroeder	Mayor	12/31/16
Nancy Nelson	Council	12/31/16
Rachel Olerud	Council	12/31/16
Scott Solberg	Council	12/31/14
Todd Bornholdt	Council	12/31/14

**APPOINTED**

Erin Konkel	City Clerk/Treasurer
-------------	----------------------

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FINANCIAL SECTION**  
**CITY OF SPRING GROVE**  
**SPRING GROVE, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and City Council  
 City of Spring Grove, Minnesota

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Grove, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City’s financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Economic Development Authority Fund	Unmodified
Debt Service Funds	Unmodified
Water Utility Fund	Qualified
Sewer Utility Fund	Qualified
Electric Utility Fund	Qualified
Municipal Liquor Store Fund	Qualified
Aggregate Remaining Fund Information	Qualified

## **Basis for Qualified Opinions**

The City has not adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Public Employee Retirement Association nor the pension amounts related to the Spring Grove Fire Relief Association, in the governmental activities, business-type activities, each major proprietary fund and the aggregate remaining fund information and, accordingly, has not shown activity related to this standard. Accounting principles generally accepted in the United States of America require that pension balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements.

## **Qualified Opinions**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinions”, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major proprietary fund and the aggregate remaining fund information of the City as of December 31, 2015, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund of the City as of December 31, 2015, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis starting on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on May 10, 2016, our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
May 10, 2016

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

## Management's Discussion and Analysis

As management of the City of Spring Grove, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,402,043 (*net position*). Of this amount, \$2,996,741 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$845,882, as compared to an increase of \$675,053 in the previous year. The majority of this increase is attributable to various grants and income from operations in the business-type activities, particularly the Water Utility and Electric Utility funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,596,771, an increase of \$104,780 in comparison with the prior year. Approximately 55.5 percent of this total amount, \$1,440,687, is available for spending at the City's discretion although nearly half of this balance has been assigned for specific purposes. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for economic development of \$154,472, for tax increment spending of \$33,832, for debt service of \$283,311, for capital purchases of \$174,160 and for law enforcement of \$4,047. Committed fund balances in the City include amounts for economic development of \$235,700, for community building operations of \$20,303, for Cable TV operations of \$3,000 and for library operations of \$171,563. Additionally, amounts are reported as nonspendable as they are not available for spending as follows: due from other funds - \$4,810, advances to other funds - \$61,795 and prepaid items - \$9,091.

### 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 supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

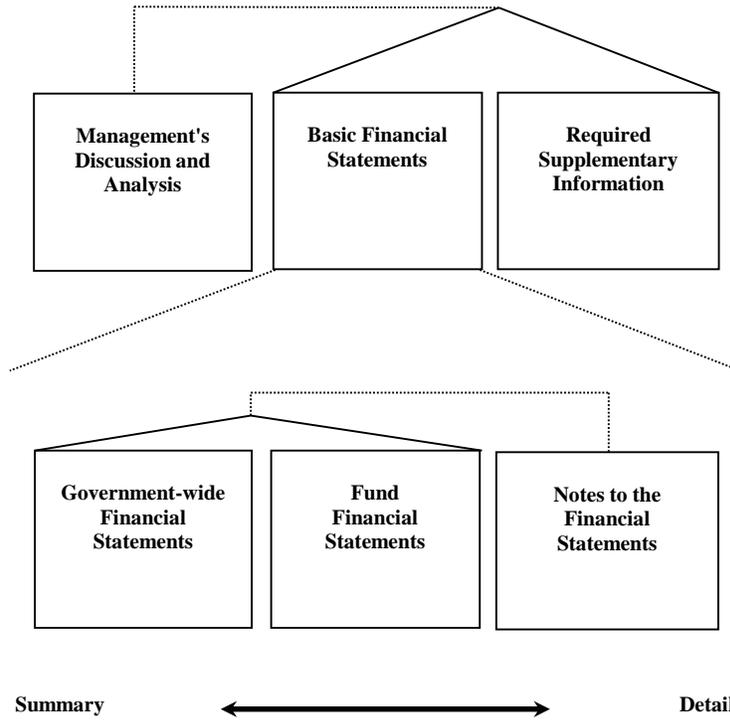


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during 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 payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous and interest and other costs on long-term debt. The business-type activities of the City include water utility, sewer utility, electric utility and municipal liquor store.

The government-wide financial statements can be found starting on page 29 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 governments, 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 26 individual governmental funds, seven of which are Debt Service funds, which are reported as one fund for financial reporting purposes. 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 and the Debt Service funds, both of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. Budgetary comparison statements have been provided for the General fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found starting on page 34 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *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 water utility, sewer utility, electric utility and municipal liquor store 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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 39 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 43 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 68 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,402,043 at the close of the most recent fiscal year.

A large portion of the City's net position (54.5 percent) reflects its investment in capital assets (e.g., land, buildings, 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.

### City of Spring Grove's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 2,828,874	\$ 2,686,237	\$ 142,637	\$ 2,459,628	\$ 2,088,060	\$ 371,568
Capital assets	3,444,333	3,401,953	42,380	3,329,706	3,266,033	63,673
Total assets	<u>6,273,207</u>	<u>6,088,190</u>	<u>185,017</u>	<u>5,789,334</u>	<u>5,354,093</u>	<u>435,241</u>
Long-term liabilities outstanding	2,299,848	2,419,371	(119,523)	2,141,609	2,119,953	21,656
Other liabilities	75,360	126,059	(50,699)	143,681	207,213	(63,532)
Total liabilities	<u>2,375,208</u>	<u>2,545,430</u>	<u>(170,222)</u>	<u>2,285,290</u>	<u>2,327,166</u>	<u>(41,876)</u>
Net position						
Net investment in capital assets	2,810,485	982,582	1,827,903	1,228,306	1,146,081	82,225
Restricted	366,511	-	366,511	-	-	-
Unrestricted	721,003	2,560,178	(1,839,175)	2,275,738	1,880,846	394,892
Total net position	<u>\$ 3,897,999</u>	<u>\$ 3,542,760</u>	<u>\$ 355,239</u>	<u>\$ 3,504,044</u>	<u>\$ 3,026,927</u>	<u>\$ 477,117</u>

An additional portion of the City's net position (5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (40.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

**Governmental activities.** Governmental activities increased the City's net position by \$357,747, thereby accounting for an increase of 42.3 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

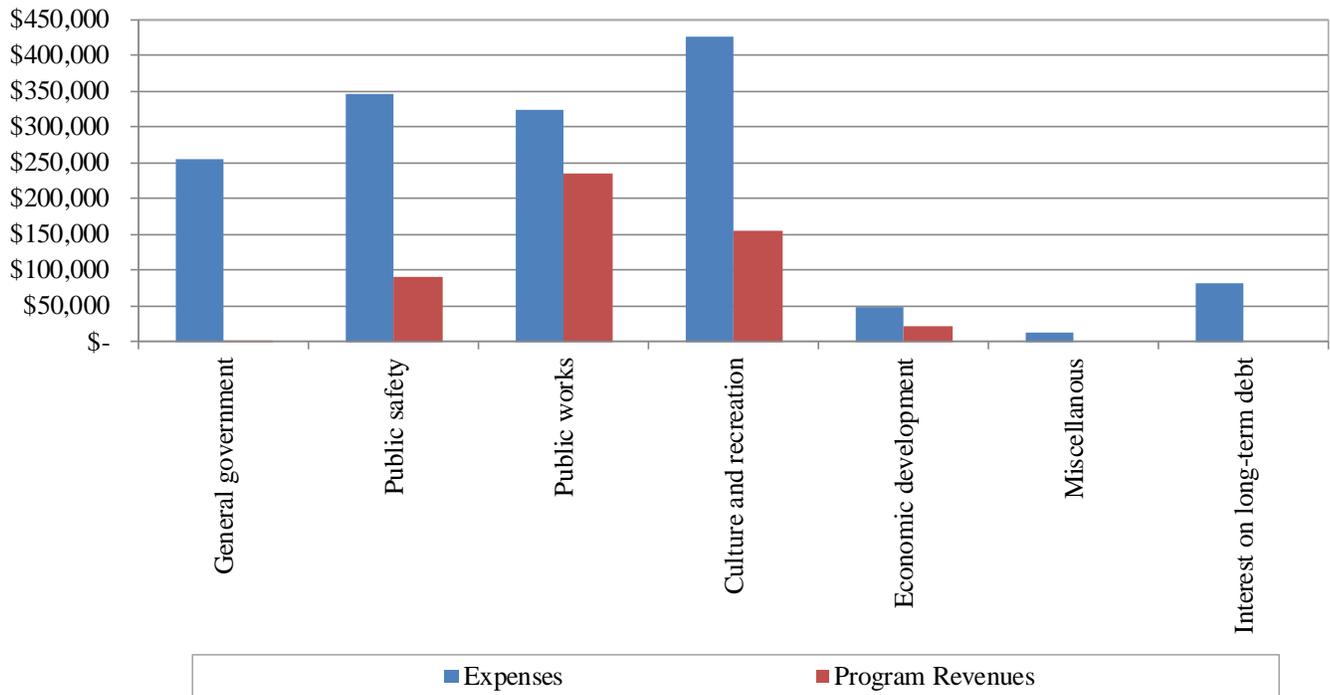
### City of Spring Grove's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 187,898	\$ 142,995	\$ 44,903	\$ 2,857,170	\$ 2,773,092	\$ 84,078
Operating grants and contributions	124,387	109,166	15,221	-	-	-
Capital grants and contributions	190,367	-	190,367	-	-	-
General revenues						
Property taxes/tax increments	617,680	572,497	45,183	-	-	-
Grants and contributions not restricted to specific programs	431,799	412,874	18,925	-	-	-
Unrestricted investment earnings	7,813	11,415	(3,602)	4,740	6,607	(1,867)
Miscellaneous	72,891	78,969	(6,078)	14,144	15,834	(1,690)
<b>Total revenues</b>	<b>1,644,939</b>	<b>1,327,916</b>	<b>317,023</b>	<b>2,876,054</b>	<b>2,795,533</b>	<b>80,521</b>
Expenses						
General government	254,294	289,992	(35,698)	-	-	-
Public safety	344,875	279,775	65,100	-	-	-
Public works	323,688	268,999	54,689	-	-	-
Culture and recreation	425,436	316,606	108,830	-	-	-
Economic development	47,553	58,366	(10,813)	-	-	-
Miscellaneous	12,130	6,072	6,058	-	-	-
Interest and other costs	80,527	87,951	(7,424)	-	-	-
Water utility	-	-	-	195,236	144,375	50,861
Sewer utility	-	-	-	215,504	290,498	(74,994)
Electric utility	-	-	-	1,364,008	1,319,474	44,534
Municipal liquor store	-	-	-	411,860	386,288	25,572
<b>Total expenses</b>	<b>1,488,503</b>	<b>1,307,761</b>	<b>180,742</b>	<b>2,186,608</b>	<b>2,140,635</b>	<b>45,973</b>
Change in net position before transfers	156,436	20,155	136,281	689,446	654,898	34,548
Transfers	201,311	293,119	(91,808)	(201,311)	(293,119)	91,808
Change in net position	357,747	313,274	44,473	488,135	361,779	126,356
Net position - January 1	3,542,760	3,229,486	313,274	3,026,927	2,665,148	361,779
Prior period adjustment (note 7)	(2,508)	-	(2,508)	(11,018)	-	(11,018)
Net position - January 1 as restated	3,540,252	3,229,486	310,766	3,015,909	2,665,148	350,761
Net position - December 31	<u>\$ 3,897,999</u>	<u>\$ 3,542,760</u>	<u>\$ 355,239</u>	<u>\$ 3,504,044</u>	<u>\$ 3,026,927</u>	<u>\$ 477,117</u>

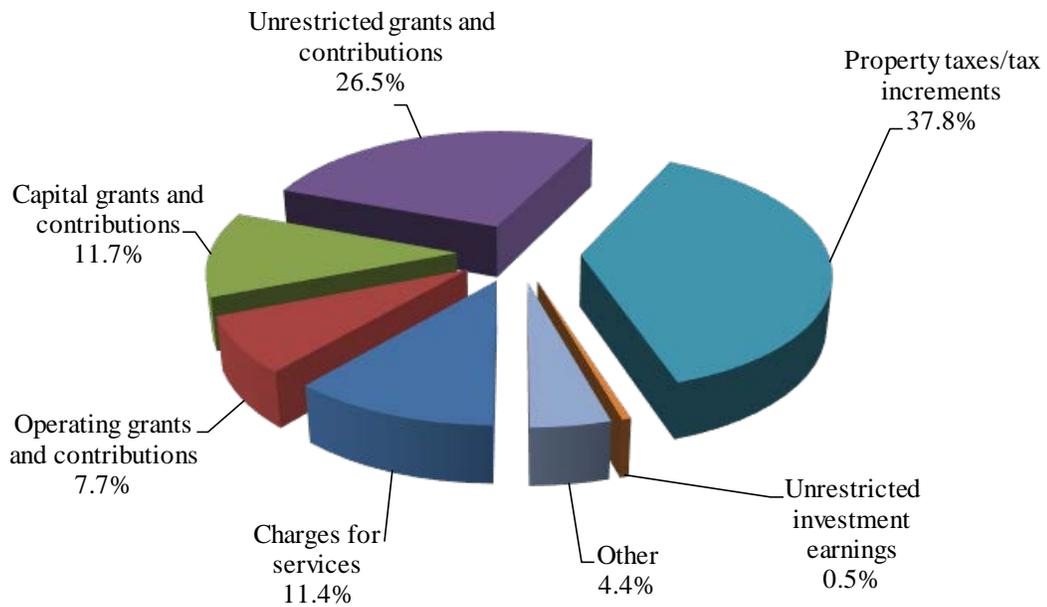
Property tax levies did not change during the year.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities

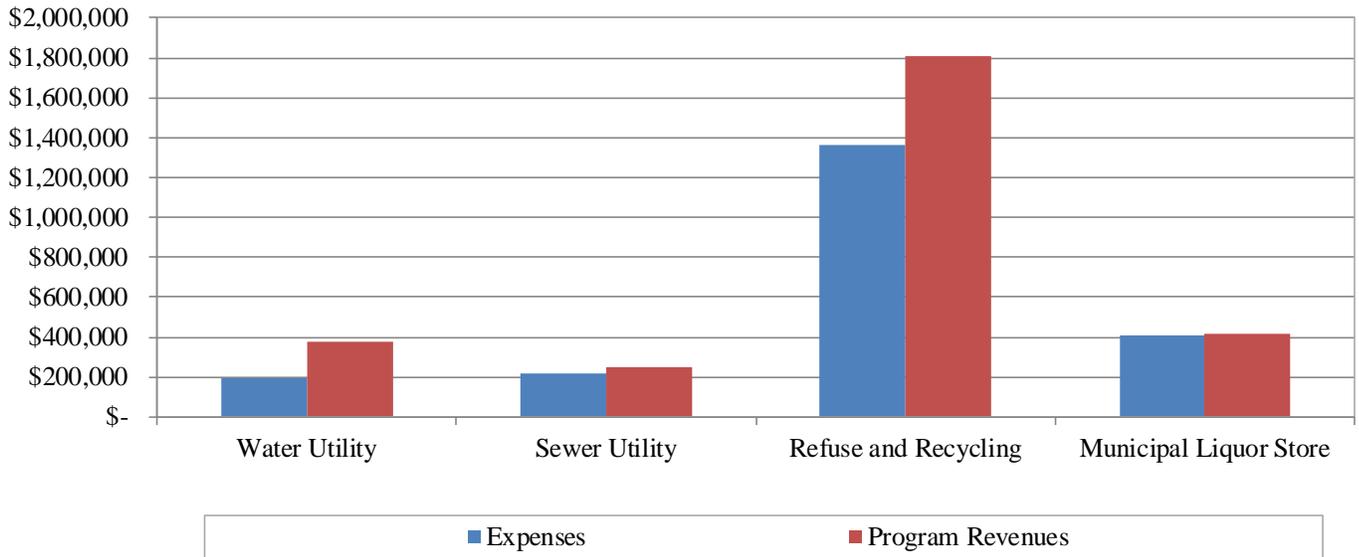


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

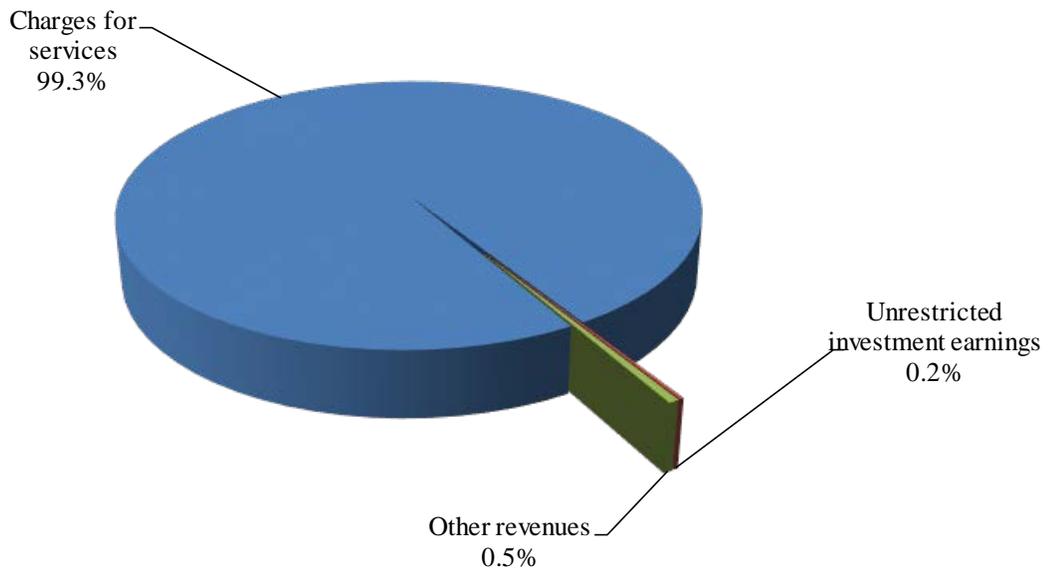
**Business-type activities.** Business-type activities increased the City’s net position by \$488,135, thereby accounting for 57.7 percent of the total growth in the City’s net position. Key elements of this increase are as follows:

- The Water Utility and Electric Utility funds were the strongest activities during 2015 resulting in operating income of \$222,634 and \$450,862, respectively.
- The Sewer Utility and Municipal Liquor Store funds both had operating income for the year of \$47,905 and \$8,534, respectively.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



## Financial Analysis of the City's Funds

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

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

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$869,581, most of which was unassigned, but designed to assure that the City has adequate funding available for at least six months of General fund expenditures and for capital expenditures as detailed on the City's capital improvement plan. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 74.8 percent of fund expenditures.

The fund balance of the City's General fund decreased by \$12,866 during the current fiscal year. The key factors in this decrease were:

- Property tax revenues were over budget by \$105,504.
- Total intergovernmental aid was over budget by \$57,904 due to unbudgeted Small Cities street aid and fire and ambulance retirement stipends.
- Culture and recreation charges for services revenue was over budget by \$20,258 due to increased sales at the pool.
- Public works charges for services revenue and related recycling expenditures were both over budget due to the grossing for recycling activity in the amounts of \$44,045 and \$44,287, respectively.
- Public works capital outlay was over budgeted by \$118,961 due to the 1<sup>st</sup> Avenue reconstruct project.
- Transfers out exceeded budget amounts by \$248,825 due to various approvals via Council Resolutions.

**Debt Service fund** - The Debt Service fund has a total fund balance of \$283,311, which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$45,602. This increase was mainly due to property tax and assessment revenue exceeding scheduled principal and interest payments.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,275,738. The total increase in net position for the funds was \$488,135. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for an increase in fund balance of \$147,951. Revenues exceeded expectations by \$267,988 and expenditures were over budget by \$188,899 in 2015. Additionally, transfers out exceeded budget by \$248,825.

## 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, 2015 amounts to \$6,774,039 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.6 percent (a 1.2 percent increase for governmental activities and a 1.9 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Infrastructure additions totaling \$128,368 related to the 1<sup>st</sup> Avenue reconstruct project.
- The purchase of several vehicles for the street department totaling \$84,935, net of trade-ins of \$61,675.
- Purchase of a new sewer pump for \$23,020.
- Completion of the underground electric project for \$172,744 including \$106,404 in prior year construction in progress.
- Construction projects not completed during the year included costs for the pool shelter totaling \$23,350.

Additional information on the City's capital assets can be found in Note 3C starting on page 53 of this report.

### City of Spring Grove's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 119,218	\$ 119,218	\$ -	\$ 41,614	\$ 41,614	\$ -
Construction in progress	23,350	-	23,350	-	106,404	(106,404)
Land improvements	10,256	12,388	(2,132)	-	-	-
Buildings and improvements	1,557,477	1,625,316	(67,839)	315,201	327,089	(11,888)
Systems and infrastructure	1,400,642	1,320,605	80,037	2,589,889	2,487,230	102,659
Equipment and machinery	333,390	324,426	8,964	383,002	303,696	79,306
<b>Total</b>	<b>\$ 3,444,333</b>	<b>\$ 3,401,953</b>	<b>\$ 42,380</b>	<b>\$ 3,329,706</b>	<b>\$ 3,266,033</b>	<b>\$ 63,673</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,260,000 which consisted of G.O. revenue bonds and revenue bonds. While all of the City’s bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Spring Grove’s Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 1,140,000	\$ 1,255,000	\$ (115,000)	\$ -	\$ -	\$ -
General obligation tax increment bonds	414,000	430,000	(16,000)	-	-	-
General obligation improvement bonds	670,000	700,000	(30,000)	-	-	-
General obligation revenue bonds	-	-	-	2,036,000	2,144,000	(108,000)
Notes payable	29,248	42,684	(13,436)	65,400	73,967	(8,567)
<b>Total</b>	<b>\$ 2,253,248</b>	<b>\$ 2,427,684</b>	<b>\$ (174,436)</b>	<b>\$ 2,101,400</b>	<b>\$ 2,217,967</b>	<b>\$ (116,567)</b>

The City’s total debt decreased by \$291,003, or 6.3 percent during the current fiscal year. Long-term debt of \$705,003 was retired during the year. Debt issuances during the year totaled \$414,000 relating to the 2015A G.O. Tax Increment Refunding Bonds.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. The current debt limitation for the City is \$1,748,520. This limitation is increased by the City’s debt restrictions. The City currently has no general obligation debt subject to this limit.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 56 of this report.

#### Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for Houston County is currently 4.0 percent, which is lower than the rate of 4.1 percent a year ago. This compares unfavorably to the State’s average unemployment rate of 3.6 percent but favorably to the national average rate of 4.8 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City’s budget for the 2016 fiscal year.

#### 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Spring Grove, 118 1<sup>st</sup> Avenue NW, Spring Grove, Minnesota 55974.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF SPRING GROVE  
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 2,441,151	\$ 2,207,297	\$ 4,648,448
Receivables			
Delinquent taxes	11,993	-	11,993
Accounts	20,085	217,555	237,640
Loans, net of allowance	154,472	-	154,472
Special assessments	166,239	-	166,239
Intergovernmental	29,455	-	29,455
Internal balances	(3,612)	3,612	-
Inventories	-	30,438	30,438
Prepaid items	9,091	726	9,817
Capital assets			
Nondepreciable	142,568	41,614	184,182
Depreciable, net of accumulated depreciation	3,301,765	3,288,092	6,589,857
<b>TOTAL ASSETS</b>	<b>6,273,207</b>	<b>5,789,334</b>	<b>12,062,541</b>
<b>LIABILITIES</b>			
Accounts payable	28,674	112,415	141,089
Due to other governments	13,286	3,416	16,702
Accrued interest payable	21,489	24,774	46,263
Accrued salaries payable	11,911	3,076	14,987
Noncurrent liabilities			
Due within one year	206,849	132,633	339,482
Due in more than one year	2,092,999	2,008,976	4,101,975
<b>TOTAL LIABILITIES</b>	<b>2,375,208</b>	<b>2,285,290</b>	<b>4,660,498</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,810,485	1,228,306	4,038,791
Restricted			
Economic development loans	154,472	-	154,472
Tax increment	33,832	-	33,832
Capital purchases	174,160	-	174,160
Law enforcement	4,047	-	4,047
Unrestricted	721,003	2,275,738	2,996,741
<b>TOTAL NET POSITION</b>	<b>\$ 3,897,999</b>	<b>\$ 3,504,044</b>	<b>\$ 7,402,043</b>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 254,294	\$ 50	\$ -	\$ -
Public safety	344,875	32,972	40,567	17,200
Public works	323,688	64,803	-	169,627
Culture and recreation	425,436	89,548	62,186	3,540
Economic development	47,553	525	21,634	-
Miscellaneous	12,130	-	-	-
Interest and other costs	80,527	-	-	-
<b>Total governmental activities</b>	<b>1,488,503</b>	<b>187,898</b>	<b>124,387</b>	<b>190,367</b>
Business-type activities				
Water utility	195,236	374,379	-	-
Sewer utility	215,504	250,750	-	-
Electric utility	1,364,008	1,811,647	-	-
Municipal liquor store	411,860	420,394	-	-
<b>Total business-type activities</b>	<b>2,186,608</b>	<b>2,857,170</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 3,675,111</b>	<b>\$ 3,045,068</b>	<b>\$ 124,387</b>	<b>\$ 190,367</b>

General revenues  
 Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Tax increments  
 Franchise tax  
 Grants and contributions not restricted to specific programs  
 Unrestricted investment earnings  
 Other revenues  
 Gain on sale of capital assets  
 Transfers  
 Total general revenues and transfers

Change in net position

Net position, January 1

Prior period adjustment (Note 7)

Net position, January 1 as restated

Net position, December 31

The notes to the financial statements are in integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (254,244)		\$ (254,244)
(254,136)		(254,136)
(89,258)		(89,258)
(270,162)		(270,162)
(25,394)		(25,394)
(12,130)		(12,130)
(80,527)		(80,527)
<u>(985,851)</u>		<u>(985,851)</u>
-	\$ 179,143	179,143
-	35,246	35,246
-	447,639	447,639
-	8,534	8,534
<u>-</u>	<u>670,562</u>	<u>670,562</u>
<u>(985,851)</u>	<u>670,562</u>	<u>(315,289)</u>
462,049	-	462,049
151,012	-	151,012
4,619	-	4,619
12,104	-	12,104
431,799	-	431,799
7,813	4,740	12,553
66,391	14,144	80,535
6,500	-	6,500
201,311	(201,311)	-
<u>1,343,598</u>	<u>(182,427)</u>	<u>1,161,171</u>
<u>357,747</u>	<u>488,135</u>	<u>845,882</u>
3,542,760	3,026,927	6,569,687
<u>(2,508)</u>	<u>(11,018)</u>	<u>(13,526)</u>
<u>3,540,252</u>	<u>3,015,909</u>	<u>6,556,161</u>
<u>\$ 3,897,999</u>	<u>\$ 3,504,044</u>	<u>\$ 7,402,043</u>

The notes to the financial statements are in integral part of this statement.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FUND FINANCIAL STATEMENTS**

CITY OF SPRING GROVE  
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF SPRING GROVE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	General	Debt Service	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and temporary investments	\$ 858,431	\$ 343,559	\$ 1,239,161	\$ 2,441,151
Receivables				
Delinquent taxes	9,023	2,970	-	11,993
Accounts	18,234	-	1,851	20,085
Loans, net of allowance	-	-	154,472	154,472
Special assessments	-	166,239	-	166,239
Intergovernmental	16,936	12,519	-	29,455
Due from other funds	4,810	-	-	4,810
Advances to other funds	-	-	61,795	61,795
Prepaid items	8,947	-	144	9,091
<b>TOTAL ASSETS</b>	<b><u>\$ 916,381</u></b>	<b><u>\$ 525,287</u></b>	<b><u>\$ 1,457,423</u></b>	<b><u>\$ 2,899,091</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,538	\$ 6,162	\$ 11,974	\$ 28,674
Due to other governments	13,225	-	61	13,286
Due to other funds	2,842	4,810	770	8,422
Advances from other funds	-	61,795	-	61,795
Accrued salaries payable	11,172	-	739	11,911
<b>TOTAL LIABILITIES</b>	<b><u>37,777</u></b>	<b><u>72,767</u></b>	<b><u>13,544</u></b>	<b><u>124,088</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Delinquent taxes	9,023	2,970	-	11,993
Special assessments	-	166,239	-	166,239
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>9,023</u></b>	<b><u>169,209</u></b>	<b><u>-</u></b>	<b><u>178,232</u></b>
<b>FUND BALANCES</b>				
Nonspendable				
Due from other funds	4,810	-	-	4,810
Advances to other funds	-	-	61,795	61,795
Prepaid items	8,947	-	144	9,091
Restricted				
Economic development	-	-	154,472	154,472
Tax increment	-	-	33,832	33,832
Debt service	-	283,311	-	283,311
Capital purchases	-	-	174,160	174,160
Law enforcement	-	-	4,047	4,047
Committed				
Economic development	-	-	235,700	235,700
Community building operations	-	-	20,303	20,303
Cable TV operations	-	-	3,000	3,000
Library operations	-	-	171,563	171,563
Assigned				
Capital purchases	-	-	584,863	584,863
Unassigned	855,824	-	-	855,824
<b>TOTAL FUND BALANCES</b>	<b><u>869,581</u></b>	<b><u>283,311</u></b>	<b><u>1,443,879</u></b>	<b><u>2,596,771</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 916,381</u></b>	<b><u>\$ 525,287</u></b>	<b><u>\$ 1,457,423</u></b>	<b><u>\$ 2,899,091</u></b>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 2,596,771
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	3,444,333
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(46,600)
Bonds payable	(2,253,248)
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	11,993
Special assessments receivable	166,239
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(21,489)</u>
Total net position - governmental activities	<u><u>\$ 3,897,999</u></u>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Debt Service	Other Governmental Funds	Totals
<b>REVENUES</b>				
Taxes	\$ 464,767	\$ 152,019	\$ 16,723	\$ 633,509
Special assessments	1,071	91,310	-	92,381
Licenses and permits	5,086	-	-	5,086
Intergovernmental	492,914	-	14,936	507,850
Charges for services	177,837	-	2,772	180,609
Fines and forfeits	6,159	-	840	6,999
Investment earnings	2,885	179	4,749	7,813
Miscellaneous	50,688	24,781	76,634	152,103
<b>TOTAL REVENUES</b>	<b>1,201,407</b>	<b>268,289</b>	<b>116,654</b>	<b>1,586,350</b>
<b>EXPENDITURES</b>				
Current				
General government	243,608	-	-	243,608
Public safety	285,854	-	-	285,854
Public works	186,116	-	-	186,116
Culture and recreation	184,852	-	139,344	324,196
Economic development	-	14,848	26,973	41,821
Miscellaneous	-	-	11,291	11,291
Capital outlay				
General government	665	-	-	665
Public safety	30,378	-	35,303	65,681
Public works	160,961	-	33,287	194,248
Culture and recreation	54,933	-	13,617	68,550
Economic development	-	-	570	570
Miscellaneous	-	-	839	839
Debt service				
Principal	13,436	180,000	-	193,436
Interest and other costs	1,564	89,942	-	91,506
<b>TOTAL EXPENDITURES</b>	<b>1,162,367</b>	<b>284,790</b>	<b>261,224</b>	<b>1,708,381</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>39,040</b>	<b>(16,501)</b>	<b>(144,570)</b>	<b>(122,031)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	6,500	6,500
Bonds issued	-	414,000	-	414,000
Payments on refunded bonds	-	(395,000)	-	(395,000)
Transfers in	196,919	43,103	293,312	533,334
Transfers out	(248,825)	-	(83,198)	(332,023)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(51,906)</b>	<b>62,103</b>	<b>216,614</b>	<b>226,811</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,866)</b>	<b>45,602</b>	<b>72,044</b>	<b>104,780</b>
FUND BALANCES, JANUARY 1	882,447	237,709	1,204,586	2,324,742
PRIOR PERIOD ADJUSTMENT (NOTE 7)	-	-	167,249	167,249
FUND BALANCES, JANUARY 1 AS RESTATED	882,447	237,709	1,371,835	2,491,991
FUND BALANCES, DECEMBER 31	<b>\$ 869,581</b>	<b>\$ 283,311</b>	<b>\$ 1,443,879</b>	<b>\$ 2,596,771</b>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balances - governmental funds	\$ 104,780
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	158,683
Depreciation expense	(198,043)
<p>The net effect of various miscellaneous transactions involving capital assets.</p>	
Trade-in of capital assets	61,675
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	588,436
Debt issued or incurred	(414,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	10,979
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(3,725)
Special assessments	55,814
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Compensated absences	(6,852)
Change in net position - governmental activities	\$ 357,747

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 359,263	\$ 359,263	\$ 464,767	\$ 105,504
Special assessments	-	-	1,071	1,071
Licenses and permits	3,750	3,750	5,086	1,336
Intergovernmental	435,006	435,006	492,914	57,908
Charges for services	102,400	102,400	177,837	75,437
Fines and forfeits	5,000	5,000	6,159	1,159
Investment earnings	1,500	1,500	2,885	1,385
Miscellaneous	26,500	26,500	50,688	24,188
<b>TOTAL REVENUES</b>	<b>933,419</b>	<b>933,419</b>	<b>1,201,407</b>	<b>267,988</b>
<b>EXPENDITURES</b>				
Current				
General government	247,729	247,729	243,608	4,121
Public safety	261,124	261,124	285,854	(24,730)
Public works	149,823	149,823	186,116	(36,293)
Culture and recreation	178,292	178,292	184,852	(6,560)
Capital outlay				
General government	3,500	3,500	665	2,835
Public safety	28,300	28,300	30,378	(2,078)
Public works	42,000	42,000	160,961	(118,961)
Culture and recreation	47,700	47,700	54,933	(7,233)
Debt service				
Principal	15,000	15,000	13,436	1,564
Interest and other costs	-	-	1,564	(1,564)
<b>TOTAL EXPENDITURES</b>	<b>973,468</b>	<b>973,468</b>	<b>1,162,367</b>	<b>(188,899)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(40,049)</b>	<b>(40,049)</b>	<b>39,040</b>	<b>79,089</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	188,000	188,000	196,919	8,919
Transfers out	-	-	(248,825)	(248,825)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>188,000</b>	<b>188,000</b>	<b>(51,906)</b>	<b>(239,906)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>147,951</b>	<b>147,951</b>	<b>(12,866)</b>	<b>(160,817)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>882,447</b>	<b>882,447</b>	<b>882,447</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,030,398</b>	<b>\$ 1,030,398</b>	<b>\$ 869,581</b>	<b>\$ (160,817)</b>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Total
	620 Water Utility	625 Sewer Utility	615 Electric Utility	650 Municipal Liquor Store	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and temporary investments	\$ 653,648	\$ 176,527	\$ 1,301,002	\$ 76,120	\$ 2,207,297
Accounts receivable	31,783	22,890	162,882	-	217,555
Due from other funds	3,424	145	11,568	-	15,137
Inventories	-	-	-	30,438	30,438
Prepaid items	39	71	616	-	726
<b>TOTAL CURRENT ASSETS</b>	<b>688,894</b>	<b>199,633</b>	<b>1,476,068</b>	<b>106,558</b>	<b>2,471,153</b>
<b>NONCURRENT ASSETS</b>					
Capital assets					
Land	-	34,114	-	7,500	41,614
Buildings and improvements	-	2,153,774	849,225	101,387	3,104,386
Systems and infrastructure	2,121,894	955,086	209,712	-	3,286,692
Equipment and machinery	37,232	263,520	249,349	54,680	604,781
Less accumulated depreciation	(452,406)	(2,229,677)	(920,646)	(105,038)	(3,707,767)
Total capital assets (net of accumulated depreciation)	1,706,720	1,176,817	387,640	58,529	3,329,706
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,706,720</b>	<b>1,176,817</b>	<b>387,640</b>	<b>58,529</b>	<b>3,329,706</b>
<b>TOTAL ASSETS</b>	<b>2,395,614</b>	<b>1,376,450</b>	<b>1,863,708</b>	<b>165,087</b>	<b>5,800,859</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	2,156	1,558	107,723	978	112,415
Due to other governments	-	-	-	3,416	3,416
Due to other funds	3,462	7,314	-	749	11,525
Accrued interest payable	19,307	5,467	-	-	24,774
Accrued salaries payable	468	468	1,225	915	3,076
Compensated absences payable - current portion	2,144	2,144	10,669	707	15,664
Bonds payable - current portion	68,000	40,000	8,969	-	116,969
<b>TOTAL CURRENT LIABILITIES</b>	<b>95,537</b>	<b>56,951</b>	<b>128,586</b>	<b>6,765</b>	<b>287,839</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences payable - noncurrent portion	856	856	22,679	154	24,545
Bonds payable - noncurrent portion	1,484,000	444,000	56,431	-	1,984,431
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,484,856</b>	<b>444,856</b>	<b>79,110</b>	<b>154</b>	<b>2,008,976</b>
<b>TOTAL LIABILITIES</b>	<b>1,580,393</b>	<b>501,807</b>	<b>207,696</b>	<b>6,919</b>	<b>2,296,815</b>
<b>NET POSITION</b>					
Net investment in capital assets	154,720	692,817	322,240	58,529	1,228,306
Unrestricted	660,501	181,826	1,333,772	99,639	2,275,738
<b>TOTAL NET POSITION</b>	<b>\$ 815,221</b>	<b>\$ 874,643</b>	<b>\$ 1,656,012</b>	<b>\$ 158,168</b>	<b>\$ 3,504,044</b>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Total
	620 Water Utility	625 Sewer Utility	615 Electric Utility	650 Municipal Liquor Store	
OPERATING REVENUES					
Charges for services	\$ 374,379	\$ 250,750	\$ 1,811,647	\$ -	\$ 2,436,776
Sales	-	-	-	420,394	420,394
Cost of sales	-	-	-	(271,161)	(271,161)
<b>TOTAL OPERATING REVENUES</b>	<b>374,379</b>	<b>250,750</b>	<b>1,811,647</b>	<b>149,233</b>	<b>2,586,009</b>
OPERATING EXPENSES					
Power production	-	-	1,197,547	-	1,197,547
Salaries and benefits	36,346	35,206	97,310	95,407	264,269
Supplies	21,688	32,298	18,026	4,968	76,980
Other services and charges	8,032	26,164	25,908	17,089	77,193
Insurance	235	429	3,787	5,980	10,431
Utilities	38,610	60,065	4,911	13,384	116,970
Depreciation	46,834	48,683	13,296	3,871	112,684
<b>TOTAL OPERATING EXPENSES</b>	<b>151,745</b>	<b>202,845</b>	<b>1,360,785</b>	<b>140,699</b>	<b>1,856,074</b>
OPERATING INCOME (LOSS)	222,634	47,905	450,862	8,534	729,935
NONOPERATING REVENUES (EXPENSES)					
Other income	450	250	10,126	1,714	12,540
Investment earnings	1,050	352	3,019	319	4,740
Rental income	-	-	-	1,604	1,604
Interest and other costs	(43,491)	(12,659)	(3,223)	-	(59,373)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(41,991)</b>	<b>(12,057)</b>	<b>9,922</b>	<b>3,637</b>	<b>(40,489)</b>
INCOME (LOSS) BEFORE TRANSFERS	180,643	35,848	460,784	12,171	689,446
TRANSFERS OUT	(22,500)	(22,500)	(156,311)	-	(201,311)
CHANGE IN NET POSITION	158,143	13,348	304,473	12,171	488,135
NET POSITION, JANUARY 1	748,164	794,256	1,338,510	145,997	3,026,927
PRIOR PERIOD ADJUSTMENT (NOTE 7)	(91,086)	67,039	13,029	-	(11,018)
NET POSITION, JANUARY 1 AS RESTATED	657,078	861,295	1,351,539	145,997	3,015,909
NET POSITION, DECEMBER 31	<u>\$ 815,221</u>	<u>\$ 874,643</u>	<u>\$ 1,656,012</u>	<u>\$ 158,168</u>	<u>\$ 3,504,044</u>

The notes to the financial statements are in integral part of this statement.

CITY OF SPRING GROVE, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Total
	620 Water Utility	625 Sewer Utility	615 Electric Utility	609 Municipal Liquor Store	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 371,762	\$ 257,687	\$ 1,819,413	\$ 420,394	\$ 2,869,256
Payments to suppliers and vendors	(69,431)	(123,526)	(1,251,504)	(312,458)	(1,756,919)
Payments to and on behalf of employees	(36,815)	(35,675)	(98,703)	(96,375)	(267,568)
Other receipts	450	250	10,126	3,318	14,144
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>265,966</b>	<b>98,736</b>	<b>479,332</b>	<b>14,879</b>	<b>858,913</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
(Increase) decrease in due from other funds	(3,424)	(145)	(11,568)	-	(15,137)
Increase (decrease) in due to other funds	3,462	7,314	-	749	11,525
Transfers to other funds	(22,500)	(22,500)	(156,311)	-	(201,311)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(22,462)</b>	<b>(15,331)</b>	<b>(167,879)</b>	<b>749</b>	<b>(204,923)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	-	(23,020)	(66,340)	-	(89,360)
Bond principal paid	(68,000)	(40,000)	(8,567)	-	(116,567)
Interest paid on bonds payable	(46,493)	(13,562)	(3,223)	-	(63,278)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(114,493)</b>	<b>(76,582)</b>	<b>(78,130)</b>	<b>-</b>	<b>(269,205)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received on cash and investments	1,050	352	3,019	319	4,740
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>130,061</b>	<b>7,175</b>	<b>236,342</b>	<b>15,947</b>	<b>389,525</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>523,587</b>	<b>169,352</b>	<b>1,064,660</b>	<b>60,173</b>	<b>1,817,772</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 653,648</b>	<b>\$ 176,527</b>	<b>\$ 1,301,002</b>	<b>\$ 76,120</b>	<b>\$ 2,207,297</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 222,634	\$ 47,905	\$ 450,862	\$ 8,534	\$ 729,935
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	450	250	10,126	3,318	14,144
Depreciation	46,834	48,683	13,296	3,871	112,684
(Increase) decrease in assets					
Accounts receivable	(2,617)	6,937	7,766	-	12,086
Inventories	-	-	-	(3,739)	(3,739)
Prepaid items	1,481	1,483	5,056	5,201	13,221
Increase (decrease) in liabilities					
Accounts payable	(2,347)	(6,053)	(6,381)	(1,365)	(16,146)
Due to other governments	-	-	-	27	27
Accrued salaries payable	(781)	(781)	(2,044)	(1,829)	(5,435)
Compensated absences payable	312	312	651	861	2,136
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 265,966</b>	<b>\$ 98,736</b>	<b>\$ 479,332</b>	<b>\$ 14,879</b>	<b>\$ 858,913</b>

The notes to the financial statements are in integral part of this statement.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Spring Grove, Minnesota (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government.

*Blended Component Unit.* The Spring Grove Economic Development Authority (EDA) was established under Minnesota statutes, 469.090 through 469.108 for the purpose of promoting economic development within the City. The seven members of the EDA’s governing board are appointed and approved by the City Council. The EDA has a December 31 year-end and is reported as a special revenue fund. Separate financial statements are not issued for the EDA. The EDA is presented as a blended component unit as the entity exclusively provides services to the City.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Electric fund* accounts for the costs associated with the City's electric system and ensures that user charges are sufficient to pay for those costs.

The *Municipal Liquor Store fund* accounts for the costs associated with the City's liquor store and ensures that revenues are sufficient to pay for those costs.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows or resources, and net position/fund balance**

*Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Investments for the City are reported at fair value. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Property taxes***

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

***Interfund receivables and payables***

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

Advances between funds and component unit, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

***Inventories and prepaid items***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF SPRING GROVE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 25
Buildings and improvements	20 - 40
Other improvements	5
Infrastructure	20 - 50
Machinery and equipment	5 - 40
Vehicles	8 - 20
Other assets	5

*Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits through a paid time off (PTO) policy. The PTO policy allows a maximum payout total of 480 hours upon voluntary termination at \$9 per hour. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued as of December 31, 2015 was \$86,809. The General fund is typically used to liquidate governmental compensated absences payable.

*Postemployment benefits other than pensions*

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The City calculated its OPEB liability using the alternative measurement method, in accordance with GASB Statement 45 at January 1, 2015 and it was determined that there is no liability.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

***Deferred inflows of resources***

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unassigned fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The City has not formally adopted a fund balance policy for the General fund.

CITY OF SPRING GROVE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net position*

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Community Building, Cable TV and Library special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk/Treasurer so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Clerk/Treasurer and are reviewed by Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2015, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 973,468	\$ 1,162,367	\$ 188,899

Excess expenditures were funded by actual revenues in excess of budgeted amounts and available fund balance.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rate "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$4,647,348 and the bank balance was \$4,683,977. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$4,183,977 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City has not adopted a formal investment policy outlining objectives and procedures for investing idle funds or to address the above risks.

***Cash on hand***

Cash in the possession of the City, consisting of petty cash and change funds, totals \$1,100.

***Cash and investments summary***

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Deposits	\$ 4,647,348
Cash on hand	<u>1,100</u>
Total	<u><u>\$ 4,648,448</u></u>

**B. Loans receivable**

***Commercial loans***

The City currently has loans to various local businesses totaling \$3,592, net of an allowance for a forgivable portion of \$31,623, at December 31, 2015. Monthly payments on the loans total approximately \$550 including interest at 3 percent with a payback period of 5 years. The loans are secured by real estate.

***Economic development loans***

The EDA currently has loans to various local businesses totaling \$150,880, net of an allowance for a forgivable portion of \$180,627, at December 31, 2015. The loans are secured by real estate.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

Capital asset activity for the City for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 119,218	\$ -	\$ -	\$ -	\$ 119,218
Construction in progress	-	23,350	-	-	23,350
<b>Total capital assets not being depreciated</b>	<b>119,218</b>	<b>23,350</b>	<b>-</b>	<b>-</b>	<b>142,568</b>
Capital assets being depreciated					
Land improvements	26,824	-	-	-	26,824
Buildings and improvements	2,798,844	-	-	-	2,798,844
Systems and infrastructure	3,685,360	128,368	-	-	3,813,728
Equipment and machinery	1,534,043	130,315	(103,429)	26,905	1,587,834
<b>Total capital assets being depreciated</b>	<b>8,045,071</b>	<b>258,683</b>	<b>(103,429)</b>	<b>26,905</b>	<b>8,227,230</b>
Less accumulated depreciation for					
Land improvements	(14,436)	(2,132)	-	-	(16,568)
Buildings and improvements	(1,173,528)	(67,839)	-	-	(1,241,367)
Systems and infrastructure	(2,364,755)	(48,331)	-	-	(2,413,086)
Equipment and machinery	(1,209,617)	(79,741)	41,754	(6,840)	(1,254,444)
<b>Total accumulated depreciation</b>	<b>(4,762,336)</b>	<b>(198,043)</b>	<b>41,754</b>	<b>(6,840)</b>	<b>(4,925,465)</b>
<b>Total capital assets being depreciated, net</b>	<b>3,282,735</b>	<b>60,640</b>	<b>(61,675)</b>	<b>20,065</b>	<b>3,301,765</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,401,953</b>	<b>\$ 83,990</b>	<b>\$ (61,675)</b>	<b>\$ 20,065</b>	<b>\$ 3,444,333</b>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated					
Land	\$ 41,614	\$ -	\$ -	\$ -	\$ 41,614
Construction in progress	106,404	66,340	(172,744)	-	-
Total capital assets not being depreciated	<u>148,018</u>	<u>66,340</u>	<u>(172,744)</u>	<u>-</u>	<u>41,614</u>
Capital assets being depreciated					
Buildings and improvements	3,104,386	-	-	-	3,104,386
Systems and infrastructure	3,113,948	172,744	-	-	3,286,692
Equipment and machinery	511,854	23,020	(24,453)	94,360	604,781
Total capital assets being depreciated	<u>6,730,188</u>	<u>195,764</u>	<u>(24,453)</u>	<u>94,360</u>	<u>6,995,859</u>
Less accumulated depreciation for					
Buildings and improvements	(2,777,297)	(11,888)	-	-	(2,789,185)
Systems and infrastructure	(626,718)	(70,085)	-	-	(696,803)
Equipment and machinery	(208,158)	(30,711)	24,453	(7,363)	(221,779)
Total accumulated depreciation	<u>(3,612,173)</u>	<u>(112,684)</u>	<u>24,453</u>	<u>(31,712)</u>	<u>(3,707,767)</u>
Total capital assets being depreciated, net	<u>3,118,015</u>	<u>83,080</u>	<u>-</u>	<u>62,648</u>	<u>3,288,092</u>
Business-type activities capital assets, net	<u>\$ 3,266,033</u>	<u>\$ 149,420</u>	<u>\$ (172,744)</u>	<u>\$ 62,648</u>	<u>\$ 3,329,706</u>

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities</b>	
General government	\$ 7,796
Public safety	37,914
Public works	93,310
Culture and recreation	53,861
Economic development	5,162
Total depreciation expense - governmental activities	<u>\$ 198,043</u>
<b>Business-type activities</b>	
Water utility	\$ 46,834
Sewer utility	48,683
Electric utility	13,296
Municipal liquor store	3,871
Total depreciation expense - business-type activities	<u>\$ 112,684</u>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Construction commitments*

While the City has no active construction projects as of December 31, 2015, commitments with a contractor for the final payment on a street reconstruct project was as follows:

Project	Spent-to-Date	Remaining Commitment
1st Avenue Reconstruct Project	\$ 110,757	\$ 18,394

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances at December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service funds	\$ 4,810
Enterprise	General	56
Water Utility	Nonmajor governmental funds	45
	Enterprise	
	Sewer	3,302
	Municipal Liquor Store	21
Sewer Utility	General	68
	Nonmajor governmental funds	52
	Enterprise	
	Municipal Liquor Store	25
Electric Utility	General	2,718
	Nonmajor governmental funds	673
	Enterprise	
	Water	3,462
	Sewer	4,012
	Municipal Liquor Store	703
Totals		\$ 19,947

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Advances from/to other funds at December 31, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	Debt service funds	\$ 61,795

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The advance to the 2002 Taxable EDA Revenue Bonds debt service fund from the Aquatic Center nonmajor capital project fund was made in 2012 to fund the balloon payment on the associated EDA note. This advance will be paid back over 12 years at 4 percent interest with rental revenue.

Funds	Transfers in			Total
	General Fund	Debt Service Funds	Nonmajor Governmental Funds	
Transfers out				
General	\$ -	\$ -	\$ 248,825	\$ 248,825
Nonmajor Governmental funds	8,919	43,103	31,176	83,198
Water Utility	22,500	-	-	22,500
Sewer Utility	22,500	-	-	22,500
Electric Utility	143,000	-	13,311	156,311
Total transfers out	<u>\$ 196,919</u>	<u>\$ 43,103</u>	<u>\$ 293,312</u>	<u>\$ 533,334</u>

During the year, transfers are used to 1) move revenues from the enterprise funds to the governmental funds to help reduce the tax levy and 2) move General fund resources to provide an annual subsidy to other funds. Further, during the year ended December 31, 2015, the government made the following one-time transfers:

- The Parks capital project fund transferred \$8,919 to the General fund to close the fund.

**E. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2012A Tax Abatement Bonds	\$ 1,435,000	2.58 %	05/15/12	02/01/26	<u>\$ 1,140,000</u>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	<b>G.O. Bonds</b> Governmental Activities		
	Principal	Interest	Total
2016	\$ 95,000	\$ 28,187	\$ 123,187
2017	95,000	25,736	120,736
2018	95,000	23,285	118,285
2019	100,000	20,770	120,770
2020	105,000	18,125	123,125
2021 - 2025	550,000	48,895	598,895
2026	100,000	1,290	101,290
Total	<u>\$ 1,140,000</u>	<u>\$ 166,288</u>	<u>\$ 1,306,288</u>

General obligation tax increment bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2015A G.O. Tax Increment Refunding Bonds	\$ 414,000	2.30 %	12/07/15	02/01/23	<u>\$ 414,000</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31	<b>G.O. Tax Increment Bonds</b> Governmental Activities		
	Principal	Interest	Total
2016	\$ 45,000	\$ 5,672	\$ 50,672
2017	44,000	7,982	51,982
2018	54,000	6,855	60,855
2019	53,000	5,624	58,624
2020	58,000	4,347	62,347
2021 - 2023	160,000	5,244	165,244
Total	<u>\$ 414,000</u>	<u>\$ 35,724</u>	<u>\$ 449,724</u>

CITY OF SPRING GROVE, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

G.O. special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2013A G.O. Improvement and Utility Refunding Bonds	\$ 700,000	0.75 - 4.10 %	07/08/13	02/01/34	<u>\$ 670,000</u>

The annual debt service requirements to maturity for general obligation special assessment (improvement) bonds are as follows:

Year Ending December 31	<b>G.O. Improvement Bonds</b> Governmental Activities		
	Principal	Interest	Total
2016	\$ 30,000	\$ 19,860	\$ 49,860
2017	30,000	19,590	49,590
2018	30,000	19,245	49,245
2019	30,000	18,825	48,825
2020	30,000	18,330	48,330
2021 - 2025	165,000	80,726	245,726
2026 - 2030	185,000	54,000	239,000
2031 - 2034	170,000	17,420	187,420
Total	<u>\$ 670,000</u>	<u>\$ 247,996</u>	<u>\$ 917,996</u>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2012B G.O. Sewer Revenue Bonds	\$ 162,950	2.00 %	09/01/12	09/01/19	\$ 96,000
2013A G.O. Improvement and Utility Refunding Bonds	2,025,000	0.75 - 4.10	07/08/13	02/01/34	<u>1,940,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 2,036,000</u></u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility
Revenues	\$ 374,379	\$ 250,750
Principal and interest	114,493	53,562
Percentage of revenues	30.6%	21.4%

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2016	\$ 108,000	\$ 59,286	\$ 167,286
2017	109,000	58,061	167,061
2018	114,000	56,604	170,604
2019	115,000	54,864	169,864
2020	90,000	52,879	142,879
2021 - 2025	475,000	232,094	707,094
2026 - 2030	535,000	155,488	690,488
2031 - 2034	<u>490,000</u>	<u>50,050</u>	<u>540,050</u>
Total	<u><u>\$ 2,036,000</u></u>	<u><u>\$ 719,326</u></u>	<u><u>\$ 2,755,326</u></u>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Capital leases

The City leased a rescue truck under a capital lease. The following is a summary of equipment under capitalized leases:

	Governmental Activities
Asset	
Equipment and machinery	\$ 118,200
Less: Accumulated depreciation	(105,395)
 Total	 \$ 12,805

The following capital lease obligation was issued to finance the purchase of capital equipment. The rescue truck lease is being paid for by the General fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2007 Pierce Rescue Truck	\$ 116,451	4.80 %	02/20/07	02/20/17	\$ 29,248

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	\$ 15,000
2017	15,000
 Total minimum lease payments	30,000
Less: amount representing interest	(752)
 Present value of minimum lease payments	 \$ 29,248

Notes payable

The City has issued notes to provide funds for acquisition of equipment. These obligations are direct obligations and pledge the full faith and credit of the City. Notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Tri-County Electric COOP Transmitter Note	\$ 94,360	4.60 %	05/01/12	05/01/22	\$ 65,400

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31	<b>Note Payable</b> Business-type Activities		
	Principal	Interest	Total
2016	\$ 8,969	\$ 2,821	\$ 11,790
2017	9,390	2,400	11,790
2018	9,831	1,958	11,789
2019	10,293	1,496	11,789
2020	10,777	1,012	11,789
2021 - 2022	16,140	560	16,700
Total	<u>\$ 65,400</u>	<u>\$ 10,247</u>	<u>\$ 75,647</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 1,255,000	\$ -	\$ (115,000)	\$ 1,140,000	\$ 95,000
General obligation tax increment bonds	430,000	414,000	(430,000)	414,000	45,000
General obligation improvement bonds	700,000	-	(30,000)	670,000	30,000
Total bonds payable	2,385,000	414,000	(575,000)	2,224,000	170,000
Capital lease payable	42,684	-	(13,436)	29,248	14,510
Compensated absences payable	39,748	32,889	(26,037)	46,600	22,339
Governmental long-term liabilities	<u>\$ 2,467,432</u>	<u>\$ 446,889</u>	<u>\$ (614,473)</u>	<u>\$ 2,299,848</u>	<u>\$ 206,849</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 2,144,000	\$ -	\$ (108,000)	\$ 2,036,000	\$ 108,000
Notes payable	73,967	-	(8,567)	65,400	8,969
Compensated absences payable	38,073	17,095	(14,959)	40,209	15,664
Business-type long-term liabilities	<u>\$ 2,256,040</u>	<u>\$ 17,095</u>	<u>\$ (131,526)</u>	<u>\$ 2,141,609</u>	<u>\$ 132,633</u>

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**B. Benefits provided**

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

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

The benefit provisions stated in the following 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.

GERF benefits

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

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**C. Contributions**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$26,581, \$23,111 and \$28,802, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$10,988, \$7,898 and \$8,063, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

**Note 5: OTHER INFORMATION**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

**B. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: OTHER INFORMATION - CONTINUED**

**C. Tax increment districts**

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

**D. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The LGA amount received in 2015 was \$416,552 which accounted for approximately 44.6 percent of General fund revenues.

**E. Legal debt margin**

The City's statutory debt limit is three percent of the estimated market value within the City of \$58,284,000 at December 31, 2015. The City currently has \$1,140,000 of debt subject to this limit leaving a debt margin of \$891,831 which includes a debt service reserve of \$283,311. Debt financed partially or entirely by special assessments or debt that is incurred for improvements of the proprietary funds is excluded from this computation by statute.

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 6: PRIOR PERIOD ADJUSTMENT**

The following prior period adjustments were recorded to write off underwriter's discounts on various bonds, to write off unavailable revenue related to loans, to move outstanding debt from the Sewer Utility to the Water Utility fund, to move various capital assets into the correct funds, to adjust capital assets and loans to actual balances and to record an additional note payable and the related capital asset.

As a result of the prior period adjustment to beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements.

Fund	December 31, 2015		
	Fund Balance December 31, 2014 as Previously Reported	Prior Period Adjustment	Fund Balance January 1, 2015 as Restated
Governmental activities	\$ 3,542,760	\$ (2,508)	\$ 3,540,252
Governmental funds			
Small Cities Grants	\$ 82,561	\$ 10,195	\$ 92,756
EDA Revolving Loan	101,474	157,054	258,528
Total governmental funds	\$ 184,035	\$ 167,249	\$ 351,284
Governmental activities			
To record police vehicle purchased in prior years, net of recalculated accumulated depreciation		\$ 19,181	
To adjust various capital assets to actual		884	
To write off capitalized underwriter's discount per GASB 65		(8,313)	
To adjust various loans to actual		(14,260)	
Total governmental activities		\$ (2,508)	
Governmental funds			
To eliminate deferred inflows of resources - Small Cities loans per GASB 65		\$ 10,195	
To eliminate deferred inflows of resources - EDA loans per GASB 65		157,054	
Total governmental funds		\$ 167,249	

CITY OF SPRING GROVE, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 6: PRIOR PERIOD ADJUSTMENT – CONTINUED**

Fund	Fund Balance December 31, 2014 as Previously Reported	Prior Period Adjustment	Fund Balance January 1, 2015 as Restated
Business-type activities	\$ 3,026,927	\$ (11,018)	\$ 3,015,909
Business-type activities			
Water utility	\$ 748,164	\$ (91,086)	\$ 657,078
Sewer utility	794,256	67,039	861,295
Electric utility	1,338,510	13,029	1,351,539
Municipal liquor store	145,997	-	145,997
Total business-type activities	\$ 3,026,927	\$ (11,018)	\$ 3,015,909
Business-type activities			
Water utility			
Transfer of bonds and accrued interest from Sewer utility		\$ (1,642,309)	
Transfer of capital assets from Sewer utility net of accumulated depreciation		1,551,223	
Total Water utility		(91,086)	
Sewer utility			
Transfer of bonds and accrued interest to Water utility		1,642,309	
Transfer of capital assets to Water utility net of accumulated depreciation		(1,551,223)	
To write off capitalized underwriter's discount per GASB 65		(24,047)	
Total Sewer utility		67,039	
Electric utility			
To record transmitter purchased in prior years, net of recalculated accumulated depreciation		87,283	
To record note payable on transmitter purchase		(73,967)	
To adjust various capital assets to actual		(287)	
Total Electric utility		13,029	
Total business-type activities		\$ (11,018)	

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF SPRING GROVE  
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 476,091	\$ 763,070	\$ 1,239,161
Receivables			
Accounts	1,851	-	1,851
Loans, net of allowance	154,472	-	154,472
Advances to other funds	-	61,795	61,795
Prepaid items	144	-	144
	<u>632,558</u>	<u>824,865</u>	<u>1,457,423</u>
<b>TOTAL ASSETS</b>	<u>\$ 632,558</u>	<u>\$ 824,865</u>	<u>\$ 1,457,423</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,974	\$ -	\$ 11,974
Due to other governments	61	-	61
Due to other funds	770	-	770
Accrued salaries payable	739	-	739
	<u>13,544</u>	<u>-</u>	<u>13,544</u>
<b>TOTAL LIABILITIES</b>	<u>13,544</u>	<u>-</u>	<u>13,544</u>
<b>FUND BALANCES</b>			
Nonspendable			
Advances to other funds	-	61,795	61,795
Prepaid items	144	-	144
Restricted			
Economic development	154,472	-	154,472
Tax increment	33,832	-	33,832
Capital purchases	-	174,160	174,160
Law enforcement	-	4,047	4,047
Committed			
Economic development	235,700	-	235,700
Community building operations	20,303	-	20,303
Cable TV operations	3,000	-	3,000
Library operations	171,563	-	171,563
Assigned			
Capital purchases	-	584,863	584,863
	<u>619,014</u>	<u>824,865</u>	<u>1,443,879</u>
<b>TOTAL FUND BALANCES</b>	<u>619,014</u>	<u>824,865</u>	<u>1,443,879</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 632,558</u>	<u>\$ 824,865</u>	<u>\$ 1,457,423</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Totals
<b>REVENUES</b>			
Taxes	\$ 16,723	\$ -	\$ 16,723
Intergovernmental	14,936	-	14,936
Charges for services	525	2,247	2,772
Fines and forfeits	-	840	840
Investment earnings	887	3,862	4,749
Miscellaneous	55,894	20,740	76,634
	<u>88,965</u>	<u>27,689</u>	<u>116,654</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Culture and recreation	139,344	-	139,344
Economic development	26,973	-	26,973
Miscellaneous	6,094	5,197	11,291
Capital outlay			
Public safety	-	35,303	35,303
Public works	-	33,287	33,287
Culture and recreation	13,617	-	13,617
Economic development	570	-	570
Miscellaneous	839	-	839
	<u>187,437</u>	<u>73,787</u>	<u>261,224</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>(98,472)</u>	<u>(46,098)</u>	<u>(144,570)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	3,500	3,000	6,500
Transfers in	211,656	81,656	293,312
Transfers out	(36,587)	(46,611)	(83,198)
	<u>178,569</u>	<u>38,045</u>	<u>216,614</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	<u>80,097</u>	<u>(8,053)</u>	<u>72,044</u>
<b>FUND BALANCES, JANUARY 1</b>			
	371,668	832,918	1,204,586
<b>PRIOR PERIOD ADJUSTMENT (NOTE 7)</b>			
	<u>167,249</u>	<u>-</u>	<u>167,249</u>
<b>FUND BALANCES, JANUARY 1 AS RESTATED</b>			
	<u>538,917</u>	<u>832,918</u>	<u>1,371,835</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 619,014</u>	<u>\$ 824,865</u>	<u>\$ 1,443,879</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<u>260/265</u> Small Cities Grants	<u>270</u> Community Building	<u>280</u> Industrial Development	<u>290</u> Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 96,226	\$ 21,633	\$ 13,228	\$ 15,223
Receivables				
Accounts	-	-	-	-
Loans, net of allowance	3,592	-	-	-
Prepaid items	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 99,818</u>	<u>\$ 21,633</u>	<u>\$ 13,228</u>	<u>\$ 15,223</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 531	\$ -	\$ -
Due to other governments	-	61	-	-
Due to other funds	-	692	-	78
Accrued salaries payable	-	46	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,330</u>	<u>-</u>	<u>78</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
Economic development	3,592	-	-	-
Tax increment	-	-	-	-
Committed				
Economic development	96,226	-	13,228	15,145
Community building operations	-	20,303	-	-
Cable TV operations	-	-	-	-
Library operations	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>99,818</u>	<u>20,303</u>	<u>13,228</u>	<u>15,145</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 99,818</u>	<u>\$ 21,633</u>	<u>\$ 13,228</u>	<u>\$ 15,223</u>

<b>295</b> EDA Revolving Loan	<b>318</b> Bender Tax Increment District 1-2	<b>610</b> Cable TV	<b>630</b> Library	Total Nonmajor Funds
\$ 111,101	\$ 33,832	\$ 1,988	\$ 182,860	\$ 476,091
-	-	1,851	-	1,851
150,880	-	-	-	154,472
-	-	-	144	144
<u>\$ 261,981</u>	<u>\$ 33,832</u>	<u>\$ 3,839</u>	<u>\$ 183,004</u>	<u>\$ 632,558</u>
\$ -	\$ -	\$ 839	\$ 10,604	\$ 11,974
-	-	-	-	61
-	-	-	-	770
-	-	-	693	739
-	-	839	11,297	13,544
-	-	-	144	144
150,880	-	-	-	154,472
-	33,832	-	-	33,832
111,101	-	-	-	235,700
-	-	-	-	20,303
-	-	3,000	-	3,000
-	-	-	171,563	171,563
<u>261,981</u>	<u>33,832</u>	<u>3,000</u>	<u>171,707</u>	<u>619,014</u>
<u>\$ 261,981</u>	<u>\$ 33,832</u>	<u>\$ 3,839</u>	<u>\$ 183,004</u>	<u>\$ 632,558</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>260/265</b> Small Cities Grants	<b>270</b> Community Building	<b>280</b> Industrial Development	<b>290</b> Economic Development Authority
<b>REVENUES</b>				
Taxes				
Tax increment district taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Intergovernmental				
County library aid	-	-	-	-
Charges for services				
Economic development	-	-	-	525
Investment earnings	406	-	34	-
Miscellaneous				
Rents	-	8,327	-	2,675
Contributions and donations	-	220	-	1,800
Other	-	3,160	-	-
<b>TOTAL REVENUES</b>	<b>406</b>	<b>11,707</b>	<b>34</b>	<b>5,000</b>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	-	27,784	-	-
Economic development	-	-	-	26,973
Miscellaneous	-	-	-	-
Capital outlay				
Culture and recreation	-	7,668	-	-
Economic development	-	-	-	570
Miscellaneous	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>35,452</b>	<b>-</b>	<b>27,543</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>406</b>	<b>(23,745)</b>	<b>34</b>	<b>(22,543)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	-	3,500
Transfers in	6,656	48,000	27,000	27,000
Transfers out	-	-	(27,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,656</b>	<b>48,000</b>	<b>-</b>	<b>30,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,062</b>	<b>24,255</b>	<b>34</b>	<b>7,957</b>
FUND BALANCES, JANUARY 1	82,561	(3,952)	13,194	7,188
PRIOR PERIOD ADJUSTMENT (NOTE 7)	10,195	-	-	-
FUND BALANCES, JANUARY 1 AS RESTATED	92,756	(3,952)	13,194	7,188
FUND BALANCES, DECEMBER 31	<u>\$ 99,818</u>	<u>\$ 20,303</u>	<u>\$ 13,228</u>	<u>\$ 15,145</u>

<b>295</b> EDA Revolving Loan	<b>318</b> Bender Tax Increment District 1-2	<b>610</b> Cable TV	<b>630</b> Library	Total Nonmajor Funds
\$ -	\$ 4,619	\$ -	\$ -	\$ 4,619
-	-	12,104	-	12,104
-	-	-	14,936	14,936
-	-	-	-	525
-	73	-	374	887
-	-	-	-	11,002
-	-	-	36,000	38,020
3,453	-	-	259	6,872
<u>3,453</u>	<u>4,692</u>	<u>12,104</u>	<u>51,569</u>	<u>88,965</u>
-	-	-	111,560	139,344
-	-	-	-	26,973
-	-	6,094	-	6,094
-	-	-	5,949	13,617
-	-	-	-	570
-	-	839	-	839
<u>-</u>	<u>-</u>	<u>6,933</u>	<u>117,509</u>	<u>187,437</u>
3,453	4,692	5,171	(65,940)	(98,472)
-	-	-	-	3,500
-	-	-	103,000	211,656
-	(9,587)	-	-	(36,587)
<u>-</u>	<u>(9,587)</u>	<u>-</u>	<u>103,000</u>	<u>178,569</u>
3,453	(4,895)	5,171	37,060	80,097
101,474	38,727	(2,171)	134,647	371,668
157,054	-	-	-	167,249
<u>258,528</u>	<u>38,727</u>	<u>(2,171)</u>	<u>134,647</u>	<u>538,917</u>
<u>\$ 261,981</u>	<u>\$ 33,832</u>	<u>\$ 3,000</u>	<u>\$ 171,707</u>	<u>\$ 619,014</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
COMMUNITY BUILDING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous				
Rents	\$ 4,400	\$ 4,400	\$ 8,327	\$ 3,927
Contributions and donations	-	-	220	220
Other	-	-	3,160	3,160
TOTAL REVENUES	<u>4,400</u>	<u>4,400</u>	<u>11,707</u>	<u>7,307</u>
EXPENDITURES				
Current				
Culture and recreation				
Personal services	7,985	7,985	4,021	3,964
Supplies	6,915	6,915	6,038	877
Other services and charges	18,500	18,500	17,725	775
Capital outlay				
Culture and recreation	<u>15,000</u>	<u>15,000</u>	<u>7,668</u>	<u>7,332</u>
TOTAL EXPENDITURES	<u>48,400</u>	<u>48,400</u>	<u>35,452</u>	<u>12,948</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(44,000)	(44,000)	(23,745)	20,255
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,000	4,000	24,255	20,255
FUND BALANCES, JANUARY 1	<u>(3,952)</u>	<u>(3,952)</u>	<u>(3,952)</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ 20,303</u>	<u>\$ 20,255</u>

CITY OF SPRING GROVE, MINNESOTA  
CABLE TV FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Franchise fees	\$ 9,000	\$ 9,000	\$ 12,104	\$ 3,104
EXPENDITURES				
Current				
Miscellaneous				
Personal services	5,873	5,873	5,854	19
Supplies	350	350	-	350
Other services and charges	-	-	240	(240)
Capital outlay				
Miscellaneous	<u>2,777</u>	<u>2,777</u>	<u>839</u>	<u>1,938</u>
TOTAL EXPENDITURES	<u>9,000</u>	<u>9,000</u>	<u>6,933</u>	<u>2,067</u>
NET CHANGE IN FUND BALANCES	-	-	5,171	5,171
FUND BALANCES, JANUARY 1	<u>(2,171)</u>	<u>(2,171)</u>	<u>(2,171)</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ (2,171)</u>	<u>\$ (2,171)</u>	<u>\$ 3,000</u>	<u>\$ 5,171</u>

CITY OF SPRING GROVE, MINNESOTA  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
County library aid	\$ 15,000	\$ 15,000	\$ 14,936	\$ (64)
Investment earnings	500	500	374	(126)
Miscellaneous				
Contributions and donations	32,000	32,000	36,000	4,000
Other	-	-	259	259
TOTAL REVENUES	<u>47,500</u>	<u>47,500</u>	<u>51,569</u>	<u>4,069</u>
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	68,826	68,826	55,040	13,786
Supplies	1,663	1,663	1,852	(189)
Other services and charges	66,873	66,873	54,668	12,205
Capital outlay				
Culture and recreation	<u>16,598</u>	<u>16,598</u>	<u>5,949</u>	<u>10,649</u>
TOTAL EXPENDITURES	<u>153,960</u>	<u>153,960</u>	<u>117,509</u>	<u>36,451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(106,460)	(106,460)	(65,940)	40,520
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>103,000</u>	<u>103,000</u>	<u>103,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(3,460)	(3,460)	37,060	40,520
FUND BALANCES, JANUARY 1	<u>134,647</u>	<u>134,647</u>	<u>134,647</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 131,187</u>	<u>\$ 131,187</u>	<u>\$ 171,707</u>	<u>\$ 40,520</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>314</b>	<b>315</b>	<b>316</b>
	2005A Tax Increment Bonds	2012A Tax Abatement Bonds	Tax Abatement
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and temporary investments	\$ -	\$ 85,462	\$ 6,162
Receivables			
Delinquent taxes	-	2,056	-
Special assessments	-	-	-
Intergovernmental	-	1,010	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 88,528</u>	<u>\$ 6,162</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 6,162
Due to other funds	4,810	-	-
Advance from other funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>4,810</u>	<u>-</u>	<u>6,162</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue			
Delinquent taxes	-	2,056	-
Special assessments	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>2,056</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted			
Debt service	(4,810)	86,472	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 88,528</u>	<u>\$ 6,162</u>

<b>317</b> 2007A Tax Increment Bonds	<b>354</b> 2013A G.O. Improvement Bonds	<b>319</b> 2015A Tax Increment Refunding Bonds	<b>320</b> 2002 Taxable EDA Revenue Bonds	Total
\$ 10,858	\$ 223,574	\$ 1,628	\$ 15,875	\$ 343,559
13	901	-	-	2,970
76,988	89,251	-	-	166,239
10,999	510	-	-	12,519
<u>\$ 98,858</u>	<u>\$ 314,236</u>	<u>\$ 1,628</u>	<u>\$ 15,875</u>	<u>\$ 525,287</u>
\$ -	\$ -	\$ -	\$ -	6,162
-	-	-	-	4,810
-	-	-	61,795	61,795
-	-	-	61,795	72,767
13	901	-	-	2,970
76,988	89,251	-	-	166,239
77,001	90,152	-	-	169,209
21,857	224,084	1,628	(45,920)	283,311
<u>\$ 98,858</u>	<u>\$ 314,236</u>	<u>\$ 1,628</u>	<u>\$ 15,875</u>	<u>\$ 525,287</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>314</b> 2005A Tax Increment Bonds	<b>315</b> 2012A Tax Abatement Bonds	<b>316</b> Tax Abatement
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 12	\$ 101,179	\$ -
Special assessments	-	-	-
Investment earnings	-	-	-
Miscellaneous			
Rents	-	-	-
Other	16,381	-	-
	<u>16,393</u>	<u>101,179</u>	<u>-</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Economic development	-	-	12,324
Debt service			
Principal	10,000	115,000	-
Interest and other costs	5,996	31,721	-
	<u>15,996</u>	<u>146,721</u>	<u>12,324</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>397</u>	<u>(45,542)</u>	<u>(12,324)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	96,496	-	-
Payments on refunded bonds	(95,000)	-	-
Transfers in	-	21,192	12,324
	<u>1,496</u>	<u>21,192</u>	<u>12,324</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	1,893	(24,350)	-
<b>FUND BALANCES, JANUARY 1</b>	<u>(6,703)</u>	<u>110,822</u>	<u>-</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ (4,810)</u>	<u>\$ 86,472</u>	<u>\$ -</u>

<b>317</b> 2007A Tax Increment Bonds	<b>354</b> 2013A G.O. Improvement Bonds	<b>319</b> 2015A Tax Increment Refunding Bonds	<b>320</b> 2002 Taxable EDA Revenue Bonds	Total
\$ 12	\$ 50,816	\$ -	\$ -	\$ 152,019
40,561	50,749	-	-	91,310
-	179	-	-	179
-	-	-	8,400	8,400
-	-	-	-	16,381
<u>40,573</u>	<u>101,744</u>	<u>-</u>	<u>8,400</u>	<u>268,289</u>
590	-	-	1,934	14,848
25,000	30,000	-	-	180,000
<u>17,611</u>	<u>20,478</u>	<u>11,440</u>	<u>2,696</u>	<u>89,942</u>
<u>43,201</u>	<u>50,478</u>	<u>11,440</u>	<u>4,630</u>	<u>284,790</u>
<u>(2,628)</u>	<u>51,266</u>	<u>(11,440)</u>	<u>3,770</u>	<u>(16,501)</u>
304,436	-	13,068	-	414,000
(300,000)	-	-	-	(395,000)
<u>9,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,103</u>
<u>14,023</u>	<u>-</u>	<u>13,068</u>	<u>-</u>	<u>62,103</u>
11,395	51,266	1,628	3,770	45,602
<u>10,462</u>	<u>172,818</u>	<u>-</u>	<u>(49,690)</u>	<u>237,709</u>
<u>\$ 21,857</u>	<u>\$ 224,084</u>	<u>\$ 1,628</u>	<u>\$ (45,920)</u>	<u>\$ 283,311</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	405	415	420	425
	Fire Equipment	Parks	Police Forfeiture	Streets
<b>ASSETS</b>				
Cash and temporary investments	\$ 28,871	\$ -	\$ 4,047	\$ 49,041
Advances to other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 28,871</u>	<u>\$ -</u>	<u>\$ 4,047</u>	<u>\$ 49,041</u>
<b>FUND BALANCES</b>				
Nonspendable				
Advances to other funds	\$ -	\$ -	\$ -	\$ -
Restricted				
Capital purchases	17,200	-	-	-
Law enforcement	-	-	4,047	-
Assigned				
Capital purchases	11,671	-	-	49,041
<b>TOTAL FUND BALANCES</b>	<u>\$ 28,871</u>	<u>\$ -</u>	<u>\$ 4,047</u>	<u>\$ 49,041</u>

<b>430</b>	<b>435</b>	<b>440</b>	<b>454</b>	<b>460</b>	<b>475</b>	Total Nonmajor Funds
Aquatic Center	Vehicle Replacement	Four Seasons Acres	Highway 44 Project	Contingency	Conservation Improvements	
\$ 272,179	\$ 234,997	\$ 3,600	\$ 153,420	\$ 12,011	\$ 4,904	\$ 763,070
61,795	-	-	-	-	-	61,795
<u>\$ 333,974</u>	<u>\$ 234,997</u>	<u>\$ 3,600</u>	<u>\$ 153,420</u>	<u>\$ 12,011</u>	<u>\$ 4,904</u>	<u>\$ 824,865</u>
\$ 61,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,795
3,540	-	-	153,420	-	-	174,160
-	-	-	-	-	-	4,047
<u>268,639</u>	<u>234,997</u>	<u>3,600</u>	<u>-</u>	<u>12,011</u>	<u>4,904</u>	<u>584,863</u>
<u>\$ 333,974</u>	<u>\$ 234,997</u>	<u>\$ 3,600</u>	<u>\$ 153,420</u>	<u>\$ 12,011</u>	<u>\$ 4,904</u>	<u>\$ 824,865</u>

CITY OF SPRING GROVE, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	405	415	420	425
	Fire Equipment	Parks	Police Forfeiture	Streets
REVENUES				
Charges for services				
Fire contracts	\$ 2,247	\$ -	\$ -	\$ -
Fines and forfeits	-	-	840	-
Interest earnings	28	7	-	102
Miscellaneous				
Contributions and donations	17,200	-	-	-
TOTAL REVENUES	<u>19,475</u>	<u>7</u>	<u>840</u>	<u>102</u>
EXPENDITURES				
Current				
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	7,064	-	-	-
Public works	-	-	-	-
TOTAL EXPENDITURES	<u>7,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,411</u>	<u>7</u>	<u>840</u>	<u>102</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	5,000	-	-	-
Transfers out	-	(8,919)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>(8,919)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	17,411	(8,912)	840	102
FUND BALANCES, JANUARY 1	<u>11,460</u>	<u>8,912</u>	<u>3,207</u>	<u>48,939</u>
FUND BALANCES, DECEMBER 31	<u>\$ 28,871</u>	<u>\$ -</u>	<u>\$ 4,047</u>	<u>\$ 49,041</u>

<b>430</b>	<b>435</b>	<b>440</b>	<b>454</b>	<b>460</b>	<b>475</b>	Total Nonmajor Funds
Aquatic Center	Vehicle Replacement	Four Seasons Acres	Highway 44 Project	Contingency	Conservation Improvements	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,247
-	-	-	-	-	-	840
3,164	550	-	-	11	-	3,862
3,540	-	-	-	-	-	20,740
6,704	550	-	-	11	-	27,689
-	-	-	-	-	5,197	5,197
-	28,239	-	-	-	-	35,303
-	23,403	-	9,884	-	-	33,287
-	51,642	-	9,884	-	5,197	73,787
6,704	(51,092)	-	(9,884)	11	(5,197)	(46,098)
-	3,000	-	-	-	-	3,000
-	50,000	-	-	20,000	6,656	81,656
(21,192)	-	-	-	(16,500)	-	(46,611)
(21,192)	53,000	-	-	3,500	6,656	38,045
(14,488)	1,908	-	(9,884)	3,511	1,459	(8,053)
348,462	233,089	3,600	163,304	8,500	3,445	832,918
<u>\$ 333,974</u>	<u>\$ 234,997</u>	<u>\$ 3,600</u>	<u>\$ 153,420</u>	<u>\$ 12,011</u>	<u>\$ 4,904</u>	<u>\$ 824,865</u>

CITY OF SPRING GROVE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 359,263	\$ 359,263	\$ 464,767	\$ 105,504
Special assessments	-	-	1,071	1,071
Licenses and permits				
Business	2,900	2,900	3,830	930
Nonbusiness	850	850	1,256	406
Total licenses and permits	3,750	3,750	5,086	1,336
Intergovernmental				
State				
Local government aid	416,552	416,552	416,552	-
Property tax credits and aids	164	164	164	-
Fire aid	-	-	36,133	36,133
Police aid	3,290	3,290	2,560	(730)
Ambulance aid	-	-	3,000	3,000
Other State aids	15,000	15,000	34,505	19,505
Total state	435,006	435,006	492,914	57,908
Charges for services				
General government	-	-	408	408
Public safety	13,000	13,000	23,726	10,726
Public works	20,400	20,400	64,445	44,045
Culture and recreation	69,000	69,000	89,258	20,258
Total charges for services	102,400	102,400	177,837	75,437
Fines and forfeits	5,000	5,000	6,159	1,159
Investment earnings	1,500	1,500	2,885	1,385
Miscellaneous				
Rents	10,000	10,000	6,933	(3,067)
Contributions and donations	1,000	1,000	11,250	10,250
Other	15,500	15,500	32,505	17,005
Total miscellaneous	26,500	26,500	50,688	24,188
TOTAL REVENUES	933,419	933,419	1,201,407	267,988

CITY OF SPRING GROVE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
General government				
Mayor and Commission				
Personal services	\$ 5,921	\$ 5,921	\$ 6,014	\$ (93)
Other services and charges	5,400	5,400	6,298	(898)
Total Mayor and Commission	11,321	11,321	12,312	(991)
Election				
Personal services	1,004	1,004	-	1,004
Supplies	500	500	-	500
Other services and charges	196	196	-	196
Total election	1,700	1,700	-	1,700
Administration				
Personal services	134,008	134,008	144,307	(10,299)
Supplies	3,100	3,100	1,940	1,160
Other services and charges	97,600	97,600	85,049	12,551
Total administration	234,708	234,708	231,296	3,412
Total general government	247,729	247,729	243,608	4,121
Public safety				
Police				
Personal services	169,783	169,783	180,393	(10,610)
Supplies	10,750	10,750	7,866	2,884
Other services and charges	26,855	26,855	13,577	13,278
Total police	207,388	207,388	201,836	5,552
Fire				
Personal services	17,036	17,036	40,404	(23,368)
Supplies	4,100	4,100	3,662	438
Other services and charges	21,600	21,600	26,628	(5,028)
Total fire	42,736	42,736	70,694	(27,958)
Ambulance				
Other services and charges	8,000	8,000	10,824	(2,824)
Animal control				
Other services and charges	2,500	2,500	2,500	-
Civil defense				
Supplies	500	500	-	500
Total public safety	261,124	261,124	285,854	(24,730)

CITY OF SPRING GROVE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Street maintenance				
Personal services	\$ 75,573	\$ 75,573	\$ 76,614	\$ (1,041)
Supplies	51,150	51,150	34,073	17,077
Other services and charges	23,100	23,100	31,142	(8,042)
Total street maintenance	149,823	149,823	141,829	7,994
Recycling				
Other services	-	-	44,287	(44,287)
Total public works	149,823	149,823	186,116	(36,293)
Culture and recreation				
Summer recreation				
Personal services	7,497	7,497	9,238	(1,741)
Supplies	700	700	1,575	(875)
Other services and charges	4,200	4,200	1,960	2,240
Total summer recreation	12,397	12,397	12,773	(376)
Swimming pool				
Personal services	67,473	67,473	63,064	4,409
Supplies	25,422	25,422	24,436	986
Other services and charges	49,500	49,500	42,637	6,863
Total swimming pool	142,395	142,395	130,137	12,258
Parks				
Personal services	-	-	1,836	(1,836)
Supplies	10,000	10,000	9,669	331
Other services and charges	13,500	13,500	30,437	(16,937)
Total parks	23,500	23,500	41,942	(18,442)
Total culture and recreation	178,292	178,292	184,852	(6,560)
Total current	836,968	836,968	900,430	(63,462)

CITY OF SPRING GROVE, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES - CONTINUED				
Capital outlay				
General government	\$ 3,500	\$ 3,500	\$ 665	\$ 2,835
Public safety	28,300	28,300	30,378	(2,078)
Public works	42,000	42,000	160,961	(118,961)
Culture and recreation	47,700	47,700	54,933	(7,233)
Total capital outlay	<u>121,500</u>	<u>121,500</u>	<u>246,937</u>	<u>(125,437)</u>
Debt service				
Principal paid	15,000	15,000	13,436	1,564
Interest and other costs	-	-	1,564	(1,564)
Total debt service	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>973,468</u>	<u>973,468</u>	<u>1,162,367</u>	<u>(188,899)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(40,049)</u>	<u>(40,049)</u>	<u>39,040</u>	<u>79,089</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	188,000	188,000	196,919	8,919
Transfers out	-	-	(248,825)	(248,825)
TOTAL OTHER FINANCING SOURCES (USES)	<u>188,000</u>	<u>188,000</u>	<u>(51,906)</u>	<u>(239,906)</u>
NET CHANGE IN FUND BALANCES	147,951	147,951	(12,866)	(160,817)
FUND BALANCES, JANUARY 1	<u>882,447</u>	<u>882,447</u>	<u>882,447</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,030,398</u>	<u>\$ 1,030,398</u>	<u>\$ 869,581</u>	<u>\$ (160,817)</u>

CITY OF SPRING GROVE, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
<b>REVENUES</b>			
Taxes	\$ 633,509	\$ 555,125	14.12 %
Special assessments	92,381	17,327	433.16
Licenses and permits	5,086	5,816	(12.55)
Intergovernmental	507,850	483,871	4.96
Charges for services	180,609	92,440	95.38
Fines and forfeits	6,999	6,491	7.83
Investment earnings	7,813	12,058	(35.20)
Miscellaneous	152,103	154,819	(1.75)
<b>TOTAL REVENUES</b>	<b>\$ 1,586,350</b>	<b>\$ 1,327,947</b>	<b>19.46 %</b>
Per capita	\$ 1,216	\$ 1,011	20.28 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 243,608	\$ 218,439	11.52 %
Public safety	285,854	254,178	12.46
Public works	186,116	194,534	(4.33)
Culture and recreation	324,196	324,513	(0.10)
Economic development	41,821	66,294	(36.92)
Miscellaneous	11,291	1,500	652.73
Capital outlay			
General government	665	-	N/A
Public safety	65,681	-	N/A
Public works	194,248	11,601	1,574.41
Culture and recreation	68,550	-	N/A
Economic development	570	-	N/A
Miscellaneous	839	-	N/A
Debt service			
Principal	193,436	137,392	40.79
Interest and other costs	91,506	81,011	12.96
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,708,381</b>	<b>\$ 1,289,462</b>	<b>32.49 %</b>
Per capita	\$ 1,309	\$ 981	33.40 %
Total Long-term Indebtedness	\$ 2,253,248	\$ 2,427,684	(7.19) %
Per capita	1,727	1,848	(6.54)
General Fund Balance - December 31	\$ 869,581	\$ 882,447	(1.46) %
Per capita	666	672	(0.78)

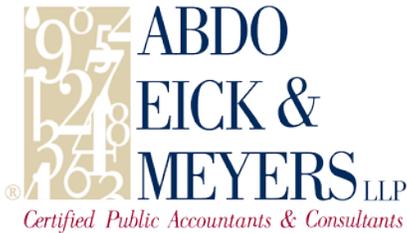
The purpose of this report is to provide a summary of financial information concerning the City of Spring Grove to interested citizens. The complete financial statements may be examined at City Hall, 118 1st Avenue NW. Questions about this report should be directed to Erin Konkel, City Clerk/Treasurer (507-498-5221).

**OTHER REQUIRED REPORTS**

CITY OF SPRING GROVE  
SPRING GROVE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Spring Grove, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spring Grove, Minnesota (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

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

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
May 10, 2016

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

Honorable Mayor and City Council  
City of Spring Grove, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 Grove, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 10, 2016.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2015-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001, 2015-002 and 2015-003 to be a significant deficiencies.

**Compliance and Other Matters**

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

## The City's Responses to Findings

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

## Purpose of this Report

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

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
May 10, 2016

CITY OF SPRING GROVE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

2015-001

**Segregation of duties**

*Condition:* During our audit we reviewed internal control procedures over disbursements, cash receipts, utility billing and payroll and found the City to have limited segregation of duties in these areas as noted below.

*Criteria:* There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Effect:* The existence of this limited segregation of duties increases the risk of fraud.

**Internal control over disbursements**

*Cause:* As a result of the small number of staff, the City Clerk/Treasurer sets up and maintains vendors, prepares checks, mails checks to vendors, maintains the purchase journal and accounts payable records, posts transactions to the general ledger and reconciles bank accounts.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that an individual, separate from the City Clerk/Treasurer, review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures and regular review of budget comparisons.

**Internal control over cash receipts**

*Cause:* As a result of the small number of staff, the City Clerk/Treasurer opens the mail, receives and endorses checks and currency, sets up and maintains customers, maintains receipts journal and accounts receivable records and posts transactions to the general ledger.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly receipt information and reviewing the bank reconciliation.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information. This includes regular review of budget comparisons.

CITY OF SPRING GROVE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

2015-001

**Segregation of duties - continued**

**Internal control over utility billing**

*Cause:* As a result of the small number of staff, the Deputy Clerk sets up and maintains customers, approves new accounts, receives and endorses checks and currency, generates billing statements, maintains utility receipts journal and utility billing records and posts transactions to the general ledger.

*Recommendation:* While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitors all financial information. Additional controls might include obtaining and reviewing monthly utility receipt information and reviewing the bank reconciliation.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information. This includes regular review of budget comparisons.

**Internal control over payroll**

*Cause:* As a result of the small number of staff, the City Clerk/Treasurer sets up and maintains employee records, runs the payroll, prepares payroll checks, posts activity to the general ledger, issues checks to employees, reconciles bank accounts, prepares payroll tax returns and maintains the payroll records.

*Recommendation:* We recommend that in addition to approving payroll disbursements and wage rates the City Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals. Additional controls might include review of payroll registers, earnings records, payroll reports, etc.

*Management response:*

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information.

CITY OF SPRING GROVE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

**2015-002**

**Internal control over municipal liquor store operations**

*Condition:* During our audit we reviewed procedures over cash receipts and inventory at the municipal liquor store and found the City to have limited segregation of duties related to this area.

*Criteria:* As a result of the small number of staff, the Liquor Store Manager sets up and maintains customers, approves new accounts, receives and endorses checks and currency, generates billing statements, maintains utility receipts journal and utility billing records and posts transactions to the general ledger.

*Cause:* The Liquor Store Manager is responsible for ordering, receiving and maintaining inventory. Several errors in the inventory records caused year-end inventory to be understated and expenses to be overstated.

*Effect:* The existence of this limited segregation of duties increases the risk of fraud and incorrect record keeping.

*Recommendation:* We recommend the City consider implementing a timely review of inventory records that allows for continual monitoring of inventory. An inventory report could be attached to every vendor invoice showing all merchandise was properly entered into the inventory system. We also recommend the Liquor Store Manager review the recording process for on-sale transactions and promotional inventory received from vendors.

*Management response:*

The City will continue to look for ways to improve their internal control over cash receipts and inventory and closely monitor municipal liquor store daily operations. The Council has addressed this circumstance by active participation in the City's affairs and is continually monitoring financial information.

CITY OF SPRING GROVE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

**2015-003**

**Financial report preparation**

*Condition:* We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:* Internal controls should be in place to provide reasonable assurance over financial reporting.

*Cause:* From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

*Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:* It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

*Management response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF SPRING GROVE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding

Description

**2015-004**

**Material accounting/audit adjustments**

*Condition:* During our audit, material accounting/audit adjustments were needed for the following reasons:

Material accounting/audit entries were required to adjust the coding and allocation of debt activity, to write off bond discounts, to adjust the coding and allocation of capital asset activity, to write off unavailable revenue related to loans, to record additional accounts payable, to record additional accounts receivable, to record prepaid assessments, to adjust inventory balances to actual and to gross various balances for reporting purposes.

*Criteria:* Such adjustments should be detected and made by the City's personnel.

*Cause:* City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

*Effect:* It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

*Recommendation:* We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

*Management response:*

We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed. The City Clerk/Treasurer is willing to take the necessary steps to improve each year and will continue to monitor all financial activity including adjusting account balances as needed to prevent material misstatements from occurring.