

**CITY OF CIRCLE PINES, MINNESOTA
REGULAR CITY COUNCIL MEETING**

**July 14, 2020
7:00 P.M.**

AGENDA

1. Call to Order
2. Roll Call

*Dave Bartholomay, Mayor
Matt Percy, Council Member
Jennifer Rauner, Council Member
Dean Goldberg, Council Member
Steve McChesney, Council Member
Patrick Antonen, City Administrator*

3. Setting of Agenda

Note: Consent Agenda items will be acted on with one motion unless a council member requests their placement on the regular agenda -

4. a. Taxpayer Comments
b. Council Member Comments
c. Mayor Comments
d. COVID-19 Update

5. COMMITTEE REPORTS

- a.
- b.

6. COUNCIL BUSINESS

- a. Consent Agenda

<u>Item</u>	<u>Action</u>
1. Minutes - 06/23/20 Regular Council Meeting (Enclosed)	Approve
2. General Fund Disbursements (Enclosed)	Approve
3. Police Disbursements (Enclosed)	Approve
4. Fire Disbursements (Presented at Meeting)	Approve
5. Licenses (Enclosed)	Approve

Council Action _____

- b. Presentation of FY 2019 Audit (Enclosed)

Council Action _____

c. Pay Voucher No. 3 – 2020 Street and Utility Reconstruction Project (Enclosed)

Council Action _____

d. _____

Council Action _____

7. **ADJOURNMENT**

**CITY OF CIRCLE PINES, MINNESOTA
REGULAR CITY COUNCIL MEETING**

**Tuesday, June 23, 2020
7:00 p.m.**

1. CALL TO ORDER

Mayor Bartholomay called the meeting to order at 7:00 p.m. The meeting is live and is also being conducted for one council member via online video means pursuant to Minnesota Statutes Section 13D.021. Bartholomay added the meeting is also for the first time being broadcast on Facebook Live.

2. ROLL CALL

Also present were Council Members McChesney, Rauner, and Percy and City Administrator Antonen. Council Member Goldberg was present via video conferencing.

3. SETTING OF AGENDA

Cable Commission and Fire Steering Committee were added as Items 5.c. and 5.d. respectively.

4. COMMENTS

a. Taxpayer Comments

It was noted there were no audience members present in council chambers.

b. Council Member Comments

Council Member McChesney reminded the public that absentee voting begins June 26 and added a reminder that the polling place for Precinct 1 has been changed to St. Mark Lutheran Church on North Road. McChesney expressed thanks to the 22 election judges who are volunteering during this time to help ensure safe and fair elections.

c. Mayor Comments

Mayor Bartholomay commented on the following:

- Thanks to staff, council, boards and commission members

- Street project update
City Administrator Antonen mentioned the 2020 Street Project is going very well. He said this week Center Road will be paved from Crossway Drive to North Road, and the second lift of asphalt will be applied to Civic Heights Circle, at City Hall and on Pine Drive and Shepherd Court.
- New name for restaurant reopening in former Matthew's location – Rusty Cow
- Library marking one year in new building

d. COVID-19 Update

City Administrator Antonen mentioned the city hall office opened yesterday with precautions in place for social distancing and disinfecting practices.

5. COMMITTEE REPORTS

a. Utilities Commission

Mayor Bartholomay reported the commission met June 17 and approved Pay Vouchers 1 and 2 for the street reconstruction project. He said the commission also heard a COVID-19 update and plans for remodeling city hall.

b. Police Governing Board

Mayor Bartholomay noted the board met last week to interview police chief candidates. He explained the interview process for the six finalists. City Administrator Antonen commented it was a very complete process with six quality candidates and the governing board chose Lieutenant Jim Mork from the Fridley Police Department who will hopefully start by the end of July.

c. Cable Commission

Council Member McChesney reported the commission met June 17. He said North Metro TV is now open to the public with typical safety measures and NMTV worked with Blaine and Centennial High Schools for virtual graduation ceremonies this year. McChesney added the commission approved a 2021 budget that is about \$42,000 less than the previous year.

City Administrator Antonen expressed thanks to Matt Waldron from North Metro TV who revised audio and video capabilities in council chambers so that live meetings could be conducted with social distance between members.

d. Fire Steering Committee

Council Member Percy noted the committee met June 22 and business included review of plans for replacing Chief Lundstrom who is retiring at the end of the month. He said the committee authorized a study of Centennial Fire District and will look at possible changes when the results are received. In the interim, he said a contract has been signed with former Centennial Fire Chief Jerry Streich for chief duties and Kathy Peil has been named Assistant Fire Chief. Percy said Streich, whose contract is for up to six months, will be assisting with hiring a duty crew and evaluation of the department.

Council Member Goldberg commented he thinks the board should use the evaluation as an opportunity to make sure of two things – that the fire department continues to provide high quality fire and safety services and that we use the opportunity to be fiscally responsible. He said part of the goal, if possible, is to look at creative ways to reduce costs.

6. COUNCIL BUSINESS

a. Consent Agenda

Items included:

1. Minutes – 06/09/20 Regular Council Meeting
2. General Fund Disbursements
3. Police Disbursements
4. Fire Disbursements

MOTION: Percy moved, seconded by Rauner, to approve the Consent Agenda as presented.

Motion carried by Roll Call Vote of 5 Ayes and 0 Nays.

b. COVID-19 Preparedness and Response Plan

City Administrator Antonen noted the Emergency Preparedness and Response Plan is required by the State of Minnesota to be submitted by June 29, 2020. He said the plan meets criteria set by the state, includes four phases and we are now in Phase III. Antonen thanked staff members Chandra and Theresa for their efforts in bringing the plan to its final form.

Council Member Goldberg commented he appreciates that Phase III includes modifications to some of the precautions and guidelines as outlined in the plan because it affects him. He said that his age and medical conditions put him at high risk for being affected by the disease and he appreciates that the plan allows an option for him and others who are at high risk.

Antonen added the option for Zoom meetings will be provided as long as legally possible, with potential alternate methods as allowed. Mayor Bartholomay commented that many cities have expressed interest in continuing this model of

meeting and once the governor's Executive Order expires on July 12, we would like to be able to keep the model. He said the League of Minnesota Cities should be notified that we support that style of meeting.

Goldberg commented he would be willing to reach out to LMC on behalf of himself and older individuals with health issues that would put them at risk, whether or not the emergency order is in effect. Council members agreed that would be a good idea.

Council Member Percy asked what would be done during elections to keep people safe when they come in to city hall. Antonen explained the Assistant City Administrator for Public Services is working extensively on that plan and it includes handling one voter at a time during absentee voting, sanitizing surfaces between voters, and having masks and hand sanitizer available. He said the final plan for Election Day will be done closer to that time.

MOTION: Rauner moved, seconded by McChesney, to approve the COVID-19 Preparedness and Response Plan.

Motion carried by Roll Call Vote of 5 Ayes and 0 Nays.

c. Resolution No. 2020-13 Appointing Election Judges for August 11, 2020 Primary Election

Council Member McChesney commented that given the pandemic, and to keep voters and election judges safe, we should do everything we can as a city to encourage absentee voting. He said absentee voting begins Friday, June 26, to August 10 and he is in favor of a postcard mailing promoting that as well as informing residents on the north side of Lake Drive of the precinct location change to St. Mark Lutheran Church.

Council Member Rauner asked why Precinct 1 is moving from the fire station. McChesney said it is an effort to keep first responders at the fire station safe.

It was noted that Precinct 1 will be at St. Mark Lutheran Church for both the Primary and General Elections this year and precinct locations for future elections are established at the end of each year.

Mayor Bartholomay noted his wife is scheduled to serve as an election judge this year and she is never an election judge when he is on the ballot.

MOTION: McChesney moved, seconded by Goldberg, to approve **Resolution No. 2020-13** Appointing Election Judge for the August 11, 2020 Primary Election.

Motion carried by Roll Call Vote of 5 Ayes and 0 Nays.

7. **ADJOURNMENT**

MOTION: Rauner moved, seconded by Percy, to adjourn the meeting at 7:51 p.m.

Motion carried by Roll Call Vote of 5 Ayes and 0 Nays.

Mayor

Clerk

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
06/26/2020						
80554 HOME DEPOT CREDIT SERVICES						
062620	1	Invoice	IRRIGATION FLAGS	06/26/2020	34.22	06/20
062620	2	Invoice	CONCESSION IMP WALL PANELS/AC	06/26/2020	645.40	06/20
062620	3	Invoice	SIGN LATH	06/26/2020	16.98	06/20
062620	4	Invoice	LAG SCREWS TO SECURE RACKING LEST	06/26/2020	4.68	06/20
062620	5	Invoice	TOOL MTC	06/26/2020	70.00	06/20
062620	6	Invoice	SHADE TREE PAINT	06/26/2020	11.96	06/20
Total 062620:					783.24	
Total 80554 HOME DEPOT CREDIT SERVICES:					783.24	
190210 SAM'S CLUB DIRECT						
062620	1	Invoice	MEMBERSHIP	06/26/2020	45.00	06/20
Total 062620:					45.00	
Total 190210 SAM'S CLUB DIRECT:					45.00	
Total 06/26/2020:					828.24	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
06/27/2020						
10495 AMERICAN EXPRESS CREDIT CARD						
6 30 20	1	Invoice	Amex Credit Card Services for xxx - City	06/27/2020	2.77	06/20
Total 6 30 20:					2.77	
Total 10495 AMERICAN EXPRESS CREDIT CARD:					2.77	
30360 CASEY'S BUSINESS MASTERCARD						
62720	1	Invoice	Diesel Tank	06/27/2020	23.91	06/20
62720	2	Invoice	Diesel Tank	06/27/2020	1.59	06/20
62720	3	Invoice	Diesel Tank	06/27/2020	6.38	06/20
62720	4	Invoice	Fuel	06/27/2020	711.17	06/20
62720	5	Invoice	Diesel Streets	06/27/2020	80.06	06/20
62720	6	Invoice	Fuel	06/27/2020	124.46	06/20
Total 62720:					947.57	
Total 30360 CASEY'S BUSINESS MASTERCARD:					947.57	
30580 CHASE						
6 30 20	1	Invoice	Chase Credit Card Services for May - City	06/27/2020	154.11	06/20
Total 6 30 20:					154.11	
Total 30580 CHASE:					154.11	
40278 DEARBORN NATL LIFE INS CO						
062720	1	Invoice	ACH JULY LIFE/DISABILITY INS	06/27/2020	76.20	06/20
062720	2	Invoice	ACH JULY LIFE/DISABILITY INS	06/27/2020	71.56	06/20
062720	3	Invoice	ACH JULY LIFE/DISABILITY INS	06/27/2020	46.60	06/20
062720	4	Invoice	ACH JULY LIFE/DISABILITY INS	06/27/2020	118.26	06/20
062720	5	Invoice	ACH JULY LIFE/DISABILITY INS	06/27/2020	14.78	06/20
062720	6	Invoice	ACH JULY VOL LIFE	06/27/2020	183.44	06/20
Total 062720:					510.84	
Total 40278 DEARBORN NATL LIFE INS CO:					510.84	
40326 DELTA DENTAL OF MN						
062720	1	Invoice	ACH JUNE DENTAL	06/27/2020	617.50	06/20
Total 062720:					617.50	
Total 40326 DELTA DENTAL OF MN:					617.50	
80015 HEALTH PARTNERS						
97815926	1	Invoice	ACH JULY HEALTH INS	06/27/2020	1,540.58	06/20
97815926	2	Invoice	ACH JULY HEALTH INS	06/27/2020	705.53	06/20
Total 97815926:					2,246.11	
Total 80015 HEALTH PARTNERS:					2,246.11	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
240500 XPRESS BILL PAY						
49025	1	Invoice	Xpress Bill Pay Services for May - City	06/27/2020	35.34	06/20
Total 49025:					35.34	
Total 240500 XPRESS BILL PAY:					35.34	
Total 06/27/2020:					4,514.24	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
07/01/2020						
190004 SJF MATERIAL HANDLING INC.						
179127	1	Invoice	CANTILEVER RACKING LESTER BLDG	07/01/2020	29.93	07/20
Total 179127:					29.93	
Total 190004 SJF MATERIAL HANDLING INC.:					29.93	
Total 07/01/2020:					29.93	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
07/06/2020						
20100 BJ'S LAWN SERVICE, LLC						
1011-2	1	Invoice	MOWING SERVICE SHADY/CAMEO LOTS	07/06/2020	75.00	07/20
Total 1011-2:					75.00	
Total 20100 BJ'S LAWN SERVICE, LLC:					75.00	
20128 BAUER BUILT TIRE, INC						
940067357	1	Invoice	TIRES 2015 F250	07/06/2020	924.90	07/20
Total 940067357:					924.90	
Total 20128 BAUER BUILT TIRE, INC:					924.90	
20620 BROCK WHITE CO., INC.						
14043175-00	1	Invoice	CRAFCO RENTAL	07/06/2020	1,500.00	07/20
Total 14043175-00:					1,500.00	
Total 20620 BROCK WHITE CO., INC.:					1,500.00	
30540 CENTURY LINK						
070620	1	Invoice	GL PHONE JULY	07/06/2020	28.11	07/20
Total 070620:					28.11	
Total 30540 CENTURY LINK:					28.11	
30870 CIVIC SYSTEMS, LLC						
CVC19332	1	Invoice	6 MO SOFTWARE SUPPORT	07/06/2020	2,866.20	07/20
Total CVC19332:					2,866.20	
Total 30870 CIVIC SYSTEMS, LLC:					2,866.20	
31320 COVERALL NORTH AMERICA, INC.						
7070277784	1	Invoice	July CH Cleaning	07/14/2020	293.40	07/20
Total 7070277784:					293.40	
Total 31320 COVERALL NORTH AMERICA, INC.:					293.40	
31510 CURTIS 1000, INC						
5990426	1	Invoice	CITY ENVELOPES	07/06/2020	1,298.10	07/20
Total 5990426:					1,298.10	
Total 31510 CURTIS 1000, INC:					1,298.10	
40370 DIESEL MINNESOTA, INC						
W108695	1	Invoice	05 STERLING DOT INSP & REPAIR	07/06/2020	4,527.92	07/20

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
Total W108695:					4,527.92	
W108696	1	Invoice	BUCKET TRUCK DOT INSP & REPAIR	07/06/2020	1,381.69	07/20
Total W108696:					1,381.69	
Total 40370 DIESEL MINNESOTA, INC:					5,909.61	
80600 HUGO FEED MILL INC						
86245/52319	1	Invoice	EROSION MATS	07/06/2020	198.89	07/20
Total 86245/52319:					198.89	
Total 80600 HUGO FEED MILL INC:					198.89	
90157 I U O E LOCAL 49						
70620	1	Invoice	August Benefits	07/14/2020	862.50	07/20
70620	2	Invoice	August Benefits	07/14/2020	1,840.00	07/20
70620	3	Invoice	August Benefits	07/14/2020	230.00	07/20
70620	4	Invoice	August Benefits	07/14/2020	1,035.00	07/20
Total 70620:					3,967.50	
Total 90157 I U O E LOCAL 49:					3,967.50	
230105 WH SECURITY						
71420	4	Invoice	May Monitoring	07/14/2020	21.54	07/20
Total 71420:					21.54	
Total 230105 WH SECURITY:					21.54	
Total 07/06/2020:					17,083.25	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
07/07/2020						
30050 CCP INDUSTRIES, INC.						
IN02557106	1	Invoice	Rags/towels	07/14/2020	26.51	07/20
IN02557106	2	Invoice	Rags/towels	07/14/2020	13.25	07/20
Total IN02557106:					39.76	
Total 30050 CCP INDUSTRIES, INC.:					39.76	
30640 CINTAS						
4055374090	1	Invoice	Shop Cleaning	07/14/2020	9.33	07/20
4055374090	2	Invoice	Shop Cleaning	07/14/2020	9.33	07/20
Total 4055374090:					18.66	
4055374197	1	Invoice	CH Cleaning	07/14/2020	76.90	07/20
Total 4055374197:					76.90	
Total 30640 CINTAS:					95.56	
31008 COMCAST						
71420	1	Invoice	July Internet	07/14/2020	33.48	07/20
Total 71420:					33.48	
Total 31008 COMCAST:					33.48	
31011 COMMERCIAL STEAM TEAM INC						
21847	1	Invoice	Speak hole cover Covid	07/14/2020	466.20	07/20
Total 21847:					466.20	
Total 31011 COMMERCIAL STEAM TEAM INC:					466.20	
110204 KNOWLAN'S SUPER MARKETS						
71420	1	Invoice	coffee	07/14/2020	2.51	07/20
71420	2	Invoice	coffee	07/14/2020	1.68	07/20
Total 71420:					4.19	
Total 110204 KNOWLAN'S SUPER MARKETS:					4.19	
130920 MINNESOTA OCCUPATIONAL HEALTH						
344811	1	Invoice	Pre-Emp LC	07/14/2020	15.80	07/20
Total 344811:					15.80	
Total 130920 MINNESOTA OCCUPATIONAL HEALTH:					15.80	
180550 CITY OF ROSEVILLE						
229173	1	Invoice	July IT Support & Phones	07/14/2020	1,553.20	07/20

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
Total 229173:					1,553.20	
Total 180550 CITY OF ROSEVILLE:					1,553.20	
190350 SHRED-N-GO, INC						
Inv. 106462	1	Invoice	Shredding	07/14/2020	77.12	07/20
Inv. 106462	6	Invoice	Shredding	07/14/2020	.01-	07/20
Total Inv. 106462:					77.11	
Total 190350 SHRED-N-GO, INC:					77.11	
191200 SYNCHRONY BANK						
70720	1	Invoice	Parts Solvent	07/14/2020	14.08	07/20
70720	2	Invoice	Parts Solvent	07/14/2020	9.15	07/20
70720	3	Invoice	Irrigation	07/14/2020	24.27	07/20
70720	8	Invoice	Shop Humidifer	07/14/2020	32.00	07/20
Total 70720:					79.50	
Total 191200 SYNCHRONY BANK:					79.50	
200225 TOLL GAS & WELDING SUPPLY						
40121108	1	Invoice	Welding Supplies	07/14/2020	1.89	07/20
40121108	2	Invoice	Welding Supplies	07/14/2020	1.89	07/20
40121108	7	Invoice	Welding Supplies	07/14/2020	.01-	07/20
Total 40121108:					3.77	
Total 200225 TOLL GAS & WELDING SUPPLY:					3.77	
220170 VERIZON WIRELESS						
9855744561	1	Invoice	June Cell Phones	07/14/2020	151.01	07/20
Total 9855744561:					151.01	
Total 220170 VERIZON WIRELESS:					151.01	
Total 07/07/2020:					2,519.58	

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
07/09/2020						
10230 AID ELECTRIC CORP., INC						
62577	1	Invoice	CH UNDERGROUND WIRE REPAIR	07/14/2020	957.10	07/20
Total 62577:					957.10	
Total 10230 AID ELECTRIC CORP., INC:					957.10	
50030 ECKBERG LAMMERS, P.C.						
06 2020	1	Invoice	PROSECUTIONS JUNE	07/14/2020	3,554.50	07/20
Total 06 2020:					3,554.50	
Total 50030 ECKBERG LAMMERS, P.C.:					3,554.50	
80520 HOFF BARRY, P.A.						
15938	1	Invoice	JUNE GENL LEGAL	07/14/2020	870.00	07/20
Total 15938:					870.00	
15939	1	Invoice	JUNE LEGAL RCWD	07/14/2020	5,567.00	07/20
Total 15939:					5,567.00	
Total 80520 HOFF BARRY, P.A.:					6,437.00	
80605 HUGO EQUIPMENT INC						
153985	1	Invoice	TORO 4110 WHEEL REPAIR	07/14/2020	36.94	07/20
Total 153985:					36.94	
Total 80605 HUGO EQUIPMENT INC:					36.94	
90151 IMAGE PRINTING & GRAPHICS, INC						
156906	1	Invoice	VOTES FROM HOME POSTCARDS	07/14/2020	1,058.35	07/20
Total 156906:					1,058.35	
Total 90151 IMAGE PRINTING & GRAPHICS, INC:					1,058.35	
100135 JIMMY'S JOHNNYS, INC						
166648	1	Invoice	BALDWIN PARK PORTABLE	07/14/2020	118.00	07/20
Total 166648:					118.00	
166649	1	Invoice	GL PORTABLE RESTROOM	07/14/2020	118.00	07/20
Total 166649:					118.00	
Total 100135 JIMMY'S JOHNNYS, INC:					236.00	
110240 KUECHLE UNDERGROUND, INC.						
PAY APPL 3	1	Invoice	2020 STREET PROJ PAY APPL 3	07/14/2020	1,054,818.94	07/20

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
Total PAY APPL 3:					1,054,818.94	
Total 110240 KUECHLE UNDERGROUND, INC.:					1,054,818.94	
130409 MENARDS - BLAINE						
97414	1	Invoice	SHOP CLIP BOARD/MISC	07/14/2020	.39	07/20
97414	2	Invoice	SHOP CLIP BOARD/MISC	07/14/2020	.59	07/20
97414	3	Invoice	SHOP BLDG MTC WALL FAN/PIPE	07/14/2020	19.59	07/20
97414	4	Invoice	COVID MASKS/SANITIZER	07/14/2020	10.88	07/20
97414	5	Invoice	HANGER/ANCHORS	07/14/2020	17.56	07/20
Total 97414:					49.01	
97469	1	Invoice	BLDG 3/8" STRAP/600W MOTION MISC	07/14/2020	99.94	07/20
Total 97469:					99.94	
97668	1	Invoice	SHOP WALL FAN/ANCHORS/CONNECTORS	07/14/2020	31.05	07/20
Total 97668:					31.05	
Total 130409 MENARDS - BLAINE:					180.00	
130575 MIDWEST AQUA CARE, INC.						
071420	1	Invoice	GL WEED CONTROL TREATMENT 1	07/14/2020	426.00	07/20
Total 071420:					426.00	
Total 130575 MIDWEST AQUA CARE, INC.:					426.00	
130910 MINNESOTA EQUIPMENT						
P05078/P054	1	Invoice	JD TRACTOR & MOWER MTC	07/14/2020	57.11	07/20
Total P05078/P05461:					57.11	
Total 130910 MINNESOTA EQUIPMENT:					57.11	
140890 NYSTROM PUBLISHING CO., INC.						
43265	1	Invoice	JULY CITY NEWSLETTER	07/14/2020	689.31	07/20
Total 43265:					689.31	
Total 140890 NYSTROM PUBLISHING CO., INC.:					689.31	
190670 PAT STAPLETON						
071420	1	Invoice	CDL LIC REIMBURSEMENTS	07/14/2020	50.00	07/20
Total 071420:					50.00	
Total 190670 PAT STAPLETON:					50.00	
200127 THE TESSMAN COMPANY						
S316738	1	Invoice	VILLAGE POND WEED CONTROL	07/14/2020	212.23	07/20

Invoice	Seq	Type	Description	Invoice Date	Total Cost	Per
S316738	2	Invoice	SEED/STAKES	07/14/2020	212.06	07/20
Total S316738:					424.29	
Total 200127 THE TESSMAN COMPANY:					424.29	
Total 07/09/2020:					1,068,925.54	
Grand Totals:					1,093,900.78	

Report GL Period Summary

Vendor number hash: 0
Vendor number hash - split: 0
Total number of invoices: 0
Total number of transactions: 0

Report Criteria:

Invoice Detail.GL Account = 10110100-506477506710,70210100-702499702730

Report Criteria:
 Report type: Summary

GL Period	Check Issue Date	Ck No	Payee	Description	Check Amount
07/20	07/06/2020	13274	BAKER TILLY VIRCHOW KRAUSE, LLP	CHIEF EXECUTIVE SEARCH	13,800.00
07/20	07/06/2020	13275	EMERGENCY CONTRACTORS	JULY LANDSCAPING SERVICES	815.00
07/20	07/06/2020	13276	FRATTALLONES HARDWARE, INC.	KEY TRAILER	2.59
07/20	07/06/2020	13277	GENERAL OFFICE PRODUCTS CO.	COVID OFFICE DIVIDERS/PANELS	4,885.22
07/20	07/06/2020	13278	MY HOLDINGS INC	TREATMENT FOR VIRUSES/BACTERI	260.00
07/20	07/06/2020	13279	QUILL CORPORATION	COPY PAPER/MISC	100.95
07/20	07/06/2020	13280	TITAN ENERGY SYSTEMS, INC	SERVICE CALL, LOW COOLANT	857.39
07/20	07/07/2020	13281	BOYNTON HEALTH SERVICE	PERSONNEL TESTING	186.64
Grand Totals:					20,907.79

Name	Vendor #	Invoice	Seq	Type	Description	Invoice Date	Pmt Due Date	Total Cost	GL Account	GL Period	GL Activity
07/06/2020											
20120 BAKER TILLY VIRCHOW KRAUSE, LLP											
BAKER TIL	20120	BT1646	1	Invoi	CHIEF EXECUTIVE SEARCH	07/06/2020	07/06/2020	13,800.00	901-42-2100-309	07/20	0
Total 20120 BAKER TILLY VIRCHOW KRAUSE, LLP:								13,800.00			
50160 EMERGENCY CONTRACTORS											
EMERGEN	50160	1063	1	Invoi	JULY LANDSCAPING SERVICES	07/06/2020	07/06/2020	815.00	901-42-2100-401	07/20	0
Total 50160 EMERGENCY CONTRACTORS:								815.00			
60650 FRATTALLONES HARDWARE, INC.											
FRATTALL	60650	070620	1	Invoi	KEY TRAILER	07/06/2020	07/06/2020	2.59	901-42-2100-404	07/20	0
Total 60650 FRATTALLONES HARDWARE, INC.:								2.59			
70338 GENERAL OFFICE PRODUCTS CO.											
GENERAL	70338	7613	1	Invoi	COVID OFFICE DIVIDERS/PANELS	07/06/2020	07/06/2020	4,885.22	901-42-2100-401	07/20	2020
Total 70338 GENERAL OFFICE PRODUCTS CO.:								4,885.22			
131265 MY HOLDINGS INC											
MY HOLDI	131265	3840	1	Invoi	TREATMENT FOR VIRUSES/BACTERI	07/06/2020	07/06/2020	130.00	901-42-2100-401	07/20	2020
MY HOLDI	131265	3842	1	Invoi	TREATMENT FOR VIRUSES/BACTERI	07/06/2020	07/06/2020	130.00	901-42-2100-401	07/20	2020
Total 131265 MY HOLDINGS INC:								260.00			
170165 QUILL CORPORATION											
QUILL COR	170165	781843	1	Invoi	COPY PAPER/MISC	07/06/2020	07/06/2020	100.95	901-42-2100-201	07/20	0
Total 170165 QUILL CORPORATION:								100.95			
200150 TITAN ENERGY SYSTEMS, INC											
TITAN ENE	200150	200521	1	Invoi	GENERATOR SERVICE ANNUAL	07/06/2020	07/06/2020	725.00	901-42-2100-401	07/20	0
TITAN ENE	200150	200622	1	Invoi	SERVICE CALL, LOW COOLANT	07/06/2020	07/06/2020	132.39	901-42-2100-401	07/20	0
Total 200150 TITAN ENERGY SYSTEMS, INC:								857.39			
Total 07/06/2020:								20,721.15			

7/6/2020 GL Period Summary

GL Period	Amount
07/20	20,721.15
Grand Totals:	20,721.15

Name	Vendor #	Invoice	Seq	Type	Description	Invoice Date	Pmt Due Date	Total Cost	GL Account	GL Period	GL Activity
07/07/2020											
20375 BOYNTON HEALTH SERVICE											
BOYNTON	20375	N01226	1	Invoi	PERSONNEL TESTING	07/07/2020	07/07/2020	186.64	901-42-2100-306	07/20	2020
Total 20375 BOYNTON HEALTH SERVICE:								186.64			
Total 07/07/2020:								186.64			

7/7/2020 GL Period Summary

GL Period	Amount
07/20	186.64
Grand Totals:	186.64

Grand Totals: 20,907.79

Report GL Period Summary

GL Period	Amount
07/20	20,907.79
Grand Totals:	20,907.79

Vendor number hash: 1054638
 Vendor number hash - split: 1054638
 Total number of invoices: 10
 Total number of transactions: 10

Terms Description	Invoice Amount	Discount Amount	Net Invoice Amount
Open Terms	20,907.79	.00	20,907.79
Grand Totals:	20,907.79	.00	20,907.79

Management Report
for
City of Circle Pines, Minnesota
December 31, 2019

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PRINCIPALS

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

To the City Council and Management
City of Circle Pines, Minnesota

We have prepared this management report in conjunction with our audit of the City of Circle Pines, Minnesota's (the City) financial statements for the year ending December 31, 2019. We have organized this report into the following sections:

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

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

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
June 19, 2020

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AUDIT SUMMARY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2019:

- We have issued an unmodified opinion on the City's basic financial statements.
- We reported one matter involving the City's internal control over financial reporting that we consider to be a material weakness as described in the Schedule of Findings and Responses in the financial statements. Due to the limited size of the City's office staff, the City has limited segregation of duties in certain areas.
- The results of our testing disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We reported no findings based on our testing of the City's compliance with Minnesota laws and regulations.

OTHER OBSERVATIONS AND RECOMMENDATIONS

Impact of Novel Coronavirus (COVID-19) – Shortly after the end of the 2019 fiscal year, the onset of the novel coronavirus (COVID-19) pandemic caused substantial volatility in economic conditions and tremendous disruption in the way governments, businesses, and individuals function. Minnesota cities may experience the impact of this pandemic in a myriad of financial areas, such as: declines in investment rates of return, cash flow issues, increased utility billing and property tax delinquencies, significant increases in the number and frequency of employees working remotely, challenges in processing general and payroll disbursements, disruption of prescribed internal control procedures, delays in internal and external financial reporting, and new compliance requirements attached to potential federal relief subsidies. As your city adapts to the new normal of municipal operations in a post-COVID-19 world, the assessment of and responses to new risks that may accompany operational changes will be critical to the safeguarding of city resources and sound financial stewardship. We encourage management and governance to include a robust financial risk assessment process when planning responses to these challenges, and to reassess and adapt internal controls over financial transactions and reporting to align with significant changes made to daily operations, even those intended to be temporary.

AUDIT COMMENTS

Tax Increment District No. 1-4 North Special Revenue Fund – In recent years, we have reported on the related project fund deficit that has accumulated in this fund. There are tax increment monies being accumulated for funding, but the amounts from future tax increments can only be estimated. The Tax Increment District No. 1-4 North Special Revenue Fund, which is used to collect tax increments and distribute resources as needed, had a fund balance deficit at the beginning of the year totaling \$333,570. There are tax increment pledged bonds to repay and interfund borrowing outstanding. We comment on this subject to emphasize the importance of adequate planning, projecting, and monitoring of this fund, due to the deficit balance. As of December 31, 2019, the Tax Increment District No. 1-4 North Special Revenue Fund had a fund balance deficit of \$157,336.

Gas Utility Enterprise Funds – As of December 31, 2019, the Blaine Gas Utility Fund continues to require interfund borrowing to finance its individual fund operations. The operating results, costs of expansion, utility rights, transfers for repayment of general obligation bonds, and the need for working capital for such things as receivables, has depleted the cash from the fund. Also, the revenue bonds relating to the gas operations have covenants, which require maintaining bond reserve amounts based on various factors within these funds. We have shown these reserve requirements as restricted net position, but it could be interpreted that these reserves should exist as restricted cash. If that is the case, there is not sufficient cash available.

Periodic Council Review of Budget-to-Actual Revenue and Expenditure Reports – During our audit testing, we noted that internal control procedures could be improved with periodic review of budget-to-actual revenue and expenditure reports by members of the governing body throughout the year. Regular performance of this important control procedure strengthens segregation of duties and helps mitigate the potential risks from management override of controls and self-review. During our audit, we noted that the performance of this control procedure was not being completed nor documented in the governing board minutes or elsewhere. We highly recommend that this process be performed monthly, and documented either in the governing board minutes or by other verifiable means.

SIGNIFICANT ACCOUNTING POLICIES

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

No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2019; however, the City implemented the following governmental accounting standards during the fiscal year:

- Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established new criteria for identifying and reporting fiduciary activities.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which improved and clarified the information to be disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

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

- **Depreciation** – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.
- **Compensated Absences** – Management's estimate is based on current rates of pay and unused compensated absences balances.
- **Pension Benefits** – The City has recorded amounts and activities for pension benefits. Actuarial estimates of the net pension balances are calculated using actuarial methodologies described in GASB Statement No. 68. The actuarial calculations include significant assumptions, including projected changes, investment returns, retirement ages, proportionate share, and employee turnover.

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

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

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated June 19, 2020.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

OTHER AUDIT FINDINGS OR ISSUES

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

OTHER MATTERS

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

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

We were not engaged to report on the introductory section, which accompanies the financial statements, but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

GOVERNMENTAL FUNDS OVERVIEW

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

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2018 fiscal year, local ad valorem property tax levies provided 41.5 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.7 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2019 increased 5.6 percent from the prior year.

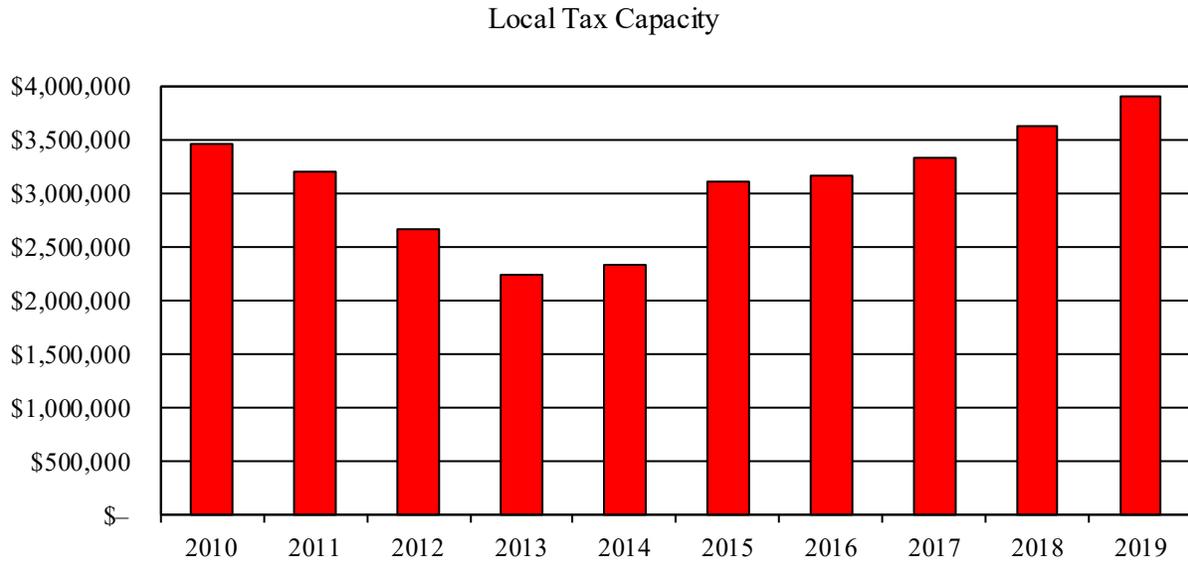
The total tax capacity value of property in Minnesota cities increased about 7.1 percent for the 2019 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2019 were based on assessed market values as of January 1, 2018), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

The City's market value increased 8.1 percent for taxes payable in 2018 and increased 6.6 percent for taxes payable in 2019. The following graph shows the City's changes in estimated market value over the past 10 years:



Tax capacity is considered the actual base available for taxation. It is calculated by applying the state’s property classification system to each property’s market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city’s total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of the City’s tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City’s tax capacity increased 9.3 percent for taxes payable in 2018 and increased 7.6 percent for taxes payable in 2019.

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



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

Rates Expressed as a Percentage of Net Tax Capacity			
	City of Circle Pines		
	2017	2018	2019
Average tax rate			
City	59.5	56.0	56.4
County	37.3	35.8	34.9
School	29.1	35.0	36.0
Special taxing	5.3	5.2	4.9
Total	<u><u>131.2</u></u>	<u><u>132.0</u></u>	<u><u>132.2</u></u>

The total average tax rate was consistent with the prior year. A slight increase in the City and school portions were offset by decreases in the county and special taxing authority rates.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2019, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance			
	Fund Balance as of December 31,		Change
	<u>2019</u>	<u>2018</u>	
Fund balances of governmental funds			
Total by classification			
Nonspendable	\$ 7,365	\$ 6,796	\$ 569
Restricted	1,334,566	1,417,288	(82,722)
Assigned	8,563,296	6,195,275	2,368,021
Unassigned	<u>1,261,039</u>	<u>1,002,745</u>	<u>258,294</u>
Total governmental funds	<u>\$ 11,166,266</u>	<u>\$ 8,622,104</u>	<u>\$ 2,544,162</u>
Total by fund			
General	\$ 3,851,652	\$ 3,646,602	\$ 205,050
Special Revenue Fund			
Tax Increment District No. 1-4 North	(157,336)	(333,570)	176,234
Debt Service Fund			
G.O. Street Bonds of 2010	35,993	57,416	(21,423)
G.O. Capital Notes of 2016	20,510	10,585	9,925
Capital Project Fund			
Street Project	3,778,499	1,470,939	2,307,560
Nonmajor	<u>3,636,948</u>	<u>3,770,132</u>	<u>(133,184)</u>
Total governmental funds	<u>\$ 11,166,266</u>	<u>\$ 8,622,104</u>	<u>\$ 2,544,162</u>

In total, fund balances of the City's governmental funds increased as noted above during the year ended December 31, 2019. Assigned fund balance increased, with more amounts assigned for street improvements in the Street Project Capital Project Fund. With the completion of the 2018 street improvement project, a cash transfer was made by the applicable enterprise funds for their share of utility infrastructure completed and financed by the Street Project Fund in the current and prior year. Unassigned fund balance increased, due to positive operating results in the General Fund.

GOVERNMENTAL FUND REVENUES

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

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

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

Governmental Funds Revenue per Capita					
With State-Wide Averages					
Year	State-Wide		City of Circle Pines		
	2017	2018	2017	2018	2019
Population	2,500–10,000	2,500–10,000	5,023	5,076	5,076
Property taxes	\$ 474	\$ 495	\$ 490	\$ 502	\$ 536
Tax increments	26	28	42	44	48
Franchise and other taxes	38	41	25	26	25
Special assessments	57	53	49	107	61
Licenses and permits	39	38	29	32	21
Intergovernmental revenues	322	303	193	177	232
Charges for services	108	130	7	7	7
Other	68	97	51	67	100
Total revenue	<u>\$ 1,132</u>	<u>\$ 1,185</u>	<u>\$ 886</u>	<u>\$ 962</u>	<u>\$ 1,030</u>

The City's governmental funds have typically generated less revenue per capita in total than other Minnesota cities in its population class. A city's stage of development, along with the way a city finances various capital projects, will impact the mix of revenue sources it receives.

In 2019, governmental funds generated \$5,230,091 in revenues, which was \$344,004 more than the prior year. The increase in property taxes was due to the increase in the City's current year levy. The decrease in special assessments revenue was from new major street projects in the prior year, with increased prepayments last year. The increase in intergovernmental revenues was from the City receiving more municipal maintenance and construction funding in the current year. An increase in the other category includes additional investment earnings the City recognized in the current year.

GOVERNMENTAL FUND EXPENDITURES

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

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

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

Year	State-Wide		City of Circle Pines		
	2017	2018	2017	2018	2019
Population	2,500–10,000	2,500–10,000	5,023	5,076	5,076
Current					
General government	\$ 147	\$ 150	\$ 99	\$ 95	\$ 102
Public safety	270	286	280	283	285
Public works	128	135	40	38	50
Parks and recreation	96	96	87	82	92
All other	76	75	12	10	10
Total current	<u>717</u>	<u>742</u>	<u>518</u>	<u>508</u>	<u>539</u>
Capital outlay and construction	403	417	72	1,050	121
Debt service					
Principal	228	178	176	231	325
Interest and fiscal charges	44	41	63	64	69
Total debt service	<u>272</u>	<u>219</u>	<u>239</u>	<u>295</u>	<u>394</u>
Total expenditures	<u>\$ 1,392</u>	<u>\$ 1,378</u>	<u>\$ 829</u>	<u>\$ 1,853</u>	<u>\$ 1,054</u>

Total expenditures in the City's governmental funds for 2019 were \$5,346,980, a decrease of \$4,060,261 (43.2 percent). The City's per capita governmental funds current expenditures for 2019 were \$539, an increase of \$31 per capita, largely as planned in the General Fund budget.

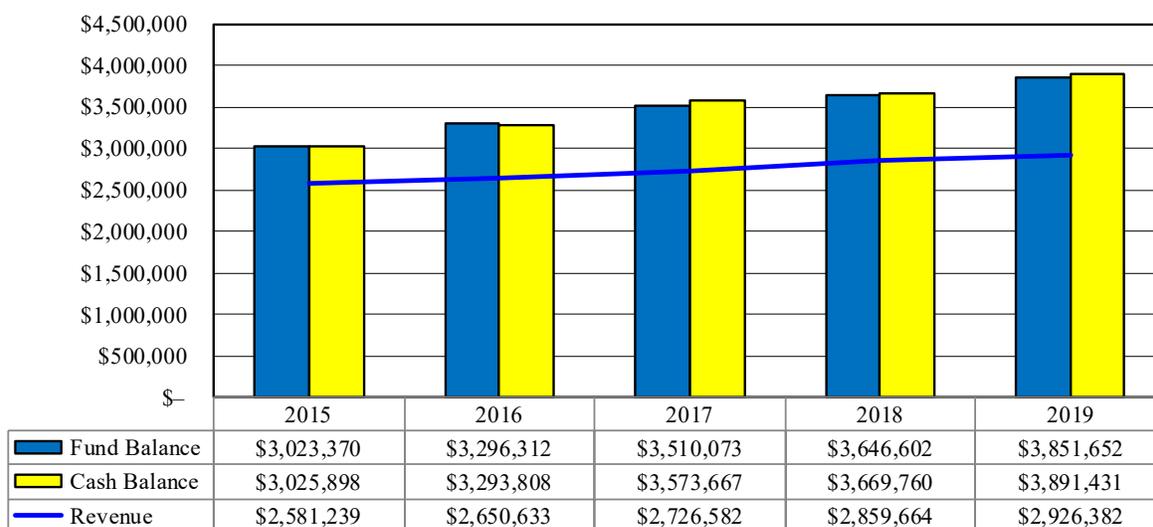
Capital outlay and construction decreased by \$929 per capita, with less activity in the City's Street Project Fund, due to significant street projects ongoing in the prior year. Debt service expenditures increased as anticipated with scheduled debt financing plans and the City's decision to call the 2010 street project bonds in the current year, financed with existing resources.

GENERAL FUND

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

The following graph displays the City's General Fund trends of financial position and changes in the volume of financial activity over the last five years. Fund balance and cash balance are typically used as indicators of financial health or equity, while annual revenues are often used to measure the size of the operation.

General Fund Financial Position
Year Ended December 31,



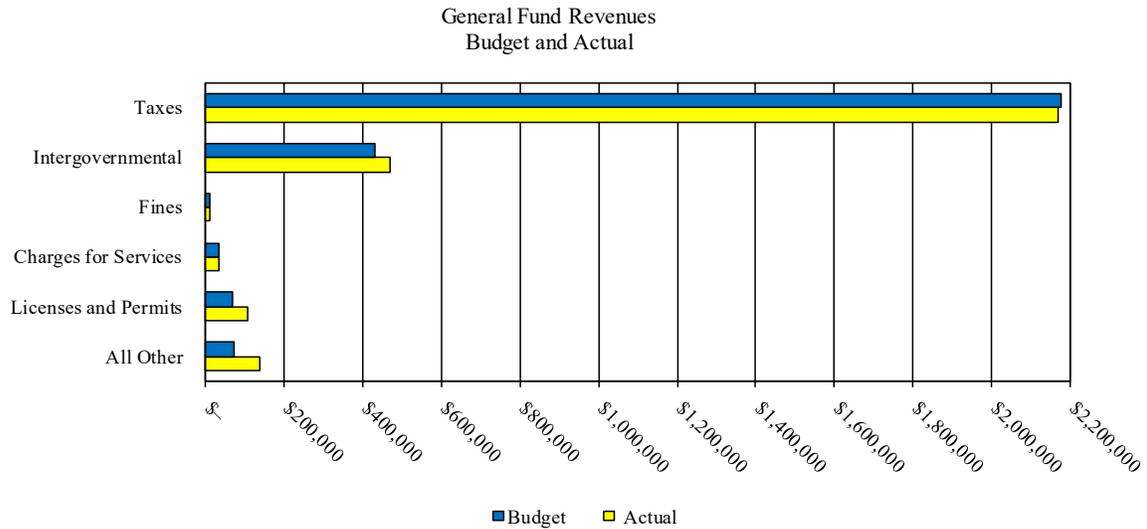
The City's General Fund cash and investments balance at December 31, 2019 was \$3,891,431, an increase of \$221,671 from the previous year. Total fund balance at year-end was \$3,851,652, an increase of \$205,050 from the prior year, as compared to a balanced budget that was projected.

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

A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City's General Fund cash disbursements are made fairly evenly during the year, other than the impact of seasonal services such as snowplowing, street maintenance, and park activities. Cash receipts of the General Fund are quite a different story. Property taxes comprise about 74.1 percent of the fund's total annual revenue. Approximately half of these revenues are received by the City at mid-year and the rest at year-end. Consequently, the City needs to have adequate cash reserves to finance its everyday operations between these payments.

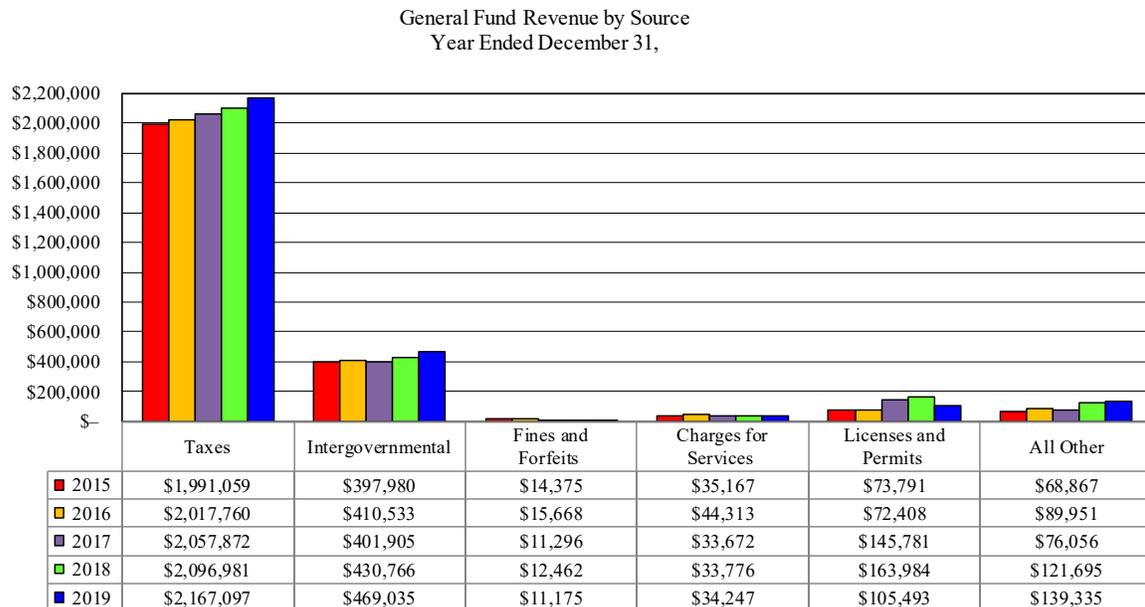
GENERAL FUND REVENUES

The following graph reflects the City's General Fund revenues, budget and actual, for 2019:



General Fund revenue totaled \$2,926,382 in 2019, representing an increase of \$66,718 (2.3 percent) when compared to the previous year, and was \$133,467 more than budget. Revenues were over budget, mainly in intergovernmental, licenses and permits, and investment earnings (within the all other category above), which were over budget by \$38,231, \$37,093, and \$76,381, respectively. Conservative budgeting for these sources contributed to the favorable revenue variance.

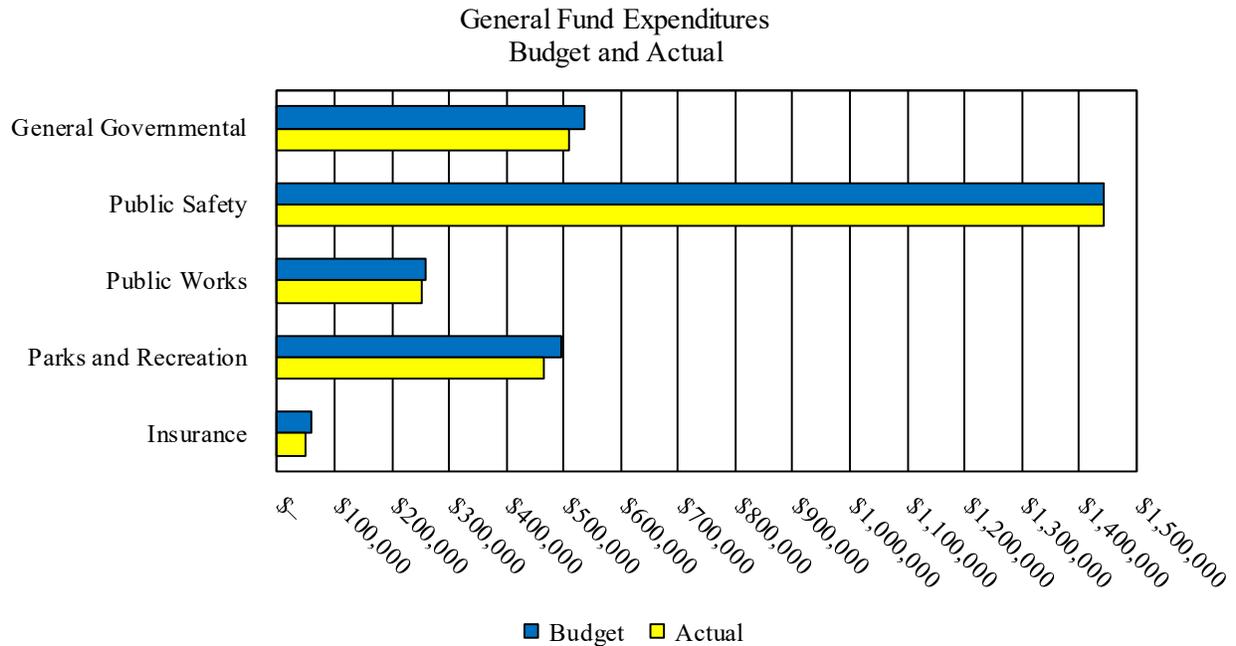
The following graph presents the City's General Fund revenue by source for the last five years:



The graph reflects the City's reliance on property taxes in relation to other sources of revenue. In 2019, taxes represented 74.1 percent of General Fund revenues. This places a greater emphasis for other governmental funds to be self-supporting and enterprise funds to be profitable in order to absorb overhead costs or subsidize general operations. The City has seen an increase in licenses and permits in recent years, as presented in the graph above.

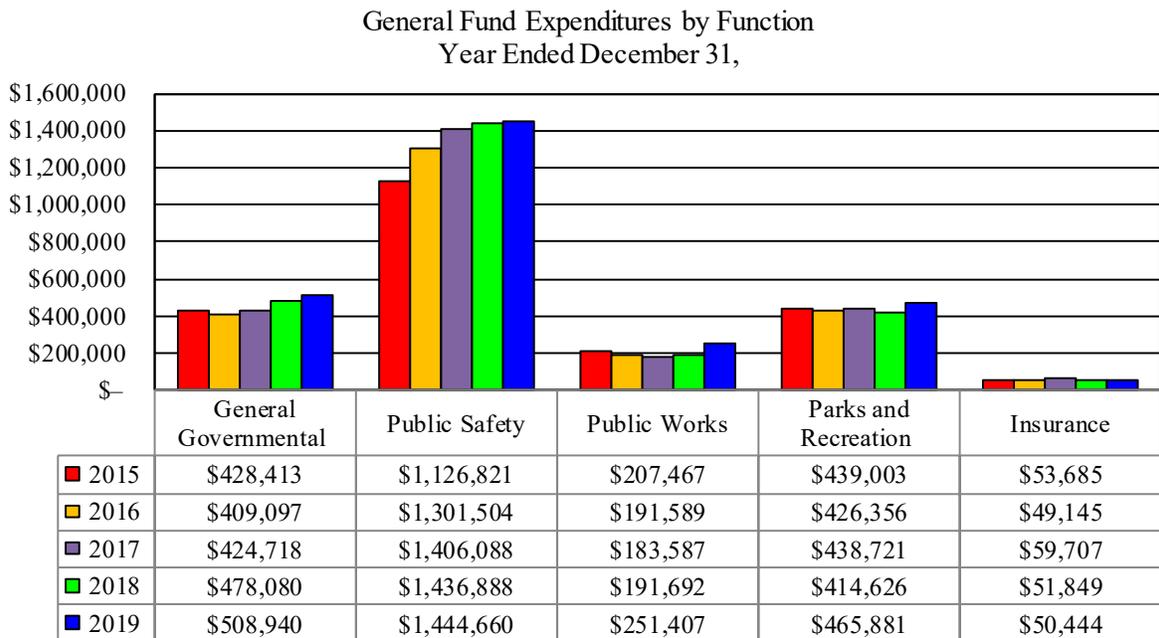
GENERAL FUND EXPENDITURES

The following graph reflects the City's General Fund expenditures, budget and actual, for 2019:



Expenditures in the General Fund totaled \$2,721,332, which was an increase of \$148,197 (5.8 percent) from the prior year, and \$71,583 under budget. As seen in the graph above, efforts by every city function to spend within approved appropriations contributed to this favorable variance, except for public safety, where spending was \$2,390 more than budget.

The following graph presents the City's General Fund expenditures by function for the last five years:



As common to cities state-wide, public safety is the largest area of spending for the City. In past years, we have discussed the uniqueness of the City's public safety operations, due to the joint police and fire arrangements. The previous table on spending per capita indicates that the City is close to state-wide averages in this spending category. The largest increase was in public works and parks and recreation, with increases of \$59,715 and \$51,255, respectively.

ENTERPRISE FUNDS OVERVIEW

The City maintains enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City’s enterprise funds, which include the Circle Pines Gas Utility, Lino Lakes Gas Utility, Blaine Gas Utility, Water Utility, Sewer Utility, Storm Water Utility, and Solid Waste Utility Funds.

The utility funds comprise a considerable portion of the City’s activities. These funds help to defray overhead and administrative costs and provide additional support to general government operations by way of annual transfers. We understand that the City is proactive in reviewing these activities on an ongoing basis and we want to reiterate the importance of continually monitoring these operations. Over the years, we have emphasized to our city clients the importance of these utility operations being self-sustaining, preventing additional burdens on general government funds. This would include the accumulation of net assets for future capital improvements and to provide a cushion in the event of a negative trend in operations.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City’s enterprise funds during the year ended December 31, 2019, presented both by classification and by fund:

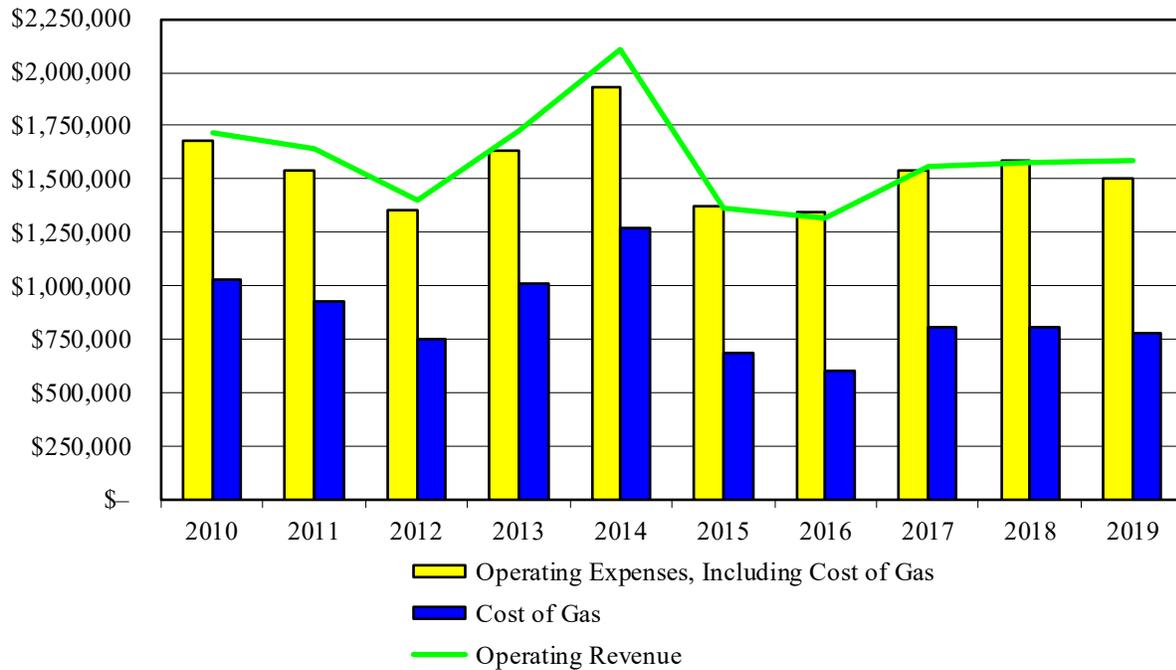
Enterprise Funds Change in Financial Position			
	Net Position as of December 31,		Change
	<u>2019</u>	<u>2018</u>	
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	\$ 8,666,955	\$ 7,591,763	\$ 1,075,192
Restricted	47,750	47,750	-
Unrestricted	<u>5,177,165</u>	<u>5,709,961</u>	<u>(532,796)</u>
Total enterprise funds	<u>\$ 13,891,870</u>	<u>\$ 13,349,474</u>	<u>\$ 542,396</u>
Total by fund			
Circle Pines Gas Utility	\$ 2,036,819	\$ 1,935,061	\$ 101,758
Lino Lakes Gas Utility	1,218,432	1,057,546	160,886
Blaine Gas Utility	(352,015)	(354,504)	2,489
Water Utility	4,863,537	4,749,429	114,108
Sewer Utility	2,535,778	2,440,462	95,316
Storm Water Utility	2,511,465	2,512,835	(1,370)
Solid Waste Utility	<u>1,077,854</u>	<u>1,008,645</u>	<u>69,209</u>
Total enterprise funds	<u>\$ 13,891,870</u>	<u>\$ 13,349,474</u>	<u>\$ 542,396</u>

In total, the net position of the City’s enterprise funds increased by \$542,396 during the year ended December 31, 2019. Individual enterprise funds are discussed on the following pages.

CIRCLE PINES GAS UTILITY FUND

The Circle Pines Gas Utility Fund had a cash balance of \$273,303 (net of borrowing) and unrestricted net position of \$70,593 as of December 31, 2019. The fund also has \$27,750 of restricted net position under the terms of a revenue bond issue.

Circle Pines Gas Utility Fund
Year Ended December 31,

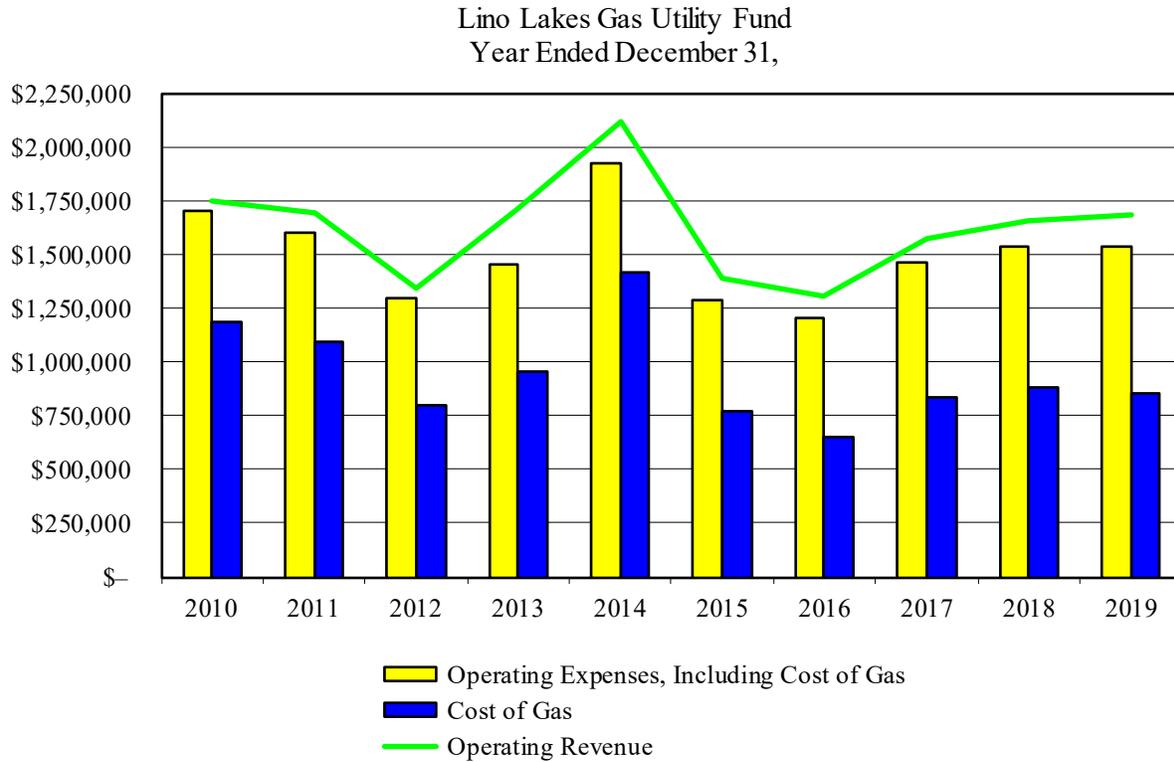


The above graph clearly illustrates the impact of fluctuations in the market price of gas and changes in weather patterns on the Circle Pines Gas Utility Fund's operations. The Circle Pines Gas Utility Fund had an operating income of \$90,592 in 2019, compared to an operating loss of \$10,895 in 2018.

The change in volume of financial activity in the current year reflects the change in consumption and gas pricing fluctuations compared to the prior year.

LINO LAKES GAS UTILITY FUND

The Lino Lakes Gas Utility Fund had a total cash balance of \$621,292 (net of borrowing) and an unrestricted net position of \$433,481 as of December 31, 2019. The fund also has \$5,000 of restricted net position under the terms of a revenue bond issue.

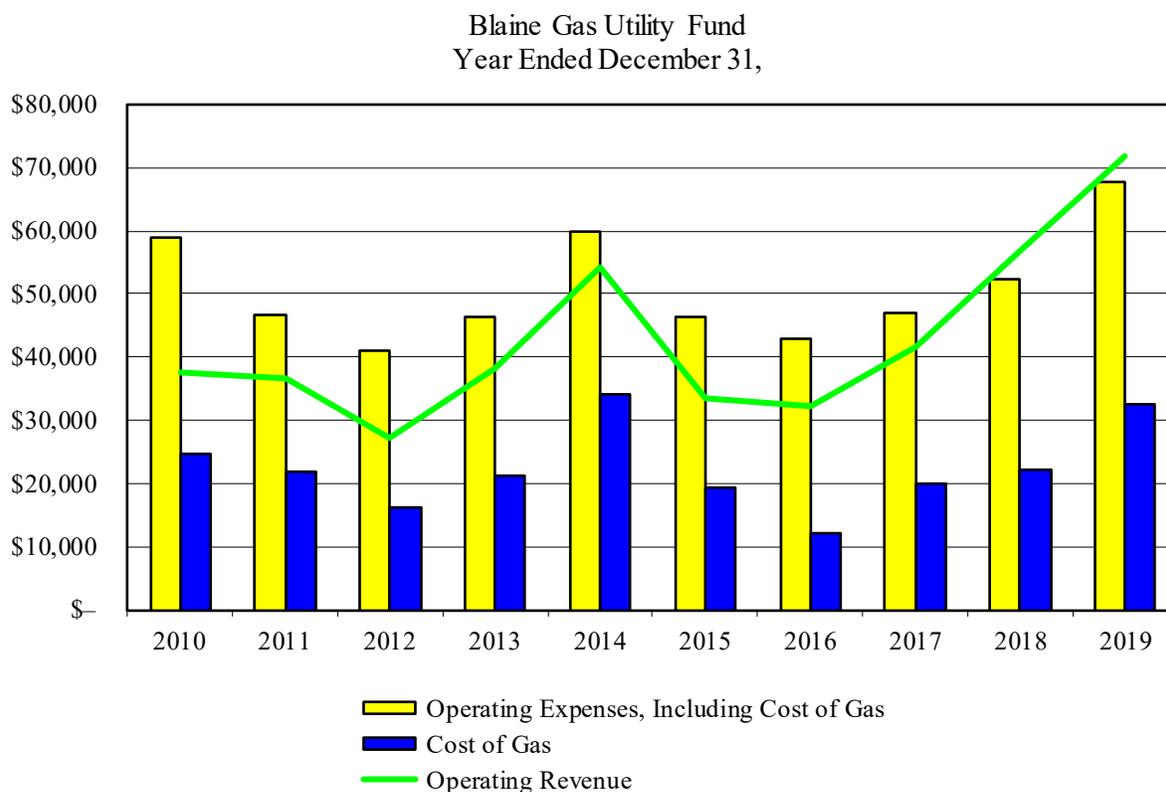


This utility operation has also been affected by changes in gas prices and weather trends, similar to the Circle Pines Gas Utility Fund. For 2019, the Lino Lakes Gas Utility Fund had an operating income of \$143,454, compared to an operating income of \$126,721 in 2018.

The change in volume of financial activity in the current year reflects the change in consumption and gas pricing fluctuations compared to the prior year.

BLAINE GAS UTILITY FUND

The Blaine Gas Utility Fund had a total cash deficit of \$723,050 (net of borrowing) and a deficit unrestricted net position of \$785,741 as of December 31, 2019. The fund also has \$15,000 of restricted net position under the terms of a revenue bond issue.



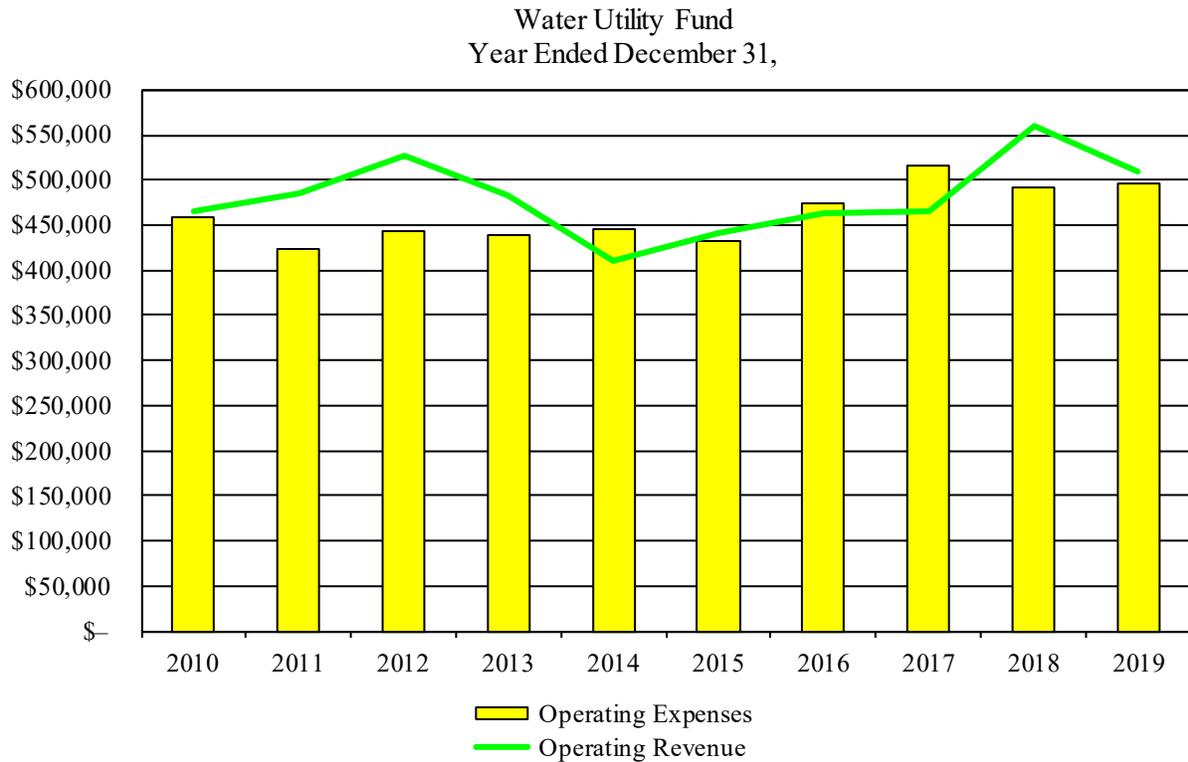
This utility operation has also been affected by changes in gas prices and weather trends similar to the other gas utility funds. For 2019, the Blaine Gas Utility Fund had an operating income of \$4,255, compared to an operating income of \$4,441 in 2018.

As discussed in the audit comments section of this report, we are concerned with the cash flow and equity of this gas utility fund. The Blaine Gas Utility Fund has experienced a cash deficit attributed to the system expansion for development anticipated in the Blaine franchise area.

The change in volume of financial activity in the current year reflects the change in consumption and gas pricing fluctuations compared to the prior year.

WATER UTILITY FUND

The Water Utility Fund had a cash balance (net of borrowing) of \$3,388,558, of which \$192,483 is restricted for construction, and unrestricted net position of \$3,114,184 as of December 31, 2019.

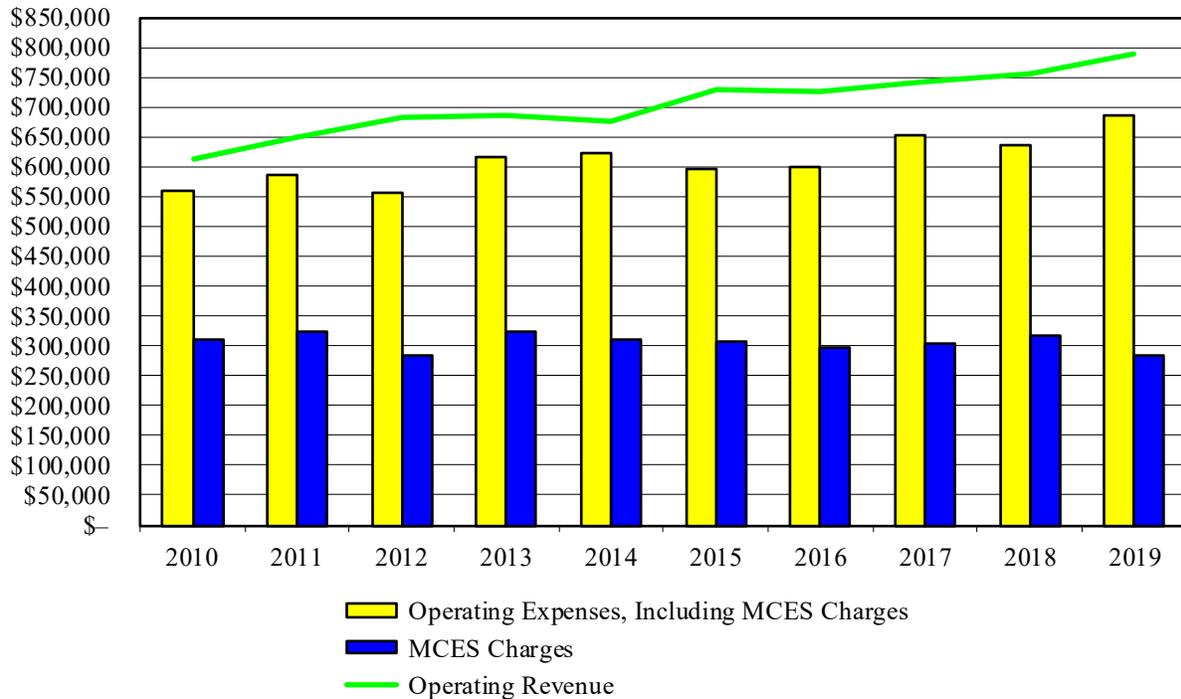


The Water Utility Fund had an operating income of \$11,819 in 2019, compared to an operating income of \$69,384 in 2018. Operating revenues decreased \$51,433, from the prior year, largely due to less consumption in the current year. Operating expenses increased by \$6,132 from the prior year. Expenses increased with more depreciation on water utility infrastructure.

SEWER UTILITY FUND

The Sewer Utility Fund had a cash balance of \$1,168,708, of which \$257,141 is restricted for construction, and unrestricted net position of \$891,064 as of December 31, 2019.

Sewer Utility Fund
Year Ended December 31,



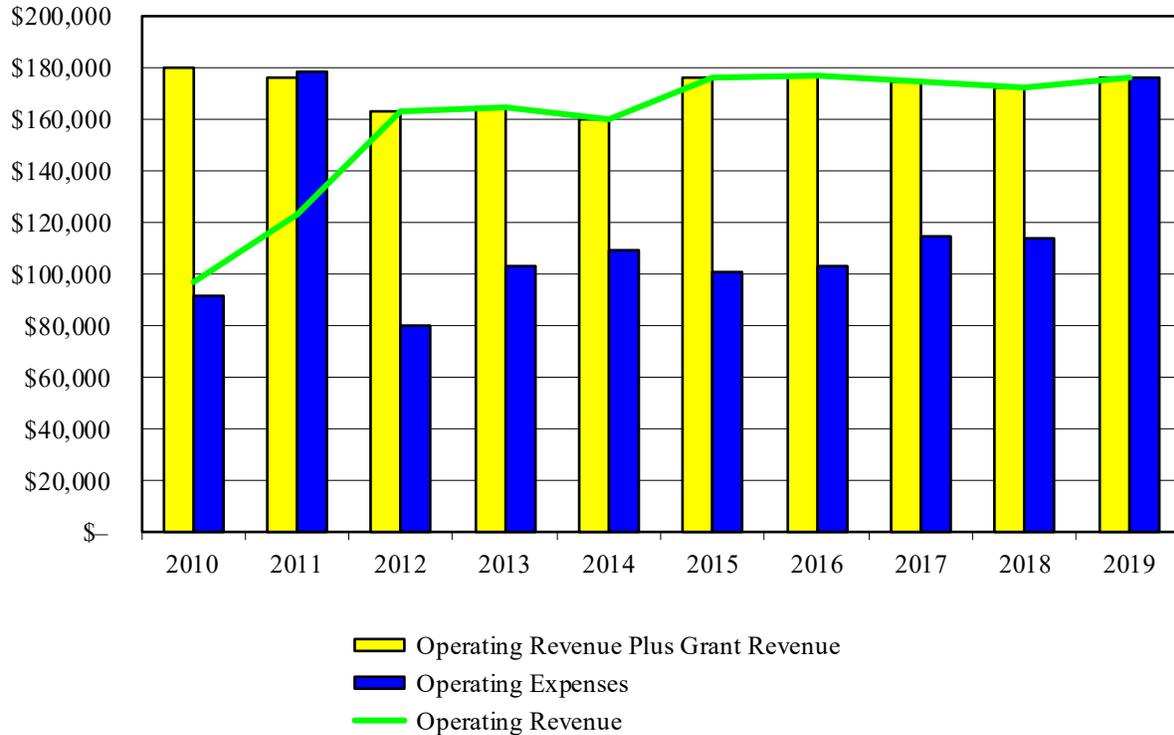
In 2019, the Sewer Utility Fund generated operating income of \$105,587, compared to operating income of \$116,519 in 2018. Operating revenues increased \$35,841, or 4.8 percent, from the prior year. This increase was primarily due to an increase in usage used to determine charges in the current year. Operating expenses increased by \$46,773, or 7.3 percent, from the prior year. An increase in administration and depreciation expenses in the current year contributed to the change in total expenses.

The major expense item in the sewer operations is the charges from the Metropolitan Council Environmental Services (MCES). The main cause of the expense fluctuations from year-to-year are generally changes made to the charges from MCES, reflecting the results of its sewer treatment operations.

STORM WATER UTILITY FUND

The Storm Water Utility Fund had a cash balance of \$530,863, of which \$136,099 is restricted for construction, and unrestricted net position of \$375,730 as of December 31, 2019.

Storm Water Utility Fund
Year Ended December 31,

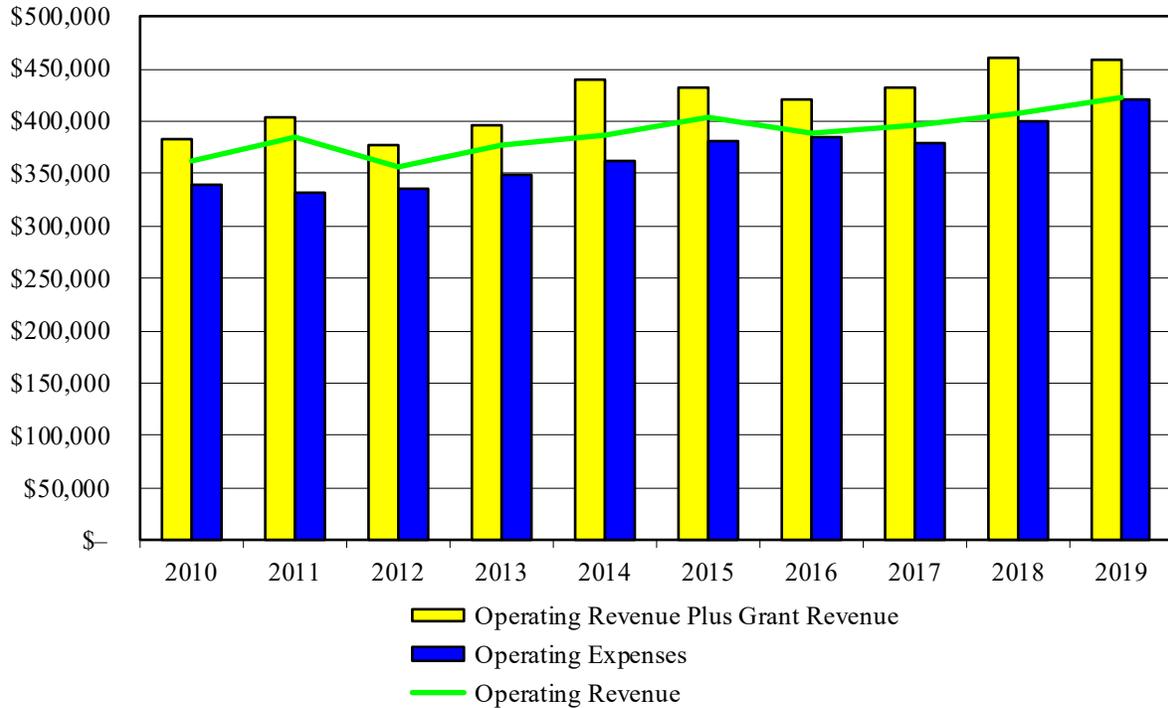


The Storm Water Utility Fund had operating loss of \$82 in 2019, compared to operating income of \$58,902 in 2018. Operating revenues increased \$3,963, while operating expenses increased by \$62,947 from the prior year. The largest change was in depreciation expense when compared to prior year.

SOLID WASTE UTILITY FUND

The Solid Waste Utility Fund had a cash balance of \$1,054,607 and unrestricted net position of \$1,077,854 as of December 31, 2019.

Solid Waste Utility Fund
Year Ended December 31,



The Solid Waste Utility Fund had operating income of \$3,176 in 2019 and, with nonoperating revenues, increased net position by \$69,209. As shown in the graph above, operating revenue has been sufficient to cover operating expenses for several years. Annual intergovernmental grants for recycling have helped this fund improve its financial position.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

The following table presents the components of the City's net position as of December 31, 2019 and 2018 for governmental activities and business-type activities (utility fund operations):

	As of December 31,		Change
	2019	2018	
Net position			
Governmental activities			
Net investment in capital assets	\$ 6,873,046	\$ 8,218,068	\$ (1,345,022)
Restricted	2,281,254	2,577,749	(296,495)
Unrestricted	9,415,505	6,829,857	2,585,648
Total governmental activities	<u>18,569,805</u>	<u>17,625,674</u>	944,131
Business-type activities			
Net investment in capital assets	8,666,955	7,591,763	1,075,192
Restricted	47,750	47,750	-
Unrestricted	5,177,165	5,709,961	(532,796)
Total business-type activities	<u>13,891,870</u>	<u>13,349,474</u>	542,396
Total net position	<u>\$ 32,461,675</u>	<u>\$ 30,975,148</u>	<u>\$ 1,486,527</u>

At the end of the current fiscal year, the City is able to present positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Business-type activities represent the City's utility operations and is consistent with the previous discussion of the utility funds, while governmental activities represent the combined operations of the City's remaining funds. The governmental activities presentation provides the full accrual and long-term prospective that is not available in the governmental fund-based presentation, which focuses on current financial resources.

Governmental activities reported a significant change in net position components as presented in the table above. With the completion of the 2018 street project, capital assets were contributed to business-type activities for cash from business-type activities totaling \$2,661,051.

STATEMENT OF ACTIVITIES

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

The following table presents the change in the net position of the City for the years ended December 31, 2019 and 2018:

	2019		2018	
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Governmental activities				
General government	\$ 626,959	\$ 105,493	\$ (521,466)	\$ (394,982)
Public safety	1,489,868	65,720	(1,424,148)	(1,418,363)
Public works	725,931	370,745	(355,186)	417,073
Parks and recreation	591,370	27,358	(564,012)	(509,133)
Interest and fiscal costs	300,829	–	(300,829)	(278,374)
Business-type activities				
Gas	3,121,866	3,349,648	227,782	107,776
Water	579,811	568,813	(10,998)	61,363
Sewer	770,326	790,286	19,960	39,364
Storm water	226,278	179,929	(46,349)	416,203
Solid waste	420,541	460,472	39,931	63,379
Total net (expense) revenue	<u>\$ 8,853,779</u>	<u>\$ 5,918,464</u>	(2,935,315)	(1,495,694)
General revenues				
Property and franchise taxes			3,099,142	2,906,806
General grants and contributions			556,134	551,868
Other general revenues			178,494	130,637
Investment earnings			588,072	226,824
Gain on disposal of capital assets			–	20,467
Total general revenues			<u>4,421,842</u>	<u>3,836,602</u>
Change in net position			<u>\$ 1,486,527</u>	<u>\$ 2,340,908</u>

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. In contrast, the City's business-type activities tend to rely more heavily on program revenues like charges for services (sales) and program-specific grants to cover expenses. This is critical given the current downward pressures on the general revenue sources. The largest net change by function occurred in the public works and storm water functions. These areas both recognized significant capital grants and contributions from special assessments on the 2018 street project and a one-time infiltration grant recognized in the prior year.

LEGISLATIVE UPDATES

The 2019 legislative session began with a projected state general fund surplus of \$1.052 billion. The legislative agenda was primarily focused on setting an operating budget for the state's fiscal 2020-2021 biennium. At the end of the regular session, only a higher education budget bill had been completed. However, after a special session, the Legislature was able to address the 11 remaining budget bills, as well as pass an omnibus tax bill and small pension bill. The following is a brief summary of specific legislative changes from the 2019 session or previous legislative sessions potentially impacting Minnesota cities.

Local Government Aid (LGA) – An additional \$26 million was added to the appropriation for the city LGA formula beginning in fiscal 2020, bringing the total state-wide appropriation to \$560.4 million. An additional \$4 million was added to the appropriation beginning in fiscal 2021. The LGA distribution formula for 2020 was altered to provide that a city's 2020 LGA may not be less than its 2019 aid, and the cap on maximum aid losses in any year thereafter was modified.

Bonding Bill – The 2019 bonding bill provided financing for approximately \$102 million of projects and funding authorized by the 2018 omnibus bonding bill, which had been legally challenged due to their reliance on the use of the Environment and Natural Resources Trust Fund to generate appropriation bonds. The 2019 Legislature changed the funding source for these projects to general obligation bonds, clearing the way for the projects to go forward. Included in this was \$59 million earmarked for city water and wastewater projects through the state Public Facilities Authority.

Local Option Sales Tax Process – Effective May 1, 2019, the process for cities to enact a local option sales tax have been modified, requiring special legislation prior to a local referendum vote. Cities must now adopt a resolution specifying the proposed sales tax rate and time frame for the sales tax. The resolution must also include a detailed description of the project or projects (up to five) to be funded by the sales tax, the amount to be raised for each project, and documentation of the regional significance of each project. The resolution must be submitted to the House and Senate tax committee chairs by January 31st to be considered for special legislation by the State Legislature. If special legislation is approved, voter approval must be obtained by referendum at a general election within two years of legislative approval.

Wage Theft – The Legislature enacted a number of changes in employment law aimed at reducing wage theft by employers. The changes require employers to provide written notice to new employees of specific wage information including rate of pay, allowances, paid leave, deductions, days in a pay period, and the employer's legal name, address, and phone number. Employers must also provide an earnings statement that includes similar information. The changes also create new requirements for employer recordkeeping for hours worked each day and each workweek, and imposes penalties for failure to do so and for refusal to make the records available for inspection by the Department of Labor.

Written Estimates of Consulting Fees – Effective August 1, 2019, upon request by applicants for a permit, license, or other approval relating to real estate development or construction, cities are required to provide a written, nonbinding estimate of consulting fees to be charged to the applicant based on information available at that time. The related application will not be considered complete until the city has provided the estimate, received the required application fees, and received the applicant's signed acceptance of the fee estimate along with a signed statement that the applicant has not relied on the fee estimate in its decision to proceed with the application.

Contract Retainage – Effective for contracts entered into August 1, 2019 or later, contract retainage must be released no later than 60 days after the related construction project reaches substantial completion as defined by statute. After substantial completion, cities can still withhold amounts equal to, 1) 250 percent of the cost to correct or complete work known at the time of substantial completion, and 2) the greater of \$500 or 1 percent of the value of the contract pending the completion of "final paperwork," including documents required to fulfill contractual obligations such as operating manuals, payroll documents for projects subject to prevailing wage requirements, and contractor payroll tax withholding affidavits. Any resulting reduction in retainage must be passed from the contractor to all subcontractors at the same rate.

Driver and Vehicle Registration System (VTRS) – The Legislature selected VTRS, a third party vendor system, to replace the failed Minnesota Licensing and Registration System (MNLARS). Fees from driver’s licenses, license plates, and filing fees were increased and a technology surcharge imposed on vehicle registration renewals to pay for the implementation of VTRS, the decommissioning of MNLARS, and to temporarily increase the capacity of Driver and Vehicle Services to meet public service needs. Included in this is \$13 million appropriated in 2019 for reimbursement grants to deputy registrars for costs related to MNLARS. The grants, which would be determined by formula, would require the deputy registrar accepting the grant to release the state from any further liability or claims related to MNLARS.

Vaping Ordinance Authority – Effective July 1, 2019, cities are allowed to enact and enforce ordinances with more stringent measures than the Minnesota Clean Indoor Air Act to protect individuals from involuntary exposure to aerosol or vapor from electronic delivery devices.

Water Connection Fees – Effective January 1, 2020, the annual water connection fees cities are required to collect on behalf of the Minnesota Department of Health for water testing and support has been increased from \$6.36 to \$9.72.

Military Exception to Open Meeting Law – Effective August 1, 2019, members of a public body that are in the military will be allowed to participate in public meetings via interactive television when they are at a required drill, deployed, or on active duty. The member may participate under this exception up to three times a year.

Pension Plan Changes – The 2019 pension bill included several changes to the various pension plans throughout the state:

- Changes to plans administered by the Public Employees Retirement Association (PERA) included:
 - The rights of PERA General Employees Retirement Fund (GERF) plan and Public Employees Police and Fire Fund (PEPFF) plan members to purchase service credit for periods of military leave were expanded. This gives plan members the right to purchase up to five years of service credit for military service leave that is not federally protected because the service occurred prior to public employment or the member did not meet the payment deadlines applicable to federally protected leave service credit purchases.
 - The Phased Retirement Option (PRO) program, which gives cities an opportunity to retain potentially retiring employees that are GERF plan members aged 62 or over, was altered and made permanent. Under a PRO arrangement, an employee would begin collecting a retirement annuity, but could continue working for their current employer for up to five years if they agree to a work schedule that represents a reduction of at least 25 percent each pay period from their current schedule, up to a maximum of 1,044 hours per year. Employees would not be allowed to contribute to a pension benefit plan or accrue additional service time while working under a PRO.
 - A process was established for municipalities and joint powers entities to terminate participation in the PERA Statewide Volunteer Firefighter (SVF) plan if, 1) the entity has either eliminated its fire department or ceased using the services of all departing firefighters and any other noncareer or volunteer firefighters, and 2) the entity’s account has assets sufficient to cover all liabilities including the fully vested liabilities for all departing firefighters and administrative expenses.

- Changes impacting volunteer firefighter relief associations (VRFAs) included:
 - Effective January 1, 2020, vesting schedules for defined contribution plans cannot require that a member have more than 20 years of active service to become 100 percent vested in the member's account, or provide for a larger vesting percentage with respect to the completed years of service than as provided in the statutory schedule.
 - Effective January 1, 2020, the permitted graded vesting schedule for defined benefit pension plans is reduced from 20 years to 10 years for full vesting. Also, plans cannot require that a member have more than 20 years of active service to become 100 percent vested in the member's accrued service pension, or provide for a larger vesting percentage with respect to the completed years of service than as provided in the statutory schedule.
 - Effective January 1, 2020, supplemental benefits are allowed to be paid to designated beneficiaries or estates when plan members have no surviving spouse or children.

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ACCOUNTING AND AUDITING UPDATES

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

GASB STATEMENT NO. 87, *LEASES*

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

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

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019 and are now effective for fiscal years beginning after June 15, 2021.

GASB STATEMENT NO. 91, *CONDUIT DEBT OBLIGATIONS*

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

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

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

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

This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020 and are now effective after December 15, 2021. Earlier application is encouraged.

CITY OF CIRCLE PINES
ANOKA COUNTY, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
December 31, 2019

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CITY OF CIRCLE PINES
ANOKA COUNTY, MINNESOTA

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CITY OF CIRCLE PINES
ANOKA COUNTY, MINNESOTA

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INTRODUCTORY SECTION

CITY OF CIRCLE PINES
ANOKA COUNTY, MINNESOTA

City Council and Other Officials
Year Ended December 31, 2019

CITY COUNCIL

Dave Bartholomay
Dean Goldberg
Matt Percy
Jennifer Rauner
Mike Schweigert

Mayor
Councilmember
Councilmember
Councilmember
Councilmember

CITY ADMINISTRATION

Patrick Antonen
Kate Manson

City Administrator/Clerk
Finance Director

CENTENNIAL UTILITIES COMMISSION

Andy Dahl
Dave Bartholomay
Dwight Benoy
Jan Kreminski
Curtis Theis
Patrick Antonen

Chairperson
Member
Member
Member
Member
Ex-Officio

FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Circle Pines, 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 Circle Pines, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
June 19, 2020

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CITY OF CIRCLE PINES

Management's Discussion and Analysis Year Ended December 31, 2019

As management of the City of Circle Pines, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$32,461,675 (*net position*). Of this amount, \$14,592,670 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,486,527 in 2019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,166,266. Of this total amount, \$7,365 is nonspendable, \$1,334,566 is restricted, and \$8,563,296 is assigned, leaving an unassigned balance of \$1,261,039.
- At the end of the current fiscal year, the General Fund has a fund balance of \$3,851,652, an increase of \$205,050 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These financial statements include not only the City itself (known as the primary government), but also the Centennial Utilities Commission (the Commission) and the Circle Pines Housing and Redevelopment Authority (HRA). The Commission and HRA are legally separate entities which function, in essence, as part of the City. Therefore, the Commission and HRA have been included (blended) as an integral part of the City's financial statements.

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, delinquent taxes and special assessments).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, and parks and recreation. The business-type activities of the City include enterprises for gas, water, sewer, storm water, and solid waste utilities.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are divided into two categories—governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements present information for each major governmental fund in separate columns. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for the General Fund. Budget-to-actual comparisons are provided in this financial report for this fund.

Proprietary Funds – All of the City’s proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City presents all enterprise funds as major funds in separate columns.

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

Other Information – In addition to the basic financial statements and accompanying notes, the financial section also presents required supplementary information, and the combining fund statements (presented as supplemental information) referred to earlier in connection with nonmajor governmental funds, which are presented immediately following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes in net position. It should be noted that the financial position can also be affected by nonfinancial factors, including economic conditions, population growth, and new regulations.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As presented in the following condensed version of the Statement of Net Position, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,461,675 at December 31, 2019.

A portion of the City's net position, \$15,540,001, or 48 percent, reflects its investment in capital assets (e.g., land, construction in progress, buildings and structures, infrastructure and improvements, distribution and collection systems, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the City's net position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 14,420,455	\$ 12,383,512	\$ 7,151,824	\$ 10,497,312	\$ 21,572,279	\$ 22,880,824
Capital assets	15,890,824	18,589,708	15,566,681	12,932,457	31,457,505	31,522,165
Total assets	\$ 30,311,279	\$ 30,973,220	\$ 22,718,505	\$ 23,429,769	\$ 53,029,784	\$ 54,402,989
Deferred outflows of resources						
Pension plan deferments – PERA	\$ 38,706	\$ 75,434	\$ 70,237	\$ 153,153	\$ 108,943	\$ 228,587
Liabilities						
Current and other liabilities	\$ 677,342	\$ 681,212	\$ 504,851	\$ 621,321	\$ 1,182,193	\$ 1,302,533
Long-term liabilities	11,024,776	12,650,069	8,250,372	9,425,955	19,275,148	22,076,024
Total liabilities	\$ 11,702,118	\$ 13,331,281	\$ 8,755,223	\$ 10,047,276	\$ 20,457,341	\$ 23,378,557
Deferred inflows of resources						
Pension plan deferments – PERA	\$ 78,062	\$ 91,699	\$ 141,649	\$ 186,172	\$ 219,711	\$ 277,871
Net position						
Net investment in capital assets	\$ 6,873,046	\$ 8,218,068	\$ 8,666,955	\$ 7,591,763	\$ 15,540,001	\$ 13,286,166
Restricted	2,281,254	2,577,749	47,750	47,750	2,329,004	2,625,499
Unrestricted	9,415,505	6,829,857	5,177,165	5,709,961	14,592,670	15,063,483
Total net position	\$ 18,569,805	\$ 17,625,674	\$ 13,891,870	\$ 13,349,474	\$ 32,461,675	\$ 30,975,148

Restricted net position of \$2,329,004 comprises 7 percent of net position at the close of the fiscal year ended December 31, 2019. This net position is subject to external restrictions on how it may be used.

The balance of unrestricted net position, \$14,592,670, or approximately 45 percent, may be used to meet the City's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position may have internally imposed limitations, which may further limit the purpose for which such net position may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in the City's proportionate share of state-wide pension obligations contributed to the changes in amounts presented as deferred outflows, noncurrent liabilities, and deferred inflows in the table on the previous page. The City's completion of the 2018 street project and transfer of completed assets contributed to the change in current assets and capital assets between governmental and business-type activities.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2019, with comparative totals for the year ended December 31, 2018:

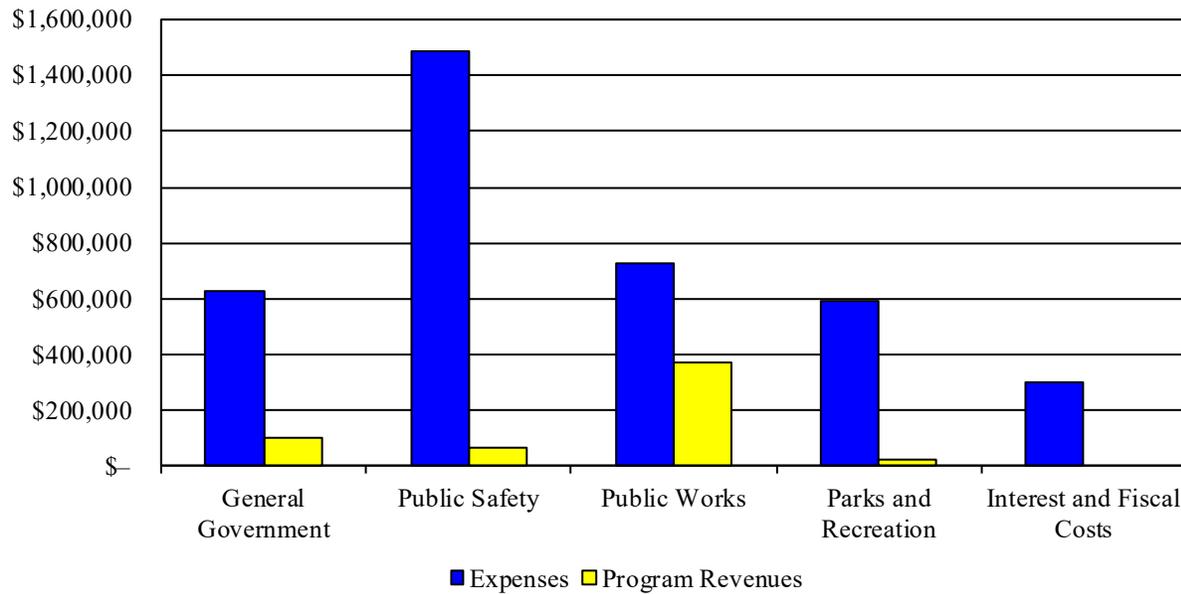
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 150,915	\$ 210,222	\$ 5,308,692	\$ 5,250,533	\$ 5,459,607	\$ 5,460,755
Operating grants and contributions	54,545	51,271	40,456	65,754	95,001	117,025
Capital grants and contributions	363,856	1,019,711	–	395,147	363,856	1,414,858
General revenues						
Property and franchise taxes	3,099,142	2,906,806	–	–	3,099,142	2,906,806
General grants and contributions	556,134	551,868	–	–	556,134	551,868
Other general revenues	178,494	130,637	–	–	178,494	130,637
Investment earnings	276,002	162,731	312,070	64,093	588,072	226,824
Gain on disposal of capital assets	–	20,467	–	–	–	20,467
Total revenues	<u>4,679,088</u>	<u>5,053,713</u>	<u>5,661,218</u>	<u>5,775,527</u>	<u>10,340,306</u>	<u>10,829,240</u>
Expenses						
General government	626,959	558,966	–	–	626,959	558,966
Public safety	1,489,868	1,482,096	–	–	1,489,868	1,482,096
Public works	725,931	617,177	–	–	725,931	617,177
Parks and recreation	591,370	528,370	–	–	591,370	528,370
Interest and fiscal costs	300,829	278,374	–	–	300,829	278,374
Gas	–	–	3,121,866	3,192,343	3,121,866	3,192,343
Water	–	–	579,811	564,267	579,811	564,267
Sewer	–	–	770,326	715,381	770,326	715,381
Storm water	–	–	226,278	151,589	226,278	151,589
Solid waste	–	–	420,541	399,769	420,541	399,769
Total expenses	<u>3,734,957</u>	<u>3,464,983</u>	<u>5,118,822</u>	<u>5,023,349</u>	<u>8,853,779</u>	<u>8,488,332</u>
Change in net position	944,131	1,588,730	542,396	752,178	1,486,527	2,340,908
Net position – beginning	<u>17,625,674</u>	<u>16,036,944</u>	<u>13,349,474</u>	<u>12,597,296</u>	<u>30,975,148</u>	<u>28,634,240</u>
Net position – ending	<u>\$ 18,569,805</u>	<u>\$ 17,625,674</u>	<u>\$ 13,891,870</u>	<u>\$ 13,349,474</u>	<u>\$ 32,461,675</u>	<u>\$ 30,975,148</u>

Governmental Activities – Current year operating results of governmental activities increased net position by \$944,131. Revenues decreased by \$374,625 and expenses increased by \$269,974 from the prior year. Revenues were down, with less capital grants and contributions for assessments to benefitting property owners related to the 2018 street project. Expenses were up, with natural inflationary increases and more interest expense on new debt issued in the prior year.

Business-Type Activities – Current year operating results of business-type activities increased net position by \$542,396, due to positive results of the utility operations of the City. Program revenues exceeded program expenses in total for the City's business-type activities.

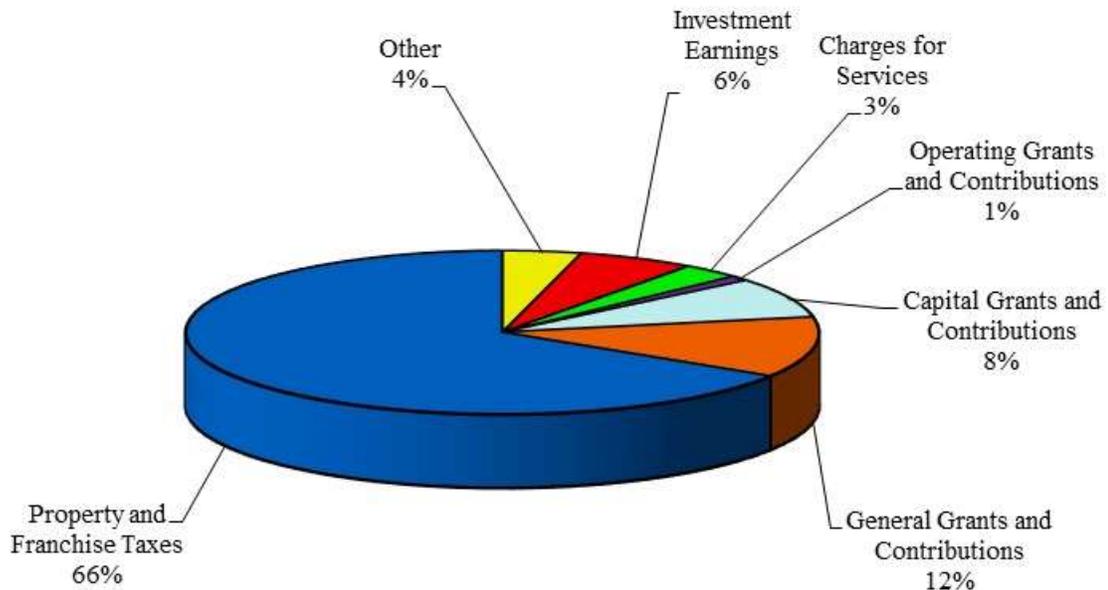
The following graphs illustrate the City's governmental activities:

Expenses and Program Revenues – Governmental Activities



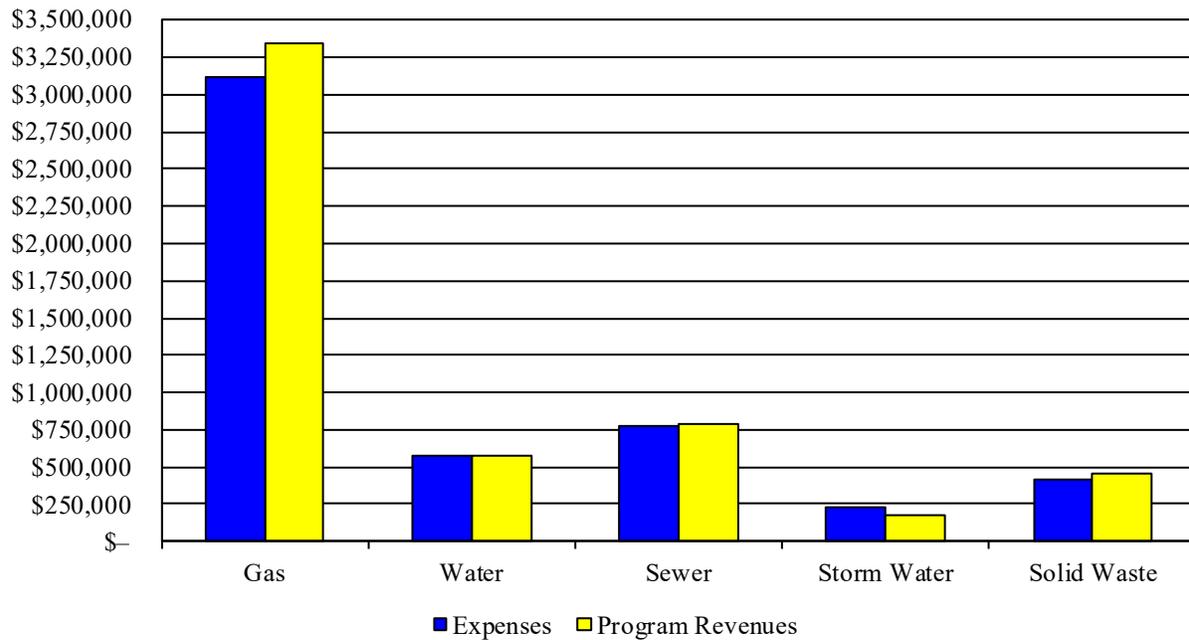
As is common with many cities, the City's governmental activities are primarily funded with property taxes. Property and franchise taxes accounted for 66 percent of governmental activities revenues. General grants and contributions made up 12 percent of governmental activities revenue sources, followed by capital grants and contributions at 8 percent. Other general and program revenues finance governmental activities to a lesser extent.

Revenue by Source – Governmental Activities



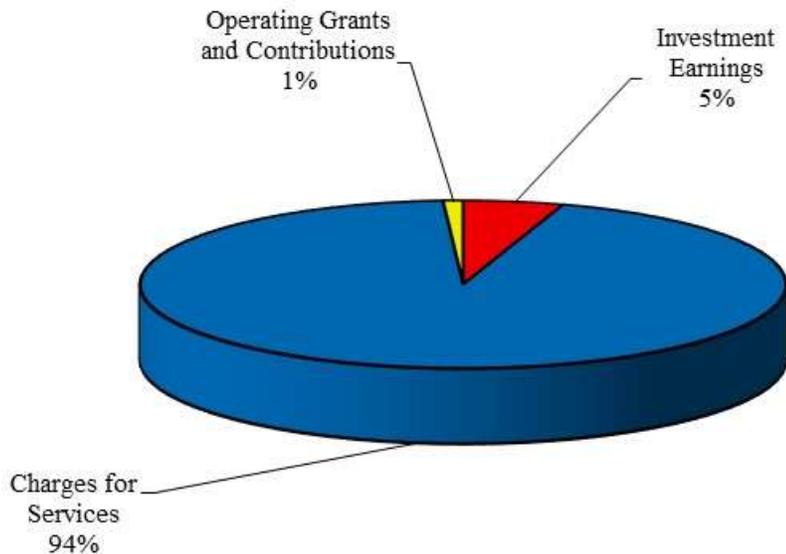
The following graphs illustrate the City's business-type activities:

Expenses and Program Revenues – Business-Type Activities



Unlike governmental activities, these activities are primarily funded through program revenues, like user charges. Overall, the business-type activities had positive operating results, but the City will continually need to look at utility rate adjustments to cover operational costs, cash flow, and infrastructure replacement.

Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The following is a summary of the City's governmental funds ending equity balances in comparison with the prior year:

	Fund Balances		Change
	2019	2018	
Major funds			
General	\$ 3,851,652	\$ 3,646,602	\$ 205,050
Special revenue			
Tax Increment District No. 1-4 North	(157,336)	(333,570)	176,234
Debt service			
G.O. Street Bonds of 2010	35,993	57,416	(21,423)
G.O. Capital Notes of 2016	20,510	10,585	9,925
Capital project			
Street Project	3,778,499	1,470,939	2,307,560
Nonmajor funds	<u>3,636,948</u>	<u>3,770,132</u>	<u>(133,184)</u>
Total fund balances	<u>\$ 11,166,266</u>	<u>\$ 8,622,104</u>	<u>\$ 2,544,162</u>

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

	Original and Final Budget	Actual	Over (Under) Final Budget	Prior Year Actual
Revenue	\$ 2,792,915	\$ 2,926,382	\$ 133,467	\$ 2,859,664
Expenditures and transfers out	<u>2,792,915</u>	<u>2,721,332</u>	<u>(71,583)</u>	<u>2,723,135</u>
Net change in fund balances	<u>\$ –</u>	205,050	<u>\$ 205,050</u>	136,529
Fund balances				
Beginning of year		<u>3,646,602</u>		<u>3,510,073</u>
End of year		<u>\$ 3,851,652</u>		<u>\$ 3,646,602</u>

The General Fund has continued to improve its financial condition, which the City believes is important given the ongoing street improvement needs going forward. This will help protect the City from future funding shortfalls, as well as provide resources for unexpected but necessary expenditures.

The City believes the above table reflects favorable budget variances as a result of a good year of operations and strong budget controls.

Significant Activities of Other Governmental Funds – The increase in the Street Project Fund was due to the completion of the 2018 street project that began in the prior year. A portion of the assets were transferred to the utility operations upon completion and reimbursed by the applicable enterprise fund with a cash transfer in the current year. Remaining changes were not significant.

Proprietary Funds – The City’s proprietary funds had a combined net position balance of \$13,891,870 at December 31, 2019. The changes in net position balances of these funds are listed below:

	Net Position		Change
	2019	2018	
Major funds			
Enterprise			
Circle Pines Gas Utility	\$ 2,036,819	\$ 1,935,061	\$ 101,758
Lino Lakes Gas Utility	1,218,432	1,057,546	160,886
Blaine Gas Utility	(352,015)	(354,504)	2,489
Water Utility	4,863,537	4,749,429	114,108
Sewer Utility	2,535,778	2,440,462	95,316
Storm Water Utility	2,511,465	2,512,835	(1,370)
Solid Waste Utility	1,077,854	1,008,645	69,209
Total net position	<u>\$ 13,891,870</u>	<u>\$ 13,349,474</u>	<u>\$ 542,396</u>

The proprietary funds as a whole experienced an increase in total net position of \$542,396 from current year operations. An increase in operating results, along with improved investment earnings, contributed to the increase in current year net position.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets – The City’s investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2019 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 529,453	\$ 529,453	\$ 4,153	\$ 4,153	\$ 533,606	\$ 533,606
Construction in progress	191,653	5,193,665	217	505,829	191,870	5,699,494
Buildings and structures	4,688,369	4,608,254	1,155,751	1,081,690	5,844,120	5,689,944
Furniture and equipment	1,513,425	1,563,598	3,013,236	2,959,365	4,526,661	4,522,963
Improvements other than buildings	16,972,042	14,285,178	21,809,323	18,277,629	38,781,365	32,562,807
Utility rights	–	–	393,682	393,682	393,682	393,682
Total capital assets	23,894,942	26,180,148	26,376,362	23,222,348	50,271,304	49,402,496
Accumulated depreciation	<u>(8,004,118)</u>	<u>(7,590,440)</u>	<u>(10,809,681)</u>	<u>(10,289,891)</u>	<u>(18,813,799)</u>	<u>(17,880,331)</u>
Total capital assets, net of depreciation	<u>\$ 15,890,824</u>	<u>\$ 18,589,708</u>	<u>\$ 15,566,681</u>	<u>\$ 12,932,457</u>	<u>\$ 31,457,505</u>	<u>\$ 31,522,165</u>
Depreciation expense	<u>\$ 652,990</u>	<u>\$ 605,560</u>	<u>\$ 756,038</u>	<u>\$ 644,155</u>	<u>\$ 1,409,028</u>	<u>\$ 1,249,715</u>

The City has analyzed its infrastructure and has anticipated repairs or replacement in the near future to streets, water, sewer, and storm water systems. The existing streets, in certain parts of the community, are reaching the end of their useful life. The City anticipates continued construction projects for the reconstruction of that infrastructure.

Increases in the current year include the street project previously mentioned and improvements in the gas utility funds.

Additional details of capital asset activity for the year can be found in the notes to basic financial statements.

Long-Term Liabilities – The debt service funds account for the accumulation of resources to finance the City’s general obligation bonds and notes within the governmental activities. The revenue sources for these funds include annual tax levies, tax increments, special assessments, and other intergovernmental revenue sources. General obligation and revenue bonds of the business-type activities are retired by the revenue produced in the associated enterprise fund. If there were insufficient resources in the enterprise funds to retire the general obligation bonds, the City would be obligated to find other sources or levy taxes for their retirement. The net pension liability and compensated absences are paid for by the General Fund and respective enterprise funds. The following table summarizes the City’s long-term liabilities:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. bonds and notes payable	\$ 10,620,000	\$ 12,270,000	\$ 7,410,000	\$ 8,440,000	\$ 18,030,000	\$ 20,710,000
Revenue bonds payable	–	–	110,000	215,000	110,000	215,000
Net pension liability	349,652	336,848	634,470	683,908	984,122	1,020,756
Compensated absences payable	55,124	43,221	95,902	87,047	151,026	130,268
Total	<u>\$ 11,024,776</u>	<u>\$ 12,650,069</u>	<u>\$ 8,250,372</u>	<u>\$ 9,425,955</u>	<u>\$ 19,275,148</u>	<u>\$ 22,076,024</u>

The City has sufficient funds on hand to make all required debt payments, and anticipates an ongoing stream of revenue to make future payments. The decrease in outstanding debt includes the City’s scheduled payments and early call of the remaining 2010 street project bonds in the current year financed with funds on hand.

Additional details of long-term debt activity for the year can be found in the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected officials considered many factors when adopting the balanced budget for fiscal year 2020. The 2020 General Fund expenditure budget was set at \$2,957,697, an increase of \$164,782, or 5.9 percent, from the budget for 2019.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed by writing to the City of Circle Pines, 200 Civic Heights Circle, Circle Pines, Minnesota 55014, or by calling (763) 784-5898.

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BASIC FINANCIAL STATEMENTS

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CITY OF CIRCLE PINES

Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and temporary investments	\$ 11,657,759	\$ 5,728,558	\$ 17,386,317
Cash and temporary investments – restricted for construction	–	585,723	585,723
Receivables			
Accounts	28,420	663,524	691,944
Accrued interest	17,253	22,454	39,707
Taxes – delinquent	27,276	–	27,276
Special assessments – delinquent	4,957	2,986	7,943
Special assessments – deferred	1,057,792	21,754	1,079,546
Due from other governmental units	1,619,633	7,047	1,626,680
Inventory	–	79,655	79,655
Prepaid items	7,365	40,123	47,488
Capital assets			
Not depreciated	721,106	4,370	725,476
Depreciated, net	15,169,718	15,562,311	30,732,029
Total capital assets, net of depreciation	<u>15,890,824</u>	<u>15,566,681</u>	<u>31,457,505</u>
Total assets	<u>30,311,279</u>	<u>22,718,505</u>	<u>53,029,784</u>
Deferred outflows of resources			
Pension plan deferments – PERA	38,706	70,237	108,943
Total assets and deferred outflows of resources	<u>\$ 30,349,985</u>	<u>\$ 22,788,742</u>	<u>\$ 53,138,727</u>
Liabilities			
Accounts and contracts payable	\$ 86,421	\$ 332,680	\$ 419,101
Salaries payable	29,896	42,864	72,760
Accrued interest payable	115,400	88,496	203,896
Due to other governmental units	85	40,811	40,896
Unearned revenue	445,540	–	445,540
Long-term liabilities			
Due within one year	1,320,124	745,902	2,066,026
Due in more than one year	9,704,652	7,504,470	17,209,122
Total long-term liabilities	<u>11,024,776</u>	<u>8,250,372</u>	<u>19,275,148</u>
Total liabilities	<u>11,702,118</u>	<u>8,755,223</u>	<u>20,457,341</u>
Deferred inflows of resources			
Pension plan deferments – PERA	78,062	141,649	219,711
Net position			
Net investment in capital assets	6,873,046	8,666,955	15,540,001
Restricted for			
Debt service	1,990,143	47,750	2,037,893
Equipment acquisition	20,299	–	20,299
Park dedicated improvements	267,911	–	267,911
Tax increment allowable costs	2,901	–	2,901
Unrestricted	9,415,505	5,177,165	14,592,670
Total net position	<u>18,569,805</u>	<u>13,891,870</u>	<u>32,461,675</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 30,349,985</u>	<u>\$ 22,788,742</u>	<u>\$ 53,138,727</u>

CITY OF CIRCLE PINES

Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 626,959	\$ 105,493	\$ -	\$ -
Public safety	1,489,868	11,175	54,545	-
Public works	725,931	34,247	-	336,498
Parks and recreation	591,370	-	-	27,358
Interest and fiscal costs	300,829	-	-	-
Total governmental activities	<u>3,734,957</u>	<u>150,915</u>	<u>54,545</u>	<u>363,856</u>
Business-type activities				
Gas	3,121,866	3,348,530	1,118	-
Water	579,811	565,256	3,557	-
Sewer	770,326	790,115	171	-
Storm water	226,278	179,929	-	-
Solid waste	420,541	424,862	35,610	-
Total business-type activities	<u>5,118,822</u>	<u>5,308,692</u>	<u>40,456</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 8,853,779</u>	<u>\$ 5,459,607</u>	<u>\$ 95,001</u>	<u>\$ 363,856</u>
General revenues				
Property taxes				
Franchise tax				
General grants and contributions				
Other general revenues				
Investment earnings				
Total general revenues				
Change in net position				
Net position – beginning				
Net position – ending				

Net (Expenses)
Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (521,466)	\$ —	\$ (521,466)
(1,424,148)	—	(1,424,148)
(355,186)	—	(355,186)
(564,012)	—	(564,012)
(300,829)	—	(300,829)
<u>(3,165,641)</u>	<u>—</u>	<u>(3,165,641)</u>
—	227,782	227,782
—	(10,998)	(10,998)
—	19,960	19,960
—	(46,349)	(46,349)
—	39,931	39,931
<u>—</u>	<u>230,326</u>	<u>230,326</u>
(3,165,641)	230,326	(2,935,315)
2,970,657	—	2,970,657
128,485	—	128,485
556,134	—	556,134
178,494	—	178,494
276,002	312,070	588,072
<u>4,109,772</u>	<u>312,070</u>	<u>4,421,842</u>
944,131	542,396	1,486,527
<u>17,625,674</u>	<u>13,349,474</u>	<u>30,975,148</u>
<u>\$ 18,569,805</u>	<u>\$ 13,891,870</u>	<u>\$ 32,461,675</u>

CITY OF CIRCLE PINES

Balance Sheet
Governmental Funds
December 31, 2019

	General	Special Revenue Fund Tax Increment District No. 1-4 North	Debt Service Fund G.O. Street Bonds of 2010
Assets			
Cash and temporary investments	\$ 3,891,431	\$ 142,385	\$ 35,635
Receivables			
Accounts	-	-	-
Accrued interest	8,009	279	-
Taxes – delinquent	27,276	-	-
Special assessments – delinquent	286	-	1,745
Special assessments – deferred	375	-	17,019
Due from other governmental units	11,462	-	358
Due from other funds	-	-	-
Advances to other funds	-	-	-
Prepaid items	7,365	-	-
	<u>\$ 3,946,204</u>	<u>\$ 142,664</u>	<u>\$ 54,757</u>
Liabilities			
Accounts and contracts payable	\$ 36,634	\$ -	\$ -
Salaries payable	29,896	-	-
Due to other governmental units	85	-	-
Due to other funds	-	-	-
Advances from other funds	-	300,000	-
Unearned revenue	-	-	-
Total liabilities	<u>66,615</u>	<u>300,000</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue – property taxes	27,276	-	-
Unavailable revenue – special assessments	661	-	18,764
Unavailable revenue – long-term receivable	-	-	-
Total deferred inflows of resources	<u>27,937</u>	<u>-</u>	<u>18,764</u>
Fund balances (deficits)			
Nonspendable	7,365	-	-
Restricted	-	-	35,993
Assigned	2,425,912	-	-
Unassigned	1,418,375	(157,336)	-
Total fund balances (deficits)	<u>3,851,652</u>	<u>(157,336)</u>	<u>35,993</u>
	<u>\$ 3,946,204</u>	<u>\$ 142,664</u>	<u>\$ 54,757</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,946,204</u>	<u>\$ 142,664</u>	<u>\$ 54,757</u>

Debt Service Fund	Capital Project Fund		
G.O. Capital Notes of 2016	Street Project	Nonmajor	Totals
\$ 466,050	\$ 3,799,293	\$ 3,322,965	\$ 11,657,759
-	25,654	2,766	28,420
-	3,339	5,626	17,253
-	-	-	27,276
-	-	2,926	4,957
-	-	1,040,398	1,057,792
1,347,222	-	260,591	1,619,633
-	-	158	158
-	-	300,000	300,000
-	-	-	7,365
<u>\$ 1,813,272</u>	<u>\$ 3,828,286</u>	<u>\$ 4,935,430</u>	<u>\$ 14,720,613</u>
\$ -	\$ 49,787	\$ -	\$ 86,421
-	-	-	29,896
-	-	-	85
-	-	158	158
-	-	-	300,000
445,540	-	-	445,540
<u>445,540</u>	<u>49,787</u>	<u>158</u>	<u>862,100</u>
-	-	-	27,276
-	-	1,043,324	1,062,749
1,347,222	-	255,000	1,602,222
<u>1,347,222</u>	<u>-</u>	<u>1,298,324</u>	<u>2,692,247</u>
-	-	-	7,365
20,510	-	1,278,063	1,334,566
-	3,778,499	2,358,885	8,563,296
-	-	-	1,261,039
<u>20,510</u>	<u>3,778,499</u>	<u>3,636,948</u>	<u>11,166,266</u>
<u>\$ 1,813,272</u>	<u>\$ 3,828,286</u>	<u>\$ 4,935,430</u>	<u>\$ 14,720,613</u>

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CITY OF CIRCLE PINES

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
December 31, 2019

Total fund balances – governmental funds	\$ 11,166,266
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds (see Note 3 for more details on capital assets).	
Not depreciated	721,106
Depreciated, net	15,169,718
Long-term liabilities are not payable with current financial resources and, therefore, are not reported as liabilities in the governmental funds (see Note 4 for more details on long-term debt).	
Due within one year	(1,320,124)
Due in more than one year	(9,704,652)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities statements and the modified accrual statements.	
Deferred outflows of resources – pension plan deferments – PERA	38,706
Deferred inflows of resources – pension plan deferments – PERA	(78,062)
Deferred inflows of resources – unavailable revenues	2,692,247
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	<u>(115,400)</u>
Total net position – governmental activities	<u><u>\$ 18,569,805</u></u>

CITY OF CIRCLE PINES

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2019

	General	Special Revenue Fund Tax Increment District No. 1-4 North	Debt Service Fund G.O. Street Bonds of 2010
Revenue			
Taxes			
Property taxes	\$ 2,167,097	\$ 191,513	\$ 66,500
Franchise tax	-	-	-
Special assessments	605	-	17,583
Licenses and permits	105,493	-	-
Intergovernmental revenue	469,035	-	-
Charges for services	34,247	-	-
Fines and forfeits	11,175	-	-
Other revenue			
Investment earnings (charges)	111,381	3,807	(249)
Interfund loan interest	-	-	-
Lease and rental	-	-	-
Miscellaneous	27,349	-	-
Total revenue	<u>2,926,382</u>	<u>195,320</u>	<u>83,834</u>
Expenditures			
Current			
General government	508,940	3,086	-
Public safety	1,444,660	-	-
Public works	251,407	-	-
Parks and recreation	465,881	-	-
Insurance	50,444	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	-	540,000
Interest and other	-	-	25,257
Interfund loan interest	-	16,000	-
Total expenditures	<u>2,721,332</u>	<u>19,086</u>	<u>565,257</u>
Excess (deficiency) of revenue over expenditures	205,050	176,234	(481,423)
Other financing sources (uses)			
Transfers in	-	-	460,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>460,000</u>
Net change in fund balances	205,050	176,234	(21,423)
Fund balances (deficits)			
Beginning of year	<u>3,646,602</u>	<u>(333,570)</u>	<u>57,416</u>
End of year	<u>\$ 3,851,652</u>	<u>\$ (157,336)</u>	<u>\$ 35,993</u>

Debt Service Fund	Capital Project Fund		
G.O. Capital Notes of 2016	Street Project	Nonmajor	Totals
\$ -	\$ -	\$ 539,280	\$ 2,964,390
-	128,485	-	128,485
-	-	290,714	308,902
-	-	-	105,493
226,000	273,544	210,966	1,179,545
-	-	-	34,247
-	-	-	11,175
-	50,459	110,604	276,002
-	-	16,000	16,000
-	-	178,503	178,503
-	-	-	27,349
<u>226,000</u>	<u>452,488</u>	<u>1,346,067</u>	<u>5,230,091</u>
-	-	8,106	520,132
-	-	-	1,444,660
-	-	-	251,407
-	-	-	465,881
-	-	-	50,444
-	304,312	310,845	615,157
185,000	-	925,000	1,650,000
31,075	-	276,967	333,299
-	-	-	16,000
<u>216,075</u>	<u>304,312</u>	<u>1,520,918</u>	<u>5,346,980</u>
9,925	148,176	(174,851)	(116,889)
-	2,661,051	111,190	3,232,241
-	(501,667)	(69,523)	(571,190)
-	<u>2,159,384</u>	<u>41,667</u>	<u>2,661,051</u>
9,925	2,307,560	(133,184)	2,544,162
10,585	1,470,939	3,770,132	8,622,104
<u>\$ 20,510</u>	<u>\$ 3,778,499</u>	<u>\$ 3,636,948</u>	<u>\$ 11,166,266</u>

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CITY OF CIRCLE PINES

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2019

Total net change in fund balances – governmental funds \$ 2,544,162

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense (see Note 3 for more details on changes in capital assets).

Capital outlays	615,157
Depreciation expense	(652,990)
Transfers of capital assets to business-type activities	(2,661,051)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Other long-term debt adjustments are also made between the governmental funds and the Statement of Activities for compensated absences and net pension liability (see Note 4 for more details on changes in long-term debt).

Governmental activities – additions to long-term debt	(114,051)
Governmental activities – deletions of long-term debt	1,739,344

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

32,470

The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.

Deferred outflows of resources – pension plan deferments – PERA	(36,728)
Deferred inflows of resources – pension plan deferments – PERA	13,637
Deferred inflows of resources – unavailable revenues	(535,819)

Change in net position – governmental activities \$ 944,131

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CITY OF CIRCLE PINES

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2019

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue			
Property taxes	\$ 2,176,231	\$ 2,167,097	\$ (9,134)
Special assessments	-	605	605
Licenses and permits	68,400	105,493	37,093
Intergovernmental revenue	430,804	469,035	38,231
Charges for services	33,480	34,247	767
Fines and forfeits	10,500	11,175	675
Other revenue			
Investment earnings	35,000	111,381	76,381
Miscellaneous	38,500	27,349	(11,151)
Total revenue	<u>2,792,915</u>	<u>2,926,382</u>	<u>133,467</u>
Expenditures			
Current			
General government	537,652	508,940	(28,712)
Public safety	1,442,270	1,444,660	2,390
Public works	257,681	251,407	(6,274)
Parks and recreation	495,005	465,881	(29,124)
Insurance	60,307	50,444	(9,863)
Total expenditures	<u>2,792,915</u>	<u>2,721,332</u>	<u>(71,583)</u>
Net change in fund balances	<u>\$ -</u>	<u>205,050</u>	<u>\$ 205,050</u>
Fund balances			
Beginning of year		<u>3,646,602</u>	
End of year		<u>\$ 3,851,652</u>	

CITY OF CIRCLE PINES

Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Circle Pines Gas Utility	Lino Lakes Gas Utility	Blaine Gas Utility	Water Utility
Assets				
Current assets				
Cash and temporary investments	\$ –	\$ 421,545	\$ –	\$ 2,946,075
Cash and temporary investments – restricted for construction	–	–	–	192,483
Receivables				
Accounts				
Utilities – customers	198,634	248,367	9,707	51,698
Accrued interest	1,559	1,285	–	8,841
Special assessments – delinquent	–	–	–	2,178
Special assessments – deferred	–	–	–	21,754
Due from other governments	–	–	–	–
Due from other funds	523,303	199,747	–	–
Inventory	69,255	10,400	–	–
Prepaid items	5,951	5,637	149	1,645
Total current assets	798,702	886,981	9,856	3,224,674
Noncurrent assets				
Advances to other funds	–	–	–	250,000
Capital assets				
Land	–	–	–	–
Construction in progress	217	–	–	–
Buildings and structures	83,388	48,868	–	1,001,887
Furniture and equipment	927,648	707,805	168,257	534,271
Improvements other than buildings	3,009,418	1,298,233	411,696	6,159,688
Utility rights	–	393,682	–	–
Total capital assets	4,020,671	2,448,588	579,953	7,695,846
Less accumulated depreciation	2,018,263	1,657,120	161,227	3,442,826
Net capital assets	2,002,408	791,468	418,726	4,253,020
Total noncurrent assets	2,002,408	791,468	418,726	4,503,020
Total assets	2,801,110	1,678,449	428,582	7,727,694
Deferred outflows of resources				
Pension plan deferments – PERA	26,602	25,441	970	9,111
Total assets and deferred outflows of resources	\$ 2,827,712	\$ 1,703,890	\$ 429,552	\$ 7,736,805
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 122,857	\$ 119,921	\$ 10,187	\$ 19,815
Salaries payable	15,711	15,528	763	5,687
Accrued interest payable	831	150	449	31,586
Due to other governmental units	9,117	23,083	67	6,101
Due to other funds	–	–	723,050	–
Compensated absences payable – current	34,491	34,138	1,781	13,248
Bonds payable – current	63,932	11,517	34,551	200,900
Total current liabilities	246,939	204,337	770,848	277,337
Noncurrent liabilities				
Advances from other funds	250,000	–	–	–
Net pension liability	240,304	229,814	8,763	82,306
Bonds payable, net of current portion	–	–	–	2,495,250
Total noncurrent liabilities	490,304	229,814	8,763	2,577,556
Total liabilities	737,243	434,151	779,611	2,854,893
Deferred inflows of resources				
Pension plan deferments – PERA	53,650	51,307	1,956	18,375
Net position				
Net investment in capital assets	1,938,476	779,951	418,726	1,749,353
Restricted for debt service	27,750	5,000	15,000	–
Unrestricted	70,593	433,481	(785,741)	3,114,184
Total net position	2,036,819	1,218,432	(352,015)	4,863,537
Total liabilities, deferred inflows of resources, and net position	\$ 2,827,712	\$ 1,703,890	\$ 429,552	\$ 7,736,805

Sewer Utility	Storm Water Utility	Solid Waste Utility	Total
\$ 911,567	\$ 394,764	\$ 1,054,607	\$ 5,728,558
257,141	136,099	-	585,723
88,902	19,931	46,285	663,524
5,345	3,171	2,253	22,454
459	98	251	2,986
-	-	-	21,754
-	-	7,047	7,047
-	-	-	723,050
-	-	-	79,655
26,649	-	92	40,123
<u>1,290,063</u>	<u>554,063</u>	<u>1,110,535</u>	<u>7,874,874</u>
-	-	-	250,000
4,153	-	-	4,153
-	-	-	217
21,608	-	-	1,155,751
675,255	-	-	3,013,236
5,916,858	5,013,430	-	21,809,323
-	-	-	393,682
<u>6,617,874</u>	<u>5,013,430</u>	<u>-</u>	<u>26,376,362</u>
<u>2,012,801</u>	<u>1,517,444</u>	<u>-</u>	<u>10,809,681</u>
<u>4,605,073</u>	<u>3,495,986</u>	<u>-</u>	<u>15,566,681</u>
<u>4,605,073</u>	<u>3,495,986</u>	<u>-</u>	<u>15,816,681</u>
5,895,136	4,050,049	1,110,535	23,691,555
<u>8,113</u>	<u>-</u>	<u>-</u>	<u>70,237</u>
<u>\$ 5,903,249</u>	<u>\$ 4,050,049</u>	<u>\$ 1,110,535</u>	<u>\$ 23,761,792</u>
\$ 5,249	\$ 24,413	\$ 30,238	\$ 332,680
5,175	-	-	42,864
37,659	17,821	-	88,496
-	-	2,443	40,811
-	-	-	723,050
12,244	-	-	95,902
<u>235,000</u>	<u>104,100</u>	<u>-</u>	<u>650,000</u>
295,327	146,334	32,681	1,973,803
-	-	-	250,000
73,283	-	-	634,470
<u>2,982,500</u>	<u>1,392,250</u>	<u>-</u>	<u>6,870,000</u>
<u>3,055,783</u>	<u>1,392,250</u>	<u>-</u>	<u>7,754,470</u>
3,351,110	1,538,584	32,681	9,728,273
16,361	-	-	141,649
1,644,714	2,135,735	-	8,666,955
-	-	-	47,750
<u>891,064</u>	<u>375,730</u>	<u>1,077,854</u>	<u>5,177,165</u>
<u>2,535,778</u>	<u>2,511,465</u>	<u>1,077,854</u>	<u>13,891,870</u>
<u>\$ 5,903,249</u>	<u>\$ 4,050,049</u>	<u>\$ 1,110,535</u>	<u>\$ 23,761,792</u>

CITY OF CIRCLE PINES

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Circle Pines	Lino Lakes	Blaine	
	Gas Utility	Gas Utility	Gas Utility	Water Utility
Operating revenues				
Charges for sales and services				
Gas	\$ 1,590,166	\$ 1,686,135	\$ 71,879	\$ –
Water	–	–	–	508,946
Sewer	–	–	–	–
Storm sewer	–	–	–	–
Solid waste	–	–	–	–
Total operating revenues	1,590,166	1,686,135	71,879	508,946
Operating expenses				
Cost of sales and services	1,124,666	1,173,688	39,518	175,533
Administration	201,442	235,601	11,583	111,879
Depreciation expense	128,292	74,686	16,523	209,715
Franchise fee	45,174	58,706	–	–
Total operating expenses	1,499,574	1,542,681	67,624	497,127
Operating income (loss)	90,592	143,454	4,255	11,819
Nonoperating revenues (expenses)				
Intergovernmental	562	536	20	3,557
Investment earnings	20,047	17,304	–	125,106
Other income	175	175	–	56,310
Gain on disposal of capital assets	13	13	–	1,012
Interest expense	(9,631)	(596)	(1,786)	(83,696)
Total nonoperating revenues (expenses)	11,166	17,432	(1,766)	102,289
Income (loss) before transfers and capital contributions	101,758	160,886	2,489	114,108
Transfers and capital contributions				
Capital contributions – from other funds	–	–	–	840,332
Transfers out	–	–	–	(840,332)
Total transfers and capital contributions	–	–	–	–
Change in net position	101,758	160,886	2,489	114,108
Net position				
Beginning of year	1,935,061	1,057,546	(354,504)	4,749,429
End of year	\$ 2,036,819	\$ 1,218,432	\$ (352,015)	\$ 4,863,537

See notes to basic financial statements

<u>Sewer Utility</u>	<u>Storm Water Utility</u>	<u>Solid Waste Utility</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 3,348,180
-	-	-	508,946
790,040	-	-	790,040
-	176,608	-	176,608
-	-	423,717	423,717
<u>790,040</u>	<u>176,608</u>	<u>423,717</u>	<u>5,247,491</u>
389,953	42,225	420,541	3,366,124
102,143	-	-	662,648
192,357	134,465	-	756,038
-	-	-	103,880
<u>684,453</u>	<u>176,690</u>	<u>420,541</u>	<u>4,888,690</u>
105,587	(82)	3,176	358,801
171	-	35,610	40,456
75,356	44,979	29,278	312,070
75	3,321	1,145	61,201
13,145	-	-	14,183
(99,018)	(49,588)	-	(244,315)
<u>(10,271)</u>	<u>(1,288)</u>	<u>66,033</u>	<u>183,595</u>
95,316	(1,370)	69,209	542,396
1,167,128	653,591	-	2,661,051
<u>(1,167,128)</u>	<u>(653,591)</u>	<u>-</u>	<u>(2,661,051)</u>
-	-	-	-
95,316	(1,370)	69,209	542,396
<u>2,440,462</u>	<u>2,512,835</u>	<u>1,008,645</u>	<u>13,349,474</u>
<u>\$ 2,535,778</u>	<u>\$ 2,511,465</u>	<u>\$ 1,077,854</u>	<u>\$ 13,891,870</u>

CITY OF CIRCLE PINES

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Business-Type Activities – Enterprise Funds			
	Circle Pines Gas Utility	Lino Lakes Gas Utility	Blaine Gas Utility	Water Utility
Cash flows from operating activities				
Cash received from customers	\$ 1,610,685	\$ 1,728,502	\$ 62,277	\$ 493,640
Cash paid to suppliers	(1,014,481)	(1,126,908)	(59,325)	(166,436)
Cash paid to employees	(350,823)	(333,588)	(12,447)	(120,134)
Cash received from other sources	175	175	–	56,310
Net cash flows from operating activities	<u>245,556</u>	<u>268,181</u>	<u>(9,495)</u>	<u>263,380</u>
Cash flows from noncapital financing activities				
Subsidy from state grant	562	536	20	3,557
Cash received from other funds	32,937	–	166,810	–
Cash paid to other funds	–	(199,747)	–	–
Net cash flows from noncapital financing activities	<u>33,499</u>	<u>(199,211)</u>	<u>166,830</u>	<u>3,557</u>
Cash flows from capital and related financing activities				
Capital contributions	–	–	–	–
Acquisition of capital assets	(269,495)	(76,293)	(122,150)	(23,170)
Proceeds from disposal of capital assets	13	13	–	5,518
Principal paid on bonds	(61,026)	(10,993)	(32,981)	(365,900)
Interest paid on bonds	(10,404)	(735)	(2,204)	(94,302)
Cash received from other funds	–	–	–	50,000
Cash paid to other funds	(50,000)	–	–	–
Transfers to other funds	–	–	–	(840,332)
Net cash flows from capital and related financing activities	<u>(390,912)</u>	<u>(88,008)</u>	<u>(157,335)</u>	<u>(1,268,186)</u>
Cash flows from investing activities				
Earnings on investments	22,008	18,134	–	130,771
Net change in cash and cash equivalents	<u>(89,849)</u>	<u>(904)</u>	<u>–</u>	<u>(870,478)</u>
Cash and cash equivalents				
Beginning of year	89,849	422,449	–	4,009,036
End of year	<u>\$ –</u>	<u>\$ 421,545</u>	<u>\$ –</u>	<u>\$ 3,138,558</u>
Reconciliation of cash and cash equivalents				
Cash and temporary investments	\$ –	\$ 421,545	\$ –	\$ 2,946,075
Cash and temporary investments – restricted for construction	–	–	–	192,483
Cash and cash equivalents per Statement of Net Position	<u>\$ –</u>	<u>\$ 421,545</u>	<u>\$ –</u>	<u>\$ 3,138,558</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 90,592	\$ 143,454	\$ 4,255	\$ 11,819
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	128,292	74,686	16,523	209,715
Other income	175	175	–	56,310
Change in assets, liabilities, deferred inflows/outflows				
Receivables				
Accounts – utility customers	20,519	42,367	(9,602)	(1,189)
Special assessments – delinquent	–	–	–	677
Special assessments – deferred	–	–	–	(15,288)
Due from other governments	–	–	–	494
Inventory	29,432	119	–	–
Prepaid items	18,768	17,224	(9)	475
Deferred outflows of resources – pension plan deferments – PERA	37,402	24,848	1,316	11,461
Accounts and contracts payable	(12,321)	(34,708)	(20,052)	3,375
Salaries payable	1,631	1,971	227	588
Due to other governmental units	(1,958)	(1,457)	(163)	223
Compensated absences payable	2,685	4,078	277	916
Net pension liability	(45,508)	5,248	(1,444)	(9,563)
Deferred inflows of resources – pension plan deferments – PERA	(24,153)	(9,824)	(823)	(6,633)
Net cash flows from operating activities	<u>\$ 245,556</u>	<u>\$ 268,181</u>	<u>\$ (9,495)</u>	<u>\$ 263,380</u>
Noncash investing, capital, and financing activities				
Subsidy from state grant in receivables	\$ –	\$ –	\$ –	\$ –
Capital contributions in prior year due from other governmental units	\$ –	\$ –	\$ –	\$ –
Capital assets contributed from other funds	\$ –	\$ –	\$ 840,332	\$ 1,167,128

See notes to basic financial statements

Sewer Utility	Storm Water Utility	Solid Waste Utility	Total
\$ 791,394	\$ 176,994	\$ 457,461	\$ 5,320,953
(377,366)	(65,089)	(406,357)	(3,215,962)
(106,712)	-	(14,576)	(938,280)
75	3,321	1,145	61,201
<u>307,391</u>	<u>115,226</u>	<u>37,673</u>	<u>1,227,912</u>
171	-	28,563	33,409
-	-	-	199,747
-	-	-	(199,747)
<u>171</u>	<u>-</u>	<u>28,563</u>	<u>33,409</u>
-	161,163	-	161,163
(57,328)	(185,281)	-	(733,717)
13,145	-	-	18,689
(400,000)	(264,100)	-	(1,135,000)
(112,146)	(57,619)	-	(277,410)
-	-	-	50,000
-	-	-	(50,000)
(1,167,128)	(653,591)	-	(2,661,051)
(1,723,457)	(999,428)	-	(4,627,326)
<u>75,428</u>	<u>44,759</u>	<u>31,798</u>	<u>322,898</u>
(1,340,467)	(839,443)	98,034	(3,043,107)
<u>2,509,175</u>	<u>1,370,306</u>	<u>956,573</u>	<u>9,357,388</u>
<u>\$ 1,168,708</u>	<u>\$ 530,863</u>	<u>\$ 1,054,607</u>	<u>\$ 6,314,281</u>
\$ 911,567	\$ 394,764	\$ 1,054,607	\$ 5,728,558
257,141	136,099	-	585,723
<u>\$ 1,168,708</u>	<u>\$ 530,863</u>	<u>\$ 1,054,607</u>	<u>\$ 6,314,281</u>
\$ 105,587	\$ (82)	\$ 3,176	\$ 358,801
192,357	134,465	-	756,038
75	3,321	1,145	61,201
(8,064)	(1,568)	(3,743)	38,720
(459)	(98)	(251)	(131)
9,877	2,052	5,403	2,044
-	-	32,335	32,829
-	-	-	29,551
(1,942)	-	(92)	34,424
7,889	-	-	82,916
1,740	(22,864)	(65)	(84,895)
693	-	-	5,110
-	-	(235)	(3,590)
899	-	-	8,855
1,829	-	-	(49,438)
(3,090)	-	-	(44,523)
<u>\$ 307,391</u>	<u>\$ 115,226</u>	<u>\$ 37,673</u>	<u>\$ 1,227,912</u>
\$ -	\$ -	\$ 7,047	\$ 7,047
\$ -	\$ (161,163)	\$ -	\$ (161,163)
\$ 653,591	\$ -	\$ -	\$ 2,661,051

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CITY OF CIRCLE PINES

Notes to Basic Financial Statements December 31, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

The City Council appoints the voting majority of the Centennial Utilities Commission’s Board. The Circle Pines Housing and Redevelopment Authority (HRA) Board is comprised of the same members as the City Council. Based on the general level of control by the City over these entities, the Centennial Utilities Commission and the HRA are included as component units of the City. The financial data of these component units are blended with that of the City (reported as though their funds were funds of the City).

The City also participates in two joint ventures, which are not included in the City’s financial statements. Descriptions and condensed financial information for these joint ventures are included later in these notes.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Proceeds of long-term debt and acquisitions under capital leases, when applicable, are reported as other financing sources.

Major revenue that is susceptible to accrual includes property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The City reports the following major governmental funds:

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

Tax Increment District No. 1-4 North Special Revenue Fund – This fund accounts for the collection of tax increments from District No. 1-4, redistributes those resources to funds responsible for related debt requirements, and accounts for the allowable capital costs to develop the district.

G.O. Street Bonds of 2010 Debt Service Fund – This fund accounts for the collection of resources for, and the repayment of, debt issued to finance the 2010 street project. The City made the final bond payment with available resources in the current year.

G.O. Capital Notes of 2016 Debt Service Fund – This fund accounts for the collection of resources for, and the repayment of, debt issued to finance the purchase of equipment on behalf of the North Metro Telecommunications Commission.

Street Project Capital Project Fund – This fund is used to account for the financial resources to be used for capital improvements of city streets and surrounding areas.

The City reports the following major proprietary funds:

Circle Pines, Lino Lakes, and Blaine Gas Utility Enterprise Funds – These funds are used to account for the operation, maintenance, and improvement of the City's gas utility systems within the cities of Circle Pines, Lino Lakes, and Blaine.

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

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

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

Solid Waste Utility Enterprise Fund – The Solid Waste Utility Enterprise Fund is used to account for the operation, maintenance, and improvement of the City's solid waste utility system, including recycling services.

E. Budgets and Budgetary Accounting

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and temporary investments include balances that are combined and invested to the extent available in various securities as authorized by state law. Allocations of pooled investment earnings to the respective funds is based on participation by each fund. Cash and temporary investments – restricted for construction represents unspent proceeds in the enterprise funds dedicated for utility construction costs.

Investments are generally stated at fair value, except for amounts in certain investment pools, which are stated at amortized cost. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. See Note 2 for the City's recurring fair value measurements as of year-end.

G. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent utility receivables to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The only receivables not expected to be fully collected within one year are property taxes receivable, special assessments receivable, and amounts due from other governments for future debt payments on joint debt issues.

H. Property Taxes

Property tax levies are set by the City Council in December of each year, and are certified to Anoka County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year; in July, December, and January.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Special Assessments

Special assessments primarily represent the financing for public improvements paid for by benefiting property owners. As previously mentioned under receivables, the City is also generally able to certify delinquent amounts to the county for collection as special assessments. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by deferred inflows of resources in the governmental fund financial statements.

J. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds” All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as “advances receivable/payable.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

K. Inventories

The inventories of the City’s funds are recorded at cost for supplies and at the lower of cost or market on the first-in, first-out basis for inventory held for resale.

L. 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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

M. Capital Assets

Capital assets, which include land, buildings and structures, furniture and equipment, improvements other than buildings (infrastructure assets), utility rights, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. Useful lives vary from 10 to 50 years for buildings and structures, 3 to 20 years for furniture and equipment, 5 to 50 years for improvements other than buildings, and 10 years for utility rights.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences Payable

Substantially all regular full-time and permanent part-time city employees earn annual leave at various rates based on longevity. Unused annual leave may be accumulated up to a maximum of 240 hours for employees with less than 15 years of employment with the City and 280 hours with over 15 years of employment. These compensated absences are paid to an employee leaving in good standing, at their current rate of pay. Compensated absences payable are accounted for as long-term liabilities as described in the following section. The General Fund and enterprise funds are used to liquidate this liability.

O. State-Wide Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position have been determined on the same basis as they are reported by the PERA, except that the PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

P. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. If they are material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

In the governmental fund financial statements, long-term debt and other long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Principal and interest on long-term debt and other long-term obligations are recorded as expenditures in the governmental fund financial statements to the extent they have matured.

Q. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unavailable revenue arises only under the modified accrual basis of accounting and, therefore, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

R. Net Position Classifications and Flow Assumptions

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

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

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

S. Fund Balance Classifications and Flow Assumptions

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Assigned** – Consists of internally imposed constraints for amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the City Council itself or by an official to which the City Council delegates the authority. Pursuant to City Council resolution, the finance director and/or the city administrator is authorized to establish assignments of fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

T. Risk Management

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

U. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 114,748
Investments	<u>17,857,292</u>
Total	<u>\$ 17,972,040</u>

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 17,386,317
Cash and temporary investments – restricted for construction	<u>585,723</u>
Total	<u>\$ 17,972,040</u>

B. Deposits

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

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

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount and bank balance of the City’s deposits was \$114,748. The entire bank balance was covered by federal deposit insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. agency securities	AA	S&P	Level 2	\$ 605,145	\$ –	\$ –	\$ 605,145
State and local obligations	AAA	S&P	Level 2	–	71,023	–	71,023
State and local obligations	AAA	Moody's	Level 2	–	–	757,763	757,763
State and local obligations	AA	S&P	Level 2	503,130	201,016	–	704,146
State and local obligations	AA	Moody's	Level 2	301,055	130,309	–	431,364
Negotiable certificates of deposit	N/R	N/A	Level 2	1,650,783	4,835,953	–	6,486,736
				<u>\$ 3,060,113</u>	<u>\$ 5,238,301</u>	<u>\$ 757,763</u>	9,056,177
Investment pools/mutual funds							
Wells Fargo 100% Treasury Money Market Fund	AAA	S&P	Level 1	N/A	N/A	N/A	38,153
Federated Investors Obligations 4M Fund	AAA	S&P	Level 1	N/A	N/A	N/A	1,339,594
	N/R	N/A	Amortized Cost	N/A	N/A	N/A	7,423,368
Total investments							<u>\$ 17,857,292</u>

N/A – Not Applicable

N/R – Not Rated

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy addresses this risk by requiring that securities be held by an independent third party custodian with identification of the City's ownership.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investment policies further limit investments to direct United States government obligations, state and local municipal securities rated in the top rating tiers issued by nationally recognized statistical rating organizations, federal agency issues, shares in mutual funds investing exclusively in United States government and agency issues, obligations of the state of Minnesota or Minnesota municipalities, banker's acceptances, commercial paper, repurchase agreements, reverse purchase agreements, securities lending agreements, guaranteed investment contracts, and interest bearing deposits, all with the same state restrictions.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies allow an unlimited amount of United States treasury securities and authorized treasury pools, and certificates of deposit. Any remaining types of investments cannot exceed more than 50.0 percent of the City's total investment portfolio. Investments with a single financial institution cannot exceed more than 50.0 percent of the City's total investment portfolio.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policies do not allow investing more than 15.0 percent of the total cash and investment balance available at any point for more than 10 years.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 529,453	\$ –	\$ –	\$ –	\$ 529,453
Construction in progress	5,193,665	440,679	–	(5,442,691)	191,653
Total capital assets, not depreciated	5,723,118	440,679	–	(5,442,691)	721,106
Capital assets, depreciated					
Buildings and structures	4,608,254	130,251	(50,136)	–	4,688,369
Furniture and equipment	1,563,598	44,227	(94,400)	–	1,513,425
Improvements other than buildings	14,285,178	–	(94,776)	2,781,640	16,972,042
Total capital assets, depreciated	20,457,030	174,478	(239,312)	2,781,640	23,173,836
Less accumulated depreciation on					
Buildings and structures	(2,655,620)	(134,550)	50,136	–	(2,740,034)
Furniture and equipment	(777,823)	(108,743)	94,400	–	(792,166)
Improvements other than buildings	(4,156,997)	(409,697)	94,776	–	(4,471,918)
Total accumulated depreciation	(7,590,440)	(652,990)	239,312	–	(8,004,118)
Net capital assets, depreciated	12,866,590	(478,512)	–	2,781,640	15,169,718
Net capital assets	\$ 18,589,708	\$ (37,833)	\$ –	\$ (2,661,051)	\$ 15,890,824

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 4,153	\$ –	\$ –	\$ –	\$ 4,153
Construction in progress	505,829	434,798	–	(940,410)	217
Total capital assets, not depreciated	<u>509,982</u>	<u>434,798</u>	<u>–</u>	<u>(940,410)</u>	<u>4,370</u>
Capital assets, depreciated					
Buildings and structures	1,081,690	–	–	74,061	1,155,751
Furniture and equipment	2,959,365	267,281	(213,410)	–	3,013,236
Improvements other than buildings	18,277,629	31,638	(27,344)	3,527,400	21,809,323
Utility rights	393,682	–	–	–	393,682
Total capital assets, depreciated	<u>22,712,366</u>	<u>298,919</u>	<u>(240,754)</u>	<u>3,601,461</u>	<u>26,371,992</u>
Less accumulated depreciation on					
Buildings and structures	(736,819)	(26,851)	–	–	(763,670)
Furniture and equipment	(2,065,499)	(158,893)	208,904	–	(2,015,488)
Improvements other than buildings	(7,098,390)	(567,295)	27,344	–	(7,638,341)
Utility rights	(389,183)	(2,999)	–	–	(392,182)
Total accumulated depreciation	<u>(10,289,891)</u>	<u>(756,038)</u>	<u>236,248</u>	<u>–</u>	<u>(10,809,681)</u>
Net capital assets, depreciated	<u>12,422,475</u>	<u>(457,119)</u>	<u>(4,506)</u>	<u>3,601,461</u>	<u>15,562,311</u>
Net capital assets	<u>\$ 12,932,457</u>	<u>\$ (22,321)</u>	<u>\$ (4,506)</u>	<u>\$ 2,661,051</u>	<u>\$ 15,566,681</u>

C. Depreciation Expense by Function

Governmental activities	
General government	\$ 27,706
Public safety	45,208
Public works	469,835
Parks and recreation	<u>110,241</u>
Total depreciation expense – governmental activities	<u>\$ 652,990</u>
Business-type activities	
Gas	\$ 219,501
Water	209,715
Sewer	192,357
Storm water	<u>134,465</u>
Total depreciation expense – business-type activities	<u>\$ 756,038</u>

NOTE 4 – LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
G.O. bonds and notes payable	\$ 12,270,000	\$ –	\$ (1,650,000)	10,620,000	\$ 1,265,000
Net pension liability	336,848	65,839	(53,035)	349,652	–
Compensated absences payable	43,221	48,212	(36,309)	55,124	55,124
Total governmental activities	<u>12,650,069</u>	<u>114,051</u>	<u>(1,739,344)</u>	<u>11,024,776</u>	<u>1,320,124</u>
Business-type activities					
G.O. bonds payable	8,440,000	–	(1,030,000)	7,410,000	540,000
Revenue bonds payable	215,000	–	(105,000)	110,000	110,000
Net pension liability	683,908	46,799	(96,237)	634,470	–
Compensated absences payable	87,047	89,083	(80,228)	95,902	95,902
Total business-type activities	<u>9,425,955</u>	<u>135,882</u>	<u>(1,311,465)</u>	<u>8,250,372</u>	<u>745,902</u>
Total long-term liabilities	<u>\$ 22,076,024</u>	<u>\$ 249,933</u>	<u>\$ (3,050,809)</u>	<u>\$ 19,275,148</u>	<u>\$ 2,066,026</u>

B. Bonds and Notes Payable

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
Governmental activities					
General obligation bonds and notes					
Street Project and Refunding Bonds of 2012	\$ 7,135,000	1.00–3.00%	06/14/2012	02/01/2029	\$ 2,870,000
Street Project Bonds of 2014	\$ 1,940,000	3.00–3.50%	07/17/2014	02/01/2030	1,440,000
Street Project and Refunding Bonds of 2015	\$ 1,720,000	2.25–3.00%	07/16/2015	02/01/2026	955,000
Street Project Bonds of 2016	\$ 1,455,000	2.00–3.00%	04/14/2016	02/01/2032	1,270,000
Capital Notes of 2016	\$ 1,785,000	2.00%	04/14/2016	02/01/2026	1,415,000
Street Project Bonds of 2018	\$ 2,670,000	3.00–3.25%	05/24/2018	02/01/2034	<u>2,670,000</u>
Total governmental activity bonds and notes payable					<u>\$ 10,620,000</u>
Business-type activities					
General obligation bonds					
Street Project Bonds of 2012	\$ 1,695,000	1.00–3.00%	06/14/2012	02/01/2029	\$ 1,075,000
Street Project Bonds of 2014	\$ 1,375,000	3.00–3.50%	07/17/2014	02/01/2030	1,060,000
Refunding Bonds of 2015	\$ 600,000	2.25–3.00%	07/16/2015	02/01/2026	395,000
Street Project Bonds of 2016	\$ 1,865,000	2.00–3.00%	04/14/2016	02/01/2032	1,650,000
Street Project Bonds of 2018	\$ 3,230,000	3.00–3.25%	05/24/2018	02/01/2034	<u>3,230,000</u>
Total general obligation bonds					7,410,000
Revenue bonds					
Refunding Gas Utility Revenue Bonds of 2010	\$ 955,000	1.00–3.90%	06/30/2010	03/01/2020	<u>110,000</u>
Total business-type activity bonds payable					<u>\$ 7,520,000</u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities		Business-Type Activities			
	G. O. Bonds and Notes		G.O. Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,265,000	\$ 262,023	\$ 540,000	\$ 201,683	\$ 110,000	\$ 2,145
2021	1,305,000	231,508	565,000	186,648	–	–
2022	1,030,000	202,855	585,000	170,688	–	–
2023	1,050,000	176,220	590,000	154,126	–	–
2024	1,020,000	149,677	620,000	137,224	–	–
2025–2029	3,865,000	406,287	2,740,000	455,021	–	–
2030–2034	1,085,000	68,881	1,770,000	117,955	–	–
	<u>\$ 10,620,000</u>	<u>\$ 1,497,450</u>	<u>\$ 7,410,000</u>	<u>\$ 1,423,344</u>	<u>\$ 110,000</u>	<u>\$ 2,145</u>

D. Descriptions and Restrictions of Debt Issues

General Obligation Bonds and Notes – These obligations were issued to make acquisitions, improvements, or to refund prior debt issues. The Street Project Bonds of 2012, 2014, 2015, 2016, and 2018 (general obligation bonds), were split between governmental activities and business-type activities. Principal and interest on the governmental activities bonds and notes are paid by the debt service funds, primarily through the collection of taxes, special assessments, and other intergovernmental revenues. The general obligation bonds of the business-type activities will be repaid from the revenues of the enterprise funds. The Capital Notes of 2016 Debt Service Fund represents a joint debt issue where the City acted as the fiscal host. A portion of this issue will be paid by cities that are members of the North Metro Telecommunications Commission. The portion financed by other member cities is recorded in due from other governmental units in the City’s Capital Notes of 2016 Debt Service Fund. These receivables are offset by a matching amount of deferred inflows of resources until collected.

Revenue Bonds – These bonds were issued to finance improvements made to the capital assets of the enterprise funds. Repayment of principal and interest will be made from the revenue collection of those funds. Net position of certain enterprise funds is restricted as required by applicable bond covenants.

E. Ultimate Responsibility of Debt

All long-term debt is backed by the full faith and credit of the City, except for the Gas Utility Revenue Bonds of 2010, which are payable solely from the net revenues of the gas utilities.

F. Arbitrage Rebate

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the opinion of management, any obligation would be immaterial.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

G. Revenue Pledged

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

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Street Project and Refunding Bonds of 2012 Tax Increment Refunding Bond Portion	Site improvements	Tax increment	100%	2012–2029	\$ 1,689,549	\$ 166,088	\$ 245,804
Refunding Gas Utility Revenue Bonds of 2010	Site improvements	Utility charges	100%	2010–2020	\$ 112,145	\$ 111,285	\$ 3,348,180
Street Project Bonds of 2012	Site improvements	Utility charges	100%	2012–2029	\$ 1,202,733	\$ 130,313	\$ 1,475,594
Street Project Bonds of 2014	Site improvements	Utility charges	100%	2014–2030	\$ 1,257,538	\$ 114,350	\$ 1,475,594
Refunding Bonds of 2015	Site improvements	Utility charges	100%	2015–2026	\$ 422,919	\$ 82,188	\$ 1,475,594
Street Project Bonds of 2016	Site improvements	Utility charges	100%	2016–2032	\$ 1,920,663	\$ 148,200	\$ 1,475,594
Street Project Bonds of 2018	Site improvements	Utility charges	100%	2018–2034	\$ 4,029,491	\$ 116,731	\$ 1,475,594

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivables and payables balances at year-end were as follows:

Fund	Interfund Receivables	Interfund Payables
Due to/from other funds		
Governmental funds		
Nonmajor	\$ 158	\$ –
Nonmajor	–	158
Proprietary funds		
Circle Pines Gas Utility	523,303	–
Lino Lakes Gas Utility	199,747	–
Blaine Gas Utility	–	723,050
Total	<u>\$ 723,208</u>	<u>\$ 723,208</u>
Advances to/from other funds		
Governmental funds		
Nonmajor	\$ 300,000	\$ –
Tax Increment District No. 1-4 North	–	300,000
Proprietary funds		
Water Utility	250,000	–
Circle Pines Gas Utility	–	250,000
Total	<u>\$ 550,000</u>	<u>\$ 550,000</u>

The interfund balances were to assist in the development of the tax increment districts, to assist in a Gas Line Replacement Project, and to eliminate negative cash balances. The advances from other funds are charged with interest at rates of 2–6 percent per year, or as limited by state statutes.

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the current year were as follows:

Transfers Out	Transfers In			
	Governmental funds			
	G.O. Street Bonds of 2010	Street Project	Nonmajor	Total
Governmental funds				
Street Project	\$ 460,000	\$ –	\$ 41,667	\$ 501,667
Nonmajor	–	–	69,523	69,523
Proprietary funds				
Water Utility	–	840,332	–	840,332
Sewer Utility	–	1,167,128	–	1,167,128
Storm Water Utility	–	653,591	–	653,591
Total	\$ 460,000	\$ 2,661,051	\$ 111,190	\$ 3,232,241

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities.

NOTE 7 – FUND BALANCES

At December 31, 2019, a summary of the City’s governmental fund balance classifications are as follows:

	General	Tax Increment District No. 1-4 North	G.O. Street Bonds of 2010	G.O. Capital Notes of 2016	Street Project	Nonmajor	Totals
Nonspendable							
Prepaid items	\$ 7,365	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 7,365
Restricted							
Debt service	–	–	35,993	20,510	–	986,952	1,043,455
Equipment acquisitions	–	–	–	–	–	20,299	20,299
Park dedicated improvements	–	–	–	–	–	267,911	267,911
Tax increment	–	–	–	–	–	2,901	2,901
Total restricted	–	–	35,993	20,510	–	1,278,063	1,334,566
Assigned							
Cash flows	1,494,989	–	–	–	–	–	1,494,989
Employee benefits	55,124	–	–	–	–	–	55,124
Contingency	295,770	–	–	–	–	–	295,770
City signs	6,000	–	–	–	–	–	6,000
City celebration	5,968	–	–	–	–	–	5,968
City history books	4,400	–	–	–	–	–	4,400
Equipment acquisitions	563,661	–	–	–	–	76,768	640,429
Improvements	–	–	–	–	–	1,320,653	1,320,653
Street improvements	–	–	–	–	3,778,499	–	3,778,499
Park improvements	–	–	–	–	–	141,407	141,407
Capital improvements	–	–	–	–	–	820,057	820,057
Total assigned	2,425,912	–	–	–	3,778,499	2,358,885	8,563,296
Unassigned	1,418,375	(157,336)	–	–	–	–	1,261,039
Total	\$ 3,851,652	\$ (157,336)	\$ 35,993	\$ 20,510	\$ 3,778,499	\$ 3,636,948	\$ 11,166,266

NOTE 8 – INDIVIDUAL FUND DISCLOSURES

The following table summarizes the deficit fund balances/net position as of December 31, 2019:

Fund	Amount
Governmental fund	
Tax Increment District No. 1-4 North	\$ (157,336)
Proprietary fund	
Blaine Gas Utility	\$ (352,015)

The City intends to fund these deficits through future tax increments, utility charges, transfers from other funds, and various other sources.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

B. Benefits Provided

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

GERF Benefits

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019. The City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the GERF for the year ended December 31, 2019, were \$96,837. The City's contributions were equal to the required contributions as set by state statutes.

D. Pension Costs

GERF Pension Costs

At December 31, 2019, the City reported a liability of \$984,122 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.0178 percent at the end of the measurement period and 0.0184 percent for the beginning of the period.

The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the City as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	984,122
State's proportionate share of the net pension liability associated with the City	\$	30,665

For the year ended December 31, 2019, the City recognized pension expense of \$121,808 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$2,297 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the GERF.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At December 31, 2019, the City reported its proportionate share of the GERS’ deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,861	\$ –
Changes in actuarial assumptions	–	79,846
Difference between projected and actual investment earnings	–	108,518
Changes in proportion	32,477	31,347
Contributions paid to the PERA subsequent to the measurement date	48,605	–
Total	<u>\$ 108,943</u>	<u>\$ 219,711</u>

A total of \$48,605 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (38,270)
2021	\$ (93,972)
2022	\$ (28,718)
2023	\$ 1,587

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit the PERA’s experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions and plan provisions occurred in 2019:

GERF – CHANGES IN ACTUARIAL ASSUMPTIONS

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

GERF – CHANGES IN PLAN PROVISIONS

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90 %
Fixed income	20.0	0.75 %
International equity	17.5	5.90 %
Cash equivalents	2.0	– %
Total	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
City’s proportionate share of the GERF net pension liability	\$ 1,617,844	\$ 984,122	\$ 460,859

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Plan Fiduciary Net Position

Detailed information about the GERP’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

NOTE 10 – FLEXIBLE BENEFITS PLAN

The City maintains a flexible benefits plan (the Plan). The Plan is a “cafeteria plan” under § 125 of the IRC. All employee groups of the City are eligible to participate in the Plan. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At December 31, the City is contingently liable for claims against the total amount of participants’ annual contributions to the healthcare part of the Plan, whether or not such contributions have been made.

An independent contractor serves as trustee and handles all plan record keeping. Employee contributions are included as personal services expenditures in the funds normally covering their payroll costs.

All property and income of the Plan attributable to that property is solely the property of the City, subject to the claims of the City’s general creditors. Participants’ rights under the Plan are equal to those of general creditors of the City in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – JOINT POWERS AGREEMENTS

A. Centennial Fire District

The City is a member of a joint powers agreement, together with the City of Centerville, for the Centennial Fire District (the District). The District was created to provide fire protection services to the residents of the member cities. Each member city is entitled to appoint two members to the District’s Steering Committee. Each member city contributes funds to cover the budgeted costs of operations as determined by the Steering Committee. The amount of contributions required by each member is based on each city’s population, number of fire calls, and assessed valuations. Contributions made by member cities for 2019 were as follows:

City of Centerville	\$ 276,761	44.7 %
City of Circle Pines	342,392	55.3
	<u>\$ 619,153</u>	<u>100.0 %</u>

NOTE 11 – JOINT POWERS AGREEMENTS (CONTINUED)

B. Centennial Lakes Police Department

The City is a member of the Centennial Lakes Police Department (the Department), an entity created by a joint powers agreement, which provides police protection services to its member cities. The Department is managed through a three-tier system consisting of a Governing Board, an Operations Committee, and a chief of police. The Governing Board consists of six members—two elected officials appointed by each member city. The Operations Committee is made up of the city administrators from each member city and the chief of police. The chief of police is appointed by mutual agreement of the City Councils of all member cities. Annual contributions required by each member city are calculated based on complaint history, population, and staffing formulas. Contributions by the municipalities for 2019 were as follows:

City of Centerville	\$ 867,428	33.7 %
City of Circle Pines	1,005,043	39.1
City of Lexington	<u>698,862</u>	<u>27.2</u>
	<u>\$ 2,571,333</u>	<u>100.0 %</u>

C. Summary Financial Information of the Joint Powers Agreements Entities

The contribution to the joint fire district and the joint police department are reflected as expenditures in the City’s General Fund. The District’s and the Department’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, and operations are excluded from the City’s financial statements as further explained in Note 1 B. Reporting Entity.

The following information is from the government-wide financial statements of the District and the Department as of December 31, 2019. These financial statements are available for viewing at the Circle Pines City Hall.

	<u>Centennial Fire District</u>	<u>Centennial Lakes Police Department</u>
Total assets and deferred outflows	\$ 2,112,156	\$ 2,466,058
Total liabilities and deferred inflows	\$ 852,244	\$ 4,025,547
Total net position	\$ 1,259,912	\$ (1,559,489)
Total revenue	\$ 734,914	\$ 2,630,726
Total expenses	\$ 877,876	\$ 2,573,898

NOTE 12 – JOINT CONSTRUCTION OF POLICE DEPARTMENT FACILITIES

The cities of Centerville, Circle Pines, and Lexington have jointly financed the acquisition of land and the construction of a building to be used by the Department. The cities retain ownership of the facilities and, therefore, the City’s share of the cost of the project is included in its governmental activities capital assets, and the bonds issued for financing the project are included in long-term liabilities. The City acted as the host of the project, issuing \$2,365,000 of debt, representing the entire projected financing requirements. The cities of Lexington and Centerville issued \$709,500 and \$827,750, respectively, of bonds to the City, representing their share of the project costs. The bonds from the cities of Lexington and Centerville represent a commitment of the cities to pay their portions of the debt and, therefore, are recorded as due from other governmental units in the City’s Capital Improvement Plan Bonds of 2012 Debt Service Fund, rather than as investments. In the City’s governmental fund financial statements, the revenue from these receivables are reported as deferred inflows of resources until collected.

NOTE 13 – CONTINGENCIES

A. State and Federal Receivables

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

B. Legal Claims

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

C. Tax Increment Districts

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

NOTE 14 – SUBSEQUENT EVENTS

A. Debt Issuance

In June 2020, the City approved the sale of \$6,880,000 of General Obligation Bonds, Series 2020A. The bonds bear interest rates that range between 2.0–4.0 percent and have a final maturity of February 1, 2036. The bonds were issued to finance project costs and the refunding of a prior bond issue.

B. COVID-19

Shortly after the 2019 fiscal year-end, the world-wide spread of the novel coronavirus (COVID-19) has caused significant volatility in the economy and financial markets. There is significant uncertainty about the breadth and duration of potential business disruptions related to COVID-19, and its economic impact in the U.S. and around the world. At this time, the City is unable to determine what effect this may have on its future financial condition and operations.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CIRCLE PINES

PERA – General Employees Retirement Fund
 Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended December 31, 2019

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.0178%	\$ 922,488	\$ –	\$ 922,488	\$ 1,043,715	88.39%	78.20%
12/31/2016	06/30/2016	0.0170%	\$ 1,380,315	\$ 18,004	\$ 1,398,319	\$ 1,053,820	130.98%	68.90%
12/31/2017	06/30/2017	0.0186%	\$ 1,187,412	\$ 14,964	\$ 1,202,376	\$ 1,200,966	98.87%	75.90%
12/31/2018	06/30/2018	0.0184%	\$ 1,020,756	\$ 33,476	\$ 1,054,232	\$ 1,235,383	82.63%	79.50%
12/31/2019	06/30/2019	0.0178%	\$ 984,122	\$ 30,665	\$ 1,014,787	\$ 1,259,687	78.12%	80.20%

PERA – General Employees Retirement Fund
 Schedule of City Contributions
 Year Ended December 31, 2019

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 79,238	\$ 79,238	\$ –	\$ 1,056,524	7.50%
12/31/2016	\$ 83,978	\$ 83,978	\$ –	\$ 1,119,703	7.50%
12/31/2017	\$ 91,808	\$ 91,808	\$ –	\$ 1,224,106	7.50%
12/31/2018	\$ 92,800	\$ 92,800	\$ –	\$ 1,237,333	7.50%
12/31/2019	96,837	96,837	\$ –	\$ 1,291,162	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

CITY OF CIRCLE PINES

Notes to Required Supplementary Information
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

CITY OF CIRCLE PINES

Notes to Required Supplementary Information (continued)
December 31, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

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SUPPLEMENTAL INFORMATION

CITY OF CIRCLE PINES

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2019

	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 977,970	\$ 2,344,995	\$ 3,322,965
Receivables			
Accounts	2,766	-	2,766
Accrued interest	625	5,001	5,626
Special assessments – delinquent	2,926	-	2,926
Special assessments – deferred	1,040,398	-	1,040,398
Due from other governmental units	260,591	-	260,591
Due from other funds	158	-	158
Advances to other funds	-	300,000	300,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,285,434</u>	<u>\$ 2,649,996</u>	<u>\$ 4,935,430</u>
Liabilities			
Due to other funds	\$ 158	\$ -	\$ 158
Deferred inflows of resources			
Unavailable revenue – special assessments	1,043,324	-	1,043,324
Unavailable revenue – long-term receivable	255,000	-	255,000
Total deferred inflows of resources	<u>1,298,324</u>	<u>-</u>	<u>1,298,324</u>
Fund balances			
Restricted	986,952	291,111	1,278,063
Assigned	-	2,358,885	2,358,885
Total fund balances	<u>986,952</u>	<u>2,649,996</u>	<u>3,636,948</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,285,434</u>	<u>\$ 2,649,996</u>	<u>\$ 4,935,430</u>

CITY OF CIRCLE PINES

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2019

	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue			
Taxes			
Property taxes	\$ 484,989	\$ 54,291	\$ 539,280
Special assessments	290,714	-	290,714
Intergovernmental revenue	210,966	-	210,966
Other revenue			
Investment earnings	46,315	64,289	110,604
Interfund loan interest	-	16,000	16,000
Lease and rental	-	178,503	178,503
Total revenue	<u>1,032,984</u>	<u>313,083</u>	<u>1,346,067</u>
Expenditures			
Current			
General government	-	8,106	8,106
Capital outlay	-	310,845	310,845
Debt service			
Principal retirement	925,000	-	925,000
Interest and other	276,967	-	276,967
Total expenditures	<u>1,201,967</u>	<u>318,951</u>	<u>1,520,918</u>
Excess (deficiency) of revenue over expenditures	(168,983)	(5,868)	(174,851)
Other financing sources (uses)			
Transfers in	111,190	-	111,190
Transfers out	-	(69,523)	(69,523)
Total other financing sources (uses)	<u>111,190</u>	<u>(69,523)</u>	<u>41,667</u>
Net change in fund balances	(57,793)	(75,391)	(133,184)
Fund balances			
Beginning of year	<u>1,044,745</u>	<u>2,725,387</u>	<u>3,770,132</u>
End of year	<u>\$ 986,952</u>	<u>\$ 2,649,996</u>	<u>\$ 3,636,948</u>

CITY OF CIRCLE PINES

Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2019

	<u>Tax Increment Bonds of 2012</u>	<u>G.O. Street Bonds of 2012</u>	<u>G.O. Capital Improvement Plan Bonds of 2012</u>	<u>G.O. Street Bonds of 2014</u>
Assets				
Cash and temporary investments	\$ -	\$ 82,688	\$ 257,912	\$ 11,449
Receivables				
Accounts	-	-	-	-
Accrued interest	-	54	336	-
Special assessments – delinquent	-	76	-	-
Special assessments – deferred	-	96,579	-	133,188
Due from other governmental units	-	505	255,385	1,178
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 179,902</u>	<u>\$ 513,633</u>	<u>\$ 145,815</u>
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources				
Unavailable revenue – special assessments	-	96,655	-	133,188
Unavailable revenue – long-term receivable	-	-	255,000	-
Total deferred inflows of resources	<u>-</u>	<u>96,655</u>	<u>255,000</u>	<u>133,188</u>
Fund balances				
Restricted for debt service	<u>-</u>	<u>83,247</u>	<u>258,633</u>	<u>12,627</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 179,902</u>	<u>\$ 513,633</u>	<u>\$ 145,815</u>

<u>G.O. Street Refunding Bonds of 2015</u>	<u>G.O. Street Bonds of 2015 Mill & Overlay</u>	<u>G.O. Street Bonds of 2015 Partial Reconstruction</u>	<u>G.O. Street Bonds of 2016</u>	<u>G.O. Street Bonds of 2018</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ 60,545	\$ -	\$ 132,345	\$ 81,198	\$ 351,833	\$ 977,970
-	-	-	-	2,766	2,766
-	-	205	30	-	625
-	474	190	-	2,186	2,926
-	24,026	95,176	136,753	554,676	1,040,398
-	158	1,055	429	1,881	260,591
-	-	-	-	158	158
<u>\$ 60,545</u>	<u>\$ 24,658</u>	<u>\$ 228,971</u>	<u>\$ 218,410</u>	<u>\$ 913,500</u>	<u>\$ 2,285,434</u>
\$ -	\$ 158	\$ -	\$ -	\$ -	\$ 158
-	24,500	95,366	136,753	556,862	1,043,324
-	-	-	-	-	255,000
-	24,500	95,366	136,753	556,862	1,298,324
<u>60,545</u>	<u>-</u>	<u>133,605</u>	<u>81,657</u>	<u>356,638</u>	<u>986,952</u>
<u>\$ 60,545</u>	<u>\$ 24,658</u>	<u>\$ 228,971</u>	<u>\$ 218,410</u>	<u>\$ 913,500</u>	<u>\$ 2,285,434</u>

CITY OF CIRCLE PINES

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year Ended December 31, 2019

	<u>Tax Increment Bonds of 2012</u>	<u>G.O. Street Bonds of 2012</u>	<u>G.O. Capital Improvement Plan Bonds of 2012</u>	<u>G.O. Street Bonds of 2014</u>
Revenue				
Taxes				
Property taxes	\$ –	\$ 54,250	\$ 71,489	\$ 126,802
Special assessments	–	40,384	–	33,349
Intergovernmental revenue	–	–	124,866	–
Other revenue				
Investment earnings (charges)	–	152	3,763	(110)
Total revenue	<u>–</u>	<u>94,786</u>	<u>200,118</u>	<u>160,041</u>
Expenditures				
Debt service				
Principal retirement	130,000	125,000	185,000	130,000
Interest and other	36,519	22,969	8,141	47,250
Total expenditures	<u>166,519</u>	<u>147,969</u>	<u>193,141</u>	<u>177,250</u>
Excess (deficiency) of revenue over expenditures	(166,519)	(53,183)	6,977	(17,209)
Other financing sources				
Transfers in	<u>69,523</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net change in fund balances	(96,996)	(53,183)	6,977	(17,209)
Fund balances				
Beginning of year	<u>96,996</u>	<u>136,430</u>	<u>251,656</u>	<u>29,836</u>
End of year	<u><u>\$ –</u></u>	<u><u>\$ 83,247</u></u>	<u><u>\$ 258,633</u></u>	<u><u>\$ 12,627</u></u>

<u>G.O. Street Refunding Bonds of 2015</u>	<u>G.O. Street Bonds of 2015 Mill & Overlay</u>	<u>G.O. Street Bonds of 2015 Partial Reconstruction</u>	<u>G.O. Street Bonds of 2016</u>	<u>G.O. Street Bonds of 2018</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ -	\$ -	\$ 34,230	\$ 79,750	\$ 118,468	\$ 484,989
-	26,158	29,653	30,341	130,829	290,714
86,100	-	-	-	-	210,966
(512)	(200)	2,498	(44)	40,768	46,315
<u>85,588</u>	<u>25,958</u>	<u>66,381</u>	<u>110,047</u>	<u>290,065</u>	<u>1,032,984</u>
115,000	100,000	45,000	95,000	-	925,000
13,272	8,033	10,455	34,082	96,246	276,967
<u>128,272</u>	<u>108,033</u>	<u>55,455</u>	<u>129,082</u>	<u>96,246</u>	<u>1,201,967</u>
(42,684)	(82,075)	10,926	(19,035)	193,819	(168,983)
-	41,667	-	-	-	111,190
(42,684)	(40,408)	10,926	(19,035)	193,819	(57,793)
<u>103,229</u>	<u>40,408</u>	<u>122,679</u>	<u>100,692</u>	<u>162,819</u>	<u>1,044,745</u>
<u>\$ 60,545</u>	<u>\$ -</u>	<u>\$ 133,605</u>	<u>\$ 81,657</u>	<u>\$ 356,638</u>	<u>\$ 986,952</u>

CITY OF CIRCLE PINES

Combining Balance Sheet
 Nonmajor Capital Project Funds
 December 31, 2019

	<u>Equipment Acquisition</u>	<u>Capital Improvements</u>	<u>Parks Improvements</u>	<u>Park Dedicated Improvements</u>
Assets				
Cash and temporary investments	\$ 76,748	\$ 818,135	\$ 141,055	\$ 267,323
Receivables				
Accrued interest	20	1,922	352	588
Advances to other funds	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$ 76,768</u>	<u>\$ 820,057</u>	<u>\$ 141,407</u>	<u>\$ 267,911</u>
Fund balances				
Restricted for equipment acquisitions	\$ —	\$ —	\$ —	\$ —
Restricted for park dedicated improvements	—	—	—	267,911
Restricted for tax increment	—	—	—	—
Assigned for equipment acquisitions	76,768	—	—	—
Assigned for improvements	—	—	—	—
Assigned for park improvements	—	—	141,407	—
Assigned for capital improvements	—	820,057	—	—
	<u>—</u>	<u>820,057</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>\$ 76,768</u>	<u>\$ 820,057</u>	<u>\$ 141,407</u>	<u>\$ 267,911</u>

<u>Tax Increment District No. 3</u>	<u>Permanent Improvement Revolving</u>	<u>Telecommunications Commission</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ 2,814	\$ 1,018,666	\$ 20,254	\$ 2,344,995
87	1,987	45	5,001
—	300,000	—	300,000
<u>\$ 2,901</u>	<u>\$ 1,320,653</u>	<u>\$ 20,299</u>	<u>\$ 2,649,996</u>
\$ —	\$ —	\$ 20,299	\$ 20,299
—	—	—	267,911
2,901	—	—	2,901
—	—	—	76,768
—	1,320,653	—	1,320,653
—	—	—	141,407
—	—	—	820,057
<u>\$ 2,901</u>	<u>\$ 1,320,653</u>	<u>\$ 20,299</u>	<u>\$ 2,649,996</u>

CITY OF CIRCLE PINES

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Project Funds
 Year Ended December 31, 2019

	<u>Equipment Acquisition</u>	<u>Capital Improvements</u>	<u>Parks Improvements</u>	<u>Park Dedicated Improvements</u>
Revenue				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other revenue				
Investment earnings	304	24,587	4,305	7,597
Interfund loan interest	-	-	-	-
Lease and rental	85,424	65,721	27,358	-
Total revenue	<u>85,728</u>	<u>90,308</u>	<u>31,663</u>	<u>7,597</u>
Expenditures				
Current				
General government	-	547	-	-
Capital outlay	44,227	171,665	94,953	-
Total expenditures	<u>44,227</u>	<u>172,212</u>	<u>94,953</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	41,501	(81,904)	(63,290)	7,597
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	41,501	(81,904)	(63,290)	7,597
Fund balances				
Beginning of year	<u>35,267</u>	<u>901,961</u>	<u>204,697</u>	<u>260,314</u>
End of year	<u>\$ 76,768</u>	<u>\$ 820,057</u>	<u>\$ 141,407</u>	<u>\$ 267,911</u>

<u>Tax Increment District No. 3</u>	<u>Permanent Improvement Revolving</u>	<u>Telecommunications Commission</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ 54,291	\$ -	\$ -	\$ 54,291
1,187	25,733	576	64,289
-	16,000	-	16,000
-	-	-	178,503
<u>55,478</u>	<u>41,733</u>	<u>576</u>	<u>313,083</u>
7,559	-	-	8,106
-	-	-	310,845
<u>7,559</u>	<u>-</u>	<u>-</u>	<u>318,951</u>
47,919	41,733	576	(5,868)
<u>(69,523)</u>	<u>-</u>	<u>-</u>	<u>(69,523)</u>
(21,604)	41,733	576	(75,391)
<u>24,505</u>	<u>1,278,920</u>	<u>19,723</u>	<u>2,725,387</u>
<u>\$ 2,901</u>	<u>\$ 1,320,653</u>	<u>\$ 20,299</u>	<u>\$ 2,649,996</u>

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OTHER REQUIRED REPORTS

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

To the City Council and Management
City of Circle Pines, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circle Pines, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying Schedule of Findings and Responses as finding 2019-001, that we consider to be a material weakness.

(continued)

COMPLIANCE AND OTHER MATTERS

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

CITY'S RESPONSE TO FINDING

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
June 19, 2020

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Circle Pines, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circle Pines, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2020.

MINNESOTA LEGAL COMPLIANCE

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
June 19, 2020

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CITY OF CIRCLE PINES

Schedule of Findings and Responses
Year Ended December 31, 2019

FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2019-001 INADEQUATE SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Criteria – Internal control over financial reporting.

Condition – The City of Circle Pines, Minnesota (the City) has limited segregation of duties in a number of areas, including controls over investments, utility billing, journal entry approval, and payroll.

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

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

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

Recommendation – This condition is common to organizations of your size. We recommend that the City continue to review its accounting procedures and internal controls and make improvements on an ongoing basis within the limits of the staff available and what the City considers to be cost-beneficial.

Management Response – There is no disagreement with the audit finding. The City reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available. However, the City does not consider it cost-beneficial at this time to increase the size of its staff in order to further segregate accounting functions.

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2020 Street and Utility Improvement Project

Pay Voucher 3



Client: City of Circle Pines 200 Civic Heights Circle Circle Pines, MN 55014-1788	Contractor: Kuechle Underground 10998 State Highway 55 Kimball, MN 55353
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WSB Project No.: R-013714-000
Client Project No.:
State Project No.: S.A.P. 244-103-002 & 244-104-002
Federal Project No.:

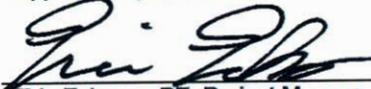
Contract Amount		Funds Encumbered	
Original Contract	\$4,034,753.76	Original	\$4,034,753.76
Contract Changes	\$0.00	Additional	N/A
Revised Contract	\$4,034,753.76	Total	\$4,034,753.76

Work Certified To Date	
Base Bid Items	\$2,302,051.68
Contract Changes	\$0.00
Material On Hand	\$0.00
Total	\$2,302,051.68

Work Certified This Voucher	Work Certified To Date	Less Amount Retained	Less Previous Payments	Amount Paid This Voucher	Total Amount Paid To Date
\$1,110,335.72	\$2,302,051.68	\$115,102.58	\$1,132,130.16	\$1,054,818.94	\$2,186,949.10
Percent: Retained: 5%			Percent Complete: 57.06%		

This is to certify that the items of work shown in this Pay Voucher have been actually furnished for the work comprising the above-mentioned project in accordance with the plans and specifications heretofore approved.

Approved By WSB


Eric Eckman, PE, Project Manger

July 2, 2020

Date

Approved By Kuechle Underground


Contractor

7/2/2020
Date

Approved By City of Circle Pines

Date

Payment Summary				
No.	Up Through Date	Work Certified Per Voucher	Amount Retained Per Voucher	Amount Paid Per Voucher
1	05/06/20	\$497,678.68	\$24,883.93	\$472,794.75
2	05/31/20	\$694,037.28	\$34,701.87	\$659,335.41
3	06/26/20	\$1,110,335.72	\$55,516.78	\$1,054,818.94

Funding Category Name	Work Certified To Date	Less Amount Retained	Less Previous Payments	Amount Paid This Voucher	Total Amount Paid To Date
1 - Civic Heights Drive	\$186,764.69	\$9,338.23	\$81,327.60	\$96,098.86	\$177,426.46
2 - Pine Drive South	\$53,429.76	\$2,671.49	\$17,151.30	\$33,606.97	\$50,758.27
3 - Non-Participating	\$2,061,857.23	\$103,092.86	\$1,033,651.26	\$925,113.11	\$1,958,764.37

Accounting Number	Funding Source	Amount Paid This Voucher	Revised Contract Amount	Funds Encumbered To Date	Paid Contractor To Date
1 - SAP 244-103-002	MSA/Local Roadway	\$96,098.86			\$177,426.46
2 - SAP 244-104-002	MSA/Local Roadway	\$33,606.97			\$50,758.27
3 - LOCAL	Local Roadway	\$925,113.11			\$1,958,764.37

Contract Item Status									
Line No.	Item	Description	Units	Unit Price	Contract Quantity	Quantity This Voucher	Amount This Voucher	Quantity To Date	Amount To Date
1	2021.501	MOBILIZATION	LS	\$47,000.00	1	0	\$0.00	0.75	\$35,250.00
2	2101.524	CLEARING	TREE	\$320.00	47	0	\$0.00	119	\$38,080.00
3	2101.524	GRUBBING	TREE	\$180.00	47	0	\$0.00	106	\$19,080.00
4	2104.502	REMOVE MISCELLANEOUS STRUCTURES	EACH	\$500.00	1	0	\$0.00	1	\$500.00
5	2104.502	REMOVE MANHOLE	EACH	\$520.00	33	10	\$5,200.00	21	\$10,920.00
6	2104.502	REMOVE GATE VALVE & BOX	EACH	\$26.00	13	0	\$0.00	2	\$52.00
7	2104.502	REMOVE CURB STOP & BOX	EACH	\$26.00	126	30	\$780.00	70	\$1,820.00
8	2104.502	REMOVE HYDRANT	EACH	\$260.00	10	1	\$260.00	4	\$1,040.00
9	2104.502	REMOVE DRAINAGE STRUCTURE	EACH	\$520.00	26	6	\$3,120.00	14	\$7,280.00
10	2104.502	REMOVE SIGN	EACH	\$45.00	22	0	\$0.00	0	\$0.00
11	2104.503	SAWING CONCRETE PAVEMENT (FULL DEPTH)	LF	\$3.00	1610	516	\$1,548.00	1052	\$3,156.00
12	2104.503	SAWING BIT PAVEMENT (FULL DEPTH)	LF	\$3.00	2380	573	\$1,719.00	1091	\$3,273.00
13	2104.503	REMOVE PERFORATED PIPE	LF	\$1.00	840	0	\$0.00	0	\$0.00
14	2104.503	REMOVE WATER MAIN	LF	\$1.30	6690	1621.5	\$2,107.95	3784.5	\$4,919.85

15	2104.503	REMOVE SEWER PIPE (STORM)	L F	\$12.00	1494	621	\$7,452.00	1094	\$13,128.00
16	2104.503	REMOVE SEWER PIPE (SANITARY)	L F	\$0.01	6043	1748	\$17.48	3826	\$38.26
17	2104.503	REMOVE CURB & GUTTER	L F	\$3.00	13615	3833	\$11,499.00	13747	\$41,241.00
18	2104.503	REMOVE SANITARY SERVICE PIPE	L F	\$0.01	4366	945.5	\$9.46	2182.5	\$21.83
19	2104.503	REMOVE WATER SERVICE PIPE	L F	\$0.01	4366	1206	\$12.06	2267	\$22.67
20	2104.503	ABATE ASBESTOS-CONTAINING PIPES	L F	\$8.00	2000	2460	\$19,680.00	4248	\$33,984.00
21	2104.503	SALVAGE FENCE	L F	\$12.00	109	0	\$0.00	109	\$1,308.00
22	2104.504	REMOVE CONCRETE DRIVEWAY PAVEMENT	S Y	\$4.00	1210	251	\$1,004.00	995	\$3,980.00
23	2104.504	REMOVE BITUMINOUS DRIVEWAY PAVEMENT	S Y	\$3.00	2265	231.8	\$695.40	1394	\$4,182.00
24	2104.504	REMOVE BITUMINOUS PAVEMENT	S Y	\$9.00	21853	8862	\$79,758.00	22053	\$198,477.00
25	2104.518	REMOVE CONCRETE WALK	S F	\$2.00	1857	144	\$288.00	1744	\$3,488.00
26	2104.601	SALVAGE AND REINSTALL LANDSCAPE STRUCTURES	LS	\$35,000.00	1	0.17	\$5,950.00	0.17	\$5,950.00
27	2104.618	SALVAGE BRICK PAVERS	S F	\$5.00	200	0	\$0.00	0	\$0.00
28	2105.601	DEWATERING	LS	\$105,000.00	1	0.25	\$26,250.00	1	\$105,000.00
29	2106.507	EXCAVATION - COMMON (P)	C Y	\$13.00	6230	1600	\$20,800.00	2759	\$35,867.00
30	2106.507	EXCAVATION - SUBGRADE	C Y	\$12.00	728	54	\$648.00	54	\$648.00
31	2106.507	GRANULAR EMBANKMENT (CV)	C Y	\$20.00	728	54	\$1,080.00	54	\$1,080.00
32	2112.519	SUBGRADE PREPARATION	RDST	\$200.00	92.9	17.5	\$3,500.00	31.5	\$6,300.00
33	2123.510	COMMON LABORERS	HOUR	\$50.00	50	0	\$0.00	0	\$0.00
34	2123.610	SKID LOADER	HOUR	\$100.00	50	0	\$0.00	0	\$0.00
35	2123.610	STREET SWEEPER (WITH PICKUP BROOM)	HOUR	\$150.00	110	8.75	\$1,312.50	12.5	\$1,875.00
36	2130.523	WATER	MGAL	\$2.00	180	0	\$0.00	0	\$0.00
37	2211.507	AGGREGATE BASE (CV) CLASS 5	C Y	\$0.01	4821	0	\$0.00	0	\$0.00
38	2215.504	FULL DEPTH RECLAMATION	S Y	\$6.00	10840	0	\$0.00	14101	\$84,606.00
39	2232.504	MILL BITUMINOUS SURFACE (2.0")	S Y	\$23.00	160	0	\$0.00	0	\$0.00
40	2357.506	BITUMINOUS MATERIAL FOR TACK COAT	GAL	\$3.00	1531	450	\$1,350.00	450	\$1,350.00

41	2360.503	TYPE SP 9.5 WEAR CRS MIX (2,B) 3.0" THICK	S Y	\$24.00	1610	211.3	\$5,071.20	211.3	\$5,071.20
42	2360.509	TYPE SP 12.5 WEARING COURSE MIX (3;C)	TON	\$72.00	4517	1920.78	\$138,296.16	1920.78	\$138,296.16
43	2360.509	TYPE SP 12.5 NON WEAR COURSE MIX (3;C)	TON	\$70.00	2593	1141.63	\$79,914.10	1141.63	\$79,914.10
44	2501.502	36" RC PIPE APRON	EACH	\$2,600.00	1	1	\$2,600.00	1	\$2,600.00
45	2501.602	TRASH GUARD FOR 36" PIPE APRON	EACH	\$2,500.00	1	1	\$2,500.00	1	\$2,500.00
46	2502.503	6" PVC PIPE DRAIN	L F	\$18.00	840	0	\$0.00	0	\$0.00
47	2502.601	IRRIGATION SYSTEM PROVISION	LS	\$10,000.00	1	0.596	\$5,960.00	0.596	\$5,960.00
48	2502.602	CONNECT TO EXISTING PIPE DRAIN	EACH	\$1,300.00	2	0	\$0.00	0	\$0.00
49	2501.503	18" RC PIPE CULVERT DES 3006 CL V	L F	\$53.00	1343	240	\$12,720.00	643	\$34,079.00
50	2503.503	15" RC PIPE SEWER DES 3006 CL V	L F	\$49.00	1627	299	\$14,651.00	695	\$34,055.00
51	2503.503	21" RC PIPE SEWER DES 3006 CL III	L F	\$58.00	955	243	\$14,094.00	243	\$14,094.00
52	2503.503	24" RC PIPE SEWER DES 3006 CL III	L F	\$61.00	585	309	\$18,849.00	562	\$34,282.00
53	2503.503	30" RC PIPE SEWER DES 3006 CL III	L F	\$84.00	208	208	\$17,472.00	208	\$17,472.00
54	2503.503	36" RC PIPE SEWER DES 3006 CL III	L F	\$141.00	19	13	\$1,833.00	13	\$1,833.00
55	2503.601	SANITARY SEWER BYPASS PUMPING	L S	\$5,000.00	1	0	\$0.00	0.5	\$2,500.00
56	2503.602	CONNECT TO EXISTING SANITARY SEWER	EACH	\$1,500.00	3	0	\$0.00	2	\$3,000.00
57	2503.602	CONNECT TO EXISTING MANHOLES (SAN)	EACH	\$1,500.00	1	1	\$1,500.00	1	\$1,500.00
58	2503.602	CONNECT TO EXISTING STORM SEWER	EACH	\$1,300.00	2	0	\$0.00	0	\$0.00
59	2503.602	CONNECT TO EXISTING FORCE MAIN	EACH	\$1,700.00	1	1	\$1,700.00	1	\$1,700.00
60	2503.602	RECONNECT TO EXISTING SANITARY SEWER SER	EACH	\$280.00	126	30	\$8,400.00	68	\$19,040.00
61	2503.602	CONNECT INTO EXISTING DRAINAGE STRUCTURE	EACH	\$3,000.00	2	0	\$0.00	2	\$6,000.00
62	2503.602	8"X6" PVC WYE	EACH	\$550.00	121	21	\$11,550.00	69	\$37,950.00
63	2503.602	12"X6" PVC WYE	EACH	\$700.00	5	4	\$2,800.00	4	\$2,800.00
64	2503.603	8" PVC PIPE SEWER - SDR 26	L F	\$49.00	949	447	\$21,903.00	447	\$21,903.00
65	2503.603	8" PVC PIPE SEWER - SDR 35	L F	\$48.00	4347	552	\$26,496.00	2630	\$126,240.00

66	2503.603	TELEWISE SANITARY SEWER	L F	\$1.25	6035	0	\$0.00	0	\$0.00
67	2503.503	6" PVC PIPE SEWER	L F	\$19.00	4366	945.5	\$17,964.50	2182.5	\$41,467.50
68	2503.603	6" PVC FORCE MAIN	L F	\$38.00	90	75.2	\$2,857.60	75.2	\$2,857.60
69	2503.603	12" PVC PIPE SEWER SDR 35	L F	\$53.00	739	765.64	\$40,578.92	765.64	\$40,578.92
70	2504.601	TEMPORARY WATER SERVICE	LS	\$65,000.00	1	0.35	\$22,750.00	0.75	\$48,750.00
71	2504.602	CONNECT TO EXISTING WATER MAIN	EACH	\$2,300.00	7	2	\$4,600.00	5	\$11,500.00
72	2504.602	CONNECT TO EXISTING WATER SERVICE	EACH	\$290.00	126	29	\$8,410.00	69	\$20,010.00
73	2504.602	HYDRANT	EACH	\$6,600.00	16	4	\$26,400.00	9	\$59,400.00
74	2504.602	ADJUST GATE VALVE & BOX	EACH	\$680.00	5	7	\$4,760.00	7	\$4,760.00
75	2504.602	1" CORPORATION STOP	EACH	\$500.00	126	29	\$14,500.00	69	\$34,500.00
76	2504.602	8" GATE VALVE & BOX	EACH	\$2,800.00	19	7	\$19,600.00	10	\$28,000.00
77	2504.602	12" GATE VALVE & BOX	EACH	\$4,300.00	3	0	\$0.00	3	\$12,900.00
78	2504.602	1" CURB STOP & BOX	EACH	\$500.00	126	29	\$14,500.00	69	\$34,500.00
79	2504.603	1" TYPE PE PIPE	L F	\$17.00	4366	948	\$16,116.00	2267	\$38,539.00
80	2504.603	6" PVC WATERMAIN	L F	\$24.00	209	51	\$1,224.00	123	\$2,952.00
81	2504.603	8" PVC WATERMAIN	L F	\$28.00	5183	1609	\$45,052.00	2687	\$75,236.00
82	2504.603	12" PVC WATERMAIN	L F	\$37.00	1408	0	\$0.00	1039	\$38,443.00
83	2504.604	4" POLYSTYRENE INSULATION	S Y	\$19.00	150	1.8	\$34.20	16	\$304.00
84	2504.608	DUCTILE IRON FITTINGS	LB	\$12.00	3649	867	\$10,404.00	2149	\$25,788.00
85	2506.502	CASTING ASSEMBLY	EACH	\$960.00	57	17	\$16,320.00	25	\$24,000.00
86	2506.502	ADJUST FRAME & RING CASTING	EACH	\$660.00	10	16	\$10,560.00	17	\$11,220.00
87	2506.503	CONST DRAINAGE STRUCTURE DES 48-4020	L F	\$660.00	149.5	40.89	\$26,987.40	65.85	\$43,461.00
88	2506.503	CONST DRAINAGE STRUCTURE DES 60-4020	L F	\$810.00	6.3	6.08	\$4,924.80	12.46	\$10,092.60
89	2506.503	CONST DRAINAGE STRUCTURE DES 72-4020	L F	\$840.00	14.3	18.33	\$15,397.20	18.33	\$15,397.20
90	2506.602	CONST DRAINAGE STRUCTURE DESIGN SPEC (2'X3')	EACH	\$2,300.00	20	4	\$9,200.00	9	\$20,700.00
91	2506.602	CASTING ASSEMBLY (SANITARY)	EACH	\$1,100.00	32	0	\$0.00	0	\$0.00

92	2506.602	CHIMNEY SEALS	EACH	\$220.00	110	15	\$3,300.00	15	\$3,300.00
93	2506.603	CONSTRUCT 48" DIA SAN MANHOLE	L F	\$400.00	401	132.64	\$53,056.00	255.98	\$102,392.00
94	2511.507	RANDOM RIPRAP CLASS III	C Y	\$118.00	23	15	\$1,770.00	15	\$1,770.00
95	2521.518	4" CONCRETE WALK	S F	\$7.00	1466	405	\$2,835.00	405	\$2,835.00
96	2521.518	6" CONCRETE WALK	S F	\$12.00	665	0	\$0.00	0	\$0.00
97	2531.503	CONCRETE CURB & GUTTER DESIGN B618	L F	\$12.00	13088	3509	\$42,108.00	9570	\$114,840.00
98	2531.503	CONCRETE CURB & GUTTER DESIGN D412	L F	\$25.00	332	0	\$0.00	202	\$5,050.00
99	2531.504	6" CONCRETE DRIVEWAY PAVEMENT	S Y	\$46.00	2285	310.3	\$14,273.80	985.3	\$45,323.80
100	2531.603	CONCRETE CURB & GUTTER DES SURMOUNTABLE	L F	\$25.00	195	0	\$0.00	0	\$0.00
101	2531.618	TRUNCATED DOMES	S F	\$100.00	128	16	\$1,600.00	16	\$1,600.00
102	2540.602	MAIL BOX	EACH	\$30.00	126	0	\$0.00	0	\$0.00
103	2540.602	MAIL BOX SUPPORT	EACH	\$180.00	126	0	\$0.00	0	\$0.00
104	2540.602	TEMPORARY MAIL BOX	EACH	\$85.00	126	0	\$0.00	128	\$10,880.00
105	2540.618	INSTALL BRICK PAVERS	S F	\$25.00	200	0	\$0.00	0	\$0.00
106	2557.602	REPAIR DOG FENCE	EACH	\$230.00	25	0	\$0.00	0	\$0.00
107	2557.603	INSTALL FENCE	L F	\$12.00	109	0	\$0.00	0	\$0.00
108	2563.601	TRAFFIC CONTROL	LS	\$7,100.00	1	0.3	\$2,130.00	0.45	\$3,195.00
109	2564.518	SIGN PANELS TYPE C	S F	\$40.00	113	0	\$0.00	0	\$0.00
110	2564.602	SIGN PANELS TYPE SPECIAL	EACH	\$530.00	6	0	\$0.00	0	\$0.00
111	2565.602	RIGID PVC LOOP DETECTOR 6'X6'	EACH	\$1,100.00	8	3	\$3,300.00	3	\$3,300.00
112	2571.524	CONIFEROUS TREE 8' HT B&B	TREE	\$450.00	13	0	\$0.00	0	\$0.00
113	2571.524	DECIDUOUS TREE 2" CAL B&B	TREE	\$420.00	14	0	\$0.00	0	\$0.00
114	2572.503	CLEAN ROOT CUTTING	L F	\$5.00	1175	0	\$0.00	0	\$0.00
115	2573.501	STABILIZED CONSTRUCTION EXIT	LS	\$7,500.00	1	0	\$0.00	0.3	\$2,250.00
116	2573.502	STORM DRAIN INLET PROTECTION	EACH	\$420.00	80	14	\$5,880.00	34	\$14,280.00
117	2573.503	SILT FENCE; TYPE MS	L F	\$2.00	1309	0	\$0.00	0	\$0.00

118	2573.503	FLOTATION SILT CURTAIN TYPE MOVING WATER	L F	\$25.00	50	0	\$0.00	55	\$1,375.00
119	2573.503	SEDIMENT CONTROL LOG TYPE WOOD FIBER	L F	\$3.00	6544	0	\$0.00	630	\$1,890.00
120	2574.507	COMMON TOPSOIL BORROW	C Y	\$24.00	2360	314	\$7,536.00	314	\$7,536.00
121	2575.504	SODDING TYPE MINERAL	S Y	\$4.75	21235	2177	\$10,340.75	2177	\$10,340.75
122	2575.504	EROSION CONTROL BLANKETS CATEGORY 3N	S Y	\$5.00	100	0	\$0.00	0	\$0.00
123	2575.523	RAPID STABILIZATION METHOD 3	MGAL	\$400.00	26	0	\$0.00	0	\$0.00
124	2582.503	4" SOLID LINE MULTI COMP	L F	\$1.00	186	0	\$0.00	0	\$0.00
125	2582.503	24" SOLID LINE MULTI COMP	L F	\$10.00	34	0	\$0.00	0	\$0.00
126	2582.503	4" DBLE SOLID LINE MULTI COMP	L F	\$2.00	301	0	\$0.00	0	\$0.00
127	2582.518	PAVT MSSG MULTI COMP	S F	\$4.00	104	0	\$0.00	0	\$0.00
128	2582.518	CROSSWALK MULTI COMP	S F	\$6.00	414	0	\$0.00	0	\$0.00
129	2021.501	MOBILIZATION	LS	\$3,600.00	1	1	\$3,600.00	1	\$3,600.00
130	2104.502	REMOVE CASTING	EACH	\$260.00	4	0	\$0.00	2	\$520.00
131	2104.503	SAWING BIT PAVEMENT (FULL DEPTH)	L F	\$5.00	72	0	\$0.00	0	\$0.00
132	2104.503	REMOVE CURB & GUTTER	L F	\$3.00	428	0	\$0.00	140	\$420.00
133	2104.518	REMOVE CONCRETE WALK	S F	\$2.00	100	0	\$0.00	0	\$0.00
134	2123.610	STREET SWEEPER (WITH PICKUP BROOM)	HOURL	\$150.00	5	0	\$0.00	0	\$0.00
135	2215.504	FULL DEPTH RECLAMATION	S Y	\$5.00	2086	0	\$0.00	2215	\$11,075.00
136	2232.504	MILL BITUMINOUS SURFACE (2.0")	S Y	\$23.00	32	0	\$0.00	0	\$0.00
137	2357.506	BITUMINOUS MATERIAL FOR TACK COAT	GAL	\$3.00	104	0	\$0.00	0	\$0.00
138	2360.509	TYPE SP 12.5 WEARING COURSE MIX (3;C)	TON	\$87.00	177	197.14	\$17,151.18	197.14	\$17,151.18
139	2360.509	TYPE SP 12.5 NON WEAR COURSE MIX (3;C)	TON	\$78.00	236	253.77	\$19,794.06	253.77	\$19,794.06
140	2506.502	CASTING ASSEMBLY	EACH	\$960.00	4	0	\$0.00	2	\$1,920.00
141	2506.602	CHIMNEY SEALS	EACH	\$220.00	4	0	\$0.00	0	\$0.00
142	2521.518	6" CONCRETE WALK	S F	\$12.00	100	0	\$0.00	0	\$0.00
143	2531.503	CONCRETE CURB & GUTTER DESIGN B612	L F	\$25.00	82	0	\$0.00	69	\$1,725.00

144	2531.503	CONCRETE CURB & GUTTER DESIGN D412	L F	\$25.00	346	0	\$0.00	71	\$1,775.00
145	2531.618	TRUNCATED DOMES	S F	\$100.00	20	0	\$0.00	0	\$0.00
146	2563.601	TRAFFIC CONTROL	LS	\$700.00	1	0	\$0.00	0	\$0.00
147	2573.501	STABILIZED CONSTRUCTION EXIT	LS	\$2,100.00	1	0	\$0.00	0	\$0.00
148	2573.502	STORM DRAIN INLET PROTECTION	EACH	\$420.00	4	0	\$0.00	4	\$1,680.00
149	2574.507	COMMON TOPSOIL BORROW	C Y	\$40.00	24	38	\$1,520.00	38	\$1,520.00
150	2575.504	SODDING TYPE MINERAL	S Y	\$10.00	37	265	\$2,650.00	265	\$2,650.00
151	2582.503	4" SOLID LINE MULTI COMP	L F	\$2.00	318	0	\$0.00	0	\$0.00
152	2582.518	PAVT MSSG MULTI COMP	S F	\$30.00	4	0	\$0.00	0	\$0.00
153	2582.518	CROSSWALK MULTI COMP	S F	\$4.40	72	0	\$0.00	0	\$0.00
Bid Totals:							\$1,110,335.72		\$2,302,051.68

Project Category Totals		
Category	Amount This Voucher	Amount To Date
Alternate 1 - Civic Heights Circle	\$44,715.24	\$63,830.24
Base Bid	\$1,065,620.48	\$2,238,221.44

Contract Change Item Status											
CC	CC No.	Line No.	Item	Description	Units	Unit Price	Contract Quantity	Quantity This Voucher	Amount This Voucher	Quantity To Date	Amount To Date
Contract Change Totals:										\$	\$

Contract Change Totals				
No.	Contract Change	Description	Amount This Voucher	Amount To Date

Revised Contract Total:	\$2,302,051.68
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Material On Hand Additions					
Line No.	Item	Description	Date	Added	Comments

Material On Hand Balance						
Line No.	Item	Description	Date	Added	Used	Remaining
65	2503.603	8" PVC PIPE SEWER - SDR 35	05/05/2020	763.66 L F \$36,655.68	763.66 L F \$36,655.68	0 L F \$0.00
81	2504.603	8" PVC WATERMAIN	05/05/2020	1,078 L F \$30,184.00	1,078 L F \$30,184.00	0 L F \$0.00
82	2504.603	12" PVC WATERMAIN	05/05/2020	1,039 L F \$38,443.00	1,039 L F \$38,443.00	0 L F \$0.00
84	2504.608	DUCTILE IRON FITTINGS	05/05/2020	1,282 LB \$15,384.00	1,282 LB \$15,384.00	0 LB \$0.00