

CITY OF SPRING GROVE, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF SPRING GROVE, MINNESOTA

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CITY OF SPRING GROVE, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2013

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**CITY OF SPRING GROVE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
CITY OFFICIALS**

ELECTED

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|---------------------|----------------------------|
| Allan Bruce Poole | Mayor | 1/5/2015 |
| Nancy Nelson | Council Member | 1/1/2017 |
| Lorilyn Dehning | Council Member | 1/5/2015 |
| Robert Vogel | Council Member | 1/5/2015 |
| Rachel Olerud | Council Member | 1/1/2017 |

CITY OFFICIAL - APPOINTED

| | |
|--------------|------------------------|
| Erin Konkell | City Clerk / Treasurer |
|--------------|------------------------|

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CITY OF SPRING GROVE, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Spring Grove, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Grove, Minnesota as of and for the year ended December 31, 2013, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spring Grove, Minnesota as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Honorable Mayor and Members
of the City Council**
Page Two

Emphasis of Matter

As discussed in Note 11 to the financial statements, in 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The City of Spring Grove, Minnesota, has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spring Grove, Minnesota's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Spring Grove, Minnesota. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.



Rochester, Minnesota
April 7, 2014

CITY OF SPRING GROVE, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013

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CITY OF SPRING GROVE, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2013

| | Governmental Activities | Business-Type Activities | Totals |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 2,105,259 | \$ 1,511,408 | \$ 3,616,667 |
| Receivables | 162,774 | 216,394 | 379,168 |
| Inventory | | 23,534 | 23,534 |
| Prepaid expenses | 18,098 | 11,963 | 30,061 |
| Notes receivable | 156,401 | | 156,401 |
| Capital assets: | | | |
| Nondepreciable | 119,218 | 41,614 | 160,832 |
| Depreciable, net | 3,431,432 | 3,217,422 | 6,648,854 |
| Total Assets | \$ 5,993,182 | \$ 5,022,335 | \$ 11,015,517 |
| Liabilities and Net Position | | | |
| Liabilities | | | |
| Accounts payable | \$ 117,470 | \$ 122,997 | \$ 240,467 |
| Compensated absences | 31,099 | 42,560 | 73,659 |
| Accrued liabilities | 24,317 | 22,336 | 46,653 |
| Accrued interest payable | 34,483 | 28,607 | 63,090 |
| Noncurrent liabilities: | | | |
| Due within one year | 137,830 | 22,000 | 159,830 |
| Due in more than one year | 2,418,497 | 2,118,687 | 4,537,184 |
| Total Liabilities | 2,763,696 | 2,357,187 | 5,120,883 |
| Net Position | | | |
| Net investment in capital assets | 994,323 | 1,118,349 | 2,112,672 |
| Unrestricted | 2,235,163 | 1,546,799 | 3,781,962 |
| Total Net Position | 3,229,486 | 2,665,148 | 5,894,634 |
| Total Liabilities and Net Position | \$ 5,993,182 | \$ 5,022,335 | \$ 11,015,517 |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

| Functions/Programs | <u>Expenses</u> | Program Revenues | | |
|--------------------------------|-----------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 208,414 | \$ 23,624 | \$ | \$ |
| Public safety | 300,674 | 22,108 | 23,833 | |
| Public works | 244,954 | 22,938 | | |
| Culture and recreation | 396,198 | 39,666 | 38,879 | |
| Economic development | 342,968 | 310 | 304,062 | |
| Unallocated | 9,384 | | | |
| Interest on long-term debt | 66,147 | | | |
| Total governmental activities | 1,568,739 | 108,646 | 366,774 | |
| Business-Type activities: | | | | |
| Water | 261,864 | 336,825 | | |
| Sewer | 232,796 | 226,308 | | |
| Light | 1,287,509 | 1,662,332 | | |
| Liquor | 370,352 | 366,777 | | |
| Total business-type activities | 2,152,521 | 2,592,242 | | |
| Total | \$ 3,721,260 | \$ 2,700,888 | \$ 366,774 | \$ |

General revenues:
 General property taxes
 Tax increments
 Grants and contributions not restricted to specific programs
 Interest earnings
 Miscellaneous
 Gain on sale of capital assets
 Insurance proceeds
 Transfers, net
 Total general revenues and transfers

Change in net position

Net position - beginning, as previously reported

Correction of error (Note 13)

Net position - beginning, as restated

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business-Type Activities | Totals |
|----------------------------|-----------------------------|--------------|
| \$ (184,790) | \$ | \$ (184,790) |
| (254,733) | | (254,733) |
| (222,016) | | (222,016) |
| (317,653) | | (317,653) |
| (38,596) | | (38,596) |
| (9,384) | | (9,384) |
| (66,147) | | (66,147) |
| (1,093,319) | | (1,093,319) |
| | 74,961 | 74,961 |
| | (6,488) | (6,488) |
| | 374,823 | 374,823 |
| | (3,575) | (3,575) |
| | 439,721 | 439,721 |
| (1,093,319) | 439,721 | (653,598) |
| 521,314 | | 521,314 |
| 2,382 | | 2,382 |
| 369,228 | | 369,228 |
| 12,754 | 6,603 | 19,357 |
| 74,959 | 13,690 | 88,649 |
| 5,700 | 6,100 | 11,800 |
| 65,023 | 2,940 | 67,963 |
| 153,699 | (153,699) | |
| 1,205,059 | (124,366) | 1,080,693 |
| 111,740 | 315,355 | 427,095 |
| 2,448,510 | 2,349,793 | 4,798,303 |
| 669,236 | | 669,236 |
| 3,117,746 | 2,349,793 | 5,467,539 |
| \$ 3,229,486 | \$ 2,665,148 | \$ 5,894,634 |

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CITY OF SPRING GROVE, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF SPRING GROVE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

| | 101 General | Debt Service | Capital Project | | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 315 Aquatic Center | 430 Aquatic Center | 900 Economic Development | | |
| ASSETS | | | | | | |
| Cash and investments | \$ 804,196 | \$ 108,522 | \$ 273,523 | \$ 139,442 | \$ 779,576 | \$ 2,105,259 |
| Loans receivable | | | | 156,401 | 20,275 | 176,676 |
| Special assessments receivable | | | | | | |
| Deferred | | | | | 121,289 | 121,289 |
| Delinquent taxes receivable | 7,210 | 2,341 | | | 91 | 9,642 |
| Due from other funds | 3,196 | | | | 3,600 | 6,796 |
| Advances to other funds | | | 72,809 | | | 72,809 |
| Prepaid items | 17,219 | | | | 879 | 18,098 |
| Due from other governments | 7,826 | 2,525 | | | 1,217 | 11,568 |
| TOTAL ASSETS | \$ 839,647 | \$ 113,388 | \$ 346,332 | \$ 295,843 | \$ 926,927 | \$ 2,522,137 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 31,084 | \$ | \$ | \$ | \$ 88,480 | \$ 119,564 |
| Accrued liabilities | 20,145 | | | | 2,078 | 22,223 |
| Due to other funds | | | | | 6,796 | 6,796 |
| Advances from other funds | | | | 72,809 | | 72,809 |
| Total Liabilities | 51,229 | | | 72,809 | 97,354 | 221,392 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue: | | | | | | |
| Property taxes | 7,210 | 2,341 | | | 91 | 9,642 |
| Special assessments | | | | | 121,289 | 121,289 |
| Loans receivable | | | | 156,401 | 20,275 | 176,676 |
| Total Deferred Inflows of Resources | 7,210 | 2,341 | | 156,401 | 141,655 | 307,607 |
| Fund Balance | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 17,219 | | | | 879 | 18,098 |
| Advances | | | 72,809 | | | 72,809 |
| Restricted: | | | | | | |
| Regulation | | | | | 71,583 | 71,583 |
| Creditors | | 111,047 | | | | 111,047 |
| Committed | | | 273,523 | 66,633 | 432,016 | 772,172 |
| Assigned | | | | | 191,763 | 191,763 |
| Unassigned | 763,989 | | | | (8,323) | 755,666 |
| Total Fund Balance | 781,208 | 111,047 | 346,332 | 66,633 | 687,918 | 1,993,138 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 839,647 | \$ 113,388 | \$ 346,332 | \$ 295,843 | \$ 926,927 | \$ 2,522,137 |

See Notes to Financial Statements

**CITY OF SPRING GROVE, MINNESOTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2013

| | 101 General | Debt Service | Capital Project | | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 315 Aquatic Center | 430 Aquatic Center | 900 Economic Development | | |
| REVENUES | | | | | | |
| General property taxes | \$ 389,047 | \$ 123,561 | \$ | \$ | \$ 1,637 | \$ 514,245 |
| Tax increment | | | | | 2,382 | 2,382 |
| Licenses and permits | 4,216 | | | | | 4,216 |
| Special assessments | | | | | 17,408 | 17,408 |
| Intergovernmental revenues | 393,061 | | | | 296,646 | 689,707 |
| Charges for services | 59,378 | | | | 1,510 | 60,888 |
| Fines and forfeitures | 5,948 | | | | | 5,948 |
| Investment income | 3,463 | 39 | 4,218 | 2,397 | 2,471 | 12,588 |
| Loan repayments | | | | 26,200 | | 26,200 |
| Donations | | | | | 22,500 | 22,500 |
| Miscellaneous revenues | 114,536 | | | 43,405 | 51,526 | 209,467 |
| Total Revenues | 969,649 | 123,600 | 4,218 | 72,002 | 396,080 | 1,565,549 |
| EXPENDITURES | | | | | | |
| General government | 137,556 | | | | | 137,556 |
| Public safety | 271,506 | | | | 621 | 272,127 |
| Public works | 203,254 | | | | | 203,254 |
| Culture and recreation | 175,902 | | 5,000 | | 169,544 | 350,446 |
| Economic development | | | | 44,908 | 312,704 | 357,612 |
| Capital outlay | | | | | 231,635 | 231,635 |
| Debt service: | | | | | | |
| Principal | 11,815 | 90,000 | | | 30,000 | 131,815 |
| Interest and other | 3,185 | 44,003 | | 3,120 | 21,025 | 71,333 |
| Total Expenditures | 803,218 | 134,003 | 5,000 | 48,028 | 765,529 | 1,755,778 |
| Excess (deficiency) of revenues over (under) expenditures | 166,431 | (10,403) | (782) | 23,974 | (369,449) | (190,229) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | | | | | 700,000 | 700,000 |
| Transfers in | 515,826 | | 125,000 | | 223,911 | 864,737 |
| Transfers out | (196,864) | | (125,000) | | (389,174) | (711,038) |
| Proceeds from sale of capital asset | 200 | | | | 5,500 | 5,700 |
| Total Other Financing Sources (Uses) | 319,162 | | | | 540,237 | 859,399 |
| Net change in fund balances | 485,593 | (10,403) | (782) | 23,974 | 170,788 | 669,170 |
| Fund Balance - Beginning as previously reported | 655,589 | 121,450 | 269,114 | | 168,189 | 1,214,342 |
| Correction of Error (Note 13) | | | 78,000 | 42,659 | (11,033) | 109,626 |
| Reclassification of Fund Balance | (359,974) | | | | 359,974 | |
| Fund Balance - Beginning, as restated | 295,615 | 121,450 | 347,114 | 42,659 | 517,130 | 1,323,968 |
| Fund Balance - Ending | \$ 781,208 | \$ 111,047 | \$ 346,332 | \$ 66,633 | \$ 687,918 | \$ 1,993,138 |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2013

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

| | | |
|--|--------------------|----------------------------|
| Total governmental fund balances (page 6) | | \$ 1,993,138 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental funds - capital assets | \$ 8,140,152 | |
| Less: Accumulated depreciation | <u>(4,589,502)</u> | 3,550,650 |
| Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds: | | |
| Delinquent property taxes | \$ 9,642 | |
| Special assessments | 121,289 | |
| Loans receivable | <u>176,676</u> | 307,607 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Bonds and notes payable | \$ (2,556,327) | |
| Compensated absences | (31,099) | |
| Accrued interest | <u>(34,483)</u> | <u>(2,621,909)</u> |
| Net position of governmental activities (page 3) | | <u><u>\$ 3,229,486</u></u> |

CITY OF SPRING GROVE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

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

| | | |
|---|----|-----------------------|
| Net change in fund balances - total governmental funds (page 7) | \$ | 669,170 |
| <p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital outlay - capitalized | \$ | 242,517 |
| Unrealized gain on sale of asset | | (1,818) |
| Depreciation expense | | <u>(204,544)</u> |
| | | 36,155 |
| <p>Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Deferred inflows of resources, December 31, 2013 | \$ | 307,607 |
| Deferred inflows of resources, December 31, 2012 | | <u>(352,509)</u> |
| | | (44,902) |
| <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, December 31, 2013 | \$ | (31,099) |
| Compensated absences, December 31, 2012 | | <u>40,680</u> |
| | | 9,581 |
| <p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p> | | |
| Principal retirement on long-term debt | \$ | 131,815 |
| Issuance of long-term debt | | (691,250) |
| Change in accrued interest | | <u>1,171</u> |
| | | <u>(558,264)</u> |
| Change in net position of governmental activities (pages 4 and 5) | \$ | <u><u>111,740</u></u> |

See Notes to Financial Statements

**CITY OF SPRING GROVE, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

| | Budgeted Amounts | | 2013 Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Local Taxes | | | | |
| General tax levy | \$ 376,525 | \$ 376,525 | \$ 389,047 | \$ 12,522 |
| Licenses and Permits | 3,250 | 3,250 | 4,216 | 966 |
| Intergovernmental Revenues | | | | |
| Local government aid | 367,822 | 367,822 | 367,822 | |
| Market value credit | | | 116 | 116 |
| Fire state aid | 10,000 | 10,000 | 14,136 | 4,136 |
| Police state aid | 13,000 | 13,000 | 7,238 | (5,762) |
| Other state aid | 1,290 | 1,290 | 3,749 | 2,459 |
| Total Intergovernmental | 392,112 | 392,112 | 393,061 | 949 |
| Charges for Services | | | | |
| Culture and recreation | 74,750 | 74,750 | 59,378 | (15,372) |
| Fines and Forfeits | 4,000 | 4,000 | 5,948 | 1,948 |
| Investment Income | 2,600 | 2,600 | 3,463 | 863 |
| Miscellaneous Revenues | | | | |
| Refunds and reimbursements | 5,500 | 5,500 | 9,619 | 4,119 |
| Donations | 18,600 | 18,600 | 14,574 | (4,026) |
| Other | 27,713 | 27,713 | 90,343 | 62,630 |
| Total Miscellaneous Revenues | 51,813 | 51,813 | 114,536 | 62,723 |
| TOTAL REVENUES | \$ 905,050 | \$ 905,050 | \$ 969,649 | \$ 64,599 |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

| | Budgeted Amounts | | 2013 Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|-------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| EXPENDITURES | | | | |
| General Government | | | | |
| Mayor and Council | | | | |
| Salaries and benefits | \$ 5,921 | \$ 5,921 | \$ 5,921 | \$ 2,606 |
| Insurance | 3,274 | 3,274 | 668 | 11,288 |
| Other services and charges | 27,083 | 27,083 | 15,795 | 13,894 |
| Total Mayor and Council | <u>36,278</u> | <u>36,278</u> | <u>22,384</u> | <u>13,894</u> |
| Elections | | | (116) | 116 |
| Professional Services | | | | |
| Auditing and accounting | 2,759 | 2,759 | 2,702 | 57 |
| Legal | 9,000 | 9,000 | | 9,000 |
| Other services and charges | 1,000 | 1,000 | 450 | 550 |
| Total Professional Services | <u>12,759</u> | <u>12,759</u> | <u>3,152</u> | <u>9,607</u> |
| City Hall | | | | |
| Utilities | 9,534 | 9,534 | 3,080 | 6,454 |
| Repair and maintenance | 6,300 | 6,300 | 16,664 | (10,364) |
| Other services and charges | 9,833 | 9,833 | 7,791 | 2,042 |
| Capital outlay | 2,000 | 2,000 | | 2,000 |
| Total City Hall | <u>27,667</u> | <u>27,667</u> | <u>27,535</u> | <u>132</u> |
| Financial Administration | | | | |
| Salaries and benefits | 82,498 | 82,498 | 74,933 | 7,565 |
| Other services and charges | 15,562 | 15,562 | 8,628 | 6,934 |
| Total Administrative Coordinator | <u>98,060</u> | <u>98,060</u> | <u>83,561</u> | <u>14,499</u> |
| Planning and Zoning | <u>2,900</u> | <u>2,900</u> | <u>1,040</u> | <u>1,860</u> |
| Total General Government | <u>\$ 177,664</u> | <u>\$ 177,664</u> | <u>\$ 137,556</u> | <u>\$ 40,108</u> |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

| EXPENDITURES (Continued) | Budgeted Amounts | | 2013 Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------|------------------|------------|---------------------------|---|
| | Original | Final | | |
| Public Safety | | | | |
| Police Department | | | | |
| Salaries and benefits | \$ 114,028 | \$ 114,028 | \$ 136,886 | \$ (22,858) |
| Other services and charges | 50,990 | 50,990 | 36,030 | 14,960 |
| Capital outlay | 2,000 | 2,000 | 4,211 | (2,211) |
| Total Police Department | 167,018 | 167,018 | 177,127 | (10,109) |
| Fire Department | | | | |
| Salaries and benefits | 15,962 | 15,962 | 12,194 | 3,768 |
| State fire aid | 10,000 | 10,000 | 14,136 | (4,136) |
| Other services and charges | 42,469 | 42,469 | 57,683 | (15,214) |
| Capital outlay | 5,000 | 5,000 | | 5,000 |
| Total Fire Department | 73,431 | 73,431 | 84,013 | (10,582) |
| Ambulance | | | | |
| Other services and charges | 7,824 | 7,824 | 7,824 | |
| Total Ambulance | 7,824 | 7,824 | 7,824 | |
| Traffic Engineering | | | | |
| | | | 42 | (42) |
| Animal Control | | | | |
| | 2,500 | 2,500 | 2,500 | |
| Total Public Safety | \$ 250,773 | \$ 250,773 | \$ 271,506 | \$ (20,733) |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

| EXPENDITURES (Continued) | Budgeted Amounts | | 2013 Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|------------------|------------|---------------------------|---|
| | Original | Final | | |
| Public Works | | | | |
| Highways and Streets | | | | |
| Salaries and benefits | \$ 55,510 | \$ 55,510 | \$ 69,357 | \$ (13,847) |
| Utilities | 11,250 | 11,250 | 10,418 | 832 |
| Repairs and maintenance | 62,750 | 62,750 | 41,027 | 21,723 |
| Street and alley repairs | 9,668 | 9,668 | 6,430 | 3,238 |
| Other services and charges | 79,095 | 79,095 | 76,022 | 3,073 |
| Capital outlay | 2,500 | 2,500 | | 2,500 |
| Total Highways and Streets | 220,773 | 220,773 | 203,254 | 17,519 |
| Total Public Works | 220,773 | 220,773 | 203,254 | 17,519 |
| Culture and Recreation | | | | |
| Park and Recreation | | | | |
| Salaries and benefits | | | (294) | 294 |
| Utilities | 9,378 | 9,378 | 8,952 | 426 |
| Other services and charges | 41,232 | 41,232 | 21,138 | 20,094 |
| Total Park and Recreation | 50,610 | 50,610 | 29,796 | 20,814 |
| Aquatic Center | | | | |
| Salaries and benefits | | | 22,426 | (22,426) |
| Utilities | 22,877 | 22,877 | 25,464 | (2,587) |
| Other services and charges | 114,461 | 114,461 | 88,808 | 25,653 |
| Total Aquatic Center | 137,338 | 137,338 | 136,698 | 640 |
| Summer Recreation | | | | |
| Salaries and benefits | 8,074 | 8,074 | 6,174 | 1,900 |
| Other services and charges | 8,948 | 8,948 | 3,001 | 5,947 |
| Total Summer Recreation | 17,022 | 17,022 | 9,175 | 7,847 |
| Library | | | | |
| Salaries and benefits | | | (608) | 608 |
| Other services and charges | | | 841 | (841) |
| Total Library | | | 233 | (233) |
| Total Culture and Recreation | \$ 204,970 | \$ 204,970 | \$ 175,902 | \$ 29,068 |

See Notes to Financial Statements

**CITY OF SPRING GROVE, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

| | Budgeted Amounts | | 2013 Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| EXPENDITURES (Continued) | | | | |
| Debt Service | | | | |
| Principal | \$ 11,815 | \$ 11,815 | \$ 11,815 | \$ |
| Interest | 3,185 | 3,185 | 3,185 | |
| Total Debt Service | <u>15,000</u> | <u>15,000</u> | <u>15,000</u> | |
| TOTAL EXPENDITURES | <u>869,180</u> | <u>869,180</u> | <u>803,218</u> | <u>65,962</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>35,870</u> | <u>35,870</u> | <u>166,431</u> | <u>130,561</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 130,000 | 130,000 | 515,826 | 385,826 |
| Transfers out | | | (196,864) | (196,864) |
| Sale of capital assets | | | 200 | 200 |
| Total Other Financing Sources (Uses) | <u>130,000</u> | <u>130,000</u> | <u>319,162</u> | <u>189,162</u> |
| Net change in fund balance | 165,870 | 165,870 | 485,593 | 319,723 |
| FUND BALANCE - Beginning, as previously reported | 655,589 | 655,589 | 655,589 | |
| Reclassification of Fund Balance | <u>(359,974)</u> | <u>(359,974)</u> | <u>(359,974)</u> | |
| FUND BALANCE - Beginning, as restated | <u>295,615</u> | <u>295,615</u> | <u>295,615</u> | |
| FUND BALANCE - Ending | <u>\$ 461,485</u> | <u>\$ 461,485</u> | <u>\$ 781,208</u> | <u>\$ 319,723</u> |

See Notes to Financial Statements

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CITY OF SPRING GROVE, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2013

| | Business-Type Activities Enterprise Funds | |
|---|--|---------------|
| | 620 | 625 |
| | Water Fund | Sewer Fund |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 423,436 | \$ 125,521 |
| Accounts receivable | 2,025 | 1,872 |
| Accrued utility revenue | 27,564 | 24,965 |
| Inventory | | |
| Prepaid items | 1,794 | 2,301 |
| Total Current Assets | 454,819 | 154,659 |
| Capital assets: | | |
| Nondepreciable | | 34,114 |
| Depreciable | 543,969 | 4,988,970 |
| Less: Accumulated depreciation | (332,188) | (2,181,470) |
| Net capital assets | 211,781 | 2,841,614 |
| Total Assets | \$ 666,600 | \$ 2,996,273 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 4,148 | 12,904 |
| Accrued liabilities | 2,118 | 2,118 |
| Accrued interest payable | | 28,607 |
| Accrued compensated absences | 3,663 | 3,663 |
| Current maturities of bonds payable | | 22,000 |
| Total Current Liabilities | 9,929 | 69,292 |
| Noncurrent Liabilities: | | |
| Bonds payable, net of current maturities | | 2,144,000 |
| Less: Unamortized bond discount | | (25,313) |
| Total Noncurrent Liabilities | | 2,118,687 |
| Total Liabilities | 9,929 | 2,187,979 |
| NET POSITION | | |
| Net investment in capital assets | 211,781 | 700,927 |
| Unrestricted | 444,890 | 107,367 |
| Total Net Position | 656,671 | 808,294 |
| TOTAL LIABILITIES AND NET POSITION | \$ 666,600 | \$ 2,996,273 |

See Notes to Financial Statements

Business-Type Activities
Enterprise Funds

| 615 | 650 | |
|---------------------|-------------------|---------------------|
| Light Fund | Liquor Fund | TOTALS |
| \$ 881,410 | \$ 81,041 | \$ 1,511,408 |
| 10,927 | | 14,824 |
| 149,041 | | 201,570 |
| | 23,534 | 23,534 |
| 2,624 | 5,244 | 11,963 |
| <u>1,044,002</u> | <u>109,819</u> | <u>1,763,299</u> |
| | 7,500 | 41,614 |
| 1,036,230 | 150,409 | 6,719,578 |
| (891,704) | (96,794) | (3,502,156) |
| <u>144,526</u> | <u>61,115</u> | <u>3,259,036</u> |
| <u>\$ 1,188,528</u> | <u>\$ 170,934</u> | <u>\$ 5,022,335</u> |
| | | 2,144,000 |
| 101,379 | 4,566 | 122,997 |
| 8,867 | 9,233 | 22,336 |
| | | 28,607 |
| 33,734 | 1,500 | 42,560 |
| | | 22,000 |
| <u>143,980</u> | <u>15,299</u> | <u>238,500</u> |
| | | (25,313) |
| | | <u>2,118,687</u> |
| <u>143,980</u> | <u>15,299</u> | <u>2,357,187</u> |
| | | 1,118,349 |
| 144,526 | 61,115 | 1,546,799 |
| 900,022 | 94,520 | 1,546,799 |
| <u>1,044,548</u> | <u>155,635</u> | <u>2,665,148</u> |
| <u>\$ 1,188,528</u> | <u>\$ 170,934</u> | <u>\$ 5,022,335</u> |

See Notes to Financial Statements

**CITY OF SPRING GROVE, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses and
 Changes in Net Position
 For the Year Ended December 31, 2013**

| | Business-Type Activities Enterprise Funds | |
|---|--|---------------|
| | 601 | 602 |
| | Water Fund | Sewer Fund |
| Operating Revenues | | |
| Sales and charges for services | \$ 336,825 | \$ 226,308 |
| Operating Expenses | | |
| Cost of sales | | |
| Power costs | | |
| Salaries and benefits | 52,242 | 52,241 |
| Utilities | 45,756 | 64,265 |
| Repairs and maintenance | 91,322 | 11,593 |
| Supplies | 49,393 | 8,970 |
| Insurance | 3,166 | 6,735 |
| Depreciation and amortization | 12,458 | 67,346 |
| Professional services | | 13,333 |
| Other operating expense | 7,527 | 4,122 |
| Total Operating Expenses | 261,864 | 228,605 |
| Operating Income (Loss) | 74,961 | (2,297) |
| Nonoperating Revenues (Expenses) | | |
| Miscellaneous revenue | 3,340 | 150 |
| Investment income | 1,639 | 193 |
| Gain on sale of assets | | |
| Interest expense | | (4,191) |
| Total Nonoperating Revenues (Expenses) | 4,979 | (3,848) |
| Income Before Transfers | 79,940 | (6,145) |
| Transfers in | | |
| Transfers out | (2,705) | (6,920) |
| Change in net position | 77,235 | (13,065) |
| Net Position - Beginning of Year | 579,436 | 821,359 |
| Net Position - End of Year | \$ 656,671 | \$ 808,294 |

See Notes to Financial Statements

Business-Type Activities
Enterprise Funds

| 604 | 609 | |
|---------------------|-------------------|---------------------|
| Light Fund | Liquor Fund | TOTALS |
| \$ 1,662,332 | \$ 366,777 | \$ 2,592,242 |
| | 235,393 | 235,393 |
| 1,106,903 | | 1,106,903 |
| 116,701 | 86,083 | 307,267 |
| 5,145 | 14,689 | 129,855 |
| 21,312 | 5,557 | 129,784 |
| 7,725 | 2,657 | 68,745 |
| 5,897 | 8,380 | 24,178 |
| 8,282 | 4,050 | 92,136 |
| | | 13,333 |
| 15,544 | 13,543 | 40,736 |
| <u>1,287,509</u> | <u>370,352</u> | <u>2,148,330</u> |
| 374,823 | (3,575) | 443,912 |
| | | |
| 9,180 | 3,960 | 16,630 |
| 4,073 | 698 | 6,603 |
| 6,100 | | 6,100 |
| | | (4,191) |
| <u>19,353</u> | <u>4,658</u> | <u>25,142</u> |
| 394,176 | 1,083 | 469,054 |
| 14,794 | 1,900 | 16,694 |
| <u>(160,768)</u> | | <u>(170,393)</u> |
| 248,202 | 2,983 | 315,355 |
| <u>796,346</u> | <u>152,652</u> | <u>2,349,793</u> |
| <u>\$ 1,044,548</u> | <u>\$ 155,635</u> | <u>\$ 2,665,148</u> |

See Notes to Financial Statements

CITY OF SPRING GROVE, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2013

| | Business-Type Activities | |
|---|--------------------------|-------------------|
| | Enterprise Funds | |
| | 620 | 625 |
| | Water Fund | Sewer Fund |
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 346,877 | \$ 245,315 |
| Cash payments to suppliers | (196,812) | (102,281) |
| Cash payments to employees | (46,962) | (46,961) |
| Net Cash Provided By Operating Activities | <u>103,103</u> | <u>96,073</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | | (2,020,733) |
| Bond proceeds | | 1,999,687 |
| Principal payments on bonds | | (21,950) |
| Interest paid on bonds | | 24,416 |
| Net Cash Used In Capital and Related Financing Activities | | <u>(18,580)</u> |
| Cash Flows From Non-Capital Financing Activities | | |
| Transfers in from (out to) other funds | (2,705) | (6,920) |
| Other income (expense) | 3,340 | 150 |
| Net Cash Provided By (Used In) Non-Capital Financing Activities | <u>635</u> | <u>(6,770)</u> |
| Cash Flows From Investing Activities | | |
| Investment earnings received | <u>1,639</u> | <u>193</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 105,377 | 70,916 |
| Cash and Cash Equivalents, Beginning of Year | <u>318,059</u> | <u>54,605</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 423,436</u> | <u>\$ 125,521</u> |
| Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities | | |
| Operating Income (Loss) | \$ 74,961 | \$ (2,297) |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Depreciation | 12,458 | 67,346 |
| (Increase) Decrease In: | | |
| Accounts receivable | 10,052 | 19,007 |
| Inventory | | |
| Prepaid items | 29 | (452) |
| Increase (Decrease) In: | | |
| Accounts payable | 323 | 7,189 |
| Accrued liabilities | 5,280 | 5,280 |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 103,103</u> | <u>\$ 96,073</u> |

See Notes to Financial Statements

Business-Type Activities
Enterprise Funds

| 615 | 650 | |
|-------------------|------------------|---------------------|
| Light Fund | Liquor Fund | TOTALS |
| \$ 1,656,411 | \$ 366,777 | \$ 2,615,380 |
| (1,152,692) | (280,688) | (1,732,473) |
| (117,090) | (82,742) | (293,755) |
| <u>386,629</u> | <u>3,347</u> | <u>589,152</u> |
| (3,348) | (3,519) | (2,027,600) |
| | | 1,999,687 |
| | | (21,950) |
| | | <u>24,416</u> |
| <u>(3,348)</u> | <u>(3,519)</u> | <u>(25,447)</u> |
| (145,974) | 1,900 | (153,699) |
| 15,280 | 3,960 | 22,730 |
| <u>(130,694)</u> | <u>5,860</u> | <u>(130,969)</u> |
| <u>4,073</u> | <u>698</u> | <u>6,603</u> |
| 256,660 | 6,386 | 439,339 |
| <u>624,750</u> | <u>74,655</u> | <u>1,072,069</u> |
| <u>\$ 881,410</u> | <u>\$ 81,041</u> | <u>\$ 1,511,408</u> |
| \$ 374,823 | \$ (3,575) | \$ 443,912 |
| 8,282 | 4,050 | 92,136 |
| (5,921) | | 23,138 |
| | 4,517 | 4,517 |
| 26 | 1,302 | 905 |
| 9,808 | (6,288) | 11,032 |
| (389) | 3,341 | 13,512 |
| <u>\$ 386,629</u> | <u>\$ 3,347</u> | <u>\$ 589,152</u> |

See Notes to Financial Statements

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CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Spring Grove, Minnesota was first incorporated in 1852. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statues which prescribes a Mayor-Council form of government. Four Council members are each elected to four year terms and the Mayor is elected to a two year term.

The City’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

In accordance with GASB Statement No. 14 the City’s financial statements include the primary government and the component units of the City of Spring Grove, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Spring Grove.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Spring Grove are financially accountable or for which the nature or significance of their relationship with the City of Spring Grove would cause the general purpose financial statements to be misleading or incomplete.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units’ funds are blended into those of the City’s by appropriate activity type to compose the primary government presentation. Based on these criteria, the City has one blended component unit, the Economic Development Authority (EDA).

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 City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The *Aquatic Center Capital Projects fund* accounts for the improvements related to the aquatic center.

The *Aquatic Center Debt Service fund* accounts for the payment of principal and interest on the City's 2012A Tax Abatement Bonds.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The *Economic Development fund* accounts for the activities of the City's Economic Development Authority.

The City reports the following major proprietary funds:

The *Water fund* accounts for the provisions of water services to the residents of the City.

The *Sewer fund* accounts for the provisions of sewer services to the residents of the City.

The *Light fund* accounts for the provisions of electric services to the residents of the City.

The *Liquor fund* accounts for the activities of the liquor store.

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

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

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

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary accounting is employed as a management control for funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. All budget appropriations lapse at the end of the fiscal year.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of twelve months or less.

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 2013.

Property Taxes

Property tax levies are set by the City Council in September of each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

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

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

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

Inventories

Inventories are valued at cost using the first-in,first-out method. The cost of inventories are recorded as expense when consumed rather than when purchased.

Prepaid Items

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 FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund loans are classified as "advances from other funds" or "advances to other funds".

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over a period of 15 years with interest charges of 5.30%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Capital Assets

Capital assets, which include property, equipment, vehicles 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 recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| | <u>Useful Life in Years</u> |
|-----------------------------------|---------------------------------|
| Buildings and Improvements | 20 - 40 |
| Infrastructure | 20 - 50 |
| Land Improvements | 5 - 20 |
| Machinery, Equipment and Vehicles | 5 - 20 |
| Other Assets | 5 |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of enterprise funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Spring Grove, Minnesota.

Net Position / Fund Balance

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

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

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

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

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

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

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assigned fund balances to be used for specific purposes when appropriate.

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

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (continued)

Net Position / Fund Balance (Continued)

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

The City has not adopted a minimum fund balance policy.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2013, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

| <u>Cash and Investments</u> | <u>Maturities</u> | <u>Ratings</u> | <u>Fair Value</u> |
|-----------------------------|----------------------|----------------|---------------------|
| Cash | None | N/A | \$ 1,191,418 |
| Demand Deposits | None | N/A | 1,100 |
| Money Market Savings | None | N/A | 2,102,404 |
| Non-Negotiable CD's | 3/9/2014 - 1/13/2015 | Unrated | <u>321,745</u> |
| Total | | | <u>\$ 3,616,667</u> |

Investments Authorized by Minnesota Statutes

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

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2013 are as follows:

| <u>Fund</u> | <u>Houston County</u> |
|-------------------------------|---------------------------|
| General | \$ 7,826 |
| Debt Service - Aquatic Center | 2,525 |
| 2007 Tax Increment | 30 |
| Bender Tax Increment | 110 |
| Bluff Country Tax Increment | 1,077 |
| Total | <u>\$ 11,568</u> |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|--------------------------|------------------|------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 119,218 | \$ | \$ | \$ 119,218 |
| Total capital assets, not being depreciated | 119,218 | | | 119,218 |
| Capital assets, being depreciated: | | | | |
| Buildings/improvements | 2,790,844 | | | 2,790,844 |
| Machinery and equipment | 885,571 | 17,807 | | 903,378 |
| Vehicles | 611,381 | 97,101 | 93,954 | 614,528 |
| Infrastructure | 3,557,751 | 127,609 | | 3,685,360 |
| Land improvements | 26,824 | | | 26,824 |
| Total capital assets, being depreciated | 7,872,371 | 242,517 | 93,954 | 8,020,934 |
| Less accumulated depreciation for: | | | | |
| Buildings/improvements | 1,037,983 | 67,706 | | 1,105,689 |
| Machinery and equipment | 777,282 | 45,475 | | 822,757 |
| Vehicles | 379,024 | 43,835 | 92,136 | 330,723 |
| Infrastructure | 2,272,631 | 45,397 | | 2,318,028 |
| Land improvements | 10,174 | 2,131 | | 12,305 |
| Total accumulated depreciation | 4,477,094 | 204,544 | 92,136 | 4,589,502 |
| Total capital assets, being depreciated, net | 3,395,277 | 37,973 | 1,818 | 3,431,432 |
| Governmental activities capital assets, net | \$ 3,514,495 | \$ 37,973 | \$ 1,818 | \$ 3,550,650 |

Governmental Activities:

| | |
|--|------------|
| General government | \$ 17,426 |
| Public safety | 31,189 |
| Public works | 59,889 |
| Culture and recreation | 90,878 |
| Economic development | 5,162 |
| Total depreciation expense - governmental activities | \$ 204,544 |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 41,614 | \$ | \$ | \$ 41,614 |
| Total capital assets, not being depreciated | 41,614 | | | 41,614 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 3,104,386 | | | 3,104,386 |
| Equipment | 463,090 | 8,654 | | 471,744 |
| Vehicles | 48,300 | | 18,800 | 29,500 |
| Infrastructure | 1,095,002 | 2,018,946 | | 3,113,948 |
| Total capital assets, being depreciated | 4,710,778 | 2,027,600 | 18,800 | 6,719,578 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,753,400 | 12,010 | | 2,765,410 |
| Equipment | 119,239 | 30,350 | | 149,589 |
| Vehicles | 48,300 | | 18,800 | 29,500 |
| Infrastructure | 507,881 | 49,776 | | 557,657 |
| Total accumulated depreciation | 3,428,820 | 92,136 | 18,800 | 3,502,156 |
| Total capital assets, being depreciated, net | 1,281,958 | 1,935,464 | | 3,217,422 |
| Business-type activities capital assets, net | \$ 1,323,572 | \$1,935,464 | \$ | \$ 3,259,036 |

Business-Type Activities:

| | |
|---|-----------|
| Water | \$ 12,458 |
| Sewer | 67,346 |
| Light | 8,282 |
| Liquor | 4,050 |
| Total depreciation expense - business-type activities | \$ 92,136 |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

General Obligation Bond:

General Obligation Bonds are serviced by the Tax Increment Funds. This bond is backed by the full faith and credit of the City.

General Obligation Note:

General Obligation Note is serviced by the Aquatic Center Fund. This bond is backed by the full faith and credit of the City.

Revenue Notes:

The Revenue notes are payable primarily from sewer fund user fees and special assessments and are backed by the full faith and credit of the City.

Capital Lease:

A capital lease related to the purchase of a Fire Department Pumper is paid by the General Fund.

A summary of interest rates, maturities and December 31, 2013 balances is as follows:

| | Range of Interest Rates | Final Maturity | Balance December 31, 2013 |
|-----------------------------|----------------------------|----------------|---------------------------------|
| General Obligation Bonds: | | | |
| Series 2005A Tax Increment | 4.50% | 2022 | \$ 115,000 |
| Series 2007A Tax Increment | 3.80% | 2023 | 350,000 |
| Series 2013A GO Improvement | 0.75% - 4.10% | 2034 | 700,000 |
| General Obligation Note: | | | |
| Series 2012A Tax Abatement | 2.58% | 2026 | 1,345,000 |
| Revenue Notes: | | | |
| Series 2012B | 2.00% | 2019 | 141,000 |
| Series 2013A | 0.75% - 4.10% | 2034 | 2,025,000 |
| Capital Lease | 4.89% | 2017 | 55,076 |
| Total | | | \$ 4,731,076 |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The changes in the Long-Term Debt of the City during the year ended December 31, 2013 are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|---------------------|-------------------|---------------------------|--|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Obligation Bonds: | | | | | |
| Series 2005A Tax Increment | \$ 125,000 | \$ | \$ 10,000 | \$ 115,000 | \$ 10,000 |
| Series 2007A Tax Increment | 370,000 | | 20,000 | 350,000 | 25,000 |
| Series 2013A GO Improvement | | 700,000 | | 700,000 | |
| General Obligation Note: | | | | | |
| Series 2012A Tax Abatement | 1,435,000 | | 90,000 | 1,345,000 | 90,000 |
| Capital Lease | 66,891 | | 11,815 | 55,076 | 12,830 |
| Unamortized Discount | | (8,750) | | (8,750) | |
| Compensated Absences | 40,680 | | 9,581 | 31,099 | |
| Governmental Activities Long-term Liabilities | <u>2,037,571</u> | <u>691,250</u> | <u>141,396</u> | <u>2,587,425</u> | <u>137,830</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Revenue Notes: | | | | | |
| Series 2012B GO Revenue | 162,950 | | 21,950 | 141,000 | 22,000 |
| Series 2013A GO Revenue | | 2,025,000 | | 2,025,000 | |
| Unamortized Discount | | (25,313) | | (25,313) | |
| Compensated Absences | 39,186 | 3,374 | | 42,560 | |
| Business-type Activities Long-term Liabilities | <u>202,136</u> | <u>2,003,062</u> | <u>21,950</u> | <u>2,183,248</u> | <u>22,000</u> |
| Total | <u>\$ 2,239,707</u> | <u>\$ 2,694,312</u> | <u>\$ 163,346</u> | <u>\$ 4,770,673</u> | <u>\$ 159,830</u> |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2013 are summarized below.

| Years | General Obligation Bonds | | General Obligation Note | | Other | |
|---------------------------------|--------------------------|-------------------|-------------------------|-------------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| <u>Governmental Activities</u> | | | | | | |
| 2014 | \$ 35,000 | \$ 40,494 | \$ 90,000 | \$ 33,541 | \$ 12,830 | \$ 2,170 |
| 2015 | 65,000 | 37,648 | 95,000 | 31,154 | 13,436 | 1,564 |
| 2016 | 70,000 | 35,850 | 95,000 | 28,703 | 14,072 | 929 |
| 2017 | 70,000 | 33,893 | 95,000 | 26,252 | 14,738 | 262 |
| 2018 | 80,000 | 31,613 | 95,000 | 23,801 | | |
| 2019-2023 | 420,000 | 115,169 | 530,000 | 79,339 | | |
| 2024-2028 | 175,000 | 62,932 | 345,000 | 13,602 | | |
| 2029-2033 | 205,000 | 29,530 | | | | |
| 2034 | 45,000 | 922 | | | | |
| Totals | <u>\$ 1,165,000</u> | <u>\$ 388,049</u> | <u>\$ 1,345,000</u> | <u>\$ 236,392</u> | <u>\$ 55,076</u> | <u>\$ 4,925</u> |
| <u>Business-Type Activities</u> | | | | | | |
| 2014 | | | \$ 22,000 | \$ 64,529 | | |
| 2015 | | | 108,000 | 60,065 | | |
| 2016 | | | 108,000 | 58,904 | | |
| 2017 | | | 109,000 | 57,573 | | |
| 2018 | | | 114,000 | 55,973 | | |
| 2019-2023 | | | 485,000 | 249,402 | | |
| 2024-2028 | | | 505,000 | 181,289 | | |
| 2029-2033 | | | 585,000 | 84,835 | | |
| 2034 | | | 130,000 | 2,668 | | |
| | | | <u>\$ 2,166,000</u> | <u>\$ 815,236</u> | | |

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service cash and investments available to pay these bonds. The limitation is three percent of the City's estimated market valuation. At December 31, 2013 the City did not exceed the statutory limitation.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures

Transfers during the year ended December 31, 2013 were as follows:

| | Transfers In | Transfers Out |
|--------------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| General Fund | \$ 515,826 | \$ 196,864 |
| Special Revenue Funds: | | |
| Small Cities Development | 5,723 | |
| Community Building | 34,212 | |
| Library | 103,319 | |
| Debt Service Fund: | | |
| Tax Abatement | 11,381 | |
| Capital Project Funds: | | |
| Fire | 5,000 | |
| Aquatic Center | 125,000 | 125,000 |
| Vehicle Replacement | 54,760 | 3,348 |
| Highway 44 | | 385,826 |
| Conservation Improvement | 9,516 | |
| Enterprise Funds: | | |
| Light | 14,794 | 160,768 |
| Water | | 2,705 |
| Sewer | | 6,920 |
| Liquor | 1,900 | |
| Total Transfers | <u>\$ 881,431</u> | <u>\$ 881,431</u> |

The amounts due to and from other funds at December 31, 2013, at the individual fund level are summarized below:

| | Due From Other Funds | Due To Other Funds |
|-----------------------------|-------------------------|-----------------------|
| | <u> </u> | <u> </u> |
| General Fund | \$ 3,196 | \$ |
| Special Revenue Fund: | | |
| Cable | | 486 |
| Capital Project Fund: | | |
| Four Season Acres | 3,600 | |
| Debt Service Fund: | | |
| Tax Increment Bluff Country | | 6,310 |
| | <u>\$ 6,796</u> | <u>\$ 6,796</u> |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

The amounts advanced to and from other funds at December 31, 2013, at the individual fund level are summarized below:

| | Advances To Other Funds | Advances From Other Funds |
|------------------------|----------------------------|------------------------------|
| Capital Project Funds: | | |
| Aquatic Center | \$ 72,809 | \$ |
| Economic Development | | 72,809 |
| | <u>\$ 72,809</u> | <u>\$ 72,809</u> |

At December 31, 2013 the following funds have deficit fund equity:

| | | |
|-----------------------------|--|----------|
| Special Revenue Fund: | | |
| Community Building | | \$ (953) |
| Cable | | (486) |
| Debt Service Fund: | | |
| Tax Increment Bluff Country | | (6,280) |

The City intends to fund accumulated deficits through additional revenue sources.

7. Fund Equity

Governmental fund balance was committed at December 31, 2013 to the following:

| | |
|------------------------------|-------------------|
| Aquatic Center | \$ 273,523 |
| Vehicle replacement | 181,987 |
| Highway 44 project | 174,905 |
| Police forfeiture | 1,025 |
| Fire department | 11,198 |
| Street department | 48,694 |
| Library | 1,479 |
| Parks | 8,865 |
| Four Seasons project | 3,600 |
| Conservation Improvement | 263 |
| Economic development | <u>66,633</u> |
| Total committed fund balance | <u>\$ 772,172</u> |

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide

Plan Description

All full-time and certain part-time employees of the City of Spring Grove, Minnesota are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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 10 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 10 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 all PEPFF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement is the age for unreduced Social Security benefits capped at 66 for Coordinated Members hired on or after July 1, 1989. A reduced retirement benefit is also available to eligible members seeking early retirement.

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

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans – Statewide (Continued)

Plan Description (continued)

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.25% for Coordinated Plan GERF Members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$23,111, \$28,802, and \$28,202, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$7,898, \$8,063, and \$13,464, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

9. 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. The City carries insurance for employee health, liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2013.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, total contributions, plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,500,000 per claim for plan year 2013. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Subsequent Events

In preparing these financial statements, the City of Spring Grove, Minnesota has evaluated events and transactions for potential recognition of disclosures through April 7, 2014, the date the financial statements were available to be issued.

11. Change in Accounting Standards

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities." This Standard required retroactive implementation which requires the restatement of beginning balances in the December 31, 2013 financial statements. The adoption of this Standard did not have a material impact on the City's financial statements.

12. Accounting Standards Issued But Not Yet Adopted

GASB 68, "Accounting and Financial Reporting for Pensions", will be effective for the City beginning with its year ending December 31, 2015. This statement requires the reporting of unfunded pension liabilities in the government wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

CITY OF SPRING GROVE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Prior Period Adjustment

A prior period adjustment has been made to correct the interfund loan balance, deferral of commercial loans receivable and the discretely presented component unit reported for the year ended December 31, 2012. A summary of the prior period adjustment is as follows:

Fund Financial Statements

| | | |
|---|----|-------------------------|
| Net position, December 31, 2012, as previously reported | \$ | 1,214,342 |
| Correction of error in reporting interfund loan | | 78,000 |
| Correction of error in reporting commercial loans | | (11,033) |
| Correction of error in reporting EDA activities | | <u>42,659</u> |
| Net position, December 31, 2012, as restated | \$ | <u><u>1,323,968</u></u> |

Government Wide Financial Statements

| | | |
|---|----|-------------------------|
| Net position, December 31, 2012, as previously reported | \$ | 2,448,510 |
| Correction of error in reporting interfund loan | | 78,000 |
| Correction of error in reporting EDA activities | | 449,966 |
| Correction of error in reporting delinquent taxes and special assessments receivable | | <u>141,270</u> |
| Net position, December 31, 2012, as restated | \$ | <u><u>3,117,746</u></u> |

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CITY OF SPRING GROVE, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2013

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CITY OF SPRING GROVE, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2013

CITY OF SPRING GROVE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

| | Special Revenue Funds | | | | | |
|--|---------------------------------------|--|---------------------------------|----------------------------------|------------------------------|--------------|
| | 260 Small Cities Development | 265 2011 Small Cities Development | 250 Community Development | 280 Industrial Development | 270 Community Building | 610 Cable |
| ASSETS | | | | | | |
| Cash and investments | \$ 66,713 | \$ 36 | \$ 1,998 | \$ 20,097 | \$ | \$ |
| Loans Receivable | 20,275 | | | | | |
| Special assessments receivable Deferred | | | | | | |
| Delinquent taxes receivable | | | | | | |
| Due from other funds | | | | | | |
| Prepaid items | | | | | 604 | |
| Due from other governments | | | | | | |
| TOTAL ASSETS | \$ 86,988 | \$ 36 | \$ 1,998 | \$ 20,097 | \$ 604 | \$ |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ | \$ | \$ | \$ | \$ 1,438 | \$ |
| Accrued liabilities | | | | | 119 | |
| Due to other funds | | | | | | 486 |
| Total Liabilities | | | | | 1,557 | 486 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenue: | | | | | | |
| Property taxes | | | | | | |
| Special assessments | | | | | | |
| Loans receivable | 20,275 | | | | | |
| Total Deferred Inflows of Resources | 20,275 | | | | | |
| Fund Balance: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | | | | | 604 | |
| Restricted: | | | | | | |
| Tax increment districts | | | | | | |
| Committed | | | | | | |
| Assigned | 66,713 | 36 | 1,998 | 20,097 | | |
| Unassigned | | | | | (1,557) | (486) |
| Total Fund Balance | 66,713 | 36 | 1,998 | 20,097 | (953) | (486) |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 86,988 | \$ 36 | \$ 1,998 | \$ 20,097 | \$ 604 | \$ |

| Special Revenue Funds | Debt Service Funds | | | | | Capital Project Funds Total | Total Nonmajor Governmental Funds 2013 |
|-----------------------|---------------------------------|-------------------|------------------------|--------------------------|---------------------------|-----------------------------|--|
| | 314 Tax Increment Bluff Country | 316 Tax Abatement | 317 2007 Tax Increment | 318 Bender Tax Increment | 354 Hwy 44 GO Improvement | | |
| 630 Library | | | \$ 22,493 | \$ 44,993 | \$ 2,910 | \$ 489,191 | \$ 779,576 20,275 |
| | | | 121,289 61 | | | | 121,289 91 |
| | 30 | | | | | 3,600 | 3,600 |
| 275 | | | 1,077 | 110 | | | 879 |
| | 30 | | | | | | 1,217 |
| <u>\$ 131,420</u> | <u>\$ 60</u> | <u>\$</u> | <u>\$ 144,920</u> | <u>\$ 45,103</u> | <u>\$ 2,910</u> | <u>\$ 492,791</u> | <u>\$ 926,927</u> |
| | | | | | | | |
| \$ 26,267 1,959 | | | | | | \$ 60,775 | \$ 88,480 2,078 |
| | 6,310 | | | | | | 6,796 |
| <u>28,226</u> | <u>6,310</u> | | | | | <u>60,775</u> | <u>97,354</u> |
| | | | | | | | |
| | | | 61 121,289 | | | | 91 121,289 20,275 |
| | 30 | | | | | | |
| | | | 121,350 | | | | 141,655 |
| | | | | | | | |
| 275 | | | | | | | 879 |
| | | | 23,570 | 45,103 | 2,910 | | 71,583 |
| | | | | | | 432,016 | 432,016 |
| 102,919 | (6,280) | | | | | | 191,763 (8,323) |
| <u>103,194</u> | <u>(6,280)</u> | | <u>23,570</u> | <u>45,103</u> | <u>2,910</u> | <u>432,016</u> | <u>687,918</u> |
| | | | | | | | |
| <u>\$ 131,420</u> | <u>\$ 60</u> | <u>\$</u> | <u>\$ 144,920</u> | <u>\$ 45,103</u> | <u>\$ 2,910</u> | <u>\$ 492,791</u> | <u>\$ 926,927</u> |

CITY OF SPRING GROVE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

| | Special Revenue Funds | | | | | |
|--|---------------------------------------|--|---------------------------------|----------------------------------|------------------------------|----------------|
| | 260 Small Cities Development | 265 2011 Small Cities Development | 250 Community Development | 280 Industrial Development | 270 Community Building | 610 Cable |
| REVENUES | | | | | | |
| General property taxes | \$ | \$ | \$ | \$ | \$ | \$ |
| Tax increment | | | | | | |
| Special assessments | | | | | | |
| Intergovernmental revenues | | 265,550 | | | | |
| Charges for services | | | 310 | | | |
| Investment income | 311 | 32 | | 120 | | |
| Donations | | | | | | |
| Miscellaneous revenues | 8,062 | | 23,015 | | 11,748 | 8,701 |
| TOTAL REVENUES | 8,373 | 265,582 | 23,325 | 120 | 11,748 | 8,701 |
| EXPENDITURES | | | | | | |
| General government | | | | | | |
| Public safety | | | | | | |
| Culture and recreation | | | | | 46,614 | 10,311 |
| Economic development | 3,871 | 264,300 | 23,734 | | | |
| Capital outlay | | | | | | |
| Debt Service: | | | | | | |
| Principal | | | | | | |
| Interest and other | | | | | | |
| TOTAL EXPENDITURES | 3,871 | 264,300 | 23,734 | | 46,614 | 10,311 |
| Excess (deficiency) of revenues over (under) expenditures | 4,502 | 1,282 | (409) | 120 | (34,866) | (1,610) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | | | | | | |
| Transfers In | 5,723 | | | | 34,212 | |
| Transfers out | | | | | | |
| Gain on sale of capital assets | | | | | | |
| Total other financing sources (uses) | 5,723 | | | | 34,212 | |
| Net change in fund balances | 10,225 | 1,282 | (409) | 120 | (654) | (1,610) |
| Fund Balance - Beginning, as previously reported | 67,521 | (1,246) | 2,407 | 19,977 | (299) | |
| Correction of Error (Note 13) | (11,033) | | | | | |
| Reclassification of Fund Balance | | | | | | 1,124 |
| Fund Balance - Beginning, as restated | 56,488 | (1,246) | 2,407 | 19,977 | (299) | 1,124 |
| Fund Balance - Ending | \$ 66,713 | \$ 36 | \$ 1,998 | \$ 20,097 | \$ (953) | \$ (486) |

| Special Revenue Funds | Debt Service Funds | | | | | Capital Project Funds Total | Total Nonmajor Governmental Funds |
|-----------------------------|--|-------------------------|------------------------------|-----------------------------------|---------------------------------|--------------------------------------|---|
| | 314 Tax Increment Bluff Country | 316 Tax Abatement | 317 2007 Tax Increment | 318 Bender Tax Increment | 354 Hwy 44 GO Improvement | | |
| 630 Library | | | | | | | |
| \$ | \$ 1,466 | \$ | \$ 171 | \$ | \$ | \$ | \$ |
| | | | | 2,382 | | | |
| | | | 17,408 | | | | |
| 15,599 | 15,497 | | | | | | |
| 431 | | | | 265 | | 1,200 | |
| 22,500 | | | | | | 1,312 | |
| | | | | | | | 51,526 |
| <u>38,530</u> | <u>16,963</u> | | <u>17,579</u> | <u>2,647</u> | | <u>2,512</u> | <u>396,080</u> |
| | | | | | | 621 | 621 |
| 112,619 | | 11,381 | | | | 9,418 | 169,544 |
| | | | | | | 231,635 | 312,704 |
| | 10,000 | | 20,000 | | | | 30,000 |
| | 5,400 | | 15,625 | | | | 21,025 |
| <u>112,619</u> | <u>15,400</u> | <u>11,381</u> | <u>35,625</u> | | | <u>241,674</u> | <u>765,529</u> |
| <u>(74,089)</u> | <u>1,563</u> | <u>(11,381)</u> | <u>(18,046)</u> | <u>2,647</u> | | <u>(239,162)</u> | <u>(369,449)</u> |
| | | | | | 2,910 | 697,090 | 700,000 |
| 103,319 | | 11,381 | | | | 69,276 | 223,911 |
| | | | | | | (389,174) | (389,174) |
| | | | | | | 5,500 | 5,500 |
| <u>103,319</u> | | <u>11,381</u> | | | <u>2,910</u> | <u>382,692</u> | <u>540,237</u> |
| <u>29,230</u> | <u>1,563</u> | | <u>(18,046)</u> | <u>2,647</u> | <u>2,910</u> | <u>143,530</u> | <u>170,788</u> |
| | (7,843) | | 41,616 | 42,456 | | 3,600 | 168,189 |
| | | | | | | | (11,033) |
| <u>73,964</u> | | | | | | <u>284,886</u> | <u>359,974</u> |
| <u>73,964</u> | <u>(7,843)</u> | | <u>41,616</u> | <u>42,456</u> | | <u>288,486</u> | <u>517,130</u> |
| <u>\$ 103,194</u> | <u>\$ (6,280)</u> | <u>\$</u> | <u>\$ 23,570</u> | <u>\$ 45,103</u> | <u>\$ 2,910</u> | <u>\$ 432,016</u> | <u>\$ 687,918</u> |

**CITY OF SPRING GROVE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2013**

| | 405 | 410 | 415 | 420 | 425 |
|--|------------------|-----------------|-----------------|----------------------|------------------|
| | Fire | Library | Parks | Police Forfeiture | Streets |
| ASSETS | | | | | |
| Cash and investments | \$ 11,198 | \$ 1,479 | \$ 8,865 | \$ 1,025 | \$ 48,694 |
| Due from other funds | | | | | |
| TOTAL ASSETS | \$ 11,198 | \$ 1,479 | \$ 8,865 | \$ 1,025 | \$ 48,694 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ | \$ | \$ | \$ | \$ |
| Total Liabilities | | | | | |
| Fund Balance: | | | | | |
| Committed | 11,198 | 1,479 | 8,865 | 1,025 | 48,694 |
| Total Fund Balance | 11,198 | 1,479 | 8,865 | 1,025 | 48,694 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCE | \$ 11,198 | \$ 1,479 | \$ 8,865 | \$ 1,025 | \$ 48,694 |

| <u>435</u> | <u>440</u> | <u>454</u> | <u>475</u> | <u>Total Capital Project Funds</u> |
|--------------------------------|-------------------------|-------------------------------|-------------------------------------|--|
| <u>Vehicle Replacement</u> | <u>Four Seasons</u> | <u>Highway 44 Project</u> | <u>Conservation Improvement</u> | |
| \$ 181,987 | \$ 3,600 | \$ 235,680 | \$ 263 | \$ 489,191 3,600 |
| <u>\$ 181,987</u> | <u>\$ 3,600</u> | <u>\$ 235,680</u> | <u>\$ 263</u> | <u>\$ 492,791</u> |
| | | | | |
| \$ | \$ | \$ 60,775 | \$ | \$ 60,775 |
| | | 60,775 | | 60,775 |
| | | | | |
| 181,987 | 3,600 | 174,905 | 263 | 432,016 |
| <u>181,987</u> | <u>3,600</u> | <u>174,905</u> | <u>263</u> | <u>432,016</u> |
| | | | | |
| <u>\$ 181,987</u> | <u>\$ 3,600</u> | <u>\$ 235,680</u> | <u>\$ 263</u> | <u>\$ 492,791</u> |

CITY OF SPRING GROVE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2013

| | 405 | 410 | 415 | 420 | 425 |
|--|-----------|----------|----------|----------------------|-----------|
| | Fire | Library | Parks | Police Forfeiture | Streets |
| REVENUES | | | | | |
| Charges for services | \$ | \$ | \$ | \$ 1,200 | \$ |
| Investment income | 45 | 7 | 49 | | 169 |
| TOTAL REVENUES | 45 | 7 | 49 | 1,200 | 169 |
| EXPENDITURES | | | | | |
| Public safety | | | | 621 | |
| Economic development | | | | | |
| Capital outlay | | | | | |
| TOTAL EXPENDITURES | | | | 621 | |
| Excess (deficiency) of revenues over (under) expenditures | 45 | 7 | 49 | 579 | 169 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond proceeds | | | | | |
| Transfers In | 5,000 | | | | |
| Transfers out | | | | | |
| Gain on sale of capital assets | | | | | |
| Total other financing sources (uses) | 5,000 | | | | |
| Net change in fund balances | 5,045 | 7 | 49 | 579 | 169 |
| Fund Balance - Beginning, as previously reported | | | | | |
| Reclassification of Fund Balance | 6,153 | 1,472 | 8,816 | 446 | 48,525 |
| Fund Balance - Beginning, as restated | 6,153 | 1,472 | 8,816 | 446 | 48,525 |
| Fund Balance - Ending | \$ 11,198 | \$ 1,479 | \$ 8,865 | \$ 1,025 | \$ 48,694 |

| <u>435</u> | <u>440</u> | <u>454</u> | <u>475</u> | <u>Total Capital Project Funds</u> |
|--------------------------------|-------------------------|-------------------------------|-------------------------------------|--|
| <u>Vehicle Replacement</u> | <u>Four Seasons</u> | <u>Highway 44 Project</u> | <u>Conservation Improvement</u> | |
| \$ 1,042 | \$ | \$ | \$ | \$ 1,200 |
| | | | | 1,312 |
| <u>1,042</u> | | | | <u>2,512</u> |
| | | | | 621 |
| | | | 9,418 | 9,418 |
| 95,276 | | 136,359 | | <u>231,635</u> |
| 95,276 | | 136,359 | 9,418 | <u>241,674</u> |
| (94,234) | | (136,359) | (9,418) | <u>(239,162)</u> |
| | | | | 697,090 |
| 54,760 | | 697,090 | 9,516 | 69,276 |
| (3,348) | | (385,826) | | (389,174) |
| 5,500 | | | | <u>5,500</u> |
| 56,912 | | 311,264 | 9,516 | <u>382,692</u> |
| (37,322) | | 174,905 | 98 | <u>143,530</u> |
| | 3,600 | | | 3,600 |
| 219,309 | | | 165 | <u>284,886</u> |
| 219,309 | 3,600 | | 165 | <u>288,486</u> |
| <u>\$ 181,987</u> | <u>\$ 3,600</u> | <u>\$ 174,905</u> | <u>\$ 263</u> | <u>\$ 432,016</u> |

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CITY OF SPRING GROVE, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2013

**CITY OF SPRING GROVE, MINNESOTA
WATER FUND**

**Statement of Revenues, Expenses
and Changes in Net Position**

For the Year Ended December 31, 2013

| | |
|---|------------------------------|
| Operating Revenue | |
| Charges for services | \$ 336,825 |
| | <hr/> |
| Operating Expenses | |
| Salaries and benefits | 52,242 |
| Utilities | 45,756 |
| Repairs and maintenance | 91,322 |
| Supplies | 49,393 |
| Insurance | 3,166 |
| Depreciation and amortization | 12,458 |
| Other operating expense | 7,527 |
| Total Operating Expenses | <hr/> 261,864 <hr/> |
| Operating Income | <hr/> 74,961 <hr/> |
| Nonoperating Revenues | |
| Miscellaneous revenue | 3,340 |
| Investment income | 1,639 |
| Total Nonoperating Revenues | <hr/> 4,979 <hr/> |
| INCOME BEFORE TRANSFERS | 79,940 |
| Transfers out | <hr/> (2,705) <hr/> |
| Change in net position | 77,235 |
| Net Position - Beginning of Year | <hr/> 579,436 <hr/> |
| Net Position - End of Year | <hr/> \$ 656,671 <hr/> <hr/> |

CITY OF SPRING GROVE, MINNESOTA
SEWER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2013

| | | |
|---|--|--------------------------|
| Operating Revenue | | |
| Charges for services | | \$ 226,308 |
| | | <u>226,308</u> |
| Operating Expenses | | |
| Salaries and benefits | | 52,241 |
| Utilities | | 64,265 |
| Repairs and maintenance | | 11,593 |
| Supplies | | 8,970 |
| Insurance | | 6,735 |
| Depreciation and amortization | | 67,346 |
| Professional services | | 13,333 |
| Other operating expense | | 4,122 |
| Total Operating Expenses | | <u>228,605</u> |
| Operating Income | | <u>(2,297)</u> |
| Nonoperating Revenues (Expenses) | | |
| Miscellaneous revenue | | 150 |
| Investment income | | 193 |
| Interest expense | | (4,191) |
| Total Nonoperating Revenues (Expenses) | | <u>(3,848)</u> |
| LOSS BEFORE TRANSFERS | | (6,145) |
| Transfers out | | <u>(6,920)</u> |
| Change in net position | | (13,065) |
| Net Position - Beginning of Year | | <u>821,359</u> |
| Net Position - End of Year | | <u><u>\$ 808,294</u></u> |

**CITY OF SPRING GROVE, MINNESOTA
LIGHT FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2013**

| | |
|---|--------------|
| Operating Revenue | |
| Charges for services | \$ 1,662,332 |
| Operating Expenses | |
| Power costs | 1,106,903 |
| Salaries and benefits | 116,701 |
| Utilities | 5,145 |
| Repairs and maintenance | 21,312 |
| Supplies | 7,725 |
| Insurance | 5,897 |
| Depreciation and amortization | 8,282 |
| Other operating expense | 15,544 |
| Total Operating Expenses | 1,287,509 |
| Operating Income | 374,823 |
| Nonoperating Revenues | |
| Miscellaneous revenue | 9,180 |
| Investment income | 4,073 |
| Gain on sale of assets | 6,100 |
| Total Nonoperating Revenues | 19,353 |
| INCOME BEFORE TRANSFERS | 394,176 |
| Transfers in | 14,794 |
| Transfers out | (160,768) |
| Change in net position | 248,202 |
| Net Position - Beginning of Year | 796,346 |
| Net Position - End of Year | \$ 1,044,548 |

CITY OF SPRING GROVE, MINNESOTA
LIQUOR FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2013

| | |
|---|------------|
| Operating Revenue | |
| Sales | \$ 366,777 |
| Cost of sales | 235,393 |
| Gross Profit | 131,384 |
| Operating Expenses | |
| Salaries and benefits | 86,083 |
| Utilities | 14,689 |
| Repairs and maintenance | 5,557 |
| Supplies | 2,657 |
| Insurance | 8,380 |
| Depreciation and amortization | 4,050 |
| Other operating expense | 13,543 |
| Total Operating Expenses | 134,959 |
| Operating Loss | (3,575) |
| Nonoperating Revenues | |
| Miscellaneous revenue | 3,960 |
| Investment income | 698 |
| Total Nonoperating Revenues | 4,658 |
| INCOME BEFORE TRANSFERS | 1,083 |
| Transfers in | 1,900 |
| Change in net position | 2,983 |
| Net Position - Beginning of Year | 152,652 |
| Net Position - End of Year | \$ 155,635 |

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AUDITOR'S REPORT ON COMPLIANCE

Honorable Mayor and Members
of the City Council
City of Spring Grove, Minnesota

We have audited the financial statements of the City of Spring Grove, Minnesota as of and for the year ended December 31, 2013 and have issued our report thereon dated April 7, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main 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 study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Spring Grove, Minnesota complied with the material terms and conditions of applicable legal provisions, except for the following:

Bids

The City did not either receive sealed bids, or by direct negotiation, obtain two or more bids for contracts between \$25,000 and \$100,000 as required by Minnesota State Statute § 471.345, subd. 4.

This report is intended solely for the information and use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than those specified

Smith, Schafu and Associates, Ltd.

parties.
Rochester, Minnesota
April 7, 2014